



NGOC NGHIA INDUSTRY - SERVICE -
TRADING JOINT STOCK COMPANY

Annual Report 2019

THE START OF A NEW JOURNEY



Remarkable figures

+85

EXPORT
CUSTOMERS

3

MANUFACTURING SITE
ACROSS VIETNAM

+7 bil

UNITS PER YEAR

+450

DOMESTIC & FOREIGN
BUSINESSES

24

IMPORT COUNTRIES IN
ASIA-PACIFIC REGION



The year 2019 came to a close with the fact that the NN continues to assert its position in the domestic market, as well as continually developing, winning recognition and attracting more attention among its export markets.

Outstanding
achievements in 2019

NEW BAC NINH MANUFACTURE	OPENS A NEW MANUFACTURER IN BAC NINH PROVINCE
BENEFIT RATE 98%	CONSOLIDATED PROFIT BEFORE TAX (EXCLUDING PROVISION EXPENSES)
EXCEEDS 4.8%	EXCEEDS 4.8% COMPARED TO TARGET REVENUE
BENEFIT RATE 98%	CONSOLIDATED PROFIT AFTER TAX (EXCLUDING PROVISION EXPENSES)
21.4 MILLION USD	CALLED CAPITAL FROM THE TEMPEL FOUR LIMITED

TABLE OF CONTENTS

05	Achievements	Remarkable figures demonstrating the company's growth
06	Table of contents	Overall contents of the report
10	Message from Chairman	Declaration of the company's future direction
13	Message from CEO	Demonstration of the CEO's orientation and capacity
14	History of Establishment and Development	The sustainable development journey that helps to boost the NN brand's value
16	Shares and shareholders information	Demonstration of the number of shares, exchanges and key shareholders of the company
24	Core values and business philosophy	Demonstration of the corporate culture and the leader's vision

28	Bussiness corporate model	The allocation of headquarters and satellite factories
32	Organizational chart apparatus and key management	High-skilled employees
40	Development strategy and Sustainable development during 2020-2021 period	Development orientation in 2021 and long-term plan
48	Business performance in 2019 - Forecast and plans for 2020	Evaluation of the company's performance in 2019 and Setting out the 2020 plans
64	Financial report	Table showing the financial and business highlights, cash flow ...
108	Contact information	Office address, email,...

Abbreviations

NN	Ngoc Nghia
CAGR	Compound Annual Growth Rate
HNX	Hanoi Stock Exchange
ROA	Return on assets
ROE	Return on equity
CPTPP	The Comprehensive and Progressive Agreement for Trans-Pacific Partnership

CSD	Carbonated Soft Drinks
rPET	Recycled polyethylene terephthalate
FTA	Free Trade Agreement
VAS	Vietnamese Accounting Standards
R&D	Research & Development

Message from Chairman

In recent years, the economic turbulence on a global scale has created enormous impacts on the market in general and NN's business performance in particular. In the face of these challenges, the whole NN group has stood side-by-side, under the leadership of the CEO and the Board of Direction to restructure its manufacturing, improve its products and service quality, restructure its human resources and enhance its employees' skills.

In 2018, NN began its transformation by restructuring the Board of Management. In 2019, we restructured our manufacturing process and human resources. We also changed our company's name into NN and introduced our completely new brand identity, with the purpose of building an international company.

This movement clearly demonstrates our determination to streamline our organizational apparatus, enhance the productivity and efficiency of our operating process; as well as our commitment to achieving the satisfaction of our customers and partners. In addition, this is a reaffirmation of our goal to strengthen NN's position in the Asian markets and continue reaching global markets, after 30 years of establishment and development. In 2019, NN's General Meeting of Shareholders issued private placements to raise capital to meet the development demands in the 2020-2022 period. In November of 2019, we successfully secured 21.4 million USD in investment from Tempel Four Limited.

Following our achievements and looking to the future with the sustainable development strategy and the spirit "Improvement for growth", NN would enter 2020 with the following core tasks:

- **Generating greater shareholders' values**
- **Boosting profitability, strengthening presence on global markets**
- **Making a further investment in human resources and improving the operation**

With successes gained from R&D, NN proudly reaffirms our capacity to provide one-stop solution packages to each customer, and our commitment to bring high-quality products at a reasonable cost, which will help us stay ahead of our competitors in the same segment.

Each employee of NN, whether in any position, is always motivated to think optimistically, bring into fullest their creativity and dedicate their full capacity to their daily work.

Together with the methodical business strategy realized by specific action plans, and the coordination between enthusiastic leaders and talented devoted employees, the Board of Management believes that NN will always be ready to face challenges and achieve the set goals.

In closing, I would like to express my sincere thanks to the Board of Direction and all employees of NN for their tireless dedication in the past 2019. Thanks for the trust of our customers, partners and especially the shareholders. Wishing you health, happiness and prosperity.

Message from CEO

"Each member of NN always maintains their readiness for new innovations, for the purpose of creating sustainability for businesses and the community."

The year 2016–2017 was a challenging time for NN due to the sharp drop in its revenues. In 2018, there were some improvements, but the revenues still stagnated. Only in 2019 that the company's business results took off, with revenues reaching 78 million USD. Overcoming the challenges step-by-step, nowadays, NN has been thriving to become one of the biggest PET manufacturers in Vietnam, with 3 productive manufacturing sites across the country, achieving a production capacity that exceeds 7 billion units per year.

By 2019, NN had about 85 customers in over 24 countries in Asia, Oceania and it has been able to conquer demanding markets like Japan and Australia. With over 450 domestic and foreign customers and partners, NN has positioned itself as a well-established brand throughout Asia and Oceania through such certifications as FSSC 22000 CH14 / 0154, including ISO 22000: 2005; PAS 223: 2011; GMP certification; HACCP Certified; FSSC 22000 certification; HACCP certification; BRC Food Certified inclusive of Cosmetics and Packaging, and Halal Certified.

NN's success is built on the foundation of continuous creativity, utilizing advanced technology to provide products that meet customer requirements

and reduce carbon footprints in the environment. In particular, NN's employees are always ready for innovations, maintain positive thinking and actions, and endeavor to devote their full potential to create common sustainability for the company in particular and the community in general.

All of NN's employees are always beaming with enthusiasm and confidence to conquer new challenges, make their best efforts to realize the 2020–2021 plan set out by the Board of Management. Given the Covid 19 epidemic is raging all over the world with its complicated developments, causing significant impacts on individuals, businesses and the economy, the Board of Management have proposed 5 following strategies. They all serve the purpose of achieving double-digit in terms of market expansion and profit growth:

- **Expanding market share with higher profit growth.**
- **Improving sustainable management practices.**
- **Diversifying customer base and products.**
- **Streamlining the manufacturing process.**
- **Promoting the new brand identity's role in building an image of the international company**

History of establishment and development

1986

SMALL WORKSHOP
SET UP

1993

NN, THE FIRST PET
PACKAGING PROVIDER IN
VIETNAM

1998

FACTORY NO.1 WAS
ESTABLISHED IN THE TAN
BINH INDUSTRIAL ZONE

2003

FACTORY NO.2 WAS
ESTABLISHED IN THE
TAY BAC CU CHI
INDUSTRIAL ZONE

2007

THE COMPANY
BECAME A JOINT
STOCK COMPANY

2010

FACTORY NO.3 WAS
ESTABLISHED IN
TAY NINH
INDUSTRIAL ZONE

2016

TAN BINH SITE WAS
MOVED TO
TAY BAC CU CHI
INDUSTRIAL ZONE

2019

NEXT FACTORY WAS
ESTABLISHED IN
DAI DONG
INDUSTRIAL ZONE,
BAC NINH

The core business of NN is currently high-grade PET packaging. NN remains a market leader, which specializes in manufacturing and providing products of all kinds to domestic and international markets of PET plastic packaging. Our products include:

PET bottles of all kinds with all capacities and shapes, serving industries such as:

- Drinking water (including bottled water and soft drinks of all kinds)
- Milk-based beverages
- Food
- Alcohol
- Chemistry
- Desticide-Herbicide
- Cosmetic
- Consumer goods
- And other industries

PET preforms with all neck sizes required by customers or standard neck sizes PCO1810, PCO1881, ... which meet all customers' needs

- CSD preform
- Non-CSD preform
- Hotfill preform with neck crystallization and tempered preform

PET closures with full colors, emboss / deboss logo, laser-inserted logo...

- PCO1881 neck, Non-CSD closures (including a lightweight cap that reduces costs for customers)
- PCO1881 neck; two-piece CSD closures
- Hotfill closures for crystalline bottles and tempered Hotfill closures

SHARES AND
SHAREHOLDERS
INFORMATION

Shares information

The Ngoc Nghia Industry - Service - Trading Joint Stock Company (NN) was initially granted Enterprise Registration Certificate No. 0301427028 by the Business Registration Division - Department of Planning and Investment of Ho Chi Minh City on June 18, 1993, changed for the 22nd time on December 19, 2019, officially traded on the UPCoM market - the stock exchange market for public companies not listed yet in the Hanoi Stock Exchange under Decision No. 85 / QD-SGDHN issued by the Hanoi Stock Exchange on February 10, 2015.

Stock ticker symbol	NNG
Financial year ended	31st December
Independent Auditor	Ernst & Young Vietnam Limited

Shares and shareholder structure

As at 31/12/2019, number of shares of the Company as follows:

Authorized
share capital

815.709.880.000
VND

Contributed
share capital

815.709.880.000
VND

Outstanding
shares

81.570.988
shares

Class of shares

Common
shares

Total issued and
listed shares

81.570.988
shares

Treasury shares

0

Par value

10.000
VND/share

List of the Company's shareholders structure

(based on the latest shareholder list)

Name of shareholders	Number of shares	%
Mr. La Van Hoang	17,138,829	21.01%
Mrs. Bui Bich Hong	10,554,834	12.94%
Mrs. La Bui Hong Ngoc	10,329,201	12.66%
Mr. La Bui Hoang Nghia	7,376,697	9.04%
Other shareholders	6,850,439	8.40%
Tempel Four Limited	29,320,988	35.95%
<hr/>		
TOTAL	81,570,988	100%

Number of shares	%	Number of shareholders		
343,020	0.42%	5	Local	Organization
51,831,126	63.54%	402	Local	Person
29,321,888	35.95%	2	Foreign	Organization
74,954	0.09%	2	Foreign	Person
<hr/>				
81,570,988	100%	411		

CORE VALUES &
BUSINESS PHILOSOPHY

Core values

Reliability

For customers, NN continuously improves the quality of products, offering solutions which meet the needs and expectations of customers in the most difficult situations.

Internally, NN is committed to building a healthily competitive working environment, bring into the full potential of each employee as well as creating the closest bond between individuals and the company.

Innovation

Becoming fully aware that creativity and continuous innovation is the foundation to boost the company's competitive advantage & build a sustainable

business, NN teams has always been implementing new ideas. This helps the company generate demands and stay ahead of its competitors.

Stewardship

NN practices leading through stewardship, considering stewardship its core value to develop its human resources. At NN, every employee plays a key role in the success of the

whole company. Therefore, NN creates an open and dynamic working environment, where each individual's capacity is recognized and their full potential is brought into full play.

Vision and Mission

Vision:

NN's vision is to be a regional competitive rigid packaging manufacturer with sustainable and innovative solutions that redefine market demand.

Mission:

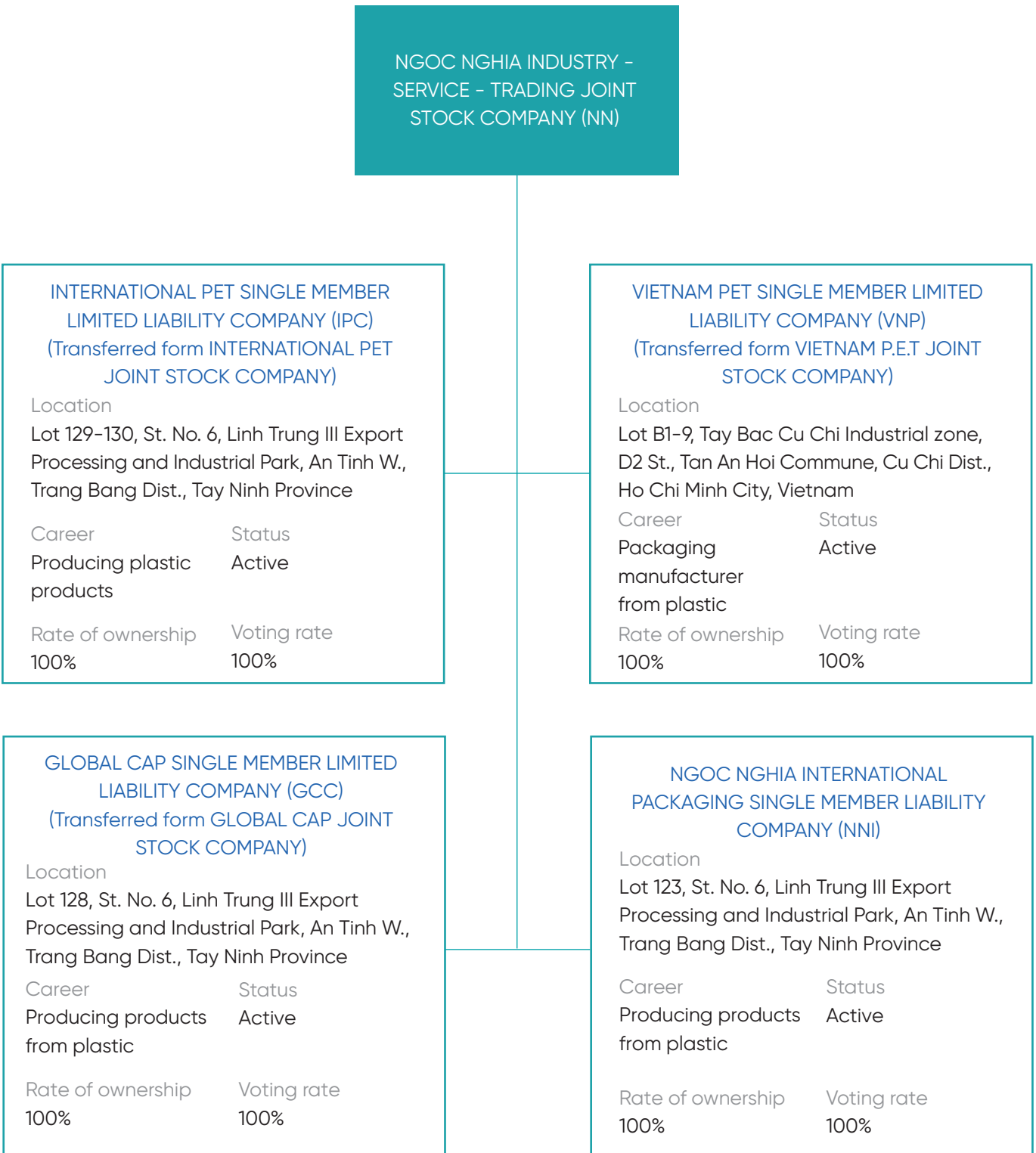
NN's mission is to solve customers' challenges by implementing innovative initiatives and sustainable practices as a value-added partner.

Business philosophy

Regarding innovative initiatives as the core value to motivate each employee and unleash their ultimate creativity, which will bring into full power and sustainable values to better serve our customers.

COMPANY
OPERATION MODEL

Company operation model



HEAD OFFICE OF NGOC NGHIA INDUSTRY - SERVICE - TRADING JOINT-STOCK COMPANY

27A Nguyen U Di Str., Thao Dien Ward, Dist. 2, Ho Chi Minh City, Vietnam

Transactions, marketing

BRANCH OF NGOC NGHIA INDUSTRY - SERVICE - TRADING JOINT STOCK COMPANY - SITE No. 1

IV-22 Tay Thanh, Tan Binh Industrial Park, Tay Thanh Ward, Tan Phu Dist., Ho Chi Minh City, Vietnam

Producing products from plastic

BRANCH OF NGOC NGHIA INDUSTRY - SERVICE - TRADING JOINT STOCK COMPANY - SITE No. 2

Lot B1-8, Tay Bac Cu Chi Industrial zone, D2 St., Tan An Hoi Commune, Cu Chi Dist., Ho Chi Minh City, Vietnam

Production of plastic molds and machine parts, packaging printing

BRANCH OF NGOC NGHIA INDUSTRY - SERVICE - TRADING JOINT STOCK COMPANY - SITE No. 3

Quarter 1 Le Van Khuong, Thoi An Ward, Dist. 12, Ho Chi Minh City, Vietnam

Producing plastic goods (except for recycling plastic waste)

BRANCH OF NGOC NGHIA INDUSTRY - SERVICE - TRADING JOINT STOCK COMPANY AT KHANH HOA

Cay Sung Village, Dien Tan Commune, Dien Khanh District, Khanh Hoa Province, Vietnam

Producing products from plastic.

Details: Producing packaging from plastic; Producing other products from plastic

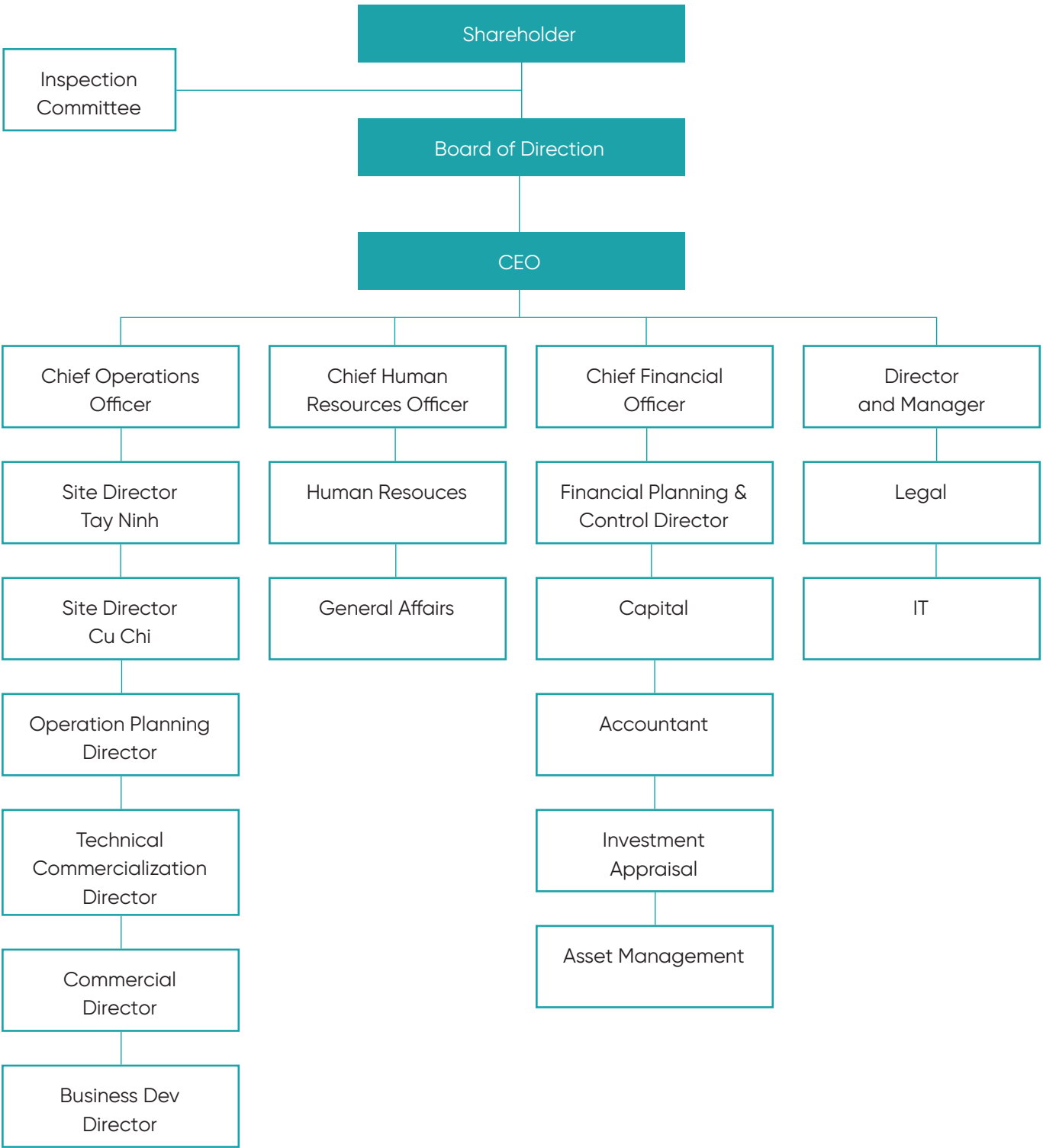
BRANCH OF NGOC NGHIA INDUSTRY - SERVICE - TRADING JOINT STOCK COMPANY AT BAC NINH

Lot A3-1, Dai Dong - Hoan Son Industrial Park, Hoan Son Commune, Tien Du Dist., Bac Ninh Province, Vietnam

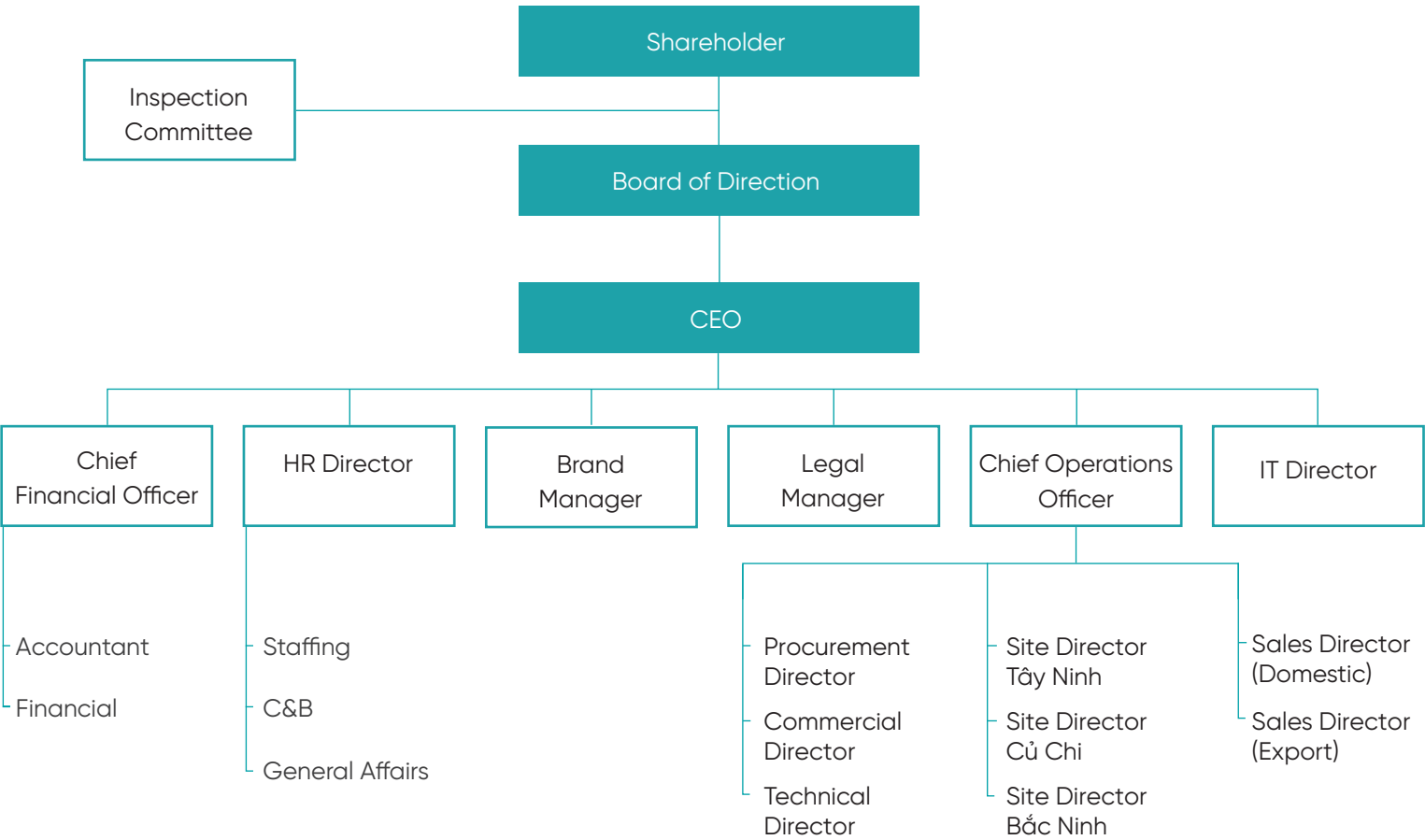
Producing products from plastic

ORGANIZATION
CHART AND
MANAGEMENT
APPARATUS

Organizational chart (old)



Organizational chart (new)



Management Apparatus

Board of Direction

Members of the Board of Direction during the year 2019 and at the date of this report are:

Mr. La Bui Hoang Nghia	Chairman of Board	
Mrs. La Bui Hong Ngoc	Vice Chairwoman of Board	
Mr. La Van Hoang	Member	
Mr. Le Thanh Hao Nhlen	Member	Appointed on 28 November 2019
Mrs. Nguyen Thi Dieu Phuong	Member	Appointed on 28 November 2019
Mrs. Bui Bich Hong	Member	Resigned on 28 November 2019
Mrs. Dao Thi Thuan	Member	Resigned on 28 November 2019

Inspection Committee

Members of the Control Board during the year 2019 and at the date of this report are:

Mrs. Hoang Thi Minh Thu	Head of Control board	Appointed on 28 November 2019
Mr. Truong Quoc Thang	Head of Control board	Resigned on 28 November 2019
Mr. Nguyen Huu Thoang	Member	Appointed on 28 November 2019
Mrs. Nguyen Ngoc Chi Mai	Member	Appointed on 28 November 2019
Mr. Nguyen Manh Ha	Member	Resigned on 28 November 2019
Mr. Nguyen Van Thanh	Member	Resigned on 28 November 2019

Board of Director

Members of the Executive Management Board during the year 2019 and at the date of this report are:

Mrs. La Bui Hong Ngoc	CEO	
Mr. John Russell Gray	COO	Appointed on 1 January 2019
Mr. Nguyen Hoang Oanh	CFO	Resigned on 26 March 2020

Changes in the Executive Management Board: Dismissed Mr. Nguyen Hoang Oanh (Deputy Finance Director) and appointed Ms. Truong Thi Ngoc Tram as the new Deputy Finance Director on March 30, 2020.

Information about the staff at NN

The number of employees of the company as of 31 December 2019 is 333 (December 31, 2018 is: 315)

Information about the staff at NN and its subsidiaries

The number of employees of the company as of 31 December 2019 is 887 (December 31, 2018: 921).

Board of Direction

The Board of Direction has 5 members, in which the Chairman of the Board and the Managing Director are separate. Members of the Board of Direction include:

1. Mr. La Bui Hoang Nghia, Chairman of Board

Mr. La Bui Hoang Nghia is the Chairman of the Board. In addition, he is the Chairman of Ngoc Nghia’s subsidiaries, including the Global Cap Single Member Limited Liability Company and Ngoc Nghia International Packaging Single Member Limited Liability Company.

Before being elected as the Chairman of the Board, Mr. Hoang Nghia had served as Deputy Director in charge of Marketing and product development at NN for over 7 years. With his strategic vision, for the last 2 years, he has led the restructuring of the operational and management activities, with a focus on investing in the PET segment and developing multi-functional packaging products for the company.

Mr. Hoang Nghia graduated with a Bachelor’s Degree in Marketing in Canada.

2. Mrs. La Bui Hong Ngoc, Vice Chairwoman of Board

Mrs. La Bui Hong Ngoc is the Vice Chairwoman of Board and CEO of NN. She is also the Chairman of Ngoc Nghia’s subsidiaries, including the International Pet Single Member Limited Liability Company and Vietnam Pet Single Member Limited Liability Company.

Mrs. Hong Ngoc has over 12 years working at NN and she has taken on many different managerial positions. Her latest position prior to being appointed as Vice President of the Board of Direction was Deputy Managing Director.

Mrs. Hong Ngoc has profound knowledge and experience in the PET packaging industry, not only in the Vietnamese market but also in other foreign markets in Asia Pacific. She has developed strategic customer bases at home and abroad for the past years.

Mrs. Hong Ngoc graduated with a Master’s degree in Business Administration in Switzerland.

3. Mr. La Van Hoang, Member

Mr. La Van Hoang is the founder of the company. With his strategic vision and a strong desire, he brought the company from a small workshop in its early days of an establishment to the leading company in the PET packaging market in Vietnam.

Mr. Hoang has a deep understanding of the PET packaging industry, from technology, production to market and new product transformation. He is the pioneer in bringing the technology of sterilized bottles, low plastic bottles and the PCO 1881 Short Neck to Vietnam.

Mr. Hoang graduated in Mechanical Engineering from the Ho Chi Minh City Polytechnic University and graduated with a BA in International Business from the Ho Chi Minh City University of Economics.

4. Mr. Le Thanh Hao Nhlen, Member

Mr. Le Thanh Hao Nhlen is currently the Investment Director of the VinaCapital Fund Management Joint Stock Company. He has over 17 years of experience in the financial market in Vietnam, and extensive experiences in international auditing, capital markets, strategic development planning, corporate restructuring and M&A.

Mr. Le Thanh Hao Nhlen graduated from the University of Hawaii (USA) with an MBA.

5. Mrs. Nguyen Thi Dieu Phuong, Member

Mrs. Nguyen Thi Dieu Phuong is currently the Vice Managing Director of the VinaCapital Fund Management Joint Stock Company. She has over 18 years of experience in the financial market in Vietnam, and extensive experiences in international auditing, capital markets, development strategy planning, corporate restructuring and M&A.

Mrs. Nguyen Thi Dieu Phuong graduated with a Bachelor's degree in Banking – Finance from the Banking Academy of Ho Chi Minh City, and ACCA (Certified Public Accountants Association).

Her current positions in other organizations include: Member of the Board of Direction of the Khang Dien Housing Trading and Investment Joint Stock Company (KDH), Member of the BOD of the Thai Hoa International Hospital Joint Stock Company and member of the BOD of the Hung Vuong Joint Stock Company.

Board of Management

1. Mrs. La Bui Hong Ngoc, Chief Executive Officer

Please refer to the Board of Direction section

2. Mr. John Russell Gray, Chief Operations Officer

Mr. John Russell has over 30 years of experience and is one of the leading experts in the PET packaging industry. He has held many managerial positions during 19 years at Husky (Canada, Japan and China), the world's leading supplier of injection molding equipment. He has also worked for PepsiCo for 7 years as Senior Supply Chain Director, in charge of the Asia-Pacific region.

Mr. John Russell was a graduate of Mechanical Engineering in Canada.

3. Mrs. Truong Thi Ngoc Tram, Chief Financial Officer

Ngoc Tram has spent nearly 20 years working in leading multinational companies such as O-IBJC (Vietnam), Saint Gobain (France and Vietnam), Global Closure Systems (France and USA), Rio Tinto (France). She has extensive experiences in financial management that can help her make revolutionary changes in management, setting up ERP, M&A and corporate restructuring.

Mrs. Ngoc Tram graduated with an MBA at the AIT (Thailand), Master of Audit and Consulting at the ESCP-EAP (France) and the CPA (USA).

4. Mrs. Dong Thi Ngoc Trieu, Chief Accountant

Mrs. Ngoc Trieu has nearly 20 years of working experience in the Accounting Department of the company.

Mrs. Ngoc Trieu graduated with a Bachelor's degree at The Ho Chi Minh City University of Economics.

DEVELOPMENT
AND SUSTAINABLE
DEVELOPMENT
STRATEGY DURING THE
2020 – 2021 PERIOD

1. Expanding market share with higher profit growth

In the period from 2020–2021, NN will take advantage of newly-established factories to penetrate into the Northern and Central market. With regarding the international market, NN will promote its manufacturing efficiency with a low loss rate. This aims to reduce costs and introduce more competitive products, which can help NN maintain its domination in the

current markets and develop its distribution channels in the unexplored potential markets. In addition, we need to focus on Southeast Asia and Oceania markets ... in order to maintain the export shares.

2. Improving sustainable management practices

Sustainable development is an indispensable practice of all countries and businesses. In the upcoming period, NN will continue to strengthen its capacity to produce rPET, and concurrently increase the output of products made from this material to add value to the supply chain, and reduce single-use plastics.

In addition, NN will also concentrate on improving its manufacturing process and performance, with the purpose of reducing energy, scrap and CO2 to ensure effective production while minimizing losses.

Moreover, NN will continue to promote its R&D for projects that aim to reduce the weight of bottles, gradually replacing secondary packaging from paper to the material with a longer life cycle.



3. Diversifying customer base and products

Becoming fully aware of the cut-throat competition as the market's needs are constantly changing, NN is always ready to diversify its customer base, to ensure its stable development in the future.

At the same time, NN will also hold on to the strategy of diversifying its products to offer more options and meet the demands of potential customers.

In addition, NN will also proactively step out of its comfort zone by developing new products besides traditional products so as not to limit itself to the existing models. NN will also implement new research projects even though this process is time-consuming and labor-intensive.



4. Streamlining the manufacturing process

With the purpose of increasing the competitive edge in the market, NN will focus on streamlining the manufacturing process to minimize waste and increase business efficiency. The experts of NN will apply the effective production model to optimize the resources (electricity, water), reduce scrap and labor ... to provide customers and partners with high-quality products, at a reasonable cost and contribute to CO2 reduction.

Maximizing profits is also one of the most important goals of NN, as this plays a significant role in generating values for businesses. To realize this goal, NN opts for improving profit margins by cutting down on unnecessary expenses. We will start with small changes and expand gradually to prevent a sudden decline in our business activities or any counter-reactions from our customers and partners.

5. Promoting the new brand identity's role in building an image of the international company

For every business, brand identity is considered a tool to display its distinctive remarks, which plays an important role in building the company's image, symbolizing professionalism and bringing a sense of trust to customers, partners and employees.

After restructuring and rebuilding a brand identity which is based on professionalism, unity and progression, NN has been synchronously applying the new identity from internal to external, from factories to offices, from customer touching points to important strategic partners to establish a professional brand image and increase

brand reputation. After that, NN will continue to promote its enhancement of brand value through marketing activities, in order to increase brand awareness in the market and the trust from its partners; potential customers and potential hiring candidates.

In parallel, NN will also concentrate on building the corporate culture to utilize its collective power, based on the contribution of each member with the following criteria: gender equality, progressive spirit, optimism, intuitive judgements, positivity and decision to create a strong workforce.



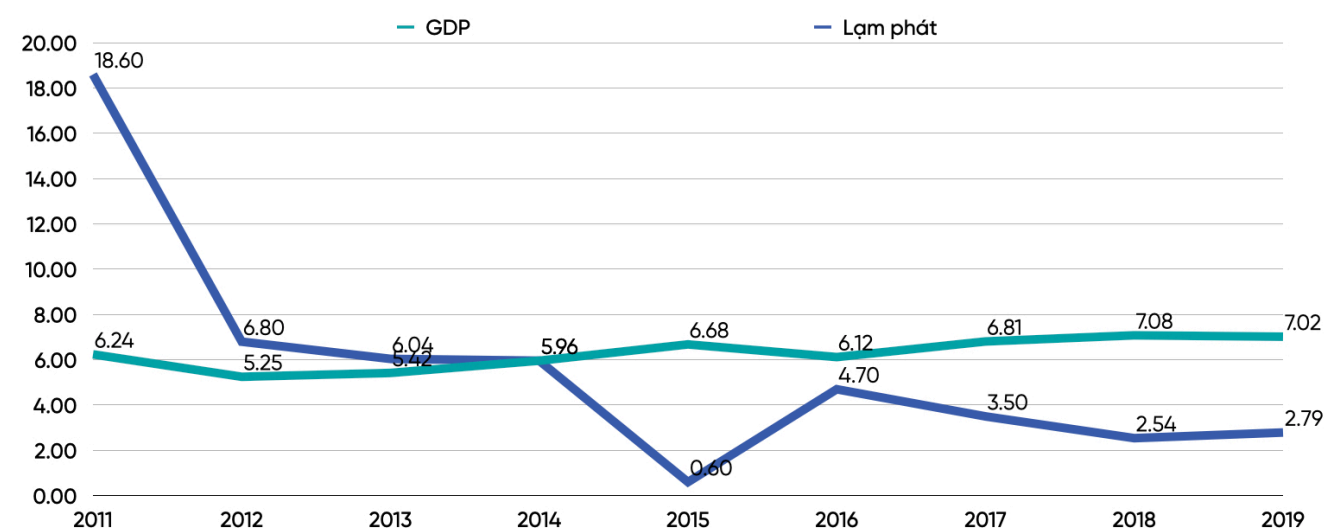
REPORT ON TRADING
& MANUFACTURING
PERFORMANCE IN 2019
– FORECAST AND PLANS
FOR 2020

VIETNAM ECONOMIC SITUATION IN 2019

Vietnam thriving economy in 2019

In 2019, Vietnam's economic growth rate reached 7.02% – the highest rate in the region and the world, given the global economic slowdown, trade tensions between the US – China, the instabilities of the global trading system caused by geographical uncertainties, and the fluctuating oil prices... These factors had significant impacts on the economic confidence, investment and trade decisions, as well as the international financial and monetary market.

Meanwhile, CPI rate in 2019 only increased by 2.79%. This is the lowest inflation rate in the past 3 years, below the 4% target set by the National Assembly.



Nguồn: Tổng cục Thống kê

Vietnam's labor productivity has seen enormous improvements in recent years, helping Vietnam record a high productivity increase compared to other ASEAN nations. Labour productivity in the Vietnamese economy has been estimated at 110.4 million VND (4.791 USD per workhand in 2019, up 272 USD from the previous year).

By the end of 2019, the country's total export- import turnover reached USD 517.26 billion, up 7.6% (equivalent to an increase of USD 36.69 billion) compared to 2018. Of which, the value of exported goods was 264.19 billion USD, up 8.4 percent, and the imports were worth 253.07 billion USD, up 6.8 percent. The trade surplus reached 11.12 billion USD last year, the highest ever level.

GDP per capita and consumer confidence improved

GDP per capita continued to increase and recorded at nearly 2.800 USD, together with high consumer confidence. In Q2 of 2019, the Consumer Confidence Index of Vietnam decreased by 6 percentage points (to 123 percentage points) compared to the previous quarter. However, Vietnam was still the fourth most confident country globally for having the most positive consumers, after India, Philippines and Indonesia, whose score was 138, 130 and 126 respectively. This helps strengthen the growth potential of such industries as FMCG and personal care, which use PET packaging as input material.

¹ Con số chính thức: Tăng trưởng GDP năm 2019 là 7,02%, <<https://baodautu.vn/con-so-chinh-thuc-tang-truong-gdp-nam-2019-la-702-d113702.html>>

² Lạm phát năm 2019 là 2,79%, thấp nhất trong 3 năm, <<https://baodautu.vn/lam-phat-nam-2019-la-279-thap-nhat-trong-3-nam-d113705.html>>

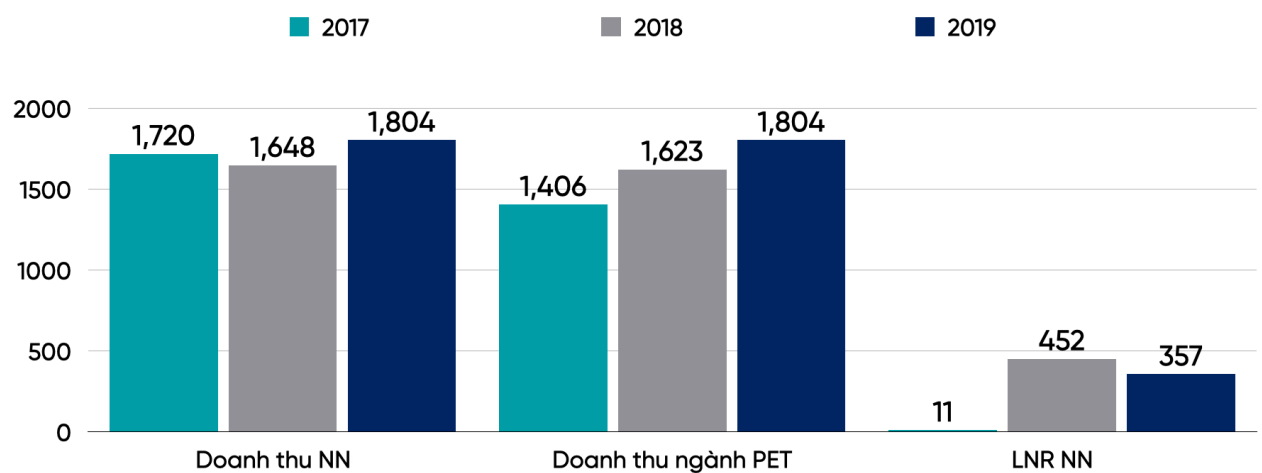
³ Xuất siêu năm 2019 ước đạt 99 tỷ USD, <<http://thoibaotaichinhvietnam.vn/pages/kinh-doanh/2019-12-27/xuat-sieu-nam-2019-uoc-dat-99-ty-usd-80851.aspx>>

⁴ Kinh tế-xã hội Việt Nam 2019, nhiều 'nghịch lý' đã thay đổi, <<http://baochinhphu.vn/Hoat-dong-cua-lanh-dao-Dang-Nha-nuoc/Kinh-texa-hoi-Viet-Nam-2019-nhieu-ng-hich-ly-da-thay-doi/383801.vgp>>

MANUFACTURING AND TRADING IN 2019

Sustainable revenue growth

The year 2018 marks a new beginning of NN, with the company's divestment from a condiments & sauces manufacturer and returning to its core PET packaging in early 2018. In 2019, the successes of NN help to confirm its strength in the PET packaging segment in the domestic market. With tireless efforts, in 2019, the company achieved promising business outcomes. By the end of the fiscal year 2019, as shown by the audit report, the consolidated revenue reached 1.804 billion VND, up 9.47% compared to the previous year. Of which, revenue from the PET packaging increased by 11.17% compared to 2018.



There was also an increase in the revenues from the main products in 2019 compared to 2018. Mechanical equipment has been used effectively and to its utmost capacity.

Regarding the revenue structure by markets, in order to mitigate the risks of depending on the domestic market, which is large but fiercely competitive, NN plans to reach out to foreign markets such as Japan, Cambodia, the Philippines and Australia, which helps the company reap the fruits of success.

In parallel with export activities, NN continued to restructure its sales team to maintain and expand the domestic market share, with such well-known products as NN's Preform-Closure- PET Bottles. After divesting from the sauce manufacturer, NN was able to win back a lot of old customers, including Masan. In addition, with the strength of the R&D team, NN always takes the lead in anticipating new trends of the market, providing customers with the best solutions and products, and meeting the stringent requirements of the market.

Despite the above-mentioned accomplishments, in 2019, NN still suffered from fierce competition from major domestic and foreign competitors, along with the great fluctuation in the material prices.

In spite of the challenges deriving from the cut-throat competition, the flexible and transparent pricing mechanism helps NN win the trust of customers and facilitate the price negotiation, ensuring the minimum profits for the company.

Potential risks

Economic risks

The macro-environment contains such objective basic factors as economic growth, inflation rate, interest rates, exchange rates...which directly affect the development of all businesses. For NN, the economic growth rate, per capita GDP along with consumption growth of the people have direct impacts on the demand for PET packages by FMCG companies, and indirect impacts on NN's business performance.

The company is directly affected by the global macroeconomic fluctuations due to lots of trading activities with international partners such as Cambodia, Japan, Australia, the Philippines...

Inflation rate

In recent years, Vietnam's inflation rate has substantially fluctuated, resulting in the turbulence in the costs of raw materials and input services, directly affecting the company's revenues and profits. However, NN has been advantageously able to control the costs, thanks to the Government's control of inflation in recent years, and the decline in oil prices in the last few months of 2019.

The pair of USD / VND almost remained stable throughout most months of 2019, even VND appreciated against the USD when the State Bank proactively lowered buying prices at the end of November. This fluctuation is quite low compared to other regional currencies against USD. The risk of currency rate fluctuations has direct effects on companies conducting ex-import activities or foreign currency transactions, including NN. In 2019, NN's business performances are significantly affected by fluctuations in material costs caused by exchange rates.

However, an increase in the export revenue proportion has enabled the company to actively stabilize foreign currencies (mainly USD) to ensure payment balance. In the following years, by increasing exports and expanding market shares, NN will earn more foreign currency to balance the accounts.

Interest rates

NN uses most of its short-term loans to finance its manufacturing activities, and uses long-term loans from commercial banks for its investments, so fluctuations in interest rates will pose certain risks for the company

HIGHLIGHTS IN 2019

Positive highlights

Following the achievements in the international market, in 2019, the PET packaging of NN also witnessed a significant development in the export segment. Export revenues has steadily increased over the years. Many products have met the strict standards of demanding customers, creating a favourable condition for greater expansion into the foreign markets in the upcoming years and reducing dependence on the domestic market.

Restructuring management and operation processes towards focusing on our core segment of PET packaging; Each department is structured and managed in the way that it can operate most effectively in accordance with NN's orientations.

NN has ceaselessly enhanced its values through earning certifications and certificates related to quality, continuing to maintain the quality management system and food safety management system ISO and FSSC 22K.

NN has continued to gain advantages through innovation, investment in machinery, improving manufacturing process and management in order to enhance its products' quality, while keeping costs to a minimum. In 2019, NN invested in new modern machinery as well as auxiliary systems to meet the needs of the manufacturing and R&D of new products, and maintain quality for customers.

Drawbacks that need overcoming

Competition in the PET packaging industry is still fierce. NN must continue to trade off its profits to beat competitors to win big projects.

AUDITED FINANCIAL STATEMENTS

5.1 CONSOLIDATED INCOME STATEMENT

Unit: vnd	2019	2018
Revenue	1,804,265,844,519	1,648,054,692,958
Deductions	3,188,810,082	25,658,870,759
Net Revenue	1,801,077,034,437	1,622,395,822,199
Cost of goods sold	1,413,833,034,414	1,331,862,599,608
Gross profit	387,244,000,023	290,533,222,591
Selling expenses	89,272,834,040	79,815,704,938
General and administrative expenses	564,310,090,789	511,018,890,533
Finance income	6,246,781,737	718,197,012,701
Finance expenses	96,482,492,960	95,481,495,892
Operating profit/ (loss)	(356,574,636,029)	322,414,143,929
Other income	5,279,134,900	3,670,407,214
Other expenses	4,305,956,693	11,100,787,646
Other profit/ (loss)	973,178,207	(7,430,380,432)
Accounting profit/ (loss) before tax	(355,601,457,822)	314,983,763,497
Current corporate income tax expense	9,753,956,421	10,828,740,096
Deferred corporate income tax expense	(8,108,828,863)	(148,395,985,536)
Net profit/ (loss) after tax	(357,246,585,380)	452,551,008,937

5.2 CONSOLIDATED BALANCE SHEET

Unit: vnd	31/12/2019	31/12/2018
CURRENT ASSETS	1,215,006,240,160	1,562,449,207,591
Cash and cash equivalents	483,316,377,828	98,037,263,884
Short-term investment	74,099,135,148	71,977,083,333
Short-term trade receivables	342,759,600,523	327,046,668,994
Short-term advances to suppliers	51,677,212,779	125,646,805,663
Short-term loan receivables	641,230,000,000	712,930,000,000
Other short-term receivables	182,982,265,564	372,899,495,103
Provision for doubtful short-term receivables	(877,187,795,380)	(416,964,086,067)
Shortage of assets waiting for resolution	-	49,587,995
Inventory	197,477,115,893	190,459,001,682
Other current assets	118,652,327,805	80,367,387,004
NON-CURRENT ASSETS	1,541,729,998,644	1,066,979,237,985
Long-term receivables	360,543,863,007	10,772,102,591
Fixed assets	892,402,127,086	806,486,919,166
Tangible fixed assets	551,476,530,527	442,729,132,907
Finance leases	128,847,086,065	150,717,584,399
Intangible fixed assets	212,078,510,494	213,040,201,860
Construction in progress	62,679,029,892	26,836,807,732
Other long-term assets	226,104,978,659	222,883,408,496
TOTAL ASSETS	2,756,736,238,804	2,629,428,445,576
Liabilities	1,594,479,077,175	1,524,054,116,549
Owners' Equity	1,162,257,161,629	1,105,374,329,027
TOTAL LIABILITIES AND OWNERS' EQUITY	2,756,736,238,804	2,629,428,445,576

ECONOMIC OUTLOOK FOR 2020

World Economic Outlook 2020

Since the beginning of 2020, the global economy has been hard hit by the Covid-19 pandemic. Countries around the world have taken drastic measures, including border closures and shutting down businesses temporarily. Such measures have severely affected the global supply chain and the manufacturing activities in many countries including China. Specifically, Moody's expects real global GDP to contract by 0.5% in 2020; It also expects the U.S., eurozone economies to contract in 2020 by 2.0%, 2.2% respectively. China's economic growth has been forecast to reach an extremely low level, at only 3.3%. The downward trend will continue for the next few years. And if the outbreak was not controlled, and the government did not issue any policies to save businesses, the international trade restriction could further drag down the overall economy. The impacts of the Covid-19 pandemic will be more severe than the 2008 global recession. Because it has not only adversely affected the financial system, but also the whole economy, and made hundreds of millions of people redundant. People must stay in quarantine in a bid to prevent infections, resulting in the unprecedented collapse in production and in demand.

As for the US economy, the Goldman Sachs bank even forecasts that the country's GDP will drop by 3.8%. And the Deutsche Bank does not rule out the possibility that the US economy will suffer the most severe recession, at least since the end of World War II. In Europe, the German Economy Minister forecasts that the national economy will decline to 5% in 2020.

The Commodity Markets Outlook forecasts that the COVID-19 pandemic will drive most commodity prices down in 2020. Specifically for the energy group, Saudi Arabia and Russia – two of the world's largest oil producers – initiated the 'oil war' after the Organization of the Petroleum Exporting Countries (OPEC) and Russia failed to reach a consensus on the further cut in oil production, which led to 30% drop in oil prices. Due to geopolitical uncertainties and unpredictable pandemic, many experts have warned that oil prices may drop below 18-20 USD per barrel in 2020.

Vietnam's economic prospects in 2020

Given that the Vietnamese Government is making the best efforts to control the Covid-19 pandemic and stabilize the economy, the Government and the State Bank have adopted economic stimulus policies. Experts offered a few scenarios on Vietnam's macroeconomic 2020 as follows:

The first scenario (optimistic) revolves around the pandemic being controlled by May and all economic activities gradually returning to normal. Meanwhile, the world will start relaxing some physical distancing measures. However, economic activities, especially those in the service sector, are still cautious and only gradually recover from the end of the second quarter of 2020. From the third quarter of 2020 to the end of the year, the growth of industries could return to similar rates seen in recent years.

For the second scenario (neutral), it is assumed that the pandemic would continue until the second half of Q3. The world would continue social distancing due to the outbreak at many important economic and financial centres. Economic activities would only return to normal at the end of the third quarter. From the fourth quarter of 2020 to the end of the year, the growth of industries could return to similar rates seen in recent years.

The third scenario looks at the pandemic being totally controlled in November in the second half of Q4. During this period, the world would continue social distancing. With this scenario, the economy would begin recovering in the second half of the fourth quarter this year.

However, with the rapid and drastic responses from the Government to prevent the pandemic and stabilize the economy, Vietnam's economic policies seem quite practical. Firstly, the Government has launched a credit package worth 250 trillion VND and a support package worth 30 trillion VND. Secondly, the State Bank of Vietnam (SBV) has lowered the refinancing rate from 6.0% / year to 5.0% / year, and reduced the rediscounting rate from 4.0% / year to 3.5% / year. Thirdly, the Ministry of Finance has also proposed several economic instruments related to tax and fee exemptions and reductions. It is safe to believe that Vietnam will become stronger after this economic turbulence thanks to these support packages. And it seems that Vietnam's responses in the crisis can serve as a role model for other countries in the fight against the Covid-19 pandemic.

THE IMPACTS OF THE GLOBAL AND VIETNAMESE ECONOMY ON NN IN 2020

With an increasingly open economy, there is a huge opportunity for companies with export growth strategies including NN. NN hopes that through Vietnam's participation in such trade agreements as the CPTPP or FTAs, the company will gain more opportunities to step in new markets.

Moreover, the macroeconomic policies such as inflation control, reasonable increase in the exchange rate will also actively support NN as well as plastic manufacturing enterprises in importing raw materials, and at the same time permitting NN to boost exports in the coming years.

In addition to the supporting factors, domestic enterprises will continue to come under pressure to reduce costs more drastically, given the on-going output price competition and the increased cost including increasing wages, insurance, electricity and oil prices.

⁵ 'Đại dịch Covid-19 khiến các nước G20 đối mặt với suy thoái kinh tế', <<https://ndh.vn/quoc-te/dai-dich-covid-19-khien-cac-nuoc-g20-doi-mat-voi-suy-thoai-kinh-te-1265650.html>>

⁶ Khủng hoảng Covid-19 : Kinh tế thế giới sẽ hoang tàn đổ nát ?, <<http://www.rfi.fr/vi/ph%C3%A2n-t%C3%ADch/20200326-kh%E1%BB%A7ng-ho%E1%BA%A3ng-covid-19-kinh-t%E1%BA%BF-th%E1%BA%BF-gi%E1%BB%9Bi-s%E1%BA%BD-hoang-t%C3%A0n-%C4%91%E1%BB%95-n%C3%A1t>>

⁷ Hậu Covid-19, kinh tế Việt Nam mất bao lâu để hồi phục?, <<http://tapchitaichinh.vn/nghien-cuu-trao-doi/hau-covid19-kinh-te-viet-nam-mat-bao-lau-de-hoi-phuc-321510.html>>

⁸ Báo cáo ngành nhựa – FPT Securities

BUSINESS PLAN 2020

Market Opportunities

The plastic manufacturing industry is one of the fastest growing industries in Vietnam, sustaining average growth of over 15% a year. It is still at an early stage of development with huge market potential and high demand for plastic products. Plastic consumption per capita in Vietnam has increased rapidly in recent years and is estimated at 42-46 kg/person from 2018 to 2020. Of which, plastic packaging is currently the largest segment accounting for 38% of total plastic production.

The PET packaging market has a high potential to grow. This can be seen through the growth rate of the FMCG industry, which has a close association with Bottles-Closures for non-alcoholic & alcoholic beverages, personal care products, and dairy products. In 2019, the FMCG industry saw steady growth.

Consumer spending on food and non-alcoholic beverages will be the main growth driver for the packaging segment in 2020. Despite the negative impacts of the Covid-19 epidemic in the first months, it is expected that with the Government's current control measures, the economy will soon recover and people's confidence will soon be restored.

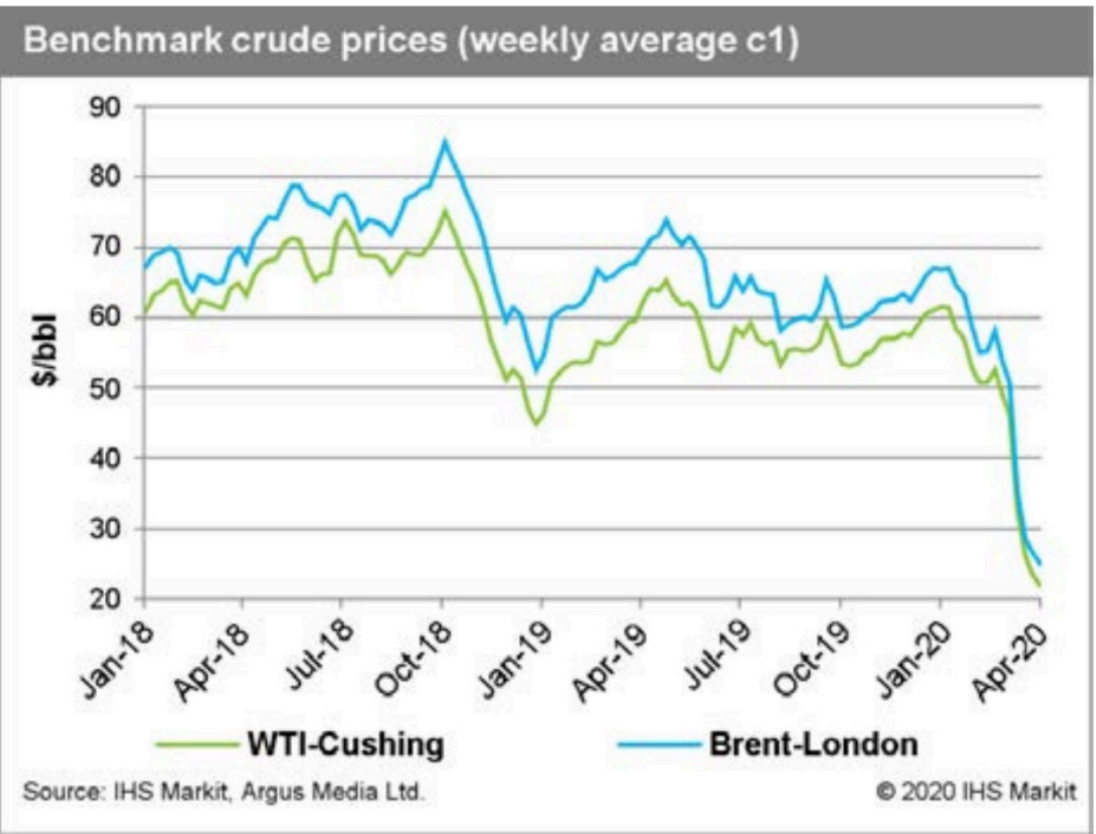
Household spending in 2020 has been forecast by BMI to be about 3.8 million billions, of which spending on food and non-alcoholic beverages will still account for the largest proportion, equivalent to about 20% of total household expenditure. The growth rate of the non-alcoholic beverage segment is expected to grow by 11.83% in 2020. This is the main growth driver for the food and beverage processing industry – the output of the packaging segment.

	2016	2017	2018E	2019F	2020F	2012F	2022F
Household spending (thousand billions VND)	2,469	2,735	3,035	3,397	3,802	4,253	4,756
Real growth rate (%)	5,64%	7,25%	7,26%	7,13%	7,13%	7,12%	7,12%
Food (thousand billions VND)	469	519	575	643	720	804	899
Growth rate (%)	8,22%	10,67%	10,86%	11,82%	11,835	11,79%	11,74%
Non-alcoholic beverages	37	41	46	51	57	64	72
Growth rate (%)	8,45%	10,94%	11,11%	12,07%	12,05%	11,99%	11,92%

With the belief that the market will soon recover and consumer demand will increase after the pandemic, coupled with our R&D strengths and modern machinery, NN has the capacity to expand the market share by meeting the strict and varied requirements from customers.

The average price of plastic materials in 2020 will fluctuate sharply

In early 2020, the global oil prices saw a strong fluctuation due to the demand crisis for oil and gas caused by the Covid-19 pandemic, and the petroleum price war between Russia and OPEC. At the end of the first quarter of 2020, it remained below 30 USD / barrel. Therefore, PET prices was also expected to drop sharply at 750 USD / MT, 27.8% lower than the forecast of 1,040 USD / MT at the beginning of 2020. However, due to unpredictable fluctuations in oil prices (geopolitical situation and demand due to the Covid-19 pandemic), PET prices will also fluctuate sharply throughout the year.



Promote internal strength

Control of input materials

Raw materials account for a major proportion in the price structure of NN's products, with main materials coming from both domestic and foreign suppliers. Because the price of plastic materials is quoted in USD, the risk of exchange rate fluctuations, coupled with the fluctuation of raw material prices, will affect NN's profits.

In addition, NN proactively diversifies its sources of raw materials, reaching out to new suppliers to limit risks of high material costs, or scarcity of goods due to surging demand growth.

Export continues to be a growth highlight

NN is making attempts to broaden its export markets in 2020 as well as in the coming years, especially the neighboring markets in Southeast Asia.

Opportunity to expand to the Northern market

In 2020, with the growth of the FMCG industry, NN still has room for gaining market share. In which, the investment in and operation of a new factory in Bac Ninh in 2019 is the stepping stone for the company to penetrate into the Northern market.

In 2020, the company has the following plans:

Following the growth momentum of the PET packaging industry in 2019, and taking into account such factors as the raw material prices as well as competition, NN aims to achieve its revenue goals in 2020 from both the domestic and export markets.

Lowering debt balance to a reasonable level, reducing dependence on loans and interest costs which affect the annual profit growth rate.

Factors to track

It is vital to closely monitor the movements of the consumer market, especially in 2020 when the Covid-19 pandemic has a profound impact on the size and behaviour of consumers, indirectly affecting the supporting industry like PET packaging. This will enable NN to set out appropriate strategies, and stay active amid market turbulence.

INVESTMENT PLAN

In order to meet the demand for increased output, NN expects to invest in new machinery and equipment. At the same time, we will continue to seek investment opportunities for arising projects such as putting bottle blowing machines at our customers' factories.

FINANCIAL REPORT

Ngoc Nghia Industry – Service – Trading Joint Stock Company

CONTENTS

**Ngoc Nghia Industry – Service – Trading
Joint Stock Company**

Consolidated financial statements

For the year ended 31 December 2019

	<i>Pages</i>
General information	1
Report of Board of Directors	2
Independent auditors’ report	3 - 4
Consolidated balance sheet	5 - 6
Consolidated income statement	7
Consolidated cash flow statement	8 - 9
Notes to the consolidated financial statements	10 - 40

Ngoc Nghia Industry – Service – Trading Joint Stock Company

GENERAL INFORMATION

THE COMPANY

Ngoc Nghia Industry – Service – Trading Joint Stock Company (“the Company”) is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the Enterprise Registration Certificate No. 0301427028 issued by the Department of Planning and Investment (“DPI”) of Ho Chi Minh City on 18 June 1993, and as amended.

The Company’s shares were listed on the Unlisted Public Company Market (“UPCoM”) on the Hanoi Stock Exchange (“HNX”) with code NNG in accordance with Decision No. 85/QD-HNX issued by HNX on 10 February 2015.

The current principal activities of the Company are to produce plastic, molds and spare parts; provided deposit and transportation services by car, and print package (except metal packaging).

The Company’s registered head office is located at 27A Nguyen U Di Street, Thao Dien Ward, District 2, Ho Chi Minh City, Vietnam.

BOARD OF DIRECTORS

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

Mr La Bui Hoang Nghia	Chairman	
Ms La Bui Hong Ngoc	Deputy Chairwoman	
Mr La Van Hoang	Member	
Mr Le Thanh Hao Nhlen	Member	appointed on 28 November 2019
Ms Nguyen Thi Dieu Phuong	Member	appointed on 28 November 2019
Ms Bui Bich Hong	Member	resigned on 28 November 2019
Ms Dao Thi Thuan	Member	resigned on 28 November 2019

BOARD OF SUPERVISION

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

Ms Hoang Thi Minh Thu	Head	appointed on 28 November 2019
Mr Truong Quoc Thang	Head	resigned on 28 November 2019
Mr Nguyen Huu Thoang	Member	appointed on 28 November 2019
Ms Nguyen Ngoc Chi Mai	Member	appointed on 28 November 2019
Mr Nguyen Manh Ha	Member	resigned on 28 November 2019
Mr Nguyen Van Thanh	Member	resigned on 28 November 2019

MANAGEMENT

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

Ms La Bui Hong Ngoc	General Director	
Mr John Russell Gray	Deputy General Director	appointed on 1 January 2019
Mr Nguyen Hoang Oanh	Deputy General Director	resigned on 26 March 2020

LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Ms La Bui Hong Ngoc.

AUDITORS

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

Ngoc Nghia Industry – Service – Trading Joint Stock Company

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Ngoc Nghia Industry – Service – Trading Joint Stock Company (“the Company”) 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 of the Group.

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 required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgements and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the 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 in 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.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements which 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 ended 31 December 2019 in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of consolidated financial statements.

For and on behalf of the Board of Directors:

La Bui Hoang Nghia
Chairman

Ho Chi Minh City, Vietnam

27 March 2020

Reference: 61537105/21458453-HN

INDEPENDENT AUDITORS’ REPORT

To: The Shareholders of Ngoc Nghia Industry – Service – Trading Joint Stock Company

We have audited the accompanying consolidated financial statements of Ngoc Nghia Industry – Service – Trading Joint Stock Company (“the Company”) and its subsidiaries (collectively referred to as “the Group”, as prepared on 27 March 2020 and set out on pages 5 to 40, which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement and the consolidated cash flow statement for the year ended 31 December 2019 and the notes thereto.

Management’s responsibility

The Company’s management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

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

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

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

Opinion

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

Emphasis of matter

We draw attention to Note 36 of the consolidated financial statements. In 2019, the Company’s management adjusts retrospectively the deferred income tax income that was presented in the consolidated financial statements of 2018 to reflect better the deferred tax asset and deferred income tax income of 2018.

In addition, the Company’s management also reclassified certain balances in the consolidated financial statements for 2018 following their presentation in the current year’s consolidated financial statements.

Our opinion is not modified in respect of this matter.

Other matters

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another audit firm which expressed an unmodified opinion with emphasis of matter on those consolidated financial statements on 18 March 2019.

Ernst & Young Vietnam Limited

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

Ho Chi Minh City, Vietnam

27 March 2020

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

Ngoc Nghia Industry - Service - Trading Joint Stock Company B01-DN/HN

CONSOLIDATED BALANCE SHEET
as at 31 December 2019

VND

Code	ASSETS	Notes	Ending balance	Beginning balance (as restated - Note 36)
100	A. CURRENT ASSETS		1,215,006,240,160	1,562,449,207,591
110	I. Cash	5	483,316,377,828	98,037,263,884
111	1. Cash		483,316,377,828	98,037,263,884
120	II. Short-term investment	6	74,099,135,148	71,977,083,333
123	1. Held-to-maturity investments		74,099,135,148	71,977,083,333
130	III. Current accounts receivable		341,461,283,486	1,121,608,471,688
131	1. Short-term trade receivables	7	342,759,600,523	327,046,668,994
132	2. Short-term advances to suppliers	8	51,677,212,779	125,646,805,663
135	3. Short-term loan receivables	9	641,230,000,000	712,930,000,000
136	4. Other short-term receivables	10	182,982,265,564	372,899,495,103
137	5. Provision for doubtful short-term receivables	12	(877,187,795,380)	(416,964,086,067)
139	6. Shortage of assets waiting for resolution		-	49,587,995
140	IV. Inventory		197,477,115,893	190,459,001,682
141	1. Inventories	11	197,477,115,893	190,459,001,682
150	V. Other current assets		118,652,327,805	80,367,387,004
151	1. Short-term prepaid expenses	17	11,956,238,763	7,233,862,645
152	2. Value-added tax deductible		93,077,879,467	59,550,662,685
153	3. Tax and other receivables from the State	21	13,618,209,575	13,582,861,674
200	B. NON-CURRENT ASSETS		1,541,729,998,644	1,066,979,237,985
210	I. Long-term receivable		360,543,863,007	10,772,102,591
216	1. Other long-term receivables	10	360,543,863,007	10,772,102,591
220	II. Fixed assets		892,402,127,086	806,486,919,166
221	1. Tangible fixed assets	13	551,476,530,527	442,729,132,907
222	Cost		1,314,661,844,535	1,129,315,182,026
223	Accumulated depreciation		(763,185,314,008)	(686,586,049,119)
224	2. Finance leases	14	128,847,086,065	150,717,584,399
225	Cost		189,100,855,704	196,992,128,099
226	Accumulated depreciation		(60,253,769,639)	(46,274,543,700)
227	3. Intangible fixed assets	15	212,078,510,494	213,040,201,860
228	Cost		222,450,718,690	222,450,718,690
229	Accumulated amortisation		(10,372,208,196)	(9,410,516,830)
240	III. Long-term asset in progress		62,679,029,892	26,836,807,732
242	1. Construction in progress	16	62,679,029,892	26,836,807,732
260	IV. Other long-term assets		226,104,978,659	222,883,408,496
261	1. Long-term prepaid expenses	17	88,488,435,574	86,782,643,282
262	2. Deferred tax assets	32.3	134,416,382,534	126,307,553,671
269	3. Goodwill	18	3,200,160,551	9,793,211,543
270	TOTAL ASSETS		2,756,736,238,804	2,629,428,445,576

Ngoc Nghia Industry - Service - Trading Joint Stock Company B01-DN/HN

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2019

VND

Code	RESOURCES	Notes	Ending balance	Beginning balance (as restated - Note 36)
300	C. LIABILITIES		1,594,479,077,175	1,524,054,116,549
310	I. Current liabilities		1,342,076,589,991	1,390,980,372,540
311	1. Short-term trade payables	19	197,766,270,890	196,110,381,413
312	2. Short-term advances from customers	20	79,749,037,575	25,342,952,828
313	3. Statutory obligations	21	13,114,458,910	10,410,781,909
314	4. Payables to employees		-	8,421,717,400
315	5. Short-term accrued expenses	22	25,705,804,837	14,013,363,466
319	6. Other short-term payables	23	4,957,026,292	3,195,278,660
320	7. Short-term loan and finance lease	24	1,017,845,947,684	1,130,532,853,061
322	8. Bonus and welfare fund		2,938,043,803	2,953,043,803
330	II. Non-current liability		252,402,487,184	133,073,744,009
338	1. Long-term loans and finance lease obligations	24	252,402,487,184	133,073,744,009
400	D. OWNERS' EQUITY	25.1	1,162,257,161,629	1,105,374,329,027
410	I. Capital		1,162,257,161,629	1,105,374,329,027
411	1. Share capital		815,709,880,000	522,500,000,000
411a	- Shares with voting rights		815,709,880,000	522,500,000,000
412	2. Share premium		192,851,537,982	46,900,000,000
415	3. Treasury shares		-	(88,088,780,000)
416	4. Asset revaluation reserve		-	5,714,053,793
418	5. Investment and development fund		11,293,166,612	11,293,166,612
420	6. Other funds belonging to owners' equity		192,503,849	192,503,849
421	7. Undistributed earnings		142,210,073,186	600,175,317,344
421a	- Undistributed earnings by the end of prior year		565,848,591,137	148,187,678,201
421b	- (Losses) undistributed earnings of current year		(423,638,517,951)	451,987,639,143
429	8. Non-controlling interests	26	-	6,688,067,429
440	TOTAL LIABILITIES AND OWNERS' EQUITY		2,756,736,238,804	2,629,428,445,576

Dong Thi Ngoc Trieu
Preparer cum Chief AccountantLa Bui Hong Ngoc
General Director

27 March 2020

Ngoc Nghia Industry - Service - Trading Joint Stock Company B02-DN/HN

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2019

VND				
Code	ITEMS	Notes	Current year	Previous year (as restated - Note 36)
01	1. Revenue from sale of goods and rendering of services	27.1	1,804,265,844,519	1,648,054,692,958
02	2. Deductions	27.1	(3,188,810,082)	(25,658,870,759)
10	3. Net revenue from sale of goods and rendering of services	27.1	1,801,077,034,437	1,622,395,822,199
11	4. Cost of goods sold and services rendered	28	(1,413,833,034,414)	(1,331,862,599,608)
20	5. Gross profit from sale of goods and rendering of services		387,244,000,023	290,533,222,591
21	6. Finance income	27.2	6,246,781,737	718,197,012,701
22	7. Finance expenses	29	(96,482,492,960)	(95,481,495,892)
23	- In which: Interest expense		(95,574,302,360)	(91,781,212,052)
25	8. Selling expenses	30	(89,272,834,040)	(79,815,704,938)
26	9. General and administrative expenses	30	(564,310,090,789)	(511,018,890,533)
30	10. Operating (loss) profit		(356,574,636,029)	322,414,143,929
31	11. Other income		5,279,134,900	3,670,407,214
32	12. Other expenses		(4,305,956,693)	(11,100,787,646)
40	13. Other profit (loss)		973,178,207	(7,430,380,432)
50	14. Accounting (loss) profit before tax		(355,601,457,822)	314,983,763,497
51	15. Current corporate income tax expense	32.1	(9,753,956,421)	(10,828,740,096)
52	16. Deferred income tax income	32.3	8,108,828,863	148,395,985,536
60	17. Net (loss) profit after tax		(357,246,585,380)	452,551,008,937
61	18. Net (loss) profit after tax attributable to shareholders of the parent		(357,519,727,121)	451,987,639,143
62	19. Net profit after tax attributable to non-controlling interests	26	273,141,741	563,369,794
70	20. Basic (loss) earnings per share	34	(6,678)	8,650
71	21. Diluted (loss) earnings per share	34	(6,678)	8,650

Dong Thi Ngoc Trieu
Preparer cum Chief Accountant

La Bui Hong Ngoc
General Director

27 March 2020

Ngoc Nghia Industry - Service - Trading Joint Stock Company B03-DN/HN

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2019

VND				
Code	ITEMS	Notes	Current year	Previous year
01	I. CASH FLOWS FROM OPERATING ACTIVITIES			
	Accounting (loss) profit before tax		(355,601,457,822)	314,983,763,497
	Adjustments for:			
02	Depreciation and amortisation		103,235,562,498	111,436,585,647
03	Provisions		460,223,709,313	416,594,611,115
04	Foreign exchange gains arising from revaluation of monetary accounts denominated in foreign currency		(20,626,129)	(445,698,400)
05	Profits from investing activities		(4,358,950,538)	(709,088,367,481)
06	Interest expenses		96,170,779,390	91,781,212,052
08	Operating profit before changes in working capital		299,649,016,712	225,262,106,430
09	Increase in receivables		(54,761,235,452)	(236,840,118,419)
10	(Increase) decrease in inventories		(7,018,114,211)	70,619,842,294
11	(Decrease) increase in payables		(5,339,719,489)	134,403,120,912
12	Increase in prepaid expenses		(7,712,811,300)	(12,472,328,169)
14	Interest paid		(95,334,697,172)	(92,469,172,700)
15	Corporate income tax paid		(10,613,273,312)	(4,381,438,650)
17	Other cash outflows for operating activities		(15,000,000)	(5,300,000)
20	Net cash flows from operating activities		118,854,165,776	84,116,711,698
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase, construction of fixed assets and other long-term assets		(162,535,655,047)	(35,848,497,952)
22	Proceeds from disposals of fixed assets		64,624,059,210	30,712,012,903
23	Term deposit		(2,122,051,815)	-
24	Collections from borrowers		71,700,000,000	90,757,815,936
25	Payments for acquisition of additional ownership in subsidiaries and payments for investment in another entity	25.1	(169,118,790,830)	-
27	Interest and dividends received		14,732,906,497	23,573,886,764
30	Net cash flows (used in) from investing activities		(182,719,531,985)	109,195,217,651
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
31	Issuance of shares	25.1	500,010,808,364	-
33	Drawdown of borrowings	24	2,363,432,961,808	2,272,928,509,620
34	Repayment of borrowings	24	(2,365,755,588,850)	(2,338,617,699,004)
35	Payment of principal of finance lease liabilities	24	(48,538,796,116)	(59,146,666,921)
40	Net cash flows from (used in) financing activities		449,149,385,206	(124,835,856,305)

Ngoc Nghia Industry - Service - Trading Joint Stock Company B03-DN/HN

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

VND				
Code	ITEMS	Notes	Current year	Previous year
50	Net increase in cash		385,284,018,997	68,476,073,044
60	Cash at beginning of year		98,037,263,884	29,641,703,436
61	Impact of exchange rate fluctuation		(4,905,053)	(80,512,596)
70	Cash at end of year	5	483,316,377,828	98,037,263,884

Dong Thi Ngoc Trieu
Preparer cum Chief Accountant

La Bui Hong Ngoc
General Director

27 March 2020

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

1. CORPORATE INFORMATION

Ngoc Nghia Industry – Service – Trading Joint Stock Company (“the Company”) is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the Enterprise Registration Certificate No. 0301427028 issued by the Department of Planning and Investment (“DPI”) of Ho Chi Minh City on 18 June 1993, and as amended.

The Company’s shares were listed on the Unlisted Public Company Market (“UPCoM”) on the Hanoi Stock Exchange (“HNX”) with code NNG in accordance with Decision No. 85/QĐ-HNX issued by HNX on 10 February 2015.

The current principal activities of the Company are to produce plastic, molds and spare parts; provided deposit and transportation services by car, and print package (except metal packaging).

The Company’s registered head office is located at 27A Nguyen U Di Street, Thao Dien Ward, District 2, Ho Chi Minh City, Vietnam.

The number of Company’s employees as at 31 December 2019 was 887 (31 December 2018: 921).

As at 31 December 2019, the Company has four direct subsidiaries with details as follows:

Company	Location	Status	Business Ownership	Voting right
			%	%
International Pet Single Member Limited Liability Company (“IPC”) (formerly known as International PET Joint Stock Company)	Tay Ninh	Operating	Manufacture of plastics products	100 100
Vietnam Pet Single Member Limited Liability Company (“VNP”) (formerly known as Vietnam P.E.T Plastic Joint Stock Company)	Ho Chi Minh (“HCMC”)	Operating	Manufacture of plastics packaging	100 100
Global Cap Single Member Limited Liability Company (“GCC”) (formerly known as Global Cap Corporation)	Tay Ninh	Operating	Manufacture of plastics products	100 100
Ngoc Nghia International Packaging Single Member Limited Liability Company (“NNI”)	Tay Ninh	Operating	Manufacture of plastics products	100 100

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

2. BASIS OF PREPARATION (continued)

2.1 Accounting standards and system

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

- ▶ Decision No. 149/2001/QĐ-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 1);
- ▶ Decision No. 165/2002/QĐ-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- ▶ Decision No. 234/2003/QĐ-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- ▶ Decision No. 12/2005/QĐ-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- ▶ Decision No. 100/2005/QĐ-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 utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the consolidated financial position as at 31 December 2019 and consolidated results of operations and consolidated cash flows for the year ended 31 December 2019 in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

2.2 Applied accounting documentation system

The Group's applied accounting documentation system is the Journal Voucher 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 Group's accounting currency.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019 and 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 continued to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra-company balances, income and expenses and unrealised 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 Company's shareholders 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 retained earnings.

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

Cash comprises cash on hand and cash in banks.

3.2 Inventories

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

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

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

- Raw materials, and goods for resale - cost of purchase on a first-in, first-out 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 first-in, first-out basis.

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 debts.

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

3.5 Leased assets

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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 Leased assets (continued)

Where the Group is the lessee

Assets held under finance leases are capitalised in the consolidated balance sheet at the inception of the lease at the fair value of the leased assets or, if lower, at the net present value of the minimum lease payments. The principal amount included in future lease payments under finance leases are recorded as a liability. The interest amounts included in lease payments are charged to the consolidated income statement over the lease term to achieve a constant rate on interest on the remaining balance of the finance lease liability.

Capitalised financial leased assets are depreciated using straight-line basis over the shorter of the estimated useful lives of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Rentals under operating leases are charged to the consolidated income statement on a straight-line basis over the lease term.

Where the Group is the lessor

Assets subject to operating leases are included as the Group's fixed assets in the consolidated balance sheet. Initial direct costs incurred in negotiating an operating lease are recognised in the consolidated income statement as incurred/added to the carrying value of the leased asset for amortisation to the consolidated income statement over the lease term.

Lease income is recognised in the consolidated income statement on a straight-line basis over the lease term.

3.6 Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

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

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

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

Land use rights ("LURs")

LURs are recorded as intangible fixed assets if the land is held for use in the production or business, for rental to others by the enterprise and when the Group receives the LURs certificate. The cost of LURs comprises any directly attributable costs of preparing the land for its intended use. The costs of LURs with indefinite useful life are not amortised.

The advance payment for land rental, of which the land lease contracts have effectiveness prior to 2003 and LURs certificate being issued, are recorded as intangible fixed asset 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 ("Circular 45").

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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)

3.7 Depreciation and amortisation

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

Buildings and structures	5 - 25 years
Machinery and equipment	5 - 15 years
Means of transportation	5 - 10 years
Office equipment	3 - 6 years
Accounting software	3 - 6 years
Land use right	37 years

3.8 Borrowing costs

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

3.9 Prepaid expenses

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

Tools and supplies with large value are recorded as long-term prepaid expenses and are amortised to the consolidated income statement over 2 to 3 years.

The prepaid land rental represents the unamortised balance of advance payment made for many years under operating lease contracts with effectiveness after 2003, without receiving Land Use Right Certificate. Such prepaid rental is classified as long-term prepaid expenses for allocation to the consolidated income statement over the remaining lease period, according to Circular 45.

3.10 Business combinations, assets acquisitions and goodwill

The Group acquires subsidiaries that own assets and production activities. At the date of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the assets.

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized over 10-year period on a straight-line basis. The parent company conducts the periodical review for impairment of goodwill of investment in subsidiaries. If there are indicators of impairment loss incurred is higher than the yearly allocated amount of goodwill on the straight-line basis, the higher amount will be recorded in the consolidated income statement.

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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)

3.11 Investments

Held-to-maturity investments

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

3.12 Payables and accruals

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

3.13 Foreign currency transactions

Transactions in currencies other than the Group's reporting currency of [VND/USD] 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;
- ▶ Transactions resulting in liabilities are recorded at the selling exchange rates of the commercial banks designated for payment; and
- ▶ Payments for assets or expenses without liabilities initially being recognised is recorded at the buying exchange rates of the commercial banks that process these payments.

At the end of the year, monetary balances denominated in foreign currencies are translated at the actual exchange rates at the consolidated balance sheet dates 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.

3.14 Treasury shares

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

3.15 Appropriation of net profit

Net profit after tax (excluding negative goodwill arising from a bargain purchase) is available for appropriation to shareholders after approval by shareholders at the annual general 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 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 operation or in-depth investments.

▶ *Bonus and welfare fund*

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

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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 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 recognised 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 from rendering of services is recognised when the services are rendered and complete.

Interest income

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

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the terms of the lease.

3.17 Taxation

Current income tax

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

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

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Group to offset 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 consolidated balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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)

3.18 Taxation (continued)

Deferred tax (continued)

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 the deferred tax is also dealt with in the equity account.

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

3.19 (Loss) earnings per share

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

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

3.20 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.

3.21 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 principal activities are in manufacturing and trading plastics products. In addition, these activities are mainly taking place within Vietnam. Therefore, the Group's risks and returns are not impacted by the Group's products that the Group is manufacturing or the locations where the Group is trading. As a result, the Group's management is of the view that there is only one segment for business and geography and therefore presentation of segmental information is not required.

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

4. SIGNIFICANT EVENTS DURING THE YEAR

Acquisition of additional interest in existing subsidiaries - International Pet Single Member Limited Liability Company ("IPC"), Vietnam P.E.T Plastic Single Member Limited Liability Company ("VNP") and Global Cap Single Member Limited Liability Company ("GCC").

On 15 June 2019, the Company acquired 2% and 1% ownership in International PET Single Member Limited Liability Company and Vietnam P.E.T Plastic Single Member Limited Liability Company from the companies' non-controlling interests at total considered of VND 48,000,000,000 and VND 7,080,000,000, respectively.

In addition, on 10 August 2019, the Company also acquired 0.61% ownership in Global Cap Single Member Limited Liability Company from the companies' non-controlling interests at total considered of VND 18,000,000,000.

Accordingly, the Company's ownership in those companies increased to 100%. The difference between the purchased consideration and the carrying value of net assets transferred valued at VND 66,118,790,830 is recorded into undistributed earnings (*Note 25.1*).

5. CASH AND CASH EQUIVALENTS

	VND	
	Ending balance	Beginning balance
Cash on hand	456,649,487	614,690,157
Cash in banks	482,859,728,341	97,422,573,727
TOTAL	483,316,377,828	98,037,263,884

6. HELD-TO-MATURITY INVESTMENTS

This represents bank deposits with original maturity of above three (3) months and remaining maturity of from three (3) months to twelve (12) months at commercial banks and earned interest at 6.5% per annum.

The held-to-maturity investment with total amount of VND 40,000,000,000 at Tien Phong Commercial Joint Stock Bank was pledged as collateral for loan obtained from this commercial bank (*Note 24.2*).

7. SHORT-TERM TRADE RECEIVABLES

	VND	
	Ending balance	Beginning balance
Opera Consumer Goods Joint Stock Company	63,864,800,413	59,711,452,656
Suntory Pepsico Vietnam Beverage Limited Company	40,887,975,735	19,096,904,384
Unilever Vietnam International Company Limited	38,923,184,989	35,606,674,503
Coca-Cola Beverages Viet Nam Limited Liability Company	27,852,747,638	21,764,149,814
Others	171,230,891,748	190,867,487,637
TOTAL	342,759,600,523	327,046,668,994
Provision for doubtful debt	(90,984,009,929)	(369,474,952)
NET TOTAL	251,775,590,594	326,677,194,042

The Group has pledged certain trade receivables to secure the bank loan facilities (*Note 24*).

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

7. SHORT-TERM TRADE RECEIVABLES (continued)

Detail of movements of provision for short-term trade receivables:

	VND	
	Current year	Previous year
Beginning balance	369,474,952	369,474,952
Provision made during the year	90,614,534,977	-
Ending balance	90,984,009,929	369,474,952

8. SHORT-TERM ADVANCES TO SUPPLIERS

	VND	
	Ending balance	Beginning balance
Husky Injection Molding Singapore Pte Ltd	30,567,690,360	-
Opera Consumer Goods Joint Stock Company (*)	-	106,096,338,837
Niigon Machines Limited Company	-	1,879,242,200
Other suppliers	21,109,522,419	17,671,224,626
TOTAL	51,677,212,779	125,646,805,663
Provision for doubtful short-term receivables	(4,194,611,115)	(4,194,611,115)
NET TOTAL	47,482,601,664	121,452,194,548

(*) According to the debt clearing agreement dated 15 November 2019 between relevant parties, Corola Trading One Member Company Limited has obligation to repay of this advance instead of Opera Consumer Goods Joint Stock Company (Note 10).

9. SHORT-TERM LOANS RECEIVABLE

	VND	
	Ending balance	Beginning balance
Opera Consumer Goods Joint Stock Company	571,630,000,000	571,630,000,000
International Fine Meat Company Limited	49,750,000,000	49,750,000,000
Thai Long Consumer Goods Company Limited	19,850,000,000	19,850,000,000
La Maison International Fine Meat Company Limited	-	71,700,000,000
TOTAL	641,230,000,000	712,930,000,000
Provision for doubtful short-term loans receivable	(641,230,000,000)	(412,400,000,000)
NET TOTAL	-	300,530,000,000

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

9. SHORT-TERM LOANS RECEIVABLE (continued)

Details of the unsecured loan receivables are as follows:

Borrower	Ending balance	Maturity date	Interest rate
	VND		% p.a
Opera Consumer Goods Joint Stock Company			
Lending 1	412,400,000,000	3 September 2018	6.8 - 7
Lending 2	131,100,000,000	3 September 2019	6 - 7.2
Lending 3	28,130,000,000	31 July 2019	6.6
International Fine Meat Company Limited			
Lending 1	49,750,000,000	31 July 2019	6.8
Thai Long Consumer Goods Company Limited			
Lending 1	19,850,000,000	31 August 2019	6.8
TOTAL	641,230,000,000		

10. OTHER RECEIVABLES

	VND	
	Ending balance	Beginning balance
Short-term	182,982,265,564	372,899,495,103
Loan interest, deposits interest receivables	143,012,118,107	152,888,995,229
Advances to employees	35,470,003,175	84,931,553,541
Receivable from transferring of share capital (*)	-	132,000,000,000
Others	4,500,144,282	3,078,946,333
Long-term	360,543,863,007	10,772,102,591
Receivable from Corola Trading One Member Company Limited (*)	246,000,000,000	-
Capital contributed in Business Cooperation Contracts ("BCC") (**)	103,000,000,000	-
Deposits of finance leases	7,446,713,982	5,844,747,041
Deposits of factories and apartments rental	4,097,149,025	4,927,355,550
TOTAL	543,526,128,571	383,671,597,694
<i>In which:</i>		
Due from other parties	543,448,255,516	381,068,455,494
Due from related parties (Note 33)	77,873,055	2,603,142,200
Provision for doubtful other short-term receivables	(140,779,174,336)	-
NET TOTAL	402,746,954,235	383,671,597,694

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

10. OTHER RECEIVABLES (continued)

- (*) In accordance with the debt clearing agreements between relevant parties, Corola Trading One Member Company Limited received debts and obligations arising from transfer of shares from Ms. Bui Bich Hop and purchase of machineries from Opera Consumer goods Joint Stock Company amounting to VND'000 132,000,000,000 and VND 114,000,000,000.
- (**) This amount represented the capital contribution in BCC with Corola Trading One Member Company Limited related to the cooperation in trading high-class imported food products. In accordance with the contract No. 20191112/HDHTKD dated 12 November 2019, the Company has 55% interest in this BCC. As at 31 December 2019, the Company is in the process of conducting business cooperation activities.

11. INVENTORIES

	VND	
	Ending balance	Beginning balance
Raw materials	87,031,539,116	54,489,675,862
Finished goods	74,350,184,359	85,651,575,615
Work in progress	21,616,791,092	28,144,488,644
Tools and supplies	5,943,847,073	15,338,927,113
Goods in transit	4,063,566,602	-
Merchandise	3,152,445,875	724,071,209
Goods on consignment	1,318,741,776	6,110,263,239
TOTAL	197,477,115,893	190,459,001,682

Ngoc Nghia Industry – Service – Trading Joint Stock Company

B09-DN/HN

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

12. PROVISION FOR DOUBTFUL DEBTS

	Ending balance			Beginning balance			VND
	Cost	Recoverable amount	Provision	Cost	Recoverable amount	Provision	
Opera Consumer Goods Joint Stock Company	768,909,942,110	-	(768,909,942,110)	764,756,594,353	352,356,594,353	(412,400,000,000)	
International Fine Meat Company Limited	57,517,875,396	-	(57,517,875,396)	58,408,875,396	58,408,875,396	-	
Thai Long Consumer Goods Company Limited	45,554,737,090	-	(45,554,737,090)	46,445,077,090	46,445,077,090	-	
Song Toan Production and Trading Company Limited	2,745,250,000	-	(2,745,250,000)	2,745,250,000	-	(2,745,250,000)	
Lamaison International Fine Meat Company Limited	1,715,269,433	1,074,114,716	(641,154,717)	3,339,600,000	3,339,600,000	-	
Thai Thanh Industrial Equipment Company Limited	781,107,195	-	(781,107,195)	781,107,195	-	(781,107,195)	
Others	1,037,728,872	-	(1,037,728,872)	1,037,728,872	-	(1,037,728,872)	
TOTAL	878,261,910,096	1,074,114,716	(877,187,795,380)	877,514,232,906	460,550,146,839	(416,964,086,067)	

Ngoc Nghia Industry – Service – Trading Joint Stock Company

B09-DN/HN

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

13. TANGIBLE FIXED ASSETS

					VND
	<i>Buildings and structures</i>	<i>Machinery and equipment</i>	<i>Means of transportation</i>	<i>Office equipment</i>	<i>Total</i>
Cost:					
Beginning balance	175,371,441,926	921,919,231,476	24,319,148,128	7,705,360,496	1,129,315,182,026
New purchase	-	7,591,782,532	1,848,535,193	539,930,000	9,980,247,725
Transfer from construction in progress	3,023,246,968	146,080,462,632	1,917,410,965	-	151,021,120,565
Repurchase	-	21,375,464,817	9,744,831,051	-	31,120,295,868
Disposal	-	(2,933,882,521)	(3,808,949,310)	(32,169,818)	(6,775,001,649)
Ending balance	178,394,688,894	1,094,033,058,936	34,020,976,027	8,213,120,678	1,314,661,844,535
<i>In which:</i>					
<i>Fully depreciated</i>	8,025,290,043	164,846,362,043	5,370,825,436	6,495,772,714	184,738,250,236
Accumulated depreciation:					
Beginning balance	(55,311,240,169)	(610,801,563,428)	(13,497,943,953)	(6,975,301,569)	(686,586,049,119)
Depreciation for the year	(7,898,623,269)	(60,545,754,823)	(2,464,387,955)	(169,270,763)	(71,078,036,810)
Repurchase	-	(5,914,812,267)	(3,427,060,614)	-	(9,341,872,881)
Disposal	-	2,273,421,061	1,515,053,923	32,169,818	3,820,644,802
Ending balance	(63,209,863,438)	(674,988,709,457)	(17,874,338,599)	(7,112,402,514)	(763,185,314,008)
Net carrying amount:					
Beginning balance	120,060,201,757	311,117,668,048	10,821,204,175	730,058,927	442,729,132,907
Ending balance	115,184,825,456	419,044,349,479	16,146,637,428	1,100,718,164	551,476,530,527
<i>In which:</i>					
<i>Pledged as loan security (Note 24)</i>	74,169,881,293	98,408,175,902	8,338,041,948	193,166,754	181,109,265,897

23

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

14. FINANCE LEASES

			VND
	<i>Machinery and equipment</i>	<i>Means of transportation</i>	<i>Total</i>
Cost:			
Beginning balance	156,198,392,806	40,793,735,293	196,992,128,099
New purchase	23,229,023,473	-	23,229,023,473
Repurchase	(21,375,464,817)	(9,744,831,051)	(31,120,295,868)
Ending balance	158,051,951,462	31,048,904,242	189,100,855,704
Accumulated depreciation:			
Beginning balance	(41,307,930,645)	(4,966,613,055)	(46,274,543,700)
Depreciation for the year	(22,783,396,914)	(537,701,906)	(23,321,098,820)
Repurchase	5,914,812,267	3,427,060,614	9,341,872,881
Ending balance	(58,176,515,292)	(2,077,254,347)	(60,253,769,639)
Net carrying amount:			
Beginning balance	114,890,462,161	35,827,122,238	150,717,584,399
Ending balance	99,875,436,170	28,971,649,895	128,847,086,065

The Group leases machineries used in its production line. Under the terms of the finance lease, the Group has the option to purchase the machinery at the expiry of the lease. Commitments for future lease payments under this finance leases are set out in Note 24.4.

15. INTANGIBLE FIXED ASSETS

			VND
	<i>Land use rights</i>	<i>Computer software</i>	<i>Total</i>
Cost:			
Beginning balance and ending balance (as restated - Note 36)	217,654,115,016	4,796,603,674	222,450,718,690
<i>In which:</i>			
<i>Fully amortised</i>	-	3,252,003,674	3,252,003,674
Accumulated amortisation:			
Beginning balance (as restated - Note 36)	(5,576,997,042)	(3,833,519,788)	(9,410,516,830)
Amortisation for the year	(615,490,752)	(346,200,614)	(961,691,366)
Ending balance	(6,192,487,794)	(4,179,720,402)	(10,372,208,196)
Net carrying amount:			
Beginning balance (as restated - Note 36)	212,077,117,974	963,083,886	213,040,201,860
Ending balance	211,461,627,222	616,883,272	212,078,510,494
<i>In which:</i>			
<i>Pledged as loan security (Note 24)</i>	203,378,797,696	-	203,378,797,696

24

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

16. CONSTRUCTION IN PROGRESS

	VND	
	Ending balance	Beginning balance
Purchase of fixed assets	59,807,798,601	22,614,037,764
Office maintenance fee	2,871,231,291	4,222,769,968
TOTAL	62,679,029,892	26,836,807,732

17. PREPAID EXPENSES

	VND	
	Ending balance	Beginning balance (as restated - Note 36)
Short-term	11,956,238,763	7,233,862,645
Tools and supplies	9,130,785,371	6,427,952,661
Factory and office lease	-	340,000,000
Others	2,825,453,392	465,909,984
Long-term	88,488,435,574	86,782,643,282
Land rental (*)	59,093,011,228	60,374,695,738
Tools and supplies	27,154,559,787	26,038,736,490
Others	2,240,864,559	369,211,054
TOTAL	100,444,674,337	94,016,505,927

(*) The prepaid land rental represented the unallocated balance of payment in advance in accordance with lease contract as disclosed in Note 3.9.

The Group has pledged land use right of land rental to secure the bank loan facilities (Note 24).

18. GOODWILL

	VND	
	Current year	Previous year
Cost:		
Beginning balance and ending balance	65,930,509,910	65,930,509,910
Accumulated depreciation:		
Beginning balance	(56,137,298,367)	(49,544,247,375)
Amortisation for the year	(6,593,050,992)	(6,593,050,992)
Ending balance	(62,730,349,359)	(56,137,298,367)
Net carrying amount:		
Beginning balance	9,793,211,543	16,386,262,535
Ending balance	3,200,160,551	9,793,211,543

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

19. SHORT-TERM TRADE PAYABLES

	VND	
	Ending balance	Beginning balance
Hung Nghiep Formosa Limited	26,896,895,025	37,999,534,650
Unilever Asia Private Limited	26,651,748,816	22,036,007,083
Far Eastern Polytex Limited (Viet Nam)	24,416,780,577	6,615,638,700
Rang Dong Plastic Joint Stock Company	-	19,787,529,300
Others	119,800,846,472	109,671,671,680
TOTAL	197,766,270,890	196,110,381,413

20. SHORT-TERM ADVANCES FROM CUSTOMERS

	VND	
	Ending balance	Beginning balance
Tram Anh Manufacturing and Trading Co., Ltd	62,227,981,200	-
Others	17,521,056,375	25,342,952,828
TOTAL	79,749,037,575	25,342,952,828

21. STATUTORY OBLIGATIONS

	VND			
	Beginning balance	Increase	Decrease	Ending balance
Receivables				
Corporate income tax	(13,582,861,674)	-	-	(13,582,861,674)
Import duties	-	(4,140,722,256)	4,105,374,355	(35,347,901)
TOTAL	(13,582,861,674)	(4,140,722,256)	4,105,374,355	(13,618,209,575)
Payables				
Corporate income tax	9,597,845,401	9,753,956,421	(10,613,273,312)	8,738,528,510
Value-added tax	475,101,731	284,622,886,827	(282,163,944,952)	2,934,043,606
Personal income tax	274,230,399	9,796,341,939	(8,628,685,544)	1,441,886,794
Foreign contractor tax	-	1,955,433,549	(1,955,433,549)	-
Others	63,604,378	3,231,901,907	(3,295,506,285)	-
TOTAL	10,410,781,909	309,360,520,643	(306,656,843,642)	13,114,458,910

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

22. SHORT-TERM ACCRUED EXPENSES

	VND	
	Ending balance	Beginning balance
Salary and bonus	16,330,915,411	7,862,093,736
Interest expense	4,541,453,931	3,708,330,093
Others	4,833,435,495	2,442,939,637
TOTAL	25,705,804,837	14,013,363,466

23. OTHER SHORT-TERM PAYABLES

	VND	
	Ending balance	Beginning balance
Deposit	1,680,924,632	1,831,941,398
Union fee	22,668,100	1,205,335,362
Others	3,253,433,560	158,001,900
TOTAL	4,957,026,292	3,195,278,660

Ngoc Nghia Industry – Service – Trading Joint Stock Company

B09-DN/HN

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

24. LOAN AND FINANCE LEASES

	VND					
	Beginning balance	Increase	Decrease	Current portion of long-term loans	Foreign exchange differences	Ending balance
Short-term	1,130,532,853,061	2,226,009,327,141	(2,414,294,384,966)	75,631,850,368	(33,697,920)	1,017,845,947,684
Loans from banks (Note 24.1)	977,880,007,457	2,226,009,327,141	(2,245,823,952,367)	-	(33,697,920)	958,031,684,311
Bonds	100,000,000,000	-	(100,000,000,000)	-	-	-
Current portion of long-term financial lease (Note 24.3)	33,106,095,604	-	(48,538,796,116)	45,301,764,905	-	29,869,064,393
Current portion of long-term loans (Note 24.2)	19,546,750,000	-	(19,931,636,483)	30,330,085,463	-	29,945,198,980
Long-term	133,073,744,009	194,960,593,543	-	(75,631,850,368)	-	252,402,487,184
Finance lease (Note 24.3)	46,564,328,110	57,536,958,876	-	(45,301,764,905)	-	58,799,522,081
Loans from banks (Note 24.2)	86,509,415,899	137,423,634,667	-	(30,330,085,463)	-	193,602,965,103
TOTAL	1,263,606,597,070	2,420,969,920,684	(2,414,294,384,966)	-	(33,697,920)	1,270,248,434,868

Ngoc Nghia Industry – Service – Trading Joint Stock Company

B09-DN/HN

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

24. LOAN AND FINANCE LEASES (continued)

24.1 Short-term loans from banks

Details of short-term loans from banks to finance working capital are as follows:

Bank	Ending balance		Principal repayment term	Interest rate	Description of collateral
	VND	(Original currency) USD			
Joint Stock Commercial Bank for Foreign Trade of Vietnam – Ho Chi Minh Branch					
Loan 1	247,068,987,212	-	From 19 February 2020 to 30 June 2020	7.1	LURs and associated assets located at Tay Bac Cu Chi Industrial Zone and Tan Binh industrial park, Ho Chi Minh City ("HCMC"); LURs located at Suoi Sau hamlet, Tay Ninh province
Loan 2	149,962,227,166	-	From 23 January 2020 to 29 June 2020	6.4 - 7.1	LUR and associate house at No.113/4, Nguyen Van Huong Street, Thao Dien Ward, District 2, HCMC;
Loan 3	199,952,861,402	-	From 24 January 2020 to 30 June 2020	6.4 - 7.1	Capital contribution in subsidiaries; and Machinery and equipment
Loan 4	46,975,058,460	2,023,043	From 10 April 2020 to 26 June 2020	3.8	
China Construction Bank					
Loan 1	179,800,989,060	-	From 29 January 2020 to 24 June 2020	7.3 - 7.5	Unsecured
Joint Stock Commercial Bank for Foreign Trade of Vietnam – Tan Binh Branch					
Loan 1	59,998,890,410	-	From 2 March 2020 to 23 June 2020	7.0	Land use rights, factory ownership rights and assets attached to land located at Tay Bac Cu Chi Industrial Zone, HCMC
Tien Phong Commercial Joint Stock Bank					
Loan 1	37,949,871,575	-	From 10 March 2020 to 19 June 2020	8.8	Term deposits
Ho Chi Minh City Development Joint Stock Commercial Bank					
Loan 1	29,995,827,848	-	From 21 April 2020 to 28 May 2020	9.2	Trade receivables from economic contracts arising with its partners includes Vietnam Dairy Products Joint Stock Company and Suntory Pepsico Vietnam Beverage Company

29

Ngoc Nghia Industry – Service – Trading Joint Stock Company

B09-DN/HN

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

24. LOAN AND FINANCE LEASES (continued)

24.2 Short-term loans from banks (continued)

Details of short-term loans from banks to finance working capital are as follows: (continued)

Bank	Ending balance		Principal repayment term	Interest rate	Description of collateral
		(Original currency)			
	VND	USD		%/annum	
Bao Viet Joint Stock Commercial Bank – Ho Chi Minh Branch					
Loan 1	6,326,971,178	-	From 5 January 2020 to 12 January 2020	5.34	Land use right at Ham Kiem I industrial park, Binh Thuan Province
TOTAL	958,031,684,311	2,023,043			

24.3 Long-term loans from banks

Details of short-term loans from banks to purchase assets are as follows:

Bank	Ending balance		Principal repayment term	Interest rate	Description of collateral
	VND				
Joint Stock Commercial Bank For Foreign Trade of Vietnam – Ho Chi Minh Branch	217,413,800,566		28 April 2024	9.6	Land use right and asset associate with land at, Linh Trung III Export Processing and Industrial Zone, Tay Ninh Province
Tien Phong Commercial Joint Stock Bank	6,134,363,517		From 26 January 2020 to 26 August 2023	8.9 - 11.7	Machineries and equipment
TOTAL	223,548,164,083				
<i>In which:</i>					
Current portion of long-term loan	29,945,198,980				
Long-term loan	193,602,965,103				

30

Ngoc Nghia Industry – Service – Trading Joint Stock Company

B09-DN/HN

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

24. LOAN AND FINANCE LEASES (continued)

24.4 Finance lease

The Group leases machineries and equipment under finance lease arrangement contracts' term from 42 months to 48 months with interest rates ranging from 7.54% to 10.5%/year. Future obligations due under finance leases agreements as at the consolidated balance sheet dates were as follows:

	Ending balance			Beginning balance			VND
	Total minimum lease payments	Finance charges	Lease liabilities	Total minimum lease payments	Finance charges	Lease liabilities	
Short-term financial lease							
Less than 1 year	35,871,669,731	6,002,605,338	29,869,064,393	38,594,522,252	5,488,426,648	33,106,095,604	
Long-term financial lease							
From 1 – 5 years	66,370,407,661	7,570,885,580	58,799,522,081	52,097,209,657	5,059,107,547	47,038,102,110	
TOTAL	102,242,077,392	13,573,490,918	88,668,586,474	90,691,731,909	10,547,534,195	80,144,197,714	

Ngoc Nghia Industry – Service – Trading Joint Stock Company

B09-DN/HN

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

25. OWNERS' EQUITY

25.1 Increase and decrease in owners' equity

	Contributed share capital	Share premium	Treasury shares	Asset revaluation reserve	Investment and development fund	Other funds	Undistributed earnings	Total	VND
Previous year									
Beginning balance (as restated - Note 36)	522,500,000,000	46,900,000,000	(88,088,780,000)	5,714,053,793	11,293,166,612	192,503,849	131,805,581,386	630,316,525,640	
Net profit for year (as restated - Note 36)	-	-	-	-	-	-	451,987,639,143	451,987,639,143	
Other increase	-	-	-	-	-	-	16,382,096,815	16,382,096,815	
Ending balance (as restated - Note 36)	<u>522,500,000,000</u>	<u>46,900,000,000</u>	<u>(88,088,780,000)</u>	<u>5,714,053,793</u>	<u>11,293,166,612</u>	<u>192,503,849</u>	<u>600,175,317,344</u>	<u>1,098,686,261,598</u>	
Current year									
Beginning balance (as restated - Note 36)	522,500,000,000	46,900,000,000	(88,088,780,000)	5,714,053,793	11,293,166,612	192,503,849	600,175,317,344	1,098,686,261,598	
Issuance of new shares (*)	293,209,880,000	193,999,537,982	-	-	-	-	-	487,209,417,982	
Net loss for the year	-	-	-	-	-	-	-(357,519,727,121)	-(357,519,727,121)	
Dividends (**)	-	(48,048,000,000)	88,088,780,000	-	-	-	-(40,040,780,000)	-	
Other decrease (***)	-	-	-	(5,714,053,793)	-	-	(60,404,737,037)	(66,118,790,830)	
Ending balance	<u>815,709,880,000</u>	<u>192,851,537,982</u>	<u>-</u>	<u>-</u>	<u>11,293,166,612</u>	<u>192,503,849</u>	<u>142,210,073,186</u>	<u>1,162,257,161,629</u>	

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

25. OWNERS' EQUITY (continued)

25.1 Increase and decrease in owners' equity (continued)

- (*) Accordance to the Resolution of Shareholders No. 05/2019/NQ/DHĐCĐ dated 1 November 2019 and the relevant Board of Directors' Resolutions, on 16 December 2019, the Company issued 29,320,988 new shares to a foreign investor at the price of VND 17,053 per share.
- (**) On 31 May 2019, the Company completed the re-issuance of entire 4,004,078 treasury shares at VND 10,000/share to pay dividends to existing shareholders in accordance with the Resolution of the Annual General Meeting of Shareholders. No.01/NQ/DHCD/NQ/18 dated 22 May 2018.
- (***) During the year, the Group additionally acquired ownership in certain subsidiaries without changes of control in these entities. The difference between the purchased consideration and the carrying value of net assets transferred is recorded into undistributed earnings.

25.2 Capital transactions with shareholders and distribution of dividends

	VND	
	Current year	Previous year
Contributed capital		
Beginning balance	522,500,000,000	522,500,000,000
Issuance of new shares	293,209,880,000	-
Ending balance	815,709,880,000	522,500,000,000
Dividends declared	40,040,780,000	16,382,096,815
Dividends paid through re-issuance of treasury shares	40,040,780,000	-
Dividends paid by cash	-	16,382,096,815

25.3 Shares

	Quantity	
	Ending balance	Beginning balance
Authorized shares	81,570,988	52,250,000
Issued shares	81,570,988	52,250,000
Ordinary shares	81,570,988	52,250,000
Treasury shares	-	(4,004,078)
Ordinary shares	-	(4,004,078)
Shares in circulation	81,570,988	48,245,922
Ordinary shares	81,570,988	48,245,922

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

26. NON-CONTROLLING INTERESTS

	VND	
	Ending balance	Beginning balance
Contributed charter capital	-	5,343,082,612
Undistributed earnings	-	1,344,984,817
TOTAL	-	6,688,067,429

Movements of non-controlling interests ("NCI") are as follows:

	VND	
	Current year	
Beginning balance		6,688,067,429
Transferred non-controlling interest to the Group		(6,961,209,170)
Net profit for the year		273,141,741
Ending balance		-

27. REVENUE

27.1 Revenue from sale of goods and rendering of services

	VND	
	Current year	Previous year
Gross revenue	1,804,265,844,519	1,648,054,692,958
<i>In which:</i>		
Sale of merchandised and finished goods	1,790,656,468,803	1,622,934,665,416
Rendering of services	13,609,375,716	25,120,027,542
Less		
Sales return	(2,477,605,757)	(24,189,164,661)
Trade discounts	(711,204,325)	(1,469,706,098)
Net revenue	1,801,077,034,437	1,622,395,822,199
<i>In which:</i>		
Sale of merchandised and finished goods	1,787,467,658,721	1,597,275,794,657
Rendering of services	13,609,375,716	25,120,027,542

27.2 Finance income

	VND	
	Current year	Previous year
Interest income	4,856,029,375	18,698,252,755
Foreign exchange gains	1,390,752,362	1,889,532,992
Gain from transferring shares	-	3,056,080,000
Gain from disposal of investments	-	694,553,146,954
TOTAL	6,246,781,737	718,197,012,701

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

28. COST OF GOODS SOLD AND SERVICES RENDERED

	VND	
	Current year	Previous year
Cost of merchandise and finished goods sold	1,406,627,699,927	1,301,919,453,579
Cost of services rendered	7,205,334,487	29,943,146,029
TOTAL	1,413,833,034,414	1,331,862,599,608

29. FINANCE EXPENSES

	VND	
	Current year	Previous year
Loan interest	95,574,302,360	91,781,212,052
Foreign exchange losses	706,501,875	3,357,198,467
Discounts for early payment	201,688,725	343,085,373
TOTAL	96,482,492,960	95,481,495,892

30. SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

	VND	
	Current year	Previous year
Selling expenses	89,272,834,040	79,815,704,938
Transportation expense	52,292,038,608	52,621,133,432
Labor cost	27,058,444,186	19,185,449,078
Expenses for external services	5,123,302,275	3,624,370,469
Others	4,799,048,971	4,384,751,959
General and administrative expenses	564,310,090,789	511,018,890,533
Provision for doubtful debt	460,223,709,313	416,594,611,115
Labor cost	62,726,174,442	46,942,460,721
Expenses for external services	20,388,192,793	24,676,864,474
Depreciation and amortisation	3,649,336,821	3,874,668,178
Others	17,322,677,420	18,930,286,045
TOTAL	653,582,924,829	590,834,595,471

31. PRODUCTION AND OPERATING COSTS

	VND	
	Current year	Previous year
Raw materials	1,294,299,705,902	1,246,851,818,349
Provision	434,936,755,583	416,594,611,115
Expenses for external services	96,420,097,511	121,258,154,748
Labor cost	95,736,202,742	148,585,809,031
Depreciation and amortisation	89,926,434,639	111,436,585,647
Others	35,904,527,260	106,936,630,229
TOTAL	2,047,223,723,637	2,151,663,609,119

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

32. CORPORATE INCOME TAX

The statutory corporate income tax ("CIT") rate applicable to the Group is 20% of taxable profits except for IPC, GCC and NNI as explained in the following paragraph.

IPC has the obligation to pay CIT at the rate of 20% of taxable profits for 10 years commencing from the first year in which a taxable profit income is earned (which is 2010). Since 2016, the applicable tax rate is 17% for the remaining years from the first year in which a taxable profit income is earned.

GCC has the obligation to pay CIT at the rate of 20% of taxable profits for the first 10 years of operations. From 2016, the tax rate applicable to GCC is 17% for the remaining years of the first 10 years of operations and 20% for the following years. GCC is entitled to an exemption from CIT for two years commencing with the first year in which taxable profit is earned (i.e. from 2013 to 2014) and a reduction by 50% over the next four years (i.e. from 2015 to 2018).

NNI has the obligation to pay CIT at the rate of 17% of taxable profits. NNI is entitled to an exemption from CIT for 2 years commencing from the first year in which a taxable income is earned (which is 2017), and a 50% reduction of the applicable CIT tax rate for the following 4 years.

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

32.1 CIT expenses

	VND	
	Current year	Previous year (as restated - Note 36)
Current tax expense	9,396,993,556	10,828,740,096
Adjustment for under accrual of tax from prior years	356,962,865	-
Deferred tax income	(8,108,828,863)	(148,395,985,536)
TOTAL	1,645,127,558	(137,567,245,440)

The reconciliation between CIT expenses and the accounting loss multiplied by CIT rate is presented below:

	VND	
	Current year	Previous year (as restated - Note 36)
Accounting (loss) profit before tax	(355,601,457,822)	314,983,763,497
At CIT rate applied for the Group	(74,654,389,732)	54,335,341,190
Adjustments:		
Tax losses not yet recognized as deferred tax asset	61,065,319,018	-
Non-deductible expenses	13,590,526,970	2,604,237,731
Amortisation of goodwill	1,318,610,198	1,318,610,198
Adjustments for under accrual of tax from previous years	356,962,865	-
Consolidation adjustments	(31,901,761)	(145,449,004,559)
Provision for investments	-	(50,376,430,000)
CIT expense (income)	1,645,127,558	(137,567,245,440)

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

32. CORPORATE INCOME TAX (continued)

32.2 Current tax

The current tax payable is based on taxable income for the current year. The taxable income of the Parent company and its subsidiaries 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 Parent company and its subsidiaries' liability for current tax are calculated using tax rates that have been enacted by the consolidated balance sheet date.

32.3 Deferred tax

The following are the deferred tax assets and deferred tax liabilities recognised by the Group, and the movements thereon, during the current and previous year:

and the movements therein, during the current and previous year.

VND				
Consolidated balance sheet			Consolidated income statement	
	Ending balance	Beginning balance	Current year	Previous year (as restated - Note 36)
Deferred tax assets				
Tax losses carried forward	124,096,495,678	116,533,646,629	7,562,849,049	89,381,994,313
Unrealized profit	10,319,886,856	9,773,907,042	545,979,814	8,637,561,223
	134,416,382,534	126,307,553,671	8,108,828,863	98,019,555,536
Deferred tax liabilities				
Provision for investments	-	-	-	(50,376,430,000)
Net deferred tax credit to consolidated income statement			8,108,828,863	148,395,985,536

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

32. CORPORATE INCOME TAX (continued)

32.4 Tax losses carried forward

The Group is entitled to carry tax loss forward to offset against taxable income arising within five years subsequent to the year in which the loss was incurred. At the consolidated balance sheet date, the Group had aggregated accumulated tax losses of VND 925,809,073,473 (31 December 2018: VND 535,548,041,817) available for offset against future taxable income. Details are as follows:

<i>Originating year</i>	<i>Can be utilized up to</i>	<i>Tax loss amount</i>	<i>Utilized up to 31 December 2019</i>	<i>Forfeited</i>	<i>Unutilized at 31 December 2019</i>
2015 (*)	2020	147,054,530,455	(13,553,235,500)	-	133,501,294,955
2016 (*)	2021	418,707,484	-	-	418,707,484
2018 (*)	2023	388,074,803,878	-	-	388,074,803,878
2019 (**)	2024	403,814,267,156	-	-	403,814,267,156
TOTAL		939,362,308,973	(13,553,235,500)	-	925,809,073,473

(*) Tax loss as per tax assessment minutes.

(**) Estimated tax loss as per the Company's corporate income tax declaration for the year ended 31 December 2019 has not been audited by the local tax authorities as of the date of these consolidated financial statements.

No deferred tax assets were recognised in respect of the remaining VND 305,326,595,087 because future taxable income cannot be ascertained at this stage.

33. TRANSACTION WITH RELATED PARTIES

Significant transactions with related parties for current year and previous year were as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Current year</i>	<i>Previous year</i>
VND				
Mr. La Bui Hoang Nghia	Chairman	Investment Dividend paid	24,000,000,000	-
			-	3,600,000,000
Ms. La Bui Hong Ngoc	Deputy Chairwoman	Investment Advance Dividend paid	12,540,000,000	-
			-	1,049,885,238
			-	660,000,000

Remuneration to members of the Board of Directors and Management

	<i>Current year</i>	<i>Previous year</i>
VND		
Salaries and bonus	27,869,815,048	17,363,529,208

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

33. TRANSACTION WITH RELATED PARTIES (continued)

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

VND				
Related parties	Relationship	Transactions	Ending balance	Beginning balance
Short-term other receivables				
Mr. La Bui Hoang Nghia	Chairman	Advance	77,873,055	56,151,620
Ms. La Bui Hong Ngoc	Deputy Chairwoman	Advance	-	2,546,990,580
TOTAL			77,873,055	2,603,142,200

34. (LOSS) EARNINGS PER SHARE

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

VND		
	Current year	Previous year (as restated - Note 36)
Net (loss) profit after tax attributable to ordinary equity holders of the Company	(357,519,727,121)	451,987,639,143
Weighted average number of ordinary shares (i)	53,535,304	52,250,000
(Loss) earnings per share		
- Basic (VND/share)	(6,678)	8,650
- Diluted (VND/share)	(6,678)	8,650

(i) Weighted average number of ordinary shares for basic earnings for the year 2018 as presented in the consolidated financial statements for the year 2018 was restated to re-issuance of treasury shares appropriated from undistributed earnings and share premium of the year 2019.

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

35. OPERATING LEASE COMMITMENTS

The Group leases offices under operating lease arrangements. The minimum lease commitment as at the consolidated balance sheet dates under the operating lease agreements are as follows:

VND		
	Ending balance	Beginning balance
Less than 1 year	20,250,542,200	18,211,046,000
From 1 – 5 years	24,507,512,200	68,621,572,000
TOTAL	44,758,054,400	86,832,618,000

Ngoc Nghia Industry - Service - Trading Joint Stock Company B09-DN/HN

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

36. RESTATEMENT AND RECLASSIFICATION OF CORRESPONDING FIGURES

During the year, the management of the Group reviewed the deferred income tax assets relating to tax loss carry forward and unrealised profit of the Group. Accordingly, the Group decided to retrospectively restate the prior year's consolidated financial statements to better reflect the deferred income tax expenses.

Impacts of the said retrospective adjustment is as follows:

VND			
	As previously reported	Restatement	As restated
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018			
Deferred tax assets	117,148,076	126,190,405,595	126,307,553,671
Undistributed earnings	473,984,911,749	126,190,405,595	600,175,317,344
Undistributed earnings by the end of prior year	121,036,025,885	27,151,652,316	148,187,678,201
Undistributed earnings by the end of current year	352,948,885,864	99,038,753,279	451,987,639,143

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

Deferred income tax income	49,357,232,257	99,038,753,279	148,395,985,536
Net profit after tax	353,512,255,658	99,038,753,279	452,551,008,937
Basic earnings per share	7,316	1,334	8,650
Diluted earnings per share	7,316	1,334	8,650

In addition to the above retrospective adjustment, certain figures on the consolidated financial statements as at 31 December 2018 have been reclassified to reflect the presentation of the current year's consolidated financial statements. Impacts of the said reclassified adjustment is as follows:

VND			
	As previously reported	Reclassification	As restated
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018			
Intangible fixed assets	273,414,897,598	(60,374,695,738)	213,040,201,860
Cost	296,724,688,150	(74,273,969,460)	222,450,718,690
Accumulated amortisation	(23,309,790,552)	13,899,273,722	(9,410,516,830)
Long-term prepaid expenses	26,407,947,544	60,374,695,738	86,782,643,282

37. EVENTS AFTER THE BALANCE SHEET DATE

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

Dong Thi Ngoc Trieu
Preparer as Chief Accountant

La Bui Hong Ngoc
General Director

27 March 2020

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