



**Hoa Sen Group and its subsidiaries**

**Consolidated Financial Statements**  
**for the year ended 30 September 2019**



## Hoa Sen Group Corporate Information

**Business Registration Certificate No.** 3700381324 8 August 2001

The Company's Business Registration Certificate has been amended several times, the most recent of which is by Business Registration Certificate No. 3700381324 dated 15 May 2019. The Business Registration Certificate and its updates were issued by the Department of Planning and Investment of Binh Duong Province.

<b>Board of Management</b>	Mr. Le Phuoc Vu	Chairman
	Mr. Tran Ngoc Chu	Vice Chairman
	Mr. Tran Quoc Tri	Member
	Mr. Ly Van Xuan	Member
	Mr. Nguyen Van Luan	Member
	Mr. Dinh Viet Duy	Member

<b>Board of Internal Audit</b>	Mr. Le Vu Nam	Head of Department
	Mr. Le Dinh Hanh	Deputy Head of Department
	Ms. Dong Thi Thanh Hang	Member

<b>Board of Directors</b>	Mr. Tran Quoc Tri	General Director
	Mr. Hoang Duc Huy	Deputy General Director
	Mr. Vu Van Thanh	Deputy General Director
	Mr. Nguyen Minh Khoa	Deputy General Director
	Mr. Ho Thanh Hieu	Deputy General Director
	Mr. Tran Quoc Pham	Deputy General Director
	Mr. Nguyen Ngoc Huy	Deputy General Director

<b>Legal Representative</b>	Mr. Le Phuoc Vu	Chairman
	Mr. Tran Ngoc Chu	Vice Chairman
	Mr. Tran Quoc Tri	General Director

**Registered Office** No. 9, Thong Nhat Boulevard,  
Song Than II Industrial Park,  
Di An Ward, Di An Town,  
Binh Duong Province  
Vietnam

**Auditor** KPMG Limited  
Vietnam

## **Hoa Sen Group Statement of Board of Directors**

Board of Directors of Hoa Sen Group (“the Company”) presents this statement and the accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred to as “the Group”) for the year ended 30 September 2019.

Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting. In the opinion of the Board of Directors:

- (a) the consolidated financial statements set out on pages 5 to 59 give a true and fair view of the consolidated financial position of the Group as at 30 September 2019, and of the consolidated results of operations and the consolidated cash flows of the Group for the year then ended, in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the Group will not be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised the accompanying consolidated financial statements for issue.



On behalf of the Board of Directors *luy 2*

Tran Quoc Tri  
*General Director*

Ho Chi Minh City, 20 December 2019



KPMG Limited Branch  
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115 Nguyen Hue Street, Ben Nghe Ward  
District 1, Ho Chi Minh City, Vietnam  
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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Shareholders Hoa Sen Group**

We have audited the accompanying consolidated financial statements of Hoa Sen Group ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated balance sheet as at 30 September 2019, the consolidated statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Company's Board of Directors on 20 December 2019, as set out on pages 5 to 59.

### **Management's Responsibility**

The Company's Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting, and for such internal control as the Board of Management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on 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 of material misstatement.

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

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

## Auditor's Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Hoa Sen Group and its subsidiaries as at 30 September 2019 and of their consolidated results of operations and their consolidated cash flows for the year then ended, in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting.

## Other matter

The consolidated financial statements of the Group for the year ended 30 September 2018 were audited by another firm of auditors whose reports dated 28 December 2018 expressed an unqualified opinion on those statements.

## KPMG Limited's Branch in Ho Chi Minh City

Vietnam

Audit Report No.: 19-01-00214-19-2



Chang Hung Chun  
Practicing Auditor Registration  
Certificate No. 0863-2018-007-1  
Deputy General Director



Nguyen Thanh Nghi  
Practicing Auditor Registration  
Certificate No. 0304-2018-007-1

Ho Chi Minh City, 20 December 2019

**Hoa Sen Group and its subsidiaries**  
**Consolidated balance sheet as at 30 September 2019**

**Form B 01 – DN/HN**  
*(Issued under Circular No. 202/2014/TT-BTC*  
*dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	30/9/2019 VND	1/10/2018 VND
<b>ASSETS</b>				
<b>Current assets</b> <b>(100 = 110 + 120 + 130 + 140 + 150)</b>	<b>100</b>		<b>7,355,652,364,016</b>	<b>10,799,699,101,991</b>
<b>Cash and cash equivalents</b>	<b>110</b>	<b>7</b>	<b>288,707,713,172</b>	<b>492,079,830,667</b>
Cash	111		288,564,191,297	459,271,022,774
Cash equivalents	112		143,521,875	32,808,807,893
<b>Short-term financial investments</b>	<b>120</b>		<b>76,250,000,000</b>	<b>270,387,032</b>
Held-to-maturity investments	123	8(a)	76,250,000,000	270,387,032
<b>Accounts receivable – short-term</b>	<b>130</b>		<b>1,339,263,670,053</b>	<b>2,118,733,369,445</b>
Accounts receivable from customers	131	9	1,049,450,621,720	1,650,639,947,525
Prepayments to suppliers	132	10	135,583,407,831	296,532,254,907
Loans receivable	135		-	3,660,295,900
Other short-term receivables	136	11(a)	164,521,607,196	175,861,343,972
Allowance for doubtful debts	137		(10,291,966,694)	(7,960,472,859)
<b>Inventories</b>	<b>140</b>	<b>12</b>	<b>4,547,528,637,193</b>	<b>6,606,994,466,635</b>
Inventories	141		4,599,379,745,104	6,647,686,173,500
Allowance for inventories	149		(51,851,107,911)	(40,691,706,865)
<b>Other current assets</b>	<b>150</b>		<b>1,103,902,343,598</b>	<b>1,581,621,048,212</b>
Short-term prepaid expenses	151	17(a)	99,299,504,104	97,836,059,166
Deductible value added tax	152		997,416,186,710	1,453,616,036,730
Taxes receivable from State Treasury	153	20(b)	7,186,652,784	30,168,952,316

*The accompanying notes are an integral part of these consolidated financial statements*

**Hoa Sen Group and its subsidiaries**  
**Consolidated balance sheet as at 30 September 2019 (continued)**

**Form B 01 – DN/HN**  
*(Issued under Circular No. 202/2014/TT-BTC*  
*dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	30/9/2019 VND	1/10/2018 VND
<b>Long-term assets</b> (200 = 210 + 220 + 240 + 250 + 260)	<b>200</b>		<b>9,869,786,099,023</b>	<b>10,455,122,959,627</b>
<b>Accounts receivable – long-term</b>	<b>210</b>		<b>226,761,293,160</b>	<b>202,370,220,436</b>
Other long-term receivables	216	11(b)	226,761,293,160	202,370,220,436
<b>Fixed assets</b>	<b>220</b>		<b>8,642,006,807,601</b>	<b>8,124,639,435,592</b>
Tangible fixed assets	221	13	8,186,719,713,839	7,671,670,211,535
<i>Cost</i>	222		<i>13,134,211,874,310</i>	<i>11,563,782,152,097</i>
<i>Accumulated depreciation</i>	223		<i>(4,947,492,160,471)</i>	<i>(3,892,111,940,562)</i>
Finance lease tangible fixed assets	224	14	214,042,830,281	140,153,363,491
<i>Cost</i>	225		<i>237,020,532,992</i>	<i>236,206,835,834</i>
<i>Accumulated depreciation</i>	226		<i>(22,977,702,711)</i>	<i>(96,053,472,343)</i>
Intangible fixed assets	227	15	241,244,263,481	312,815,860,566
<i>Cost</i>	228		<i>294,601,902,380</i>	<i>355,069,152,380</i>
<i>Accumulated amortisation</i>	229		<i>(53,357,638,899)</i>	<i>(42,253,291,814)</i>
<b>Long-term work in progress</b>	<b>240</b>		<b>576,452,872,180</b>	<b>1,512,774,341,255</b>
Construction in progress	242	16	576,452,872,180	1,512,774,341,255
<b>Long-term financial investments</b>	<b>250</b>		<b>17,000,000,000</b>	<b>98,957,678,001</b>
Investments in associates	252	8(b)	-	36,357,678,001
Held-to-maturity investments	255	8(a)	17,000,000,000	62,600,000,000
<b>Other long-term assets</b>	<b>260</b>		<b>407,565,126,082</b>	<b>516,381,284,343</b>
Long-term prepaid expenses	261	17(b)	365,534,127,666	475,698,024,116
Deferred tax assets	262	18	42,030,998,416	40,683,260,227
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>17,225,438,463,039</b>	<b>21,254,822,061,618</b>

*The accompanying notes are an integral part of these consolidated financial statements*

**Hoa Sen Group and its subsidiaries**  
**Consolidated balance sheet as at 30 September 2019 (continued)**

**Form B 01 – DN/HN**  
*(Issued under Circular No. 202/2014/TT-BTC*  
*dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	30/9/2019 VND	1/10/2018 VND
<b>RESOURCES</b>				
<b>LIABILITIES (300 = 310 + 330)</b>	<b>300</b>		<b>11,757,157,277,389</b>	<b>16,103,196,342,693</b>
<b>Current liabilities</b>	<b>310</b>		<b>8,767,419,669,924</b>	<b>12,637,507,361,815</b>
Accounts payable to suppliers	311	19	1,379,160,194,955	1,066,621,824,454
Advances from customers	312		101,394,195,074	141,297,692,947
Taxes payable to State Treasury	313	20(a)	83,658,990,877	61,518,263,658
Payables to employees	314		62,992,350,003	85,096,650,336
Accrued expenses	315	21	124,968,889,487	148,220,024,270
Other payables – short-term	319	22	263,879,077,110	213,415,952,496
Short-term borrowings and finance lease liabilities	320	23(a)	6,706,463,172,987	10,879,859,929,887
Bonus and welfare fund	322	24	44,902,799,431	41,477,023,767
<b>Long-term liabilities</b>	<b>330</b>		<b>2,989,737,607,465</b>	<b>3,465,688,980,878</b>
Other payables – long-term	337		709,500,000	-
Long-term borrowings and finance lease liabilities	338	23(b)	2,986,131,853,215	3,461,976,547,378
Provisions – long-term	342	25	2,896,254,250	3,712,433,500
<b>EQUITY (400 = 410)</b>	<b>400</b>		<b>5,468,281,185,650</b>	<b>5,151,625,718,925</b>
<b>Owners' equity</b>	<b>410</b>	<b>26</b>	<b>5,468,281,185,650</b>	<b>5,151,625,718,925</b>
Share capital	411	27	4,234,694,890,000	3,849,903,280,000
- Ordinary shares with voting rights	411a		4,234,694,890,000	3,849,903,280,000
Share premium	412		151,583,183,521	151,583,183,521
Treasury shares	415		(2,459,000,000)	(1,343,000,000)
Other equity funds	420		55,626,670,135	60,509,750,556
Retained profits	421		1,021,280,774,551	1,055,058,327,742
- Retained profits brought forward	421a		659,928,641,536	645,824,289,820
- Profit for the current year	421b		361,352,133,015	409,234,037,922
Non-controlling interest	429		7,554,667,443	35,914,177,106
<b>TOTAL RESOURCES</b> <b>(440 = 300 + 400)</b>	<b>440</b>		<b>17,225,438,463,039</b>	<b>21,254,822,061,618</b>

20 December 2019

Prepared by

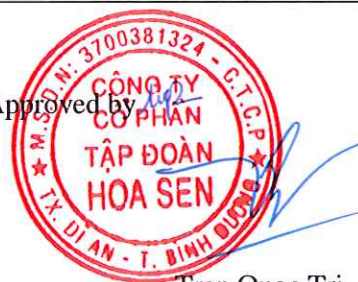


Nguyen Thi Thanh Tuyen  
Accountant

Approved by



Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Quoc Tri  
General Director

The accompanying notes are an integral part of these consolidated financial statements



**Hoa Sen Group and its subsidiaries****Consolidated statement of income for the year ended 30 September 2019**

Form B 02 – DN/HN

*(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	Year ended	
			30/9/2019 VND	30/9/2018 VND (Reclassified)
Revenue from sales of goods and provision of services	01	29	28,081,303,783,088	34,570,344,557,164
Revenue deductions	02	29	46,528,664,413	128,915,208,903
Net revenue from sales of goods and provision of services (10 = 01 - 02)	10	29	28,034,775,118,675	34,441,429,348,261
Cost of sales	11	30	24,836,155,036,672	30,464,290,088,385
Gross profit (20 = 10 - 11)	20		3,198,620,082,003	3,977,139,259,876
Financial income	21	31	63,164,230,629	179,498,893,481
Financial expenses	22	32	802,634,741,872	970,732,705,902
<i>In which: Interest expense</i>	23		745,960,164,920	811,669,226,449
Share of profit in associates and jointly controlled entities	24		-	514,000,092
Selling expenses	25	33	1,748,882,841,240	2,032,997,514,744
General and administration expenses	26	34	470,700,688,884	678,624,762,946
Net operating profit {30 = 20 + (21 - 22) - (25 + 26)}	30		239,566,040,636	474,797,169,857
Other income	31	35	253,166,267,295	56,900,222,229
Other expenses	32		30,663,011,810	2,512,931,184
Results of other activities (40 = 31 - 32)	40		222,503,255,485	54,387,291,045
Accounting profit before tax (50 = 30 + 40)	50		462,069,296,121	529,184,460,902
Income tax expense – current	51	37	102,045,530,564	95,720,855,600
Income tax (benefit)/expense – deferred	52	37	(1,347,738,189)	24,297,904,363
Net profit after tax (60 = 50 - 51 - 52) (carried forward)	60		361,371,503,746	409,165,700,939

*The accompanying notes are an integral part of these consolidated financial statements*

**Hoa Sen Group and its subsidiaries****Consolidated statement of income for the year ended 30 September 2019 (continued)**

Form B 02 – DN/HN

*(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	Year ended	
			30/9/2019 VND	30/9/2018 VND
<b>Net profit after tax (60 = 50 - 51 - 52) (brought forward)</b>	<b>60</b>		<b>361,371,503,746</b>	<b>409,165,700,939</b>
<b>Attributable to:</b>				
Equity holders of the Company	61		361,352,133,015	409,234,037,922
Non-controlling interest	62		19,370,731	(68,336,983)
<b>Earnings per share</b>				
Basic earnings per share	70	38	820	928

20 December 2019

Prepared by



Nguyen Thi Thanh Tuyen  
Accountant

Approved by



Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Quoc Tri  
General Director

*The accompanying notes are an integral part of these consolidated financial statements*

**Hoa Sen Group and its subsidiaries**  
**Consolidated statement of cash flows for the year ended 30 September 2019**  
**(Indirect method)**

**Form B 03 – DN/HN**  
*(Issued under Circular No. 202/2014/TT-BTC*  
*dated 22 December 2014 of the Ministry of Finance)*

	Code Note	Year ended	
		30/9/2019 VND	30/9/2018 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Accounting profit before tax	01	462,069,296,121	529,184,460,902
Adjustments for			
Depreciation and amortisation	02	1,187,362,709,449	1,019,509,865,101
Allowances and provisions	03	12,674,715,631	(22,226,292,468)
Exchange losses arising from revaluation of monetary items denominated in foreign currencies	04	1,760,428,859	51,970,945,978
Profits from investing activities	05	(138,884,054,266)	(120,258,368,345)
Interest expense	06	745,960,164,920	811,669,226,449
<b>Operating profit before changes in working capital</b>	<b>08</b>	<b>2,270,943,260,714</b>	<b>2,269,849,837,617</b>
Change in receivables	09	1,207,687,182,269	(182,952,388,012)
Change in inventories	10	2,048,306,428,396	2,250,342,628,951
Change in payables and other liabilities	11	389,709,901,418	(2,703,521,975,220)
Change in prepaid expenses	12	109,444,425,707	(52,185,353,089)
		<b>6,026,091,198,504</b>	<b>1,581,532,750,247</b>
Interest paid	14	(753,141,518,007)	(808,818,426,065)
Income tax paid	15	(78,482,788,446)	(178,069,805,583)
Other payments for operating activities	17	(13,390,811,230)	(94,659,631,874)
<b>Net cash flows from operating activities</b>	<b>20</b>	<b>5,181,076,080,821</b>	<b>499,984,886,725</b>

*The accompanying notes are an integral part of these consolidated financial statements*

**Hoa Sen Group and its subsidiaries**  
**Consolidated statement of cash flows for the year ended 30 September 2019**  
**(Indirect method – continued)**

**Form B 03 – DN/HN**  
*(Issued under Circular No. 202/2014/TT-BTC*  
*dated 22 December 2014 of the Ministry of Finance)*

	Code Note	Year ended	
		30/9/2019 VND	30/9/2018 VND
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for additions to fixed assets and other long-term assets	21	(1,057,985,115,931)	(2,723,711,086,859)
Collections on disposals of fixed assets	22	292,129,010,756	171,567,456,975
Payments for term deposits	23	(104,750,000,000)	(28,430,682,932)
Collections on term deposits	24	74,370,387,032	29,000,000,000
Payments for investments in other entities	25	(11,581,401,220)	(3,672,266,449)
Collections on investments in other entities	26	14,928,557,806	155,996,581,583
Receipts of interest	27	6,514,604,449	5,714,196,627
<b>Net cash flows from investing activities</b>	<b>30</b>	<b>(786,373,957,108)</b>	<b>(2,393,535,801,055)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments for shares redemptions	32	(1,116,000,000)	(1,343,000,000)
Proceeds from borrowings	33	20,572,520,273,479	33,719,297,189,430
Proceeds from sales and lease back	33	110,741,661,833	84,136,860,047
Payments to settle loan principals	34	(25,197,752,754,083)	(31,308,401,099,488)
Payments to settle finance lease liabilities	35	(79,783,030,658)	(47,505,770,325)
Payments of dividends	36	(225,251,900)	(350,060,974,500)
<b>Net cash flows from financing activities</b>	<b>40</b>	<b>(4,595,615,101,329)</b>	<b>2,096,123,205,164</b>
<b>Net cash flows during the year</b> (50 = 20 + 30 + 40)	<b>50</b>	<b>(200,912,977,616)</b>	<b>202,572,290,834</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>492,079,830,667</b>	<b>292,371,319,351</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<b>61</b>	<b>(2,459,139,879)</b>	<b>(2,863,779,518)</b>
<b>Cash and cash equivalents at the end of the year</b> (70 = 50 + 60 + 61)	<b>70 7</b>	<b>288,707,713,172</b>	<b>492,079,830,667</b>

20 December 2019

Prepared by



Nguyen Thi Thanh Tuyen  
Accountant

Approved by



Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Quoc Tri  
General Director

*The accompanying notes are an integral part of these consolidated financial statements*

## **Hoa Sen Group and its subsidiaries**

### **Notes to the consolidated financial statements for the year ended 30 September 2019**

**Form B 09 – DN/HN**

*(Issued under Circular No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)*

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

#### **1. Reporting Entity**

##### **(a) Ownership structure**

Hoa Sen Group (“Company”) is incorporated as a joint stock company in Vietnam.

The Company’s shares were listed on Ho Chi Minh City Stock Exchange with the stock code HSG in accordance with Decision No. 117/QĐ-SGDHCM dated 5 November 2008 issued by Ho Chi Minh City Stock Exchange.

The consolidated financial statements for the year ended 30 September 2019 comprise the Company and its subsidiaries (collectively referred to as “the Group”).

##### **(b) Principal activities**

The principal activities of the Group are to manufacturing roofing sheets by galvanised steel, zinc alloy, paint galvanised zinc plating and plating of other alloys; producing steel purlins, galvanised purlins; manufacturing black steel pipes, galvanised steel pipes and other alloys; manufacturing steel mesh, galvanized steel wire, steel wire; manufacturing PVC ceiling; buying and selling building materials, capital goods and consumer goods; providing warehousing and transportation services; building industrial and civil constructions and producing cold rolled steel coils and leasing machinery and equipment and other tangible belongings.

##### **(c) Normal operating cycle**

The normal operating cycle of the Group is within 12 months.

##### **(d) Group structure**

As at 30 September 2019, the Group has 16 subsidiaries, 1 associate (1/10/2018: 15 subsidiaries, 2 associates), as follows:

**Hoa Sen Group and its subsidiaries****Notes to the consolidated financial statements for the year ended 30 September 2019  
(continued)****Form B 09 – DN/HN***(Issued under Circular No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)*

Name	Principal activities	Percentage of ownership/ voting rights	
		30/9/2019	1/10/2018
<b>Subsidiaries</b>			
▪ Hoa Sen Nghe An One Member Limited Liability Company	Manufacturing and trading metal roofing sheets and steel pipe products.	100%	100%
▪ Hoa Sen Nhon Hoi - Binh Dinh One Member Limited Liability Company	Manufacturing and trading metal roofing sheets.	100%	100%
▪ Hoa Sen Steel Sheet One Member Limited Liability Company	Manufacturing and trading in cold rolled steel products.	100%	100%
▪ Hoa Sen Phu My One Member Limited Liability Company	Manufacturing steel for building materials and consumer goods.	100%	100%
▪ Hoa Sen Ha Nam One Member Limited Liability Company	Manufacturing and trading in plastic building materials and steel pipe products.	100%	100%
▪ Hoa Sen Building Materials One Member Limited Liability Company	Manufacturing and trading in plastic building materials and steel pipe products.	100%	100%
▪ Hoa Sen Binh Dinh One Member Limited Liability Company	Manufacturing and trading in plastic building materials and steel pipe products.	100%	100%
▪ Hoa Sen Yen Bai Joint Stock Company	Operating a hotel, restaurant services and commercial center.	95%	70%
▪ Hoa Sen Yen Bai Building Materials One Member Limited Liability Company	Manufacturing and trading in steel pipe products.	100%	100%
▪ Hoa Sen Transportation and Engineering One Member Limited Liability Company (*)	Providing transportation services and civil, industrial construction projects.	-	100%
▪ Hoa Sen Ca Na - Ninh Thuan Integrated Iron and Steel Complex Investment One Member Limited Liability Company	Manufacturing iron, steel, cast iron products.	100%	100%
▪ Hoa Sen Ca Na - Ninh Thuan Industrial Park Infrastructure Investment One Member Limited Liability Company	Trading in real estate and land use right for use or rent.	100%	100%
▪ Hoa Sen Ca Na - Ninh Thuan International General Seaport One Member Limited Liability Company	Investing riverport, seaport.	100%	100%
▪ Hoa Sen Ca Na - Ninh Thuan Renewable Energy One Member Limited Liability Company (**)	Manufacturing, transmitting and distributing electricity.	100%	100%
▪ Hoa Sen Ca Na - Ninh Thuan Cement One Member Limited Liability Company (**)	Manufacturing cement, lime and plaster.	100%	100%

## Hoa Sen Group and its subsidiaries

### Notes to the consolidated financial statements for the year ended 30 September 2019 (continued)

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Name	Principal activities	Percentage of ownership/ voting rights	
		30/9/2019	1/10/2018
<b>Subsidiaries (continued)</b>			
▪ Hoa Sen Quy Nhon Joint Stock Company	Trading real estate and provide support services for trading real estate.	99%	-
▪ Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company	Investing, constructing and trading industrial park infrastructure.	95%	-
<b>Associates</b>			
▪ Hoa Sen Quy Nhon Joint Stock Company	Trading real estate and provide support services for trading real estate.	-	45%
▪ Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company	Investing, constructing and trading industrial park infrastructure.	-	45%
▪ Hoa Sen International Port Joint Stock Company (**)	Providing supporting services related to transportation.	49%	-

(\*) As at 15 June 2019, the Group had completed disoluting of Hoa Sen Transportation and Engineering One Member Limited Liability Company.

(\*\*) As at 30 September 2019, the Group has not yet contributed capital to these companies. These subsidiaries are in the pre-operating stage.

As at 30 September 2019, the Group has 6,637 employees (1/10/2018: 7,062 employees).

## 2. Basis of preparation

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirement applicable to financial reporting.

### (b) Basis of measurement

The consolidated financial statements, except for the consolidated statement of cash flows, are prepared on the accrual basis using the historical cost concept. The consolidated statement of cash flows is prepared using the indirect method.

**Hoa Sen Group and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2019**  
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**(c) Going concern assumption**

The consolidated financial statements have been prepared on a going concern basis. At the balance sheet date, current liabilities exceeded current assets by VND1,411,767 million (1/10/2018: VND1,837,808 million). The validity of the going concern assumption fundamentally depends on the Group being able to generate sufficient cash flows from its activities and to maintain the credit limit granted by financial institutions to enable the Group to meet its liabilities as and when they fall due and to maintain the Group in existence as a going concern for the foreseeable future.

The management is implementing the restructuring plans for improving the efficiency in the Group's business operation as well as continue seeking for additional sources of finance.

At the time of this report, there is no reason for the Board of Directors to believe that the Group will not be able to generate sufficient cash flows from its activities or maintain credit limit granted by financial institutions.

**(d) Annual accounting period**

The annual accounting period of the Group is from 1 October to 30 September of following year.

**(e) Accounting and presentation currency**

The Group's accounting currency is Vietnam Dong ("VND"), which is also the currency used for financial statement presentation purpose.

**3. Summary of significant accounting policies**

The following significant accounting policies have been adopted by the Group in the preparation of these consolidated financial statements. The accounting policies that have been adopted by the Group in the preparation of these consolidated financial statements are consistent with those adopted in the preparation of the latest consolidated annual financial statements.

**(a) Basis of consolidation**

**(i) Subsidiaries**

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.



## **Hoa Sen Group and its subsidiaries**

### **Notes to the consolidated financial statements for the year ended 30 September 2019**

**(continued)**

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#### **(ii) Non-controlling interests**

Non-controlling interests (“NCI”) are measured at their proportionate share of the acquiree’s identifiable net assets at date of acquisition.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners. The difference between the change in the Group’s share of net assets of the subsidiary and any consideration paid or received is recorded directly in retained profits under equity.

#### **(iii) Associates**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group’s share of the income and expenses of the associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group’s share of losses exceeds its interest in associates, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associates.

#### **(iv) Transactions eliminated on consolidation**

Intra-group transactions, balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee.

#### **(b) Foreign currency transactions**

Transactions in currencies other than VND during the year have been translated into VND at actual rates of exchange ruling at the transaction dates

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the account transfer buying rate and account transfer selling rate, respectively, at the end of the accounting period quoted by the commercial bank where the Group most frequently conduct transactions.

All foreign exchange differences are recorded in the consolidated statement of income.

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**Hoa Sen Group and its subsidiaries****Notes to the consolidated financial statements for the year ended 30 September 2019  
(continued)****Form B 09 – DN/HN***(Issued under Circular No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)***(c) Cash and cash equivalents**

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amount of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**(d) Held-to-maturity investments**

Held-to-maturity investments are those that the Group's management has intention and ability to hold until maturity. Held-to-maturity investments include term deposits at bank and bonds. These investments are stated at costs less doubtful debts.

**(e) Accounts receivable**

Trade and other receivables are stated at cost less allowance for doubtful debts.

**(f) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs incurred in bringing the inventories to their present location and condition. Cost in the case of finished goods and work in progress includes raw materials, direct labour and attributable manufacturing overheads. Net realisable value is the estimated selling price of inventory items, less the estimated costs of completion and direct selling expenses.

The Group applies the perpetual method of accounting for inventories.

**(g) Tangible fixed assets****(i) Cost**

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition for its intended use, and the costs of dismantling and removing the asset and restoring the site on which it is located. Expenditure incurred after tangible fixed assets have been put into operation, such as repair, maintenance and overhaul cost, is charged to the consolidated statement of income in the year in which the cost is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

**Hoa Sen Group and its subsidiaries**

**Notes to the consolidated financial statements for the year ended 30 September 2019  
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**(ii) Depreciation**

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

▪ buildings and structures	5 – 50 years
▪ machinery and equipment	3 – 10 years
▪ motor vehicles	2 – 10 years
▪ office equipment	3 – 10 years
▪ others	3 – 8 years

**(h) Finance lease tangible fixed assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Tangible fixed assets acquired by way of finance leases are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation.

Depreciation on finance leased assets is computed on a straight-line basis over the estimated useful lives of items of the leased assets. The estimated useful lives of finance leased assets are consistent with the useful lives of tangible fixed assets as described in accounting policy 3(g) (ii).

**(i) Intangible fixed assets**

**(i) Land use rights**

Land use rights comprise:

- Those granted by the State for which land use payments are collected;
- Those acquired in a legitimate transfer; and
- Rights to use leased land obtained before the effective date of Land Law (2003) for which payments have been made in advance for more than 5 years and supported by land use right certificate issued by competent authority.

Land use rights are stated at cost less accumulated amortisation. The initial cost of land use rights comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights. Definite land use rights are amortised on a straight-line basis over a period ranging from 14 to 55 years. Indefinite land use rights are not amortised.

**(ii) Software**

Cost of acquiring new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software cost is amortised on a straight-line basis over a period ranging from 3 to 6 years.

**Hoa Sen Group and its subsidiaries**

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**(j) Construction in progress**

Construction in progress represents the costs of construction and machinery which have not been fully completed or installed. No depreciation is provided for construction in progress during the period of construction and installation.

**(k) Long-term prepaid expenses**

**(i) Tools and instruments**

Tools and instruments include assets held for use by the Group in the normal course of business whose costs of individual items are less than VND30 million and therefore not qualified for recognition as fixed assets under prevailing regulation. Cost of tools and instruments are amortised on a straight-line basis over a period ranging from 2 to 3 years.

**(ii) Rental expenses**

Rental expenses include prepaid warehouse rentals for use of the warehouse during the Group's business operations and are initially recognised at cost. Rental expenses are amortised on a straight-line basis over lease term ranging from 2 to 3 years.

**(iii) Advertising panels**

Advertising panels are recognised at costs and are amortised on a straight-line basis over a period ranging from 2 to 3 years.

**(iv) Maintenance expenses**

Maintenance expenses of fixed assets represent the cost of repairing and replacing machinery, equipment and other fixed assets but do not meet the capitalisation requirements of fixed asset. Maintenance expenses are initially recognised at cost and are amortised on a straight-line basis over a period ranging from 2 to 3 years.

**(l) Goodwill**

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill is measured at cost less accumulated amortisation. Cost of goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (gain from bargain purchase), it is recognised immediately in the consolidated statement of income

Goodwill arising on acquisition of a subsidiary is amortised on a straight-line basis not more than 10 years. Carrying value of goodwill arising on acquisition of a subsidiary is written down to recoverable amount as management determines that it is not fully recoverable.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and is not amortised.

**Hoa Sen Group and its subsidiaries**

**Notes to the consolidated financial statements for the year ended 30 September 2019  
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**(m) Trade and other payables**

Trade and other payables are stated at their costs.

**(n) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

***Severance allowance***

Under the Vietnamese Labour Code, when an employee who has worked for 12 months or more (“the eligible employees”) voluntarily terminates his/her labour contract, the employer is required to pay the eligible employee severance allowance calculated based on years of service and employee’s compensation at termination. Provision for severance allowance has been provided based on employees’ years of service and their average salary for the six-month period prior to the end of the accounting period. For the purpose of determining the number of years of service by an employee, the period for which the employee participated in and contributed to unemployment insurance in accordance with prevailing laws and regulations and the period for which severance allowance has been paid by the Group are excluded.

**(o) Share capital**

**(i) Ordinary shares**

Ordinary shares are recognised at par value.

**(ii) Share premium**

Excess of cash receipt from share issues over par value is recorded as share premium. Incremental costs directly attributable to the issue of shares, net of tax effects are recognized as a deduction from share premium.

**(iii) Repurchase and reissue of ordinary shares (treasury shares)**

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of tax effects, is recognized as a reduction from equity. Repurchased shares are classified as treasury shares under equity. When treasury shares are sold for reissue subsequently, cost of the reissued shares is determined on a weighted average basis. Any difference between the amount received and the cost of the shares reissued is presented within share premium.

**Hoa Sen Group and its subsidiaries**

**Notes to the consolidated financial statements for the year ended 30 September 2019  
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**(p) Taxation**

Income tax on the consolidated profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the accounting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the end of the accounting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(q) Revenue and other income**

**(i) Goods sold**

Revenue from the sale of goods is recognised in the consolidated statement of income when significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or possible return of goods. Revenue on sales of goods is recognised at the net amount after deducting sales discounts stated on the invoice.

**(ii) Services rendered**

Revenue from services rendered is recognised in the consolidated statement of income in proportion to the stage of completion of the transaction. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

**(iii) Interest income**

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable interest rate.

**Hoa Sen Group and its subsidiaries**

**Notes to the consolidated financial statements for the year ended 30 September 2019  
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**(r) Operating lease payments**

Payments made under operating leases are recognised in the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated statement of income as an integral part of the total lease expense.

**(s) Borrowing costs**

Borrowing costs are recognised as an expense in the year in which they are incurred, except where the borrowing costs relate to borrowings in respect of the construction of qualifying assets, in which case the borrowing costs incurred during the period of construction are capitalised as part of the cost of the assets concerned.

**(t) Earnings per share**

The Group presents basic and diluted earnings per share (“EPS”) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders (after deducting any amounts appropriated to bonus and welfare funds for the accounting period) of the Company by the weighted average number of ordinary shares outstanding during the year.

The Group has no shares with impact of potential dilution. Therefore, regulations on presentation of diluted earnings per share are not applied.

**(u) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group’s primary format for segment reporting is based on business segments.

**(v) Related parties**

Parties are considered to be related to the Group if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Group and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

**Hoa Sen Group and its subsidiaries****Notes to the consolidated financial statements for the year ended 30 September 2019  
(continued)****Form B 09 – DN/HN***(Issued under Circular No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)***4. Segment reporting****(a) Business segments**

The Group's principal activities are buying and selling steel roofing sheets, steel pipes, building materials. Other activities are asset leasing and service provision. During the year, other activities accounted for an insignificant proportion of total revenue and business operating results of the Group, accordingly, the financial information presented in the consolidated balance sheet as at 30 September 2019 and 1 October 2018 and all revenue, expenses presented in the consolidated statement of income for the year ended 30 September 2019 and 30 September 2018 are mainly related to the Group's principal business activities.

**(b) Geographical segments**

The Group's geographical segments are distinguished based on the locations of customers as follows:

	<b>Geographical segments</b>		
	<b>Domestic VND</b>	<b>Oversea VND</b>	<b>Total VND</b>
<b>Year ended 30 September 2019</b>			
Revenue	19,382,187,270,908	8,652,587,847,767	28,034,775,118,675
Cost of sales	(16,503,791,346,217)	(8,332,363,690,455)	(24,836,155,036,672)
	<u>2,878,395,924,691</u>	<u>320,224,157,312</u>	<u>3,198,620,082,003</u>
<b>Year ended 30 September 2018</b>			
Revenue	21,949,332,438,480	12,492,096,909,781	34,441,429,348,261
Cost of sales	(18,962,709,885,251)	(11,501,580,203,134)	(30,464,290,088,385)
	<u>2,986,622,553,229</u>	<u>990,516,706,647</u>	<u>3,977,139,259,876</u>



**Hoa Sen Group and its subsidiaries****Notes to the consolidated financial statements for the year ended 30 September 2019  
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*(Issued under Circular No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)***5. Business combination****(a) Investments in Hoa Sen Quy Nhon Joint Stock Company**

On 6 December 2018, the Group acquired 54% of equity interest of Hoa Sen Quy Nhon Joint Stock Company (“Hoa Sen Quy Nhon”), increasing the percentage of equity interest in Hoa Sen Quy Nhon from 45% to 99% at a purchase price of VND33,480 million. The principal activities of Hoa Sen Quy Nhon are trading real estate and providing support services for trading real estate. During 4 months until 30 September 2019, acquired activities contributed a profit of VND2,375 million to the Group's business results.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	<b>Pre-acquisition carrying amounts VND</b>	<b>Fair value adjustments VND</b>	<b>Recognised value on acquisition VND</b>
Cash and cash equivalents	678,649,772	-	678,649,772
Accounts receivable – short-term	55,758,779,407	-	55,758,779,407
Other current assets	320,338,282	-	320,338,282
Long-term work in progress	6,835,649,529	-	6,835,649,529
Net identifiable assets and liabilities	63,593,416,990	-	63,593,416,990
Net asset value purchased			34,340,445,175
Gain from bargain purchase			(860,445,175)
Total considerations			33,480,000,000
Netted-off with liabilities			(27,590,000,000)
Cash acquired			(678,649,772)
Net cash outflow			5,211,350,228

**Hoa Sen Group and its subsidiaries****Notes to the consolidated financial statements for the year ended 30 September 2019**

(continued)

**Form B 09 – DN/HN***(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)***(b) Investments in Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company**

On 6 December 2018, the Group acquired 50% of equity interest of Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company (“Hoa Sen Du Long”), increasing the percentage of equity interest in Hoa Sen Du Long from 45% to 95% at a purchase price of VND17,350 million. The principal activities of Hoa Sen Du Long are investing, constructing and trading of industrial park infrastructure. During 4 months until 30 September 2019, acquired activities contributed a loss of VND85 million to the Group's business results.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	<b>Pre-acquisition carrying amounts VND</b>	<b>Fair value adjustments VND</b>	<b>Recognised value on acquisition VND</b>
Cash and cash equivalents	5,949,008	-	5,949,008
Accounts receivable – short-term	291,135,520	-	291,135,520
Inventories	6,770,000	-	6,770,000
Long-term work in progress	21,318,139,102	-	21,318,139,102
Current liabilities	(4,439,401,173)	-	(4,439,401,173)
Net identifiable assets and liabilities	17,182,592,457	-	17,182,592,457
Net asset value purchased			8,591,296,229
Goodwill on acquisition			8,758,703,771
Total considerations			17,350,000,000
Netted-off with liabilities			(14,574,000,000)
Cash acquired			(5,949,008)
Net cash outflow			2,770,050,992

(\*) Good will incurred from acquisition transaction had been fully allocated to operating expenses during the year.

## Hoa Sen Group and its subsidiaries

### Notes to the consolidated financial statements for the year ended 30 September 2019 (continued)

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#### 6. Transaction with non-controlling interest

##### Additional acquisition of equity interest in subsidiary

During the period, the Group acquired additional 25% equity interest of Hoa Sen Yen Bai Joint Stock Company (“Hoa Sen Yen Bai”) – a subsidiary, increasing the percentage of equity interest from 70% to 95%.

Identifiable assets and liabilities of the subsidiary at the additional acquisition date are recognised at carrying amounts. The difference between consideration paid and carrying amounts of net assets at the additional acquisition date is recognised in retained profits.

	<b>Hoa Sen Yen Bai VND</b>
Net identifiable assets at the additional acquisition date	119,495,776,747
Additional net identifiable assets acquired (Note 26)	29,873,944,187
Change in retained profits on additional acquisition of equity interest in subsidiaries by the Group (Note 26)	126,055,813
Considerations paid	30,000,000,000
Netted-off with liabilities	26,400,000,000
Net cash outflow	3,600,000,000

#### 7. Cash and cash equivalents

	<b>30/9/2019 VND</b>	<b>1/10/2018 VND</b>
Cash on hand	43,581,002,435	49,171,111,805
Cash in banks	243,158,329,276	409,373,357,409
Cash in transit	1,824,859,586	726,553,560
Cash and cash equivalents (*)	143,521,875	32,808,807,893
	<b>288,707,713,172</b>	<b>492,079,830,667</b>

(\*) Cash equivalents represented term deposits at banks with original terms to maturity of three months or less from their transaction dates and earned annual interest rate from 5% (1/10/2018: 5.3%).

**Hoa Sen Group and its subsidiaries****Notes to the consolidated financial statements for the year ended 30 September 2019**

(continued)

Form B 09 – DN/HN

*(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)***8. Investments****(a) Held-to-maturity investments****(i) Held-to-maturity investments – short-term**

Held-to-maturity investments – short-term represented term deposits at banks with original terms to maturity of more than three months from transaction dates and less than 12 months from the period ended. These term deposits were nominated in VND and earned annual interest rate from 5.3% to 6.4% (1/10/2018: 5.3%).

**(ii) Held-to-maturity investments – long-term**

	30/9/2019 VND	1/10/2018 VND
Bonds issued by Vietnam Bank for Industry and Trade Securities Joint Stock Company (*)	16,000,000,000	16,000,000,000
Bonds issued by Vietnam Bank for Agriculture and Rural Development - Saigon Branch (**)	1,000,000,000	-
Bonds at Joint Stock Commercial Bank for Foreign Trade of Vietnam (***)	-	46,600,000,000
	17,000,000,000	62,600,000,000

(\*) Bonds with original term of 10 years were denominated in VND and earned annual interest at floating interest rate plus 1.2% (1/10/2018: floating interest rate plus 1.2%).

(\*\*) Bonds with original term of 7 years were denominated in VND and earned annual interest at floating interest rate plus 1.2%.

(\*\*) Bonds with original term of 10 years were denominated in VND and earned annual interest at floating interest rate plus 1% as at 1 October 2018. During the year, these bonds have been fully liquidated.

**Hoa Sen Group and its subsidiaries**

**Notes to the consolidated financial statements for the year ended 30 September 2019 (continued)**

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**(b) Long-term investments**

	30/9/2019			1/10/2018				
	% equity owned/ voting rights	Cost VND	Equity accounted VND	Fair value VND	% equity owned/ voting rights	Cost VND	Equity accounted VND	Fair value VND
<b>Investment in associates</b>								
▪ Hoa Sen Quy Nhon Joint Stock Company	-	-	-	-	45%	27,900,000,000	28,616,923,317	(*)
▪ Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company	-	-	-	-	45%	15,615,000,000	7,740,754,684	(*)
▪ Hoa Sen International Port Joint Stock Company	49%	-	-	-	-	-	-	-
						43,515,000,000	36,357,678,001	

During the year, the Group increased the equity interest in Hoa Sen Quy Nhon Joint Stock Company from 45% to 95% (Note 5).  
Infrastructure Investment Joint Stock Company from 45% to 99% and Hoa Sen Du Long Industrial Park

(\*) The Group has not determined fair values of these financial instruments for disclosure in the consolidated financial statements because information about their market prices is not available and there is currently no guidance on determination of fair value using valuation techniques under the Vietnamese Accounting Standards or the Vietnamese Accounting System for enterprises. There fair values of these financial instruments may differ from their carrying amounts.

(\*\*) Hoa Sen International Port Joint Stock Company was incorporated under the Enterprise Registration Certificate No. 3502399898 issued by the Department of Planning and Investment of Ba Ria Vung Tau Province on 5 July 2019, in which the Company owned 49% ownership. As at 30 September 2019, the Company has not contributed capital to Hoa Sen International Port Joint Stock Company.

**Hoa Sen Group and its subsidiaries****Notes to the consolidated financial statements for the year ended 30 September 2019  
(continued)**

Form B 09 – DN/HN

*(Issued under Circular No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)***9. Accounts receivable from customers****(a) Accounts receivable from customers detailed by significant customers**

	30/9/2019 VND	1/10/2018 VND
Isi Steel Co LTD	134,835,130,364	-
Other customers	914,615,491,356	1,650,639,947,525
	1,049,450,621,720	1,650,639,947,525

At 30 September 2019 accounts receivable with carrying value of VND570,000 million and receivable arising from export bill collection with the value of VND2,300,000 million (1/10/2018: VND916,025 million of trade receivable and VND2,300,000 million arising from export bill collection) were pledged with banks as security for loan granted to the Company (Note 23).

**(b) Accounts receivable from customers who are related parties**

	30/9/2019 VND	1/10/2018 VND
<i>Companies owned by the Company's Chairman</i>		
Hoa Sen Holdings Group	19,800,000	1,485,707
Hoa Sen Nghe An Investment One Member Limited Liability Company	13,384,000	132,000,000

The trade related amounts due from the related party were unsecured, interest free and are receivable in 45 days from invoice date.

**10. Prepayment to suppliers**

	30/9/2019 VND	1/10/2018 VND
Glencore International AG	18,231,447,222	1,781,275,187
Vuong Steel Company Limited	14,070,540,000	-
R.E.E Mechanical and Electrical Engineering Joint Stock Company	19,484,483,231	26,464,971,539
Vietnam Kinex Construction Joint Stock Company	14,348,431,632	49,006,592,130
Other suppliers	69,448,505,746	219,279,416,051
	135,583,407,831	296,532,254,907

**Hoa Sen Group and its subsidiaries****Notes to the consolidated financial statements for the year ended 30 September 2019  
(continued)****Form B 09 – DN/HN***(Issued under Circular No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)***11. Other receivables****(a) Other receivables – short-term**

	<b>30/9/2019</b>	<b>1/10/2018</b>
	<b>VND</b>	<b>VND</b>
Advances for purchase of lands	45,462,225,000	90,183,227,000
Advances to employees	43,061,645,310	28,855,016,820
Receivables from disposals of associate	-	15,665,290,474
Compensation for ground clearing	21,348,158,000	20,000,000,000
Short-term deposits	48,608,966,594	8,524,361,473
Others	6,040,612,292	12,633,448,205
	<hr/>	<hr/>
	164,521,607,196	175,861,343,972
	<hr/>	<hr/>

*Other short-term receivables from related parties*

	<b>30/9/2019</b>	<b>1/10/2018</b>
	<b>VND</b>	<b>VND</b>
<b>Related parties</b>		
Hoa Sen Holdings Group Company Limited	1,870,000,000	-
<i>Key management personnel</i>		
Mr. Hoang Duc Huy – Deputy General Director	45,462,225,000	91,550,690,256
	<hr/>	<hr/>

The other receivables amounts due from the related parties were unsecured, interest free and are receivable on demand.

**(b) Other receivables – long-term**

	<b>30/9/2019</b>	<b>1/10/2018</b>
	<b>VND</b>	<b>VND</b>
Deposits for rental	222,016,729,000	202,093,222,150
Others	4,744,564,160	276,998,286
	<hr/>	<hr/>
	226,761,293,160	202,370,220,436
	<hr/>	<hr/>

**Hoa Sen Group and its subsidiaries****Notes to the consolidated financial statements for the year ended 30 September 2019  
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	30/9/2019		1/10/2018	
	Cost VND	Allowance VND	Cost VND	Allowance VND
Goods in transit	677,285,188,372	-	58,359,200,302	-
Raw materials	810,129,847,544	(3,196,773,239)	3,138,626,504,785	-
Tools and supplies	674,389,686,696	-	762,604,260,869	-
Work in progress	4,817,698	-	17,520,962	-
Finished goods	1,904,587,813,297	(40,109,352,098)	2,094,837,111,880	(39,938,971,876)
Merchandise inventories	532,982,391,497	(8,544,982,574)	593,241,574,702	(752,734,989)
	4,599,379,745,104	(51,851,107,911)	6,647,686,173,500	(40,691,706,865)

At 30 September 2019 inventories with carrying value of VND2,488,159 million (1/10/2018: VND2,774,903 million) were pledged with banks as security for loans granted to the Group (Note 23).

Included in inventories at 30 September 2019 was VND172,695 million of raw materials, VND484,357 million of finished goods and VND224,093 million of merchandise inventories (1/10/2018: VND851,916 million of finished goods and VND24,239 million of merchandise inventories) carried at net realisable value.

Movements in allowance for inventories during the year were as follows:

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Opening balance	40,691,706,865	26,950,234,865
Allowance made during the year	11,159,401,046	13,741,472,000
Closing balance	51,851,107,911	40,691,706,865



**Hoa Sen Group and its subsidiaries**

**Notes to the consolidated financial statements for the year ended 30 September 2019 (continued)**

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**13. Tangible fixed assets**

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Others VND	Total VND
<b>Cost</b>						
Opening balance	2,049,472,737,782	8,947,250,186,521	476,339,327,088	64,460,717,419	26,259,183,287	11,563,782,152,097
Additions	36,363,205,893	214,559,535,277	347,612,588	10,643,278,948	1,177,861,800	263,091,494,506
Transfer from construction in progress	383,047,350,683	1,184,723,608,438	17,238,507,532	-	-	1,585,009,466,653
Transfer from finance lease tangible fixed assets	-	138,806,529,152	14,966,420,583	-	-	153,772,949,735
Transfer to long-term prepaid expenses	(889,974,672)	(296,154,645)	-	-	-	(1,186,129,317)
Reclassification	(15,632,412,652)	15,632,412,652	-	-	-	-
Disposals	(5,513,475,901)	(324,216,756,474)	(95,958,446,428)	(537,099,646)	(386,670,164)	(426,612,448,613)
Written off	(36,799,182)	(3,350,811,569)	(258,000,000)	-	-	(3,645,610,751)
Closing balance	2,446,810,631,951	10,173,108,549,352	412,675,421,363	74,566,896,721	27,050,374,923	13,134,211,874,310
<b>Accumulated depreciation</b>						
Opening balance	449,735,862,063	3,212,658,424,227	186,809,467,237	22,353,261,855	20,554,925,180	3,892,111,940,562
Charge for the year	120,917,422,413	949,644,475,395	48,968,188,447	11,474,322,997	1,200,180,204	1,132,204,589,456
Transfer from finance lease tangible fixed assets	-	102,791,815,515	5,579,023,254	-	-	108,370,838,769
Transfer to long-term prepaid expenses	(315,607,791)	(126,547,331)	-	-	-	(442,155,122)
Reclassification	(4,170,995,154)	4,170,995,154	-	-	-	-
Disposals	(3,070,528,326)	(138,643,435,814)	(40,662,272,171)	(65,288,131)	(300,658,121)	(182,742,182,563)
Written off	(5,009,091)	(1,942,156,746)	(63,704,794)	-	-	(2,010,870,631)
Closing balance	563,091,144,114	4,128,553,570,400	200,630,701,973	33,762,296,721	21,454,447,263	4,947,492,160,471
<b>Net book value</b>						
Opening balance	1,599,736,875,719	5,734,591,762,294	289,529,859,851	42,107,455,564	5,704,258,107	7,671,670,211,535
Closing balance	1,883,719,487,837	6,044,554,978,952	212,044,719,390	40,804,600,000	5,595,927,660	8,186,719,713,839

**Hoa Sen Group and its subsidiaries****Notes to the consolidated financial statements for the year ended 30 September 2019  
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Included in tangible fixed assets were assets costing VND849,054 million which were fully depreciated as at 30 September 2019 (1/10/2018: VND724,651 million), but which are still in active use.

At 30 September 2019, tangible fixed assets with net book value of VND6,821,624 million (1/10/2018: VND6,375,966 million) were pledged with banks as security for loans granted to the Group (Note 26).

**14. Finance lease tangible fixed assets**

	<b>Machinery and equipment VND</b>	<b>Motor vehicles VND</b>	<b>Office equipment VND</b>	<b>Total VND</b>
<b>Cost</b>				
Opening balance	145,305,609,552	72,264,862,646	18,636,363,636	236,206,835,834
Addition	145,026,646,893	9,560,000,000	-	154,586,646,893
Transfer to tangible fixed assets	(138,806,529,152)	(14,966,420,583)	-	(153,772,949,735)
Closing balance	151,525,727,293	66,858,442,063	18,636,363,636	237,020,532,992
<b>Accumulated depreciation</b>				
Opening balance	87,619,756,338	8,224,376,030	209,339,975	96,053,472,343
Charge for the year	21,653,782,476	11,777,650,298	1,863,636,363	35,295,069,137
Transfer to tangible fixed assets	(102,791,815,515)	(5,579,023,254)	-	(108,370,838,769)
Closing balance	6,481,723,299	14,423,003,074	2,072,976,338	22,977,702,711
<b>Net book value</b>				
Opening balance	57,685,853,214	64,040,486,616	18,427,023,661	140,153,363,491
Closing balance	145,044,003,994	52,435,438,989	16,563,387,298	214,042,830,281

**Hoa Sen Group and its subsidiaries****Notes to the consolidated financial statements for the year ended 30 September 2019  
(continued)****Form B 09 – DN/HN***(Issued under Circular No. 202/2014/TT-BTC  
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	<b>Land use rights VND</b>	<b>Software VND</b>	<b>Total VND</b>
<b>Cost</b>			
Opening balance	308,177,659,765	46,891,492,615	355,069,152,380
Disposals	(60,467,250,000)	-	(60,467,250,000)
Closing balance	247,710,409,765	46,891,492,615	294,601,902,380
<b>Accumulated amortisation</b>			
Opening balance	34,162,595,531	8,090,696,283	42,253,291,814
Charge for the year	3,453,969,163	7,650,377,922	11,104,347,085
Disposals	-	-	-
Closing balance	37,616,564,694	15,741,074,205	53,357,638,899
<b>Net book value</b>			
Opening balance	274,015,064,234	38,800,796,332	312,815,860,566
Closing balance	210,093,845,071	31,150,418,410	241,244,263,481

Included in intangible fixed assets were assets costing VND2,275 million which were fully depreciated as at 30 September 2019 (1/10/2018: VND2,275 million), but which are still in active use.

At 30 September 2019 intangible fixed assets with net book value of VND105,350 million VND (1/10/2018: VND124,649 million) were pledged with banks as security for loans granted to the Group (Note 23).

**Hoa Sen Group and its subsidiaries****Notes to the consolidated financial statements for the year ended 30 September 2019**

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**Form B 09 – DN/HN***(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)***16. Construction in progress**

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Opening balance	1,512,774,341,255	1,333,535,754,767
Increases from business combination	26,839,374,200	-
Additions during the year	708,346,021,883	2,364,471,899,263
Transfer to tangible fixed assets	(1,585,009,466,653)	(2,141,758,409,901)
Transfer to intangible fixed assets	-	(700,000,000)
Transfer to long-term prepaid expenses	(18,860,179,511)	(24,013,447,567)
Other decreases (*)	(60,000,000,000)	-
Disposals	(476,066,951)	(2,527,857,414)
Transfer assets from subsidiaries to associates	-	(13,540,452,573)
Disoluted subsidiary	(7,161,152,043)	(2,693,145,320)
Closing balance	576,452,872,180	1,512,774,341,255

- (\*) Other decreases represented prepayment to suppliers to purchase land use rights at the intersection of IC12 Minh Quan Commune and Bao Hung Commune, Tran Yen District, Yen Bai Province in accordance with Decision no. 2014/STNMT-VPĐK dated 15 December 2016 by the Department of Natural Resources and Environment Yen Bai Province, which was refunded during the year.

Major constructions in progress were as follows:

	30/9/2019 VND	1/10/2018 VND
Machinery, equipment waiting for installation	224,957,322,430	980,184,817,070
Factories	86,859,494,955	267,221,030,666
Hoa Sen Yen Bai project	219,694,039,271	215,065,609,415
Ground clearing cost of Hoa Sen Ha Nam project	38,794,072,000	38,794,072,000
Major maintenance expenses of fixed assets	3,865,509,172	8,198,877,595
Others	2,282,434,352	3,309,934,509
	576,452,872,180	1,512,774,341,255

During the year, borrowing costs were capitalised into the construction in progress equivalent to VND40,640 million, identified based on capitalisation ratio from 5% to 9% (2018: VND37,863 million, identified based on capitalisation from 5% to 9%).

**Hoa Sen Group and its subsidiaries****Notes to the consolidated financial statements for the year ended 30 September 2019****(continued)****Form B 09 – DN/HN***(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)***17. Prepaid expenses****(a) Short-term prepaid expenses**

	<b>30/9/2019</b>	<b>1/10/2018</b>
	<b>VND</b>	<b>VND</b>
Rental fee	48,587,023,377	25,738,770,696
Advertising expenses	17,509,179,783	26,546,794,453
Tools and instruments	18,409,533,006	22,823,742,673
Insurance fee	484,984,056	2,346,408,633
Maintenance expenses	4,924,160,066	4,776,883,774
Consultancy expenses	640,750,877	2,765,970,828
Others	8,743,872,939	12,837,488,109
	<hr/>	<hr/>
	99,299,504,104	97,836,059,166
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**(b) Long-term prepaid expenses**

	<b>30/9/2019</b>	<b>1/10/2018</b>
	<b>VND</b>	<b>VND</b>
Tools and instruments	132,377,002,232	167,262,012,258
Rental fee	71,457,221,006	117,850,134,718
Ground clearing expenses	78,277,621,218	79,954,996,131
Advertising pannels	38,709,350,763	47,956,945,821
Maintenance expenses	23,475,312,366	38,556,758,182
Others	21,237,620,081	24,117,177,006
	<hr/>	<hr/>
	365,534,127,666	475,698,024,116
	<hr/>	<hr/>

Movements of long-term prepaid expenses during the year were as follows:

	<b>Year ended</b>	
	<b>30/9/2019</b>	<b>30/9/2018</b>
	<b>VND</b>	<b>VND</b>
Opening balance	475,698,024,116	412,307,081,315
Additions during the year	127,211,978,389	302,669,910,223
Transfer from tangible fixed assets	743,974,195	-
Transfer from construction in progress	18,860,179,511	24,013,447,567
Transfer to short-term prepaid expenses	(2,827,127,400)	-
Amortisation during the year	(241,251,667,989)	(235,325,662,702)
Disposals	(12,901,233,156)	(27,966,752,287)
	<hr/>	<hr/>
Closing balance	365,534,127,666	475,698,024,116
	<hr/>	<hr/>

**Ho Sen Group and its subsidiaries****Notes to the consolidated financial statements for the year ended 30 September 2019  
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	30/9/2019 VND	1/10/2018 VND
<i>Deferred tax assets are recognised for:</i>		
▪ Unrealised profits	21,926,066,092	16,452,678,151
▪ Accrued expenses	9,022,541,606	13,990,694,550
▪ Allowances and provisions	8,713,422,216	8,472,027,114
▪ Foreign exchange differences	559,610,798	714,348,043
▪ Others	1,809,357,704	1,053,512,369
	42,030,998,416	40,683,260,227

**19. Accounts payable to suppliers****(a) Accounts payable to suppliers detailed by significant suppliers**

	30/9/2019 Cost/amount within payment capacity VND	1/10/2018 Cost/amount within payment capacity VND
Tata Steel Limited	368,481,486,522	-
Formosa Ha Tinh Steel Corporation	22,869,689,975	199,152,165,080
Hangzhou Cogeneration (HongKong) Co, LTD	-	191,161,898,608
Other suppliers	987,809,018,458	676,307,760,766
	1,379,160,194,955	1,066,621,824,454

**(b) Accounts payable to suppliers who are related parties**

	30/9/2019 Cost/amount within payment capacity VND	1/10/2018 Cost/amount within payment capacity VND
<i>Companies owned by the Company's Chairman</i>		
Ho Sen Holdings Group	5,931,497,565	4,787,482,661
Ho Sen Nghe An Investment One Member Co., Ltd.	2,957,890,162	5,226,877,644

The trade payable amounts due to the related parties were unsecured, interest free and are payable within 45 days from invoice date.

**Hoa Sen Group and its subsidiaries**

**Notes to the consolidated financial statements for the year ended 30 September 2019 (continued)**

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**20. Taxes payable to and receivable from State Treasury**

**(a) Taxes payable to State Treasury**

	1/10/2018 VND	Incurred VND	Paid VND	Netted-off VND	Reclassified VND	30/9/2019 VND
Value added tax	55,517,778,045	8,557,555,275,448	(1,306,377,804,862)	(7,233,377,391,590)	3,305,017,004	76,622,874,045
Import-export tax	428,139,298	14,511,501,282	(14,849,390,749)	-	(11,902,459)	78,347,372
Corporate income tax	3,544,084,523	102,045,530,564	(78,482,788,446)	-	(23,012,686,601)	4,094,140,040
Personal income tax	2,024,109,408	14,545,815,337	(13,827,994,901)	-	43,648,986	2,785,578,830
Other taxes	4,152,384	11,616,652,955	(11,541,395,291)	-	(1,359,458)	78,050,590
	61,518,263,658	8,700,274,775,586	(1,425,079,374,249)	(7,233,377,391,590)	(19,677,282,528)	83,658,990,877

**(b) Taxes receivable from State Treasury**

	1/10/2018 VND	Reclassified VND	30/9/2019 VND
Import-export tax	11,902,459	(11,902,459)	-
Corporate income tax	30,121,058,199	(23,012,686,601)	7,108,371,598
Personal income tax	34,632,200	43,648,986	78,281,186
Other taxes	1,359,458	(1,359,458)	-
	30,168,952,316	(22,982,299,532)	7,186,652,784

**Hoa Sen Group and its subsidiaries****Notes to the consolidated financial statements for the year ended 30 September 2019  
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	30/9/2019 VND	1/10/2018 VND
Tax provision expenses	68,689,580,004	37,076,242,781
Salary and bonus	22,458,770,000	23,755,410,000
Construction in progress	21,579,861,989	19,168,204,030
Transportation expenses	-	36,448,531,522
Interest expenses	11,327,310,447	18,508,663,534
Electricity expenses	242,293,646	10,652,297,935
Others	671,073,401	2,610,674,468
	124,968,889,487	148,220,024,270

**22. Other payables – short-term**

	30/9/2019 VND	1/10/2018 VND
Import sponsor payables (*)	123,526,267,272	136,756,103,216
Discount export documents payables	109,826,375,736	25,996,753,725
Short-term deposits received	13,910,435,118	21,763,098,327
Dividend payables	4,402,225,525	4,627,477,425
Social insurance, health insurance, unemployment insurance and union funds	1,953,755,850	6,813,958,570
Others	10,260,017,609	17,458,561,233
	263,879,077,110	213,415,952,496

(\*) These amounts represented Usance payable at sight Letter of credit (UPAS L/C) provided by Vietnam Joint Stock Commercial Bank for Industry and Trade – Binh Duong Branch with tenor from 90 to 120 days after sight. If the Company can not make payment on the due date, they will be automatically converted into bank loans.

***Other payables – short-term to related parties***

	30/9/2019 VND	1/10/2018 VND
<b><i>Company owned by the Company's Chairman</i></b>		
Hoa Sen Holding Group	863,000,000	895,000,000

The other payable amounts due to the related parties were unsecured, interest free and are payable on demand.



**Hoa Sen Group and its subsidiaries**  
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**23. Borrowings and finance lease liabilities**

**(a) Short-term borrowings and finance lease liabilities**

	1/10/2018	Movements during the year		30/9/2019
	Carrying amount/ Amount within repayment capacity VND	Additions VND	Decreases VND	Carrying amount/ Amount within repayment capacity VND
Short-term borrowings	10,112,404,735	20,222,447,838,378	(24,348,251,677,877)	5,984,633,062,602
Current portion of long-term borrowings (b)	695,634,361,360	843,695,031,033	(870,196,968,857)	669,132,423,536
Finance lease principals due within twelve months (c)	71,821,064,792	58,402,608,514	(77,525,986,457)	52,697,686,849
	10,879,859,929,887	21,124,545,477,925	(25,295,974,633,191)	6,706,463,172,987



**Hoa Sen Group and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2019 (continued)**

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Terms and conditions of short-term borrowings were as follows:

Lenders	Currency	Credit limit	Interest rate 30/9/2019	Interest rate 1/10/2018	Pledged assets
<i>Third parties</i>					
i. Vietnam Joint Stock Commercial Bank for Industry and Trade - Binh Duong Industrial Park Branch	VND	VND3,000 billion	5.50% - 6.30%	5.50%	Land use rights, buildings, structures, machinery and equipment and accounts receivable from customers
ii. Joint Stock Commercial Bank for Foreign Trade of Vietnam - South Binh Duong Branch	USD	VND2,000 billion	3.60% - 2.70%	2.90%	Land use rights, machinery and equipment and inventories
iii. Bank for Investment and Development of Vietnam - Transaction Office 2 Branch	VND	VND2,000 billion	6.20%	5.30%	Accounts receivable from customers
iv. Bank for Investment and Development of Vietnam - Transaction Office 2 Branch	USD	VND1,500 billion	3.60%	2.70%	Inventories
v. HSBC Bank (Vietnam) Ltd.	VND	USD50 million	6.00%	5.50%	Inventories
vi. Ho Chi Minh City Development Joint Stock Commercial Bank	USD	VND500 billion	-	3.90%	Inventories, machinery and equipment, land use rights and constructions on land
vii. Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ho Chi Minh City Branch	VND	-	5.80%	4.50%	Inventories, machinery and equipment
viii. Sinopac Bank - Ho Chi Minh City Branch	USD	USD6 million	6.15%	4.70%	Unsecured
ix. United Overseas Bank (Vietnam) Limited	VND	USD9 million	4.20%	5.90%	Land use rights, machinery and equipment and inventories
x. Malayan Banking Berhad Ho Chi Minh City Branch	USD	USD6.6 million	5.90%	5.00%	Inventories
xi. Vietnam Joint Stock Commercial Bank for Industry and Trade - Nghe An Branch	VND	VND800 billion	4.20%	-	Unsecured
			6.40%	5.50%	Buildings and structures and machinery and equipment

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Lenders	Currency	Credit limit	Interest rate 30/9/2019	Pledged assets 1/10/2018
<i>Third parties</i>				
xii. Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Ria Vung Tau Branch	VND	VND300 billion	5.50%	5.50% Inventories
xiii. Sumitomo Mitsui Bank - Ho Chi Minh City Branch	VND	-	6.40%	5.60% Inventories
xiv. ANZ Bank (Vietnam) Limited	VND	-	5.95%	4.95% - 6.50% Inventories and land use rights
xv. Vietnam Export Import Commercial Joint-Stock Bank - Binh Duong Branch	USD	-	3.00%	3.00% Unsecured
xvi. Vietnam Joint Stock Commercial Bank for Industry and Trade - Phu Tai Industrial Park Branch	VND	-	5.50% - 5.80%	5.50% - 5.80% Inventories and accounts receivable from customers
xvii. Vietnam Joint Stock Commercial Bank for Industry and Trade - Ha Nam Branch	VND	-	5.10% - 5.50%	5.10% - 5.50% Inventories
xviii. Standard Chartered Bank (Vietnam) Limited - Ho Chi Minh City Branch	VND	-	5.85%	5.85% Machinery and equipment

**Hoa Sen Group and its subsidiaries**

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**(b) Long-term borrowings and finance lease liabilities**

	<b>30/9/2019</b>	<b>1/10/2018</b>
	<b>VND</b>	<b>VND</b>
Long-term borrowings	3,583,459,745,822	4,135,888,386,927
Finance lease liabilities (c)	124,502,217,778	93,543,586,603
	<hr/>	<hr/>
	3,707,961,963,600	4,229,431,973,530
Repayable within twelve months	(721,830,110,385)	(767,455,426,152)
	<hr/>	<hr/>
Repayable after twelve months	2,986,131,853,215	3,461,976,547,378
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**Hoa Sen Group and its subsidiaries**

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Terms and conditions of outstanding long-term borrowings were as follows:

<b>Lenders</b>	<b>Note</b>	<b>Currency</b>	<b>Year of maturity</b>	<b>30/9/2019 VND</b>	<b>1/10/2018 VND</b>
▪ Vietnam Joint Stock Commercial Bank for Industry and Trade - Binh Duong Industrial Park Branch	(i)	VND	2024 – 2026	2,628,554,307,862	3,035,984,375,157
▪ Joint Stock Commercial Bank for Foreign Trade of Vietnam - South Binh Duong Branch	(ii)	VND	2022 – 2023	406,350,862,940	467,130,861,014
▪ Joint Stock Commercial Bank for Foreign Trade of Vietnam - Vung Tau Branch	(iii)	VND	2024	330,863,669,442	302,181,929,656
▪ Vietnam Joint Stock Commercial Bank for Industry and Trade - Yen Bai Branch	(iv)	VND	2025 – 2026	142,550,691,493	170,186,219,162
▪ Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Ria Vung Tau Branch	(v)	VND	2021	73,358,614,085	110,037,921,129
▪ Asia Commercial Joint Stock Bank - Tan Thuan Branch	(vi)	VND	2020	1,781,600,000	9,396,578,000
▪ Viet Capital Bank	(vii)	VND	2019	-	9,291,229,500
▪ Standard Chartered Bank (Vietnam) Limited - Ho Chi Minh City Branch	(viii)	VND	2019	-	27,083,333,345
▪ Military Commercial Joint Stock Bank - Binh Duong Branch	(ix)	VND	2019	-	3,381,044,964
▪ Vietnam Joint Stock Commercial Bank for Industry and Trade - Phu Tai Industrial Park Branch	(x)	VND	2019	-	1,214,895,000
				3,583,459,745,822	4,135,888,386,927

**Hoa Sen Group and its subsidiaries**

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- (i) This loan was secured by land use rights, buildings and structures, machinery and equipment and bore annual interest rate ranging from 8.8% to 9% (1/10/2018: from 8.3% to 9%).
- (ii) This loan was secured by land use rights, machinery and equipment, motor vehicles and inventories and bore annual interest rate ranging from 7.5% to 8.7% (1/10/2018: from 8% to 8.6%).
- (iii) This loan was secured by buildings and structures and machinery and equipment and bore annual interest rate ranging from 8.95% to 9.025% (1/10/2018: 8.95%).
- (iv) This loan was secured by land use rights, buildings and structures, machinery and equipment and motor vehicles and bore annual interest rate ranging from 9% to 11% (1/10/2018: from 9% to 10%).
- (v) This loan was secured by buildings and structures and machinery and equipment and bore annual interest rate of 8.8% (1/10/2018: 8.8%).
- (vi) This loan was secured by motor vehicles and bore annual interest rate ranging from 9.5% to 10.01% (1/10/2018: 8.7%).
- (vii) This loan was secured by motor vehicles and bore annual interest rate of 10% (1/10/2018: 9%).
- (viii) This loan was secured by buildings and structures and machinery and equipment and bore annual interest rate ranging from 4.45% to 8.39%. As at 30 September 2019, this loan has been fully paid.
- (ix) This loan was secured by motor vehicles and bore annual interest rate of 8%. As at 30 September 2019, this loan has been fully paid
- (x) This loan was secured by motor vehicles and bore annual interest rate ranging from 8% to 8.8%. As at 30 September 2019, this loan has been fully paid

The Company used these long-term borrowings to finance its constructions and purchase of fixed assets.

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**(c) Finance lease liabilities**

The future minimum lease payments under non-cancellable finance leases are:

	30/9/2019		1/10/2018	
	Payments VND	Interest VND	Payments VND	Interest VND
Within one year	61,714,978,238	9,017,291,389	76,968,318,611	5,147,253,819
Within two to five years	77,991,799,125	6,187,268,196	22,839,973,936	1,117,452,125
	139,706,777,363	15,204,559,585	99,808,292,547	6,264,705,944
			124,502,217,778	93,543,586,603
				71,821,064,792
				21,722,521,811



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Movements of bonus and welfare fund during the year were as follows:

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Opening balance	41,477,023,767	61,294,232,467
Appropriation from retained profit (Note 26)	4,092,340,379	53,266,556,487
Reversal of unused fund of prior year	1,702,655,525	-
Utilisation of fund during the year	(2,369,220,240)	(73,083,765,187)
Closing balance	44,902,799,431	41,477,023,767

**25. Provisions – long-term**

Provisions – long-term represented provision for severance allowance. Movements of provision for severance allowance during the year as follows:

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Opening balance	3,712,433,500	4,946,315,250
Provision reversed during the year	(816,179,250)	(1,233,881,750)
Closing balance	2,896,254,250	3,712,433,500

**Hoa Sen Group and subsidiaries**

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**26. Changes in owners' equity**

	Share capital VND	Share premium VND	Treasury shares VND	Other equity funds VND	Retained profits VND	Non controlling interest VND	Total VND
<b>Balance at 1 October 2017</b>	3,499,966,830,000	151,583,183,521	-	34,535,741,195	1,446,534,555,355	37,181,622,614	5,169,801,932,685
Net profit for the year	-	-	-	-	409,234,037,922	(68,336,983)	409,165,700,939
Shares issued to pay dividends	349,936,450,000	-	-	-	(349,936,450,000)	-	-
Repurchase of treasury shares	-	-	(1,343,000,000)	-	-	-	(1,343,000,000)
Dividends	-	-	-	-	(349,957,383,000)	-	(349,957,383,000)
Appropriation to bonus and welfare fund	-	-	-	-	(53,266,556,487)	-	(53,266,556,487)
Appropriation to equity funds	-	-	-	47,549,876,048	(47,549,876,048)	-	-
Utilisation of funds	-	-	-	(21,575,866,687)	-	-	(21,575,866,687)
Decrease due to liquidation of subsidiaries	-	-	-	-	-	(1,199,108,525)	(1,199,108,525)
<b>Balance at 1 October 2018</b>	3,849,903,280,000	151,583,183,521	(1,343,000,000)	60,509,750,556	1,055,058,327,742	35,914,177,106	5,151,625,718,925
Net profit for the year	-	-	-	-	361,352,133,015	19,370,731	361,371,503,746
Shares issued to pay dividends (*)	384,791,610,000	-	-	-	(384,791,610,000)	-	-
Repurchase of treasury shares	-	-	(1,116,000,000)	-	-	-	(1,116,000,000)
Appropriation to bonus and welfare fund	-	-	-	-	(4,092,340,379)	-	(4,092,340,379)
Appropriation to equity funds (**)	-	-	-	6,138,510,569	(6,138,510,569)	-	-
Utilisation of funds	-	-	-	(11,021,590,990)	-	-	(11,021,590,990)
Increase due to increasing ownership from associates to subsidiaries	-	-	-	-	18,830,555	1,495,063,793	1,513,894,348
Changes in ownership percentage of non-controlling interest	-	-	-	-	(126,055,813)	(29,873,944,187)	(30,000,000,000)
<b>Balance at 30 September 2019</b>	4,234,694,890,000	151,583,183,521	(2,459,000,000)	55,626,670,135	1,021,280,774,551	7,554,667,443	5,468,281,185,650

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- (\*) In accordance with the Resolution of Board of Management dated 6 May 2019, the Company increased share capital from shares issued to pay dividends. There were 38,479,161 shares issued at par value of VND10,000.
- (\*\*) In accordance with the Resolution of Board of Management dated 19 March 2019, the Company appropriated 1.5% retained profits to other equity funds for the purpose of remuneration and operation expenses of Board of Director.

**27. Share capital**

The Company's authorised and issued share capital are:

	30/9/2019		1/10/2018	
	Number of shares	VND	Number of shares	VND
<b>Authorised and issued share capital</b>				
Ordinary shares	423,469,489	4,234,694,890,000	384,990,328	3,849,903,280,000
<b>Treasury share</b>				
Ordinary shares	245,900	2,459,000,000	134,300	1,343,000,000
<b>Shares in circulation</b>				
Ordinary shares	423,223,589	4,232,235,890,000	384,856,028	3,848,560,280,000

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at shareholders' meetings of the Company. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

Movements in share capital during the year were as follows:

	Year ended			
	30/9/2019		30/9/2018	
	Number of shares	VND	Number of shares	VND
Opening balance	384,856,028	3,848,560,280,000	349,996,683	3,499,966,830,000
Shares issued to pay dividends	38,479,161	384,791,610,000	34,993,645	349,936,450,000
Repurchase of treasury shares during the year	(111,600)	(1,116,000,000)	(134,300)	(1,343,000,000)
Closing balance	423,223,589	4,232,235,890,000	384,856,028	3,848,560,280,000

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

	<b>30/9/2019</b>	<b>1/10/2018</b>
	<b>VND</b>	<b>VND</b>
Within one year	174,713,166,239	127,001,614,095
Within two to five years	691,810,008,358	464,341,637,708
More than five years	936,592,994,134	690,309,362,270
	<hr/>	<hr/>
	1,803,116,168,731	1,281,652,614,073
	<hr/> <hr/>	<hr/> <hr/>

**(b) Foreign currencies**

	<b>30/9/2019</b>		<b>1/10/2018</b>	
	<b>Original currency</b>	<b>VND equivalent</b>	<b>Original currency</b>	<b>VND equivalent</b>
USD	1,173,918	27,171,115,558	1,300,047	30,255,550,850
EUR	-	-	229	6,193,888
AUD	-	-	0.54	8,974
		<hr/>		<hr/>
		27,171,115,558		30,261,753,712
		<hr/> <hr/>		<hr/> <hr/>

**(c) Capital expenditure commitments**

At the reporting date, the Group had the following outstanding capital commitments approved for the purpose of purchasing new machineries that use for the company's operation:

	<b>30/9/2019</b>	<b>1/10/2018</b>
	<b>VND</b>	<b>VND</b>
Approved and contracted	435,509,258,887	960,466,484,424
	<hr/> <hr/>	<hr/> <hr/>

**Hoa Sen Group and its subsidiaries****Notes to the consolidated financial statements for the year ended 30 September 2019  
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Total revenue represents the gross value of goods sold and services rendered, exclusive of value added tax.

Net revenue comprised:

	Year ended	
	30/9/2019	30/9/2018
	VND	VND
Total revenue		
▪ Sales of finished goods	15,030,026,425,745	18,305,584,471,715
▪ Sales of merchandise goods	12,986,899,010,659	16,226,374,169,708
▪ Others	64,378,346,684	38,385,915,741
	<hr/>	<hr/>
	28,081,303,783,088	34,570,344,557,164
	<hr/>	<hr/>
Less revenue deductions		
▪ Sales discounts	23,659,787,569	107,925,224,496
▪ Sales allowances	9,171,395,550	4,354,455,644
▪ Sales returns	13,697,481,294	16,635,528,763
	<hr/>	<hr/>
	46,528,664,413	128,915,208,903
	<hr/>	<hr/>
Net revenue	28,034,775,118,675	34,441,429,348,261

**30. Cost of sales**

	Year ended	
	30/9/2019	30/9/2018
	VND	VND
Total cost of sales:		
▪ Finished goods sold	12,572,298,284,011	16,100,942,436,400
▪ Merchandise goods sold	12,236,475,821,882	14,344,645,503,779
▪ Others	16,221,529,733	4,960,676,206
▪ Allowance made during the year for inventories	11,159,401,046	13,741,472,000
	<hr/>	<hr/>
	24,836,155,036,672	30,464,290,088,385

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	Year ended	
	30/9/2019 VND	30/9/2018 VND
Interest income from deposits and loans receivable	5,777,871,781	5,714,196,627
Interest income from financial investment	-	102,139,227,474
Realised foreign exchange gains	57,382,872,754	71,645,469,380
Other financial income	3,486,094	-
	<hr/>	<hr/>
	63,164,230,629	179,498,893,481

**32. Financial expenses**

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Interest expense	745,960,164,920	811,669,226,449
Realised foreign exchange losses	53,997,119,337	139,120,987,276
Unrealised foreign exchange losses	1,760,428,859	51,970,945,978
Reversal of allowance for diminution of financial investments	-	(33,943,763,842)
Other financial expenses	917,028,756	1,915,310,041
	<hr/>	<hr/>
	802,634,741,872	970,732,705,902

**33. Selling expenses**

	Year ended	
	30/9/2019 VND	30/9/2018 VND (Reclassified)
Labour costs and staff costs	522,045,890,893	558,262,139,647
Export expenses	348,900,692,741	565,999,087,040
Transportation expenses	173,731,390,239	242,295,552,021
Depreciation and amortisation	160,562,421,184	129,444,945,883
Rental expenses	150,613,054,991	101,856,042,602
Advertising expenses	104,833,777,549	114,127,564,790
Outside service	93,322,072,588	112,412,613,044
Other expenses	194,873,541,055	208,599,569,717
	<hr/>	<hr/>
	1,748,882,841,240	2,032,997,514,744

**Hoa Sen Group and its subsidiaries****Notes to the consolidated financial statements for the year ended 30 September 2019  
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	Year ended	
	30/9/2019 VND	30/9/2018 VND (Reclassified)
Labour costs and staff costs	161,329,163,316	279,167,507,341
Depreciation and amortisation	62,332,518,169	57,823,386,166
Rental expenses	33,393,007,713	46,932,844,724
Guest reception expenses	15,927,101,970	20,000,778,643
Business trip expenses	6,145,283,909	27,568,945,159
Professional service fees	10,504,877,967	14,196,618,786
Outside service	54,431,875,120	84,648,406,050
Other expenses	126,636,860,720	148,286,276,077
	<hr/>	<hr/>
	470,700,688,884	678,624,762,946

**35. Other income**

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Gains from disposals of fixed assets	133,106,182,485	14,531,056,069
Compensation	11,903,268,643	27,495,810,933
Gain from bargain purchase	860,445,175	-
Others	107,296,370,992	14,873,355,227
	<hr/>	<hr/>
	253,166,267,295	56,900,222,229

**36. Production and business costs by elements**

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Raw material costs included in production costs	19,695,126,527,602	20,637,165,889,138
Labour costs and staff costs	928,732,894,854	1,201,586,419,867
Depreciation and amortisation	1,187,362,709,449	1,019,509,865,101
Outside services	1,570,894,855,005	2,199,477,887,113
Other expenses	919,372,729,606	1,255,823,599,675

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	Year ended	
	30/9/2019 VND	30/9/2018 VND
<b>Current tax expense</b>		
Current year	111,147,114,682	95,720,855,600
Over provision in prior years	(9,101,584,118)	-
<b>Deferred tax (benefit)/expense</b>		
Origination of temporary differences	(1,347,738,189)	24,297,904,363
	100,697,792,375	120,018,759,963

**(b) Reconciliation of effective tax rate**

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Accounting profit before tax	462,069,296,121	529,184,460,902
Tax at the Company's tax rate	92,413,859,224	105,836,892,180
Effect of different tax rates in subsidiaries	(10,814,897,914)	(8,056,940,190)
Non-deductible expenses	19,557,409,092	29,357,952,102
Tax incentives	(25,950,324,403)	(27,661,557,507)
Unrecognised deferred tax assets	34,593,330,494	20,542,413,378
Over provision in prior years	(9,101,584,118)	-
	100,697,792,375	120,018,759,963



## **Hoa Sen Group and its subsidiaries**

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#### **(c) Applicable tax rates**

Under the terms of Income Tax Law, the Company has an obligation to pay the government income tax rate of 20% of taxable profits. Subsidiaries have obligations to pay the government income tax at rates ranging from 10% to 20% of taxable profits, detail as follows:

- Hoa Sen Binh Dinh One Member Limited Liabilities Company has an obligation to pay the government income tax at the rate of 20% of taxable profits. This subsidiary is exempt from income tax for 2 years starting from the first year it generates a taxable profit and entitled to a 50% reduction in income tax for the 4 succeeding years.
- Hoa Sen Nghe An One Member Limited Liability Company and Hoa Sen Nhon Hoi - Binh Dinh One Member Limited Company have an obligation to pay the government income tax at the rate of 10% of taxable profits for the first 15 years of operation and the usual income tax rate for the succeeding years. These subsidiaries are exempt from income tax for 4 years starting from the first year it generates a taxable profit and entitled to a 50% reduction in income tax for the 9 succeeding years.
- Hoa Sen Ha Nam One Member Limited Liability Company has an obligation to pay the government income tax at the rate of 17% of taxable profits for the first 10 years from 2016 and the usual income tax rate for the succeeding years. This subsidiary is exempt from income tax for 2 years starting from the first year it generates a taxable profit and entitled to a 50% reduction in income tax for the 4 succeeding years.
- Hoa Sen Phu My One Member Limited Liability Company and Hoa Sen Yen Bai Building Materials One Member Liability Company has an obligation to pay the government income tax at the rate of 17% of taxable profits for the first 10 years from the first year companies generate revenue and the usual income tax rate for the succeeding years. These subsidiaries are exempt from income tax for 2 years starting from the first year it generates a taxable profit and entitled to a 50% reduction in income tax for the 4 succeeding years.
- Other subsidiaries have an obligation to pay the government income tax at the rate of 20% of taxable profits.

### **38. Earnings per share**

The calculation of basic earnings per share for the year ended 30 September 2019 was based on the profit attributable to ordinary shareholders after deducting the amounts appropriated to bonus and welfare fund for the accounting period and a weighted average number of ordinary shares outstanding, calculated as follows:

**(i) Net profit attributable to ordinary shareholders**

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Net profit for the year	361,352,133,015	409,234,037,922
Appropriation to bonus and welfare fund (*)	(14,454,085,321)	(16,369,361,517)
Net profit attributable to ordinary shareholders	346,898,047,694	392,864,676,405

(\*) Appropriation to bonus and welfare fund are estimated at 4% of the Group's profit after tax. This appropriation rate is the same as the actual rate approved by the shareholders in the previous period.

**(ii) Weighted average number of ordinary shares**

	Year ended	
	30/9/2019 Number of shares	30/9/2018 Number of shares Restated (**)
Issued ordinary shares at the beginning of the year	384,856,028	349,996,683
Effect of repurchase of treasury shares	(43,358)	(134,300)
Effect of bonus shares issued after 30 September 2018	-	34,993,645
Effect of bonus shares issued after 30 September 2019	38,479,161	38,485,603
Weighted average number of ordinary shares for the year	423,291,831	423,341,631

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*(Issued under Circular No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)***(iii) Basic earnings per share**

	30/9/2019 VND	Year ended 30/9/2018 VND Restated (**)	30/9/2018 VND As previously stated
Basic earnings per share	820	928	1,090

(\*\*) The restatement represented the impact of bonus shares issued after the year-end and for dividend payments. Basic earnings per share decreased from VND1,090/share to VND1,021/share as result of bonus shares issued after 30 September 2018 and basic earnings per share decreased from VND1,021/share to VND928/share as result of bonus shares issued after 30 September 2019.

**39. Significant transactions with related parties**

In addition to related party balances disclosed in other notes to the consolidated financial statements, the Group had the following significant transactions with related parties during the year:

	Year ended 30/9/2019 VND	30/9/2018 VND
<b><i>Company owned by the Company's Chairman</i></b>		
<b>Hoa Sen Holdings Group</b>		
Sales of goods	4,260,734,635,552	6,753,479,410,892
Purchases of goods	424,424,089,519	2,131,904,449,532
Income from leasing of assets	4,198,466,388	1,828,130,909
Other sale	5,333,866,590	2,415,025,724
Sales of fixed assets	32,476,307,578	40,961,909,490
Purchases of fixed assets	202,978,077,818	1,515,541,822
Purchases of tools and instruments	36,378,797,956	-
Sales discounts	3,364,556,991	44,875,174,015
Transportation expenses	50,923,795,458	48,851,726,662
Operating lease expenses	5,977,669,234	539,338,900
Sale return	3,014,517,004	3,595,809,964
<b>Hoa Sen Nghe An One Member Co., Ltd.</b>		
Transportation expenses	37,507,194,539	64,778,733,985
Income from leasing of assets	312,000,000	360,000,000
<b><i>Other related parties</i></b>		
<b>Board of Directors</b>		
Salary and bonus	12,037,488,915	18,380,164,144
<b>Board of Management</b>		
Remuneration	2,340,000,000	2,270,000,000

## Hoa Sen Group and its subsidiaries

### Notes to the consolidated financial statements for the year ended 30 September 2019 (continued)

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#### 40. Non-cash investing activities

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Conversion of accounts receivable from customers into equity interest in subsidiary	68,564,000,000	-
Net-off proceeds from disposals of fixed assets with proceeds from sales and lease back	43,844,985,060	29,681,479,462
Purchases of fixed assets and construction in progress not yet paid	174,866,812,780	282,686,249,792

#### 41. Corresponding figures

The corresponding figures were derived from the Group's consolidated financial statement as at and for the year ended 30 September 2018.

Certain corresponding figures have been reclassified to conform to the current period's presentation. A comparison of the amount previously reported and as reclassified is as follows:

#### Consolidated statement of income

	Note	Year ended	
		30/9/2018 VND (as reclassified)	30/9/2018 VND (as previously reported)
Selling expenses	25	2,032,997,514,744	1,816,042,397,184
General and administration expenses	26	678,624,762,946	895,579,880,506

20 December 2019

Prepared by



Nguyen Thi Thanh Tuyen  
Accountant



Nguyen Thi Ngoc Lan  
Chief Accountant

Approved by



Tran Quoc Tri  
General Director