

Hoa Sen Group

Consolidated financial statements

30 September 2018



Hoa Sen Group

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Hoa Sen Group

THE GENERAL INFORMATION

THE COMPANY

Hoa Sen Group ("the Company") is a shareholding company incorporated pursuant to the Law on Enterprise of Vietnam in accordance with the Business Registration Certificate ("BRC") No. 3700381324 issued by the Department of Planning and Investment of Binh Duong Province on 8 August 2001, as amended.

The Company's and its subsidiaries current principal activities are manufacturing roofing sheets by galvanized steel, zinc alloy, paint galvanized zinc plating and plating of other alloys; producing steel purlins, galvanized purlins; manufacturing black steel pipes, galvanized steel pipes and other alloys; manufacturing steel mesh, galvanized steel wire, steel wire; buying and selling building materials, capital goods and consumer goods; renting warehouse and transporting goods; building industrial and civil constructions and producing cold rolled steel coils and leasing machinery and equipment and other tangible belongings.

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

The Company's registered head office is located at No. 9, Thong Nhat Boulevard, Song Than II Industrial Park, Di An Ward, Di An Town, Binh Duong Province, Vietnam. In addition, the Company also has four hundred and seventy one (471) branches located at various provinces in Vietnam.

BOARD OF DIRECTORS

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

| | | |
|--------------------|---------------|------------------------------|
| 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 | appointed on 16 January 2018 |
| Mr Dinh Viet Duy | Member | appointed on 16 January 2018 |
| Mr Pham Gia Tuan | Member | resigned on 16 January 2018 |

MANAGEMENT

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

| | | |
|---------------------|--------------------------------|-----------------------------|
| Mr Tran Quoc Tri | General Director | appointed 16 January 2018 |
| Mr Tran Quoc Tri | Deputy General Director | resigned on 16 January 2018 |
| Mr Tran Ngoc Chu | General Director | resigned on 16 January 2018 |
| 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 | Acting Deputy General Director | |

LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report are:

| | | |
|------------------|------------------|---------------------------|
| Mr Le Phuoc Vu | Chairman | |
| Mr Tran Ngoc Chu | Vice Chairman | appointed 5 February 2018 |
| Mr Tran Quoc Tri | General Director | appointed 5 February 2018 |

AUDITORS

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

Hoa Sen Group

REPORT OF BOARD OF MANAGEMENT

The Board of Management of Hoa Sen Group ("the Company") is pleased to present his report and the consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 30 September 2018.

THE BOARD OF MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and to ensure that the accounting records comply with the applied accounting system. He is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management confirmed that he has complied with the above requirements in preparing the accompanying consolidated financial statements.

STATEMENTS BY THE BOARD OF MANAGEMENT

The Board of Management does hereby state that, in his opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2018 and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of the consolidated financial statements.

On behalf of the Board of Management:



Trần Quốc Thịnh
General Director

28 December 2018

Reference: 61183992/20242753-HN

INDEPENDENT AUDITORS' REPORT

To: The Shareholders of Hoa Sen Group

We have audited the accompanying consolidated financial statements of Hoa Sen Group ("the Company") and its subsidiaries ("the Group") as prepared on 28 December 2018 and set out on pages 5 to 51, which comprise the consolidated balance sheet as at 30 September 2018, and the consolidated income statement and consolidated cash flow statement for the year then ended and the notes thereto.

The Board of Management's responsibility

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Group as at 30 September 2018, and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of the consolidated financial statements.

Ernst & Young Vietnam Limited



Doan Thi Thu Thuy
Deputy General Director
Audit Practicing Registration Certificate
No. 1070-2018-004-1

Dang Minh Tai
Auditor
Audit Practicing Registration Certificate
No. 2815-2014-004-1

Ho Chi Minh City, Vietnam

28 December 2018

CONSOLIDATED BALANCE SHEET
as at 30 September 2018

VND

| Code | ASSETS | Notes | Ending balance | Beginning balance |
|------------|--|----------|---------------------------|---------------------------|
| 100 | A. CURRENT ASSETS | | 10,799,699,101,991 | 12,916,349,825,588 |
| 110 | I. Cash and cash equivalents | 5 | 492,079,830,667 | 292,371,319,351 |
| 111 | 1. Cash | | 459,271,022,774 | 292,227,797,476 |
| 112 | 2. Cash equivalents | | 32,808,807,893 | 143,521,875 |
| 120 | II. Short-term investments | | 270,387,032 | - |
| 123 | 1. Held-to-maturity investments | | 270,387,032 | - |
| 130 | III. Current account receivables | | 2,118,733,369,445 | 1,980,480,016,047 |
| 131 | 1. Short-term trade receivables | 6.1 | 1,650,639,947,525 | 1,147,610,010,841 |
| 132 | 2. Short-term advances to suppliers | 6.2 | 296,532,254,907 | 501,517,128,689 |
| 135 | 3. Short-term loan receivables | 10 | 3,660,295,900 | 25,400,000,000 |
| 136 | 4. Other short-term receivables | 7 | 175,861,343,972 | 312,714,156,427 |
| 137 | 5. Provision for doubtful short-term receivables | | (7,960,472,859) | (6,761,279,910) |
| 140 | IV. Inventories | 8 | 6,606,994,466,635 | 8,871,078,567,586 |
| 141 | 1. Inventories | | 6,647,686,173,500 | 8,898,028,802,451 |
| 149 | 2. Provision for obsolete inventories | | (40,691,706,865) | (26,950,234,865) |
| 150 | V. Other current assets | | 1,581,621,048,212 | 1,772,419,922,604 |
| 151 | 1. Short-term prepaid expenses | 9 | 97,836,059,166 | 109,041,648,878 |
| 152 | 2. Value-added tax deductible | 19 | 1,453,616,036,730 | 1,663,363,850,523 |
| 153 | 3. Tax and other receivables from the State | 19 | 30,168,952,316 | 14,423,203 |

CONSOLIDATED BALANCE SHEET (continued)
as at 30 September 2018

| Code | ASSETS | Notes | Ending balance | Beginning balance |
|------------|---|-----------|---------------------------|---------------------------|
| 200 | B. NON-CURRENT ASSETS | | 10,455,122,959,627 | 8,675,084,741,950 |
| 210 | I. Long-term receivables | | 202,370,220,436 | 1,458,000,000 |
| 216 | 1. Other long-term receivables | 7 | 202,370,220,436 | 1,458,000,000 |
| 220 | II. Fixed assets | | 8,124,639,435,592 | 6,760,466,142,666 |
| 221 | 1. Tangible fixed assets | 11 | 7,671,670,211,535 | 6,396,829,534,741 |
| 222 | Cost | | 11,563,782,152,097 | 9,400,950,244,633 |
| 223 | Accumulated depreciation | | (3,892,111,940,562) | (3,004,120,709,892) |
| 224 | 2. Finance lease assets | 12 | 140,153,363,491 | 79,990,575,402 |
| 225 | Cost | | 236,206,835,834 | 156,586,057,440 |
| 226 | Accumulated depreciation | | (96,053,472,343) | (76,595,482,038) |
| 227 | 3. Intangible assets | 13 | 312,815,860,566 | 283,646,032,523 |
| 228 | Cost | | 355,069,152,380 | 316,828,687,046 |
| 229 | Accumulated amortisation | | (42,253,291,814) | (33,182,654,523) |
| 240 | III. Long-term asset in progress | | 1,512,774,341,255 | 1,333,535,754,767 |
| 242 | 1. Construction in progress | 14 | 1,512,774,341,255 | 1,333,535,754,767 |
| 250 | IV. Long-term investments | 16 | 98,957,678,001 | 90,969,102,467 |
| 252 | 1. Investments in associates | | 36,357,678,001 | 44,369,102,467 |
| 255 | 2. Held-to-maturity investments | | 62,600,000,000 | 46,600,000,000 |
| 260 | V. Other long-term assets | | 516,381,284,343 | 488,655,742,050 |
| 261 | 1. Long-term prepaid expenses | 9 | 475,698,024,116 | 412,307,081,315 |
| 262 | 2. Deferred tax assets | 30.3 | 40,683,260,227 | 64,981,164,590 |
| 269 | 3. Goodwill | | - | 11,367,496,145 |
| 270 | TOTAL ASSETS | | 21,254,822,061,618 | 21,591,434,567,538 |

CONSOLIDATED BALANCE SHEET (continued)
as at 30 September 2018

VND

| Code | RESOURCES | Notes | Ending balance | Beginning balance |
|------------|---|-------------|---------------------------|---------------------------|
| 300 | C. LIABILITIES | | 16,103,196,342,693 | 16,421,632,634,853 |
| 310 | I. Current liabilities | | 12,637,507,361,815 | 13,580,882,559,142 |
| 311 | 1. Short-term trade payables | 17 | 1,066,621,824,454 | 3,635,809,978,792 |
| 312 | 2. Short-term advances from customers | 18 | 141,297,692,947 | 417,629,817,716 |
| 313 | 3. Statutory obligations | 19 | 61,518,263,658 | 167,199,725,948 |
| 314 | 4. Payables to employees | | 85,096,650,336 | 105,069,186,683 |
| 315 | 5. Short-term accrued expenses | 20 | 148,220,024,270 | 101,223,708,394 |
| 319 | 6. Other short-term payables | 21 | 213,415,952,496 | 77,593,435,079 |
| 320 | 7. Short-term loans and finance lease obligations | 22 | 10,879,859,929,887 | 9,015,062,474,063 |
| 322 | 8. Bonus and welfare fund | | 41,477,023,767 | 61,294,232,467 |
| 330 | II. Non-current liabilities | | 3,465,688,980,878 | 2,840,750,075,711 |
| 338 | 1. Long-term loans and finance lease obligations | 22 | 3,461,976,547,378 | 2,835,803,760,461 |
| 342 | 2. Long-term provisions | | 3,712,433,500 | 4,946,315,250 |
| 400 | D. OWNERS' EQUITY | | 5,151,625,718,925 | 5,169,801,932,685 |
| 410 | I. Capital | 23.1 | 5,151,625,718,925 | 5,169,801,932,685 |
| 411 | 1. Share capital | | 3,849,903,280,000 | 3,499,966,830,000 |
| 411a | - Shares with voting rights | | 3,849,903,280,000 | 3,499,966,830,000 |
| 412 | 2. Share premium | | 151,583,183,521 | 151,583,183,521 |
| 415 | 3. Treasury share | | (1,343,000,000) | - |
| 420 | 4. Other funds belonging to owners' equity | | 60,509,750,556 | 34,535,741,195 |
| 421 | 5. Undistributed earnings | | 1,055,058,327,742 | 1,446,534,555,355 |
| 421a | - Undistributed earnings up to prior year-end | | 645,824,289,820 | 114,870,643,184 |
| 421b | - Undistributed earnings of current year | | 409,234,037,922 | 1,331,663,912,171 |
| 429 | 6. Non-controlling interests | 23.3 | 35,914,177,106 | 37,181,622,614 |
| 440 | TOTAL LIABILITIES AND OWNERS' EQUITY | | 21,254,822,061,618 | 21,591,434,567,538 |



Nguyen Thi Thanh Tuyen
Preparer



Nguyen Thi Ngoc Lan
Chief Accountant



TRẦN QUỐC TRÍ
General Director

28 December 2018

CONSOLIDATED INCOME STATEMENT
for the year ended 30 September 2018

VND

| Code | ITEMS | Notes | Current year | Previous year |
|------|---|-------|----------------------|----------------------|
| 01 | 1. Revenues from sale of goods and rendering of services | 24.1 | 34,570,344,557,164 | 26,336,984,183,123 |
| 02 | 2. Deductions | 24.1 | (128,915,208,903) | (187,939,347,844) |
| 10 | 3. Net revenues from sale of goods and rendering of services | 24.1 | 34,441,429,348,261 | 26,149,044,835,279 |
| 11 | 4. Costs of goods sold and services rendered | 25 | (30,464,290,088,385) | (21,730,791,206,018) |
| 20 | 5. Gross profit from sale of goods and rendering of services | | 3,977,139,259,876 | 4,418,253,629,261 |
| 21 | 6. Finance income | 24.2 | 179,498,893,481 | 53,912,840,001 |
| 22 | 7. Finance expenses | 26 | (970,732,705,902) | (589,176,690,666) |
| 23 | In which: Interest expense | | (811,669,226,449) | (482,275,637,847) |
| 24 | 8. Shares of profit of associates, joint-ventures | | 514,000,092 | - |
| 25 | 9. Selling expenses | 27 | (1,816,042,397,184) | (1,512,517,323,076) |
| 26 | 10. General and administrative expenses | 27 | (895,579,880,506) | (801,479,758,048) |
| 30 | 11. Operating profit | | 474,797,169,857 | 1,568,992,697,472 |
| 31 | 12. Other income | 28 | 56,900,222,229 | 78,166,099,473 |
| 32 | 13. Other expenses | | (2,512,931,184) | (4,519,323,205) |
| 40 | 14. Other profit | | 54,387,291,045 | 73,646,776,268 |
| 50 | 15. Profit before tax | | 529,184,460,902 | 1,642,639,473,740 |
| 51 | 16. Current corporate income tax expense | 30.1 | (95,720,855,600) | (281,166,867,134) |
| 52 | 17. Deferred income tax expense | 30.3 | (24,297,904,363) | (29,823,152,049) |
| 60 | 18. Net profit after tax | | 409,165,700,939 | 1,331,649,454,557 |
| 61 | 19. Net profit after tax attributable to shareholders of the parent | | 409,234,037,922 | 1,331,663,912,171 |
| 62 | 20. Net loss after tax attributable to non-controlling interests | | (68,336,983) | (14,457,614) |
| 70 | 21. Basic earnings per share | 23.5 | 1,090 | 3,561 |
| 71 | 22. Diluted earnings per share | 23.5 | 1,090 | 3,561 |

Nguyen Thi Thanh Tuyen
Preparer

Nguyen Thi Ngoc Lan
Chief Accountant



Tran Quoc Tri
General Director

28 December 2018

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 September 2018

VND

| Code | ITEMS | Notes | Current year | Previous year |
|-----------|---|------------|----------------------------|----------------------------|
| | I. CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| 01 | Accounting profit before tax | | 529,184,460,902 | 1,642,639,473,740 |
| | <i>Adjustments for:</i> | | | |
| 02 | Depreciation and amortisation of fixed assets and goodwill | 11, 12, 13 | 1,019,509,865,101 | 705,280,876,622 |
| 03 | Provisions | | (22,226,292,468) | 21,765,234,299 |
| 04 | Foreign exchange losses arising from revaluation of monetary accounts denominated in foreign currency | | 51,970,945,978 | 7,247,689,692 |
| 05 | Profits from investing activities | | (120,258,368,345) | (23,207,483,003) |
| 06 | Interest expense | 26 | 811,669,226,449 | 482,275,637,847 |
| 08 | Operating profit before changes in working capital | | 2,269,849,837,617 | 2,836,001,429,197 |
| 09 | Increase in receivables | | (182,952,388,012) | (1,940,119,982,438) |
| 10 | Decrease (increase) in inventories | | 2,250,342,628,951 | (4,062,359,549,579) |
| 11 | (Decrease) increase in payables | | (2,703,521,975,220) | 1,990,194,619,701 |
| 12 | Increase in prepaid expenses | | (52,185,353,089) | (104,000,439,171) |
| 14 | Interest expense paid | | (808,818,426,065) | (470,782,599,301) |
| 15 | Corporate income tax paid | 19 | (178,069,805,583) | (340,323,719,741) |
| 17 | Other cash outflows for operating activities | | (94,659,631,874) | (82,041,727,870) |
| 20 | Net cash flows from (used in) operating activities | | 499,984,886,725 | (2,173,431,969,202) |
| | II. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| 21 | Purchases of fixed assets | | (2,723,711,086,859) | (4,016,935,385,411) |
| 22 | Proceeds from disposals of fixed assets | | 171,567,456,975 | 49,677,813,863 |
| 23 | Loans to other entities and payments for purchase of debt instruments of other entities | | (28,430,682,932) | - |
| 24 | Collections from borrowers and proceeds from sale of debt instruments of other entities | | 29,000,000,000 | - |
| 25 | Payments for investments in other entities | | (3,672,266,449) | (27,450,000,000) |
| 26 | Proceeds from sale of investments in other entities | | 155,996,581,583 | - |
| 27 | Interest received | | 5,714,196,627 | 700,711,525 |
| 30 | Net cash flows used in investing activities | | (2,393,535,801,055) | (3,994,006,860,023) |

CONSOLIDATED CASH FLOW STATEMENT (continued)
for the year ended 30 September 2018

VND

| Code | ITEMS | Notes | Current year | Previous year |
|-----------|---|----------|--------------------------|--------------------------|
| | III. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| 31 | Reissuance of treasury shares | | - | 34,601,710,000 |
| 32 | Capital redemption | | (1,343,000,000) | - |
| 33 | Drawdown of borrowings | 22 | 33,803,434,049,477 | 27,410,327,886,870 |
| 34 | Repayment of borrowings | 22 | (31,308,401,099,488) | (21,212,709,164,619) |
| 35 | Finance lease payments | 22 | (47,505,770,325) | (147,033,010,824) |
| 36 | Dividends paid | 23.1 | (350,060,974,500) | (196,362,984,225) |
| 40 | Net cash flows from financing activities | | 2,096,123,205,164 | 5,888,824,437,202 |
| 50 | Net increase (decrease) in cash and cash equivalents | | 202,572,290,834 | (278,614,392,023) |
| 60 | Cash and cash equivalents at beginning of year | 5 | 292,371,319,351 | 576,620,705,083 |
| 61 | Impact of exchange rate fluctuation | | (2,863,779,518) | (5,634,993,709) |
| 70 | Cash and cash equivalents at end of year | 5 | 492,079,830,667 | 292,371,319,351 |



Nguyen Thi Thanh Tuyen
Preparer



Nguyen Thi Ngoc Lan
Chief Accountant



TRẦN QUỐC TRI
General Director

28 December 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 30 September 2018

1. CORPORATE INFORMATION

Hoa Sen Group ("the Company") is a shareholding company incorporated pursuant to the Law on Enterprise of Vietnam in accordance with the Business Registration Certificate ("BRC") No. 3700381324 issued by the Department of Planning and Investment of Binh Duong Province on 8 August 2001, as amended.

The Company's and its subsidiaries current principal activities are manufacturing roofing sheets by galvanized steel, zinc alloy, paint galvanized zinc plating and plating of other alloys; producing steel purlins, galvanized purlins; manufacturing black steel pipes, galvanized 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; renting warehouse and transporting goods; building industrial and civil constructions and producing cold rolled steel coils and leasing machinery and equipment and other tangible belongings.

The Company's shares were listed on the Ho Chi Minh City Stock Exchange in accordance with Decision No. 117/QD-SGDHCM dated 5 November 2008.

The Company's registered head office is located at No. 9, Thong Nhat Boulevard, Song Than II Industrial Park, Di An Ward, Di An Town, Binh Duong Province, Vietnam. In addition, the Company also has four hundred and seventy one (471) branches located at various provinces of Vietnam.

The number of employees of the Company and its subsidiaries ("the Group") as at 30 September 2018 was 7,062 (30 September 2017: 8,200).

Corporate structure

The Group's corporate structure includes the Company and the following 15 subsidiaries:

▶ Hoa Sen Steel Sheet One Member Limited Liabilities Company ("HSS")

HSS is a one-member limited liability company established pursuant to the Law on Enterprise of Vietnam in accordance with the BRC No. 3700763651 issued by the Department of Planning and Investment of Binh Duong Province on 9 November 2006, as amended. HSS's registered head office is located at No. 9 Thong Nhat Boulevard, Song Than II Industrial Park, Di An Ward, Di An Town, Binh Duong Province, Vietnam. The current principal activities of HSS are manufacturing and trading in cold rolled steel products.

As at 30 September 2018, the Company holds 100% equity interests and 100% voting rights in HSS (30 September 2017: 100%).

▶ Hoa Sen Building Materials One Member Limited Liabilities Company ("HSBM")

HSBM is a one-member limited liability company established pursuant to the Law on Enterprise of Vietnam in accordance with the BRC No. 3500786179 issued by the Department of Planning and Investment of Ba Ria Vung Tau Province on 26 March 2007, as amended. HSBM's registered head office is located at Phu My 1 Industrial Park, Phu My Town, Tan Thanh District, Ba Ria – Vung Tau Province, Vietnam. The current principal activities of HSBM are manufacturing and trading in plastic building materials and steel pipe products.

As at 30 September 2018, the Company holds 100% equity interests and 100% voting rights in HSBM (30 September 2017: 100%).

▶ Hoa Sen Binh Dinh One Member Limited Liabilities Company ("HSBD")

HSBD is a one-member limited liability established pursuant to the Law on Enterprise of Vietnam in accordance with the BRC No. 4101425750 issued by the Department of Planning and Investment of Binh Dinh Province on 14 May 2014. HSBD's registered head office is located at Lot A1.1 and TT 6.2 & 7, Nhon Hoa Industrial Park, Nhon Hoa Ward, An Nhon Town, Binh Dinh Province, Vietnam. The current principal activities of HSBD are manufacturing and trading in plastic building materials and steel pipe products.

As at 30 September 2018, the Company holds 100% equity interest and 100% voting rights in HSBD (30 September 2017: 100%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

1. CORPORATE INFORMATION (continued)

Corporate structure (continued)

- ▶ Hoa Sen Transportation and Engineering One Member Limited Liability Company ("HTME")

HTME is a one-member limited liability company established pursuant to the Law on Enterprise of Vietnam in accordance with the BRC No. 3700785528 issued by the Department of Planning and Investment of Binh Duong Province on 26 March 2007, as amended. HTME's registered head office is located at No. 9 Thong Nhat Boulevard, Song Than II Industrial Park, Di An Ward, Di An Town, Binh Duong Province, Vietnam. The current principal activities of HTME are providing transportation services and civil, industrial construction projects.

As at 30 September 2018, the Company holds 100% equity interest and 100% voting rights in HTME (30 September 2017: 100%).

- ▶ Hoa Sen Nghe An One Member Limited Liability Company ("HSNA")

HSNA is a one-member limited liability company established pursuant to the Law on Enterprise of Vietnam in accordance with the BRC No. 29011788319 issued by the Department of Planning and Investment of Nghe An Province on 12 June 2015, as amended. HSNA's registered head office is located at Lot CN 1-8, Dong Hoi Industrial Park, Quynh Lap Commune, Hoang Mai Town, Nghe An Province, Vietnam. The current principal activities of HSNA are manufacturing and trading in metal roofing sheets.

As at 30 September 2018, the Company holds 100% equity interest and 100% voting rights in HSNA (30 September 2017: 100%).

- ▶ Hoa Sen Ha Nam One Member Limited Liability Company ("HSHN")

HSHN is a one-member limited liability company established pursuant to the Law on Enterprise of Vietnam in accordance with the BRC No. 0700759219 issued by the Department of Planning and Investment of Ha Nam Province on 15 September 2015. HSHN's registered head office is located at Kien Khe I Industrial Complex, Kien Khe Town, Thanh Liem District, Ha Nam Province, Vietnam. The current principal activities of HSHN are manufacturing and trading in plastic building materials and steel pipe products.

As at 30 September 2018, the Company holds 100% equity interest and 100% voting rights in HSHN (30 September 2017: 100%).

- ▶ Hoa Sen Nhon Hoi - Binh Dinh One Member Limited Company ("HSNH")

HSNH is a one-member limited liability company established pursuant to the Law on Enterprise of Vietnam in accordance with the BRC No. 4101453370 issued by the Department of Planning and Investment of Binh Dinh Province on 26 November 2015. HSNH's registered head office is located at Hoi Son Village, Nhon Hoi Commune, Quy Nhon City, Vietnam. The current principal activities of HSNH are manufacturing and trading in metal roofing sheets.

As at 30 September 2018, the Company holds 100% equity interests and 100% voting rights in HSNH (30 September 2017: 100%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

1. CORPORATE INFORMATION (continued)

Corporate structure (continued)

▶ Hoa Sen Yen Bai Joint Stock Company ("HSYB")

HSYB is a joint stock company established pursuant to the Law on Enterprise of Vietnam in accordance with the BRC No. 5200861319 issued by the Department of Planning and Investment of Yen Bai Province on 5 May 2016. HSYB's registered head office is located at 48 Civil group, Dong Tam Ward, Yen Bai City, Yen Bai Province, Vietnam. The current principal activities of HSYB are operating a hotel, restaurant services and commercial center.

As at 30 September 2018, the Company holds 70% equity interests and 70% voting rights in HSYB (30 September 2017: 70%).

▶ Hoa Sen Ca Na – Ninh Thuan Renewable Energy One Member Limited Liabilities Company ("HSRE")

HSRE is a one-member limited liability company established pursuant to the Law on Enterprise of Vietnam in accordance with the BRC No. 4500607960 issued by the Department of Planning and Investment of Ninh Thuan Province on 8 August 2016. HSRE's registered head office is located at Hoa Sen Ca Na Industrial Park, Phuoc Diem Commune, Thuan Nam District, Ninh Thuan Province, Vietnam. The registered principal activities of HSRE are manufacturing, transmitting and distributing electricity.

As at 30 September 2018, the Company holds 100% equity interests and 100% voting rights in HSRE (30 September 2017: 100%).

▶ Hoa Sen Ca Na – Ninh Thuan Cement One Member Limited Liabilities Company ("HSCC")

HSCC is a one-member limited liability company established pursuant to the Law on Enterprise of Vietnam in accordance with the BRC No. 4500607946 issued by the Department of Planning and Investment of Ninh Thuan Province on 8 August 2016. HSCC's registered head office is located at Hoa Sen Ca Na Industrial Park, Phuoc Diem Commune, Thuan Nam District, Ninh Thuan Province, Vietnam. The registered principal activities of HSCC are manufacturing cement, lime and plaster.

As at 30 September 2018, the Company holds 100% equity interests and 100% voting rights in HSCC (30 September 2017: 100%).

▶ Hoa Sen Ca Na – Ninh Thuan Industrial Park Infrastructure Investment One Member Limited Liabilities Company ("HSIP")

HSIP is a one-member limited liability company established pursuant to the Law on Enterprise of Vietnam in accordance with the BRC No. 4500607978 issued by the Department of Planning and Investment of Ninh Thuan Province on 8 August 2016. HSIP's registered head office is located at Hoa Sen Ca Na Industrial Park, Phuoc Diem Commune, Thuan Nam District, Ninh Thuan Province, Vietnam. The registered principal activities of HSIP are trading in real estate and land use right for use or rent.

As at 30 September 2018, the Company holds 100% equity interests and 100% voting rights in HSIP (30 September 2017: 100%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

1. CORPORATE INFORMATION (continued)

Corporate structure (continued)

- ▶ Hoa Sen Ca Na – Ninh Thuan International General Seaport One Member Limited Liabilities Company (“HSSP”)

HSSP is a one-member limited liability company established pursuant to the Law on Enterprise of Vietnam in accordance with the BRC No. 4500607985 issued by the Department of Planning and Investment of Ninh Thuan Province on 8 August 2016. HSSP’s registered head office is located at Thuong Diem 2 Village, Phuoc Diem Commune, Thuan Nam District, Ninh Thuan Province, Vietnam. The registered principal activities of HSSP are investing riverport, seaport.

As at 30 September 2018, the Company holds 100% equity interests and 100% voting rights in HSSP (30 September 2017: 100%).

- ▶ Hoa Sen Ca Na – Ninh Thuan Integrated Iron and Steel Complex Investment One Member Limited Liabilities Company (“HSIC”)

HSIC is a one-member limited liability company established pursuant to the Law on Enterprise of Vietnam in accordance with the BRC No. 4500607953 issued by the Department of Planning and Investment of Ninh Thuan Province on 8 August 2016. HSIC’s registered head office is located at Hoa Sen Ca Na Industrial Park, Phuoc Diem Commune, Thuan Nam District, Ninh Thuan Province, Vietnam. The registered principal activities of HSIC are manufacturing iron, steel, cast iron products.

As at 30 September 2018, the Company holds 100% equity interests and 100% voting rights in HSIC (30 September 2017: 100%).

- ▶ Hoa Sen Phu My One Member Limited Liability Company (“HSPM”)

HSPM is a one-member limited liability company established pursuant to the Law on Enterprise of Vietnam in accordance with the BRC No. 3502313442 issued by the Department of Planning and Investment of Ba Ria – Vung Tau Province on 8 August 2016. HSPM’s registered head office is located at Phu My 1 Industrial Park, Phu My Town, Tan Thanh District, Ba Ria – Vung Tau Province, Vietnam. The registered principal activities of HSPM are manufacturing steel for building materials and consumer goods.

As at 30 September 2018, the Company holds 100% equity interests and 100% voting rights in HSPM (30 September 2017: 100%).

- ▶ Hoa Sen Yen Bai Building Materials One Member Liability Company (“HSYB-LTD”)

HSYB-LTD is a one-member limited liability company established pursuant to the Law on Enterprise of Vietnam in accordance with the BRC No. 5200870602 issued by the Department of Planning and Investment of Yen Bai Province on 6 January 2017. HSYB-LTD’s registered head office is located at Dong Danh Village, Minh Quan Commune, Tran Yen District, Yen Bai Province, Vietnam. The registered principal activities of HSYB-LTD are manufacturing and trading steel pipes.

As at 30 September 2018, the Company holds 100% equity interests and 100% voting rights in HSYB-LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

2. BASIS OF PREPARATION

2.1 *Applied accounting standards and system*

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

- Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 5).

Accordingly, the accompanying consolidated financial statements, including their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the consolidated financial position and consolidated results of operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

2.2 *Going concern assumption*

The consolidated financial statements have been prepared on a going concern basis, which presumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

As shown in the consolidated financial statements, current liabilities of the Group exceeded its current assets by VND 1,837,808,259,824 as at 30 September 2018. In view thereof, the Group's ability to continue in business is dependent upon the profitability of its operations as well as the continued financial supports from its lenders and its major shareholders.

Management is implementing the restructuring plans for improving the efficiency in the Group's business operations as well as continue to seek for additional sources of finance. The Group's biggest shareholder has agreed to provide continued financial supports for the Group to meet its liabilities as and when they fall due. This shareholder also confirmed not to transfer his direct and indirect investments in the Group to other parties in the next twelve months from the balance sheet date. Accordingly, the consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the Group is unable to continue as a going concern.

2.3 *Applied accounting documentation system*

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

2.4 *Fiscal year*

The Group's fiscal year applicable for the preparation of its consolidated financial statements starts on 1 October and ends on 30 September.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

2. BASIS OF PREPARATION (continued)

2.5 Accounting currency

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

2.6 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 30 September 2018.

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks, cash in transit and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

3.2 Inventories

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

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

| | |
|--|---|
| Raw materials, tools and supplies, and merchandise | - cost of purchase on a weighted average basis. |
| Finished goods and work in process | - cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity. |

Provision for obsolete inventories

An inventory provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Group, based on appropriate evidence of impairment available at the balance sheet date.

Increases and decreases to the provision balance are recorded into the cost of goods sold account in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Receivables

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

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

3.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset comprises its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use.

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

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

3.5 Leased assets

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

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

Where the Group is the lessee

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

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

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

Where the Group is the lessor

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 *Intangible assets*

Intangible assets are stated at cost less accumulated amortisation.

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

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

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

Land use rights

Land use rights are recorded as intangible assets representing the value of the right to use the lands acquired or leased by the Group. The useful lives of land use rights are assessed as either definite or indefinite. Accordingly, the land use rights with definite useful lives representing the land lease are amortised over the lease term while the land use rights with indefinite useful lives are not amortised.

3.7 *Depreciation and amortisation*

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

| | |
|--------------------------|---------------|
| Buildings and structures | 5 - 50 years |
| Machinery and equipment | 5 - 20 years |
| Means of transportation | 6 - 10 years |
| Office equipment | 3 - 8 years |
| Others | 5 - 8 years |
| Land use rights | 14 - 55 years |
| Computer software | 3 - 6 years |

3.8 *Borrowing costs*

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Borrowing costs are recorded as expense during the year in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset.

3.9 *Prepaid expenses*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Business combinations and goodwill

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

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized over 3-year period on a straight-line basis. The parent company conducts the periodical review for impairment of goodwill of investment in subsidiaries. If there are indicators of impairment loss incurred is higher than the yearly allocated amount of goodwill on the straight-line basis, the higher amount will be recorded in the consolidated income statement.

3.11 Investments

Investments in associates

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

Under the equity method, the investment is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill arising on acquisition of the associate is included in the carrying amount of the investment and subject to annual review for impairment. The consolidated income statement reflects the share of the post-acquisition results of operation of the associate.

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

Investment in other entity

Investment in other entity is are stated at their acquisition costs.

Provision for diminution in value of investments

Provision for any diminution in value of the investments in capital of other entities at the balance sheet date is made in accordance with the guidance under Circular No. 228/2009/TT-BTC dated 7 December 2009 and Circular No. 89/2013/TT-BTC dated 28 June 2013 issued by the Ministry of Finance. Increases or decreases to the provision balance are recorded as finance expense in the consolidated income statement.

3.12 Payables and accruals

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 *Accrual for severance pay*

The severance pay to employee is accrued at the end of each reporting period for all employees who have been in service for more than 12 months up to 31 December 2008 at the rate of one-half of the average monthly salary for each year of service up to 31 December 2008 in accordance with the Labour Code, and related implementing guidance. The average monthly salary used in this calculation will be revised at the end of each reporting period following the average monthly salary of the 6-month period up to the reporting date. Any increase or decrease to the accrued amount will be taken to the consolidated income statement.

This accrued severance pay is used to settle the termination allowance to be paid to employee upon termination of their labour contract following Article 48 of the Labour Code.

3.14 *Foreign currency transactions*

Transactions in currencies other than the Group's reporting currency of VND are recorded at the actual transaction exchange rates at transaction dates which are determined as follows:

- Transaction resulting in receivables are recorded at the buying exchange rates of the commercial banks designated for collection;
- Transactions resulting in liabilities are recorded at the selling exchange rates of the commercial banks designated for payment; and
- Payments for assets or expenses without liabilities initially being recognised is recorded at the buying exchange rates of the commercial banks that process these payments.

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

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

All foreign exchange differences incurred during the year and arisen from the translation of monetary accounts denominated in foreign currency at year-end are taken to the consolidated income statement.

3.15 *Treasury shares*

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

3.16 *Appropriation of net profit*

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

The Group maintains the following fund which is appropriated from the Group's net profit as proposed by the Board of Directors and subject to approval by shareholders at the annual general meeting.

Bonus and welfare fund

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Appropriation of net profit (continued)

Other funds belong to equity

This fund is set aside for charitable, humanitarian and community development purposes, not for profit; and remuneration for Members of the Board of Directors and other expenses incurred in the activities of the Board of Directors.

3.17 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

Rendering of services

Revenue is recognised when the services have been performed and completed.

Interest

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

Dividends

Income is recognised when the Group is entitled to receive dividends.

Rental income

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

3.18 Taxation

Current income tax

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

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

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Group to set off current tax assets against current tax liabilities and when the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for consolidated financial statements purpose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Taxation (continued)

Deferred tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted at the balance sheet date.

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

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

3.19 Earnings per share

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

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

3.20 Segment information

A segment is a component determined consolidated by the Group which is engaged in providing products or related services (business segment) or providing products or services in a particular economic environment (geographical segment), that is subject to risks and returns that are different from those of other segments.

3.21 Related parties

Parties are considered to be related parties of the Group if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, or when the Group and other party are under common control or under common significant influence. Related parties can be enterprise or individual, including close members of the family of any such individual.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

4. SIGNIFICANT DISPOSAL WITH LOSS OF CONTROL DURING THE YEAR

Reduction of equity interest in and loss of Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company ("HSDL")

On 26 March 2018, the Group disposed 55% of its ownership interest in HSDL to individuals and a company with total consideration of VND 13,585,000,000. Accordingly, the Group's equity interest in HSDL decreased from 100% to 45% and HSDL became an associate of the Group. The loss from this disposal of VND 1,989,311,825 was recognized in the consolidated income statement.

5. CASH AND CASH EQUIVALENTS

| | VND | |
|----------------------|-------------------------------|-------------------------------|
| | <i>Ending balance</i> | <i>Beginning balance</i> |
| Cash on hand | 49,171,111,805 | 14,395,109,469 |
| Cash in banks | 409,373,357,409 | 276,984,603,292 |
| Cash in transit | 726,553,560 | 848,084,715 |
| Cash equivalents (*) | 32,808,807,893 | 143,521,875 |
| TOTAL | <u>492,079,830,667</u> | <u>292,371,319,351</u> |

(*) Cash equivalents represent the deposits at commercial banks with original maturity of less than three (3) months and earn interest at the rates of 5% per annum.

6. TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS

6.1 Short-term trade receivables

| | VND | |
|---|---------------------------------|---------------------------------|
| | <i>Ending balance</i> | <i>Beginning balance</i> |
| Due from third parties | 1,650,385,760,846 | 1,147,125,365,606 |
| <i>In which:</i> | | |
| <i>Abhay Ispat India Pvt. Ltd.</i> | 184,860,820,705 | - |
| <i>Others</i> | 1,465,524,940,141 | 1,147,125,365,606 |
| Due from related parties (Note 31) | 254,186,679 | 484,645,235 |
| TOTAL | <u>1,650,639,947,525</u> | <u>1,147,610,010,841</u> |
| Provision for doubtful short-term trade receivables | (6,320,472,859) | (6,021,279,910) |
| NET | <u>1,644,319,474,666</u> | <u>1,141,588,730,931</u> |

6.2 Short-term advances to suppliers

| | VND | |
|---|-------------------------------|-------------------------------|
| | <i>Ending balance</i> | <i>Beginning balance</i> |
| Advances to third parties | | |
| <i>In which:</i> | | |
| <i>Truong Sa Viet Nam Joint Stock Company</i> | 49,006,592,130 | 31,498,717,105 |
| <i>Others</i> | 247,525,662,777 | 470,018,411,584 |
| TOTAL | <u>296,532,254,907</u> | <u>501,517,128,689</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

7. OTHER RECEIVABLES

| | VND | |
|---|------------------------|--------------------------|
| | <i>Ending balance</i> | <i>Beginning balance</i> |
| Short-term | 175,861,343,972 | 312,714,156,427 |
| Advance for purchase of lands | 90,183,227,000 | 90,183,227,000 |
| Advances to employees | 28,855,016,820 | 27,744,442,409 |
| Disposal of investment | 15,665,290,474 | - |
| Deposits | 7,440,429,000 | 139,310,128,600 |
| Compensation | - | 31,520,000,000 |
| Compensation and clear the ground | 20,000,000,000 | 20,000,000,000 |
| Others | 13,717,380,678 | 3,956,358,418 |
| Long-term | 202,370,220,436 | 1,458,000,000 |
| Deposits for renting | 202,093,222,150 | - |
| Long-term deposits | 276,998,286 | 1,458,000,000 |
| TOTAL | 378,231,564,408 | 314,172,156,427 |
| Provision for doubtful other short-term receivables | (1,640,000,000) | (740,000,000) |
| NET | 376,591,564,408 | 313,432,156,427 |
| <i>In which:</i> | | |
| | | 222,724,725,182 |
| <i>Due from third parties</i> | 284,705,531,763 | |
| <i>Due from related parties (Note 31)</i> | 91,886,032,645 | 90,183,227,000 |

8. INVENTORIES

| | VND | |
|------------------------------------|--------------------------|--------------------------|
| | <i>Ending balance</i> | <i>Beginning balance</i> |
| Raw materials | 3,138,626,504,785 | 2,785,840,233,964 |
| Finished goods | 2,094,837,111,880 | 2,111,432,921,511 |
| Goods in transit | 58,359,200,302 | 2,582,630,028,127 |
| Merchandises | 593,241,574,702 | 690,583,566,046 |
| Tools and supplies | 762,604,260,869 | 727,542,052,803 |
| Work in process | 17,520,962 | - |
| TOTAL | 6,647,686,173,500 | 8,898,028,802,451 |
| Provision for obsolete inventories | (40,691,706,865) | (26,950,234,865) |
| NET | 6,606,994,466,635 | 8,871,078,567,586 |

As disclosed in *Note 22*, the Group has pledged inventories with the carrying amount as at 30 September 2018 amounting to VND 2,774,903,226,238 to secure its bank loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

9. PREPAID EXPENSES

| | VND | |
|-------------------------|-------------------------------|-------------------------------|
| | <i>Ending balance</i> | <i>Beginning balance</i> |
| Short-term | 97,836,059,166 | 109,041,648,878 |
| Advertising expenses | 26,546,794,453 | 27,486,428,721 |
| Rental expenses | 25,738,770,696 | 21,096,714,881 |
| Tools and equipment | 22,823,742,673 | 31,879,306,315 |
| Repair and maintenance | 4,776,883,774 | 9,816,289,531 |
| Advisory fee | 2,765,970,828 | 5,022,641,070 |
| Insurance fee | 2,346,408,633 | 1,822,964,857 |
| Others | 12,837,488,109 | 11,917,303,503 |
| Long-term | 475,698,024,116 | 412,307,081,315 |
| Tools and equipment | 167,262,012,258 | 132,158,152,780 |
| Rental expense | 117,850,134,718 | 130,330,964,983 |
| Ground clearing expense | 79,954,996,131 | 81,632,371,044 |
| Advertising expenses | 47,956,945,821 | 25,377,730,855 |
| Repair and maintenance | 38,556,758,182 | 21,983,972,896 |
| Others | 24,117,177,006 | 20,823,888,757 |
| TOTAL | <u>573,534,083,282</u> | <u>521,348,730,193</u> |

10. LOAN RECEIVABLE

| | VND | |
|--|-----------------------------|------------------------------|
| | <i>Ending balance</i> | <i>Beginning balance</i> |
| Finance Department of Nghe An Province | - | 25,000,000,000 |
| Others | - | 400,000,000 |
| Related party (Note 31) | 3,660,295,900 | - |
| TOTAL | <u>3,660,295,900</u> | <u>25,400,000,000</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

11. TANGIBLE FIXED ASSET

| | Buildings and structures | Machinery and equipment | Means of transportation | Office equipment | Others | Total |
|---|-----------------------------|----------------------------|----------------------------|---------------------|------------------|---------------------|
| Cost: | | | | | | VND |
| Beginning balance | 1,586,933,181,908 | 7,215,624,777,163 | 535,209,326,578 | 39,176,631,594 | 24,006,327,390 | 9,400,950,244,633 |
| New purchase | 7,593,116,559 | 158,869,449,407 | 23,117,332,631 | 27,235,056,996 | 325,868,351 | 217,140,823,944 |
| Transfer from construction in progress | 475,011,889,949 | 1,623,962,482,097 | 21,474,599,928 | 17,764,892,742 | 2,032,223,364 | 2,140,246,088,080 |
| Transfer from financial lease fixed assets | - | 46,358,692,169 | - | - | - | 46,358,692,169 |
| Disposal | (7,830,592,579) | (109,800,072,370) | (103,461,932,049) | (19,715,863,913) | (105,235,818) | (240,913,696,729) |
| Ending balance | 2,061,707,595,837 | 8,935,015,328,466 | 476,339,327,088 | 64,460,717,419 | 26,259,183,287 | 11,563,782,152,097 |
| <i>In which:</i> | | | | | | |
| Fully depreciated | 92,247,652,983 | 600,058,716,296 | 23,431,418,049 | 2,105,761,229 | 6,807,413,776 | 724,650,962,333 |
| Accumulated depreciation: | | | | | | |
| Beginning balance | (366,965,222,205) | (2,436,732,889,425) | (167,616,905,033) | (14,525,670,410) | (18,280,022,819) | (3,004,120,709,892) |
| Depreciation for the year | (94,918,796,810) | (809,137,150,046) | (57,845,406,706) | (9,154,773,280) | (2,380,138,179) | (973,436,265,021) |
| Transfer from finance leases | - | (16,897,479,726) | - | - | - | (16,897,479,726) |
| Disposals | 6,286,422,372 | 55,947,098,932 | 38,676,575,120 | 1,327,181,835 | 105,235,818 | 102,342,514,077 |
| Ending balance | (455,597,596,643) | (3,206,820,420,265) | (186,785,736,619) | (22,353,261,855) | (20,554,925,180) | (3,892,111,940,562) |
| Net carrying amount: | | | | | | |
| Beginning balance | 1,219,967,959,703 | 4,778,891,887,738 | 367,592,421,545 | 24,650,961,184 | 5,726,304,571 | 6,396,829,534,741 |
| Ending balance | 1,606,109,999,194 | 5,728,194,908,201 | 289,553,590,469 | 42,107,455,564 | 5,704,258,107 | 7,671,670,211,535 |
| <i>In which:</i> | | | | | | |
| Pledged (Note 22) | 1,382,799,204,361 | 4,784,062,954,037 | 196,112,145,655 | 10,825,242,316 | 2,166,421,284 | 6,375,965,967,653 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

12. FINANCE LEASES

| | | | | VND |
|----------------------------------|------------------------------------|------------------------------------|-----------------------------|-------------------------|
| | <i>Machinery and equipment</i> | <i>Means of transportation</i> | <i>Office equipment</i> | <i>Total</i> |
| Cost: | | | | |
| Beginning balance | 148,452,966,532 | 8,133,090,908 | - | 156,586,057,440 |
| Additions | 43,211,335,189 | 64,131,771,738 | 18,636,363,636 | 125,979,470,563 |
| Transfer to fixed assets | (46,358,692,169) | - | - | (46,358,692,169) |
| Ending balance | <u>145,305,609,552</u> | <u>72,264,862,646</u> | <u>18,636,363,636</u> | <u>236,206,835,834</u> |
| Accumulated depreciation: | | | | |
| Beginning balance | (74,148,478,086) | (2,447,003,952) | - | (76,595,482,038) |
| Depreciation for the year | (30,368,757,978) | (5,777,372,078) | (209,339,975) | (36,355,470,031) |
| Transfer to fixed assets | 16,897,479,726 | - | - | 16,897,479,726 |
| Ending balance | <u>(87,619,756,338)</u> | <u>(8,224,376,030)</u> | <u>(209,339,975)</u> | <u>(96,053,472,343)</u> |
| Net carrying amount: | | | | |
| Beginning balance | <u>74,304,488,446</u> | <u>5,686,086,956</u> | - | <u>79,990,575,402</u> |
| Ending balance | <u>57,685,853,214</u> | <u>64,040,486,616</u> | <u>18,427,023,661</u> | <u>140,153,363,491</u> |

13. INTANGIBLE ASSETS

| | | | VND |
|----------------------------------|-------------------------|--------------------------|-------------------------|
| | <i>Land use rights</i> | <i>Computer software</i> | <i>Total</i> |
| Cost: | | | |
| Beginning balance | 314,715,532,265 | 2,113,154,781 | 316,828,687,046 |
| Additions | 718,364,000 | 44,778,337,834 | 45,496,701,834 |
| Disposals | (7,256,236,500) | - | (7,256,236,500) |
| Ending balance | <u>308,177,659,765</u> | <u>46,891,492,615</u> | <u>355,069,152,380</u> |
| <i>In which:</i> | | | |
| <i>Fully amortised</i> | 456,396,144 | 1,818,224,781 | 2,274,620,925 |
| Accumulated amortisation: | | | |
| Beginning balance | (31,348,372,442) | (1,834,282,081) | (33,182,654,523) |
| Amortisation for the year | (3,461,715,847) | (6,256,414,202) | (9,718,130,049) |
| Disposals | 647,492,758 | - | 647,492,758 |
| Ending balance | <u>(34,162,595,531)</u> | <u>(8,090,696,283)</u> | <u>(42,253,291,814)</u> |
| Net carrying amount: | | | |
| Beginning balance | <u>283,367,159,823</u> | <u>278,872,700</u> | <u>283,646,032,523</u> |
| Ending balance | <u>274,015,064,234</u> | <u>38,800,796,332</u> | <u>312,815,860,566</u> |
| <i>In which:</i> | | | |
| <i>Pledged (Note 22)</i> | 124,648,898,077 | - | 124,648,898,077 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

14. CONSTRUCTION IN PROGRESS

| | VND | |
|------------------------------|---------------------------------|---------------------------------|
| | <i>Ending balance</i> | <i>Beginning balance</i> |
| Purchases of fixed assets | 980,184,817,070 | 623,945,764,106 |
| Plant construction | 482,286,640,081 | 661,097,249,383 |
| Clear the ground | 38,794,072,000 | 39,110,838,000 |
| Major repair of fixed assets | 8,198,877,595 | 8,540,174,075 |
| Others | 3,309,934,509 | 841,729,203 |
| TOTAL | <u>1,512,774,341,255</u> | <u>1,333,535,754,767</u> |

15. CAPITALIZED BORROWING COSTS

During the year ended 30 September 2018, the Group capitalized borrowing costs amounting to VND 25,577,239,784 (for the year ended 30 September 2017: VND 55,079,284,102). These costs relate to specific borrowings taken to finance the constructions of the factories at subsidiaries of the Company.

16. LONG-TERM INVESTMENTS

| | VND | |
|---|------------------------------|------------------------------|
| | <i>Ending balance</i> | <i>Beginning balance</i> |
| Investment in associates (*) | 36,357,678,001 | 44,369,102,467 |
| Bonds at Bank for Foreign Trade of Vietnam (**) | 46,600,000,000 | 46,600,000,000 |
| Bonds at Bank for Industry and Trade (**) | 16,000,000,000 | - |
| TOTAL | <u>98,957,678,001</u> | <u>90,969,102,467</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

16 LONG-TERM INVESTMENTS (continued)

(*) Details of investments in the associates were as follow:

| Name of associate | Ending balance | | Beginning balance | | Location | Business activities |
|--|----------------|-----------------------|-------------------|-----------------------|-------------------------------------|--|
| | % of interest | Cost of investment | % of interest | Cost of investment | | |
| | | VND | | VND | | |
| Hoa Sen Quy Nhon Joint Stock Company | 45 | 28,616,923,317 | 45 | 27,900,000,000 | Binh Dinh Province, Vietnam | Trading in real estate and to render real estate services and supporting services for trading real estate |
| Hoa Sen Du Long Industrial Park Infrastructure Investment One Member Co., Ltd. | 45 | 7,740,754,684 | - | - | Ninh Thuan Province, Vietnam | Investing, construction and developing industrial park infrastructure |
| Hoa Sen-Gemadep Logistics and International Port Corporation | - | - | 45 | 16,019,102,467 | Ba Ria – Vung Tau Province, Vietnam | Provide sea cargo agency services |
| Hoa Sen Hoi Van Joint Stock Company | - | - | 45 | 450,000,000 | Binh Dinh Province, Vietnam | Trading in real estate and rendering of real estate services and supporting services for trading real estate |
| TOTAL | | 36,357,678,001 | | 44,369,102,467 | | |

(**) Bonds at Bank for Foreign Trade of Vietnam with original maturity of ten (10) years and earn interest at the floating rates +1% per annum.

Bonds at Bank for Industry and Trade of Vietnam with original maturity of ten (10) years and earn interest at the floating rates +1.2% per annum.

17. TRADE PAYABLES AND ADVANCE FROM CUSTOMERS

| | VND | |
|---|--------------------------|--------------------------|
| | Ending balance | Beginning balance |
| Due to third parties | 1,056,607,464,149 | 3,571,882,195,722 |
| Formosa Ha Tinh Steel Corporation | 199,152,165,080 | - |
| Hangzhou Cogeneration (Hong Kong) Co, Ltd | 191,161,898,608 | - |
| Others | 666,293,400,461 | 3,571,882,195,722 |
| Due to related parties (Note 31) | 10,014,360,305 | 63,927,783,070 |
| TOTAL | 1,066,621,824,454 | 3,635,809,978,792 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

18. Short-term advances from customers

| | VND | |
|----------------------------------|-------------------------------|-------------------------------|
| | <i>Ending balance</i> | <i>Beginning balance</i> |
| Due to third parties | 119,030,033,688 | 139,466,168,999 |
| Due to a related party (Note 31) | 22,267,659,259 | 278,163,648,717 |
| TOTAL | <u>141,297,692,947</u> | <u>417,629,817,716</u> |

19. STATUTORY OBLIGATION

| | VND | | | |
|----------------------------|---------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | <i>Beginning balance</i> | <i>Increase during the year</i> | <i>Decrease during the year</i> | <i>Ending balance</i> |
| Payables | | | | |
| Value-added tax | 107,438,910,575 | 2,025,971,655,184 | (2,077,892,787,714) | 55,517,778,045 |
| Corporate income tax | 55,771,976,307 | 95,720,855,600 | (147,948,747,384) | 3,544,084,523 |
| Personal income tax | 2,716,916,312 | 44,028,966,662 | (44,721,773,566) | 2,024,109,408 |
| Other taxes | 1,271,922,754 | 50,668,477,231 | (51,508,108,303) | 432,291,682 |
| TOTAL | <u>167,199,725,948</u> | <u>2,216,389,954,677</u> | <u>(2,322,071,416,967)</u> | <u>61,518,263,658</u> |
| Receivables | | | | |
| Value-added tax deductible | 1,663,335,004,117 | 1,066,204,353,859 | (1,275,923,321,246) | 1,453,616,036,730 |
| Corporate income tax | - | 30,121,058,199 | - | 30,121,058,199 |
| Personal income tax | 14,423,203 | 33,470,914 | - | 47,894,117 |
| TOTAL | <u>1,663,349,427,320</u> | <u>1,096,358,882,972</u> | <u>(1,275,923,321,246)</u> | <u>1,483,784,989,046</u> |

20. SHORT-TERM ACCRUED EXPENSES

| | VND | |
|---|-------------------------------|-------------------------------|
| | <i>Ending balance</i> | <i>Beginning balance</i> |
| Transportation expense | 36,448,531,522 | 2,843,019,695 |
| Tax provision | 37,076,242,781 | - |
| Bonuses and 13th month salary | 23,755,410,000 | 53,536,809,000 |
| Payables relating to construction in progress | 19,168,204,030 | 18,008,495,530 |
| Loan interest | 18,508,663,534 | 15,657,863,150 |
| Electricity fee | 10,652,297,935 | 10,315,223,937 |
| Others | 2,610,674,468 | 862,297,082 |
| TOTAL | <u>148,220,024,270</u> | <u>101,223,708,394</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

21. OTHER SHORT-TERM PAYABLES

| | VND | |
|---|-------------------------------|------------------------------|
| | <i>Ending balance</i> | <i>Beginning balance</i> |
| Deposit for opening L/C | 136,756,103,216 | - |
| Document discounts | 25,996,753,725 | - |
| Tender deposits received | 21,763,098,327 | 10,192,386,680 |
| Social insurance, health insurance, unemployment insurance, and trade union fees | 6,813,958,570 | 1,425,763,500 |
| Dividends | 4,627,477,425 | 4,731,068,925 |
| Other payables to related parties (Note 31) | 3,151,027,397 | 1,000,000,000 |
| Payables to acquire subsidiary | - | 24,700,000,000 |
| Deposit to transfer Gemadept's shares | - | 15,776,367,206 |
| Others | 14,307,533,836 | 19,767,848,768 |
| TOTAL | <u>213,415,952,496</u> | <u>77,593,435,079</u> |

22. LOANS AND FINANCE LEASES

| | VND | |
|--|----------------------------------|----------------------------------|
| | <i>Ending balance</i> | <i>Beginning balance</i> |
| Short-term loans and finance leases | 10,879,859,929,887 | 9,015,062,474,063 |
| Loans from banks (Note 22.1) | 10,059,404,503,735 | 8,502,860,876,262 |
| Current portion of long-term loans (Note 22.3) | 695,634,361,360 | 485,500,382,125 |
| Current portion of finance leases (Note 22.4) | 71,821,064,792 | 26,701,215,676 |
| Loan from related party (Note 22.2,31) | 53,000,000,000 | - |
| Long-term loans and finance leases | 3,461,976,547,378 | 2,835,803,760,461 |
| Loans from banks (Note 22.3) | 3,440,254,025,567 | 2,821,013,820,224 |
| Finance leases (Note 22.4) | 21,722,521,811 | 14,789,940,237 |
| TOTAL | <u>14,341,836,477,265</u> | <u>11,850,866,234,524</u> |

Movements of loans and finance leases during the year are as follows:

| | VND |
|---|----------------------------------|
| | <i>Amount</i> |
| Beginning balance | 11,850,866,234,524 |
| Drawdown from borrowings | 33,703,875,848,462 |
| Addition of finance lease obligations | 99,558,201,015 |
| Repayment from borrowings | (31,308,401,099,488) |
| Repayment from finance lease obligation | (47,505,770,325) |
| Foreign exchange differences | 43,443,063,077 |
| Ending balance | <u>14,341,836,477,265</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

22. LOANS AND FINANCE LEASES (continued)

22.1 Short-term loans from banks

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

| <i>Name of banks</i> | <i>Ending balance</i> | <i>Maturity date</i> | <i>Interest rate</i> | <i>Description of collateral</i> |
|--|-----------------------|---|----------------------|---|
| | VND | | (% p.a.) | |
| <i>Vietnam Joint Stock Commercial Bank For Industry and Trade – Binh Duong Industrial Park Branch</i> | | | | |
| Loan in VND | 2,355,648,043,629 | From 1 October 2018 to 28 March 2019 | 5.5 | Land use rights, buildings and structures, machinery and equipment, and inventories |
| Loan in USD | 1,186,079,616,308 | From 28 November 2018 to 21 January 2019 | From 2.7 to 2.9 | Land use rights, buildings and structures, and machinery and equipment |
| <i>Joint Stock Commercial Bank for Foreign Trade of Vietnam – South Binh Duong Branch</i> | | | | |
| Loan in VND | 966,390,647,671 | From 10 October 2018 to 20 February 2019 | From 5.3 to 5.9 | Land use rights, and machinery and equipment |
| Loan in USD | 691,858,095,360 | From 15 October 2018 to 5 December 2018 | From 2.7 to 3 | Land use rights, and machinery and equipment |
| <i>Joint stock Commercial Bank for Investment and Development of Viet Nam - Transaction Center 2 Branch</i> | | | | |
| Loan in VND | 1,098,415,797,951 | From 2 November 2018 to 14 March 2019 | From 5.5 to 5.85 | Receivables |
| Loan in USD | 408,466,309,431 | From 26 November 2018 to 19 December 2018 | From 3.5 to 3.9 | Receivables |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

22. LOANS AND FINANCE LEASES (continued)

22.1 Short-term loans from banks (continued)

Details of short-term loans from banks are as follows (continued):

| <i>Name of banks</i> | <i>Ending balance</i> VND | <i>Maturity date</i> | <i>Interest rate</i> (% p.a.) | <i>Description of collateral</i> |
|--|------------------------------|---|----------------------------------|---|
| HSBC Bank (Vietnam) Ltd | | | | |
| Loan in VND | 1,035,502,713,540 | From 8 October 2018 to 22 January 2019 | From 4.5 to 4.8 | Inventories, machinery, equipment, land use rights and construction on land |
| Vietnam Bank for Industry and Trade – Nghe An Branch | | | | |
| Loan in VND | 751,935,188,536 | From 9 October 2018 to 13 March 2019 | 5.5 | Buildings and structures, and machinery and equipment |
| Joint Stock Commercial Bank for Foreign Trade of Vietnam – Ho Chi Minh Branch | | | | |
| Loan in VND | 390,501,383,564 | From 23 November 2018 to 31 January 2019 | From 5.5 to 5.9 | Unsecured |
| Loan in USD | 85,035,839,658 | From 21 November 2018 to 31 November 2018 | 2.9 | Unsecured |
| Vietnam Bank for Industry and Trade – Ba Ria Vung Tau Branch | | | | |
| Loan in VND | 204,379,110,451 | 28 February 2019 | 5.5 | Inventories |
| United Overseas Bank – Ho Chi Minh Branch | | | | |
| Loan in VND | 167,856,828,967 | From 15 October 2018 to 31 December 2018 | From 4.2 to 4.67 | Inventories |
| Ho Chi Minh City Development Joint Stock Commercial Bank | | | | |
| Loan in USD | 148,320,106,584 | From 19 December 2018 to 2 January 2019 | 3.2 | Unsecured |
| Bank SinoPac – Ho Chi Minh City Branch | | | | |
| Loan in VND | 135,900,000,000 | From 20 November 2018 to 3 December 2018 | 5 | Unsecured |
| Sumitomo Mitsui Banking Corporation Ho Chi Minh City Branch | | | | |
| Loan in VND | 125,000,000,000 | From 30 November 2018 to 7 February 2019 | 5.6 | Inventories |
| ANZ Bank (Vietnam) Limited | | | | |
| Loan in VND | 108,024,412,792 | From 5 October 2018 to 16 November 2018 | From 5.2 to 6.5 | Land use rights, and inventories |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

22. LOANS AND FINANCE LEASES (continued)

22.1 Short-term loans from banks (continued)

Details of short-term loans from banks are as follows (continued):

| <i>Name of banks</i> | <i>Ending balance</i> | <i>Maturity date</i> | <i>Interest rate</i> | <i>Description of collateral</i> |
|---|----------------------------------|--|----------------------|---|
| | VND | | (% p.a.) | |
| <i>Vietnam Export Import Commercial Joint - Stock Bank – Binh Duong Branch</i> | | | | |
| Loan in USD | 105,972,454,533 | From 30 October 2018 to 31 October 2018 | 3 | Unsecured |
| <i>Vietnam Joint Stock Commercial Bank for Industry and Trade – Phu Tai Industrial Zone Branch</i> | | | | |
| Loan in VND | 50,117,954,760 | 22 December 2018 | From 5.5 to 5.8 | Inventories, and short-term receivables |
| <i>Vietnam Joint Stock Commercial bank for Industry and Trade – Ha Nam Branch</i> | | | | |
| Loan in VND | 27,000,000,000 | 29 October 2018 | From 5.1 to 5.5 | Inventories |
| <i>Standard Chartered Bank (Vietnam) Limited – Ho Chi Minh Branch</i> | | | | |
| Loan in VND | 17,000,000,000 | 22 October 2018 | 5.61 | Machinery and equipment |
| TOTAL | <u>10,059,404,503,735</u> | | | |

The Group used these loans to finance its working capital requirements.

22.2 Short-term loans from related party

Details of short-term loans from related party is as follows:

| <i>Name of related party</i> | <i>Ending balance</i> | <i>Maturity date</i> | <i>Interest rate</i> | <i>Description of collateral</i> |
|--|-----------------------|----------------------|----------------------|----------------------------------|
| | VND | | (% p.a.) | |
| <i>Hoa Sen Quy Nhon Joint Stock Company</i> | | | | |
| Loan in VND | <u>53,000,000,000</u> | 10 October 2018 | 5 | Unsecured |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

22. LOANS AND FINANCE LEASES (continued)

22.3 Long-term loans from banks

Details of long-term loans from banks are as follow:

| <i>Name of banks</i> | <i>Ending balance</i> | <i>Maturity date</i> | <i>Interest rate</i> | <i>Description of collateral</i> |
|--|-----------------------|--|----------------------|--|
| | VND | | (% p.a.) | |
| <i>Vietnam Bank for Industry and Trade – Binh Duong Industrial Park Branch</i> | | | | |
| Loan in VND | 3,035,984,375,157 | From 25 December 2018 to 5 January 2026 | From 8.3 to 9 | Land use rights, buildings and structures, machinery and equipment |
| <i>Joint Stock Commercial Bank for Foreign Trade of Vietnam – South Binh Duong Branch</i> | | | | |
| Loan in VND | 467,130,861,014 | From 14 November 2018 to 7 December 2023 | From 8 to 8.6 | Land use rights, machinery and equipment |
| <i>Vietnam Joint Stock Commercial Bank for Industry and Trade – Vung Tau Branch</i> | | | | |
| Loan in VND | 302,181,929,656 | 30 November 2019 | 8.95 | Machinery and equipment, and inventories |
| <i>Vietnam Bank for Industry and Trade – Ba Ria Vung Tau Branch</i> | | | | |
| Loan in VND | 110,037,921,129 | From 18 July 2019 to 19 July 2021 | 8.8 | Machinery, equipment |
| <i>Vietnam Joint Stock Commercial Bank for Industry and Trade - Yen Bai Branch</i> | | | | |
| Loan in VND | 170,186,219,162 | From 30 April 2019 to 1 August 2026 | From 9 to 10 | Land use rights, machinery and equipment |
| <i>Standard Chartered Bank (Vietnam) Limited – Ho Chi Minh Branch</i> | | | | |
| Loan in VND | 27,083,333,345 | From 9 October 2018 to 10 September 2019 | From 4.45 to 8.39 | Buildings and structures, machinery and equipment |
| <i>Asia Commercial Joint Stock Bank - Tan Thuan Branch</i> | | | | |
| Loan in VND | 9,396,578,000 | From 6 January 2019 to 17 June 2020 | 8.7 | Means of transportation |
| <i>Viet Capital Commercial Joint Stock Bank</i> | | | | |
| Loan in VND | 9,291,229,500 | From 4 July 2019 to 26 November 2019 | 9 | Means of transportation |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

22. LOANS AND FINANCE LEASES (continued)

22.3 Long-term loans from banks (continued)

Details of long-term loans from banks are as follow (continued):

| <i>Name of banks</i> | <i>Ending balance</i> VND | <i>Maturity date</i> | <i>Interest rate</i> (% p.a.) | <i>Description of collateral</i> |
|---|---------------------------------|---------------------------------------|----------------------------------|----------------------------------|
| <i>Military Commercial Joint Stock Bank – Binh Duong Branch</i> | | | | |
| Loan in VND | 3,381,044,964 | 7 January 2019 | 8 | Means of transportation |
| <i>Vietnam Joint Stock Commercial Bank for Industry and Trade – Phu Tai Industrial Zone Branch</i> | | | | |
| Loan in VND | 1,214,895,000 | From 25 October 2018 to 28 April 2019 | From 8 to 8.8 | Means of transportation |
| TOTAL | <u>4,135,888,386,927</u> | | | |
| <i>In which:</i> | | | | |
| <i>Current portion</i> | 695,634,361,360 | | | |
| <i>Non-current portion</i> | 3,440,254,025,567 | | | |

The Group used these loans to finance its constructions and purchase of fixed assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

22. LOANS AND FINANCE LEASES (continued)

22.4 Finance leases

The Group leases machinery and equipment and means of transportation under finance leases arrangements. Future obligations due under finance leases agreements as at the balance sheet dates were as follows:

| | Ending balance | | Beginning balance | | VND |
|--------------------------------|------------------------------|----------------------|------------------------------|----------------------|-----------------------|
| | Total minimum lease payments | Finance charges | Total minimum lease payments | Finance charges | |
| Current liabilities | | | | | |
| Less than 1 year | 76,968,318,611 | 5,147,253,819 | 29,186,748,807 | 2,485,533,131 | 26,701,215,676 |
| Non-current liabilities | | | | | |
| From 1 - 5 years | 22,839,973,936 | 1,117,452,125 | 15,388,778,781 | 598,838,544 | 14,789,940,237 |
| TOTAL | 99,808,292,547 | 6,264,705,944 | 44,575,527,588 | 3,084,371,675 | 41,491,155,913 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

23. OWNERS' EQUITY

23.1 *Movements in owners' equity*

| | Share capital | Share premium | Other funds belonging to owners' equity | Undistributed earnings | Total |
|--|-------------------|-------------------|---|------------------------|-------------------|
| Previous year | | | | | VND |
| Beginning balance | 1,965,398,290,000 | 551,571,933,521 | 6,784,575,670 | 1,602,771,684,847 | 4,126,526,484,038 |
| Net profit for the year | - | - | - | 1,331,663,912,171 | 1,331,663,912,171 |
| Stock dividends (**) | 1,099,978,080,000 | - | - | (1,099,978,080,000) | - |
| Dividends declared | - | - | - | (196,539,829,000) | (196,539,829,000) |
| Share premium (***) | 399,988,750,000 | (399,988,750,000) | - | - | - |
| The issuance of new ordinary shares to the Company's employees (*) | 34,601,710,000 | - | - | - | 34,601,710,000 |
| Reversal of fund | - | - | - | 148,310,000 | 148,310,000 |
| Transferred to bonus and welfare fund | - | - | - | (60,167,737,724) | (60,167,737,724) |
| Appropriated to other funds | - | - | 80,063,704,939 | (80,063,704,939) | - |
| Performance bonus (***) | - | - | - | (51,300,000,000) | (51,300,000,000) |
| Use of funds | - | - | (52,312,539,414) | - | (52,312,539,414) |
| Ending balance | 3,499,966,830,000 | 151,583,183,521 | 34,535,741,195 | 1,446,534,555,355 | 5,132,620,310,071 |

(*) The Resolution of Annual General Meeting No. 01/NQ/DHDCD/2017 dated 6 January 2017 and the relevant the Board of Directors' Resolutions approved the Company issued bonus shares to its employees under Employee Stock Ownership Plan ("ESOP"). Accordingly, the Company completed the issuance of 3,460,171 new shares on 12 April 2017 at price of VND 10,000 per share with the total amount VND 34,601,710,000. The Company also received the 27th amended BRC dated 20 April 2017 issued by the Department of Planning and Investment of Binh Duong Province reflecting this increase.

(**) The Resolution of Annual General Meeting No. 01/NQ/DHDCD/2017 dated 6 January 2017 and the Resolution of Board of Directors No. 38/NQ/HDQT/2017 dated 3 May 2017 approved the payments of stock dividends to its existing shareholders, which were appropriated from the undistributed earnings, at a ratio of 100:75 (i.e. issuing 75 new shares for every 100 shares holding by existing shareholders) and carrying forward of the share premium to supplement the charter capital. Accordingly, the Company completed the issuance of 149,996,683 new shares on 8 June 2017 at price of VND 10,000 per share with the total amount VND 1,499,966,830,000. The Company also received the 29th amended BRC dated 26 June 2017 issued by the Department of Planning and Investment of Binh Duong Province reflecting this increase.

(***) In accordance with the Resolution of Annual General Meeting No. 01/NQ/DHDCD/2016 dated 18 January 2016, the Company's shareholders approved the performance bonus at 4% of profit after tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

23. OWNERS' EQUITY (continued)

23.1 Movements in owners' equity (continued)

| | Share capital | Share premium | Treasury shares | Other funds belonging to equity | Undistributed earnings | Total | VND |
|--|-------------------|-----------------|-----------------|---------------------------------|------------------------|-------------------|-----|
| Current year | | | | | | | |
| Beginning balance | 3,499,966,830,000 | 151,583,183,521 | - | 34,535,741,195 | 1,446,534,555,355 | 5,132,620,310,071 | |
| Net profit for the year | - | - | - | - | 409,234,037,922 | 409,234,037,922 | |
| Buy treasury shares | - | - | (1,343,000,000) | - | - | (1,343,000,000) | |
| Pay dividends by shares (*) | 349,936,450,000 | - | - | - | (349,936,450,000) | - | |
| Pay dividends by cash and welfare fund | - | - | - | - | (349,957,383,000) | (349,957,383,000) | |
| Transferred to bonus and welfare fund | - | - | - | - | (53,266,556,487) | (53,266,556,487) | |
| Appropriated to other funds | - | - | - | 47,549,876,048 | (47,549,876,048) | - | |
| Use of funds | - | - | - | (21,575,866,687) | - | (21,575,866,687) | |
| Ending balance | 3,849,903,280,000 | 151,583,183,521 | (1,343,000,000) | 60,509,750,556 | 1,055,058,327,742 | 5,115,711,541,819 | |

(*) The Company announced to issue 34,999,228 ordinary shares to pay for dividend to existing shareholders at a ratio 10:1 (each shareholder who holds 10 shares will receive 1 additional share) from undistributed profit after tax for the year ended 30 September 2017 in accordance with the Resolution of the Annual General Meeting of Shareholders No. 01 / NQ / ĐHĐCĐ / 2018 dated 16 January 2018 and the resolution No. 07 / NQ / HĐQT / 2018 dated 6 February 2018. The issuance was completed on 18 June 2018 with a total number of additional shares of 34,993,645 shares with a par value of VND 349,936,450,000. On 9 July 2018, the Company has received the amended Business Registration Certificate No 3:1st issued by the Department of Planning and Investment of Binh Duong Province approving this increase in the charter capital of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

23. OWNERS' EQUITY (continued)

23.2 Capital transactions with owners and distribution of dividends, profits

| | VND | |
|----------------------------|--------------------------|--------------------------|
| | Current year | Previous year |
| Contributed capital | | |
| Beginning balances | 3,499,966,830,000 | 1,965,398,290,000 |
| Increase | 349,936,450,000 | 1,534,568,540,000 |
| Ending balance | <u>3,849,903,280,000</u> | <u>3,499,966,830,000</u> |
| Dividends | | |
| Dividends declared | 699,839,833,000 | 1,296,517,909,000 |
| Dividends paid by cash | 699,997,424,500 | 1,296,341,064,225 |

23.3 Non-controlling interests

| | VND | |
|--|-----------------------|-----------------------|
| | Current year | Previous year |
| Beginning balance | 37,181,622,614 | 3,446,080,228 |
| Contributed charter capital | - | 33,750,000,000 |
| Dissolution of subsidiaries | (1,199,108,525) | - |
| Loss attributable to non-controlling interests | (68,336,983) | (14,457,614) |
| Ending balance | <u>35,914,177,106</u> | <u>37,181,622,614</u> |

23.4 Share capital

| | VND | |
|----------------------------------|-------------------------|-------------------|
| | <u>Number of shares</u> | |
| | Ending balance | Beginning balance |
| Issued shares | | |
| Shares issued and paid-up shares | | |
| <i>Ordinary shares</i> | 384,990,328 | 349,996,683 |
| Treasury shares | | |
| <i>Ordinary shares</i> | 134,300 | - |
| Shares in circulation | | |
| <i>Ordinary shares</i> | 349,862,383 | 349,996,683 |

The par value of the Company's issued shares is VND 10,000 per share. The holders of the Company's ordinary shares are entitled to receive dividends as and when declared by the Company. Each ordinary share carries one vote per share without restriction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

23. OWNERS' EQUITY (continued)

23.5 Earnings per share

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

| | <i>Current year</i> | <i>Previous year</i> |
|---|---------------------|----------------------|
| Net profit attributable to ordinary equity holders of the Company (VND) | 409,234,037,922 | 1,331,663,912,171 |
| Distribution to bonus and welfare fund (VND) (*) | (16,369,361,517) | (53,266,556,487) |
| Net profit after tax attributable to ordinary equity holders for basic earnings (VND) | 392,864,676,405 | 1,278,397,355,684 |
| Weighted average number of ordinary shares (shares) (**) | 360,585,782 | 359,008,580 |
| Earnings per share (VND/share) | | |
| Basic | 1,090 | 3,561 |
| Diluted | 1,090 | 3,561 |

(*) Net profit used to compute earnings per share for the six-month period ended 30 September 2018 is adjusted for distribution to Bonus and Welfare, which is appropriate at 4% of net profit after tax as approved in accordance with the Resolution of Annual General Meeting No. 01/NQ/DHCD/2018 dated 16 January 2018.

(**) The weighted average number of ordinary shares in the previous years has been retrospectively adjusted for the payments of stock dividends to the Company's existing shareholders during the year.

24. REVENUES

24.1 Revenues from sale of goods and rendering of services

| | <i>Current year</i> | <i>Previous year</i> |
|-----------------------------------|---------------------------|---------------------------|
| | | <i>VND</i> |
| Gross revenues | 34,570,344,557,164 | 26,336,984,183,123 |
| <i>Of which:</i> | | |
| Sale of finished goods | 18,305,584,471,715 | 16,428,207,199,548 |
| Sale of merchandises | 16,226,374,169,708 | 9,829,348,382,934 |
| Others | 38,385,915,741 | 79,428,600,641 |
| Sales deduction | (128,915,208,903) | (187,939,347,844) |
| <i>Of which:</i> | | |
| Sales discount | (107,925,224,496) | (176,829,729,476) |
| Sales returns | (16,635,528,763) | (9,163,655,524) |
| Sales allowances | (4,354,455,644) | (1,945,962,844) |
| NET | 34,441,429,348,261 | 26,149,044,835,279 |
| <i>Of which:</i> | | |
| Sale to third parties | 27,731,880,109,640 | 22,073,429,131,341 |
| Sale to related parties (Note 31) | 6,709,549,238,621 | 4,075,615,703,938 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

24. REVENUES (continued)

24.2 Finance income

| | VND | |
|---------------------------------|-------------------------------|------------------------------|
| | <i>Current year</i> | <i>Previous year</i> |
| Finance income from investments | 102,139,227,474 | - |
| Foreign exchange gains | 71,645,469,380 | 53,212,128,476 |
| Interest income | 5,714,196,627 | 700,711,525 |
| TOTAL | <u>179,498,893,481</u> | <u>53,912,840,001</u> |

25. COST OF GOODS SOLD AND SERVICES RENDERED

| | VND | |
|---------------------------------|----------------------------------|----------------------------------|
| | <i>Current year</i> | <i>Previous year</i> |
| Costs of sale of finished goods | 16,114,683,908,400 | 13,079,930,345,990 |
| Costs of sale of merchandises | 14,344,645,503,779 | 8,637,735,118,160 |
| Others | 4,960,676,206 | 13,125,741,868 |
| TOTAL | <u>30,464,290,088,385</u> | <u>21,730,791,206,018</u> |

26. FINANCE EXPENSES

| | VND | |
|---|-------------------------------|-------------------------------|
| | <i>Current year</i> | <i>Previous year</i> |
| Interest expense | 811,669,226,449 | 482,275,637,847 |
| Foreign exchange losses | 139,120,987,276 | 90,670,094,210 |
| Foreign exchange losses arising from revaluation of monetary accounts denominated in foreign currency | 51,970,945,978 | 7,247,689,692 |
| Loss on disposal of investments | (33,943,763,842) | 8,983,268,917 |
| Provision for long-term investments | 1,915,310,041 | - |
| Others | - | - |
| TOTAL | <u>970,732,705,902</u> | <u>589,176,690,666</u> |

27. SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

| | VND | |
|--|---------------------------------|---------------------------------|
| | <i>Current year</i> | <i>Previous year</i> |
| Selling expenses | 1,816,042,397,184 | 1,512,517,323,076 |
| Expenses for external services | 990,900,515,408 | 782,988,770,276 |
| Labour costs | 395,658,712,847 | 349,218,520,788 |
| Depreciation and amortisation | 129,001,558,947 | 82,096,541,208 |
| Other expenses | 300,481,609,982 | 298,213,490,804 |
| General and administrative expenses | 895,579,880,506 | 801,479,758,048 |
| Labour costs | 441,953,749,291 | 384,005,935,553 |
| Expenses for external services | 70,140,525,787 | 59,043,138,814 |
| Depreciation and amortisation | 58,281,626,746 | 43,990,072,469 |
| Other expenses | 325,203,978,682 | 314,440,611,212 |
| TOTAL | <u>2,711,622,277,690</u> | <u>2,313,997,081,124</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

28. OTHER INCOME

| | VND | |
|-----------------------|------------------------------|------------------------------|
| | Current year | Previous year |
| Compensation | 27,495,810,933 | 47,003,413,223 |
| Disposed fixed assets | 14,531,056,069 | 22,506,771,478 |
| Others | 14,873,355,227 | 8,655,914,772 |
| NET | <u>56,900,222,229</u> | <u>78,166,099,473</u> |

29. PRODUCTION AND OPERATING COSTS

| | VND | |
|---|----------------------------------|----------------------------------|
| | Current year | Previous year |
| Raw materials | 20,637,165,889,138 | 15,580,007,670,287 |
| Expenses for external services | 2,199,477,887,113 | 2,026,745,443,051 |
| Labour costs | 1,201,586,419,867 | 1,058,745,068,992 |
| Depreciation and amortisation (Notes 11, 12, 13) | 1,019,509,865,101 | 710,312,186,518 |
| Others | 1,255,823,599,675 | 1,293,457,339,052 |
| TOTAL | <u>26,313,563,660,894</u> | <u>20,669,267,707,900</u> |

30. CORPORATE INCOME TAX

The Company and its subsidiaries have the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profits, except for the following:

- HSBD is entitled to an exemption from CIT for 2 years commencing from the first year in which a taxable profit is earned (2014), and a 50% reduction of the applicable CIT tax rate for the following 4 years;
- The CIT rate applicable to HSNA is 10% of taxable profits in 15 years since the first year of revenue (2016 to factory in Nam Cam and 2017 to factory in Dong Hoi) and the applicable tax rate for the years thereafter. These subsidiaries are entitled to an exemption from CIT for 4 years commencing from the first year in which a taxable profit is earned, and a 50% reduction of the applicable tax rate for the following 9 years;
- The CIT rate applicable to HSNH is 10% of taxable profits in 15 years since the first year of revenue (2017) and the applicable tax rate for the years thereafter. These subsidiaries are entitled to an exemption from CIT for 4 years commencing from the first year in which a taxable profit is earned, and a 50% reduction of the applicable tax rate for the following 9 years; and
- The CIT rate applicable to HSHN is 17% of taxable profits in 10 years since year 2016 and the applicable tax rate for the years thereafter. This subsidiary is entitled to an exemption from CIT for 2 years commencing from the first year in which a taxable profit is earned (2017), and a 50% reduction of the applicable tax rate for the following 4 years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

30. CORPORATE INCOME TAX (continued)

30.1 CIT expense

| | VND | |
|---|-------------------------------|-------------------------------|
| | Current year | Previous year |
| Current CIT expense | 95,720,855,600 | 280,803,086,281 |
| Adjustment for under accrued CIT from prior years | - | 363,780,853 |
| Deferred tax expense | <u>24,297,904,363</u> | <u>29,823,152,049</u> |
| TOTAL | <u>120,018,759,963</u> | <u>310,990,019,183</u> |

Reconciliation between CIT expense and the accounting profit multiplied by CIT rate is presented below:

| | VND | |
|---|-------------------------------|---------------------------------|
| | Current year | Previous year |
| Accounting profit before tax | <u>529,184,460,902</u> | <u>1,642,639,473,740</u> |
| At CIT rate applied for companies in the Group | 108,349,039,808 | 302,180,473,505 |
| <i>Adjustments to increase (decrease)</i> | | |
| Non-deductible expenses | 29,357,952,102 | 33,645,046,649 |
| Unrecognized deferred tax due to tax loss carried forward | 24,058,953,971 | 5,348,761,607 |
| Unrecognised deferred tax due to accrual and provision | 1,364,869,902 | - |
| Loss on disposal of investments | 397,862,365 | |
| Adjustment for under accrued CIT from prior years | 109,412,987 | 363,780,853 |
| Amortisation of goodwill in business combination | - | 1,136,749,614 |
| Tax exempted | (44,967,511,780) | (28,138,737,931) |
| Tax loss carried forward | - | (2,066,677,799) |
| Others | <u>1,348,180,608</u> | <u>(1,479,377,315)</u> |
| Current CIT expense | <u>120,018,759,963</u> | <u>310,990,019,183</u> |

30.2 Current CIT

The current tax payable is based on taxable profit for the current year. The taxable profit of the Group for the year differs from the income as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

30. CORPORATE INCOME TAX (continued)

30.3 Deferred CIT

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

| | VND | | | |
|--|-----------------------------------|------------------------------|--------------------------------------|--------------------------------|
| | <i>Consolidated balance sheet</i> | | <i>Consolidated income statement</i> | |
| | <i>Ending balance</i> | <i>Beginning balance</i> | <i>Current year</i> | <i>Previous year</i> |
| Unrealised profits | 16,452,678,151 | 30,855,331,987 | (14,402,653,836) | (2,161,800,346) |
| Accrued operating expenses | 13,990,694,550 | 17,194,324,156 | (3,203,629,606) | (28,655,167,115) |
| Provisions | 8,472,027,114 | 14,215,198,273 | (5,743,171,159) | (451,106,654) |
| Foreign exchange differences arising from revaluation of monetary accounts denominated in foreign currency | 714,348,043 | 1,135,161,780 | (420,813,737) | 1,067,043,023 |
| Others | 1,053,512,369 | 1,581,148,394 | (527,636,025) | 377,879,043 |
| Deferred tax assets | <u>40,683,260,227</u> | <u>64,981,164,590</u> | | |
| Deferred CIT expense | | | <u>(24,297,904,363)</u> | <u>(29,823,152,049)</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2017

31. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

| <i>Related party</i> | <i>Relationship</i> | <i>Transaction</i> | <i>Current year</i> | <i>Previous year</i> |
|--|---------------------|------------------------------|---------------------|----------------------|
| | | | | VND |
| Hoa Sen Holdings Group | Owned by Chairman | Sales of goods | 6,753,479,410,892 | 4,147,238,165,577 |
| | | Purchase of goods | 2,131,820,278,362 | 2,868,198,606,916 |
| | | Transportation fee | 48,851,726,662 | 72,074,570,683 |
| | | Trade discount | 44,875,174,015 | 73,088,884,008 |
| | | Sales of fixed asset | 40,961,909,490 | 36,386,756,005 |
| | | Sales return | 3,595,809,964 | 391,570,015 |
| | | Other sales | 2,352,680,799 | 149,800,426 |
| | | Sales of services rendered | 1,828,130,909 | 1,718,377,268 |
| | | Purchase of fixed asset | 1,515,541,822 | - |
| | | Operating leases | 539,338,900 | 447,272,724 |
| | | Other purchase | 84,171,170 | 70,434,559 |
| | | Payment on behalf | 62,344,925 | - |
| | | Purchase of tourist services | - | 40,442,810,907 |
| Hoa Sen Nghe An Investment One Member Limited Liability Company | Related party | Transportation fee | 64,778,733,985 | 33,969,937,191 |
| | | Sales of services rendered | 360,000,000 | 144,000,000 |
| Hoa Sen Quy Nhon Joint Stock Company | Associate | Loan | 53,000,000,000 | - |
| | | Interest expense | 1,256,027,397 | - |
| | | Capital contribution | - | 27,450,000,000 |
| Hoa Sen Du Long Industrial Park Infrastructure Investment One Member Co., Ltd. | Associates | Capital transfer | 13,585,000,000 | - |
| | | Lending | 12,160,295,900 | - |
| | | Capital contribution | 4,500,000,000 | 24,700,000,000 |
| | | Collection of lending | 4,000,000,000 | - |
| | | Loan interest | 335,342,389 | - |
| | | Sales of fixed asset | 109,728,156 | - |
| Hoa Sen Hoi Van Joint Stock Company | Associate | Capital withdrawal | 450,000,000 | - |
| Hoa Sen Gemadept International Port & Logistics Joint Stock Company | Related party | Capital transfer | 55,624,444,583 | - |
| | | Capital contribution | 3,672,266,449 | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2017

31. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

Amounts due from and due to relate parties at the balance sheet date were as follows:

| <i>Related party</i> | <i>Relationship</i> | <i>Transaction</i> | <i>Ending balance</i> | <i>Beginning balance</i> | <i>VND</i> |
|--|-------------------------|-------------------------------|-----------------------|--------------------------|------------|
| Short-term trade receivables | | | | | |
| Hoa Sen Nghe An Investment One Member Limited Liability Company | Related party | Sales of service | 132,000,000 | 33,000,000 | |
| Hoa Sen Du Long Industrial Park Infrastructure Investment One Member Co., Ltd. | Associate | Sales of service | 120,700,972 | - | |
| Hoa Sen Holdings Group | Owned by Chairman | Sales of goods | 1,485,707 | 451,645,235 | |
| TOTAL | | | 254,186,679 | 484,645,235 | |
| Short-term loan receivable | | | | | |
| Hoa Sen Du Long Industrial Park Infrastructure Investment One Member Co., Ltd. | Associate | Lending | 3,660,295,900 | - | |
| Other short-term receivable | | | | | |
| Mr Hoang Duc Huy | Deputy General Director | Advance for purchase of lands | 90,183,227,000 | 90,183,227,000 | |
| | | Sale of land | 1,367,463,256 | - | |
| Hoa Sen Du Long Industrial Park Infrastructure Investment One Member Co., Ltd. | Associate | Loan interest | 335,342,389 | - | |
| TOTAL | | | 91,886,032,645 | 90,183,227,000 | |
| Short-term trade payables | | | | | |
| Hoa Sen Nghe An Investment One Member Limited Liability Company | Related party | Purchase of service | 5,226,877,644 | 7,017,027,473 | |
| Hoa Sen Holdings Group | Owned by Chairman | Purchase of goods | 4,787,482,661 | 56,910,755,597 | |
| TOTAL | | | 10,014,360,305 | 63,927,783,070 | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

31. **TRANSACTIONS AND BALANCES WITH RELATED PARTIES** (continued)

Amounts due from and due to relate parties at the balance sheet date were as follows (continued):

| Related party | Relationship | Transaction | Ending balance | Beginning balance |
|---|-------------------|--------------------|----------------------|----------------------|
| | | | | VND |
| Short-term advance from a customer | | | | |
| Hoa Sen Holdings Group | Owned by Chairman | Sales of goods | 22,267,659,259 | 278,163,648,717 |
| Loan | | | | |
| Hoa Sen Quy Nhon Joint Stock Company | Associate | Loan | 53,000,000,000 | - |
| Other short-term payables | | | | |
| Hoa Sen Quy Nhon Joint Stock Company | Associate | Interest expense | 1,256,027,397 | - |
| Huong Sen Real Estate | Related party | Payable of advance | 1,000,000,000 | 1,000,000,000 |
| Hoa Sen Holdings Group | Owned by Chairman | Deposit | 895,000,000 | - |
| TOTAL | | | 3,151,027,397 | 1,000,000,000 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

31. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

Transactions with other related parties

Details of salaries and remuneration of the Board of Directors, the Board of Supervision and the Management during the year are as set out below:

| | VND | |
|---|------------------------------|------------------------------|
| | <i>Current year</i> | <i>Previous year</i> |
| Salaries of management | 18,380,164,144 | 19,015,551,104 |
| Bonuses of management | - | 14,580,000,000 |
| Remuneration of the Board of Directors and the Board of Supervision | 2,270,000,000 | 2,000,000,000 |
| Bonuses of the Board of Directors and the Board of Supervision | - | 26,810,000,000 |
| TOTAL | <u>20,650,164,144</u> | <u>62,405,551,104</u> |

32. COMMITMENTS

Operating lease commitments – the Company as lessee

The Group leases land under operating lease arrangements. The minimum lease commitments as at the balance sheet date under operating lease arrangements is as follows:

| | VND | |
|-------------------|---------------------------------|-------------------------------|
| | <i>Ending balance</i> | <i>Beginning balance</i> |
| Less than 1 year | 127,001,614,095 | 109,150,036,089 |
| From 1 to 5 years | 464,341,637,708 | 378,856,719,212 |
| More than 5 years | 690,309,362,270 | 466,809,457,041 |
| TOTAL | <u>1,281,652,614,073</u> | <u>954,816,212,342</u> |

Operating lease commitments – the Company as lessor

The Group lets out assets under operating lease arrangements. As 30 September 2018, the future minimum rental receivable as at the balance sheet dates under the operating lease agreements is as follows:

| | VND | |
|-------------------|------------------------------|-----------------------------|
| | <i>Ending balance</i> | <i>Beginning balance</i> |
| Less than 1 year | 1,827,786,063 | 2,304,329,547 |
| From 1 to 5 years | 2,534,400,000 | 3,890,081,818 |
| More than 5 years | 8,070,000,000 | 2,587,200,000 |
| TOTAL | <u>12,432,186,063</u> | <u>8,781,611,365</u> |

Capital expenditure commitments

As at 30 September 2018, the Group had commitments of VND 960,466,484,424 (30 September 2017: VND 785,047,782,983) mainly related to the acquisition of new machinery for its operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

33. SEGMENT REPORTING

Segment information is presented in respect of the Group's geographical segment. The primary format, geographical segments, is based on the Company's management and internal reporting structure.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise assets and liabilities, financial income and expenses, selling, general and administration expenses, other gains or losses, and corporate income tax.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, which is located in Vietnam ("Domestic") or countries other than Vietnam ("Export").

| | Domestic | | Export | | Total | | VND |
|---------------|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|--------------------------|-----|
| | Current year | Previous year | Current year | Previous year | Current year | Previous year | |
| Revenue | 21,949,332,438,480 | 16,519,595,874,091 | 12,492,096,909,781 | 9,629,448,961,188 | 34,441,429,348,261 | 26,149,044,835,279 | |
| Cost of sales | (18,962,709,885,251) | (13,491,918,361,364) | (11,501,580,203,134) | (8,238,872,844,654) | (30,464,290,088,385) | (21,730,791,206,018) | |
| Gross profit | <u>2,986,622,553,229</u> | <u>3,027,677,512,727</u> | <u>990,516,706,647</u> | <u>1,390,576,116,534</u> | <u>3,977,139,259,876</u> | <u>4,418,253,629,261</u> | |

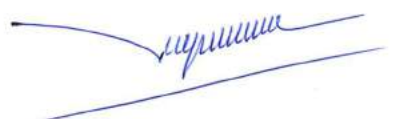
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2018

34. CORRESPONDING FIGURE

Certain corresponding figures in the consolidated financial statements for the year ended 30 September 2017 have been reclassified to conform to the presentation of the current year.

35. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the consolidated financial statements.



Nguyen Thi Thanh Tuyen
Preparer



Nguyen Thi Ngoc Lan
Chief Accountant



Tran Quoc Tri
General Director

28 December 2018



