



**HOA SEN**  
GROUP

Vietnam Value 

ANNUAL REPORT  
Fiscal year 2017 - 2018



*Promoting*  
**INTERNAL  
FORCES**

**LOTUS**  
*Golden*  
QUALITY



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# *Culture of* **10 "T" LETTERS**

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**INTEGRITY**

**LOYALTY**

**DEDICATION**

**TALENT**

**FRIENDLINESS**



## Vision

Beginning a leading economic group in Vietnam and in the region in which major area is manufacturing and distributing building materials through sustainable development strategy that focuses on core competitive advantages as well as community development, environment protection in order to maximize values for shareholders, employees, customers and society.

## Mission

Providing Hoa Sen products and services that ensuring international quality, reasonable prices, diverse designs and environmental friendliness in order to qualify customer's demands, to contribute to changing the country's architectural landscape, and to develop community. Hoa Sen Group continues innovating and developing to affirm the position and mission of dynamic, creative, vanguard Vietnamese enterprise in both business and community activities, reaching higher position in global market.

## Core values

Integrity – Community – Development

## Business philosophy



Product's quality is the focus



Customer's benefit is the key



Employee's income is the responsibility



Sharing to community is the obligation



# MESSAGE FROM CHAIRMAN OF THE BOARD OF DIRECTORS

“OVERCOMING MANY TOUGH CHALLENGES OF THE MARKET, WITH THE BEST EFFORTS, HOA SEN GROUP HAS STABILIZED AND IMPROVED THE PRODUCTION AND BUSINESS SITUATION, COMPLETED THE ASSIGNED INCOME PLAN, STRENGTHENED THE GROWTH MOMENTUM AND CONTINUED TO AFFIRM THE LEADERSHIP POSITION OF THE MARKET.”

CONSUMPTION  
**1,873,735** TONS  
THE FISCAL YEAR 2017 - 2018

NET SALES  
**34,441**  
Billion VND

## Dear Esteemed Shareholders,

In 2018, the risks of the steel - steel sheet market have initially affected the production and business situation of enterprises in the steel and steel sheet industry. Raw material price fluctuates continuously, affecting the cost of goods sold. Demand in the export markets declined because of trade conflicts between major economies and tariff barriers set up by the "blowing" of domestic production protection policies in export countries. Vietnam's steel industry in 2018 faced many trade remedies cases from large markets, adding to obstacles to export activities. In the domestic market, excess supply, low quality and cheap steel products from other countries imported into Vietnam make the level of competition increasingly fierce.

Market developments have been forecasted by the Board of Directors of Hoa Sen Group in previous years. Therefore, the Board of Directors has implemented many drastic solutions in order to proactively respond to difficulties and uncertainties such as: reducing inventory norms; reducing loan balance; reducing operating costs; restructuring the Distribution System; streamlining organizational system; reducing number of employees ... at the same time promoting business and sales to increase revenue, output, market share, ensure cash flow, quickly stabilize the business situation.

At the end of the fiscal year 2017 - 2018, overcoming the tough challenges, with the highest efforts of the Board of Directors and all employees, Hoa Sen Group has stabilized and improved the business situation, completed the revenue plan approved by the General Assembly of Shareholders, strengthened the growth momentum and continued to affirm the leading position in the domestic market. Specifically:

- Net sales reached VND 34,441 billion, equivalent to US \$ 1.5 billion, exceeding 15% of the plan and growing 32% over the same period, recording the highest level in the previous 5 years.

- Finished product consumption reached 1,749,585 tons, achieved 97% of the plan but growing 12% over the same period, recording the highest level in the previous 5 years.

- In the domestic market, the Distribution System with nearly 500 branches/stores continued to promote competitive advantages and efficiency. The Group continued to affirm the leading position with 34% of galvanized steel sheet market share and 18% of steel pipe market share. Export markets have been expanded to 75 Countries/Territories, export products are increasingly diversified.

- Projects of manufacturing plants in all 03 regions (such as Hoa Sen Nghe An plant, Hoa Sen Nhon Hoi - Binh Dinh plant, Hoa Sen Phu My Hot-Dip Galvanized steel pipe plant...) have been completed and put into stable operation, solve the demand for consumption output, diversify products, take advantage and promote the competitive advantages of geographical location, optimize production - supply - transportation capacity.

However, the disadvantages of the market have created many objective and subjective reasons, significantly affecting the target of profit after tax. Although the Group has made efforts to implement many drastic and timely solutions, the target of profit after tax is still far from the plan, reaching VND 409 billion, fulfilling 30% of the plan.

## EXPORT CHANNEL TO

# 75

## COUNTRIES/TERRITORIES

Considering that, in the period when the market of steel industry still has many difficulties, the Group's profits and growth in revenue, output and market share is a very positive signal, although there are still many challenges waiting ahead.

Steel - steel sheet market in 2019 is forecast to face a large screening. Instabilities will have a stronger impact on businesses in the same industry. Therefore, to respond to the challenges and complete the business plan, action plan of the Board of Directors in the fiscal year 2018 - 2019 will resolve around the following key tasks:

- Continuing to restructure, improve and strengthen governance efficiency when applying information technology and modern governance models, ensuring a streamlined, professional management system, well controlling risks, reducing costs, increasing competitiveness.

- Promoting business activities, affirming the leading position by effectively taking advantage of core competitive advantages from flexible, dynamic Distribution System and diverse export markets.

- Optimizing production activities in combination with technical improvements in order to reduce costs, lower product price and improve product quality, at the same time effectively and reasonably arrange for supply and transportation.

- Strengthening, improving professional skills, quality and responsibility of human resources, ensuring that the organizational structure is streamlined, professional, associated with Hoa Sen culture.

- Implementing a reasonable and creative communication strategy, meeting the needs of production and business, combining with community – oriented events, sponsorship, charity and social security.

The road ahead of the steel industry will be tough and hard. However, the Board of Directors firmly believes that, with the culture "Honesty - Community - Development", unity and effort, with the highest responsibility of the Board of Directors and all employees, Hoa Sen Group will stand firm before the challenges and achieve many successes in the future.

On behalf of the Board of Directors and all employees of Hoa Sen Group, I would like to express my deep gratitude for the trust and support of Shareholders. Hopefully, you will spend the highest trust and stand side by side with Hoa Sen Group on the journey to conquer new heights.

We wish your health, happiness and success

Best regards,

Chairman of the Board of Directors



LE PHUOC VU







“ Hoa Sen Group continues to consolidate its leading position in the domestic market with the distribution system which is continuously expanded to nearly 400 branches/retail stores. Hoa Sen products also present in many construction sites and large construction projects, and Hoa Sen Group occupies more than 30% of galvanized steel sheet market and more than 20% of steel pipe market. In addition, the export market also expanded to nearly 70 countries/territories. ”



# INTRODUCTION





Centralizing **resources**

## **CREATING DEVELOPING IMPETUS**

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DEVELOPING HUMAN RESOURCES IS THE TOP PRIOR POLICY, HOA SEN GROUP ALWAYS TAKES THE INITIATIVE IN PLANNING BUSINESS STRATEGY AS WELL AS IMPROVING EMPLOYEES' SKILLS IN ORDER TO REACT COMPLICATED MOVEMENTS OF THE MARKET AND ASSURE THE SUSTAINABLE DEVELOPMENT.



## GENERAL INFORMATION

<b>VIETNAMESE NAME</b>	<b>CÔNG TY CỔ PHẦN TẬP ĐOÀN HOA SEN</b>
English name	HOA SEN GROUP
Business Registration Certificate	No. 3700381324 issued by the Department of Planning and Investment of Binh Duong Province on 8 August 2001, as amended.
Chartered capital	VND 3,849,903,280,000
Headquarters	No.09, Thong Nhat Boulevard, Song Than II Industrial Park, Di An Ward, Di An District, Binh Duong Province, Vietnam.
Telephone	0274.3790955                      Fax: 00274.3790888
Website	<a href="http://www.hoasengroup.vn">http://www.hoasengroup.vn</a>

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.



### **PRINCIPAL ACTIVITIES:**

- 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;
- Producing cold rolled steel coils;
- Leasing machinery and equipment and other tangible belongings.





## OUTSTANDING FIGURES AND ACTIVITIES OF FISCAL YEAR 2017-2018



1

Hoa Sen Group continued to affirm its position as the leading manufacturer and trader of steel sheets in Vietnam, accounting for 34% of the domestic market.

Sales volume reached  
**1.8 MILLION TONS**

In fiscal year 2017-2018, sales volume of Hoa Sen Group reached 1,873,735 tons, which is the highest level in 05 recent years, increasing 13% in comparison with the previous fiscal year 2016 - 2017.

491

Hoa Sen Group owns the nationwide distribution – retail network with 491 branches, increasing 120 branches in comparison with the year of 2017.

Revenue reached  
**USD 1.5 BILLION**

In the fiscal year 2017 - 2018, the Group's net revenue reached VND 34,441 billion, equivalent to USD 1.5 billion, which was the highest level in 05 recent years: exceeding 15% of the year plan, increasing 32% over the same period.

75

Hoa Sen Group's products are exported to more than 75 countries and territories over the world. Hoa Sen Group's products meet all standards of difficult markets such as: AS Standard of Australia, JIS Standard of Japan, ASTM Standard of US, etc...

## ACTIVITY HIGHLIGHTS



28/10/2017: Lễ khánh thành giai đoạn I nhà máy Hoa Sen Nhơn Hội - Bình Định



28/10/2017: Lễ khởi công Giai đoạn II nhà máy Hoa Sen Nhơn Hội - Bình Định



18/5/2018: Lễ khánh thành Nhà máy Hoa Sen Yên Bái



**20/01/2018:** Thủ tướng Chính phủ Nguyễn Xuân Phúc đến thăm và làm việc tại Nhà máy Hoa Sen Nhơn Hội - Bình Định



**05/8/2018:** Nhà máy Hoa Sen Nhơn Hội - Bình Định xuất khẩu 15.000 tấn tôn đến Châu Âu qua cảng Quy Nhơn.





# AWARDS AND ACHIEVEMENTS



### September 2018

Mr. Tran Ngoc Chu - Vice Chairman of Hoa Sen Group received Second Class Labour Medal signed by the President of the Socialist Republic of Vietnam.



### 03

Hoa Sen Group has been honored with Vietnam Gold Star Award for many years.



### For the period of 2018 - 2020

Hoa Sen Group achieved National Brand for 3 product lines:  
- Hoa Sen Steel Sheet  
- Hoa Sen Plastic Pipe  
- Hoa Sen Galvanized Steel Pipe



**In the period of 2014 - 2018**

Top **50**  
 Vietnam's Best Performing Companies  
 awarded by Business Review Magazine  
 (5 consecutive years of 2014 - 2018)

**In the period of 2013 - 2018**

Top **50**  
 best Vietnamese Listed Companies  
 voted by Forbes Vietnam  
 (6 consecutive years)



**In the period of 2016 - 2018**

Top **3**  
 Mid Cap Listed Companies with the best IR activities in 03 consecutive years (2016 - 2018)





# HISTORY OF ESTABLISHMENT AND DEVELOPMENT

**8/8/2001**

Hoa Sen Joint Stock Company, precursor of Hoa Sen Group Joint Stock Company, was established with an initial charter capital of



**30**

Billion



**22**

Employees

**08/8/2004**

Inaugurating Hoa Sen Group headquarters at No.9 Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An Ward, Di An District, Binh Duong Province.

**11/2006**

Establishing Hoa Sen Steel Sheet Joint Stock Company with charter capital of VND 320 billion.

**01/2007**

Inaugurating Hoa Sen Cold Rolling Mill with capacity of 180,000 tons/year.

**12/2007**

Hoa Sen Joint Stock Company renamed to Hoa Sen Group Joint Stock Company and merged 3 companies: Hoa Sen Steel Sheet Joint Stock Company, Hoa Sen Building Materials Joint Stock Company and Hoa Sen Building Mechanical Joint Stock Company.



**570,39**  
billion

Increasing the charter capital



**1,007.91**  
billion

Putting into operation Galvanizing line (NOF technology) with capacity of 450,000 tons/year and Color coating line with capacity of 180,000 tons/year that belong to Hoa Sen Phu My Steel Sheet Plant Project.

2001  
|  
2007

2019  
|  
2010

2008  
|  
2009

2010  
|  
2011

**01/10/2008**

Hoa Sen Group changed its fiscal year. Accordingly, Hoa Sen Group's fiscal year begins from October 1st and ends in September 30th of the following year.

**5/12/2008**

Stocks of Hoa Sen Group (code: HSG) were listed on Ho Chi Minh City Stock Exchange.



**57,038,500**

shares



**82**

branches

Starting the construction of Phase 1 of Hoa Sen Phu My Steel Sheet Plant Project at Phu My 1 Industrial Park, Ba Ria - Vung Tau Province.

**EXPORT SALES ACHIEVED  
USD 101 MILLION**

Completing Phase 1 of Hoa Sen Phu My Steel Sheet Plant Project



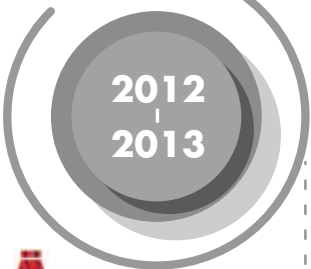
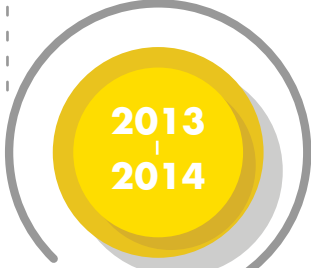
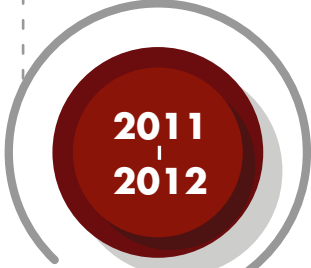
**106**

Branches

**EXPORT SALES ACHIEVED  
USD 180 MILLION**

Becoming the leading exporter of steel sheets in Southeast Asia.

**ANNOUNCING THE NEW  
BRAND IDENTITY SYSTEM**



 Third-grade Labor Medal

 Top 10 of Vietnam Gold Star 2013

 Top 10 of Corporate Social Responsibility

Putting Galvanizing line (NOF technology) of Phase 2 of Hoa Sen Phu My Steel Sheet Plant Project with a capacity of 120,000 tons/year into operation.

**HOA SEN GROUP ACHIEVED TOP 100 OF LARGEST VIETNAMESE ENTERPRISES AND TOP 30 OF LARGEST VIETNAMESE PRIVATE ENTERPRISES 2012**



**115 Branches**



**150 Branches**

**08/01/2014**

Putting production lines of Phase 2 of Hoa Sen Phu My Steel Sheet Plant Project to increase the total designed capacity of current production lines of Hoa Sen Group to nearly 1 million tons of cold rolled coils/year and 1.2 million tons of coated steel sheets/year.



Hoa Sen Group is the first Vietnamese enterprise in Metal and Mining sector awarded "Best Managed Company in Asia 2014" by Euromoney Magazine (the United Kingdom).

- Investing in Hoa Sen Binh Dinh Steel Pipe Plant Project and Hoa Sen Nghe An Steel Sheet Plant Project to enhance production capacity of the Group.

**04/2015**

Hoa Sen Group was the only company in Vietnam selected to the list of Global Growth Companies by World Economic Forum.



**190 Branches**

**11/2014**

Hoa Sen Group was awarded "Vietnam Value 2014" by Ministry of Industry and Trade.

**HOA SEN STEEL SHEET PRODUCT  
HOA SEN PLASTIC PIPE PRODUCT  
HOA SEN STEEL PIPE PRODUCT**



**19/6/2015**

Inaugurating the Hoa Sen Nghe An Steel Sheet Plant at Nam Cam Industrial Park, Dong Nam Economic Zone, Nghe An Province and starting to invest in Hoa Sen Nghe An Plant Project at Dong Hoi Industrial Park, Nghe An Province.

**28/3/2015**

Inaugurating Phase 1 of Hoa Sen Binh Dinh Steel Pipe Plant



1,008 billion

Increasing the charter capital



1,965 billion

09/10/2015

Hoa Sen Group was honorably awarded "Brand Gold Cup for Environment to Develop 2015", and was also awarded "Top 10 Vietnam Friendly Environment Product 2015" for the Hoa Sen Plastic Pipes.

08/01/2016

Hoa Sen Group started construction of Hoa Sen Steel Sheet Plant Project at Nhon Hoi – Binh Dinh province with capacity of 180,000 tons of coated steel sheet/year and 90,000 tons color coated steel sheet/year.

17/3/2016

Hoa Sen Group invested in Hoa Sen Ha Nam Plant Project at Kien Khe I Industrial Park, Ha Nam Province. The project invested in the production lines with modern technology.

15/4/2016

Hoa Sen Group operated Hoa Sen Binh Dinh Plastic Pipes with capacity of 24,000 tons/year.

19/5/2016

Investing in the Hoa Sen Yen Bai Hotel and Residence Complex, marked officially the development strategy of Hoa Sen Group in the future.

06/6/2016

Hoa Sen Nghe An Plant at Dong Hoi Industrial Park – Nghe An province put Galvanizing line with NOF technology with capacity of 400,000 tons/year into operation and produced successfully the first finished steel coil.

22/7/2016

Opening the Representative Office No.2 at Vietcombank Tower – No.5 Me Linh Square, Ben Nghe Ward, District 1, to timely respond to the demands of human resources and facility for strong growth as well as serve for the Group's orientation of investment expansion.

06/8/2016

HONORABLY RECEIVING THE SECOND-GRADE LABOR MEDAL BY PRESIDENT OF THE SOCIALIST REPUBLIC OF VIETNAM.



9/2016

Hoa Sen Group was continuously awarded "Best Managed Company in Asia 2016" in metal and mining sector by Euromoney Magazine (the United Kingdom).



Hoa Sen Group was honorably awarded "50 Best Vietnamese Listed Companies" by Forbes Vietnam in four consecutive years.



250 Branches

2015 | 2016

2016 | 2017



29/5/2017

Hoa Sen Group was honorably voted for "50 Best Vietnamese Listed Companies" by Forbes Vietnam (5 consecutive years)

6/2017

Hoa Sen Group was honorably awarded for "Top 50 Vietnam's Best Performing Companies awarded by Business Review Magazine (4 consecutive years)

7/2017

Hoa Sen Group achieved "Top 30 Best Annual Reports 2017"

9/2017

Hoa Sen Group was honorably awarded for "Typical South East Enterprise 2017"



1,965 Billion

Increasing the charter capital



3,500 Billion

30/11/2016

Achieving "Vietnam Value" in 2016 for three major product groups:



HOA SEN STEEL SHEET  
HOA SEN PLASTIC PIPE  
HOA SEN STEEL PIPE.

01/3/2017

Hoa Sen Group started the construction of Hoa Sen Yen Bai Steel Pipe Plant Project - the 11<sup>th</sup> plant of Hoa Sen Group and the 5<sup>th</sup> Plant in the North market.



343 Branches

**October 2018**

Hoa Sen Group officially put ERP system into operation, marking a great step of the Group in consolidating, tightening and optimizing the management, coordination and arrangement of resources.

**January 20, 2018**

Nhon Hoi - Binh Dinh Plant was honored to welcome Prime Minister Nguyen Xuan Phuc to visit and work.

**May 8, 2018**

Hoa Sen Group exported 15,000 tons of Steel Sheet to Europe at Quy Nhon Port, Binh Dinh Province. This was the first big shipment exported by Hoa Sen Group to Europe via Quy Nhon port.

**May 18, 2018**

Inauguration of Hoa Sen Yen Bai Building Materials Plant.

**June 9, 2018**

Hoa Sen Group was honored in the Top 50 Best Performing Companies in Vietnam 2018 (5 consecutive years).

**July 9, 2018**

The Group's charter capital was increased from VND 3,500 billion to VND 3,850 billion.

**July 27, 2018**

Hoa Sen Group was honored in the list of Top 50 best Listed Companies in Vietnam 2018 voted by Forbes Vietnam (6 consecutive years).

**From July, 2018**

Officially deploying the restructuring of Distribution System according to the model of Provincial Branch.

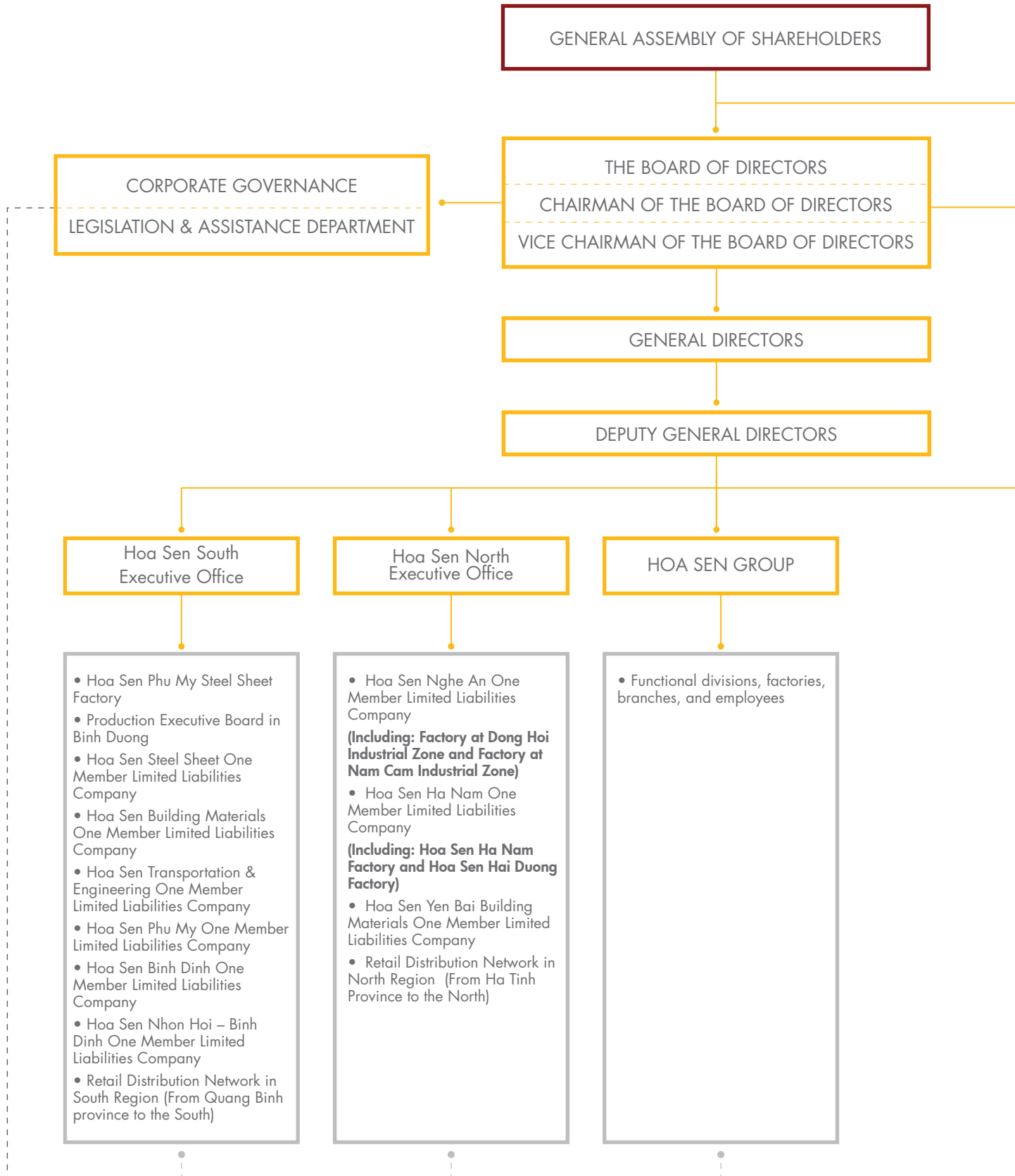


**491** Branches

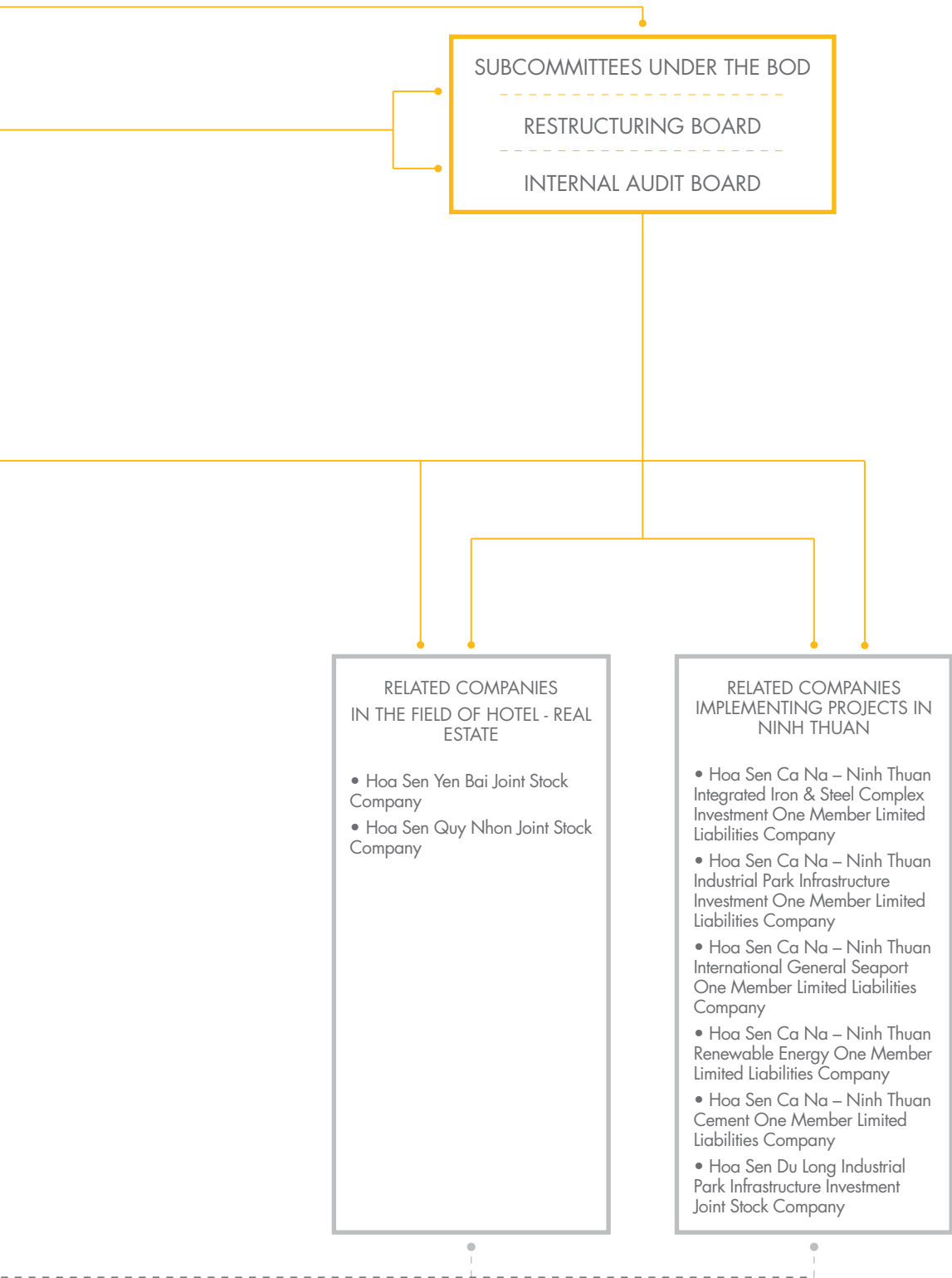




# MODEL OF HOA SEN GROUP

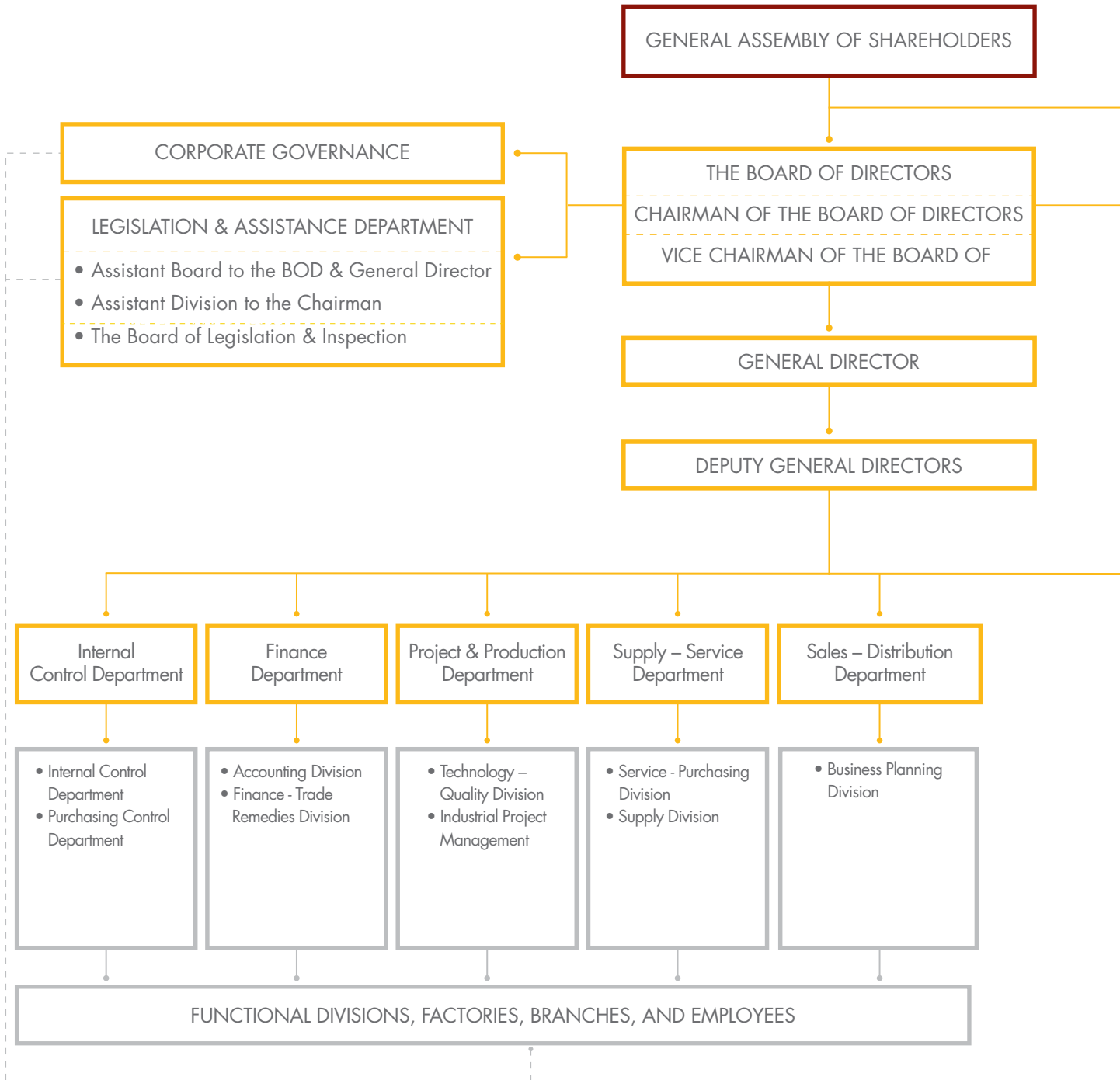


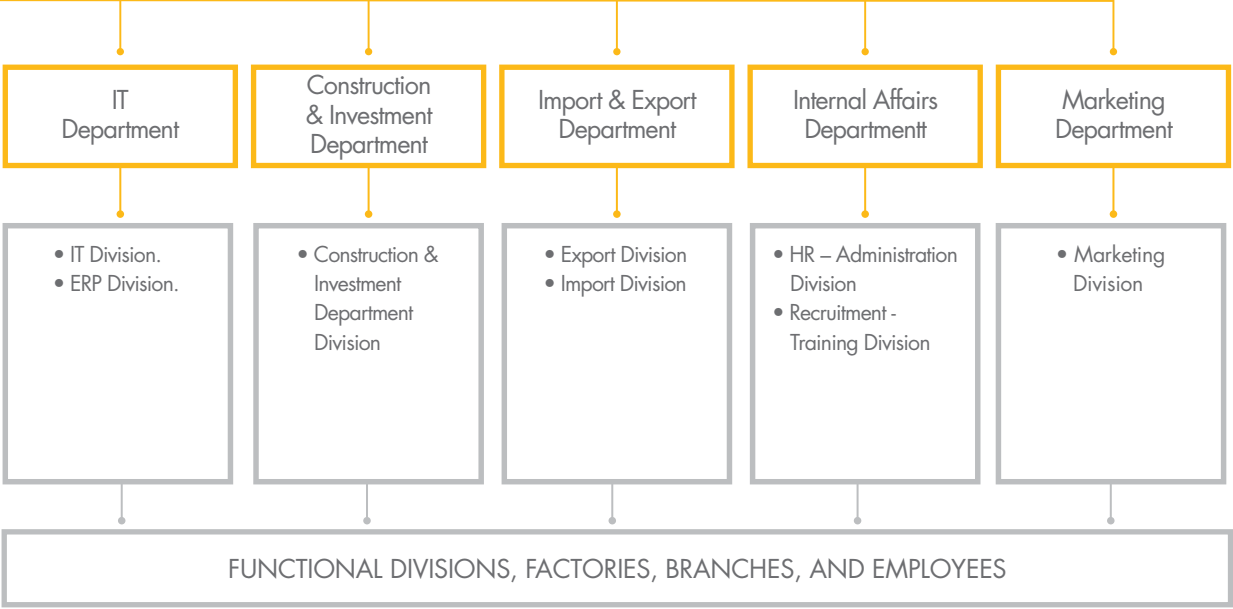






# ORGANIZATIONAL STRUCTURE OF HOA SEN GROUP







## MEMBERS OF THE BOARD OF DIRECTORS



**Mr. LE PHUOC VU - Chairman**

Mr. Le Phuoc Vu started his business with a steel sheet retail outlet in 1994. In 2001, after 7 years of accumulating capital and experience, he founded Hoa Sen Joint Stock Company (the precursor of Hoa Sen Group Joint Stock Company) with an initial charter capital of VND 30 billion.

After over 17 years of building and developing, with intelligence, assertiveness, responsibility and integrity, he developed Hoa Sen Group from a small company to the leading manufacturer and trader of steel in Vietnam and the region.

For his dedication and considerable contributions to the development of the Group, the General Assembly of Shareholders elected him as Chairman of the Board of Directors for many consecutive terms.

Currently, Mr. Le Phuoc Vu is holding the position of Chairman of the Board of Directors cum the first Legal Representative of the Group, performing the functions of general management and leadership in giving orientations and strategies for the Group and in charge of direct and organize the implementation of powers, duties and functions of the Board of Directors. At the same time, he is assigned by the Board of Directors to take responsibility for subcommittees under the Board of Directors, including: Strategic Development & Investment Subcommittee and Restructuring, HR, Salary and Bonus Subcommittee.

In addition to his position as Hoa Sen Group's Chairman of the Board of Directors, Mr. Le Phuoc Vu is currently holding the position of Chairman of Hoa Sen Ca Na – Ninh Thuan Integrated Iron & Steel Complex Investment One Member Limited Liabilities Company.

He is the person who directly gives the guidelines, strategies and orientations that are important and breakthrough for the Group's development process.

With outstanding achievements in leadership, management of production, business activities and community activities, Mr. Le Phuoc Vu was honored to receive the Second - class Labor Medal by the President of the Socialist Republic of Vietnam. He was also the Co - Chair at Vietnam - India Business Forum and a Global Entrepreneur honored by Ernst & Young in Monaco in 2015.

As the Chairman of the Board of Directors, Mr. Le Phuoc Vu is together with all the members of the Board of Directors to make resolutions and decisions timely leading Hoa Sen Group to achieve outstanding accomplishments during the past 17 years.



## MEMBERS OF THE BOARD OF DIRECTORS



**Mr TRAN NGOC CHU – Vice Chairman**

**Mr TRAN QUOC TRI  
Executive Member of the Board of Directors**

Joining Hoa Sen Group since the early days of its establishment, Mr. Tran Ngoc Chu has made important contributions during the development period of Hoa Sen Group. Mr. Tran Ngoc Chu graduated from Finance and Accounting University Ho Chi Minh City with much experience in the sectors of finance, accounting, taxation and corporate governance. He was elected in the Board of Directors for many consecutive terms by the General Assembly of Shareholders.

At the Annual General Meeting of Shareholders 2017 - 2018, he continued to be elected to the Board of Directors and was appointed to be the Vice Chairman of the Board of Directors cum the second Legal Representative of the Group.

In the position of Vice Chairman of the Board of Directors, Mr. Tran Ngoc Chu is assigned to hold executive duties at the Board of Directors to handle the regular tasks of the Board of Directors and Subcommittees under the Board of Directors, and directly on behalf of the Chairman of the Board of Directors handles the work of Strategic Development & Investment Subcommittee and Restructuring, HR, Salary and Bonus Subcommittee. In addition, he is also assigned to give guidelines and direct foreign affairs, finance - credit - banking, investment promotion, industrial projects and other projects of the Group.

In addition to his position at Hoa Sen Group, Mr. Tran Ngoc Chu currently holds several key positions at the Group's Subsidiaries / Related Companies, such as:

- Chairman of Hoa Sen Steel Sheet One Member Limited Liabilities Company; Hoa Sen Building Materials One Member Limited Liabilities Company and Hoa Sen Phu My One Member Limited Liabilities Company;
- Chairman of Hoa Sen Yen Bai Joint Stock Company; Hoa Sen Quy Nhon Joint Stock Company and Hoa Sen Du Long Joint Stock Company;
- Chairman of a number of Subsidiaries implementing projects in Ninh Thuan province.

With the efforts, prestige and active contribution to the production and business activities of Hoa Sen Group in particular, as well as of the socio - economic development of the country in general, on October 15, 2018, Mr. Tran Ngoc Chu was honored to receive the Second - class Labor Medal by the President, and was awarded the Certificate of Top 10 Excellent Entrepreneurs in 2018 of Binh Duong Province by Binh Duong People's Committee.

Joining Hoa Sen Group since 2004, Mr. Tran Quoc Tri has proved his management ability in the sectors of business and administration. He has been trusted by the Board of Directors, appointed many management - operating positions, from the entry level to the senior level during the process of working with the Group.

At the Annual General Meeting of Shareholders 2017 - 2018, Mr. Tran Quoc Tri was elected to the Board of Directors by the General Assembly of Shareholders and appointed to the position of Executive Member of the Board of Directors cum General Director, and also the third Legal Representative of the Group.

As an Executive Member of the Board of Directors, Mr. Tran Quoc Tri is assigned to take charge of directing, supervising and being responsible for all management activities of the Board of Management.

In 2017, Mr. Tran Quoc Tri was awarded the Certificate of Merit by the Prime Minister for his achievements in work from 2012 to 2016 and great contributions to the country.



## MEMBERS OF THE BOARD OF DIRECTORS



**Mr. LY VAN XUAN -  
Non - Executive Member of  
the Board of Directors**

Mr. Ly Van Xuan is a loyal individual shareholder of Hoa Sen Group from the first days of establishment. With his personal reputation and dedication to the Group, he was elected by the General Assembly of Shareholders as a member of the Board of Directors and Board of Supervisor for many terms.

At the Annual General Meeting of Shareholders 2017 - 2018, Mr. Ly Van Xuan was elected by the General Assembly of Shareholders to the Board of Directors, appointed as a Non-Executive Member of the Board of Directors.

Currently, as a Non - Executive Member of the Board of Directors, Mr. Ly Van Xuan is assigned to oversee and approve transactions with affiliated parties and implement shareholder relations activities.

Mr. Ly Van Xuan is an Associate Professor, Doctor of Medicine and a Head of Training Department of Ho Chi Minh City Medicine and Pharmacy University.



**Mr. NGUYEN VAN LUAN -  
Independent Member of  
the Board of Directors**

Mr. Nguyen Van Luan was elected to the Board of Directors by the General Assembly of Shareholders at the Annual General Meeting of Shareholders 2017 - 2018, and at the same time, due to fully meeting the criteria prescribed in the Enterprise Law and the Securities Law, he was appointed to the position of Independent Member of the Board of Directors.

As an Independent Member of the Board of Directors with accumulated knowledge from many years of teaching at universities, Mr. Nguyen Van Luan is assigned to hold the position of Head of Internal Audit Subcommittee, directly giving guidelines for the Internal Audit Department under the Board of Directors, supervising the internal control system, and performing the function of overseeing transactions with affiliated parties.

Mr. Nguyen Van Luan is currently an Associate Professor of Economics, and a Lecturer at the University of Economics - Law under Ho Chi Minh City National University.



**Mr. DINH VIET DUY -  
Independent Member of  
the Board of Directors**

Mr. Dinh Viet Duy is currently a Member of the Board of Directors for the term of 2018-2023, elected by the General Assembly of Shareholders at the Annual General Meeting of Shareholders 2017 - 2018. He is also appointed as an Independent Member of the Board of Directors due to fully meeting the criteria prescribed in Enterprise Law and Securities Law.

Currently, Mr. Dinh Viet Duy is assigned to hold the position of Head of Financial & Investor Relations Subcommittee, and to participate in overseeing transactions with affiliated parties.

In addition to his position as an Independent Member of the Board of Directors at Hoa Sen Group, Mr. Dinh Viet Duy is also holding the position of General Director of Commercial Construction Joint Stock Company 2 (ACSC).

Mr. Dinh Viet Duy has a Master degree in Project Management, Construction Engineer.

## MEMBERS OF THE BOARD OF MANAGEMENT



**Mr. TRAN QUOC TRI**  
General Director

**Mr. HOANG DUC HUY**  
Deputy General Director

With many years of working, dedicating and developing at Hoa Sen Group, in the Fiscal year 2017 - 2018, Mr. Tran Quoc Tri was appointed to the position of General Director by the Board of Directors of Hoa Sen Group.

As the Head of the Executive Board cum the third Legal Representative, Mr. Tran Quoc Tri performs the functions of general management of all daily production and business activities of the Group and related parties following the guidelines and policies of the Board of Directors, and also responsible to the Board of Directors and the General Assembly of Shareholders on all activities of the Board of Management.

In addition to the general executive function, Mr. Tran Quoc Tri is also assigned to guide and directly manage a number of operations related to the Group's production and business operations, including: Import and Export, Human Resources – Internal Affairs, Communications - Marketing and activities of Regional Executive Offices nationwide.

Mr. Hoang Duc Huy is currently the Deputy General Director in charge of Internal Control of Hoa Sen Group, directing and managing professional operations of Hoa Sen Group's Internal Control Department. He is one of the founding shareholders of Hoa Sen Joint Stock Company since 2001 (precursor of Hoa Sen Group Joint Stock Company today).

Mr. Hoang Duc Huy has over 15 years working in finance, accounting and internal control at large companies under the Department of Transportation of Tay Ninh Province. As Deputy General Director of Internal Control, he has made great contributions to the Group's development. In 2014, he was awarded Certificate of Merit by Binh Duong Province People's Committee for his contributions to the development of the enterprise and Binh Duong Province.

Mr. Hoang Duc Huy was honorably awarded Certificate of Merit by Prime Minister of the Socialist Republic of Viet Nam for great contributions to the country in accordance to Decision No. 1329 QD/TTg on September 21st 2012.



## MEMBERS OF THE BOARD OF MANAGEMENT



**Mr. VU VAN THANH**  
Deputy General Director

Mr. Vu Van Thanh is currently the Deputy General Director in charge of Finance and Hoa Sen North Executive Office, managing the operations of the Finance - Trade Remedies Department, and directing the entire operation of the North Executive Office and its related units in the Northern region.

At the same time, Mr. Vu Van Thanh is currently holding the position of Chairman at Subsidiaries of the Group:

- Hoa Sen Nghe An One Member Limited Liabilities Company;
- Hoa Sen Ha Nam One Member Limited Liabilities Company;
- Hoa Sen Transportation & Engineering One Member Limited Liabilities Company;
- Hoa Sen Yen Bai Building Materials One Member Limited Liabilities Company.

Mr. Vu Van Thanh graduated with a Master Degree in Economics Development and joined Hoa Sen Group since 2008 as a Director of Finance, with knowledge and operating experience at his previous businesses, he has had important contributions to the Group and were awarded Certificates of Merit by the People's Committee of Binh Duong Province in 2014 for his contributions to the development of businesses and the province.



**Mr. NGUYEN MINH KHOA**  
Deputy General Director

Joining the Group since early 2008, Mr. Nguyen Minh Khoa is currently the Deputy General Director in charge of Supply, Production & Project of Hoa Sen Group.

Mr. Nguyen Minh Khoa is assigned to direct the operation of the Supply - Service Department and Production - Project Department, and is responsible for organizing the implementation and promotion of industrial projects investment of the Group following the guidelines of the Board of Directors.

Mr. Nguyen Minh Khoa obtained a Construction Engineering Degree from University of Architecture Ho Chi Minh City and a Master Business Administration Degree from Industrial Management Department of University of Technology Ho Chi Minh City.



**Mr. HO THANH HIEU**  
Deputy General Director

Joining Hoa Sen Group in early 2002, he was appointed to many positions such as Deputy Director of the Distribution Network, Director of the Distribution Network, Director of Sales. Currently, Mr. Ho Thanh Hieu is in the position of Deputy General Director in charge of Sales, ERP and the South Executive Office.

Specifically, Mr. Ho Thanh Hieu is directing the operations of the Sales - Distribution Department; in charge of managing the IT Department and implementing the ERP Project according to the guidelines of the Board of Directors; at the same time directing the operation of all activities of the South Executive Office and its related units in the Southern Region.

Mr. Ho Thanh Hieu also undertakes as Chairman in Hoa Sen Group's subsidiaries such as Hoa Sen Binh Dinh One Member Limited Liabilities Company and Hoa Sen Non Hoi - Binh Dinh One Member Limited Liabilities Company.

Mr. Ho Thanh Hieu graduated from University of Economics Ho Chi Minh City with major of Accounting and Auditing.



## MEMBERS OF THE BOARD OF SUPERVISORS



**Mr. TRAN QUOC PHAM**  
**Deputy General Director**

Mr. Tran Quoc Pham graduated as constructive engineer with major of industrial and civil construction in 1998. Before joining Hoa Sen Group, he has 18 years of experience in construction area, and has taken many important positions in construction companies. He was honorably awarded Certificate of Merit by Ministry of Construction for great achievements in 2009, 2010 and 2012.

Mr. Tran Quoc Pham is currently the Deputy General Director in charge of Investment & Construction activities of the Group, assigned to direct the operation of the Investment & Construction Department and the primary construction of the Group. At the same time, he is assigned to organize the implementation of hotel - real estate projects in Yen Bai province and Binh Dinh Province.



**Mr. NGUYEN NGOC HUY**  
**Acting Deputy General Director**

Mr. Nguyen Ngoc Huy has joined Hoa Sen Group since 2011 and has experienced many professional positions in Export sector of Hoa Sen Group such as Director of Region 3 - Export Department; Deputy Director of Export Department, ... On March 15, 2017, Mr. Nguyen Ngoc Huy has been appointed by the Board of Directors as Acting Deputy General Director who is directly responsible for the export activities of Hoa Sen Group.



# PRODUCTION CAPACITY

## HOA SEN GROUP FACTORY NETWORK



### HOA SEN YEN BAI STEEL PIPE FACTORY

(Owned by Hoa Sen Yen Bai Building Materials One Member Limited Liabilities Company)

Production line	Quantity	Total designed capacity
Steel pipe line	06	72.000



### HOA SEN NGHE AN FACTORY

(Owned by Hoa Sen Nghe An One Member Limited Liabilities Company)

Production line	Quantity	Total designed capacity
Cold rolling line	02	700.000
Galvanizing line (NOF technology)	02	800.000
Color coating line	02	240.000



### HOA SEN NAM CAM FACTORY

(Owned by Hoa Sen Nghe An One Member Limited Liabilities Company)

Production line	Quantity	Total designed capacity
Steel pipe line	09	120.000



### HOA SEN BINH DINH STEEL PIPE - PLASTIC PIPE FACTORY

(Owned by Hoa Sen Binh Dinh One Member Limited Liabilities Company)

Production line	Quantity	Total designed capacity
Steel pipe line	12	120.000
Plastic pipe line	06	12.000

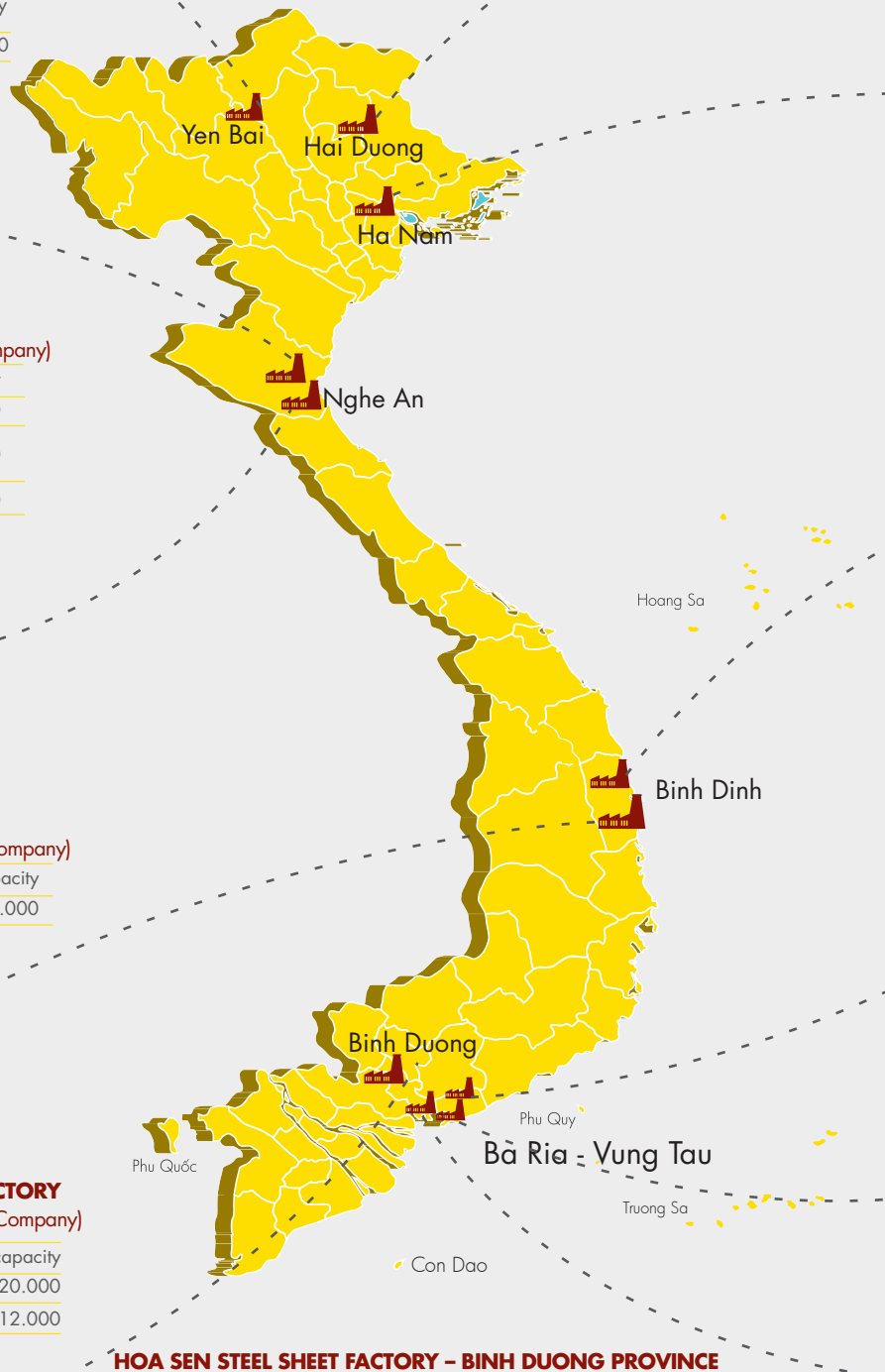


### HOA SEN STEEL SHEET FACTORY - BINH DUONG PROVINCE

(Owned by Hoa Sen Steel Sheet One Member Limited Liabilities Company)

Production line	Quantity	Total designed capacity
Cold rolling line	05	980.000
Galvanizing line (NOF technology) *	01	150.000
Color coating line *	01	45.000

(\* ) Owned by Hoa Sen Group





### HAI DUONG STEEL PIPE FACTORY

(Owned by Hoa Sen Ha Nam One Member Limited Liabilities Company)

Production line	Quantity	Total designed capacity
Steel pipe line	06	72.000



### HOA SEN HA NAM FACTORY

(Owned by Hoa Sen Ha Nam One Member Limited Liabilities Company)

Production line	Quantity	Total designed capacity
Steel pipe line	09	120.000
Plastic pipe line (uPVC, HDPE, PPR)	08	16.000



### HOA SEN NHON HOI - BINH DINH FACTORY

(Owned by Hoa Sen Nhon Hoi - Binh Dinh One Member Limited Liabilities Company)

Production line	Quantity	Total designed capacity
Cold rolling line	01	350.000
Galvanizing line (NOF technology)	02	380.000
Color coating line	02	165.000



### HOA SEN BUILDING MATERIALS FACTORY - PHU MY

(Owned by Hoa Sen Building Materials One Member Limited Liabilities Company)

Production line	Quantity	Total designed capacity
Steel pipe line	21	280.000
Plastic pipe line (uPVC, HDPE, PPR)	29	72.000



### HOA SEN PHU MY HOT DIP GALVANIZED STEEL PIPE FACTORY

(Owned by Hoa Sen Phu My One Member Limited Liabilities Company)

Production line	Quantity	Total designed capacity
Hot dip galvanized steel pipe line	01	85.000



### HOA SEN PHU MY STEEL SHEET FACTORY

(Owned by Hoa Sen Group)

Production line	Quantity	Total designed capacity
Galvanizing line (NOF technology)	04	1.000.000
Color coating line	02	240.000

Notes: The designed capacity is based on unit of tons/year,



## PRODUCT CATEGORY

# ADVANCED TECHNOLOGY CREATES DIVERSE PRODUCTS WITH HIGH QUALITY AND INTERNATIONAL STANDARDS

### HOA SEN STEEL SHEET

#### COLD ROLLED COIL

Hoa Sen Group has successfully installed and operated 2 cold rolling lines with 6 high single-stand reversing technology. These cold rolling lines are applied the most advantage technology by the SMS supplier (Germany). The significant advance of the production line is high capacity up to 350,000 tons/year. Within tiny design, the production line applies the modern technology in cold rolling area, specially in automation such as operating automation and steel quality control automation (flatness, thickness, deformation controlling). The cold rolled coil meets the strictest requirements in accordance with Japanese standard of JIS G3141 and improves the effective resolution of losses during production process.



#### GALVANIZED STEEL SHEET (GI)

Being manufactured by the advanced and environmentally friendly NOF technology, the GI products meet the strictest requirements of galvanized steel sheet in accordance with Japanese standard of JIS G3302. Thanks to good corrosion resistance and smooth coating layer, Hoa Sen galvanized steel sheet products are the top choice of consumers, ensuring high quality according to ASTM A653/A653M (U.S), AS 1397 (Australia), EN 10346 (Europe), MS 2384, MS 2385 (Malaysia), SNI 07-2053 (Indonesia) standards.



#### PRE-PAINTED GALVANIZED STEEL SHEET (PPGI)

The variety of colors and sizes of Hoa Sen pre-painted galvanized steel sheet always meets the customer's needs, ensure high quality under JIS G 3312 (Japan), ASTM/A755 A755M (U.S), AS 2728 (Australia), EN 10169 (Europe) and MS 2383 (Malaysia) standards.



#### ALUMINUM-ZINC ALLOY COATED STEEL SHEET (GL)

Being manufactured by the modern and environmentally friendly NOF technology line, aluminum-zinc alloy coated steel sheet meets the requirements of ASTM A792/A792M (U.S), AS 1397 (Australia), JIS G 3321 (Japan), MS 1196 (Malaysia), EN 10346 (Europe), SNI 4096 (Indonesia) standards. The surface of the product is bright and beautiful with silver color, outstanding corrosion resistance, effective heat resistance, flexibility in design and has 4 times longer life than normal galvanized steel sheet.



#### PRE-PAINTED ALUMINUM-ZINC ALLOY COATED STEEL SHEET (PPGL)

The application of the leading technology of coating on aluminum-zinc alloy base enables it to paint two identical surfaces in order to increase aesthetics, diversity of colors, high durability makes the PPGL product outstanding durability, ensure high quality under: JIS G 3322 (Japan), ASTM/A755 A755M (U.S), AS 2728 (Australia), EN 10169 (Europe), MS 2383 (Malaysia) standards.



## WOOD PATTERN STEEL SHEET

The outstanding feature of wood pattern steel sheet is their surfaces which are coated with the paint of wood pattern. Therefore, they are highly aesthetic, and can be applied to make outdoor products and furniture which bring the subtlety and luxury to the house. Being different from traditional steel sheet, the applications of wood pattern steel sheet are extremely diverse. The products are used flexibly for construction works and houses such as ceilings, walls, wardrobes, shelves, furniture, etc. These are the products which have many advantages such as high aestheticism, good heat resistance, high durability, no mold, easy cleaning, high temperature resistance, etc. The product can be used without drawbacks of earlier materials such as dinginess, mold, rapid degradation, etc.



## PRE-PAINTED GL/GI WITH PVDF

Pre-painted GL/GI uses paint of which main factor is high grade Fluoropolymer plastic on GL/GI steel sheet surfaces, and combination of the carbon-fluoro associated with carbon-hydrogen atoms of PVDF to increase significant prevention of erosion, acid and to strengthen paint durability than normal polyester paint. Moreover, the product can prevent UV ray in severe weather conditions and ensure high quality in accordance with standards of JIS G3322, JIS G3312 (Japan), ASTM A755/A755M (U.S), AS 2728 (Australia), EN 10169 (Europe), MS 2383 Malaysia.



## METALLIC STEEL SHEET

An outstanding feature of metallic steel sheet is that its metallic surface creates a very high aestheticism and is widely favored by the customers. Metallic steel sheet is applied to interior decoration which brings the elegance and sophistication to the houses.



## WRINKLE STEEL SHEET

Wrinkle steel sheet is GL/GI steel sheet painted with special wrinkle pattern on its surfaces. The outstanding features of wrinkle steel sheet is high aestheticism, high durability, good heat resistance, good moisture resistance, easy installation, etc. The products are used flexibly for construction works and houses such as ceilings, walls, roofs, etc.



## HOT DIP GALVANIZED STEEL (HGI)

With the input material of high quality cold rolled coil of Hoa Sen Group and the advanced NOF technology, Hoa Sen hot dip galvanized steel meets diversified requirements in industrial and civil construction. Hoa Sen hot dip galvanized steel always meets standards of JIS G3302/G3321 (Japan), ASTM A653/A653M, ASTM A792/A792M (U.S), AS 1397 (Australia), EN 10346 (Europe), MS 2384, MS 2385, MS 1196 (Malaysia).





## ADVANCED TECHNOLOGY CREATES DIVERSE PRODUCTS WITH HIGH QUALITY AND INTERNATIONAL STANDARDS

### HOA SEN GALVANIZED STEEL PIPE

#### GALVANIZED STEEL PIPE

Being manufactured through the process of pickling, cold rolling, annealing, galvanizing, slitting, formed rolling, Hoa Sen galvanized steel pipe has clean and smooth surface, steady thickness, high plasticity and good adhesion as well as high quality in accordance with international standards: JIS G3344, JIS G3466 (Japan), ASTM A500/A500M (U.S), AS 1163 (Australia/New Zealand).



#### HOT DIP GALVANIZED STEEL PIPE

Hoa Sen Hot-Dip Galvanized Steel Pipe is our new product which is widely used in various fields such as: fire alarm system, gas transmission system, scaffolding, construction structure, etc. This product is the top choice of mass consumers. Being manufactured through following process: pipe shaping, surface pick-ling and cleaning, surface treatment, hot-dip galvanizing, Hoa Sen Hot-Dip Galvanized Steel Pipe has high durability and high quality in accordance with various international standards: BS 1387 - 1985; BS EN 10255 - 2004; ASTM A53/A53M - 12; AS 1074 - 1989. Hoa Sen Hot-Dip Galvanized Steel Pipe has a wide range of dimensions: thickness from 1.2mm to 8.2mm, coating mass from 320g/m<sup>2</sup> to 705g/m<sup>2</sup> (coating thickness from 45µm to 100µm), size from Ø21.2mm to Ø219.1mm, which facilitates construction and installation process.



## HOA SEN PLASTIC PIPE

### UPVC PLASTIC PIPE AND ACCESSORIES

Being manufactured by the modern production line with the advanced Europe technology and the centralized blending system, the plastic products are homogeneous and high-quality in accordance with standards of BS EN ISO 1452-2, AS/NZS 1477 (Australia), TCVN 8699 (Vietnam), Hoa Sen Group successfully produced uPVC with 630mm in diameter, 30mm in thickness and 12.5 bar in pressure. Hoa Sen Group's plastic pipe is widely used in various fields such as public and civil drainage system, electricity works, telecommunication and sand pumping, etc.



### ELASTIC CONDUIT (COILS)

Being manufactured in accordance with BS EN 61386-22 + A11 standard with various sizes from Ø16-50 mm. The product has advantages of fire resistance, electrical insulation, safety protection for civil and industrial power system. With light weight and easy to transport and installation, Hoa Sen elastic conduit is able to construct easily, flexibly in narrow place and difficult condition.



### RIGID CONDUIT (PIPE CONDUIT)

Being manufactured in accordance with BS EN 61386-21 + A11 standard, fire resistance, electrical insulation, safety protection for civil and industrial power system, easy bending and installation. Hoa Sen pipe conduit has various sizes from Ø16-63mm with pressure resistance capacity from 320N, 750N, 11250N which is suitable to customer's demand and using purpose.



### HDPE PLASTIC PIPE

Using high quality imported plastic materials and being manufactured with the advanced European technology (Germany), HDPE plastic pipe product meets high demand of water supply and drainage. Hoa Sen HDPE plastic pipe is produced in accordance with standard of TCVN 7305-2 (ISO 4427-2) with the maximum size up to 630mm and the pressure from 6 to 20 bar.



### PPR PLASTIC PIPE – 2 LAYERS PPR PLASTIC PIPE

Using high quality imported plastic materials and being manufactured with the advanced European technology (Germany) and being controlled tightly in accordance with standard of DIN 8077, DIN 8078, Hoa Sen PPR plastic pipe tolerates heat of water up to 95°C and is used in hot watering for civil and industrial constructions. The PPR plastic pipe is made by 2 layers: inside layer can tolerate temperature up to 95°C, outside layer which has sunlight protection can prevent the product surface from UV ray, and increases longevity of the product when installing and using outside.

The inside and surface of product is smooth, no moss, no dregs, non-toxic to ensure water sanitation and healthy safety. The PPR plastic pipe also has high chemical durability, not affected by salts, acids and alkaline salts, etc.

Light weight and easy to transport, construction and installation; high sound insulation, no noise and no vibration when water flowing; smooth surface and inside of product, color harmony, modern accessory shape.







**CORE COMPETITIVE  
ADVANTAGES**  
FOUNDATION FOR  
SUSTAINABLE DEVELOPMENT

**5**



Vertically integrated  
value chain



Owning 371  
distribution-retail  
branches



The leading, friendly and  
community-oriented brand



Professional corporate  
governance and unique  
corporate culture



Pioneering in advanced  
technology investment



## IMPLEMENT THE MANUFACTURING COST-LEADERSHIP STRATEGY





## **VERTICALLY INTEGRATED VALUE CHAIN**

HOA SEN GROUP IS THE  
LEADING MANUFACTURER  
OF STEEL SHEETS IN  
SOUTHEAST ASIA

Hoa Sen Group's steel sheet production process begins from main raw material – hot roll coils. Imported hot rolled coils which are input through cold rolling line will create cold rolled coils. Cold rolled coils are the input materials for galvanizing lines which produce galvanized steel sheets.

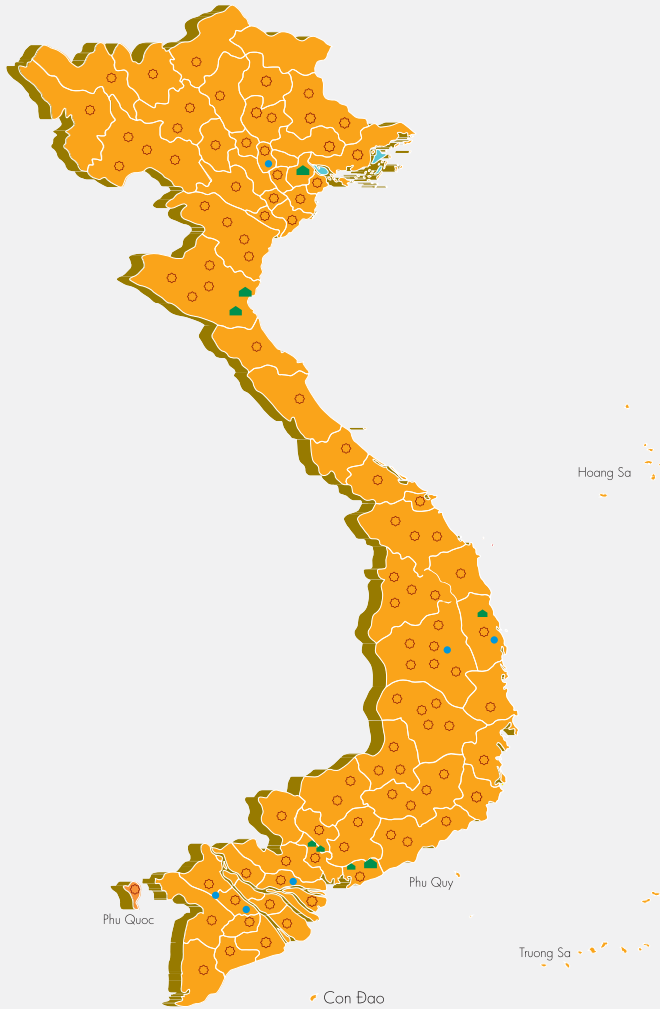
Each stage of this production process is tightly controlled. As the result, all Hoa Sen products have high quality, meet the diverse demands of the market and meet international quality standards such as ASTM standard of U.S, AS standard of Australia, JIS standard of Japan, etc.

Through nationwide distribution-retail branches, high quality products of Hoa Sen Group are delivered to the end-users.

With the vertically integrated value chain, Hoa Sen Group takes the initiative to control the costs of each stage of the production process tightly. This helps the Group minimize costs and achieve economic effect of the scope. This is the foundation for Hoa Sen Group to implement the manufacturing cost-leadership strategy.



# OWNING 491 DISTRIBUTION-RETAIL BRANCHES



THE NATIONWIDE DISTRIBUTION-RETAIL BRANCHES ARE INDISPENSABLE FOUNDATION OF IMPLEMENTING THE STRATEGY OF “BUYING DIRECTLY FROM PRODUCERS AND SELLING DIRECTLY TO END-USERS”

With the centralized and unified management in accordance with the general policies, the nationwide distribution-retail branches have become an outstanding competitive advantage of the Group in directly approaching to the end-users, tightly controlling products' quality and promptly delivering the products to the market. In the period of the fluctuating economy, the strategic roles of the distribution-retail branches are more promoted when the Group can flexibly apply sales policies to maintain the cash flow. This is foundation that enables the Group to quickly settle the manufacturing and business activities when macroeconomic conditions become unfavorable and keep on affirming the number one position in Vietnamese coated steel sheet market

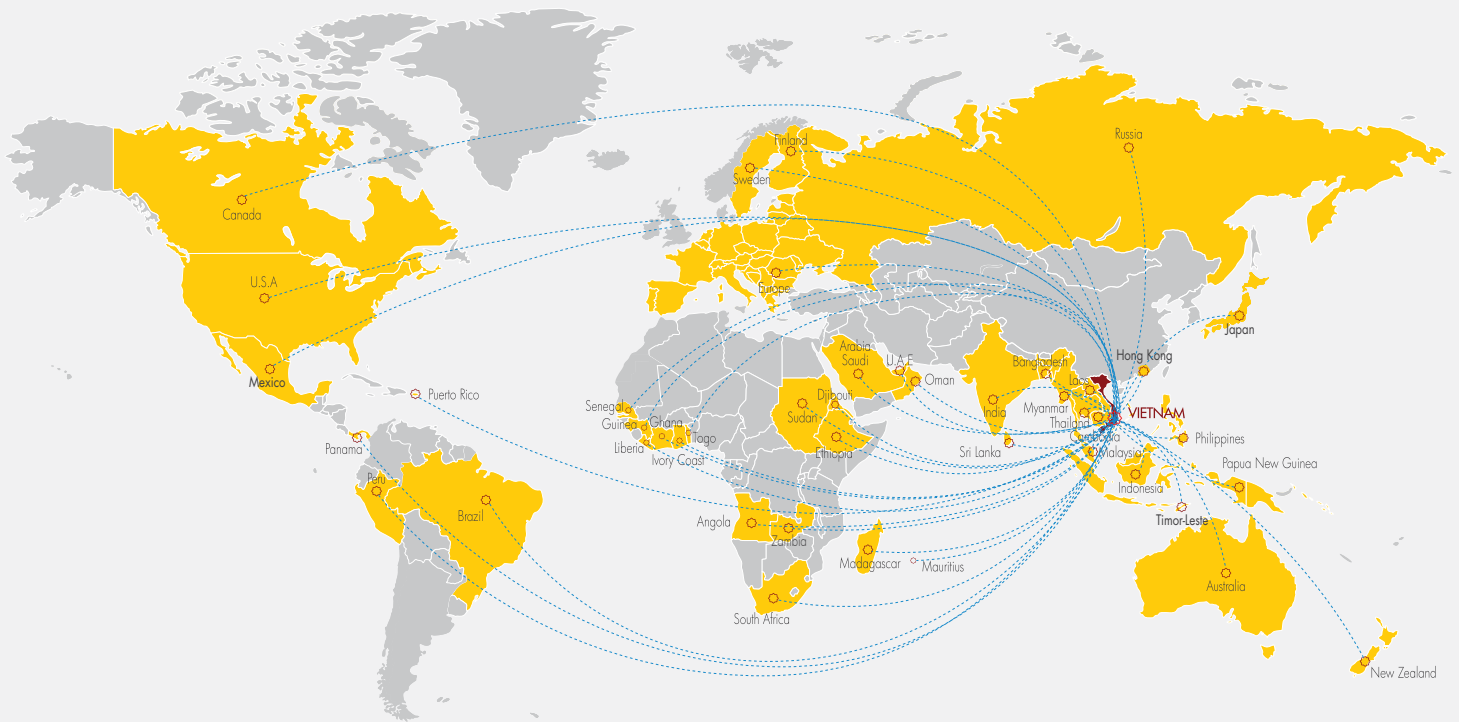
By the end of 2018, the total number of Hoa Sen Group's retail branches is 491 branches.

**491**  
BRANCHES



CHART OF DISTRIBUTION-RETAIL NETWORK DEVELOPMENT IN VIETNAM

# CONTINUING DEVELOPMENT AND GROWING MARKET SHARE



## DISTRIBUTION CHANNELS TO COUNTRIES

HOA SEN PRODUCTS ARE  
PRESENTED IN MORE THAN

75

COUNTRIES AND TERRITORIES

Besides maintaining domestic market, Hoa Sen Group also continuously strengthens export activities to traditional markets and expands its presence to potential markets in Middle East, Southern Asia, Africa, Australia, Europe, and America. Currently, Hoa Sen Group's products are presented in 75 countries and territories.

# 3

## THE LEADING, FRIENDLY AND COMMUNITY - ORIENTED BRAND



# THE UNIQUE BRANDING STRATEGY

“With unceasing efforts, Hoa Sen Group rapidly obtains the leading position in Vietnam steel sheet market and is the top leading steel exporter in Southeast Asia. As a result, unique strategies have made a strong and sustainable Hoa Sen brand in not only domestic market but also global market. Hoa Sen Group always focuses on brand promotion, maintains its “Global Growth Company” position in the World Economic Forum and continues to present the leading, friendly and community - oriented brand.”

With unceasing efforts, Hoa Sen Group rapidly obtains the leading position in Vietnam steel sheet market and is the top leading steel exporter in Southeast Asia. As a result, unique strategies have made a strong and sustainable Hoa Sen brand in not only domestic market but also global market. Hoa Sen Group always focuses on brand promotion, maintains its “Global Growth Company” position in the World Economic Forum and continues to present the leading, friendly and community-oriented brand.

Since the first days of establishment, Hoa Sen Group has chosen the strategy of building brand in accordance with its core business philosophy: “Integrity – Community – Development”. Over the last 17 years, Hoa Sen Group not only focuses on well organizing business and manufacturing activities but also pioneers in necessary social activities through sponsoring and diverse charity programs: Viet Families’ Sweet Home, Hoa Sen Steel Sheet – School together, sponsoring the reality television program "Loving leaf bags", "Overcoming yourself", building bridges, schools, charitable houses, supporting the poor in disaster areas, sponsoring major sports tournaments such as: the Futsal cup for underprivileged children, the Binh Duong television cycling tournament – Hoa Sen Plastic Pipe

Cup, VTV television International Woman Volleyball – Hoa Sen Plastic Pipe Cup. By community activities with profound humanity, Hoa Sen Group has affirmed the mission of a dynamic, creative Vietnamese enterprise, actively contributing to the general development of society.. In addition, Hoa Sen Group always affirms the brand value by good quality of products and services. For Hoa Sen Group, the products’ quality is the prestige and the survival of the brand. By performing seriously four commitments: “Right price, right standard, right quality, and warranty”, Hoa Sen Group has delivered products to customers with “international standard, reasonable price, fast delivery and good after sale service”. In order to deliver products directly to end-users, Hoa Sen Group has established a nationwide retail distribution network with over 491 branches across the country. In particular, Hoa Sen Group is the pioneer in the construction materials industry in Vietnam deploying online sales on website [www.hoasengroup.vn](http://www.hoasengroup.vn) to bring the best benefits to customers with the message "No need to go far - buy Hoa Sen steel sheet, steel pipe, plastic pipe at home". Currently, Hoa Sen Group continues promoting the community-oriented Hoa Sen brand to reinforce position in domestic market and expand to other countries in region as Hoa Sen

products are presented over 75 countries and territories.

With continuous effort on improving products’ quality and services, Hoa Sen Group has built successful brand which consistently taking competitive advantage and strong demand from its brand. Continuously growing spectacularly for many years with positive contributions to the community, Hoa Sen Group has achieved many awards in Vietnam and abroad such as: the Second - class Labor Medal awarded by the President; National Brand for all 3 product lines: Hoa Sen Steel Sheet, Hoa Sen Steel Pipe and Hoa Sen Plastic Pipe; Vietnam High Quality Goods; Best managed company in Asia, Top 40 most valuable brands in Vietnam, Top 50 Vietnam’s Best Performing Companies; The 50 Best Vietnamese listed companies,...

These prestigious awards are significant evidences demonstrating brand building process successfully, creating Hoa Sen Group’s position and prestige as the leading brand in the market. Hoa Sen Group, which continuously is developing and growing, has consistently affirmed its brand commitment that always creates the highest values for consumers and society, orienting to become the leading supplier and distributor of building materials in Southeast Asia.



# PROFESSIONAL CORPORATE GOVERNANCE AND UNIQUE CORPORATE CULTURE

## CORPORATE CULTURE

Hoa Sen Group established its governance system upon the foundation of corporate culture of 10 “T” letters: Integrity – Loyalty – Dedication – Talent – Friendliness. This is an important factor contributing to the rapid and sustainable development of Hoa Sen Group in over 15 years.

### INTEGRITY

Being honest and transparent in all activities

### COMMUNITY

Sharing our achievements with the community is Hoa Sen Group’s humanistic beauty

### DEVELOPMENT

Continuously developing and bringing the Hoa Sen brand name to new heights.







# COMMUNITY-ORIENTED DEVELOPMENT



# 5

## PIONEERING IN ADVANCED TECHNOLOGY INVESTMENT

“ In Vietnam, Hoa Sen Group is always the pioneer in investing in modern equipment line and applying new technology. Thanks to modern lines and technology, Hoa Sen Group’s products always have high quality and meet international and domestic quality standards. ”



In order to supply high quality products stably to customers, meet all the requirements and customers’ satisfaction as well as implement social responsibilities to environment, health and safety, the Group has established, applied and maintained integrated management system including ISO 9001:2015 standards of quality management system, ISO 14001:2015 standards of environmental management system and OHSAS 18001:2007 standards of occupational health and safety management system.





**DEVELOPING SUSTAINABLY  
WITH ADVANCED  
TECHNOLOGY**





## DEVELOPMENT ORIENTATION IN THE PERIOD 2018-2023

THE BOARD OF DIRECTORS FORECASTS THAT IN THE FOLLOWING YEARS OF THE PERIOD 2018 - 2023, THE MARKET SITUATION WILL BE COMPLICATED, UNSTABLE AND UNPREDICTABLE. ENTERPRISES MAY FACE A LARGE SCREENING OF THE MARKET. THEREFORE, IN ORDER TO WITHSTAND THE DIFFICULTIES AND CHALLENGES, AS WELL AS PAVE THE WAY FOR FUTURE DEVELOPMENT, THE BOARD OF DIRECTORS SETS THE GOALS FOR THE NEXT PHASE OF THE TERM 2018-2023 AS FOLLOWS:

1

### GENERAL OBJECTIVES

- Focusing on the core and traditional products and sectors of the Group including: Steel sheet - Steel - Plastic to reinforce the leading position in the market.

2

### BASIC ACHIEVEMENTS

Based on the Resolution approved by the General Assembly of Shareholders at the Annual Meeting of the fiscal year 2017 - 2018, the Group aims for the following basic achievements:

- Consumption: 2.5 - 3 million tons / year.
- Net revenue: 1.5 - 2 billion USD / year.
- Gross profit/Net revenue: maintaining in range of 10-15% .
- Profit after tax: Maintaining the growth rate of 20 - 25% compared to the previous fiscal year.

3

### FOR ADMINISTRATION OPERATIONS

- Consolidating and enhancing the effectiveness of the internal management system, combined with the application of modern management models, deploying the restructuring of the management system of the Group.
- Improving and effectively applying Information Technology system in administration and management activities.
- Ensuring the growth of the Group must be associated with strict governance mechanisms, increasing transparency and honesty in all activities of the Group.



4

#### **FOR HUMAN RESOURCE DEVELOPMENT ACTIVITIES**

- Focusing on building and developing young, professional and suitable human resources for Hoa Sen culture based on the strict, reasonable system of operational procedures and standards of conduct.
- Strengthening the capacity and expertise of the personnel of the Group, with a focus on the key management staff, successors and reserve managers.
- Improving the effectiveness of training activities to foster knowledge and enhance the skills of the Group's employees.

5

#### **FOR BRAND DEVELOPMENT AND PROMOTION ACTIVITIES**

- Implementing a diversified, creative communication strategy, combined with community-friendly events, charitable activities to promote the Group's image and brand.

# COHERENT MARKET

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## Increase **productivity**

WITH THE NO. 1 POSITION IN THE FIELD OF STEEL SHEET PRODUCTION AND TRADING IN VIETNAM MARKET AND THE LEADING POSITION OF STEEL SHEET EXPORTER IN SOUTHEAST ASIA, HOA SEN GROUP CONTINUES TO AFFIRM ITS LEADING POSITION IN THE DOMESTIC MARKET WITH THE DISTRIBUTION SYSTEM NATIONWIDE AND CONSTANTLY REACHING OUT, INTEGRATING INTO THE INTERNATIONAL MARKET MORE AND MORE.



# REPORT ON PRODUCTION AND BUSINESS OPERATION



## BUSINESS PERFORMANCE OF THE FISCAL YEAR 2017 - 2018

### OVERVIEW

#### • Socio – Economic overview

The Board of Directors stated that the socio-economic situation in 2018 has positive developments, however, there are still many difficulties and uncertainties in general, as follows:

- The trade war between the United States and China in 2018 with trade protective – retaliation measures among large economies is threatening to cause significant impacts on the domestic economy.

- In 2018, the exchange rate of USD/VND fluctuated, causing significant impacts on production and business activities of enterprises, especially for enterprises that have to import most of input materials and a high USD debt.

- The inflation situation in 2018 changed in a difficult way to control, affecting other indicators of the economy, as well as the operation of enterprises.

- The construction situation in 2018 slowed down because the real estate market showed signs of cooling down and new construction projects were behind schedule.

- However, in 2018, the socio-economic situation in the country also showed some positive signs such as: GDP maintained good growth; International integration took place in a wide range of fields; The CTPP Agreement was signed and approved in 2018, promising to bring more opportunities for the country's economy.

#### • Market situation

The situation of steel industry in 2018 unusually fluctuated, faced a difficult and unstable period.

- Movements of raw material prices in 2018 were unpredictable, specifically: Price increased sharply in March 2018, but reversed dramatically in April - May 2018, then continued to change in a complicated and unstable way and fell sharply in the last months of the year. This made a significant



impact on the input cost of enterprises, while it was difficult to improve the market price.

- Steel exports in 2018 were severely affected by trade conflicts and production protection policies, typically by large export markets taking measures to restrict imports of steel, devaluation...

- Domestic market was fiercely competitive when domestic production capacity was redundant and the steel enterprises focused on the domestic market. This made the supply in the market increase sharply while the demand was not high, affecting the profitability of many enterprises in the industry.

- In 2018, despite efforts to overcome and prevent from the Authorities, low-quality and cheap steel products continued to be imported massively into Vietnam through various methods of fraud, lack of transparency, threatening the production and business situation of domestic enterprises.



## Business results of the fiscal year 2017 - 2018

Disadvantages of the socio-economic situation in general and the market situation in particular have been forecasted earlier by the Board of Directors in the previous years. Therefore, the Board of Directors instructed the Board of Management and Hoa Sen Group's subsidiaries to implement many solutions to prepare for the possible instabilities. However, the market in 2018 faced many sudden fluctuations, therefore, the uncertainties and difficulties came quickly and the impact was stronger than expected. At the end of fiscal year 2017 - 2018, although Hoa Sen Group was strongly influenced by market instability, however, with flexible and timely solutions to optimize resources, reduce costs, strengthen governance - operating effectiveness, Hoa Sen Group still ensured stability in production and business activities.

### REPORT OF BUSINESS INDICATORS:

The net sales for fiscal year 2017-2018 reached VND 34,441 billion, equivalent to US \$ 1.5 billion, exceeding 15% of the plan and growing 32% over the same period, which was the highest level in the past 05 consecutive years. The average annual growth rate reached 23.1%.

The consumption volume of finished product in the fiscal year 2017 - 2018 reached 1,749,585 tons, although it achieved 98% of the plan, but increased 12% over the same period. This was also the highest level in the past 05 consecutive years, with an average annual growth rate of 21.2%.

The finished product consumption according to sales channel has shifted to focus on domestic consumption channel. Specifically, the domestic consumption channel reached 1,101,500 tons, accounting for 63% of the total production of the Group and became the main consumption channel. Export channel reached 648,000 tons, accounting for 37% of the total production of the Group.

In 2018, the potential risks of market instability have revealed and initially caused negative impacts on the production and business activities of steel enterprises in general, including Hoa Sen Group. The impact was most clearly reflected in the profit after tax. Specifically, profit after tax of the fiscal year 2017-2018 reached VND 409 billion, fulfilling 30% of the plan.

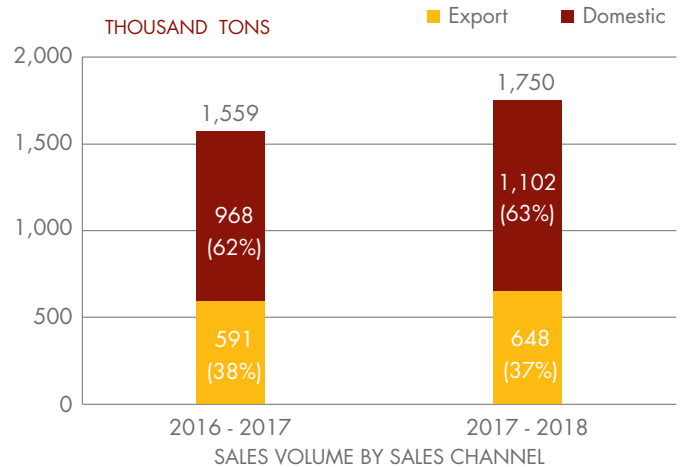
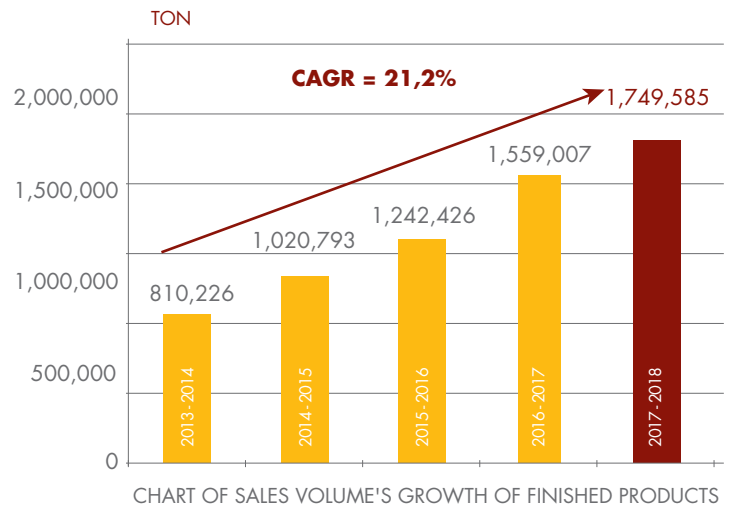
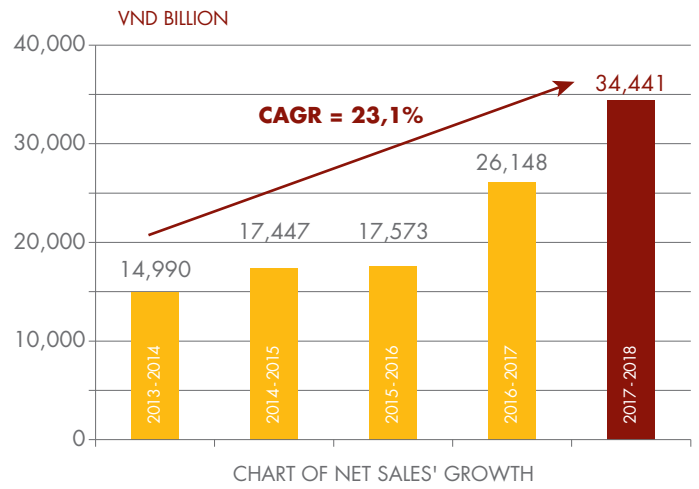
### THE CAUSE OF THE DECLINE IN PROFIT AFTER TAX

The Group's profit after tax fell sharply in the fiscal year 2017 - 2018, which was caused by unstable socio-economic in general and steel industry situation in particular, as follows:

- Profit margin in fiscal year 2017 - 2018 was narrowed, reducing gross profit. This comes from the following reasons:

- Raw material prices in 2018 were complicated and unpredictable, increasing the cost of the Group.
- In order to ensure profit margin, the Group has increased the selling price but the growth rate has not been able to keep up with the cost price, due to:

- The trade conflict between the U.S and China, trade barriers in Countries / Territories, exchange rate fluctuations reduced profits from export activities.
- In the domestic market, the imbalance between supply - demand and the massive import of low quality, low price steel from China into Vietnam made the competitive market increasingly fierce, therefore, the Group could not increase selling prices to guarantee profit.



- *Costs in fiscal year 2017 - 2018 increased, leading to a decrease in net profit from production and business activities, as follows:*
    - Financial expenses increased due to the increase in debt, rising interest rates and unstable exchange rates. In which:
    - Short-term debt increased due to the increase in cost of goods sold, leading to a large inventory value in the fiscal year 2017-2018.
    - Medium and long-term debt increased because in the fiscal year 2017 - 2018 and the previous fiscal years, the Group focused on implementing investment projects to expand production and business.
    - Selling and administrative expenses increased because Distribution system must be expanded and developed to cope with unfavorable market developments and the Group's operation scale is growing.
- The above factors resonating with each other that lead to a sharp decrease in the profit after tax of the Group in the fiscal year 2017 - 2018 and not reaching the targets.

• **Solutions to improve the production and business situation, responding to the disadvantages of the market**

In the fiscal year 2017 - 2018, in order to proactively respond and minimize the negative impacts of the market, the Board of Director has directed the Board of Management to make efforts and drastically implement management – operating solutions, restructuring the system, optimizing resources, reducing costs, stabilizing production and business activities. The main solutions are as follows:

STT	SOLUTION	RESULT
I	<b>SOLUTIONS FOR BUSINESS ACTIVITIES</b>	
1	Set inventory norms for all Units under the Group (including Factory and Branches) and decrease the inventory until reaching set norms.	The total value of inventory up to September 30, 2018 has been reduced by nearly VND 2,000 billion, corresponding to the reduction of short-term debt and interest expenses compared to June 30, 2018. According to the plan, by December 31, 2018, it will continue to be reduced further by VND 1,000 - 1,500 billion.
2	Set norms and strictly manage debt risks in business operations, ensure effective recovery of receivables of the Group.	Set targets by 2019, receivable in the fiscal year 2017 - 2018 will be recovered quickly.
3	Focus on reducing operating expenses, such as: Administrative expense, expenses for business trips, operating expenses of Branches / Stores....	Costs are reduced by about 30% compared to June 30, 2018
4	Optimize efficiency and production by many solutions, including: <ul style="list-style-type: none"> <li>- Reduce energy, materials, tools and machinery consumption according to the set norms.</li> <li>- Arrange, allocate, optimize working shifts.</li> <li>- Increase the output of finished products, reduce the proportion of by – products.</li> <li>- Research, improve technology, self - produce some accessories, tools and equipment for production activities, contributing to reduce production costs of the Group.</li> <li>- Enhance technical improvement to optimize production and supply activities.</li> </ul>	Production costs are reduced, increasing competitiveness
II	<b>RESTRUCTURING AND STREAMLINE THE BUSINESS AND OTHER SOLUTIONS</b>	
1	Restructuring, streamlining the business, reducing intermediate management level; streamlining the titles of personnel; streamlining regulations and operational procedures; cutting down on duplicate and unnecessary process steps.	The Group (including Parent Company, Subsidiaries, Regional Offices and Distribution Channel) is streamlined to suit the current production and business situation.
2	Streamlining, arranging and allocating the personnel of the entire Group in a reasonable way but still ensuring a stable operation mechanism, ensuring human resources for production and business activities.	The number of employees was reasonably reduced, corresponding to the reduction of salary and costs according to salary. The rate of reduction is about 25% compared to 30/06/2018

3	Deploying the restructuring of Distribution System following the model of Provincial Branch approved by the General Assembly of Shareholders and the Board of Directors to streamline, improve the efficiency and effectiveness of the business model to suit the new situation.	As of December 31, 2018, Hoa Sen Group has established 56 Provincial Branches in Provinces / Cities nationwide. Beginning from October 1, 2018, the Group officially operated Distribution System under the new model. The restructuring of Distribution System under the model of Provincial Branch has contributed to reducing the number of employees in the entire Group, gradually improving the efficiency of business operations, bringing goods to consumers, strengthening capacity and competitiveness, increasing domestic market share.
4	Implementing liquidation of redundant assets, terminating the implementation and recovering capital from the projects of associates to recover costs for the Group.	Recovered expenses in the fiscal year 2017 - 2018 are recorded in the Group's financial statements.

## PROGRESS OF IMPLEMENTING INVESTMENT PROJECTS

### INDUSTRIAL PROJECTS

#### HOA SEN NGHE AN PLANT PROJECT

- Location: Dong Hoi Industrial Zone, Quynh Lap Commune, Hoang Mai Town, Nghe An Province.
- Area: 45 hectares
- Total design capacity of the whole project: 1,000,000 tons / year
- Project implementation schedule:  
Hoa Sen Nghe An Plant Project has officially completed the basic construction phase and put into operation stably. In the fiscal year 2017- 2018, the Group implemented the following items in detail:



NO	ITEM	AVAILABLE CAPACITY	DEPLOYMENT TIME	COMPLETION TIME
<b>ITEMS COMPLETED</b>				
1	Galvanizing/ Aluminium – Zinc coating line (NOF 1 Line)	400,000 tons/year	April 2016	June 2016
2	Color coating line No.01	120,000 tons/year	April 2016	June 2016
3	Slitting line No.01	100,000 tons/year	April 2016	June 2016
4	Pickling line	800,000 tons/year	April 2016	February 2017
5	Cold rolling line No.01	350,000 tons / year	April 2016	June 2017
6	Cold rolling line No.02	350,000 tons/year	September 2016	September 2017
7	Galvanizing/ Aluminium – Zinc coating line (NOF 2 Line)		August 2016	April 2017
8	Trimming line	120,000 tons/year	April 2016	July 2017
9	Color coating line No.02	400,000 tons/year	April 2016	July 2016
<b>ITEMS IMPLEMENTED IN THE FISCAL YEAR 2017 - 2018</b>				
1	Galvanizing/ Aluminium – Zinc coating line (NOF 3 Line)	350,000 tons/year	June 2017	March 2018
2	Acid regeneration line	5,000 liters/hour	September 2016	January 2018
3	Slitting line No. 02	100,000 tons/year	January 2016	November 2017

(\* ) Currently, the project is being implemented by Hoa Sen Nghe An One Limited Liabilities Company.

#### HOA SEN YEN BAI BUILDING MATERIALS PLANT PROJECT

- Location: IC-12 intersection, Minh Quan commune - Bao Hung commune, Tran Yen district, Yen Bai province
- Area: 20 hectares
- Total design capacity of the whole project:
- The project aims to produce the following types of products: Galvanized steel pipe - design capacity of 220,000 tons/year.
- In addition, the project is expected to build a warehouse to store raw materials and finished products.
- Project implementation schedule:

NO	ITEM	AVAILABLE CAPACITY	DEPLOYMENT TIME	COMPLETION TIME
1	06 Steel pipe rolling lines	72,000 tons/year	October 2017	December 2017
2	01 Warehouse of finished products – raw materials with an area of 12,160 m <sup>2</sup>	-	October 2017	November 2017

(\* ) Currently, the project is being implemented by Hoa Sen Yen Bai Building Materials One Member Limited Company

### HOA SEN NHON HOI - BINH DINH PLANT PROJECT

- Location: Hoi Son Village, Nhon Hoi Commune, Quy Nhon City, Binh Dinh Province

- Area: 21.8 hectares

- Total design capacity of the whole project: 625,000 tons/year

- Project implementation schedule:

Up to now, the project is operating stably all items in Phase 1 and some items of Phase 2. In the fiscal year 2017 - 2018, the Group continues to implement the remaining items of Phase 2 and completing some auxiliary items for the project. Detailed progress of the project is as follows:

NO	ITEM	CAPACITY	DEPLOYMENT TIME	COMPLETION TIME
<b>COMPLETED ITEMS</b>				
1	Galvanizing/ Aluminium – Zinc coating line (NOF 1 Line)	180,000 tons/year	January 2016	September 2017
2	Color coating line No.01	45,000 tons/year	January 2016	June 2017
3	Slitting line No. 01	100,000 tons/year	January 2016	April 2017
4	Waste water treatment system	-	October 2016	April 2017
5	Factory, machine foundation, office	-	March 2016	October 2017
<b>COMPLETED ITEMS IN THE FISCAL YEAR 2017 - 2018</b>				
1	Galvanizing/ Aluminium – Zinc coating line (NOF 2 Line)	200,000 tons/year	September 2017	Expected December 2018
2	Color coating line No.02	120,000 tons/year	September 2017	Expected December 2018
3	Pickling line	800,000 tons/year	September 2017	Expected March 2019
4	Cold rolling line	350,000 tons/year	October 2017	Expected December 2018
5	Acid Regeneration line	5,000 liters/hour	October 2017	Expected March 2019

(\* ) Currently, the project is being implemented by Hoa Sen Nhon Hoi - Binh Dinh One Member Limited Liabilities Company

### HOA SEN PHU MY HOT-DIP GALVANIZED STEEL PIPE PLANT PROJECT

- Location: 1A Road, Phu My I Industrial Zone, Phu My Ward, Phu My Town, Ba Ria - Vung Tau Province

- Objectives and scale of the project: The project aims to build a Hot-Dip Galvanized Steel Pipe Plant with a design capacity of 85,000 tons/year.

- Project implementation schedule:

NO	ITEM	CAPACITY (tons/year)	DEPLOYMENT TIME	COMPLETION TIME
1	01 Hot – Dip Galvanized Steel Pipe Line	85,000 tons/year	September 2016	April 2018
2	06 Steel pipe rolling line	150,000 tons/year	September 2016	December 2017
3	01 Slitting line	180,000 tons/year	August 2016	December 2017
4	Factory, machine foundation		December 2016	December 2017

(\* ) Currently, the project is being implemented by Hoa Sen Phu My One Member Limited Liabilities Company

### INVESTMENT PROJECTS IN THE HOTEL - REAL ESTATE SECTOR:

#### PROJECT OF HOA SEN YEN BAI SHOPPING MALL, HOTEL, RESTAURANT AND EVENT

- Investor: Hoa Sen Yen Bai Joint Stock Company (a Subsidiary that Hoa Sen Group contributes capital to establish, owns 70% of charter capital).

- Location: Land area of Group 45 & 48, Dong Tam Ward, Yen Bai City, Yen Bai Province.

- Project scale: According to the investment registration, the project is oriented to build 02 main components as follows:

- Block of Shopping mall, Service, Hotel, Restaurant and Event is implemented on a land lot of 5,585.2 m<sup>2</sup> leased by Yen Bai Provincial People's Committee according to Decision No. 3514 / QD-UBND dated December 14, 2016, including:

- Podium block: From 04 to 05 floors, serving Restaurant; Convention and Wedding center; Supermarket ...

- Tower block: Including 02 towers, of which low-rise block has 08 floors, high-rise block has 16 floors, serving Hotel.

- Townhouse area is implemented on a land lot of 4,090.3 m<sup>2</sup> allocated by Yen Bai Provincial People's Committee according to Decision No. 3514 / QD-UBND dated December 14, 2016.

- Progress of implementation as of the end of the fiscal year 2017 - 2018:

- For Block of Shopping mall, Service, Hotel, Restaurant and Event:

NO	ITEM	IMPLEMENTATION SCHEDULE
1	Legal procedures	Completed the necessary legal procedures to implement the project, including: - Decision to approve investment policy; - Building permit; - Certificate of land use rights, certificate of ownership of houses and assets for the whole project.
2	Construction of structures and reinforced concrete	Completed 100%
3	Construction of interior and exterior of the project, including: building walls; painting inside and outside surfaces; erecting external aluminum frame; glazing ...	Currently, the Investor is implementing items. Completed volume is over 50%
4	Construction of mechanical - electrical systems, fire protection	In progress.
5	Construction of infrastructure, including: Internal roads, drainage ditches, talus roofs, fence walls ...	Currently, the Investor is implementing items. Completed volume is over 70%

+For townhouse area implemented on land lot 4,090.3 m<sup>2</sup>: In the fiscal year 2017 - 2018, the Group continued to design and divide plots for townhouse, and complete all legal procedures for implementing the project in a timely manner.

### PROJECT OF SERVICE, HOTEL AND APARTMENT CENTER - HOA SEN QUY NHON TOWER

- **Investor:** Hoa Sen Quy Nhon Joint Stock Company (a Subsidiary that Hoa Sen Group contributes capital to establish, owns 45% of charter capital).
- **Location:** Land lot No. 01 Ngo May, Nguyen Van Cu Ward, Quy Nhon City, Binh Dinh Province.
- **Area:** Approximately 8,109,16 m<sup>2</sup>.
- **Project scale:** Build 02 towers, beach park opposite the project and tunnel connecting the park with the towers.
- **Progress of implementation as of the end of the fiscal year 2017 - 2018:** Up to the end of the fiscal year 2017 - 2018, the Investor has completed the construction of the fence around the project and is in the research stage, selecting the design plan and preparing resources for effective implementation of the Project.

### PROJECTS IN NINH THUAN PROVINCE:

Projects implemented in Ninh Thuan province include: Investment project on construction and trading of infrastructure of Du Long Industrial Park, Ca Na - Ninh Thuan General Port project, Construction and Business investment project of infrastructure of Ca Na - Ninh Thuan Industrial Park.

#### DU LONG INDUSTRIAL PARK INFRASTRUCTURE INVESTMENT PROJECT:

- **Investor:** Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company (a Subsidiary that Hoa Sen Group contributes capital to establish, owns 45% of charter capital).
- **Location:** Du Long Industrial Park in Loi Hai commune and Bac Phong commune, Thuan Bac district, Ninh Thuan province.
- **Investment objectives:** Investment, construction and trading of infrastructure of Du Long Industrial Park, including construction of factories, offices, warehouses in the industrial park and calling for secondary investors to enter the industry park.
- **Implementation scale:** 407.8 ha.
- **Progress of implementation as of the end of the fiscal year 2017 - 2018:**

NO	ITEM	IMPLEMENTATION SCHEDULE
1	Legal procedures	- <b>November 23, 2017:</b> The project was granted an adjusted Investment Registration Certificate by Ninh Thuan Industrial Zones Authority. At the same time, the Investor also handed over the entire plot of land to implement the project. - <b>In January 2018:</b> Ninh Thuan Provincial People's Committee issued a Decision to adjust the local zoning plan in Du Long Industrial Park. At the same time, the project is also granted a Construction Permit by the Industrial Zone Management Board for some initial items. - <b>In 2018:</b> Investor also continued to implement procedures to connect the project to Highway 1A. - It is expected that in the coming time, Investor will continue to complete procedures related to land and environment, ensuring that the project meets the legal conditions when it comes into operation.
2	Construction	- <b>From July 2018 to December 2018:</b> The Investor has implemented and completed the port and fence at the front of Highway 1A in the project area. - <b>It is expected that in the coming time, the Investor will continue to implement the following items:</b> Construction of connecting roads; Leveling of a part of the project; Internal road construction; Construction of electricity and water infrastructure; Constructing a factory for rent to put the project into operation.

## PROJECTS IN CA NA COMMUNE, THUAN NAM DISTRICT, NINH THUAN PROVINCE

In the fiscal year 2017 - 2018, the Group continued to complete legal procedures, research and prepare investment plans for projects in Ca Na commune, Thuan Nam district, Ninh Thuan province.

Particularly for **Ca Na - Ninh Thuan General Port project**, in the fiscal year 2017 - 2018, the Group has completed some procedures to prepare for the project implementation in the coming time as follows:

- **April 26, 2018:** Based on the opinion of the Ministry of Transport on the approval of the project, Ninh Thuan Provincial People's Committee issued a Decision approving the investment policy of Phase 1 of Ca Na - Ninh Thuan General Port project as follows:

+**Scale of Phase 1 of the project:** 03 ports, including 02 berths capable of receiving ships of 70,000 - 100,000 DWT and 01 berth capable of receiving ships of 20,000 DWT.

+**Expected implementation area:** 314.4 hectares, of which the port area is 60.6 hectares, the water area is 253.8 hectares.

+**Purpose of the project:** To serve the demand of importing and exporting goods in the locality and Ca Na - Ninh Thuan Industrial Zone.

- **On November 02, 2018:** Based on the approval of the Ministry of Transport, Ninh Thuan Provincial People's Committee issued a Decision approving the detailed planning scheme of 1/500 for Phase 1 of Ca Na - Ninh Thuan General Port project.

- In the coming time, the Investor of the project (Hoa Sen Ca Na - Ninh Thuan International General Seaport One Member Limited Liabilities Company) will continue to complete the next legal procedures, while preparing necessary resources in order to put the project into practice soon. It is expected to start construction in the second quarter of 2019.

## REPORT ON PERFORMANCE OF THE RESOLUTION OF THE GENERAL ASSEMBLY OF SHAREHOLDERS 2017 - 2018

In the fiscal year 2017 - 2018, Hoa Sen Group held 01 annual General Meeting of Shareholders. At the meeting, the General Assembly of Shareholders reviewed and approved a number of reports and policies related to production and business activities of the Company. The contents approved by the General Assembly of Shareholders are presented in Resolution No. 01 / NQ / ĐHĐCĐ / 2018 dated January 16, 2018

The situation of implementing the Resolution of the General Assembly of Shareholders in the fiscal year 2017 - 2018 is as follows:

NO	DESCRIPTION	RESULT
1	Implementing the business plan for the fiscal year 2017 - 2018	Detailed content is presented in the reports related to business results of the fiscal year 2017 - 2018.
2	Dividend payment of the fiscal year 2016-2017	The Board of Directors has completed the dividend payment of the fiscal year 2016 - 2017 and issued shares to existing shareholders to increase charter capital as follows: - Dividend payment in cash: Payment rate of 10% of par value of shares. - Dividend payment by stock: Payment rate of 10%. Detailed content is presented in the reports related to Shares - Stock and Shareholder relations.
3	Setting up funds in the fiscal year 2017 - 2018	The Group set up funds in the fiscal year 2017 - 2018 in accordance with the guidelines approved by the General Assembly of Shareholders.
4	Implementing investment projects of the Group	The Group has implemented and completed investment projects according to the time schedule. Detailed content is presented in the reports related to the Investment Project.
5	Selection of the auditing company to audit financial statements of the fiscal year 2017 - 2018	The Board of Directors selected Ernst & Young Vietnam Limited Company to be the auditor for the Group's financial statements in the fiscal year 2017 - 2018. The selection of the auditing company is presented in Resolution 16A /NQ/HĐQT/2018 dated March 5, 2018 and has been disclosed according to regulations.
6	Restructuring the Distribution System according to the model of Provincial Branch	The Board of Directors has directed the Board of Managements and the units to make detailed plans to implement the restructuring according to the approved guidelines. - In the fiscal year 2017 - 2018, the Group established 56 Provincial Branches and affiliated business locations to complete legal procedures for the new model. - From October 1, 2018, the model of Provincial Branch was officially put into operation in Binh Dinh, Tay Ninh and Thanh Hoa. - It is expected that by the beginning of February 2019, the model of Provincial Branch will be officially put into operation in the whole Distribution System nationwide.

## CONSOLIDATED BUSINESS PLAN FOR THE FISCAL YEAR 2018 - 2019

The steel industry market in 2019 is forecasted to continue to face many disadvantages as follow:

- The fact that big economies tend to maintain trade conflicts (although it has reduced the level), domestic production's protection, currency devaluation as well as the instability in the World's economic - politics situation will continue to be the cause of fluctuating raw steel prices, threatening to affect the cost of steel producers in the country.  
- Export activity is becoming more and more difficult due to trade remedies measures, domestic production's protection

from steel importing countries and unstable exchange rate situation.

- The domestic market will enter a fierce competition due to the shift of steel enterprises to focus on the domestic market, increasing production capacity and trade frauds through the import of low quality products and cheap steel products into Vietnam.

Based on the domestic and export market forecasts in 2019, the Board of Directors submitted the consolidated business plan for the fiscal year 2018 - 2019 as follows:

TARGET	UNIT	ACHIEVEMENTS	PLAN OF 2018 - 2019	COMPARED TO ACHIEVEMENTS	
				ABSOLUTELY	RELATIVELY
(A)	(B)	(C)	(D)	(E = D-C)	(F = (D/C)*100)
Consumption	Ton	1,873,735	2,006,000	132,265	107%
- Finished products	Ton	1,749,585	1,900,000	150,415	109%
- By - products	Ton	124,150	106,000	(18,150)	85%
Net revenue	VND billion	34,441	31,500	(2,941)	91%
Profit after tax	VND billion	409	500	91	122%

With the instability of the market situation in 2019, Hoa Sen Group's business and production plan for the fiscal year 2018 - 2019 is carefully built, but still ensuring stable and sustainable growth. Specifically, the Group will strive to increase its consumption volume to 2,006,000 tons/year to affirm its leading position in the market. For the target of profit after tax, the Group will strive to reach VND 500 billion, recording a growth rate of 22% compared to the fiscal year 2017 - 2018.

## ORIENTATION FOR IMPLEMENTATION OF THE YEAR PLAN 2017 - 2018

The Board of Directors proposed the following action plans to complete the targets of production and business plans for the fiscal year 2017 - 2018:

### FOR GOVERNANCE - RESTRUCTURING

Aiming to enhance efficiency and ensure the streamlining of the Group's management system, through the following solutions:

- Strengthen management and control on the basis of establishing and applying strict, reasonable and flexible norms, targets and policies, and exploiting and applying ERP systems effectively.
- Organize the implementation of restructuring the whole Group, which focuses on these solutions: Streamlining, arranging personnel and organizational structure in a reasonable manner; Improve the system of operational processes and regulations; Optimize resources; Reasonably reduce management costs ...
- Implementing the quotas and norms of revenue, output and

cost norms for production and business units throughout the Group, proceeding to rationalize autonomy in order to promote professional competence of each Unit.

- Complete and put into operation stable Distribution System which is restructured following the model of Provincial Branch approved by the General Assembly of Shareholders, in parallel with the reorganization and reallocation of Branches/Stores of Distribution System in each Province /City. The policy has been approved by the Board of Directors to enhance the business efficiency of the Group's, improve the governance and management capacity of the Group's Distribution System.
- Ensuring the restructuring must create motivation to strengthen and enhance the efficiency of production and business activities, achieve the goal of cost reduction, increase the competitiveness of the Group.

### FOR PRODUCTION AND SUPPLY ACTIVITIES

Set goals to increase production capacity; improve product quality; improve effective and professional supply activities through the following solutions:

- Exploiting, operating production lines, machinery and equipment effectively, ensuring product quality, increasing the rate of quality finished products.
- Researching and improving technical innovations to improve technology, operating procedures for production lines, machinery and equipment.
- Strengthening the Group's competitive advantages in supply operations through the utilization and optimization of the advantages of geographical location and distribution conditions of the production system and business units of the Group nationwide.

- Ensuring the fast, timely and cost-saving in providing materials, goods and finished products for production and business activities.

- Ensuring stable production activities, strict compliance with regulations on occupational safety, fire protection and environmental sanitation.
- Tightening, setting norms and reducing the amount of inventory materials, contributing to reducing loans and costs related to inventory.
- Increasing savings, reducing consumption of raw materials, fuel, energy, tools and spare parts, but still ensuring the quality of products, contributing to lowering product price, reducing manufacturing costs.

### FOR BUSINESS ACTIVITIES

Set a stable target and improve the business situation; by all means must stand firm against difficulties and uncertainties; strengthen the competitiveness and affirm its leading position in the market, through the following solutions:

- Closely watching and quickly grasping market developments, especially in the current difficult period to provide effective and timely solutions.
- Strengthening the strong points in the domestic market through expanding and operating the Distribution System effectively, increasing domestic consumption in combination with improving supply capacity and service quality in order to affirm its dominant position in the market.

- Implementing the strategy of market diversification, in parallel with the reduction of expenses for export, ensuring the efficiency and profitability in export activities, standing firm against the difficulties and instabilities of the market.

- Diversifying products, focusing on increasing consumption of plastic products besides traditional steel - steel sheet products, ensuring to contribute to the Group's revenue and profit.
- Tightening norms and reducing inventory, contributing to reducing outstanding loans and costs related to inventory.
- Implementing solutions to reduce costs related to selling operations, ensuring profitability and business efficiency of the Group.

## **FOR HUMAN RESOURCE DEVELOPMENT ACTIVITIES**

- Focusing on strengthening professional skills, qualifications, responsibilities of human resources, ensuring the personnel is arranged in a streamlined, efficient, professional and consistent way with Hoa Sen culture.
- Ensuring stable working spirit and motivation of employees, especially in the period of unstable market situation as today.

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## **FOR COMMUNICATION - MARKETING ACTIVITIES**

- Implementing marketing strategies, brand promoting in a reasonable, diverse, creative way, associated with community events, sponsorship and charity activities to consolidate and promote brand image of Hoa Sen Group become stronger and friendlier.

## **FOR INVESTMENT PROJECTS**

- Focusing on speeding up the completion of ongoing industrial projects, including: Hoa Sen Nhon Hoi - Binh Dinh Plant project; the project to expand Hoa Sen Binh Dinh Steel Pipe Plant... to enhance production capacity, take benefit of the competitive advantages of geographic location of the Plants.
- Continuing to complete the projects of Infrastructure, Hotels, Real estate such as: Hoa Sen Yen Bai Hotel – Shopping Mall project; Investment project of the Infrastructure of Du Long Industrial Park ..., ensuring the projects will be early exploited, contributing to diversify products and services of the Group, creating a premise for the next development steps.
- Continuing to study and research thoroughly, maintaining the progress of investment, preparing resources for other projects expected to deploy in Ninh Thuan province.

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## **DEVELOPMENT ORIENTATIONS IN THE NEXT YEARS OF THE PERIOD 2018 - 2023**

The Board of Directors forecasts that in the following years of the period 2018 - 2023, the market situation will change in a complicated, unstable and unpredictable way. Enterprises may face a large screening of the market. Therefore, in order to stand firm with all difficulties and challenges, as well as pave the way for future development, the Board of Directors sets the goals for the next phase of the period 2018-2023 as follows:

### **GENERAL OBJECTIVES**

Focusing on the core and traditional products of the Group include: Steel - Steel sheet - Plastic to affirm the leading position of Hoa Sen Group in the market.

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### **BASIC CRITERIA**

Based on the Resolution approved by the General Assembly of Shareholders at the Annual Meeting of the fiscal year 2017 - 2018, the Group aims to achieve the following basic criteria:

- Consumption: 2.5 - 3 million tons/year.
- Net revenue: 1.5 - 2 billion USD/year.
- Gross profit margin/net revenue: Maintaining in the range of 10-15%.
- Profit after tax: Maintaining the growth rate of 20-25% compared to the previous fiscal year.

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### **FOR ADMINISTRATIVE ACTIVITIES**

- Strengthening and enhancing the effectiveness of the internal management system, combined with the application of modern governance models, deploying the restructuring of the management system of the Group.
- Improving and effectively applying information technology systems in management and administration activities.
- Ensuring the growth of the Group must be associated with strict governance mechanisms, promoting transparency and honesty in all activities of the Group.

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### **FOR BUSINESS ACTIVITIES**

- Enhancing competitiveness, strengthening the leading position in the domestic market through ensuring the growth in consumption, revenue and domestic market share.
- For export activities, the Group must ensure stable and sustainable growth.
- At the same time, researching and developing new products (such as Plastic pipes, Hot-dip galvanized steel pipes ...) and new fields (such as Real estate, Hotels, Steel rolling ...), contributing to the Group's revenue, profit and paving the way for future development.

### **FOR PRODUCTION AND SUPPLY ACTIVITIES**

- Completing soon and putting production projects into stable operation in order to increase production capacity, optimizing the advantages of geographical location, transportation costs, creating cash flow for economic production, speeding up the progress of capital recovery, reducing interest expenses.
- Ensuring the optimal and economical in operating the production system, improving innovation, technical innovations, improving product quality, increasing the proportion of finished products, minimizing material consumption and operating costs of machinery and equipment, lowering product price, ensuring stable and safe production.
- Consolidating the competitive advantages in supply through the utilization and optimization of the geographical location and distribution conditions of the Group's production and business system nationwide. At the same time, ensuring the rational and optimal in supplying raw materials for production.
- Maintaining the research and assessment of feasibility and investment promotion for new projects. Ensuring the implementation of future projects will bring efficiency and growth to the Group.

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### **FOR HUMAN RESOURCE DEVELOPMENT ACTIVITIES**

- Focusing on building and developing young, professional, and suitable human resources for Hoa Sen culture based on the system of operational processes and reasonable standards of conduct.
- Strengthening the capacity and expertise of the personnel of the Group, with a focus on the key management staff, successors and reserve managers.
- Improve the effectiveness of training activities to foster knowledge and enhance the skills of the staff of the Group's employees.

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### **FOR BRAND DEVELOPMENT AND PROMOTION ACTIVITIES**

Implementing diversified, creative communication – marketing strategies, combined with community-friendly events, charitable activities, to promote the image and brand of the Group.



# REPORT OF THE BOARD OF MANAGEMENT



“IMPLEMENTING THE DIRECTION OF THE BOARD OF DIRECTORS ON PROACTIVELY RESPONDING TO THE DISADVANTAGES FROM THE MARKET, IN THE FISCAL YEAR 2017 - 2018, THE BOARD OF MANAGEMENT CLOSELY MONITORED MARKET DEVELOPMENTS AND IMPLEMENTED MANY DRASTIC AND TIMELY SOLUTIONS IN ORDER TO STABILIZE PRODUCTION AND BUSINESS ACTIVITIES, ENSURE THE GROWTH OF SALES VOLUME, NET SALES AND MARKET SHARE OF THE GROUP.”

## BUSINESS RESULTS IN THE FISCAL YEAR 2017 - 2018

### PRODUCTION AND BUSINESS PERFORMANCE IN THE FISCAL YEAR 2017 - 2018 COMPARED TO THE PLAN

At the end of the fiscal year 2017 - 2018, finished product consumption of the Group reached 1,873,735 tons, fulfilling 98% of the plan. Net net sales reached 34,441 billion VND, exceeding 15% of the plan. Profit after tax reached 409 billion VND.

TARGET	UNIT	PLAN OF THE FISCAL YEAR 2017 - 2018	PERFORMANCE OF THE FISCAL YEAR 2017 - 2018	COMPARING THE PERFORMANCE WITH THE PLAN
(A)	(B)	(C)	(D)	(E=(D/C)*100)
Total sales volume	Ton	1,908,000	1,873,735	98%
- Finished products	Ton	1,800,000	1,749,585	97%
- By-products	Ton	108,000	124,150	115%
Net sales	Billion VND	30,000	34,441	115%
Consolidated after-tax profit	Billion VND	1,350	409	30%

### COMPARE BUSINESS PERFORMANCE OF THE FISCAL YEAR 2017 - 2018 WITH THE PLAN

### BUSINESS PERFORMANCE OF THE FISCAL YEAR 2017 - 2018 IN COMPARISON WITH BUSINESS PERFORMANCE OF THE FISCAL YEAR 2016 - 2017

In the fiscal year 2017 - 2018, the target of finished product consumption and net net sales showed the growth compared to the fiscal year 2016-2017. Particularly for the target of profit after tax, there was a sharp decrease due to negative effects from the market.

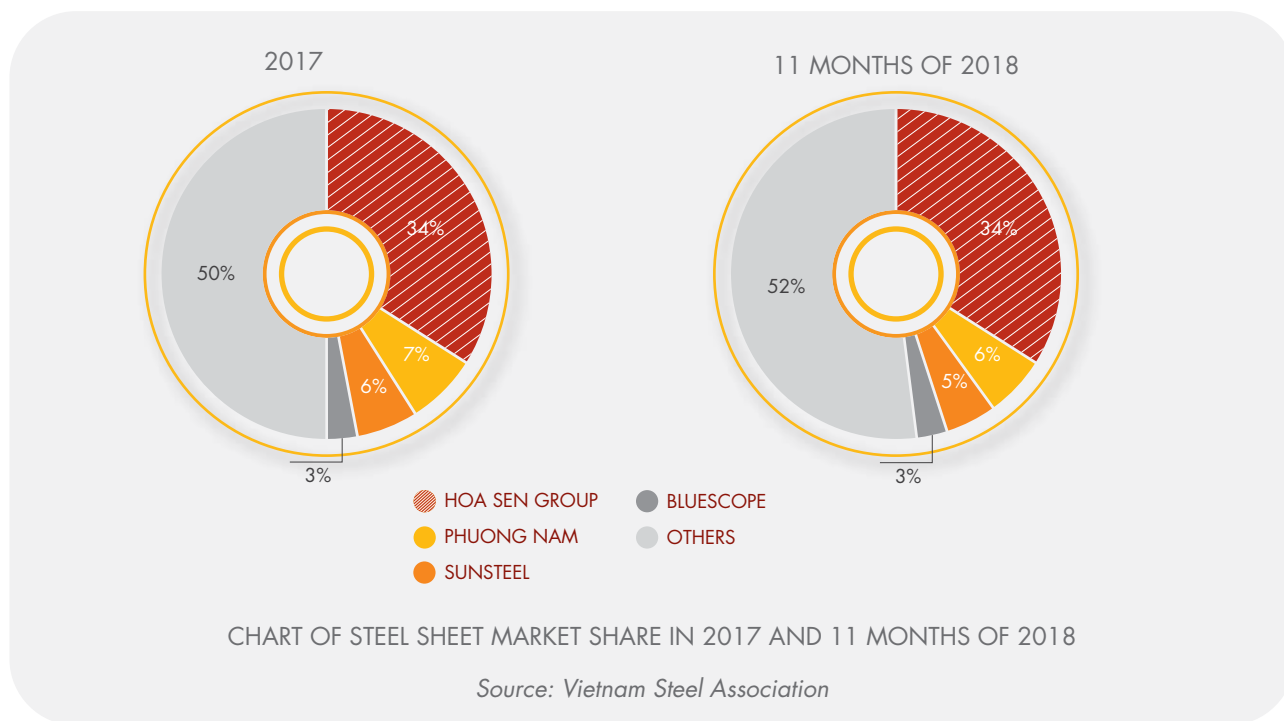
TARGET	UNIT	FISCAL YEAR 2016 - 2017	FISCAL YEAR 2017 - 2018	COMPARING THE PERFORMANCE OF FISCAL YEAR 2017 - 2018 WITH THE PERFORMANCE OF FISCAL YEAR 2016 - 2017
(A)	(B)	(C)	(D)	(E=(D/C)*100)
Total sales volume	Ton	1,660,204	1,873,735	113%
- Finished products	Ton	1,559,007	1,749,585	112%
- By-products	Ton	101,197	124,150	123%
Net sales	Billion VND	26,149	34,441	132%
Consolidated after-tax profit	Billion VND	1,332	409	31%

Business performance of the fiscal year 2017 - 2018 in comparison with business performance of the fiscal year 2016 - 2017

**MARKET SHARE OF HOA SEN GROUP IN THE FISCAL YEAR 2017 - 2018**

**STEEL SHEET MARKET SHARE**

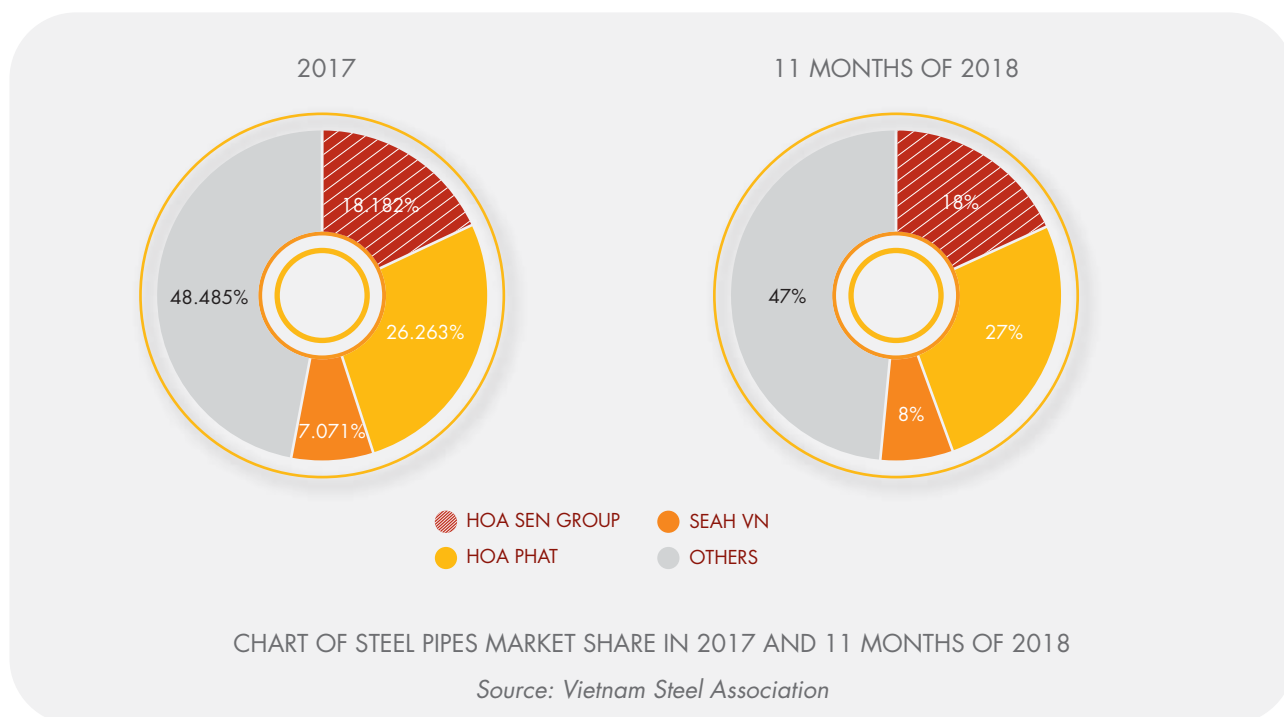
According to the Vietnam Steel Association, by efforts and drastic measures to respond to unfavorable movements of the market in 2018, Hoa Sen Group still maintains its leading position in the market with Steel sheet market share in 11 months of 2018 reaching 34%.



Note: This statistic only includes sales volume of members of Vietnam Steel Association, excluding the sales of Perstima Vietnam Co., Ltd. because the production of tin-coated steel sheet does not serve the construction industry.

**STEEL PIPES MARKET SHARE**

According to the Vietnam Steel Association, Hoa Sen Group's market share of steel pipes in 11 months of 2018 reached 18%, ranking 02nd in the market.

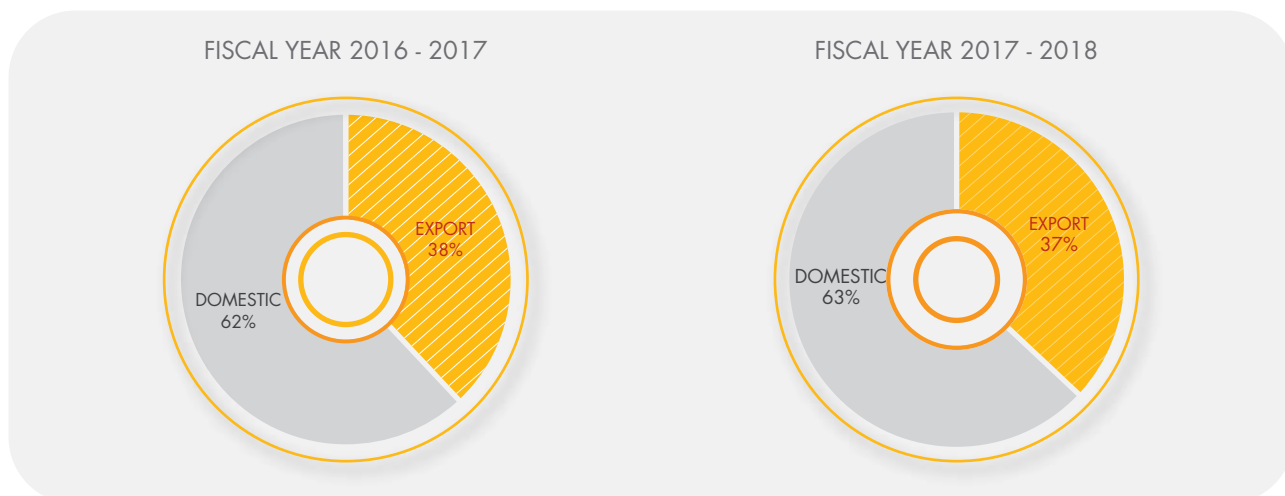


Note: This statistic only includes sales volume of members of Vietnam Steel Association.

## STRUCTURE OF CONSUMPTION VOLUME IN THE FISCAL YEAR 2017 - 2018

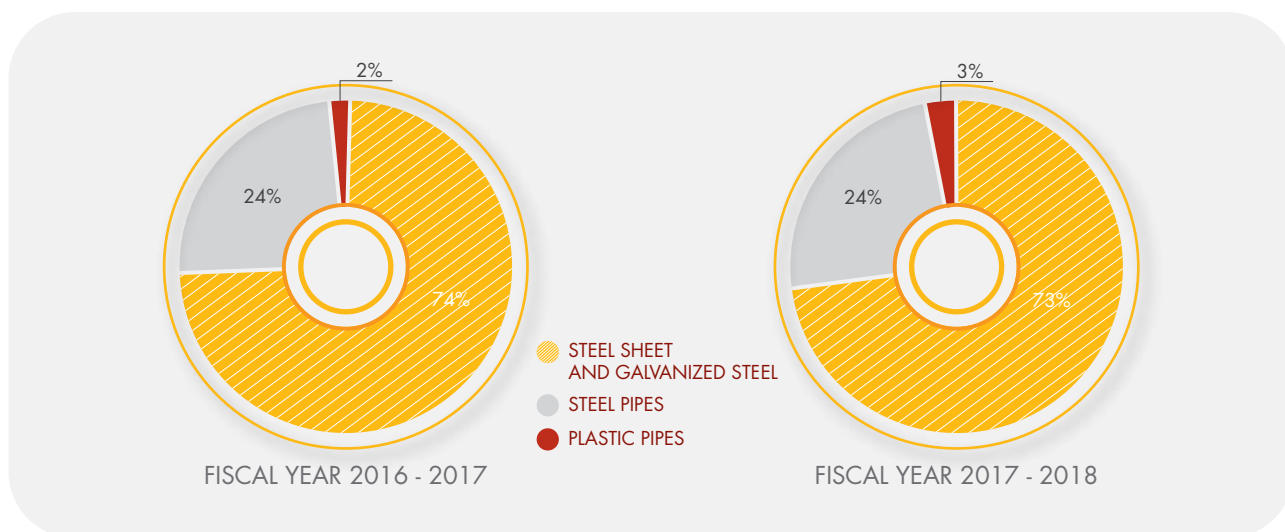
### STRUCTURE OF NET SALES BY SALES CHANNEL

In the fiscal year 2017 - 2018, the domestic consumption channel continued to be the key channel that accounted for 63% of total net sales of the Group, with consumption volume of over 1,000,000 tons. Compared to the fiscal year 2016 - 2017, the structure of domestic consumption volume increased by 1%.



### STRUCTURE OF SALES VOLUME BY PRODUCT CATEGORY

The products of coated steel sheet and hot dip galvanized steel including galvanized steel sheet (GI), aluminum-zinc alloy coated steel sheet (GL), pre-painted galvanized steel sheet (pre-painted GI), pre-painted aluminum-zinc alloy coated steel sheet (pre-painted GL), pre-painted cold rolled coil (pre-painted CRC), etc. continued to be the main products which contributing 73% of the total sales volume. The steel pipe including galvanized steel pipe, steel pipe, galvanized purlin, purlin contributed 24% of the total sales volume; and plastic products including plastic pipes, plastic accessories contributed 3% of the total sales volume of the Group.



## THE EXPENSE TO SALES RATIO AS PER THE CONSOLIDATED FINANCIAL STATEMENTS

NO	ITEM	UNIT	FISCAL YEAR 2016 - 2017	FISCAL YEAR 2017 - 2018
1	Sales volume	Ton	1,660,204	1,873,735
1.1	- Finished products	Ton	1,559,007	1,749,585
1.2	- By-products	Ton	101,197	124,150
2	Net sales	Billion VND	26,149	34,441
3	Gross profit/Net sales	%	16,9	11,5
4	Financial expenses/Net sales	%	2,3	2,8
	Interest expenses/Net sales	%	1,8	2,4
5	Sales expenses/Net sales	%	5,8	5,3
6	General and Administration Expenses/Net sales	%	3,1	2,6

## SOME BASIC FINANCIAL INDICATORS ACCORDING TO THE CONSOLIDATED FINANCIAL STATEMENTS

NO	ITEM	UNIT	FISCAL YEAR 2016 - 2017	FISCAL YEAR 2017 - 2018
	<b>SOLVENCY RATIO</b>			
1	Current ratio	Time	1,0	0,9
	Quick ratio		0,3	0,3
	<b>CAPITAL STRUCTURE RATIO</b>			
2	Debt/Total assets ratio	%	76	76
	Debt/Owners' Equity ratio	%	315	313
	Total assets/ Owners' Equity ratio	%	415	413
	<b>PERATION CAPABILITY RATIO</b>			
3	Inventory turnover	Time	3,2	3,9
	Net sales/Total assets	Time	1,2	1,6
	<b>PROFITABILITY RATIO</b>			
4	Net profit after tax/Net sales ratio	%	5,1	1,2
	Net profit after tax/ Owners' Equity ratio	%	25,8	7,9
	Net profit after tax/Total assets ratio	%	6,2	1,9
	Operating profit/Net sales ratio	%	6,0	1,2
	Earnings per share	VND/share	3,672	1,090

## MANAGEMENT OPERATIONS IN THE FISCAL YEAR 2017 - 2018

In the fiscal year 2017 - 2018, the Board of Management has drastically implemented many flexible and reasonable operating solutions, strengthened the core competitive advantages to promptly stabilize production and business activities in order to respond to market uncertainties, in every effort to complete the guidelines and orientations of the General Assembly of Shareholders and the Board of Directors. Management solutions include the following key tasks:

### RESTRUCTURING THE OPERATIONAL SYSTEM, ENHANCING MANAGEMENT EFFICIENCY

- Coordinating with the Board of Restructuring and Advisory Units under the Board of Directors to streamline the organizational structure of the Group in the spirit of arrangement and completion of the operational system; merging units and departments which have similar functions; streamlining intermediate level groups, indirect units, contributing to reducing management costs of the Group.

- Streamlining the process system and operational regulations towards reducing similar procedures; ensuring the suitability in building and promulgating policies and regulations; changing the management mechanism in the direction of applying norms and assigning norms to consolidate and promote efficiency in management and supervising activities.

- Implementing measures to adjust and reduce groups of costs to serve the Group's operations such as working expenses, administrative costs, personnel costs ... to suit the actual situation to ensure business performance of the Group.

- Develop, complete and put into operation the model of Provincial Branch for all the Distribution Network of the Group

advocated by the General Meeting of Shareholders and the plan and plan approved by the Board.

- At the same time, the Board of Management also collaborated with the Board of Restructuring to study and propose the Board of Directors to consider and approve the plan to restructure and rearrange Hoa Sen Group's Distribution System nationwide to suit the market situation and promote competitiveness in the domestic market.

### STRENGTHENING COMPETITIVENESS IN THE DOMESTIC MARKET

- In the fiscal year 2017 - 2018, the Group continued to expand its retail system nationwide, in parallel with the implementation of restructuring the entire Distribution System following the model of Provincial Branch, contributing to improve the efficiency of management and business at Branches/Stores, ensuring market share and strengthening the leading position in the domestic market.

- In addition, in order to enhance competitiveness, the Board of Management has also proposed the Board of Directors to approve the policy of reorganizing and reallocating Hoa Sen Group's Retail -

Distribution system by receiving a number of Branches/Store from the official distribution system of the Group.

- As of December 31, 2018, Distribution System of the Group has been expanded to 491 Branches /Stores, including 56 Provincial Branches established under restructuring plan approved by the General Assembly of Shareholders and the Board of Directors.

- Sales policies at branches are flexibly implemented in each region and operating areas, and are quickly built and applied, timely meeting movements and changes in the market.

- The management, administration and organization of Retail branches /Retail stores are implemented effectively and closely. Information flow is always guaranteed, Branches also know the orientation and general business policies of the Group.

- The retail system is widely distributed and the effective and strict management mechanism has helped the Group to stabilize the production and business situation, respond to the disadvantages from the market.

## ENSURE STABLE GROWTH FOR EXPORT ACTIVITIES

In the fiscal year 2017 - 2018, Hoa Sen Group exported 648 thousand tons of products, increasing 10% compared to the export volume in the fiscal year 2016 - 2017.

At the same time, the Group has always focused on expanding and diversifying export markets, especially for potential markets in Europe and America ... Currently, Hoa Sen products are present in more than 75 countries and territories around the world.

Hoa Sen's products always ensure the quality and meet international standards such as ASTM standards (American Society for Testing and Materials), BS EN Standard of European, JIS (Japanese Industrial Standards) of Japan, AS standards of Australia (Australian Standards), Indonesian SNI Standard (Indonesian National Standards), Malaysia's MS Standards (Malaysian Standards).

## QUICKLY DEPLOY INDUSTRIAL PROJECTS, IMPROVE PRODUCTION CAPACITY AND DIVERSIFY PRODUCTS

In the fiscal year 2017 - 2018, Hoa Sen Group continues to implement investment projects to improve production capacity, diversify products and implement the strategy to bring the factories closer to the consumer market to optimize shipping costs. Results of implementation of investment projects in the fiscal year 2017-2018 of Hoa Sen Group as of September 30, 2018 are as follows:

### HOA SEN NGHE AN PLANT PROJECT

Hoa Sen Nghe An Plant Project is located in Dong Hoi Industrial Zone, Quynh Lap Commune, Hoang Mai Town, Nghe An Province with designed capacity of 1,000,000 tons/year.

Currently, the plant is operating production lines, machinery and equipment, including: 01 Pickling line, total capacity of 800,000 tons/year; 02 Cold rolling line, total capacity of 700,000 tons/year; 02 Galvanized/Aluminum zinc coating line – NOF line, total capacity of 750,000 tons/year; 02 Color coating lines, total capacity of 240,000 tons/year; 01

Slitting line with capacity of 100,000 tons/year.

In the fiscal year 2017 - 2018, Hoa Sen Group has completed and put into operation a number of categories, machinery and equipment including:

- 01 Galvanized/Aluminum zinc coating line – NOF line with capacity of 200,000 tons/year (NOF 3 line).
- 01 Acid regeneration line, available capacity of 5,000 liters/hour.
- 01 Slitting line, available capacity of 100,000 tons/year (Slitting line 2), put into operation from November 2017.

### HOA SEN YEN BAI BUILDING MATERIALS PLANT PROJECT

The project is implemented at IC-12 traffic point, Minh Quan commune - Bao Hung commune, Tran Yen district, Yen Bai province.

In the fiscal year 2017 - 2018, the project was completed and put into operation in the 01 phase, including the following items:

- 06 steel pipe rolling lines with a capacity of 72,000 tons/year.
- 01 finished product - material warehouse with an area of 12,160 m<sup>2</sup>

### HOA SEN NHON HOI - BINH DINH PLANT PROJECT

Hoa Sen Nhon Hoi - Binh Dinh Plant project is implemented in Hoi Son village, Nhon Hoi commune, Quy Nhon city, Binh Dinh province.

Currently, the project is operating the items under Phase 1, including: 01 Galvanized/Aluminum zinc coating line using NOF technology with the capacity of 180,000 tons/year (NOF 1 line); 01 Color coating line with the capacity of 45,000 tons/year; 01 Slitting line with the capacity of 100,000 tons/year.

In the fiscal year 2017 - 2018, the Group focuses on completing production lines, machinery and equipment of

Phase 2 of the project. It is expected that by the end of 2018, all items will come into operation, specifically:

- 01 Galvanized/ Aluminum zinc coating line using NOF technology with the capacity of 200,000 tons/year (NOF 2 line).
- 01 Color coating line with capacity of 120,000 tons/year (Color coating line 2).
- 01 Cold rolling line with capacity of 350,000 tons/year.
- 01 Pickling line with capacity of 800,000 tons/year.
- 01 Acid regeneration line with capacity of 5,000 liters/hour, expected to come into operation in March 2019.

### HOA SEN PHU MY HOT-DIP GALVANIZED STEEL PIPE PLANT PROJECT

The project is expected to be deployed at Street 1A Phu My I Industrial Park, Phu My town, Tan Thanh district, Ba Ria - Vung Tau province.

In the fiscal year 2017 - 2018, the Group has completed and stably put into operation the items of Phase 1 of the project, including:

- 01 Hot dip galvanized steel pipe line with capacity of 85,000 tons/year.
- 06 Steel pipe rolling lines with capacity of 150,000 tons/year.
- 01 Slitting line with capacity of 180,000 tons/year.

## RESEARCH, PROMOTION AND IMPLEMENTATION OF PROJECTS IN NEW FIELDS

In the fiscal year 2017 - 2018, Hoa Sen Group continues to carry out, promote investment, research implementation plans for some projects in potential fields to create a premise for new development of the Group, specifically as follows:

## **PROJECT "HOA SEN YEN BAI SHOPPING MALL, HOTEL, RESTAURANT AND EVENT"**

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The project is implemented in the center of Yen Bai City in Yen Bai Province, building and trading the complex of commercial, service, hotel, restaurant, event, combined with the opening of commercial townhouses.

In the fiscal year 2017 - 2018, the project implementation schedule is as follows:

- For legal procedures: Currently, investors have completed the necessary legal procedures in the construction of shopping mall, service, hotel, restaurant and event blocks

on the land lot of 5,585.2 m<sup>2</sup>.

- For construction work and preparation for operation:

+ Investors have completed 100% of the construction of the interior and exterior of the project, including: building walls; painting inside and outside surfaces; erecting external aluminum frame; glazing ...

+ Currently, the construction of mechanical – electrical system, fire protection, some items of furniture and infrastructure of the project are being implemented ...

## **PROJECT OF SERVICE, HOTEL AND APARTMENT CENTER - HOA SEN TOWER QUY NHON**

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The project is implemented at No. 01 Ngo May, Nguyen Van Cu ward, Quy Nhon city, Binh Dinh province, one of the potential locations for tourism development in the Central Coastal Region.

As of the end of the fiscal year 2017 - 2018, the investors have completed the construction of the fence around the project and are in the research phase, selecting the plan to design and prepare the resources for the effective implementation of the project.

## **PROJECTS IN NINH THUAN PROVINCE**

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Projects implemented in Ninh Thuan province include Du Long Industrial Park infrastructure investment project and component projects of Hoa Sen Ca Na - Ninh Thuan Cold Rolling Mill complex.

### **DU LONG INDUSTRIAL PARK INFRASTRUCTURE INVESTMENT PROJECT**

As of the end of the fiscal year 2017 - 2018, the project implementation schedule is as follows:

- For legal procedures: Investors focus on completing the necessary legal procedures to implement the construction of infrastructure items as well as completing the legal basis to bring the project into exploitation, such as: Adjusting investment registration information; Adjusting zoning planning; Get permission to connect; Apply for construction permits and other procedures related to land, environment, power supply, water supply ...

- For construction work:

+ In the fiscal year 2017 - 2018, the investors have implemented the construction and completed the gate and fence at the front of National Highway 1A in the project area.

+ It is expected that in the coming time, investors will continue to implement items related to site preparation for the project, specifically as follows: Construction of connecting roads; Leveling of a part of the project; Internal road construction; Construction of electricity and water infrastructure; Constructing a factory for rent to put the project into operation.

### **FOR COMPONENT PROJECTS OF HOA SEN CA NA - NINH THUAN COLD ROLLING MILL COMPLEX**

In the fiscal year 2017 - 2018, the Group continues to complete legal procedures, research and prepare optimal investment plans for component projects of Hoa Sen Ca Na - Ninh Thuan Cold Rolling Mill complex.

Particularly for Ca Na – Ninh Thuan General Port Project, in the fiscal year 2017 - 2018, the Group has completed some procedures to prepare for the project implementation in the coming time.



### **IMPROVING AND STRENGTHENING PROFESSIONAL SKILLS OF HUMAN RESOURCES**

Implementing the guidelines of the Board of Directors on strengthening professional skills, qualifications and responsibilities of the human resources, the Board of Management closely directed the Interior Division and coordinated with the affiliated units under the Board of Directors such as the Board of Restructuring, Human Resources Department to perform the following tasks:

- Arranging and allocating personnel in a rational, streamlined manner, with appropriate orientation and suitable policies, ensuring the optimization and effective utilization of resources for the overall goal of the Group.
- Applying the mechanism of strict assignment, promoting responsibilities, expertise and qualifications of each individual and all units. At the same time, effectively applying the KPI work performance assessment system to assess a detailed and comprehensive work performance of each individual in order to adjust, arrange and select appropriate personnel.
- Developing and perfecting appropriate salary and welfare policies, fairness and reasonable remuneration for the employees who are assessed as capable, professional, well-connected and consistent with Hoa Sen culture.
- Accompanying, sharing and ensuring stable working spirit and motivation of employees to overcome the current difficult period.

### **BUILDING A STRONG BRAND**

Effective communication and marketing activities in recent years continue to be implemented in the fiscal year 2017 - 2018 to strengthen and promote Hoa Sen brand in the market, specifically as follows:

- Implementing new TVCs advertising with content and creative ideas, broadcasting in peak hours on central and local television channel;
- Enhancing the application of modern information technology and digital technologies, such as Digital marketing, viral marketing ... to enhance the Group's activities, communication, brand and image management.
- Completing Hoa Sen Group's website to enhance the aesthetics, creativity and user-friendliness to enhance the Group's brand value and image.

In the fiscal year 2017 - 2018, Hoa Sen Group has achieved many outstanding achievements, bringing a special impression to the Group's partners and consumers such as: Top 50 Most Effective Enterprise in Vietnam for 5 consecutive years; Top 10 Excellent Vietnamese Brand Products in 2017; Top 50 Best Listed Companies in Vietnam for 6 consecutive years...

In addition to that, the social responsibility is also of great interest of Hoa Sen Group through the sponsorship of many humanity – community orientated events such as:

- Sponsoring for "Binh Duong Television Cycling Tournament - Hoa Sen Plastic Pipe Cup", in 2017 and 2018
- A series of events in the "Viet Family Sweet Homes- Warm and Love for Lunar New Year 2018"
- Accompanying the series of "Loving leaf bag" of Vietnam Television.
- Sponsoring " VTV International Women's Volleyball Tournament – Hoa Sen Plastic Pipes Cup" in 2017 and 2018.
- Sponsoring "VTV Cycling Tournament - Hoa Sen Steel Sheet Cup 2018"

## BUSINESS PLAN OF THE FISCAL YEAR 2018 - 2019

Business and production plan of fiscal year 2018 - 2019

The production and business plan of the fiscal year 2018 - 2019 submitted to the General Assembly of Shareholders for consideration and approval is as follows:

ITEM	UNIT	PERFORMANCE OF FY 2017 - 2018	PLAN OF FY 2018 - 2019 (8)	IN COMPARISON WITH THE PERFORMANCE OF FY 2017 - 2018	
				ABSOLUTE NUMBERS	RELATIVE NUMBERS
(A)	(B)	(C)	(D)	(E = D - C)	(F = (D/C) * 100)
Total sales volume	Ton	1,873,735	2,006,000	132,265	107%
- Finished products	Ton	1,749,585	1,900,000	150,415	109%
- By-products	Ton	124,150	106,000	(18,150)	85%
Net sales	Billion VND	34,441	31,500	(2,941)	91%
Consolidated after-tax profit	Billion VND	409	500	91	122%

### PERFORMANCE ORIENTATION

In order to perform objectives of the fiscal year 2018 – 2019, based on the Board of Directors' guideline, the Board of Management has oriented the key duties as follows:

#### FOR ADMINISTRATIVE - EXECUTIVE ACTIVITIES

- Continuing to coordinate with the Board of Restructuring and the Departments and Units under the Board of Directors to organize the review and arrangement of operational system; streamlining title of positions in the Group; adjusting to streamline professional processes and regulations; restructuring the Distribution System according to the policies approved by the General Assembly of Shareholders and the Board of Directors in the spirit of ensuring efficient utilization of resources, streamlining the system, reducing operational costs reasonably.
- Completing and effectively operating the ERP system of the Group, especially focusing on completing and putting the ERP system into operation which is applicable to the Provincial Branch model after restructuring the Distribution System in order to enhance governance and supervising capacity, contributing to the improvement of production and business situation.

#### FOR BUSINESS OPERATIONS

- Continuing to improve the competitiveness in the domestic market through the development of the retail system in a reasonable manner, in parallel with the rapid implementation of restructuring the Distribution System according to the guidelines proposed by the Board of Directors and the General Assembly of Shareholders..
- For export activities, the Group will continue to seek, expand new potential markets and develop, diversify export products, at the same time take reasonable measures to respond to trade remedies measures from fastidious markets to improve export profit margins, contributing to stabilize the Group's business and production situation.
- Promoting sales, increasing consumption volume for new products of the Group such as plastic pipes, hot-dip galvanized steel pipes.
- Developing and applying sales, promotion, discount, after-sales policies in a reasonable, efficient and

flexible manner, and deploying new sales methods such as online sales and installment sales to meet consumer demands.

- Closely monitoring and drastically applying solutions to reduce costs for business activities, reasonably reducing inventory of finished products to improve profit margins, reducing short-term debt balance, reducing financial costs, enhancing efficiency in the Group's business performance.

#### FOR PRODUCTION AND SUPPLY ACTIVITIES

- Enhancing the optimization in arranging and allocating production activities, in parallel with establishing and ensuring strict compliance with norms in production activities such as material consumption; energy consumption; use of tools and spare parts ..., in order to ensure the reduction of costs in production activities, contributing to reducing product price.
- Enhancing the application of technology innovation, improving skills of engineers and operating workers to increase the efficiency and capacity of production lines and improving product quality, increasing the ratio of finished goods, ensuring stable and safe production.
- Continuing to control costs, closely monitoring fluctuations in raw material prices on the market, calculating the demand and time to buy appropriate materials to select a reasonable purchase price and meet demand of production and business, at the same time ensuring the optimal cost of raw materials of the Group.
- Optimizing time and transportation - supplying costs such as: researching, calculating methods and choosing optimal transport route for each order; carrying out competitive bidding to select transport companies to ensure service quality and reasonable prices; developing and issuing rules and instructions in transporting goods by road and waterway to limit risks and ensure product quality during transportation.

#### FOR INVESTMENT ACTIVITIES

- Quickly completing the on-going industrial project such as Hoa Sen Nhon Hoi - Binh Dinh Plant Project, Hoa Sen Binh Dinh Steel Pipe Investment Project ... to soon bring the projects into stable operation, in order to increase production capacity, strengthen competitive advantage in cost, improve the efficiency of cash flow.
- Researching new investment plans to expand the scale and scope of operation, better meet market demand.

#### FOR HUMAN RESOURCE DEVELOPMENT

- Developing the quality of human resources, with a focus on the successive staff and reserve managers; strengthening training, improving and enhancing professional qualifications and skills for employees.
- Gradually improving the standards and criteria in recruitment to strengthen the initial training to build quality staff;
- Improving the work performance assessment through KPI system.
- Ensuring policies on salary and benefits for employees of the Group.

#### FOR COMMUNICATION - MARKETING ACTIVITIES

- Appropriately deploying the brand building through diversified and effective marketing programs.
- Continuing to carry out communication events, charity activities, sponsoring humanity and community - orientated activities to implement social responsibility and contribute to build a strong and friendly brand of Hoa Sen Group.
- Building a communication campaign in order to demonstrate the strong commitment of Hoa Sen Group to ensure consumers' rights by providing products at the right price, with the right standards and best quality.
- Completing the performance of consulting activities through the free switchboard 18001515 to support consumers how to distinguish authentic Steel sheet - fake Steel sheet, and giving more information and instructions for customers to choose the right products of Hoa Sen Group.



**HOA SEN GROUP  
IS A GLOBAL  
GROWTH COMPANY  
OF THE WORLD  
ECONOMIC FORUM**





## Coherent belief

# IMPROVEMENT OF MANAGEMENT

THE GROWTH DATA IS A PROOF TO THE BREAKTHROUGH THINKING OF THE BOARD OF DIRECTORS OF HOA SEN GROUP WITH A RATIONAL AND PROPER DEVELOPMENT STRATEGY IN EACH PERIOD, HELPING THE CORPORATION TO SUCCESSFULLY BUILD THE VALUE CHAIN, TO COHERENT BELIEF FROM RELATED PARTIES.



# CORPORATE GOVERNANCE

# BUSINESS ETHICS



Based on core values and business philosophy, business ethics of Hoa Sen Group adjusts internal and external relationships of the Group, which focus on five basic relationships between the Group and:



# ACTIVITIES OF THE BOARD OF DIRECTORS

## I. ORGANIZATION STRUCTURE



### 1. MEMBERS OF THE BOARD OF DIRECTORS

On January 16, 2018, at the Annual General Meeting of Shareholders in the fiscal year 2017 - 2018, the General Assembly of Shareholders approved the members and structure of the Board of Directors for the term of 2018-2023, and elected members of the Board of Directors for the new term.

Also at the Annual General Meeting of Shareholders, the Board of Directors for the term of 2018-2023 held the first meeting to elect/appoint positions in the Board of Directors and titles under the Board of Directors.

The number, structure and members of the Board of Directors for the term of 2018-2023 is as follows:

- Number of members of the Board of Directors for the term of 2018 - 2023 is 06 members.
- The structure of Non-executive members of the Board of Directors, Independent members of the Board of Directors meets the criteria in Article 13 of Decree 71/2018 / ND-CP dated 06/06/2017.
- The title of members of the Board of Directors for the term of 2018-2023 are as follows:

NO	FULL NAME	TITLE
1	Mr. LE PHUOC VU	Chairman of the Board of Directors
2	Mr. TRAN NGOC CHU	Vice Chairman of the Board of Directors
3	Mr. TRAN QUOC TRI	Executive member of the Board of Directors
4	Mr. LY VAN XUAN	Non-executive member of the Board of Directors
5	Mr. NGUYEN VAN LUAN	Independent Member of the Board of Directors
6	Mr. DINH VIET DUY	Independent Member of the Board of Directors

### 2. SUB - COMMITTEES OF THE BOARD OF DIRECTORS

At the Annual General Meeting of Shareholders 2017 - 2018, the General Assembly of Shareholders approved the policy of establishing 04 Sub - Committees under the Board of Directors to implement the functions and powers of the Board of Directors.

At the same time, the Board of Directors also assigned and appointed the Board members to be Head of the Sub - Committees to be in charge of each Sub-Committee's operations.

Details of the name, function and Head of Sub - Committees are as follows:

NO	SUB-COMMITTEE NAME	FUNCTION	HEAD OF THE SUB-COMMITTEE
1	Sub-Committee of Investment and Strategic Development	Researching, promoting, developing and organizing to implement medium and long-term strategies of the Group	Mr. <b>LE PHUOC VU</b> - Chairman of the Board of Directors
2	Sub-Committee of Restructuring, Human Resources and Remuneration	Researching and organizing the implementation of restructuring plans, establishing mechanisms, policies of remuneration, welfare and human resource development of the Group	Mr. <b>TRAN NGOC CHU</b> - Vice Chairman of the Board of Directors is in charge of the Sub-Committee to manage, coordinate and handle professional issues
3	Sub-Committee Of Internal Audit	Performing the function of supervising the operation of internal audit, internal control and transactions with related persons of the Group	Mr. <b>NGUYEN VAN LUAN</b> - Independent Member of the Board of Director
4	Sub-Committee of Finance and Investor Relations	Supervising the Group's financial operations and investor relations	Mr. <b>DINH VIET DUY</b> - Independent Member of the Board of Director

In addition, the Board of Directors also established / appointed a number of Units / Titles to support, advise, assist for the Sub - Committees during the implementation of tasks and powers at the Board of Directors, as follows:

NO	NAME OF UNIT/TITLE	FUNCTION	MEMBER
1	Restructuring Board	Assisting and advising the Sub-Committee of Restructuring, Human Resources and Remuneration in the operation: Restructuring the operational system, establishing mechanisms, policies, remuneration and welfare policies of the Group	- Mr. <b>LE PHUOC VU</b> – Chairman of the Sub - Committee - Mr. <b>TRAN NGOC CHU</b> – Vice Chairman of the Sub - Committee - Mr. <b>TRAN QUOC TRI</b> – Vice Chairman of the Sub - Committee - Mr. <b>Bui Thanh Tam</b> – Vice Chairman of the Sub - Committee
2	Human Resources Council	Assisting and advising the Sub-Committee of Restructuring, Human Resources and Remuneration in activities: Developing, arranging, mobilizing and appointing the Group's human resources	- Mr. <b>LE PHUOC VU</b> – Chairman of the Sub - Committee - Mr. <b>TRAN NGOC CHU</b> – Vice Chairman of the Sub - Committee - Mr. <b>TRAN QUOC TRI</b> – Vice Chairman of the Sub - Committee - Mr. <b>BUI THANH TAM</b> – Member of the Sub-Committee
3	Internal Audit Department	Assisting and advising the Sub-Committee of Internal Audit in operations: internal audit, internal control and transactions with related persons of the Group	- Mr. <b>LE VU NAM</b> – Chairman of the Sub - Committee - Mr. <b>LE DINH HANH</b> – Vice Chairman of the Sub - Committee - Ms. <b>DONG THI THANH HANG</b> - Auditor
4	In charge of corporate governance	Assisting, advising general activities of the Board of Directors through the operations of the Assistant & Legal Division established by the Board	Mr. <b>BUI THANH TAM</b>

## II. ACTIVITIES OF THE BOARD OF DIRECTORS

### 1. ASSIGNING AND APPOINTING TO MEMBERS OF THE BOARD OF DIRECTORS

In order to ensure that the Board of Directors' activities are implemented effectively, smoothly, the Board of Directors has assigned and appointed to the Board members to perform functions, duties and powers as follows:

NO	MEMBER	FUNCTION
1	Mr. <b>LE PHUOC VU</b> Chairman of the Board of Directors	1. Implementing the general management and leadership functions in the orientation and strategy of the Group 2. In charge of directing the work of the Board of Directors and concurrently holding the position of Head of the Strategic Sub-Committee and Head of the Restructuring Sub-Committee. 3. Directing activities of the Executive Board, Units/Titles under the Board of Directors.
2	Mr. <b>TRAN NGOC CHU</b> Vice Chairman of the Board of Director	1. In charge of handling the daily work of the Board of Directors. 2. Authorized by the Board of Directors / Chairman of the Board of Directors to represent the Board of Directors / Chairman of the Board of Directors to implement the authority of the Board of Directors / Chairman of the Board of Directors according to the Board's Resolution or under the Power of Attorney of the Board of Directors. 3. Directing the Group's management and administration activities and approving the work related to the Units / Titles under the Board of Directors, including the positions of the Executive Board. 4. Directing works in the fields of Foreign affairs, Finance - Credit - Banking, Investment promotion, Industrial projects, Real estate projects and other projects in the Group and overseas.
3	Mr. <b>TRAN QUOC TRI</b> Executive member of the Board of Directors	Directly coordinating, implementing and taking responsibility to the Board of Directors for the operation of the Group.

NO	MEMBER	FUNCTION
4	Mr. LY VAN XUAN Non – Executive member of the Board of Directors	Performing the function of monitoring transactions with related persons of the Group and implementing shareholder relations activities.
5	Mr. NGUYEN VAN LUAN Independent member of the Board of Directors	1. Holding the position of Head of Internal Audit Sub-Committee, providing professional guidance to the Internal Audit Department and monitoring the internal control system. 2. Monitoring transactions with related persons of the Group.
6	Mr. DINH VIET DUY Independent member of the Board of Directors	1. Head of Finance & Investor Relations Sub-Committee. 2. Monitoring transactions with related persons of the Group.

## 2. MEETINGS OF THE BOARD OF DIRECTORS

In the fiscal year 2017 - 2018 (from October 1, 2017 to September 30, 2018), the Board of Directors approved 178 Resolutions of the Board of Directors' regular and irregular meetings to set guidelines and direct the operation of production and business activities, which includes:

- 77 Resolutions approved by the Board of Directors for the term 2013 - 2018.

- 101 Resolutions approved by the Board of Directors for the term of 2018 - 2023.

The rate of attending the Board meetings of each member is detailed as follows:

NO	MEMBER OF THE BOARD OF DIRECTORS	POSITION	STARTING DATE IS MEMBER OF THE BOARD OF DIRECTORS	NUMBER OF THE BOARD'S MEETINGS ATTENDED	ATTENDANCE RATE	REASON FOR NOT ATTENDING THE MEETING
<b>THE BOARD OF DIRECTORS – THE TERM OF 2013 - 2018</b>						
1	Mr. LE PHUOC VU	Chairman of the Board of Directors	06/03/2013	77	100%	
2	Mr. TRAN NGOC CHU	Vice Chairman of the Board of Directors	06/03/2013	77	100%	
3	Mr. TRAN QUOC TRI	Member of the Board of Directors	29/04/2014	77	100%	
4	Mr. PHAM GIA TUAN	Independent member of the Board of Directors	06/03/2013	77	100%	
5	Mr. LY VAN XUAN	Non – Executive member of the Board of Directors	31/07/2015	77	100%	
<b>THE BOARD OF DIRECTORS- THE TERM OF 2018 - 2023</b>						
1	Mr. LE PHUOC VU	Chairman of the Board of Directors	16/01/2018	101	100%	
2	Mr. TRAN NGOC CHU	Vice Chairman of the Board of Directors	16/01/2018	101	100%	
3	Mr. TRAN QUOC TRI	Executive member of the Board of Directors	16/01/2018	101	100%	
4	Mr. LY VAN XUAN	Non – Executive member of the Board of Directors	16/01/2018	101	100%	
5	Mr. NGUYEN VAN LUAN	Independent member of the Board of Directors	16/01/2018	101	100%	
6	Mr. DINH VIET DUY	Independent member of the Board of Directors	16/01/2018	101	100%	

Summary table of some important meetings of the Board of Directors in the fiscal year 2017 - 2018:

NO	RESOLUTION NUMBER	DATE	DESCRIPTION
1	98A/NQ/HĐQT/2017	10/10/2017	Transferring a part of capital and transforming the enterprise type of Hoa Sen Du Long Industrial Park Infrastructure Investment Co., Ltd into Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company.
2	100/NQ/HĐQT/2017	17/10/2017	Increasing charter capital of Hoa Sen Nhon Hoi - Binh Dinh Co., Ltd and Hoa Sen Phu My Co., Ltd, specifically: - Charter capital of Hoa Sen Nhon Hoi - Binh Dinh Co., Ltd after increasing: VND 250 billion. - Charter capital of Hoa Sen Phu My Co., LTD after increasing: VND 160 billion.
3	120/NQ/HĐQT/2017	26/12/2017	Introducing the candidates for the Board of Directors in the term of 2018 - 2023 for the election at the Annual General Meeting of Shareholders in the fiscal year 2017 - 2018.

NO	RESOLUTION NUMBER	DATE	DESCRIPTION
4	04/NQ/HĐQT/2018	16/01/2018	Resolution of the first meeting of the Board of Directors for the term of 2018 - 2023, including the following contents: - Electing and assigning positions under the Board of Directors of the term 2018 - 2023. - Appointing the position of General Director. - Assigning functions and tasks to the titles being the legal representatives of the Company. - Agreeing on the policy of maintaining the validity for advisory titles/units and assistants under the Board of Directors to be appointed or established under the Decisions and Resolutions of the Chairman of the Board and the Board of Directors in the previous term.
5	04A/NQ/HĐQT/2018	16/01/2018	Appointing Senior personnel of the Executive Board and Title/Units under the Board.
6	05/NQ/HĐQT/2018	17/01/2018	Assigning and appointing to members of the Group's leadership to perform jobs and procedures related to the credit - banking sector.
7	05A/NQ/HĐQT/2018	17/01/2018	Assigning and appointing to the Vice Chairman of the Board of Directors and General Director to perform the tasks and procedures related to the business registration of the Parent Company, Subsidiaries/Related companies and units.
8	07/NQ/HĐQT/2018	06/02/2018	Approval of dividend payment plan of the fiscal year 2016 - 2017.
9	11/NQ/HĐQT/2018	26/02/2018	Transforming the organization and administration model of Hoa Sen Nghe An Co., Ltd as details: Transforming from the model of Chairman of the Company to the model of the Board of Members.
10	16A/NQ/HĐQT/2018	05/03/2018	Deploying cash dividend payment of the fiscal year 2016 - 2017 (10% of par value).
11	16B/NQ/HĐQT/2018	05/03/2018	Selecting Ernst & Young Vietnam Limited Company as the auditor of the separate and consolidated financial statements of the Parent Company and its Subsidiaries in the fiscal year 2017 - 2018.
12	17A/NQ/HĐQT/2018	09/03/2018	Approving the investment policy to expand Hoa Sen Binh Dinh Steel Pipe Plant Project in Nhon Hoa Industrial Zone, An Nhon Town, Binh Dinh Province.  Investment scale: 06 steel pipe production lines with a total designed capacity of 100,000 tons/year
13	18/NQ/HĐQT/2018	12/03/2018	Increasing charter capital of Hoa Sen Nhon Hoi - Binh Dinh Co., Ltd and Hoa Sen Phu My Co., Ltd, specifically: - Charter capital of Hoa Sen Nhon Hoi - Binh Dinh Co., Ltd after increasing: VND 320 billion. - Charter capital of Hoa Sen Phu My Co., Ltd after increasing: VND 190 billion.
14	27A/NQ/HĐQT/2018	30/03/2018	Approving transactions arising between Hoa Sen Group Joint Stock Company (and its Subsidiaries) with Related Persons of the Company.
15	44/NQ/HĐQT/2018	14/05/2018	Increasing the charter capital of Hoa Sen Nghe An Co., Ltd., Hoa Sen Binh Dinh Co., Ltd and Hoa Sen Nhon Hoi - Binh Dinh Co., Ltd, specifically: - Charter capital of Hoa Sen Nghe An Co., Ltd after increasing: VND 700 billion. - Charter capital of Hoa Sen Binh Dinh Co., Ltd after increasing: VND 105 billion. - Charter capital of Hoa Sen Nhon Hoi - Binh Dinh Co., Ltd after increasing: 420 billion VND.
16	55/NQ/HĐQT/2018	12/06/2018	Increasing charter capital of Hoa Sen Nghe An Co.,Ltd and Hoa Sen Phu My Co.,Ltd, specifically: - Charter capital of Hoa Sen Nghe An Co.,Ltd after increasing: VND 1,100 billion. - Charter capital of Hoa Sen Phu My Co.,Ltd after increasing: VND 250 billion.
17	57/NQ/HĐQT/2018	18/06/2018	Approving the report of issuing shares to pay dividends of the fiscal year 2016-2017 (10%) and increasing the charter capital of the Company. Charter capital after increasing: VND 3,849,903,280,000.
18	66/NQ/HĐQT/2018	19/07/2018	Approving transactions arising between Hoa Sen Group Joint Stock Company (and its Subsidiaries) with Related Persons of the Company.
19	69/NQ/HĐQT/2018	27/07/2018	Establishing and appointing the Head of the Provincial Branch in Thanh Hoa, Binh Dinh and Tay Ninh to implement the restructuring of Distribution System following the model of Provincial Branch approved by the General Assembly of Shareholders.
20	74/NQ/HĐQT/2018	22/08/2018	Establishing and appointing the Head of Provincial Branches in the South to implement the restructuring of Distribution System following the model of Provincial Branch approved by the General Assembly of Shareholders. Number of Provincial Branches established: 14 Branches.
21	75/NQ/HĐQT/2018	23/08/2018	Establishing and appointing the Head of Provincial Branches in the North to implement the restructuring of Distribution System following the model of Provincial Branch approved by the General Assembly of Shareholders. Number of Provincial Branches established: 10 Branches.
22	77/NQ/HĐQT/2018	25/08/2018	Transforming the governance model at Hoa Sen Steel Sheet Co., Ltd and Hoa Sen Building Materials Co., Ltd. from the model of the Board of Members to the model of Chairman of the Company.
23	78/NQ/HĐQT/2018	30/08/2018	Approving the policy of terminating the operation of the Representative Office of Hoa Sen Group Joint Stock Company in Binh Dinh Province
24	81/NQ/HĐQT/2018	12/09/2018	Establishing and appointing the Head of Provincial Branches in the South to implement the restructuring of Distribution System following the model of Provincial Branch approved by the General Assembly of Shareholders. Number of Provincial Branches established: 12 Branches.
25	82/NQ/HĐQT/2018	17/09/2018	Establishing and appointing the Head of Provincial Branches in the North to implement the restructuring of Distribution System following the model of Provincial Branch approved by the General Assembly of Shareholders. Number of Provincial Branches established: 15 Branches.



### **3.ACTIVITIES OF SUB - COMMITTEES UNDER THE BOARD OF DIRECTORS**

As Sub - Committees under the Board of Directors and established by the Board of Directors, the Sub - Committees perform the function of researching, advising and proposing the Board of Directors/General Assembly of Shareholders to consider and decide the guidelines and orientations related to production and business activities of the Group, and on behalf of the Board of Directors to monitor and supervise functional units of the Executive Board in the implementation of the resolutions and guidelines approved by the Board of Directors/General Assembly of Shareholders.

In the fiscal year 2017 - 2018, the operations of the Sub - Committees under the Board of Directors are as follows:

#### **3.1. ACTIVITIES OF THE INVESTMENT & STRATEGIC DEVELOPMENT SUB - COMMITTEES**

- Organizing, directing and supervising the Departments/ Units in the implementation of the Industrial Projects reviewed and approved by the Board of Directors/General Assembly of Shareholders, such as: Hoa Sen Nghe An Plant Project; Hoa Sen Nhon Hoi - Binh Dinh Plant Project; Hoa Sen Yen Bai Building Materials Plant Project; Hoa Sen Yen Bai Hotel and Shopping Mall Project; Investment project on infrastructure of Du Long Industrial Park - Ninh Thuan Province...

- Advising and proposing to the Board of Directors to consider and decide to invest in new projects with potential development such as: Project to expand Hoa Sen Binh Dinh Steel Pipe Plant in Nhon Hoa Industrial Zone, Binh Dinh Province.

- Advising and proposing the Board of Directors to consider and decide the termination of research and implementation of some projects such as Hoa Sen Hoi Van Hot Spring Resort Project; Van Hoi Pond Ecological and Spiritual Tourism Project ...

- Directing, speeding up, supervising investment promotion, completing legal procedures, preparing to implement some projects such as: Ca Na General Port - Ninh Thuan Project; Hoa Sen Quy Nhon Project ...

- Considering and advising the Board of Directors to decide on issues related to the progress of implementation, capital contribution, capital calling up, acceptance and settlement of items of the Group's Projects.

- Implementing and supervising other investment activities of the Group.

#### **3.2. ACTIVITIES OF THE SUB – COMMITTEES OF RESTRUCTURING, HUMAN RESOURCES AND REMUNERATION**

##### **3.2.1. THE WORK OF RESTRUCTURING**

###### **THE OPERATIONAL SYSTEM**

- Developing, perfecting and advising the Board of Directors to review and approve the organizational structure, problems of human resources, designate the titles of Departments - Divisions - Functional Boards, Subsidiaries/ Plants, Units, streamlining the operational system but still ensuring the optimal and effective in the management, control, production and business.

- Instructing functional units on behalf of the Board of Directors to review, improve the system of regulations, policies and business processes related to the Group's activities in the spirit of optimizing processes, reducing intermediate steps and administrative procedures.

- Directing and coordinating with functional units to implement the restructuring of Distribution System following the model of Provincial Branch approved by the General Assembly of Shareholders and the Board of Directors.

##### **3.2.2. THE WORK OF HUMAN RESOURCES**

- Reviewing, arranging and allocating the whole Group's personnel appropriately to submit to the Board of Directors for consideration and approval in order to ensure compliance

with the Group's production and business situation, streamlining the operating system, optimizing the efficiency of human resources but still ensure the working spirit and motivation of employees.

- Researching, building and recommending to the Board of Directors through policies of salary, bonus, welfare, reward and discipline of the Group.

##### **3.2.3. THE WORK OF OPTIMIZING COST EFFICIENCY**

- Implementing the guidelines of the Board of Directors, in the fiscal year 2017 - 2018, the Sub - Committees of Restructuring, Human Resources and Remuneration has directed and coordinated with units to implement many solutions to reduce operating costs of the Group to ensure consistent with the situation of market instability, stabilizing production and business activities, ensuring profits.

##### **3.2.4. HANDLING OTHER ISSUES RELATED TO THE GROUP'S RESTRUCTURING, PERSONNEL AND REMUNERATION.**

#### **3.3. ACTIVITIES OF FINANCE AND INVESTOR RELATIONS SUB - COMMITTEES**

##### **3.3.1. FINANCIAL ACTIVITIES**

- Negotiating and working with banks and credit institutions in calling capital to implement on-going projects.

- Reviewing, proposing and advising the Board of Directors to decide on capital contribution activities, cash flow coordination for the subsidiaries, factories and on – going projects.

##### **3.3.2. INFORMATION DISCLOSURE ACTIVITIES**

- Implementing regular and irregular information disclosure procedures in accordance with the provisions of Circular 155/2015/TT-BTC of the Ministry of Finance.

- Actively disclosing information for important information, which directly or indirectly affects the interests and investment decisions of investors.

##### **3.3.3. DIVIDEND PAYMENT ACTIVITIES**

- Advising the Board of Directors appropriately on the ratio, form and time of dividend payment to ensure that it does not affect the operation of the Company.

##### **3.3.4. SHAREHOLDER RELATIONS AND INVESTORS ACTIVITIES**

- Participating in annual and irregular meetings of the General Assembly of Shareholders; preparing meeting documents and fully publishing documents on the website for shareholders to refer, as a basis for shareholders to discuss and vote at the conference in accordance with the provisions of law; fully and thoughtfully answer all questions asked by shareholders at the conference within a reasonable time.

- Participating in meeting and exchanging with domestic and foreign investors, presenting and answering issues that investors care about, creating trust in investors.

- Contacting, meeting, answering questions and supporting shareholders in the registration procedures.

#### **3.4. INTERNAL AUDIT SUB - COMMITTEE**

##### **3.4.1. FINANCIAL SUPERVISION**

- Periodically reviewing the financial statements of the Company, ensuring the accuracy and transparency in financial data when reporting to state management agencies, shareholders and investors.

- Verifying reports on monthly financial expenses carried out by the Board of Management ("the Executive Board"), thereby proposing the Board of Directors on orientations related to financial management.

- Inspecting the financial data of the Company to ensure the financial situation of the Company is always in a healthy state.

- Organizing the units to analyze financial situation, and set up the plan to reduce costs of the Group.

##### **3.4.2. INSPECTION, SUPERVISION AND APPROVAL OF TRANSACTIONS WITH RELATED PERSONS**

- Participating in monitoring, checking and approving transactions between the Company and related persons.

- Reviewing, commenting and advising the Board of Directors to approve the Regulation on procedures for approval, entry and implementation of transactions with related persons.

### III. RESULTS OF SUPERVISORY OPERATION ACTIVITIES OF THE BOARD OF DIRECTORS

In the fiscal year 2017 - 2018, at the first meeting of the term of 2018 - 2023, the Board of Directors appointed and assigned to members of the Board of Management ("Executive Board") to carry out the business segments in the production and business activities of the Group. As follows:

No	Name and position	Description
1	Mr. TRAN QUOC TRI The third legal representative	1. General management of all daily production and business activities of the Company and its subsidiaries under the guidelines and resolutions of the Board of Directors/the Chairman of the Board of Directors/Vice Chairman of the Board of Directors. 2. In addition to the general management of the entire operation of the Company, General Director also directly manages the professional activities of some functional divisions of the Group including: Import and Export Department, Internal Department, Marketing Department. 3. General operating activities of Regional Representative Offices under the Group. 4. Implementing the authority of the Third Legal Representative in accordance with the Enterprise Law, the Company's Charter and Current Regulations.
2	Mr. HOANG DUC HUY Deputy General Director In charge of Internal Control	Directing and managing professional operations of the Internal Control Department.
3	Mr. VU VAN THANH Deputy General Director In charge of Finance and Representative Office in the North	1. Directing the professional operations of the Finance and Trade Remedies Department. 2. Directing the management of all activities of the Representative Office in the North and its affiliated units according to the Operation Regulation and Organization Structure of the Representative Office and the Regulations and Policies promulgated by the Group in accordance with the Statutes and Regulations of current management system.
4	Mr. NGUYEN MINH KHOA Deputy General Director In charge of Supply – Production - Project	1. Directing the operational management of the Supply - Service Department and Production – Project Department. 2. Implementing the Group's Industrial Projects under the guidelines has been approved. 3. Organizing the implementation of investment promotion of the Group's projects according to the guidelines of the Board of Directors/Chairman of the Board of Directors/Vice Chairman of the Board of Directors.
5	Mr. HO THANH HIEU Deputy General Director In charge of Domestic sales, Representative Office in the Central and ERP project	1. Directing the operational management of the Business – Distribution Department. 2. In charge of managing the Information Technology Department and implementing the ERP Project according to the policy of the Board of Directors/Chairman of the Board of Directors /Vice Chairman of the Board of Directors. 3. Directing the management of all activities of the Representative Office in the Central and its affiliated units according to the Operation Regulation and organizational structure promulgated by the Group.
6	Mr. TRAN QUOC PHAM Deputy General Director In charge of Investment and Construction	1. Directing and operating professional operations of Investment & Construction Department. 2. Operating the basic construction in the projects implemented by the Group. 3. Organizing the implementation of projects in the field of hotels, tourism and real estate under the approved guidelines.
7	Mr. NGUYEN NGOC HUY Acting Deputy General Director In charge of Export	Directly managing the Export Department under the direction and assignment from the Chairman of the Board of Directors/Vice Chairman of the Board of Directors/General Director.

The members of the Board of Directors sent representatives to participate in the weekly meetings with the Board of Directors, Directors of Functional Departments and Directors of Subsidiaries to monitor and check the management and administration in order to timely adjust to suit the guidelines and orientations of the Board of Directors.

The Board of Directors holds regular meetings every 2 months with the participation of the Board of Management and key staff of the Company to assess the implementation of the guidelines of the Board of Directors and the monthly business results; discuss, consider the following month's business plan and issue executive

policies and decisions.

For issues that need approval of the Board of Directors, the Board members hold irregular meetings to discuss and make decisions to solve problems.

In the fiscal year 2017 - 2018, the Board of Management successfully fulfilled the role through timely and flexible production and business management solutions which are consistent with the guidelines and orientations of the Board of Directors. The guidelines and decisions given by the Board of Directors are fully and quickly implemented by the Board of Management and reported to the Board of Directors with a high sense of responsibility.

### IV. ASSESSMENT OF AUDITING ENVIRONMENT IN THE COMPANY

#### 1. STRICT CONTROL AND INTERNAL AUDIT ENVIRONMENT

Internal audit is one of the important operations at the Group, increasingly attached to production and business activities. Internal audit is an effective tool of the Board of Directors to inspect, supervise and support the operation of the Board of Management in particular and the functional units of the Group in general, to maximize the protection for the business and the interests of shareholders.

Hoa Sen Group maintains a professional system of internal audit and internal control, participates in monitoring and strictly controlling all

activities of the Group in order to ensure that professional operations are in compliance with the issued process. In addition, the Group also has specialized units to carry out bidding activities, control prices... to optimize input costs for the Group.

In addition, through the Internal Audit Sub - Committees and advisory units, the Board of Directors also identifies key risks in the year, identifies business processes related to risks and assess the appropriateness of the control system as well as compliance in operational processes.

#### 2. TRANSPARENT AUDIT ENVIRONMENT

Hoa Sen Group always creates a policy of creating a transparent and favorable environment for auditing and inspection activities of Independent Auditing Organizations as well as State Agencies. The data in the financial statements of the Group reflect fully and honestly the financial situation, operation of the Group and in accordance with the standards on accounting, auditing and legal regulations.

## V. REMUNERATION AND OTHER INCOME OF THE BOARD OF DIRECTORS

### 1. REMUNERATION OF THE BOARD OF DIRECTORS IN THE FISCAL YEAR 2017 - 2018

NO	POSITION	REMUNERATION (VND/ MONTH)
1	Chairman of the Board of Directors	30,000,000
2	Vice Chairman of the Board of Directors	25,000,000
3	Member of the Board of Directors	20,000,000

### 2. OTHER INCOME AT THE GROUP OF MEMBER OF THE BOARD OF DIRECTORS

NO	NAME	POSITION	REMUNERATION (VND/ MONTH)
1	Mr. LE PHUOC VU	Chairman of the Restructuring Board	12,000,000
		Vice Chairman of the Restructuring Board	9,000,000
2	Mr. TRAN NGOC CHU	Chairman of Hoa Sen Phu My Co., Ltd	20,000,000
		Chairman of Hoa Sen Steel Sheet Co.,Ltd	20,000,000
		Chairman of Hoa Sen Building Materials Co.,Ltd	20,000,000
		General Director	100,000,000
3	Mr. TRAN QUOC TRI	Vice Chairman of the Restructuring Board	9,000,000
		Member of the Board of Management of Hoa Sen Phu My Steel Sheet Plant	20,000,000

\* Note: The actual salary of the positions of the Board of Management is the salary rank and business efficiency salary plus. In particular, the business performance salary will depend on the monthly production and business situation of the Group.



## INVESTOR RELATIONS

### HOA SEN GROUP ACHIEVED TOP 3 – MID CAP\* LISTED COMPANIES WITH THE BEST IR ACTIVITIES 2018

The investor relations (IR) always earn specific care from the Board of Management and get direct command from the Board of Directors, Spokesman. The activities of investor relations are founded on the core values of Hoa Sen Group and in conformity with law. It is to guarantee the equity and transparency to the investors and shareholders.

Prominent IR activities in the fiscal year 2017 - 2018:

- Successfully holding the Annual General Meeting of the fiscal year 2017 - 2018
- Disclosure of information in accordance with Circular 155/2015/TT-BTC dated October 6, 2015.
- Reimburse dividend payment of fiscal year 2016-2017 according to the Resolution 01/NQ/ĐHĐCĐ/2018 of Annual General Meeting on January 16<sup>th</sup>, 2018.
- Organize meetings between investors to enhance the cooperation. In fiscal year 2017 - 2018, Hoa Sen Group had more than 100 meetings from domestic and international investors for Hoa Sen Group's operations. With constant effort in investor relations activities through the "Transparency – Expediousness – Efficiency" on press, marketing and website, Hoa Sen Group is honorably among the Top 3 of Best IR activities 2018, which was voted by investors.

*(\*) Mid Cap: The average capitalization value from January 01, 2018 to April 30, 2018 from VND 1,000 billion or more. Source: ir.vietstock.vn.*



# SHARE INFORMATION

## STOCK INFORMATION

CHART OF HOA SEN GROUP STOCK PRICE IN THE FISCAL YEAR 2017 - 2018

Stock price  
(Thousand VND)



Source: vndirect.com.vn (Chart drawn in prices has been adjusted)

## DIVIDEND PAYMENT INFORMATION

In order to implement the Resolution of General Assembly of Shareholders at Annual General Meeting held on January 16, 2018, in the fiscal year 2017 - 2018, Hoa Sen Group paid completely its dividend payment. The details are as follows:

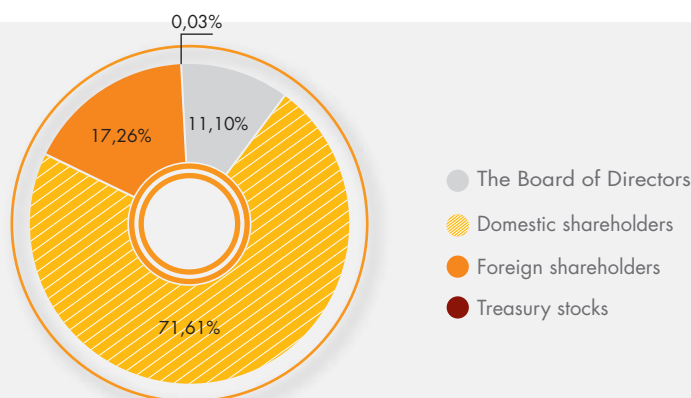
NO	ITEM	DIVIDEND PAYOUT RATIO	PAYMENT METHOD	PAYMENT DATE
1	Dividend payment by cash	5% par value (VND 500/share)	In cash	April 16, 2018
		5% par value (VND 500/share)	In cash	May 29, 2018
2	Phát hành cổ phiếu cho cổ đông hiện hữu	10% (Mỗi cổ đông sở hữu 100 cổ phiếu được nhận thêm 10 cổ phiếu mới)	In stock	July 06, 2018

## REPURCHASING SHARES OF EMPLOYEES AS TREASURY STOCKS

Pursuant to the Regulation on repurchasing shares of employees who resigned from the Group in the Regulations on issuing shares in 2017, from November 3, 2017 to October 22, 2018, Hoa Sen Group has acquired 134,300 shares of employees who resigned from the Group as treasury stocks in accordance with the provisions of the Stock Issuance Regulation 2017 and the securities law.

## SHAREHOLDER STRUCTURE ON NOVEMBER 14, 2018

NO	SHAREHOLDER	OWNING VOLUME	OWNING RATE
1	The Board of Directors	42,739,626	11,10%
2	Domestic shareholders	275,675,938	71,61%
	<i>Domestic individuals</i>	170,377,818	44,26%
	<i>Domestic organizations</i>	105,298,120	27,35%
3	Foreign shareholders	66,440,464	17,26%
4	Treasury stocks	134,300	0,03%
	<b>TOTAL</b>	384,990,328	100%



## SHARE HOLDER OWNING OVER 5% OF SHARE CAPITAL ON NOVEMBER 14, 2018

NO	ORGANIZATION/ INDIVIDUAL	ID CARD NO./ BUSINESS REGISTRATION CERTIFICATE NO.	ADDRESS	OWNING VOLUME	OWNING RATE
1	Hoa Sen Holdings Group	5800921584	Hamlet 2, Da M'Ri Commune, Da Huoi District, Lam Dong Province	97.628.123	25,36%
2	Mr. Le Phuoc Vu	052063000096	No. 19 Giang Van Minh Street, An Phu Ward, District 2, Ho Chi Minh City	41.186.200	10,70%

## FOUNDING SHAREHOLDERS

NO	FULL NAME	OWNING VOLUME	OWNING RATE
1	Mr. Le Phuoc Vu	41.186.200	10,70%
2	Mr. Hoang Duc Huy	192.500	0,05%
3	Mr. Ho Van Hoang	192.513	0,05%

## NUMBER AND PERCENTAGE OF SHARES OWNED BY THE BOARD OF DIRECTORS ON NOVEMBER 14, 2018

NO	FULL NAME	POSITION	OWNING VOLUME	OWNING RATE
1	Mr. Le Phuoc Vu	Chairman of the Board of Directors	41.186.200	10,70%
2	Mr. Tran Ngoc Chu	Vice Chairman of the Board of Directors	805.574	0,21%
3	Mr. Tran Quoc Tri	Member of the Board of Directors General Director	288.778	0,08%
4	Mr. Ly Van Xuan	Member of the Board of Directors	459.074	0,12%
5	Mr. Dinh Viet Duy	Member of the Board of Directors	0	0,00%
6	Mr. Nguyen Van Luan	Member of the Board of Directors	0	0,00%

**NUMBER AND PERCENTAGE OF SHARES OWNED BY THE BOARD OF MANAGEMENT,  
CHIEF ACCOUNTANT, PERSON IN CHARGE OF CORPORATE GOVERNANCE ON  
NOVEMBER 14, 2018**

<b>NO</b>	<b>FULL NAME</b>	<b>POSITION</b>	<b>OWNING VOLUME</b>	<b>OWNING RATE</b>
1	Mr. Tran Quoc Tri	Member of the Board of Directors, General Director	288.778	0,08%
2	Mr. Hoang Duc Huy	Deputy General Director	192.500	0,05%
3	Mr. Vu Van Thanh	Deputy General Director	231.624	0,06%
4	Mr. Nguyen Minh Khoa	Deputy General Director	176.897	0,05%
5	Mr. Ho Thanh Hieu	Deputy General Director	192.500	0,05%
6	Mr. Tran Quoc Pham	Deputy General Director	83.737	0,02%
7	Mr. Nguyen Ngoc Huy	Acting Deputy General Director	9.817	0,00%
8	Ms. Nguyen Thi Ngoc Lan	Chief Accountant	204.449	0,05%
9	Mr. Bui Thanh Tam	Person in charge of Corporate Governance	80.996	0,02%

**NUMBER AND PERCENTAGE OF SHARES OWNED BY THE BOARD OF  
INTERNAL AUDIT ON NOVEMBER 14, 2018**

<b>NO</b>	<b>FULL NAME</b>	<b>POSITION</b>	<b>OWNING VOLUME</b>	<b>OWNING RATE</b>
1	Mr. Le Vu Nam	Head of Internal Audit Board	187.783	0,05%
2	Mr. Le Dinh Hanh	Member of Internal Audit Board	163.947	0,04%
3	Ms. Dong Thi Thanh Hang	Member of Internal Audit Board	61.600	0,02%

**NUMBER AND PERCENTAGE OF SHARES OWNED BY SHAREHOLDERS WHO  
RELATE TO INTERNAL SHAREHOLDERS ON NOVEMBER 14, 2018**

<b>NO</b>	<b>FULL NAME</b>	<b>RELATED SHAREHOLDERS</b>	<b>RELATIONSHIP WITH INTERNAL SHAREHOLDERS</b>	<b>OWNING VOLUME</b>	<b>OWNING RATE</b>
1	Mr. Le Phuoc Vu	Tam Hy One Member Limited Liabilities Company	Mr. Le Phuoc Vu is the owner of the company	962.500	0,25%
		Hoa Sen Holdings Group	Mr. Le Phuoc Vu is the owner of the company	97.628.123	25,36%
2	Mr. Ly Van Xuan	Ms. Vo Thi Son Ca	Spouse	94.352	0,02%
		Mr. Ly Hoang Long	Son	68.750	0,02%
		Mr. Ly Khanh Van	Daughter	154.926	0,04%
3	Mr. Hoang Duc Huy	Ms. Hoang Thi Xuan Huong	Sister	6.500.000	1,69%
		Mr. Hoang Duc Hoang	Brother	23.631	0,006%
		Mr. Hoang Duc Canh	Brother	12	0%
4	Mr. Nguyen Minh Khoa	Ms. Nguyen Thi Minh Thu	Sister	29	0%
5	Mr. Nguyen Van Luan	Ms. Nguyen Thi Lai	Daughter	500	0%

# RISK MANAGEMENT

“ In order to minimize possible risks in business operations, the Group has built a strategy of risk management, which not only guarantees business objectives but also creates competitive advantage in order to ensure the Group’s best operation. The establishment of the functional units such as Internal Control Division, Legal Division, Valuation Division and Purchasing Division aim to control the possible risks and make the positive outcomes in business operation and supervision of the Group.”

In addition, Hoa Sen Group has issued the flowchart of "Risks Identification and Risks Assessment Process" for guiding the implementation of risks identification and risks assessment, thereby issuing proper control measures to minimize the possibility of risks, stabilize the business operations of the Group, and create comfortable workplace for employees.



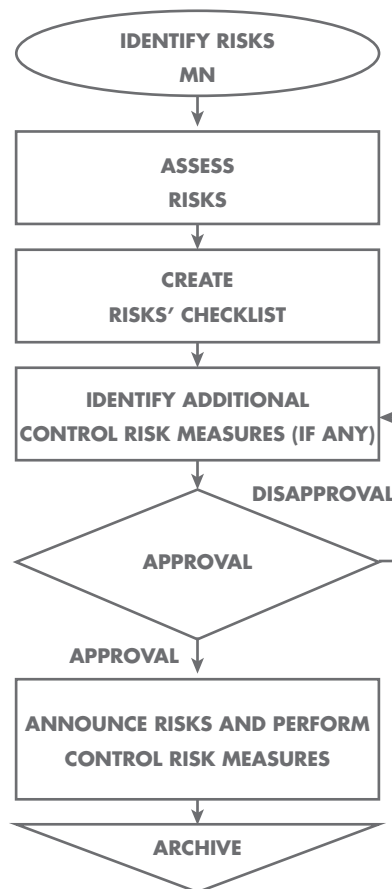
## RISKS IN BUSINESS ACTIVITIES

**Identifying:** The economic growth rate is a factor that directly affects the aggregate demand. As the economy grows, the demand of steel and building materials products including the demand of Hoa Sen Group products will also increase. Otherwise, when the economy goes down, the demand of using steel and building material products will decline.

### Assessing, supervising and managing risks

Therefore, the Group has always prepared operational scenarios in order to actively respond to any situations to ensure the most efficient business operations.

- The Group imports the majority of hot rolled coils (the main raw materials) from foreign countries, therefore watch and analysis of hot rolled coils’ domestic and international price to select the right time to buy with the reasonable price and to limit of raw material risks that are particularly attended by the Board of Directors and the Board of Management.
- The fluctuation of selling price in the market directly affects Hoa Sen Group’s business activities. Therefore, the flexible selling price policy in accordance with the fluctuation of market price is always considered and adjusted by the Board of Directors and the Board of Management due to the market situation at specific time.



Flowchart of "Hazard identification and risk assessment process"



## RISKS IN PRODUCTION ACTIVITIES

**Identifying:** In production activities, Hoa Sen Group always focuses on reviewing, improving and standardizing the consumption norms of raw materials in order to optimize the products' cost.

**Assessing, supervising and managing risks:**

- The Valuation Division and Purchasing Division co-ordinate and consider in selecting suppliers of the raw materials which have suitable quality and reasonable price in order to minimize the raw material risks. Simultaneously, the Internal Control Division will recheck all the expenses of buying raw materials to guarantee the integrity, accuracy and transparency.
- The Group always has regular and periodic maintenance and repair schedules so that machinery and equipment are always in the best condition in order to ensure safe and efficient operation.

## FINANCIAL RISKS

**Identifying:** In production and business activities, the Group may be subjected to risk of exchange rate, risk of interest rate, risk of bad debts and risk of liquidity.

**Assessing, supervising and managing risks:**

- Basing on the export revenue, the Board of Management balances structure of borrowings in VND and USD to ensure the lowest average interest rate but still has enough USD to payback the foreign currency loans. The borrowing structure is submitted to the Board of Directors to consider and supervise monthly in order to minimize impact of the risk of interest rate and the risk of exchange rate.
- For new customers, the Group requires payment guarantee from bank for delivery. For traditional customers, the Group issues debt limit for each customer in each period based on financial situation, collateral, transaction reputation of each

customer and proposal of sales units. The Board of Management reviews the debt limit monthly. The sales units are responsible for collecting the debts on time. The Internal Control Division inspects, supervises, and reports to the Board of Management the debts which need to be collected daily. If bad debts occur, the Legal Division will implement some measures to collect the debts including suing measure.

- The Financial Division creates and reports on schedule of cash flow weekly so that the Board of Management has flexible business operating measures in order not to have overdue payables.

## RISKS OF CHANGING POLICY

**Identifying:** Legal documents in the field of business and securities have been in the process of improvement so that changing policy can always happen and they can somehow affect to management, production, and business activities of Hoa Sen Group.

**Assessing, supervising and managing risks:**

The Assistant Board takes responsibility in updating and consulting new legal documents to minimize risk of changing policy which can affect directly to production and business activities of the Group.

## OTHER RISKS

**Identifying:** Other risks include unavoidable risks such as natural disasters, fires, accidents, etc.

**Assessing, supervising and managing risks:**

The Group always buys 24/24 accident insurance for all employees and the asset insurance of the Group.




# ORGANIZATION AND HUMAN RESOURCES

## OVERVIEW OF WORKFORCE

### THE TOTAL EMPLOYEES

As of September 30, 2018, Hoa Sen Group's total number of employees is 7,062 people.



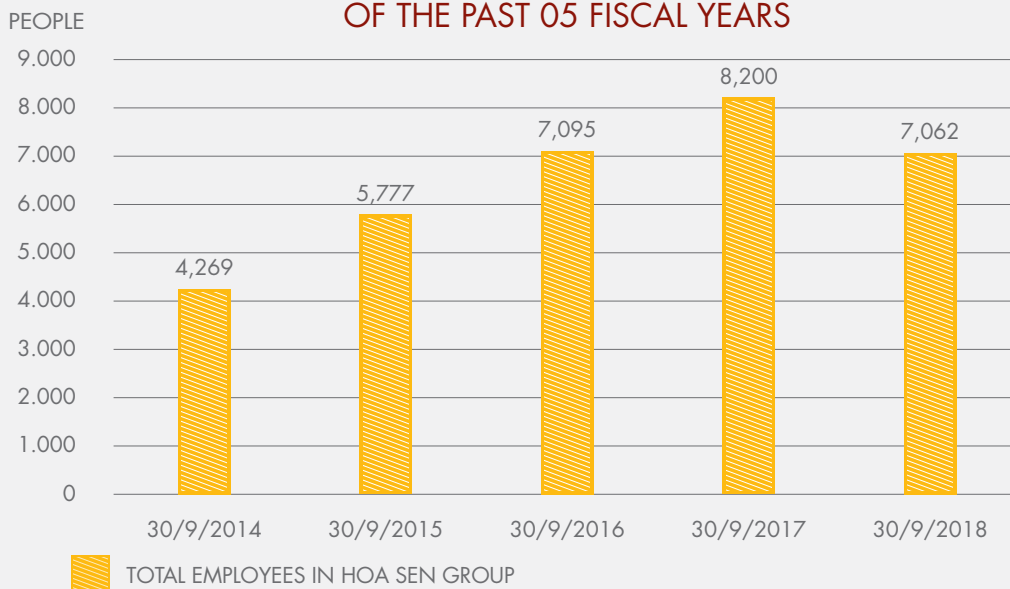
HOA SEN GROUP'S TOTAL NUMBER OF EMPLOYEES IS

# 7.062

PEOPLE

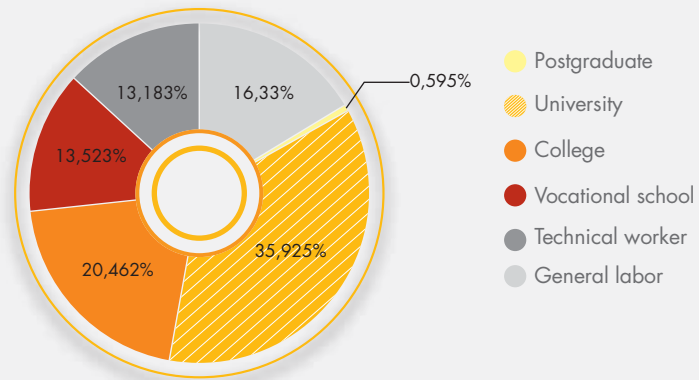


CHART ON EMPLOYMENT IN HOA SEN GROUP OF THE PAST 05 FISCAL YEARS



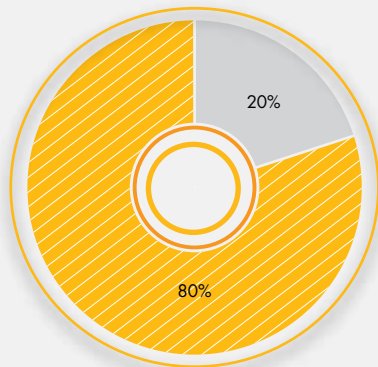
## STRUCTURE BY EDUCATION AT SEPTEMBER 30, 2018

Chart of structure by education at September 30, 2018



## CHART OF STRUCTURE BY GENDER

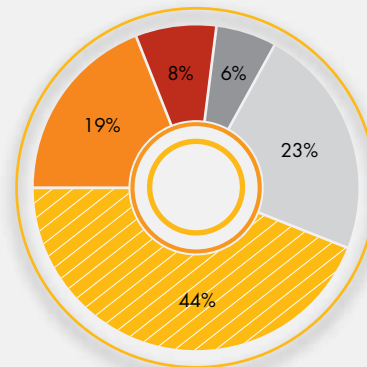
CHART OF STRUCTURE BY GENDER AT SEPTEMBER 30, 2018



- Female
- Male

Chart of structure by gender of Hoa Sen Group at September 30, 2018

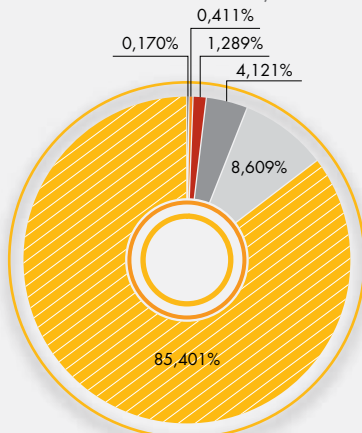
CHART OF STRUCTURE BY AGE AT SEPTEMBER 30, 2018



- Under 25
- 25 -> under 30
- 30 -> under 35
- 35 -> under 40
- From and above 40

Chart of structure by age of Hoa Sen Group at September 30, 2018

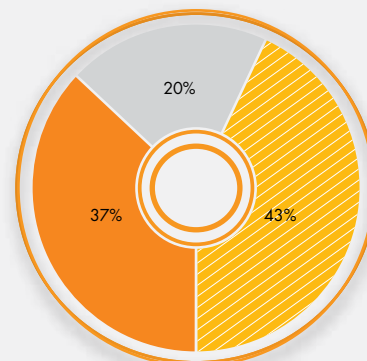
CHART OF STRUCTURE BY MANAGEMENT LEVELS AT SEPTEMBER 30, 2018



- Leader, Director
- Top-level Manager
- Upper Middle-level Manager
- Middle-level Manager
- Lower-level Manager
- Specialist - Staff

Chart of structure by management levels at September 30, 2018

STRUCTURE BY FUNCTIONS AT SEPTEMBER 30, 2018



- Sales employees
- Office employees
- Production employees

Chart of structure by functions of Hoa Sen Group at September 30, 2018



## RECRUITMENT

In the fiscal year 2017 - 2018, Hoa Sen Group continues to maintain and promote the policy of recruiting, building and attracting high quality human resources under the direction of the Group's Chairman of the Board of Directors and the Board of Management

- In the fiscal year 2017 - 2018, with the core values of "Honesty - Community - Development" and the culture "10 T", recruitment activities at Hoa Sen Group always follow closely, focus on building and developing high quality human resources to meet the demand of production and business process of the Group.

- To maintain and develop high quality human resources, the recruitment team has selected candidates from internal communications, career days ... to new online channels such as Facebook social networks, LinkedIn, website Vietnamworks.com, CareerBuilder.vn, Timviecnhanh.com and the Group's official recruitment website: hoasenjobs.com.

- Along with the development of information technology and keeping close to the core values of the Group, the recruitment

brand "Hoa Sen Group" is getting more and more interested and trusted by the candidates and is the good place for career building. The recruitment channel Hoasenjobs.com - the Group's official recruitment website has received a total of 41,087 resumes and the number is still growing.

- In addition, according to the annual survey of the job network Career Builder Vietnam cooperating with Insight Asia Company in the period from December 18, 2017 to January 18, 2018, Hoa Sen Group has been honored in the "Top 10 Most Popular Employers" in the domestic job market. This is a great success that the recruitment brand "Hoa Sen Group" has achieved after 17 years of development.

- In addition, in order to attract high-quality human resources in the country and abroad, the Group also maintains close cooperative relationships with prestigious universities and colleges through sponsoring scholarship, attending "Career Day", contributing to strengthen long-term strategic relationships between the two parties. Typical activities of the Career Day in the fiscal year 2017 - 2018 are as follows:

### • REPRESENTATIVE OFFICE IN HO CHI MINH CITY

Successfully participating in 02 "Career Days" at Ho Chi Minh City University of Technology and University of Economics and Law with the goal of presenting and introducing the latest recruitment information of the Group to candidates.

### • REPRESENTATIVE OFFICE IN THE NORTH

Participating in "Career Day" and "Career Conference" at 09 Universities - Colleges: National Economics University, Thai Nguyen University of Economics & Business Administration, University of Forestry, Viet Tri University of Industry, Hung Yen University of Technology and Education, Hung Vuong University, Vietnam National University of Agriculture, Thai Nguyen University of Technology, Son La College.

### • REPRESENTATIVE OFFICE IN THE SOUTH

Participating in "Career Day" and "Career Conference" at: An Giang University, Tra Vinh University, Nguyen Tat Thanh University, Nha Trang University, Saigon University, Quy

Nhon University, Binh Thuan Community College.

- Continuing to implement the program "Management Trainee" in order to attract and recruit international students and students with good academic performance, integrity, commitment from the prestigious and top quality universities in the country such as Ho Chi Minh City University of Technology, University of Economics - Law, International University of Ho Chi Minh City National University, Foreign Trade University, Economics University Ho Chi Minh City, ... and major universities from many advanced countries in the world such as the US, UK, Australia, Netherlands, Singapore. In the future, this will be a high quality human resource of Hoa Sen Group.

- Completing the recruitment process, strengthening coordination and interaction with specialized Divisions/Departments, Regional Executive Offices and Distribution Systems on recruitment criteria, direction and methods in order to timely meet high quality human resources for the Group.

## THE PERFORMANCE ASSESSMENT AND HUMAN RESOURCE TRAINING

- In the fiscal year 2017 - 2018, the Group has continued to successfully implement the work efficiency assessment system for Distribution System in parallel with the performance assessment system (KPIs) implemented in the past. With the new evaluation system, the Group has gradually improved the efficiency of human resource management.

- In addition, training courses are also held regularly throughout the year. The trainings aim to improve and develop employees' skills and qualifications, specifically through the following activities: organizing courses on hygiene safety, workplace culture, knowledge, skills and attitude for employees to optimize work efficiency. Training courses are held to improve management capacity for the staff, reserve and successors of the Group. From that, creating a stable and favorable working environment, maximizing the capacity of employees is a key goal of the Group. The development of human resource development policy combined with the improvement of appointment process has been implemented in order to determine the specific career development path and clearly help employees get more encouragement in their work and long-term engagement with the Group.



## SUBSIDIARIES ASSOCIATED COMPANY

### HOA SEN SOUTH EXECUTIVE OFFICE

#### ADDRESS

No. 183 Nguyen Van Troi, Ward 10,  
Phu Nhuan District, Ho Chi Minh City

#### SUBSIDIARY AND PLANT

- Hoa Sen Phu My Steel Sheet Plant
- Hoa Sen Steel Sheet One Member Limited Liabilities Company
- Hoa Sen Building Materials One Member Limited Liabilities Company
- Hoa Sen Transportation and Engineering One Member Limited Liabilities Company
- Hoa Sen Phu My One Member Limited Liabilities Company
- Hoa Sen Binh Dinh One Member Limited Liabilities Company
- Hoa Sen Nhon Hoi – Binh Dinh One Member Limited Liabilities Company



## HOA SEN PHU MY STEEL SHEET PLANT

### BRANCH OF HOA SEN GROUP



#### GENERAL INFORMATION

Address	Street No.1B, Phu My I Industrial Park, Phu My Town, Tan Thanh District, Ba Ria – Vung Tau Province
Telephone	(0254) 3 924 790 – Fax: (0254) 3 924 795
Business Registration Certification	No. 3700381324-095 issued by the Department of Planning and Investment of Ba Ria – Vung Tau Province on July 19 <sup>th</sup> , 2010. The 5 <sup>th</sup> amendment was on August 3 <sup>rd</sup> , 2016.
Legal Representative	Mr. PHAM VAN CHUNG
Business Activities	Producing galvanized steel sheet, aluminum-zinc alloy coated steel sheet, pre-painted galvanized steel sheet and other alloy coated steel. Producing cold rolled coils and hot rolled coils
Hoa Sen Group owns	100%

#### INTRODUCTION

Hoa Sen Phu My Steel Sheet Plant was established on July 19<sup>th</sup>, 2010 on the area of 16.7 hectares including workshops, office, 110kV transformer station, waste water treatment and water recycling system. Moreover, the plant which is vertically integrated value chain and applies the most modern technology in steel industry in Vietnam was invested with the lowest capital expenditure and constructed in the shortest time yet keep the quality of the construction

Hoa Sen Phu My Steel Sheet Plant is one of the largest plants in South East Asia with the total capacity of 1,150,000 tons/year.

HOA SEN PHU MY STEEL SHEET PLANT  
IS ONE OF THE LARGEST PLANTS IN  
SOUTH EAST ASIA

WITH THE TOTAL CAPACITY OF

**1,150,000**

TẤN/NĂM

## HOA SEN STEEL SHEET ONE MEMBER LIMITED LIABILITIES COMPANY



### GENERAL INFORMATION

Address	No. 9 Thong Nhat Boulevard, Song Than II Industrial Park, Di An Ward, Di An Town, Binh Duong Province
Telephone	(0274) 3 737 200 - Fax: (0274) 3 737 904
Charter capital	VND 280,000,000,000 (Two hundred and eighty billion VND)
Business Registration Certificate	No. 3700763651 issued by the Department of Planning and Investing of Binh Duong Province on December 24 <sup>th</sup> , 2007. The 9 <sup>th</sup> amended was on September 26, 2018
Legal representative	Mr. TRAN NGOC CHU - Chairman
Director	Mr. NGUYEN TAN HOA
Business activities	Production of cold rolled coils, roof plate and hot dip galvanizing steel, aluminum-zinc alloy coated steel sheet, pre-paint galvanized steel and other alloy coated steel. Production of the products from iron such as oxide iron, carbon iron, alloy iron and other products from iron
Hoa Sen Group owns	100%

### INTRODUCTION

Hoa Sen Steel Sheet One Member Limited Liabilities Company was established on November 9<sup>th</sup> 2016 (precursor is Hoa Sen Steel Sheet Joint Stock Company). The company's principal activities are manufacturing and trading cold rolled coils. It is the first subsidiary of Hoa Sen Group.

On December 24<sup>th</sup>, 2007, the Company was renamed to Hoa Sen Steel Sheet One Member Limited Liabilities Company.

On December 27, 2012, it established the first branch with the name of Branch Hoa Sen Steel Sheet One Member Limited Liabilities Company – Phu My Cold Rolling Mill.

Putting cold rolling line into operation created an important link on the chain of the Group's core competitive advantages and supplied the majority of input materials for galvanizing line and steel pipe lines of Hoa Sen Group.

PUTTING COLD ROLLING LINE INTO OPERATION CREATED AN IMPORTANT LINK ON THE CHAIN OF THE GROUP'S CORE COMPETITIVE ADVANTAGES AND SUPPLIED THE MAJORITY OF INPUT MATERIALS FOR GALVANIZING LINE AND STEEL PIPE LINES OF HOA SEN GROUP.

CHARTER CAPITAL

**280**

BILLIONS VND



## HOA SEN BUILDING MATERIALS ONE MEMBER LIMITED LIABILITIES COMPANY



### GENERAL INFORMATION

Address	2B Street, Phu My I Industrial Park, Phu My Town, Tan Thanh District, Ba Ria – Vung Tau Province
Telephone	(0254) 3 923 231 - Fax: (0254) 3 923 230
Charter capital	VND 150,000,000,000 (One hundred and fifty billion VND)
Business Registration Certificate	No. 3500786179 issued by the Department of Planning and Investment of Ba Ria - Vung Tau Province on December 18 <sup>th</sup> , 2007. The 12 <sup>th</sup> amended was on September 08, 2018
Legal representative	Mr. TRAN NGOC CHU - Chairman
Director	Mr. CAO QUANG SANG
Business activities	Manufacturing and trading building material products including billet strip, galvanized steel pipes, truss bar, hollow bar, batten bar, plastic pipes and accessories, solvent.
Hoa Sen Group owns	100%

WITH THE AIM OF BECOMING THE LEADING MANUFACTURER – SUPPLIER OF STEEL PIPES, PLASTIC PIPES AND BUILDING MATERIALS IN VIETNAM AND SOUTH EAST ASIA REGION, HOA SEN BUILDING MATERIALS ONE MEMBER LIMITED LIABILITIES COMPANY DEPLOYED THE INVESTMENT PLAN PARTIALLY AND SUCCESSFULLY DEVELOPED FOR THE PAST FEW YEARS.

### INTRODUCTION

Hoa Sen Building Materials One Member Limited Liabilities Company is an subsidiary of Hoa Sen Group and was established on December 18<sup>th</sup>, 2007 with the initial charter capital of VND 150 billion. The head office and main factories are located in the area of 10.8 hectares at Phu My I Industrial Park, Ba Ria – Vung Tau Province. It is in charge of producing – supplying the core products of Hoa Sen Group as billet strip, galvanized steel pipes, plastic pipes, accessories, solvent cement for uPVC, Hoa Sen HDPE and PPR pipes, ect

Up to now, the Company has put into operation the Slitting Plant with modern production lines with a total capacity of nearly 600,000 tons/year; Hoa Sen Phu My Steel Pipe Plant with 23 production lines, total capacity of over 350,000 tons/year; Hoa Sen Phu My Plastic Plant with: 25 uPVC plastic pipe production lines, capacity of 50,000 tons / year; 33 plastic pipe accessories production lines, capacity of 3,600 tons/year; 3 HDPE and PRR production lines with a capacity of 6,000 tons/year; 2 production lines of electric conduits and elastic conduit

(coils), capacity of 1,360 tons/year. Accordingly, the production systems are operated automatically with the closed production process and managed strictly according to international quality standards.

Under the prudent business strategy, the products of the company is gradually acknowledged by customers and widely used in healthcare, food, industry, telecommunication, construction, drainage and other civil area. They are introduced to the customers by the Group's distribution channels as the retail distribution network, wholesaler network, agents, nationwide construction and the export to other countries.

With all achievements, the company endeavours continuously to satisfy consumers with high quality products, to response timely the demands of quantity and service and to be one of the leading manufacturer – supplier of building materials in both domestic and Asia-Pacific region in the future.

# HOA SEN TRANSPORTATION AND ENGINEERING ONE MEMBER LIMITED LIABILITIES COMPANY



## GENERAL INFORMATION

Address	No. 9, Thong Nhat Boulevard, Song Than II Industrial Park, Di An Ward, Di An Town, Binh Duong Province, Vietnam
Telephone	(0274) 3 737 999 - Fax: (0274) 3 737 999
Charter capital	VND 16,276,000,000 (Sixteen billion two hundred and seventy six million VND)
Business Registration Certification	No. 3700785528 issued by the Department of Planning and Investment of Binh Duong Province on December 24 <sup>th</sup> , 2007
Legal representative	Mr. VU VAN THANH – Chairman
Director	Mr. VO MINH TUONG
Business activities	Goods and passenger transportation services by road and by waterway; direct supporting service for water transportation; warehouses; storage of goods; means of transportation for leasing; automobiles maintenance; trading materials and spare parts of automobiles
Hoa Sen Group owns	100%

## INTRODUCTION

Hoa Sen Transportation And Engineering One Member Limited Liabilities Company currently owns 25 tractors of 29 tons, 7 trucks with loading capacity of 18 tons and 6 trucks with loading capacity of 8 tons. In the fiscal year 2017-2018, the total transportation volumes reached 749,290 tons, increase 11% over the same period, which attained the demand of products transporting between the plants and the Group's business units timely.



IN THE FISCAL YEAR  
2017-2018, THE TOTAL  
TRANSPORTATION  
VOLUMES REACHED

**749,290**  
TONS

## HOA SEN PHU MY ONE MEMBER LIMITED LIABILITIES COMPANY



### GENERAL INFORMATION

Address	1A Street, Phu My I Industrial Park, Phu My Town, Tan Thanh District, Ba Ria – Vung Tau Province, Vietnam
Telephone	(0254) 3 890222
Charter capital	VND 250,000,000,000 (Two hundred fifty billion VND)
Business Registration Certificate	No. 3502313442 issued by the Department of Planning and Investment of Ba Ria – Vung Tau on August 8 <sup>th</sup> , 2016.
Legal representative	Mr. TRAN NGOC CHU - Chairman
Director	Ông NGUYỄN VĂN TRƯỜNG
Business activities	Manufacturing hot dip galvanized steel pipes, pre – painted metal pipes, stainless steel pipes.
Hoa Sen Group owns	100%

### INTRODUCTION

Hoa Sen Phu My One Member Limited Liabilities Company is a subsidiary of Hoa Sen Group that was established on August 8<sup>th</sup>, 2016 with the initial charter capital of 250 billion VND. The head office and plants are located in an area of 5.3 hectares at Phu My I Industrial Park, Phu My Ward, Phu My Town, Ba Ria – Vung Tau Province

Hoa Sen Phu My Company plays the role of manufacturing – supplying the key product of Hoa Sen Group as the hot-dip galvanized steel pipes with the capacity for the first phase of 75,000 tons/year. The hot-dip galvanized steel pipes plant is expected to be in operation in the early 2018 and provide high quality products to the consumers, enhancing the production capacity of the Group.

THE CAPACITY FOR  
THE FIRST PHASE OF

**75,000**

TONS/YEAR

## HOA SEN BINH DINH ONE MEMBER LIMITED LIABILITIES COMPANY



### GENERAL INFORMATION

Address	Lot A1.1 and TT 6.2&7, Nhon Hoa Industrial Park, Nhon Hoa Ward, An Nhon Town, Binh Dinh Province
Telephone	(0256) 3 738 991
Charter Capital	VND 105,000,000,000 (One hundred and five billion VND)
Business Registration Certificate	No. 4101425750 issued by the Department of Planning and Investment of Binh Dinh Province on May 14 <sup>th</sup> , 2014. The 4 <sup>th</sup> amended was on May 22, 2018
Legal Representative	Mr. HO THANH HIEU - Chairman
Director	Mr. LE XUAN PHONG
Business Activities	Manufacturing galvanized steel pipes, plastic pipes and accessories
Hoa Sen Group owns	100%

### INTRODUCTION

Hoa Sen Binh Dinh One Member Limited Liabilities Company is a Hoa Sen Group's subsidiary established on May 14<sup>th</sup>, 2014 with 105 billion VND in charter capital. The company operation is under control of Hoa Sen Group in capital, brand, retailer and core competitive advantages

The company was invested with modern technology in production in Nhon Hoa Industrial Park, An Nhon Town, Binh Dinh Province with total area of 8.3 hectares. Hoa Sen Binh Dinh One Member Limited Liabilities Company plays important role on boosting steel pipes and plastic pipes supply to Central

region market and export to Laos, Thailand, ...

In order to implement expanding plan of supply network as well as increase production capacity to response the demand of steel pipe increasingly in Central market, on December 2014, the company put into operation the steel pipes plant, including 9 steel pipe lines with the most advanced technology.

In January 2016, the uPVC plastic pipe plant with capacity of 12,000 tons/year was officially into operation and yields the high quality plastic products in response to the

demand of the Central and Western Highlands markets.

By applying advanced technology, strict quality management process and inquiring mind, Hoa Sen Binh Dinh One Member Limited Liabilities Company commits to bring solely high quality products to customers as deserving of Vietnam Value award.

## HOA SEN NHON HOI – BINH DINH ONE MEMBER LIMITED LIABILITIES COMPANY



### GENERAL INFORMATION

Address	Nhon Hoi B Industrial Park, Hoi Son Hamlet, Nhon Hoi Commune, Quy Nhon City, Binh Dinh Province, Vietnam
Telephone	(0256) 222 0001
Charter capital	VND 420,000,000,000 (Four hundred and twenty billion VND)
Business Registration Certificate	No. 4101453370 issued by the Department of Planning and Investment of Binh Dinh Province on November 26 <sup>th</sup> , 2015. The 4 <sup>th</sup> amendment was on May 22, 2018
Legal representative	Mr. HO THANH HIEU – Chairman
Director	Mr. TRUONG TAN DAT
Business activities	Manufacturing galvanized steel sheets, pre-painted galvanized steel sheets, cold rolled coils, slitting steel sheets
Hoa Sen Group owns	100%

### INTRODUCTION

Hoa Sen Nhon Hoi – Binh Dinh One Member Limited Liabilities Company is one of the subsidiaries of Hoa Sen Group, established on November 26, 2015. As of September 30, 2018, the total area of the entire Hoa Sen Nhon Hoi - Binh Dinh Plant is 218,481.54 m<sup>2</sup>, located in Nhon Hoi B Industrial Park, Hoi Son Hamlet, Nhon Hoi Commune, Quy Nhon City, Binh Dinh Province, Vietnam.

The plant is invested in a modern machinery and equipment system, specializing in producing Hoa Sen steel, steel sheet products, applied in the fields of construction, civil, ...

Under the direction of the Board of Directors, Hoa Sen Nhon Hoi - Binh Dinh Steel Plant Project is in the process of completing the second phase, which is

expected to complete all items by the end of 2018, increasing the total production and supply capacity of the Group to over 40,000 tons/month with 01 Pickling Line, capacity of 800,000 tons/year, 01 Cold Rolling Line with a capacity of 350,000 tons/year, 02 Galvanizing/Aluminium Zinc Coating Lines with total capacity of 430,000 tons/year, 02 Color Coating Lines with total capacity of 195,000 tons/year, 01 Acid Regeneration Line with a capacity of 5,000 liters/hour and more than 6,000 tons of metal oxide/year. Besides, there are other auxiliary items.

With the strong investment of modern production lines, machinery and equipment along with the orientation

to take quality as a prerequisite to increase the competitiveness of products, the plant has met the demand for consumption at Central and Central Highlands markets. Not only stopping in the domestic market, on May 8, 2018, for the first time, Hoa Sen Nhon Hoi - Binh Dinh Plant exported about 12 million USD of shipment to Europe to mark a new development step in the export operation of the plant, contributing a part of Hoa Sen Group's output in the international market, affirming the capacity of the plant's production lines that can meet the strict requirements of the customers both in the domestic and international market.

## SUBSIDIARIES ASSOCIATED COMPANY

### HOA SEN NORTH EXECUTIVE OFFICE

#### ADDRESS

Kien Khe I Industrial Zone, Kien Khe Town, Thanh Liem District,  
Ha Nam Province

#### SUBSIDIARY AND PLANT

- Hoa Sen Nghe An One Member Limited Liabilities Company
- Hoa Sen Ha Nam One Member Limited Liabilities Company
- Hoa Sen Yen Bai Building Materials One Member Limited Liabilities Company

## HOA SEN NGHE AN ONE MEMBER LIMITED LIABILITIES COMPANY



### GENERAL INFORMATION

Address	Lot CN 1-8, Dong Hoi Industrial Park, Quynh Lap Commune, Hoang Mai Town, Nghe An Province, Vietnam
Telephone	(0238) 3 668 112
Charter capital	VND 450,000,000,000 (Four hundred fifty billion VND)
Business Registration Certificate	No. 2901788319 issued by the Department of Planning and Investment of Nghe An Province on June 12 <sup>th</sup> , 2015. The 8 <sup>th</sup> amendment was on June 12, 2018
Legal representative	Mr. VU VAN THANH – Chairman
Director	Mr. NGUYEN MINH PHUC
Business activities	Producing roof plate by galvanized steel sheet, aluminum-zinc alloy coated steel sheet, pre-painted galvanized steel sheet and other alloy coated steel, cold rolled coils.
Hoa Sen Group owns	100%

### INTRODUCTION

Hoa Sen Nghe An One Member Limited Liabilities Company – one of Hoa Sen Group subsidiaries, was established on June 12<sup>th</sup>, 2015. The head office and main factory are located in Lot CN 1-8, Dong Hoi Industrial Park, Quynh Lap Commune, Hoang Mai Town, Nghe An Province. Business activities: Producing roof plate by galvanized steel sheet, aluminum-zinc alloy coated steel sheet, pre-painted galvanized steel sheet and other alloy coated steel, cold rolled coils.

On June 19, 2015, Hoa Sen Nghe An One Member Limited Liabilities Company officially started Hoa Sen Nghe An Plant Project with a total capacity of production lines up to 01 million tons of products per year on a land area of 45 hectare. Total investment capital of the project is VND 7,000 billion. The project is divided into 3 phases and implemented within 36 months. Up to the present time, Hoa Sen Nghe An

Plant Project has basically completed the stages of the closed production process from raw materials of hot rolled steel to output products of steel – steel sheet, increasing the total production and supply capacity of the Company to over 80,000 tons of products/ month with 01 Pickling line, capacity of 800,000 tons/year, 02 Cold rolling lines with total capacity of 800,000 tons/year, 03 NOF coating line with a total capacity of 1,000,000 tons/year, 02 Color coating lines with a total capacity of 240,000 tons/year, 02 Slitting lines with a capacity of 200,000 tons/year, 01 Trimming line with a capacity of 400,000 tons/year, 01 Acid regeneration line with a capacity of 5,000 liters/hour and other auxiliary items.

Putting the production lines into operation timely has met the demand

in the North Central market. Hoa Sen products are also present in some countries that are considered "most difficult" about product quality requirements such as America, Europe and India ... with total export volume reaching from average 15,000 to 20,000 tons/month.

In parallel with the completion of the closed production process, Hoa Sen Nghe An constantly invests in improving modern technology to bring the best quality products, reduce raw materials consumption, reduce costs. At the same time, the standard system of product quality, environment and health has been deployed by Hoa Sen Nghe An, contributing to help Hoa Sen products affirm its solid position in the international market.

TOTAL CAPACITY OF

1,000,000

TONS / YEAR



## BRANCH OF HOA SEN NGHE AN ONE MEMBER LIMITED LIABILITIES COMPANY AT NAM CAM



### GENERAL INFORMATION

Address	Nam Cam Industrial Park, Nghi Xa Commune, Nghi Loc District, Nghe An Province
Telephone	(0238) 3 798 555
Business Registration Certification	No. 2901788319-001 issued by the Department of Planning and Investment of Nghe An Province on October 11, 2017, first amended
Director	Mr. DAU DINH THUC
Business activities	Manufacturing steel pipes, galvanized steel pipes and other alloy coated steel pipes; manufacturing steel purlins, galvanized purlins.

### INTRODUCTION

Branch of Hoa Sen Nghe An One Member Limited Liabilities Company at Nam Cam (precursor is Hoa Sen Nam Cam – Nghe An One Member Limited Liabilities Company) officially put into operation 6 steel pipes lines with total capacity of 82,800 tons/year in April 2015, which boosted the production capacity and the supplying potentiality of all Hoa Sen plants in particular as well as

the North and Central regions in general. By investing advanced technology and tight control from the input materials to the output finished products to meet the international quality standards as ASTM500 (U.S standard), JIS 3444: 2010 (Japanese standard), the steel pipes products are expected to increase their competitiveness in both domestic and foreign markets.

TOTAL CAPACITY OF

82,800

TONS/YEAR



## HOA SEN HA NAM ONE MEMBER LIMITED LIABILITIES COMPANY



### GENERAL INFORMATION

Address	Kien Khe I Industrial Zone, Kien Khe Town, Thanh Liem District, Ha Nam Province
Telephone	(0226) 3 777 555
Charter Capital	200,000,000,000 (Two hundred billion VND)
Business Registration Certificate	No. 0700759219 issued by the Department of Planning and Investment of Ha Nam Province on September 15 <sup>th</sup> , 2015, the 1 <sup>st</sup> amended on March 11, 2016
Legal Representative	Mr. VU VAN THANH – Chairman
Director	Mr. NGUYEN TRAN DAI
Business activities	Manufacturing and trading all products serving for industrial and civil construction, including: Galvanized/ Aluminium zinc coating steel pipes, hot – dip aluminum zinc coating steel pipes, plastic pipes, plastic pipe accessories...
Hoa Sen Group owns	100%

### INTRODUCTION

Hoa Sen Ha Nam One Member Limited Liabilities Company was established on September 15<sup>th</sup>, 2015 with the charter capital of 200 billion VND. The main office and plant are located in a 20.4 hectare area on Kien Khe I Industrial Zone, Ha Nam Province.

Hoa Sen Ha Nam plant is a key project of the expanding productivity plan of Hoa Sen Group. The plan is to assert Hoa Sen position in domestic market by consolidating the Southern market and advancing to the Northern one.

Hoa Sen Ha Nam Plant Project is one of the key projects in order to expand production of Hoa Sen Group. This is one of the key strategies of Hoa Sen Group. The construction of Hoa Sen Ha Nam Plant will contribute to improve production capacity and optimize the

ability of Hoa Sen Group to supply steel pipes and plastic pipes, especially meeting market demand in the North.

The upgrade of Hoa Sen Ha Nam plant will contribute to improve the productivity, maximize the supply capacity of the steel pipes and plastic pipes to reach the demand of the Northern market. In addition, the enhancement of the producing system as well as the distribution and retail network enables Hoa Sen Group's products reach the customers more conveniently.

The company is now in charge of manufacturing – supplying the main products of the Group as galvanized steel pipes, plastic pipes, solvent cement for PVC pipes, HDPE pipes,

PPR pipes and other Hoa Sen accessories. The finished product must be satisfied the 4 requirements "international standard quality, reasonable price, fast delivery and excellent after-sale service" along with 04 commitments "Right price, Right Standard, Right Quality, Warranty".

## BRANCH OF HOA SEN HA NAM ONE MEMBER LIMITED LIABILITIES COMPANY IN HAI DUONG PROVINCE

GENERAL INFORMATION	
Address	Phuong Do Hamlet, Hung Thinh Village, Binh Giang District, Hai Duong Province
Telephone	0220 3776 986
Business Registration Certificate	No. 0700759219-001 issued by Hai Duong Department of Planning and Investment on May 31, 2018
Director	Mr. DAM VAN MINH
Business activities	Manufacturing and trading: Galvanized/ Aluminium zinc coating steel pipes, Hot – Dip Galvanized/ Aluminium zinc coating steel pipes.

### INTRODUCTION

Branch of Hoa Sen Ha Nam One Member Limited Liabilities Company in Hai Duong Province (precursor is Branch of Hoa Sen Building Materials One Member Limited Liabilities Company in Hai Duong Province) officially put into operation 06 steel pipe production lines from November 2012 with a total design capacity of 82,800 tons/year in the industrial zone of Binh Giang District, Hai Duong Province to enhance production

capacity and timely meet market demand. By investing advanced technology and tight control from the input materials to the output finished products to meet the international quality standards as ASTM500 (U.S standard), JIS 3444:2010 (Japanese standard), the steel pipes products are expected to increase their competitiveness in both domestic and foreign markets.



# HOA SEN YEN BAI BUILDING MATERIALS ONE MEMBER LIMITED LIABILITIES COMPANY



## GENERAL INFORMATION

Address	Dong Danh Commune, Minh Quan Village, Tran Yen District, Yen Bai Province
Telephone	(0216) 2220 789
Charter capital	VND 50,000,000,000 (Fifty billion VND)
Business Registration Certificate	No. 5200870602 issued by the Department of Planning and Investment of Yen Bai Province on January 6, 2017, the 01 <sup>st</sup> amended on April 02, 2018.
Legal representative	Mr. VU VAN THANH - Chairman
Director	Mr. LE VAN PHUOC
Business activities	Manufacturing steel products as: black steel pipes, galvanized steel pipes/ aluminum-zinc alloy coated steel pipes, hot-dipped galvanized steel pipes/ aluminum-zinc alloy coated steel pipes, pre-painted steel pipes, stainless steel pipes
Hoa Sen Group owns	100%

## INTRODUCTION

Hoa Sen Yen Bai Building Materials One Member Limited Liabilities Company is the investor of Hoa Sen Yen Bai plant project, which started on March 1<sup>st</sup>, 2017 at Dong Danh Hamlet, Minh Quan Commune, Tran Yen District, Yen Bai Province (next to IC12 intersection of Noi Bai – Lao Cai highway). This is the first plant of Hoa Sen Group in the North West region.

The plant is invested with modern equipment and advanced technology that specialized in producing the galva-

nized steel pipes, which have civil and construction work application.

In December 2017, the plant completed Phase 1 and officially put into operation 6 steel pipe lines with the capacity of 80,200 tons/year. This should help Hoa Sen Group improve their productiveness and attain the market demand in the North West region, which is in line with the growing strategy of Hoa Sen Group



## SUBSIDIARIES FOR NINH THUAN PROJECTS

### HOA SEN CA NA – NINH THUAN INTEGRATED IRON AND STEEL COMPLEX INVESTMENT ONE MEMBER LIMITED LIABILITIES COMPANY

Address	Hoa Sen Ca Na Industrial Park, Phuoc Diem Commune, Thuan Nam District, Ninh Thuan Province
Telephone	(028) 3 999 0111
Charter capital	VND 100,000,000,000 (One hundred billion VND)
Business Registration Certificate	No. 4500607953 issued by the Department of Planning and Investment of Ninh Thuan Province on August 8 <sup>th</sup> , 2016. The first amendment was on September 21 <sup>st</sup> , 2016
Legal representative	Mr. LE PHUOC VU - Chairman
Business activities	Producing iron, steel, cast iron. Details: - Manufacturing, processing metallurgical products, casting and manufacturing iron & steel, section steel and steel wire, 2nd processing steel, machinery steel. - Manufacturing, processing other steel products
Hoa Sen Group owns	100%

### HOA SEN CA NA – NINH THUAN INDUSTRIAL PARK INFRASTRUCTURE INVESTMENT ONE MEMBER LIMITED LIABILITIES COMPANY

Address	Hoa Sen Ca Na Industrial Park, Phuoc Diem Commune, Thuan Nam District, Ninh Thuan Province
Telephone	(028) 3 999 0111
Charter capital	VND 50,000,000,000 (Fifty billion VND)
Business Registration Certificate	No. 4500607953 issued by the Department of Planning and Investment of Ninh Thuan Province on August 8 <sup>th</sup> , 2016. The first amendment was on September 21 <sup>st</sup> , 2016
Legal representative	Mr. TRAN NGOC CHU – Chairman
Business activities	Trading real estate and land use right belong to owner, user or leaseholder
Hoa Sen Group owns	100%

### HOA SEN CA NA – NINH THUAN INTERNATIONAL GENERAL SEAPORT ONE MEMBER LIMITED LIABILITIES COMPANY

Address	Thuong Diem 2 Hamlet, Phuoc Diem Commune, Thuan Nam District, Ninh Thuan Province
Telephone	(028) 3 999 0111
Charter capital	VND 50,000,000,000 (Fifty billion VND)
Business Registration Certificate	No. 4500607985 issued by the Department of Planning and Investment of Ninh Thuan Province on August 8 <sup>th</sup> , 2016. The first amendment was on September 21 <sup>st</sup> , 2016
Legal representative	Mr. TRAN NGOC CHU – Chairman
Business activities	Domestic carriage of goods by waterway (operate only when the conditions are in conformity with legislation Details: river and sea port investment
Hoa Sen Group owns	100%

## HOA SEN CAN NA – NINH THUAN RENEWABLE ENERGY ONE MEMBER LIMITED LIABILITIES COMPANY

Address	Hoa Sen Ca Na Industrial Park, Phuoc Diem Commune, Thuan Nam District, Ninh Thuan Province
Telephone	(028) 3 999 0111
Charter capital	VND 20,000,000,000 (Twenty billion VND)
Business Registration Certificate	No. 4500607960 issued by the Department of Planning and Investment of Ninh Thuan Province on August 8 <sup>th</sup> , 2016. The first amendment was on September 21 <sup>st</sup> , 2016
Legal representative	Mr. TRAN NGOC CHU – Chairman
Business activities	Producing, transmitting and distributing electricity Details: construct, install and operate the solar power and wind power plant; manage the producing, transmitting and distributing electricity system; invest the power project; control, maintain and upgrade the devices of the system, electricity experiment.
Hoa Sen Group owns	100%

## HOA SEN CA NA – NINH THUAN CEMENT ONE MEMBER LIMITED LIABILITIES COMPANY

Address	Hoa Sen Ca Na Industrial Park, Phuoc Diem Commune, Thuan Nam District, Ninh Thuan Province
Telephone	(028) 3 999 0111
Charter capital	VND 30,000,000,000 (Thirty billion VND)
Business Registration Certificate	No. 4500607946 issued by the Department of Planning and Investment of Ninh Thuan Province on August 8 <sup>th</sup> , 2016. The first amendment was on September 21 <sup>st</sup> , 2016
Legal representative	Mr. TRAN NGOC CHU – Chairman
Business activities	Producing cement, lime and plaster. Manufacturing and producing blast furnace cement and other kinds of cement.
Hoa Sen Group owns	100%

## HOA SEN DU LONG INDUSTRIAL PARK INFRASTRUCTURE INVESTMENT JOINT STOCK COMPANY

Address	No.4 Phan Dinh Giot Street, My Hai Ward, Phan Rang – Thap Cham City, Ninh Thuan Province
Telephone	(0259) 3 833 969
Charter capital	VND 47,080,240,000 (Forty seven billion eighty million two hundred and forty thousand VND)
Business Registration Certificate	No. 4500272658 issued by the Department of Planning and Investment of Ninh Thuan Province. The 04 <sup>th</sup> amendment was on April 06, 2018
Legal representative	Mr. TRAN NGOC CHU – Chairman of the Board of Directors
Business activities	Trading real estate and land use right belong to owner, user or leaseholder Detail: - House trading (except receiving the land use right for investment of the infrastructure construction according to the housing construction plan to change the right) - Office and storage leasing in the industrial zone - Buoys and anchors trading - Industrial park infrastructure trading, real estate trading
Hoa Sen Group owns	45%

## SUBSIDIARIES/ ASSOCIATED COMPANIES FOR HOTEL – REAL ESTATE INVESTMENT PROJECTS



### HOA SEN YEN BAI JOINT STOCK COMPANY

Address	Group 48, Dong Tam Ward, Yen Bai City, Yen Bai Province
Charter Capital	120,000,000,000 (One hundred twenty billion VND)
Business Registration Certificate	No. 5200861319 issued by Department of Planning and Investment of Yen Bai Province on May 5, 2016. Amended on December 22, 2016
Legal Representative	Mr. TRAN NGOC CHU – Chairman of the Board of Directors
Director	Mr. TRAN QUOC PHAM
Business activities	Trading real estate, land use right belongs to owner, user or leaseholder Details: office leasing, house trading
Hoa Sen Group owns	70%

### HOA SEN QUY NHON JOINT STOCK COMPANY

Address	No. 01 Ngo May Street, Nguy Van Cu Ward, Quy Nhon City, Binh Dinh Province
Telephone	0905.117.106
Charter Capital	100,000,000,000 (One hundred billion VND)
Business Registration Certificate	No. 4101464326 issued by Department of Planning and Investment of Binh Dinh Province on May 5, 2016. Amended on June 1, 2016
Legal Representative	Mr. TRAN NGOC CHU – Chairman of the Board of Directors
Director	Mr. LE XUAN PHONG
Business activities	Trading real estate and land use right belong to owner, user or leaseholder. Details: office leasing, house trading, tourism area, river port and sea port investment and trading Office leasing. Details: Office leasing, house trading, tourism area, river port and sea port investment and trading
Hoa Sen Group owns	45%

# BRANCH SYSTEM OF HOA SEN GROUP

# 491

BRANCHES IN THE COUNTRY

**THE NATIONWIDE DISTRIBUTION-RETAIL  
BRANCHES ARE INDISPENSABLE FOUNDATION  
OF IMPLEMENTING THE STRATEGY OF  
“BUYING DIRECTLY FROM PRODUCERS AND  
SELLING DIRECTLY TO END-USERS”.**



**For details of the distribution system, please refer to Hoa Sen Group's website:  
<https://www.hoasengroup.vn/vi/kenh-phan-phoi>**





# SUSTAINABLE DEVELOPMENT REPORT

## COMMUNITY COHESION

☞ WITHIN 17 YEARS OF IMPRESSIVE SUSTAINABLE DEVELOPMENT WITH THE NATIONWIDE DISTRIBUTION NETWORK AND THE PRESENT OF HOA SEN BRAND IN OVER 70 COUNTRIES/TERRITORIES, HOA SEN GROUP IS A PIONEERING ENTERPRISE CONTRIBUTING FOR LIFE, ECONOMY OF THE COUNTRY, SPREADING HUMAN VALUES TO THE COMMUNITY. ☞



## OVERVIEW OF SUSTAINABLE DEVELOPMENT REPORT

The steel industry is one of the few industries to implement the Global Sustainable Development Report. The first sustainable development report of the steel industry was issued in 2004 and is maintained annually on the basis of a set performance indicators on environmental, social and economic performance. Global sustainable development report is one of the major efforts undertaken by the steel industry to manage its performance, demonstrating its commitment to sustainability and increasing transparency.

*(According to the report of the World Steel Association)*



HOA SEN GROUP DEFINES THAT THE GROUP SUCCESSSES SUSTAINABLE DEVELOPMENT STRATEGY WHEN COMBINING ECONOMIC GROWTH TARGETS WITH PERFORMING SOCIAL, COMMUNITY, AND ENVIRONMENT'S RESPONSIBILITY. AT THE SAME TIME, ALL ACTIVITIES OF THE GROUP ALWAYS ENSURE THE BALANCE OF INTERESTS AMONG RELATED PARTIES TO IMPLEMENT THE LONG-TERM STRATEGY OF HOA SEN GROUP'S SUSTAINABLE DEVELOPMENT.

#### **THE SUSTAINABLE DEVELOPMENT REPORT**

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In the fiscal year 2017 - 2018, Hoa Sen Group implemented the Sustainable Development Report applying Guidance of Global Reporting Initiative (GRI) - the most widely used sustainable development reporting standard in the world and the Set of criteria for rating Vietnam Sustainable Enterprises (Corporate Sustainability Index CSI) in order to determine materiality sectors that effect to related parties in order to overview on building Sustainable Development Report and perform sustainable business strategy in the future.

The sustainable development report of Hoa Sen Group is prepared to reevaluate practice principles of sustainable development at Hoa Sen Group and its subsidiaries. The report presents approaches of Hoa Sen Group to sustainable development issues. During the year, although facing to the challenged business operation, Hoa Sen Group has prepared and analyzed the list of factors that affect the Group's business areas, then basing priority on level of related parties' effect and eliminating unaffected issues.

By determining priority on materiality sectors, Hoa Sen Group enhance managing and controlling activities in each issue to ensure harmony of related parties' interest and present fully essential issues that affect the Group's business area and that are most concerned by related parties.

#### **SCOPE OF SUSTAINABLE DEVELOPMENT REPORT**

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The basis of information and data in the report are presented for the fiscal year 2017 – 2018 which begins on October 1, 2017 and ends on September 30, 2018. The reports of safety, social, environment are collected from operations of Hoa Sen Group and its subsidiaries. The report presents the business performance in fiscal year 2017 – 2018 and concerns orientation and target in the following years for Hoa Sen Group's sustainable development.

#### **METHOD OF PREPARING SUSTAINABLE DEVELOPMENT REPORT**

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The method to approach the sustainable development issues of Hoa Sen Group comes from sustainable growth target in long term combine with targets of social development environment protection, hence contributing positively to general development of society.

The issues that related to sustainable development target are considered by Hoa Sen Group in relationship with actual operations, determining materiality issues to improve contents and present fully in sustainable development report in the fiscal year 2017 – 2018.

#### **COVERAGE OF SUSTAINABLE DEVELOPMENT REPORT**

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The sustainable development report which is performed in Vietnam and in steel production sector is achieved by Hoa Sen Group and its subsidiaries and associates.

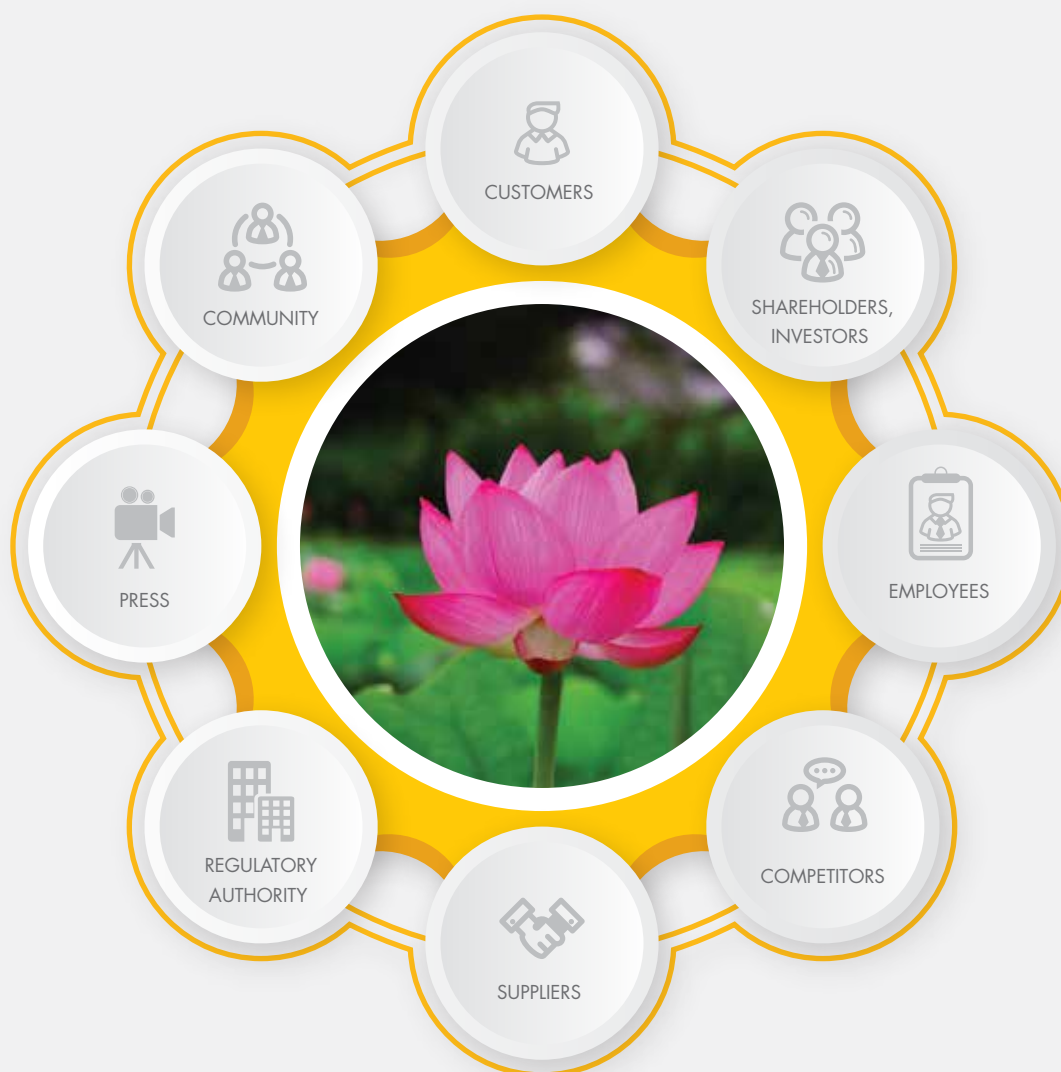
#### **CONTACT**

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With orientation of sustainable development, Hoa Sen Group is trying to respond to related parties basing on foundation of transparency information, sustainable growth in business, social responsibility. Hoa Sen Group welcomes all your feedback. Please send us any suggestion related to sustainable development report via:

- Website: <http://www.hoasengroup.vn>
- Telephone: 028 3823 9555
- Email: [gopy@hoasengroup.vn](mailto:gopy@hoasengroup.vn)

# SUSTAINABLE RELATIONSHIP WITH RELATED PARTIES



## CUSTOMERS

- Focusing on enhancement of products' quality, and expanding retail distribution network continuously to provide the best products and services to customers.
- Basing on "The customers' satisfaction to measure the Group's success", each employee has to care and hear customers' needs respectfully, and to satisfy them in interactive process.
- Performing thankful activities to customers through customer conferences, promotional programs, and persuasive after-sale activities.
- Complying fully with the regulations in domestic and foreign markets; establishing competitive and reasonable price policy to ensure the benefits between consumers and enterprise, etc.
- Protecting positively consumers by various methods of communication to identify fake products - genuine products, to help consumers avoid of trading fraud, and to be consistent with guideline "Customers' benefit is the key".



## SHAREHOLDERS, INVESTORS

- Ensuring to fulfill information disclosure in accordance with regulations of the Ministry of Finance in order to provide timely information to shareholders, investors and transparency in business operations.
- Publishing positively important information that might effect to benefits as well as decision making of investors and to help stakeholders to watch the Group's activities.
- Organizing regularly open conferences to help investors to have overview of business operations and development strategy in the following period including annual and extraordinary general meeting, customer conferences, meetings with indigenous and foreign investors.
- Exchanging information has to be fair to assure opportunity investments to all investors.
- Do not disclosure information of investors, shareholders without their permission or public authorities' request.



## EMPLOYEES

- Realizing that human resource is the core of development, Hoa Sen Group always apply benefit policies and build friendly, solidarity working environment for all employees.
- Maintaining employees' income is always higher than the average income of labor market and conforms to the Group's business situation.
- Researching and amending some policies of salary, bonus, allowance clearly and fairly to satisfy to employees' attempts and performance.
- Ensuring benefits, rights and job safety to employees in accordance with regulations as well as objecting all kinds of working enforcement.
- Hoa Sen Group's administration is based on employees' respect including their decision, desire, freedom and other legal rights.



## COMPETITORS

- Maintaining relationships with competitors respectfully and constantly learning from their successes.
- Avoiding any harmful action to competitors and recognizing their success based on "The best company is the winner".
- Undertaking fairly competition, preventing collusive activities or any action to rule the market, and rejecting to achieve competitors' confident information.
- Responding flexibly to critical competition, basing on the top factors in consistent business principle: integrity, quality, prestige and brand name.
- Complying Monopolies Act, Competition Act to ensure fairly openly competition.



## SUPPLIERS

- Suppliers play important role to the Group's success, therefore Hoa Sen Group always believe in relationship with suppliers.
- Do not take advantage of the business scale to propose any unreasonable agreement to suppliers, and especially prohibit all behaviors of self-interest, dishonesty, bribe-taking of Hoa Sen Group's employees. This is presented as must-have article in all contracts between Hoa Sen Group and suppliers.
- Selecting supplier equally based on their profile of quality, technical capacity, experience, etc.
- Do not leak any suppliers' privacy information to their competitors.



## REGULATORY AUTHORITY

- Complying rigorous all regulations of tax, environment, labor safety, etc.
- Strengthening positive relationship to Government, Ministries and Departments but do not benefit from these relations to achieve unrighteous interests.
- Associating closely to local government in process of constructing factories, completing all phases of investment timely, contributing to the state budget and creating jobs for local labor.
- Pointing unreasonable article in the process of applying government's regulations and policies, proposing adjustments to help public authorities to govern the country effectively.



## PRESS

- Building good relationship with communication department, press, and television based on the principles of equality, transparency and legal.
- All message, information are provided correctly, clearly, fully and objectively in order to help press to understand precisely Hoa Sen Group's business operations and its retail distribution network, promotional programs, etc.
- Handling communication problems with strategic behavior, skillful speaking and criterion in respond of objection and argument.
- Publishing recommendation of fake steel situation to help press to communicate timely to customers.



## COMMUNITY

- Hoa Sen Group is one of vanguard group performing CSR (Corporate Social Responsibility). The Group always put social responsibility on top in sustainable development strategy.
- Committing environment factor over the development, minimizing impact to environment during the expansion and operation of production projects.
- Affirming working spirit with all conscience and responsibility for not only protecting environment but also contributing in growth of social and country.
- Performing continuously charity activities and sponsor programs to build a development community.
- By well support to the social, Hoa Sen Group has marked deeply in consumers' minds as enterprise with consciousness, social responsibility, bringing best values to the community.



# ACQUISITION OF RELATED PARTIES' FEEDBACK

“ IN GENERAL TREND OF NECESSARY REQUIREMENTS FOR SUSTAINABLE DEVELOPMENT PATH, HOA SEN GROUP ALWAYS CONCERNS WHETHER OR NOT THE INFLUENCE OF RELATED PARTIES. CONSEQUENTLY, HOA SEN GROUP DEALS CONSIDERABLY WITH EVERY FEEDBACK FROM RELATED PARTIES. ”

With guideline of declaration and transparency in every activity, since it was established, Hoa Sen Group has built sustainable relationship with related parties in accordance with core values “Integrity – Community – Development” directing to bring long-term value chain to each party. Hoa Sen Group also unites to select important representative from related parties to summarize concerned issues, to focus on consultancy of related issues that affect directly to Hoa Sen Group’s sustainable development. In addition, practical solutions and strategic development orientation are raised to boost establishing process of management method as well as perfecting Hoa Sen Group’s operation structure.



RELATED PARTY	APPROACH
Customer	<p>With the aim to bring the best utility for customers, Hoa Sen Group is the pioneer in the building materials industry in Vietnam to implement the online purchase on its official website <a href="http://www.hoasengroup.vn">www.hoasengroup.vn</a>. On the website, local customers and importers can find all information on the products, select the nearest branch/retail store to place retail orders or commercial orders with large volume. In particular, the form of online chat and Call center 18001515 will advise on specific types of products that meet the demands as well as support and answer all customer's questions.</p> <p>Other approach channels:</p> <ul style="list-style-type: none"> <li>• Email <a href="mailto:gopy@hoasengroup.vn">gopy@hoasengroup.vn</a>, mail group of related departments;</li> <li>• Update frequently important information to social networks, website;</li> <li>• Hold exhibition, conference, seminar, and meeting.</li> </ul>
Employee	<ul style="list-style-type: none"> <li>• Periodically conducting the Labor Union Congress and Hoa Sen Group Employees' Conference;</li> <li>• Meeting to labor union.</li> <li>• Survey employee's opinions to labor safety, working environment, policies, welfare, etc. via email, telephone, social network;</li> <li>• Hold internal training programs;</li> <li>• Hold internal activities such as music performance, sports, union activities, etc.</li> <li>• Interactive channel between Hoa Sen Group labor union and employees is via group mail <a href="mailto:congdoan@hoasengroup.vn">congdoan@hoasengroup.vn</a></li> </ul>
Partner	<ul style="list-style-type: none"> <li>• Privacy meetings</li> <li>• Receiving and resolving issues via email, telephone, fax, etc.</li> <li>• Public and transparency financial statements, business policy documents, regulations on bidding, etc.</li> <li>• Participating exhibitions, economic forums (VietBuild Exhibition, Vnrea Expo, the leading international exhibition on water supply and drainage sector - Viet Water, Vietnam private economic forum...)</li> <li>• Organizing programs to enhance relationships with partners.</li> </ul>
Shareholder - Investor	<ul style="list-style-type: none"> <li>• Monthly, quarterly, on-demand meetings</li> <li>• Receiving and resolving issues via email, telephone, fax, etc...</li> <li>• Holding Annual General Meeting, periodic and extraordinary meetings, posting financial statements in public.</li> <li>• Implementing information disclosure in accordance with regulations of State Securities Commission of Vietnam and Ho Chi Minh Stock Exchange.</li> <li>• Participating seminar, annual forum of steel industry to share information and take opportunity of investment expanding.</li> <li>• In 2018, the Group has put into operation the email <a href="mailto:quanhecodong@hoasengroup.vn">quanhecodong@hoasengroup.vn</a> to receive and answer shareholders' opinions and questions related to the Group's operation. Email is publicly available on the website <a href="http://hoasengroup.vn">hoasengroup.vn</a>.</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Performing program "Hoa Sen Steel Sheet – School Together" at more than 800 elementary schools in 63 cities across the country and giving hundred thousands of presents and bicycles to poverty but hard studying pupils</li> <li>• Responding to blood donation activities, charity activities for poor people; visiting and supporting families in disaster and flood areas.</li> <li>• Coordinating local government to explore local people's opinions nearby project area.</li> </ul>
Regulatory Authority	<ul style="list-style-type: none"> <li>• Participating actively in organization, association of steel industry;</li> <li>• Attending conference, seminar of steel industry held by Government, Ministries as a member of Vietnam Steel Association;</li> <li>• Complying with legal regulations in all production and business activities.</li> </ul>
Press	<ul style="list-style-type: none"> <li>• Implementing public and transparency information disclosure, and interviewing to press offices on communication channels.</li> <li>• Press releasing of Hoa Sen Group's events and send to communication offices for information disclosure.</li> <li>• Updating frequently important information on the Group's website and social network;</li> <li>• Performing television programs and implementing information disclosure of significant events on official communication channels of the Group.</li> </ul>



# KEY ISSUES



## RULES OF DETERMINING OF KEY ISSUES

The Hoa Sen Group’s sustainable development report of fiscal year 2017 – 2018 is prepared within the fluctuations of steel industry in Vietnam and international markets with critical competition. Therefore, the report focuses on issues that could overcome losses from market, and offers efficient solutions to ensure the Group’s operations are always sustainable development.

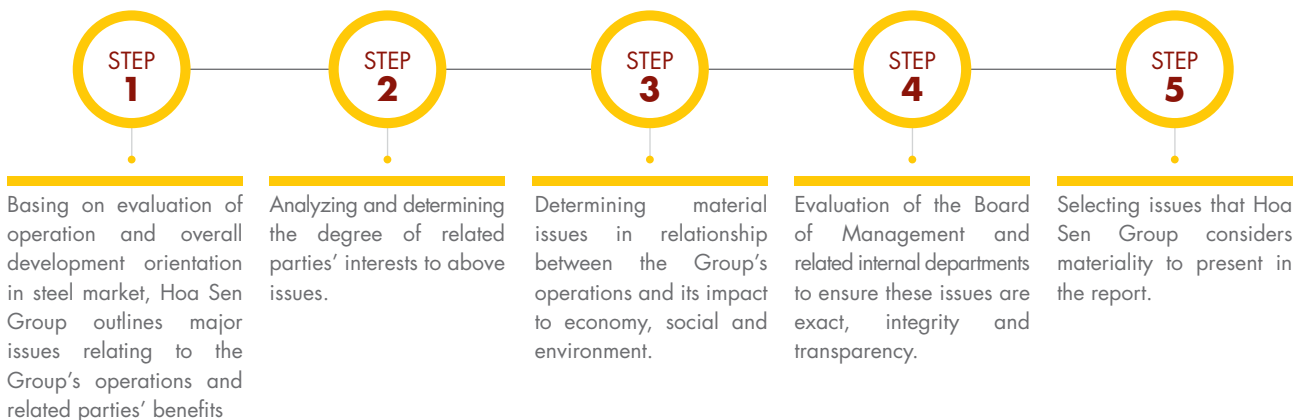
In fiscal year 2017 – 2018, the sustainable development report is prepared by assessing material issues that relating economy, social, environment to the Group’s operations as well as satisfying related parties’ demand. Determining correctly material issues is very important that ensure the best benefits of related parties. This also is foundation for fulfilling sustainable development report’s contents in the following fiscal years.

## DETERMINATION OF MATERIAL ISSUES

- Examining the level of concern and expectation of related parties based on demand, performance and feedback during the Group’s production and trading process, supply’s process to markets, interaction with related parties.
- Basing on evaluation, internal control of functional departments, the Board of Management, in periodic and extraordinary meetings, approves reports, budget planning that is suitable to actual development situation in each fiscal year.
- Approving evaluation minutes, supervision reports of State authorities.
- Reviewing customer’s evaluation and feedback, consultant organization during cooperation with Hoa Sen Group.
- Considering forecast reports of macroeconomic, domestic and international steel industry issuing by economic organization, foreign finance institution, etc.

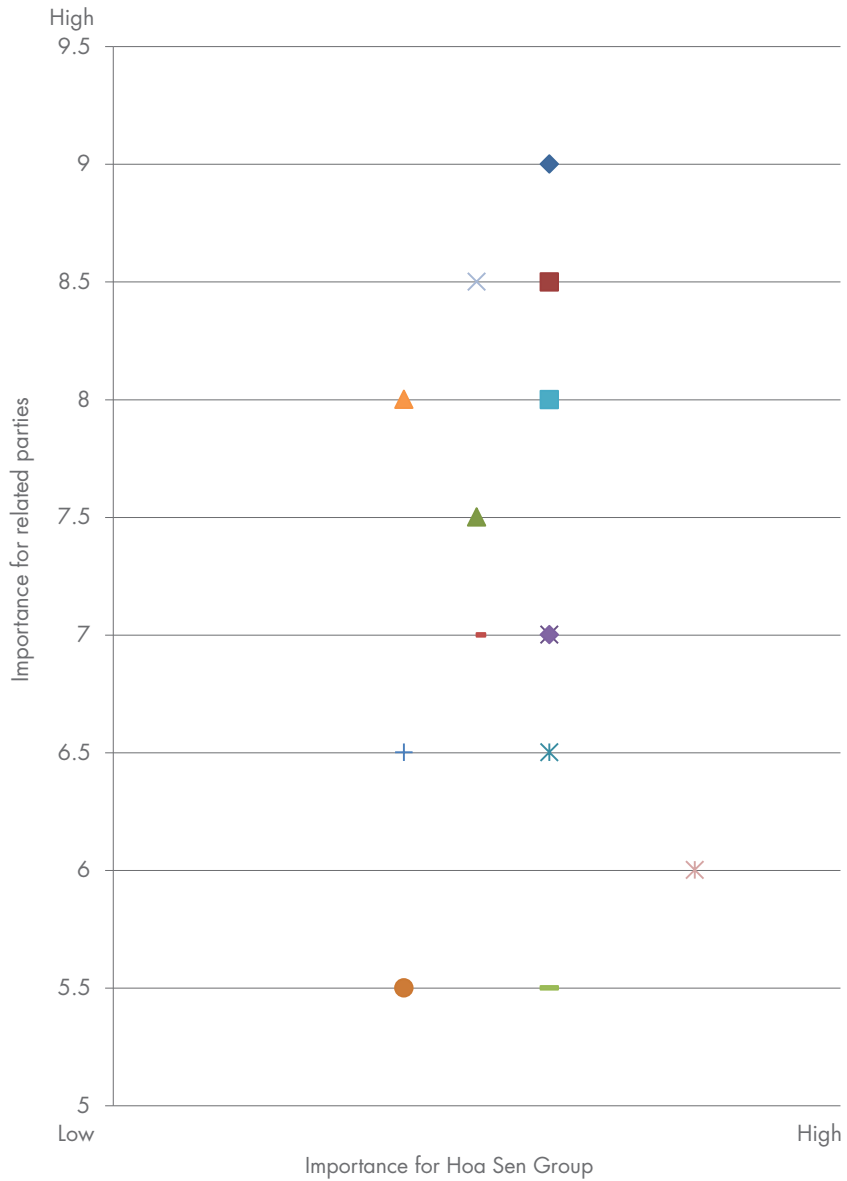
## PROCEDURE TO ASSESS MATERIAL ISSUES

Procedure to assess material issues is prepared by Hoa Sen Group as the following steps:



## MAJOR IMPACT ASSESSMENT OF IMPORTANT ISSUES OF RELATED PARTIES AND TO HOA SEN GROUP

MATRIX OF THE MATERIAL ISSUES' ASSESSMENT



- ◆ water
- Air quality
- ▲ Energy
- × Material
- ✱ By-products
- Recycling
- + Employees
- Safety and Health
- Education and Training
- Local Community
- ▲ Investment Efficiency
- ◆ Reseach and Development
- × Science and Technology Appliance
- ✱ Supply Chain

# SUSTAINABLE DEVELOPMENT SOLUTIONS



## IMPROVEMENTS OF HUMAN RESOURCE, POLICY, GOVERNANCE



### RESPONSIBILITY TO EMPLOYEES

#### LABOR RELATIONSHIP

In the collective labor agreement, employer is responsible for solutions of stable production, business development in order to guarantee labor's jobs; increase income; fulfill conditions, policies of employee's development and training, salary and welfare; create working environment safety, comfortably, and labor-oriented benefits, etc. Employees, on the contrary, have to complete assigned work; comply with working rules and the Group's regulations; propose new ideas applying for business operations; commit working after training according to sponsored training costs; compliance strictly labor discipline of safety, hygiene, and fire prevention, etc.

The agreement was negotiated and signed by the representatives of employee and employer on the principle of voluntariness, equality and publicity.

Besides the collective labor agreement, leading to sustainable development, Hoa Sen Group also focuses on building harmonious relationship between employer and employee as follows:

- Holding conversations with labor periodically;
- All employees are signed labor contract in accordance with legislation;
- Reporting business performance periodically;
- Explaining clearly purpose of evaluation and ranking employees;
- Responding to employee's issues in division meetings;
- All employees are treated equality and protected from any discrimination in work and career.

Hoa Sen Group commits never employ child labor and forced labor in any circumstance.

“ BASING ON LABOR UNION'S EFFECTIVE OPERATIONS AND THE BOARD OF MANAGEMENT'S CONCERNS ABOUT EMPLOYEES' LIVING, THE COLLECTIVE LABOR AGREEMENT WAS SIGNED AT HOA SEN GROUP TO ENSURE LEGAL RIGHTS AND BENEFITS OF EMPLOYEE AS WELL AS EMPLOYER. ”



## HEALTH AND SAFETY

To ensure health for long-time working of all employees, Hoa Sen Group always complies tightly legislation of labor safety, establishes occupational health and safety management system in accordance with OHSAS 18001:2007 standard.

The State's regulations as well as the Group's rules regarding to labor safety and occupational health are informed fully to employees before entering in production lines.

Employees are prepared qualified personal protective equipment, insurance and periodic health examination to minimize risks as well as disease detection and treatment promptly. Compensatory policy in specific to employees who work in hard, noxious environment, affected health is realized to current regulations. Workshop, warehouse, office are prepared automatic fire alarm system, water spray system, CO2 fire extinguisher, etc.

Each year, the Group holds training courses of labor safety for all employees in general and production direct employees in particular. These courses include first aid, radiation safety, chemical safety, electricity safety, lifting equipment safety, fire protection, etc.

Workplaces ensure airy and light fully. The elements such as dust, poison gas, noise, etc. are measured carefully avoiding harm to environment and labor health. The Group has set up a Medical team with 24/24 medical staff to provide first aid, handle emergency situations as well as health care for employees. At the same time, each production line is equipped with medical tool cabinets for first aid to ensure the best health for employees.



## LABOR SAFETY ACTIVITIES IN FISCAL YEAR 2017 - 2018

At the beginning of fiscal year, Hoa Sen Group planned labor protection program for the fiscal year and proceeded statistics, figured out problems and solutions, avoided occupational accident. As a result, the number of occupational accident in fiscal year 2017 – 2018 decreased significantly (only 1 minor occupational accidents occurred), at the same time occupational disease was not realize.

In the fiscal year 2017 – 2018, the company has implemented many measures to ensure labor safety and protect the health of workers, as follows:

### SOLUTION OF TECHNOLOGY

- Implementing shielding, warning in dangerous areas
- Inspecting, maintaining machinery and equipment as planned.
- Adjusting and improving machinery and equipment to make the workers operate more safely.
- Inspecting on time machinery and equipment which have strict requirement of labor safety.



### SOLUTION OF MEDICAL – HEALTH CARE FOR EMPLOYEE

- Period of six months (usually in February and August), organizing periodic medical examinations, occupational health examination to detect the disease early for timely treatment.
- Implementing noxious compensatory to employees who work in hard, noxious environment.
- Setting separate medical room at production area which operates 24/24 to ensure good care for labor's health.
- Hiring functional division to measure working environment periodically in every March.
- Make the most of natural light. Replacing all lights with LED lights in order to create a comfortable working environment, full of light for the workers.
- Regularly check and maintain toilets to serve the needs of workers.
- Regularly clean the workshops, arrange neat supplies and goods to ensure a clear and clean environment for workers.



## SOLUTION OF PERSONAL PROTECTIVE EQUIPMENTS

- Depending on working environment, all positions are prepared suitable personal protective equipments.
- Personal protective equipments have to be qualified, aesthetics and convenience for users
- Employees compel to use personal protective equipments when working.



## SOLUTION OF PROPAGANDA AND TRAINING

In the fiscal year 2017 - 2018, the Group organized training courses of safety – occupational health including:

- Training course of general labor safety for all employees.
- Training course of labor safety for workers who operate lifting equipment, pressure equipment, electrical maintainance, metal welding and cutting, and for workers who work at height.
- Training course of first aid for the Group's first aid team.
- Organizing rehearse to respond to chemical leakage, X-ray radiation problem and gamma radiation problem.

Tổ chức diễn tập ứng phó sự cố rò rỉ hóa chất, ứng phó sự cố bức xạ tia X và nguồn gamma.  
Besides, labor safety team and rule supervision team also inspect, remind employees everyday to comply the Group's rules and regulations of labor safety.



## SOLUTION OF FIRE PROTECTING AND FIGHTING

- Đội PCCC cơ sở được tổ chức đúng theo yêu cầu của luật định.
- Định kỳ hàng năm, mời cảnh sát PCCC đến phổ biến các quy định mới về PCCC cũng như cách sử dụng thiết bị PCCC, phương án chữa cháy khi có sự cố xảy ra.
- Tổ chức diễn tập PCCC ít nhất 1 lần/năm, sẵn sàng khi xảy ra tình huống xấu nhất.
- Bình chữa cháy được sạc nạp thường xuyên, đảm bảo luôn trong tình trạng sẵn sàng. Thay mới các bình chữa cháy đã sử dụng lâu, không đảm bảo yêu cầu về chữa cháy.
- Hệ thống báo cháy được bảo trì, bảo dưỡng định kỳ hàng năm bởi đơn vị có năng lực.
- Kiểm tra định kỳ an toàn hệ thống điện, sửa chữa khắc phục kịp thời những hiện trạng mất an toàn để dẫn đến chập điện.
- Mỗi năm 1 lần thực hiện đo điện trở tiếp đất của hệ thống chống sét và hệ thống điện.
- Duy trì quy định cấm hút thuốc trong phạm vi nhà xưởng.
- Thực hiện rà soát và dán biển cảnh báo tại các khu vực dễ cháy nổ: khu vực lưu trữ hóa chất, khu vực trạm CNG, NH3, các lò sấy, khu vực pha sơn,...
- Các đơn vị, bộ phận khi thực hiện công việc hàn, cắt phải thực hiện ở nơi thông thoáng. Khi bắt buộc thực hiện ở nơi dễ phát sinh cháy nổ phải đảm bảo che chắn cẩn thận để ngăn chặn các tia lửa điện văng bắn vào vật liệu dễ cháy và phải có sự giám sát của nhân viên ATLĐ.



## INNOVATIONS OF HUMAN RESOURCE POLICY

Towards to build the Group's employees "better, more professional, higher income", Hoa Sen Group implements policies to develop human resources as follows:

### SALARY AND SUPPORT POLICY

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- Based on the actual production and business situation, the Group always has appropriate salary and allowance/support policies for employees.
- Supports such as support for gasoline, housing, transportation, telephone, branches under difficult circumstances, remote areas, maternity support, etc. are maintained as before. These are an additional monthly income that will motivate and help employees work more effectively.

### INSURANCE AND OTHER WELFARE POLICY

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- The social insurance, health insurance and unemployment insurance are performed by the Group in accordance with government stipulations to ensure all employees receive fully these types of insurance. In addition, the Group has paid 24/24 accident insurance for all employees (including official employees and probationary employees) with the maximum coverage of 200,000,000 VND/person.
- Through many fiscal years, the Company always maintains the rewarding for employees with outstanding achievements in their work, contributing positively to the development of the Group. Bonus policies are applied in the fiscal year 2017 - 2018 such as: bonuses based on monthly performance, technical innovations in production and business activities, Tet and national holidays.
- In addition to the implementation of flexible salary, bonus and insurance policies according to legislation, the Group applies other welfare to employees including yearly vacation, organizing activities of culture, arts, and sports to enhance the spiritual life for employees, canteens for serving daily meals for staff, delivering uniforms, personal protective equipment in accordance with regulations, giving gifts to female employees on the International Women's Day and Vietnam Women's Day, supporting for maternity, mourning.
- In addition, Hoa Sen Group always takes care of employee's health and working safety. In each fiscal year, the Group organizes periodic health examination and advises effective treatments depending on examination's results in order to ensure employees working comfortably.
- Also in the past fiscal year, all staffs of the Group and employees joining directly in production have been well provided with knowledge and safety skills in production by organizing training courses relating to safety in production such as first aid, labor safety, radiation safety, and chemical safety, electric safety, lifting equipment safety, fire prevention and fighting. Thanks to that, heavy and severe injuries are greatly reduced as workers are provided with sufficient knowledge and skills.
- In addition to receiving payment from the Social Insurance

agency or the accident insurance 24/24 as prescribed, the Group also supports treatment costs, the compensation/subsidy. Depending on the severity of the occupational accidents, the Group also has its own supportive policies to compensate, motivate and to rebuild the labor force for the employees.

- Worthy fostering policy for employees working in heavy, hazardous and poor working environment shall also be implemented in accordance with current regulations.

### RECRUITMENT POLICY

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In fiscal year 2017 – 2018, Hoa Sen Group constantly promoted recruitment policy, built and attract high quality human resource through significant activities as follows:

- Strengthening the recruitment process to give candidates the opportunity to access recruitment information of the Group through "Job Fair" and "Career Workshop" at the reputable universities in the North – Central – South regions of the country and at the job centers across the country. Particularly, the Group has always focused on recruiting overseas to meet the demand of the Group's specialized departments during the development of more foreign projects.
- Students at universities and colleges are sponsored scholarships, especially students who are under difficult circumstances but trying to improve and get achievements in learning
- In addition to the Group's official Recruitment website, <https://hoasenjobs.com/>, Hoa Sen Group is enhancing the expansion and development of online recruitment sites such as Facebook, LinkedIn, etc. Reserved candidate resumes will be expected to increase to more than 50,000 resumes. Since then, expanding the source of qualified and diversified candidates to meet the personnel needs of the divisions /departments and subsidiaries/factories of Hoa Sen Group.
- In order to support employees when getting responsibilities in the distance, Hoa Sen Group has policies including paying for airfare/transport, food/accommodation, etc. in order to help the Group have more opportunities to get closer to labor force.
- Expanding more forms of recruitment such as live interviews, online tests, multiple-choice test, professional tests, English communication skills, etc.
- With the effort and unstoppable efforts in such recruiting activities, according to the annual survey of the job network conducted by Career Builder Vietnam cooperating with Insight Asia Company in the period from December 18, 2017 to January 18, 2018, Hoa Sen Group continues to be honored "Top 10 most favorite employers" in the domestic job market. This result has initially affirmed the recruiting brand of Hoa Sen Group, building the image of the Group in the minds of candidates, universities, organizations, etc. contributing to promote Hoa Sen brand into the community.

## TRAINING POLICY

In recent fiscal year, Hoa Sen Group has always been paying attention to the training and development for human resources of the organization. The total training cost of the Group in the fiscal year 2017 - 2018 reached more than VND 3 billion. The Group has successfully organized 355 training courses with more than 10,000 attendees, including outstanding activities as follows:

### DEVELOPING FUNCTIONAL DIVISION/DEPARTMENT

- In the fiscal year 2017 - 2018, new employees are regularly trained to integrate, in which compulsory training courses such as occupational safety and health, first aid, fire protection, courses for managers and improve their internal control ability, improve professional skills, knowledge and working skills.

- The training program for the title of Business Director of the Provincial Branch to help the Group find "Pioneer Warriors" to work in all parts of the country. With the combination of external training courses to improve management capacity and internal training topics of the Group to help employees understand how to operate the system. The Group's training has contributed to create a team of management with a strong, passionate and outstanding working ability.

### PIONEER WARRIORS

- With the system of subjects (ISM) specially designed for staffs at the branches, the professional internal trainers have trained nearly 500 staffs in the whole system, with 02 phases of organization:

- Phase 1 offers 6 subjects including Foundation Culture; Teamwork Spirit; Hoa Sen Culture; Knowledge on products; Policies; Criterion – Standards.

- Phase 2 provides 5 subjects including Market Exploitation & Business Planning Skills; Communication & Teamwork Skills; Sales skills; Debt Control & recovery; Asset control.

- In addition, Department of Training - Recruitment in conjunction with the Regional Executive Offices has conducted training and assessment on the capacity of management trainees through the subjects: Branch management; Market Exploitation skills; Information analysis and reporting skills; Professional sale skill.

- With the business philosophy of "Helping customers succeed" through the spirit of service, professionalism and homogeneity of Distribution Network, visual standard material "Criterion - Standards " has been created and developed, from that standardizing the image of employees, facilities of distribution network and branches in order to create new competitive advantages for the Group.

- To develop the Branch Managers team, training activities have been implemented to improve the management capacity through the following subjects: Branch management in accordance with criterion and standards; Creating - Implementing business plan; Tutoring – guiding skills.



## DEVELOPING SUBSIDIARIES/FACTORIES

- Carrying out the training for employees of Subsidiaries /Factories throughout the fiscal year, including compulsory training courses such as integration training, first aid, labor safety, radiation safety, chemical safety, electric safety, lifting equipment safety, fire prevention and fighting; etc. training courses to improve skills and capabilities such as production management, improving mid-level management capability, 5S - Kaizen, etc. Content of training courses closely follow the business and production activities of the Group, has been implemented towards modernization, highly practical with the combination between the theory and practice which can help learners have the opportunity to study and apply immediately to the practical work.

- At the same time, after-training assessment has been applied in various forms to all training programs. Particularly for staff at Distribution Network, the Group deploys online testing on criterion - standards, professional knowledge and business policies to help staff aware and comply with the regulations, contributing to the improvement of customer service quality and brand reputation of Hoa Sen Group.





## BUILDING FRIENDLY AND DEVELOPMENT WORKING ENVIRONMENT

Building friendly, solidary and development working environment is always top priority of Hoa Sen Group. In fiscal year 2017 - 2018, Labor Union cooperated with the Group to hold various exciting activities of arts, sports to care for employees' life such as:

- + On the 108th anniversary of the International Women's Day (March 8, 1910 - March 8, 2018), the Company has given presents to all female employees, at the same time, organized a meeting to honor the female members of the Union who have outstanding achievements in production and business activities, as well as activities that are representative for the whole Union of the Group including Representative Office 1, 2, Representative Office in the South and Production Executive Board in Binh Duong Province.
- + Organizing men's and women's football tournaments to celebrate the South Liberation Day on April 30, 2018.
- + Like the previous fiscal years, the Group has given gifts for employee's children on Children's Day; organizing ceremony to honor employees' children who obtained outstanding academic achievements in 2017 - 2018.

WITH ALL POLICIES OF SALARY, REWARD, WELFARE AND FRIENDLY, DYNAMIC WORKING ENVIRONMENT, IN 5 CONSECUTIVE YEARS (FROM 2013 TO 2017), HOA SEN GROUP IS IN TOP 5 OF BUILDING MATERIALS SECTOR AND TOP 100 VIETNAM BEST PLACES TO WORK AS THE RESULT OF THE SURVEY "TOP 100 VIETNAM BEST PLACES TO WORK" CONDUCTED BY ANPHABE AND NIELSEN COMPANY



## PRODUCT RESPONSIBILITY



The product quality is strictly controlled from input material and on each stage to ensure product process complying with international standard and customer's quality demands by Hoa Sen Group

Hoa Sen Group established quality control processes with control indicators, quality standards, application forms, norms, etc. depends on each specific product and production line in order to control quality of input materials, semi-finished products, and finished products on each production stage. In addition, employees who are in charge of controlling product quality and chemical testing are guided to fulfill quality control process of outputs. According to the capacity and actual productivity of the lines, Hoa Sen Group annually established the Standards of Quality Norms for the main production lines that applies for the products of both domestic and exported market, which classifies the product as the Class 1, Class 2 and by-products.

All Hoa Sen Group's plants have laboratories which are equipped the most advanced system to ensure the process of measuring product is most accurate. Moreover, every production stage is under surveillance for the management easily to supervise, retrieve source and timely prevent any error detected.

Besides, the finished products are packed in conformity with the regulation to ensure the product quality, and labeled clearly for brand identity in order to meet consumer's aesthetic demands, rust-proof or non-dented during storage, handling, and transportation.

## PRODUCT QUALITY ENHANCEMENT, QUALIFY DOMESTIC AND INTERNATIONAL STANDARDS

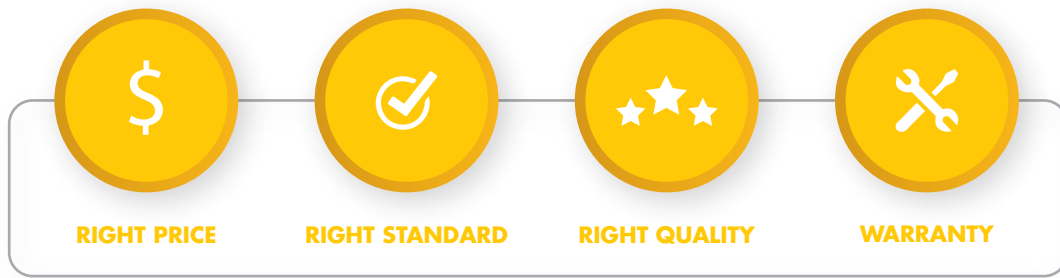


By investing advanced technology and reforming the lines, Hoa Sen Group did develop and maintain the integrated controlling system which consists of quality management system ISO 9001:2015, environmental management system ISO 14001:2015, occupational health and safety advisory services OHSAS 18001:2007 as a mean to response to social and environmental responsibility and satisfy customer's demand.

The products of Hoa Sen Group always attain high quality standard that meet the strict requirements in top-notch market as United States, Japan, EU, etc.

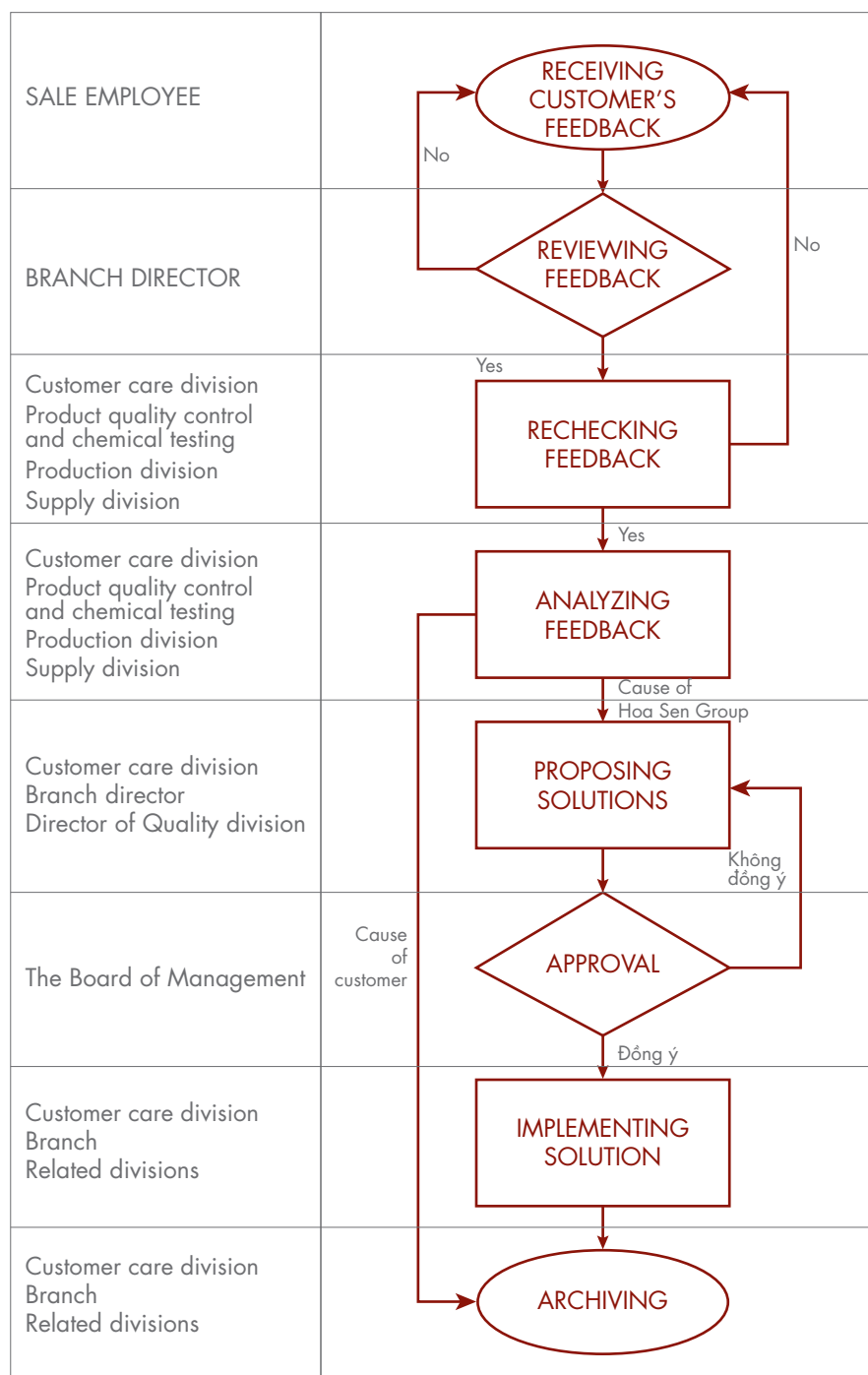
Additionally, Hoa Sen Group periodically reviews the production process, product allocation as well as conducts research to improve the technology in order to reduce the energy, fuel consumption and boost the competitiveness of the products.

## COMMITMENT TO CONSUMER



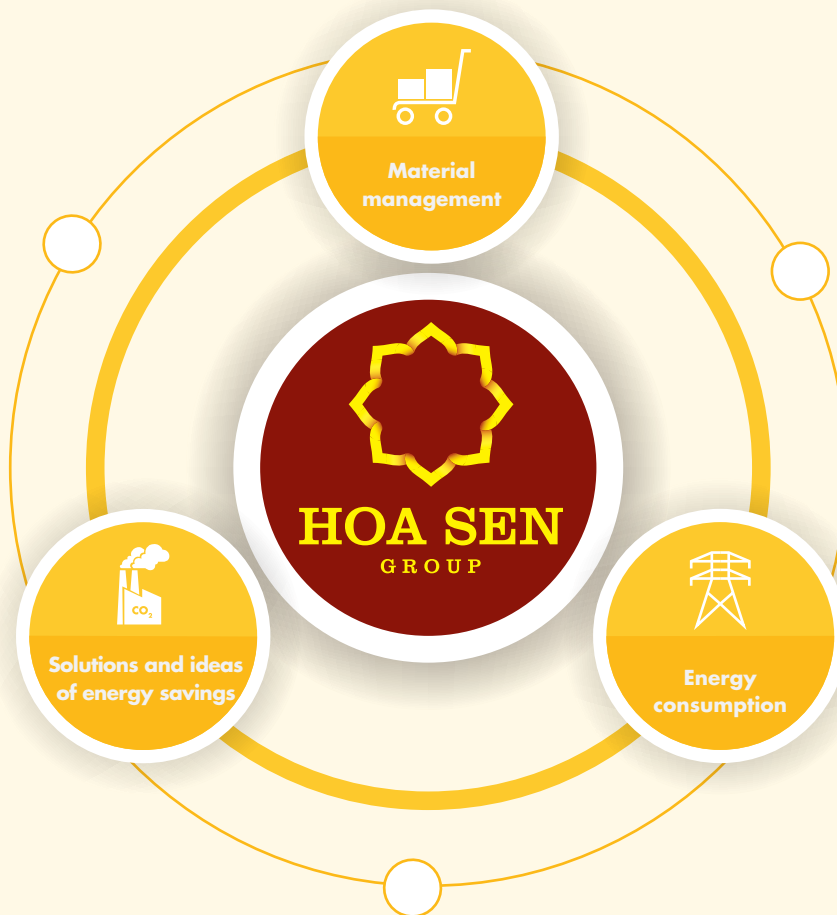
Hoa Sen Group has established warranty policy from 10 to 20 years for the products of Pre-Painted Galvanized Steel Sheet, Aluminum-Zinc Alloy Coated Steel Sheet and Pre-Painted Aluminum-Zinc Alloy Coated Steel Sheet. In addition, Hoa Sen Group is willing to receive all inquiries, complaints of product quality through various channels (telephone, email, online consultation on the website [www.hoasengroup.vn](http://www.hoasengroup.vn)) or fill in "Feedback form" to suppose solutions that satisfy customers.

The process of resolving customer feedback of Hoa Sen Group is presented as the following flowchart:



## ENVIRONMENT AND ENERGY

“MANUFACTURING AND TRADING IN STEEL INDUSTRY REQUIRE OPERATIONS OF MANY PRODUCTION LINES WITH GREAT COMMAND OF ENERGY CONSUMPTION AND STRICTLY COMPLYING DISCHARGED STANDARDS TO ENVIRONMENT. BEING AWARE OF THIS ISSUE, HOA SEN GROUP IS CONTINUOUSLY LOOKING FOR SOLUTIONS IN USING SAVING AND EFFECTIVE ENERGY, AS WELL AS MINIMIZE IMPACTS TO ENVIRONMENT DURING PRODUCTION PROCESS.”



### MATERIAL MANAGEMENT

Input materials which are used in manufacture are qualified to the Hoa Sen Group's general standards. Most of input material orders are verified and approved by Materials division and Evaluation division of Hoa Sen Group. The utilization of materials are controlled and collated among divisions of production, supply, supervision through daily, weekly, monthly reports including inventory status report, material consumption report, and balance report of materials – finished products to ensure the optimization.



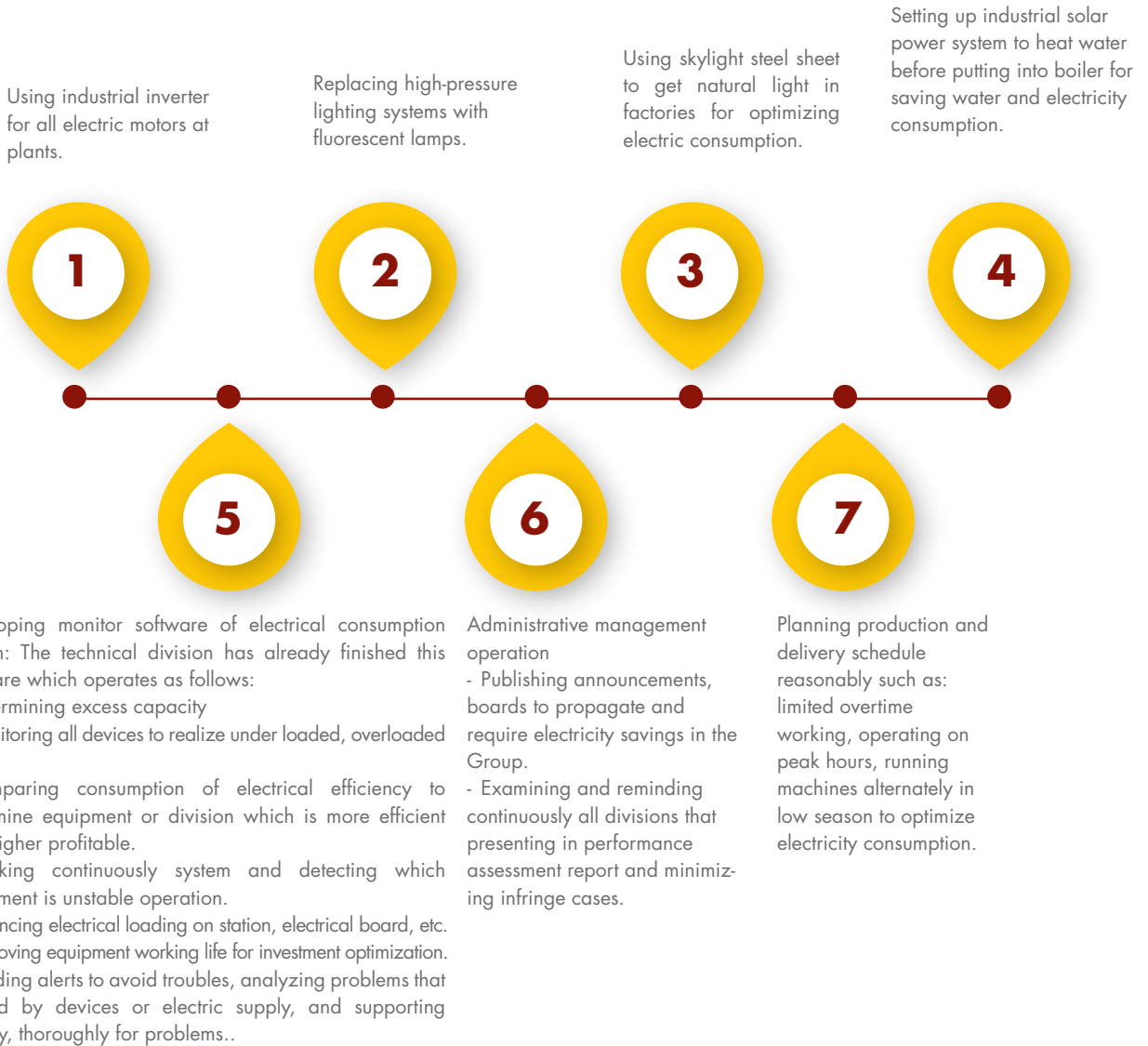
## ENERGY CONSUMPTION

### SOLUTIONS OF ENERGY SAVING

Hoa Sen Group always concerns saving of energy consumption within the limitation that is set by the Group.

All Hoa Sen Group's offices, plants perform energy report regularly. Especially, each production line is always tracked and measured energy consumption in order to detect and adjust timely issues of unreasonable consumption.

### Measures of energy savings



## SOLUTIONS AND IDEAS OF ENERGY SAVINGS

### TECHNICAL SOLUTIONS

- Expanding or adding more windows which installed by glass, skylight steel sheets to maximize natural light usage.
- Replacing incandescent bulbs to electrical saving compact lights.
- Installing gutters, covers of lights to increase light reflection and placing lights at appropriate height.
- Replacing overloaded electrical wire to matching electrical wire.
- Replacing old, damaged electrical wire to new ones.
- Repairing joints, cosse head, tangential points, knife switch, connector which are overloaded.
- Allocating transmission which is balanced on every production line in accordance with designed capacity of transformers.
- Implementing reactive power compensation for engines which are high capacity operations.
- Operating transformers in each appropriate mode (norm mode, under loaded mode).

## ADMINISTRATION, MANAGEMENT SOLUTIONS

### Regulation of electrical equipment usage

- All electric devices in offices are turned off when leaving
- Lightning system for corridor, security:
  - In summer: Turn on at 19pm and turn off at 5am
  - In winter: Turn on at 18pm and turn off at 6am
- The air condition is set temperature at 25 – 27°C and shut down when leaving.
- The computers are used for working only and un-plugged when finishing.
- Photocopy machines, printers are used for working only and un-plugged when finishing.

### Tracking and monitoring

- Technical and environment safety division coordinates with administrative office are responsible to check the compliance of using equipment in plant and announce on back board weekly violations of using equipment in each division.

### Rewarding and encouraging

- Publishing information of good employee, good behavior in electric saving.
- Innovative suggests of electric saving in plant.

## COMPLIANCE WITH THE LAW OF ENVIRONMENTAL PROTECTION

IN PARALLEL WITH IMPROVING BUSINESS PERFORMANCE, HOA SEN GROUP USUALLY CONCERNS ENVIRONMENTAL PROTECTION TO LOOK FORWARD TO PRODUCE ENVIRONMENTAL FRIENDLY PRODUCTS.

Hoa Sen Group has functional division in environment which has high qualification employees graduated from prestigious universities around the country. All employees are usually propagated garbage classification, energy saving regulation (electricity, water, etc.) during production and office operations as well as environmental sanitation regulation.

- All Hoa Sen Group's subsidiaries/plants perform environmental impact assessment/ environmental protection project/ environmental protection commitment before operation. During operation, subsidiaries/plants measure and supervise environment quarterly and report to authorities.
- ISO sections of subsidiaries/plants always update environmental legislations to comply and inform to related divisions. ISO sections also assess the compliance of legislation before the Group's ISO division rechecks every six months.
- To improve supervision and management in environmental protection, Hoa Sen Group has developed, maintained and enhanced environment management system in accordance with ISO 14001:2015 standard which certificated by BUREAU VERITAS.
- In yearly period or when environment management system has been modified, Hoa Sen Group identifies environmental sector to have good control in significant environmental sector as the following:
  - +Waste water is treated in accordance with eligible standard before getting in centralized waste water treatment system of industrial park.
  - +Emissions are treated in accordance with column B – QCVN 19:2009/BTNMT before discharging into environment.
  - +Solid waste is classified, collected and transfer for treatment in accordance with legislation. Scraps are classified at original

source, each kind of scraps is contained in trash can with specific label. When trash can is full, it will be transferred to the company's garbage house at specific area.

- For hazardous waste, Hoa Sen Group has been issued certification of owning hazardous waste. When the hazardous waste volume has changed, the Group also modifies the certification. In addition, Hoa Sen Group has signed agreement with functional authorities which have license to transport and handle waste.
- In factory area, to allocate harmony building structure, the Group has used ground for trees, lawns to create beautiful landscape and contribute much for fresh air.
- In addition, to ensure working environment with high standard for employee's health, the Group applies technical solutions to clear the workshop, reduce noise and equip exhaust fans, industrial fans. Hoa Sen Group also measures environmental parameters periodically in accordance with legislation.



## OPTIMIZING ECONOMIC EFFICIENCY

### APPLICATION ON MODERN TECHNOLOGY AND IMPROVEMENT ON PRODUCTION SYSTEM

In order to provide to consumers best quality products which compete by quality and affirm its position in the market, Hoa Sen Group always concerns on investment of advanced technology production lines and equipment, and leads in new technology application with environment friendly. The detail is as follows:

- In 2007, Hoa Sen Group was the first private enterprise in Vietnam to invest in Galvanizing line with non-oxidizing furnace (NOF technology).

- In 2009, Hoa Sen Group was the first enterprise in Southeast Asia to invest in hot dip galvanizing line with non-oxidizing furnace (NOF technology).

- In 2010, Hoa Sen Group was the first enterprise to invest synchronously in centralized blending system, plastic pipe line of Battenfeld – Cincinnati applied by European technology and laboratory qualified Japanese standard in order to provide high quality products with competitive price to consumers.

- In 2011, Hoa Sen Group completed Phase 1 of Hoa Sen Phu My Steel Sheet Plant Project. Currently, this is one of the largest steel sheet plants in Southeast Asia with modern and synchronous production lines and machinery system.

- In 2017, the Group has deployed the investment in Hoa Sen Phu My Hot-Dip Galvanized Steel Pipe Plant Project. In the first phase of the project, Hoa Sen Group has invested in a hot-dip galvanized steel pipe line with a capacity of 85,000 tons/year. The lines use modern technology imported from Europe. The output meets the standards of quality, good thickness of coating, good coating adhesion, highly applicable in many constructions.

### ENHANCING PRODUCTION CAPACITY, MEETING THE DEMAND OF CONSUMERS

In the past fiscal years, Hoa Sen Group has deployed and put into operation large-scale production projects across the country in the North-Central-South in order to implement the strategy of perfecting the production system, improving supply capacity, meeting consumer demand and contributing to optimize the cost of transportation.

Phase 1 of Hoa Sen Nhon Hoi Binh Dinh Plant Project has officially been put into operation since October 2017 including 03 main production lines: 01 Galvanizing line with capacity of 180,000 tons/year has been operating since September 2017, 01 Color coating line with capacity of 45,000 tons/year has been operating since June 2017, 01 Slitting line with capacity of 100,000 tons/year has been operating since May 2017. At the same time, starting Phase 2 of the plant, expectedly investing in 05 production lines: 01 Pickling line with capacity of 800,000 tons/year, 01 Cold rolling line with capacity of 350,000 tons/year, 01 Galvanizing line with capacity of 250,000 tons/year, 01 Color coating line with capacity of 150,000 tons/year, 01 Acid recycling line with capacity of 5,000 liters/hour.

With the investment of production lines and modern equipment according to European standards of Danieli - Italia Supplier with vertical production process and strict inspection, from input materials to finished products, the plant has produced quality steel products; meet international standards and strict requirements of domestic and foreign markets. It is expected that the plant will complete both phases by the end of 2018, contributing significantly to the local budget, creating jobs for about 700 workers. When the plant goes into operation, it will meet the demand of the Central – Tay Nguyen provinces, at the same time export to Laos, Cambodia, Thailand, Europe and America.



Besides expanding the plant system in the Central and boosting production in the South, Hoa Sen Group continues to build the plant system in the North - one of the key markets of Hoa Sen Group in the coming time. Therefore, the investment in large plants in the North is very important in improving the ability to supply steel sheet, steel and plastic products for the North market in order to meet the needs of customers in this area.

Hoa Sen Group started the construction of Hoa Sen Nghe An Plant in June 2015 on an area of 45 hectares, the total designed capacity of 1 million tons of steel sheet and steel products/year. At present, Hoa Sen Nghe An Plant completed the 1st phase and has basically completed the 2nd phase with putting a series of production lines into operation, including: 01 Pickling line with the capacity of 800,000 tons/year, 02 Coll Rolling lines with the capacity of 700,000 tons/year, 02 Galvanizing lines with total capacity of 800,000 tons/year, 02 Color coating lines with the capacity of 240,000 tons/year, 02 Slitting line with the total capacity 200,000 tons/year, 01 Strimming line with the capacity of 400,000 tons/year. The products of the plant are available in American and European market. These are difficult markets which require strictly on product quality and delivery time. The export of large consignments to these markets is the most obvious demonstration of Hoa Sen Group's competitiveness on international market. Up to now, the plant has basically completed the investment in stages of vertical production process, from the input material is hot rolled coil to the output products are steel sheet and steel products and take full capacity of the plant.

In addition, Hoa Sen Group has invested in Hoa Sen Ha Nam Plant in Ha Nam province on an area of 20 hectares, producing 02 main products, including plastic pipes with designed capacity

of 19,800 tons/year and steel pipes with the capacity of 135,000 ton/year.

To continue the production expansion plan, on March 1, 2017, Hoa Sen Group started the construction of Hoa Sen Yen Bai Steel Pipe Plant in Tran Yen district, Yen Bai province. The project is built on an area of 05 hectares, expected to produce two main products: steel pipes and insulated steel sheet.

Expanding the production system is one of the key strategies of Hoa Sen Group over the past years. Currently, Hoa Sen Group owns 11 large plants located across the country in the North - Central - South. These plants are invested in synchronous machinery system, applying modern technology to production, producing products that are consistent in quality and meet international standards. With the establishment of plants in each region, Hoa Sen Group will reduce the cost of transportation, short delivery time; quickly meet market needs in every area.

In addition to expanding its production system, Hoa Sen Group also focuses on increasing Hoa Sen popularity to every corner of the country by expanding its branch network and stores. Currently, Hoa Sen Group owns more than 350 branches, bringing the best products and shortest delivery time to the end users in the country.



#### DIVERSIFY PRODUCT

Hoa Sen Group constantly research new products to meet the increasingly diverse demands of consumers:

- In 2012, Hoa Sen Group introduced Metallic steel sheet product with the outstanding feature of metallic surface with high aestheticism.

- In July 2014, Hoa Sen Group launched Hoa Sen wood pattern steel sheet. The outstanding feature of wood pattern steel sheets is their surfaces which are coated with the paint of wood pattern. Therefore, they are highly aesthetic and can be applied to making outdoor products and furniture which bring the subtlety and luxury to the houses. Hoa Sen wood pattern steel sheets are durable, beautiful, luxurious and suitable for construction works and houses. With superior durability, the wood pattern steel sheet product may have more than 20 year's long-lasting usage.

- In August 2014, Hoa Sen Group continued to launch Hoa Sen wrinkle steel sheet. Wrinkle steel sheets are Galvanized steel sheets and Pre-painted aluminum-zinc alloy coated steel sheets with special wrinkle pattern on the surfaces. The outstanding features of wrinkle steel sheet are their high aestheticism, high durability, good heat resistance, good moisture resistance, easy installation, etc. The products are used flexibly for construction works and houses such as ceilings, walls, roofs, etc.

- Besides famous steel sheet products, Hoa Sen Group also supplies diversified products of galvanized steel pipe and plastic pipe with superior specifications:

- + Hoa Sen steel pipe is produced by modern production lines in accordance with strict quality control process to meet high quality standards of JIS G3444 (Japan), JIS G3466 (Japan), ASTM 500M (USA). Hoa Sen steel pipe product has clean, smooth surface, even thickness, high flexibility and good zinc adherence.

- + Being manufactured by modern production line with the advanced European technology and the centralized blending system, the uPVC plastic pipe products are homogeneous and high quality in accordance with standards of BS 3505:1968/BS EN 1452-2:2009 (England); AS/NZS





1477:2006 (Australia): ISO 4422:1996, TCVN 6151-2:2002 (Vietnam), TCVN 8699:2011 (Vietnam). Hoa Sen Plastic Pipes are widely used in various fields such as civil and industrial water supply and drainage, buildings, telecommunication constructions, etc.

+ In March 2016, Hoa Sen Group launched superior HDPE plastic pipe products. HDPE plastic pipes are manufactured by advanced technology of Cincinnati (Germany) and strict quality control process. Hoa Sen Group's laboratory is prepared modern equipment originated from USA, Germany, Japan, Canada, etc. Hoa Sen HDPE plastic pipes advantages include non-toxic, safety for users' health, long life span, high tightness (watertight, airtight), leak-free, non-corrosion by acid solutions, neutral solvent, ability to resist against extreme weather conditions. Hoa Sen HDPE plastic pipes are applicable for water supply, drainage, sewage conveyance, sand pumping, industrial and agricultural water leading system, and other various applications.

+ In fiscal year 2015 - 2016, Hoa Sen Group also launched Hoa Sen PP-R plastic pipe product. Hoa Sen PP-R plastic pipes, which are manufactured by non-toxic PP-R (Polypropylen Random Copolymer) materials, are absolute safety for users' health. Especially, Hoa Sen PP-R plastic pipe has heat resistance up to 95°C is used for hot and cold water conveyance in civil and industrial constructions and solar energy – using pipeline system. The products also have ability to resist against wide array of chemicals, and have non-corrosion from acid solutions, alkaline solution, saline solution, neutral solvent, etc.

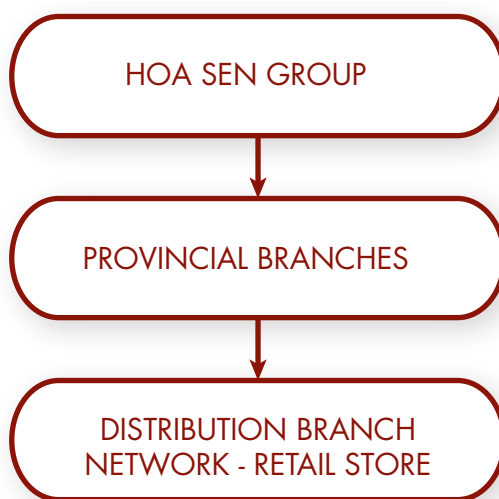
+ In the fiscal year 2016 - 2017, the Group started to invest in Hoa Sen Phu My Hot-Dip Galvanized Steel Pipe Plant. Expected in March 2018, the project will go into operation and launch the product "Hoa Sen Hot-Dip Galvanized Steel Pipe". Hot-dip galvanized steel pipes are superior in the thickness of coating in comparison with normal galvanized steel pipe. With modern technology, hot-dip galvanized steel pipe line will produce products having coating mass with equal thickness, ensuring high corrosion resistance, keeping the quality and sustainability of works, machinery and equipment, at the same time maintaining aesthetics. Hot-dip galvanized steel pipe products will have shiny surface, no need to have a protective coating, environmentally friendly, especially resistant to severe environmental conditions.

**APPLYING ADVANCED MANAGEMENT PROCESS, PERFECTING MANAGEMENT OPERATION AND MODEL**

• Hoa Sen Group defines business management is one of the most important factors to enhance stable and efficient economic growth, to keep sustainable development on track in long-term. In parallel with building strong governance system based on complying legislations and applying most advanced governance model in the world, Hoa Sen Group has issued system of internal policies in order to build integrated and decisive governance mechanism.

• In the fiscal year 2016 - 2017, the Group focused on perfecting and putting ERP system into operation, improving synchronization and standardization in professional operations, creating a premise for the application of new technologies in order to meet the demand for future development.

• In the near future, the Group will continue to research and implement restructuring activities to perfect and improve the management system. In particular, the Group will focus on the restructuring of the distribution system under the Provincial branch model. It is expected that the whole distribution system management model will be restructured at the following management levels:





COMMUNITIES  
ORIENTED ACTIVITES

“ BEING CONSISTENT WITH THE BUSINESS PHILOSOPHY OF “**INTERGRITY - COMMUNITY - DEVELOPMENT**” OVER THE PAST 17 YEAR, HOA SEN GROUP HAS ALWAYS BROUGHT HAPPINESS TO SHARE WITH THE COMMUNITIES THROUGH VARIOUS CHARITABLE ACTIVITIES. ”

# “OVERCOME OURSELVES” PROGRAM

Being the sponsor for charitable program as “Overcome ourselves”, Hoa Sen Group has left a decent impression in the community for its moral and humanitarian values. “Overcome ourselves” program has been broadcasted on HTV7 channel – Ho Chi Minh City Television and other 16 local televisions nationwide (VTC9, Dong Thap, Ben Tre, Soc Trang, Quang Binh, Tay Ninh, Ninh Thuan, Hue, Nghe An, Ninh Binh, Ha Nam, Binh Phuoc, Dak Lak, Bac Lieu, Ca Mau, Quang Ninh). The program is for poverty households that have technical skills but still have loans from the bank. The program brings opportunities to pay off the loans and support finance for the household by contest of their occupations. It has been 14 years (since Sept 2005 – now) that the program has been kicked off and it has been together with 728 households to support them overcome hardship and have better future. Until now, the total fund given to household is more than 30 billion VND. With the program, Hoa Sen Group does make a great change for many households to have better life and disperse the humane value.



## “GOLDEN SMALL BELL” PROGRAM

The program has been broadcasted on every Sunday at 8.45pm on VTV1 – Vietnam Television and other 16 local Televisions nationwide (Kien Giang, Soc Trang, Ben Tre, Quan Binh, Ha Nam, Binh Phuoc, Dak Lak, Bac Kan, Dong Nai, Tay Ninh, Ninh Thuan, Thua Thien Hue, Ninh Binh, Bac Lieu, VTC9 – Let’s Viet, Yen Bai). There are 12 criteria for choosing the households and the program cooperates with the Commune Peoples’ Committee to pick 6 households/commune (01 program/commune). After 5 years, the “Golden Small Bell” program truly gave hope to over 1,560 households with a pair of cows donation for each household. Moreover, the community has also given a cow for each 849 households.



## “THE FUTSAL CUP FOR UNDERPRIVILEGED CHILDREN”



As being trusted and loved by community, Hoa Sen Group always care for underprivileged but vigorous children. For over 10 consecutive years, Hoa Sen Group has been along with “the Futsal Cup for underprivileged children”, jointly organized by Ho Chi Minh City Police Newspaper and Vietnam Sport Newspaper. The prize was established in 1999 and usually held on the occasion of the International Children’s Day (June 1) with the hope of creating an joyful playground for underprivileged children who are living in SOS villages, loving homes, reform schools, ect. so they can have chances for physical training, socializing with other friends.



## “HOA SEN STEEL SHEET – SCHOOL TOGETHER”

This program of Hoa Sen Group pays a significant interest on poor but studious pupils all over the country. On the opening school ceremony 2017-2018, Hoa Sen Group continued to carry out the “Hoa Sen Steel Sheet – School together” with the donating of 46,800 presents (notebooks and school utensils) and 200 bikes for pupils under hardship but willing to learn at primary schools across the country. By that, the program did support and motivate many pupils to follow their dreams



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## “VIET FAMILIES’ SWEET HOME”

“Viet families’ sweet home” is an annual community activity of Hoa Sen Group for several years. In order to bring a merry and heart-warming Lunar New Year, Hoa Sen Group held events for 2,000 children at 11 loving homes, reform schools, disabilities and elderly day care centers, orphanages, ect. in Ho Chi Minh City and other vicinity provinces.



## VTV INTERNATIONAL WOMEN'S VOLLEYBALL TOURNAMENT HOA SEN PLASTIC PIPE CUP 2018

In order to establish lively and exciting playground in sports, Hoa Sen Group holds an annual sponsorship for various sport grand prize, especially "VTV International Women's Volleyball Tournament Hoa Sen Plastic Pipe Cup 2018". In 2018 - 15 years of organizing the tournament, with enthusiastic efforts of Vietnam Television, Vietnam Volleyball Federation and companion - Hoa Sen Group, the leading enterprise in steel sheet , steel market in Vietnam and Southeast Asia, the Organizing Committee hopes to continue to bring a large, impressive VTV Cup, creating a big and prestigious playground for teams to show their talents and dedication of beautiful and attractive matches for Vietnamese sports fans.



## VTV INTERNATIONAL CYCLING TOURNAMENT HOA SEN STEEL SHEET CUP 2018

As a tournament with international standards held annually with the message of "Spreading the love", VTV International **Cycling Tournament - Hoa Sen Steel Sheet Cup 2018** is the tournament with the route across Vietnam approved by Vietnam Motorbike and Bike Federation which is rated as a quality and big tournament for 12 strong domestic and international teams. Starting on the National Day of the Socialist Republic of Vietnam on September 2, 2018 from Hanoi and arriving in Ho Chi Minh City on September 16, 2018. Including 14 stages with a total roadmap of more than 1,800 km along the country, bringing together clubs with best athletes, the tournament is an opportunity for competition, improving professional and technical qualifications, developing Vietnam's bicycle and reaching international standards. In addition to meet the needs of sports fans in general and cycling fans in particular, this tournament is also an opportunity to introduce and promote to international friends about tourism, cultural, history, image of friendly Vietnamese people.

This is the 3<sup>rd</sup> consecutive year Hoa Sen Group has accompanied VTV International Cycling Tournament. In addition to its role as a companion to the tournament, Hoa Sen Group has also deployed activities to spread human values in the community. In this year, Hoa Sen Group will donate bicycles to poor students to overcome difficulties in the provinces on the route that the Group will go through. This is a gift of great spiritual encouragement, to encourage and increase motivation for children to start the school year.







# GIVING SHEET STEEL TO FLOOD VICTIMS IN KHANH HOA AND PHU YEN PROVINCE

The typhoon Damrey did leave a significant devastation in casualty and property in Phu Yen and Khanh Hoa Province. To support the people in these regions to recover, Hoa Sen Group quickly provided 6.100 meters of steel sheet to the households that suffered the damage by the storm and could not afford the fixing fee. With that prompt and appropriate action, Hoa Sen Group would like to share the burden with people that suffered from the storm and help them to restore their life after that



WITH MEANINGFUL COMMUNITY ACTIVITIES, HOA SEN GROUP HAS BEEN ASSERTING THE MISSION OF A PIONEERING ENTERPRISES IN BOTH BUSINESS AND COMMUNITY ACTIVITIES, CONFIRMING THE STATUS OF A DYNAMIC, CREATIVE, INNOVATING, AND DEVELOPING VIETNAMESE BUSINESS.

**LEADING BRAND,  
FRIENDLY AND  
COMMUNITY-ORIENTED**



# GRI G4 SUSTAINABILITY REPORTING GUIDELINES

INDICATOR	GRI CRITERIA	CONTENT	PAGE
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G4-2	Provide a description of key impacts, risks, and opportunities.	Overview of Vietnam's economy and market situation of steel industry in 2017.	56
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G4-4	Report the primary brands, products, and services.	Principal Activities	13
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G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Distribution channels to countries around the world	45
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		General Information	12
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		Hoa Sen Group Model and Organization Chart	24 - 27
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		Distribution channels to countries around the world	45
G4-9	Report the scale of the organization	Distribution retail branch	111
		Distribution channels to countries around the world	45
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		Hoa Sen Group Model and Organization Chart	24 - 27
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G4-11	Report the percentage of total employees covered by collective bargaining agreements.	Labor relation	124
G4-12	Describe the organization's supply chain.	Vertically integrated value chain	43
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	Restructure the management system and adjust the concordance of the Group Model and Organizational Chart.	137
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	Risk management	88
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Awards and achievements	17
		Meet international standards	130
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization	Hoa Sen Group is currently a member of the Global Growth Companies and Vietnam Steel Association.	47 - 66

INDICATOR	GRI CRITERIA	CONTENT	PAGE
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G4-18	Explain the process for defining the report content and the Aspect Boundaries and explain how the organization has implemented the Reporting Principles for Defining Report Content.	Method to define the report content	115
G4-19	List all the material Aspects identified in the process for defining report content	Key issues	121
G4-20	For each material Aspect, report the Aspect Boundary within the organization	Overview of sustainable development report	114
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	Overview of sustainable development report Assessment on key issues	114 121
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	In the fiscal year 2016 - 2017, Hoa Sen Group has set a clearer and more positive direction for sustainable development and has invested in the scale and content of sustainable development reporting.	115
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G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	Sustainable relationships among related parties.	116
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Acquisition of related parties' feedback.	119
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	Assessment on key issues.	121
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G4-29	Date of most recent previous report (if any).	The fiscal year 2015 - 2016	
G4-30	Reporting cycle (such as annual, biennial).	Reporting cycle is done annual	
G4-31	Provide the contact point for questions regarding the report or its contents.	Contact information	115
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		Advanced management model towards sustainable development.	137
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G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	Advanced management model towards sustainable development.	137
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	Acquisition of related parties' feedback	119
		Advanced management model towards sustainable development.	137
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G4-39	Report whether the Chair of the highest governance body is also an Executive Director.	Chairman of the Board of Directors directly participates in the management.	77
		Activities of the Board of Directors	77
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	Activities of the Board of Directors	77
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G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	Advanced management model towards sustainable development.	137
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	Solution of sustainable development.	123
G4-44	Report the processes for evaluation of the highest governance body's performance and actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	Management evaluation.	121
G4-45	Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities; and whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	Report on risk management	88
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INDICATOR	GRI CRITERIA	CONTENT	PAGE
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G4-49	Report the process for communicating critical concerns to the highest governance body.	Process of receiving and handling information	131
G4-51	Report the remuneration policies for the highest governance body and senior executives; Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	Remuneration, other income of the Board of Directors, the Board of Supervisors.	83
G4-52	Report the process for determining remuneration; report whether remuneration consultants are involved in determining remuneration and whether they are independent of management; report any other relationships which the remuneration consultants have with the organization.	Remuneration, other income of the Board of Directors, the Board of Supervisors.	83
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		Culture of the company	4
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**HOA SEN GROUP**

**SEPARATE FINANCIAL STATEMENTS**

30 September 2018

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# HOA SEN GROUP

## 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 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 the 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 in 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 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	
Mr Tran Ngoc Chu	General Director	resigned on 16 January 2018
Mr Tran Quoc Tri	Deputy General Director	resigned on 16 January 2018

### LEGAL REPRESENTATIVE

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

Mr Le Phuoc Vu	Chairman	
Mr Tran Ngoc Chu	Vice Chairman	Appointed on 05 February 2018
Mr Tran Quoc Tri	General Director	Appointed on 05 February 2018

### AUDITORS

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

## REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Hoa Sen Group (“the Company”) is pleased to present his report and the separate financial statements of the Company for the year ended 30 September 2018.

### THE BOARD OF MANAGEMENT’S RESPONSIBILITY IN RESPECT OF THE SEPARATE FINANCIAL STATEMENTS

The Board of Management is responsible for the separate financial statements of each financial year which give a true and fair view of the separate financial position of the Company and of the separate results of its operations and its separate cash flows for the year. In preparing those separate 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 separate financial statements; and
- Prepare the separate financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 separate financial position of the Company and to ensure that the accounting records comply with the applied accounting system. He is also responsible for safeguarding the assets of the Company 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 separate financial statements.

### STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management does hereby state that, in his opinion, the accompanying separate financial statements give a true and fair view of the separate financial position of the Company as at 30 September 2018, and of the separate results of its operations and the separate 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 separate financial statements.

As disclosed in Note 2.1 of the accompanying separate financial statements, the Company is a parent company with subsidiaries and it has prepared the consolidated financial statements of the Company and its subsidiaries (“the Group”) for the year ended 30 September 2018 in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of the interim consolidated financial statements.

Users of the separate financial statements should read them together with the said consolidated financial statements of the Group for the year ended 30 September 2018 in order to obtain full information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Group.

On behalf of the Board of Management:



Tran Quoc Tri  
General Director

28 December 2018

## **INDEPENDENT AUDITORS' REPORT**

To: The Shareholders of Hoa Sen Group

We have audited the accompanying separate financial statements of Hoa Sen Group ("the Company") as prepared on 28 December 2018 and set out on pages 5 to 52 which comprise the separate balance sheet as at 30 September 2018, the separate income statement and the separate 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 separate financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of the separate financial statements, and for such internal control as the Board of Management determines is necessary to enable the preparation and presentation of the separate 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 separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the separate 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 separate financial statements give a true and fair view, in all material respects, of the separate financial position of the Company as at 30 September 2018, and of the separate results of its operations and its separate 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 separate financial statements.

## EMPHASIS OF MATTER

We draw attention to Note 2.1 of the separate financial statements, the Company prepared the consolidated financial statements of the Company and its subsidiaries for the year ended 30 September 2018 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. We have audited these consolidated financial statements and our auditors' report dated 28 December 2018 expressed an unmodified opinion.

Our opinion is not modified in respect of this matter.

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

**SEPARATE BALANCE SHEET**

as at 30 September 2018

B01- DN

VND

Code	ASSETS	Notes	Ending balance	Beginning balance
100	A. CURRENT ASSETS		10,985,778,871,754	12,089,458,871,636
110	I. Cash and cash equivalents	4	171,659,888,989	239,918,988,521
111	1. Cash		171,516,367,114	239,775,466,646
112	2. Cash equivalents		143,521,875	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		7,860,565,817,787	5,038,295,013,388
131	1. Short-term trade receivables	5.1	7,163,248,999,755	3,975,438,722,818
132	2. Short-term advances to suppliers	5.2	184,158,011,340	204,686,775,767
135	3. Short-term loan receivables	9	3,660,295,900	25,400,000,000
136	4. Other short-term receivables	6	515,431,702,357	837,573,117,368
137	5. Provision for doubtful short-term receivables	5.1, 6	(5,933,191,565)	(4,803,602,565)
140	IV. Inventories	7	1,787,890,736,309	5,428,029,021,406
141	1. Inventories		1,806,472,903,289	5,450,815,683,238
149	2. Provision for obsolete inventories		(18,582,166,980)	(22,786,661,832)
150	V. Other current assets		1,165,392,041,637	1,383,215,848,321
151	1. Short-term prepaid expenses	8	75,749,637,153	74,422,775,292
152	2. Value-added tax deductible	16	1,063,819,898,124	1,308,779,396,886
153	3. Tax receivables from the State	16	25,822,506,360	13,676,143
200	B. NON-CURRENT ASSETS		5,257,822,222,584	5,043,205,602,817
210	I. Long-term receivables		268,984,943,607	74,974,967,200
215	1. Long-term loan receivables	9	66,686,721,457	74,974,967,200
216	2. Other long-term receivables	6	202,298,222,150	
220	II. Fixed assets		1,961,681,186,678	2,746,644,774,699
221	1. Tangible fixed assets	10	1,591,695,704,971	2,463,196,998,804
222	Cost		3,260,932,231,963	4,566,370,722,477
223	Accumulated depreciation		(1,669,236,526,992)	(2,103,173,723,673)
224	2. Finance leases	11	81,263,218,413	24,855,221,380
225	Cost		98,947,748,174	39,019,437,785
226	Accumulated depreciation		(17,684,529,761)	(14,164,216,405)
227	3. Intangible assets	12	288,722,263,294	258,592,554,515
228	Cost		320,066,755,310	281,826,289,976
229	Accumulated amortisation		(31,344,492,016)	(23,233,735,461)
240	III. Long-term asset in progress		28,307,339,690	247,666,367,726
242	1. Construction in progress	13	28,307,339,690	247,666,367,726
250	IV. Long-term investments	14	2,769,445,646,684	1,724,245,102,467
251	1. Investments in subsidiaries	14.1	2,677,776,000,000	1,633,276,000,000
252	2. Investment in associates	14.2	43,515,000,000	80,302,178,134
254	3. Provision for diminution in value of	14.2	(13,445,353,316)	(35,933,075,667)
255	long-term investments	14	61,600,000,000	46,600,000,000
260	4. Held-to-maturity investments			
260	V. Other long-term assets		229,403,105,925	249,674,390,725
261	1. Long-term prepaid expenses	8	207,352,425,398	216,697,658,464
262	2. Deferred tax assets	27.3	22,050,680,527	32,976,732,261
270	TOTAL ASSETS		16,243,601,094,338	17,132,664,474,453



VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
300	C. LIABILITIES		10,859,529,755,393	11,827,724,468,499
310	I. Current liabilities		10,785,335,064,915	11,587,819,028,669
311	1. Short-term trade payables	15.1	1,111,659,624,255	3,415,707,867,150
312	2. Short-term advances from customers	15.2	199,065,234,433	357,924,180,945
313	3. Statutory obligations	16	49,437,391,726	146,954,619,391
314	4. Payables to employees		63,430,563,768	80,555,222,032
315	5. Short-term accrued expenses	17	117,856,182,101	62,825,939,966
319	6. Other short-term payables	18	191,432,011,486	60,239,346,258
320	7. Short-term loans and finance lease obligations	19	9,010,977,033,379	7,402,317,620,460
322	8. Bonus and welfare fund		41,477,023,767	61,294,232,467
330	II. Non-current liabilities		74,194,690,478	239,905,439,830
338	1. Long-term loans and finance lease obligations	19	71,352,839,728	237,114,284,830
342	2. Long-term provisions		2,841,850,750	2,791,155,000
400	D. OWNERS' EQUITY		5,384,071,338,945	5,304,940,005,954
410	I. Capital	20.1	5,384,071,338,945	5,304,940,005,954
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		1,323,418,124,868	1,618,854,251,238
421a	- Undistributed earnings up to prior year-end		818,143,985,703	265,082,554,604
421b	- Undistributed earnings of current year		505,274,139,165	1,353,771,696,634
440	TOTAL LIABILITIES AND OWNERS' EQUITY		16,243,601,094,338	17,132,664,474,453

Nguyen Thi Thanh Tuyen  
Preparer

Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Quoc Tri  
General Director

28 December 2018





VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenues from sale of goods and rendering of services	21.1	59,977,961,162,366	47,077,679,965,050
02	2. Deductions	21.1	(113,760,574,901)	(179,072,251,662)
10	3. Net revenues from sale of goods and rendering of services	21.1	59,864,200,587,465	46,898,607,713,388
11	4. Costs of goods sold and services rendered	22	(57,061,310,696,192)	(43,680,064,063,459)
20	5. Gross profit from sale of goods and rendering of services		2,802,889,891,273	3,218,543,649,929
21	6. Finance income	21.2	539,309,325,068	601,781,666,924
22	7. Finance expenses	23	(614,816,857,761)	(420,377,177,127)
23	In which: Interest expense		(458,729,805,247)	(317,503,841,647)
25	8. Chi phí bán hàng	24	(1,493,660,136,661)	(1,235,820,173,529)
26	9. Chi phí quản lý doanh nghiệp	24	(711,802,548,326)	1,524,954,512,321
30	10. Lợi nhuận thuần từ hoạt động kinh doanh		521,919,673,593	73,096,842,741
31	11. Thu nhập khác	25	52,932,603,565	(3,244,149,612)
32	12. Chi phí khác		(1,114,182,751)	69,852,693,129
40	13. Lợi nhuận khác		51,818,420,814	1,594,807,205,450
50	14. Tổng lợi nhuận kế toán trước thuế		573,738,094,407	1,594,807,205,450
51	15. Chi phí thuế TNDN hiện hành	27.1	(57,537,903,508)	(209,600,199,457)
52	16. Chi phí thuế TNDN hoãn lại	27.3	(10,926,051,734)	(31,435,309,359)
60	17. Lợi nhuận sau thuế TNDN		505,274,139,165	1,353,771,696,634

Nguyen Thi Thanh Tuyen  
Preparer

Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Quoc Tri  
General Director

28 December 2018

**SEPARATE CASH FLOW STATEMENT**

for the year ended 30 September 2018

B03- DN

VND

<b>Code</b>	<b>ITEMS</b>	<b>Notes</b>	<b>Current year</b>	<b>Previous year</b>
	<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01	Accounting profit before tax		573,738,094,407	1,594,807,205,450
	Adjustments for:			
02	Depreciation and amortisation	10, 11, 12	322,385,755,534	408,968,204,482
03	(Reversal of provision)/provisions		(25,511,932,453)	18,796,915,536
04	Foreign exchange losses arising from revaluation of monetary accounts denominated in foreign currency	23	47,305,340,201	7,111,244,819
05	Profits from investing activities	23	(486,088,302,864)	(572,462,153,161)
06	Interest expense		458,729,805,247	317,503,841,647
08	Operating profit before changes in working capital		890,558,760,072	1,774,725,258,773
09	Increase in receivables		(2,360,829,298,260)	(2,700,787,407,363)
10	Decrease (increase) in inventories		3,644,342,779,949	(2,268,358,611,679)
11	(Decrease) increase in payables		(2,314,955,937,226)	1,919,983,405,482
12	Decrease (increase) in prepaid expenses		8,018,371,205	(88,508,540,606)
14	Interest expense paid	16	(457,469,733,777)	(309,453,183,836)
15	Corporate income tax paid		(123,097,749,073)	(255,210,120,483)
17	Other cash outflows for operating activities		(94,659,631,874)	(82,041,727,870)
20	Net cash flows used in operating activities		(808,092,438,984)	(2,009,650,927,582)
	<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchases of fixed assets			
22	Proceeds from disposals of fixed assets		(267,516,192,217)	(605,945,288,394)
23	Loans to other entities and payments for purchase of debt instruments of other entities		164,810,675,146	56,619,348,886
24	Collections from borrowers and proceeds from sale of debt instruments of other entities		(297,965,882,761)	
			116,105,320,725	



			VND	
Code	ITEMS	Notes	Current year	Previous year
25	Payments for investment in other entities		(181,954,141,602)	(635,150,000,000)
26	Proceeds from sale of investment in other entity		156,446,681,583	
27	Interest received	21.2	5,427,688,553	2,943,903,852
30	Net cash flows used in investing activities		(304,645,850,573)	(1,181,532,035,656)
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
31	Capital contribution			
32	Capital redemption		(1,343,000,000)	34.601.710.000
33	Drawdown of borrowings		27,036,232,249,782	21,829,974,818,155
34	Repayment of borrowings		(25,622,600,226,615)	(18,658,018,091,475)
35	Finance lease payments		(14,177,118,427)	(20,996,563,609)
36	Dividends paid	20.2	(350,060,974,500)	(196,362,984,225)
40	Net cash flows from financing activities		1,048,050,930,240	2,989,198,888,846
50	Net decrease in cash and cash equivalents		(64,687,359,317)	(201,984,074,392)
60	Cash and cash equivalents at beginning of year		239,918,988,521	447,518,356,022
61	Impact of exchange rate fluctuation		(3,571,740,215)	(5,615,293,109)
70	Cash and cash equivalents at end of year	4	171,659,888,989	239,918,988,521

  
\_\_\_\_\_  
Nguyen Thi Thanh Tuyen  
Preparer

  
\_\_\_\_\_  
Nguyen Thi Ngoc Lan  
Chief Accountant

  
\_\_\_\_\_  
Tran Quoc Tri  
General Director

28 December 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 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 the 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 in various provinces in Vietnam.

The number of the Company’s employees as at 30 September 2018 was 4,406 (30 September 2017: 5,164).

### **Corporate structure**

The Company’s corporate structure includes 15 subsidiaries, as follows:

- Hoa Sen Steel Sheet One Member Limited Liability 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 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 Liability 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 Liability 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 interests and 100% voting rights in HSBD (30 September 2017: 100%).

## **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 interests 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. 2901788319 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 and steel pipe products.

As at 30 September 2018, the Company holds 100% equity interests 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 interests 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%).

- 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 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”)

**1. CORPORATE INFORMATION** (continued)**Corporate structure** (continued)

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%).

- 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.

## **1. CORPORATE INFORMATION** *(continued)*

### **Corporate structure** *(continued)*

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 current 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 current 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.



## **2. BASIS OF PREPARATION**

### **2.1 Purpose of preparing the separate financial statements**

The Company has subsidiaries as disclosed in Notes 1 and 14.1. The Company prepared these separate financial statements to meet the prevailing requirements in relation to disclosure of information, specifically the Circular No. 155/2015/TT-BTC on disclosure of information on the securities market. In addition, as required by these regulations, the Company has also prepared the consolidated financial statements of the Company and its subsidiaries for the year ended 30 September 2018 dated on 28 December 2018.

Users of the separate financial statements should read them together with the said consolidated financial statements in order to obtain full information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Company and its subsidiaries.

### **2.2 Applied accounting standards and system**

The separate financial statements of the Company, 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 separate 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 financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

### **2.3 Applied accounting documentation system**

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

### **2.4 Fiscal year**

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

### **2.5 Accounting currency**

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



### **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 realizable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

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

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

##### **Provision for obsolete inventories**

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

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

#### **3.3 Receivables**

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

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**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 Company is the lessee**

Assets held under finance leases are capitalised in the separate 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 separate income statement over the lease term to achieve a flexible 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 Company will obtain ownership by the end of the lease term.

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

**Where the Company is the lessor**

Assets subject to operating leases are included as the Company's fixed assets in the separate 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 separate income statement over the lease term.

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

**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 separate 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 separate 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 Company. 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.

The advance payment for land rental, of which the land lease contracts have effectiveness prior to 2003 and Land use right certificate being issued, are recorded as intangible fixed asset according to Circular No. 45/2013/TT-BTC issued by the Ministry of Finance on 25 April 2013 guiding the management, use and depreciation of fixed assets ("Circular 45").

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.7 Depreciation and amortisation

Depreciation of tangible fixed assets and finance 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	3 - 10 years
Means of transportation	2 - 10 years
Office equipment	3 - 10 years
Others	5 - 8 years
Land use rights	14 - 55 years
Computer software	3 - 16 years

#### 3.8 Borrowing costs

Borrowing costs consist of interest and other costs that the Company 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 separate 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.

- Rental and advertising costs;
- Tools used for years with great value; and
- Repair costs of fixed assets ...

#### 3.10 Investments

##### *Investments in subsidiaries*

Investments in subsidiaries over which the Company has control are carried at cost. Distributions from accumulated net profits of the subsidiaries arising subsequent to the date of acquisition are recognised to the Company's separate income statement. Distributions from sources other than from such profits are considered a recovery of investment and are deducted to the cost of the investment.

##### *Investments in associates*

Investments in associates over which the Company has significant influence are carried at cost. Distributions from accumulated net profits of the associates arising subsequent to the date of acquisition are recognised to the Company's separate income statement. Distributions from sources other than from such profits are considered a recovery of investment and are deducted to the cost of the investment.

##### *Investments in other entities*

Investments in other entities are stated at their acquisition costs.

##### *Provision for diminution in value of investments*

Provision for any diminution in value of the investments in 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 separate income statement.



### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **3.11 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 Company.

#### **3.12 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 separate 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.

#### **3.13 Foreign currency transactions**

Transactions in currencies other than the Company's accounting 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 Company conducts transactions regularly; and
- Monetary liabilities are translated at selling exchange rate of the commercial bank where the Company conducts transactions regularly.

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

#### **3.14 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 Company's own equity instruments.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.15 *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 in accordance with the Company's Charter and Vietnam's regulatory requirements.

The Company maintains the following fund which is appropriated from the Company's net profit as proposed by the Board of Directors and subject to the approval of 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 separate balance sheet.

#### 3.16

##### *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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*

Revenue is recognised when the Company 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.

#### 3.17 *Taxation*

##### *Current income tax*

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

Current income tax is charged or credited to the separate 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 Company to offset current tax assets against current tax liabilities and when the Company 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 financial statement purpose.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carried forward



### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### *3.17 Taxation (continued)*

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 assets 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 separate 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 Company to offset 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 Company 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.

#### *3.18 Related parties*

Parties are considered to be related parties of the Company 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 Company 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.

#### 4. CASH AND CASH EQUIVALENTS

	VND	
	<b>Ending balance</b>	<b>Beginning balance</b>
Cash on hand	48,240,229,076	13,538,266,107
Cash in banks	122,549,584,478	225,389,115,824
Cash in transit	726,553,560	848,084,715
Cash equivalents (*)	143,521,875	143,521,875
<b>TOTAL</b>	<b>171,659,888,989</b>	<b>239,918,988,521</b>

(\*) 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.

#### 5. TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS

##### 5.1 Short-term trade receivables

	VND	
	<b>Ending balance</b>	<b>Beginning balance</b>
Due from related parties (Note 28)	5,660,685,579,825	2,892,316,502,137
Due from third parties	1,502,563,419,930	1,083,122,220,681
In which:		
Abhay Ispat India Pvt. Ltd	184,852,880,289	-
Thyssenkrupp Materials Trading Asia Pte. Ltd	156,206,373,060	94,054,987,217
Others	1,161,504,166,581	989,067,233,464
<b>TOTAL</b>	<b>7,163,248,999,755</b>	<b>3,975,438,722,818</b>
Provision for doubtful short-term receivables	(4,293,191,565)	(4,063,602,565)
<b>NET</b>	<b>7,158,955,808,190</b>	<b>3,971,375,120,253</b>

##### 5.2 Short-term advances to suppliers

	VND	
	<b>Ending balance</b>	<b>Beginning balance</b>
Due from related parties (Note 28)	144,725,955,368	38,705,908,131
Due from third parties	39,432,055,972	165,980,867,636
In which:		
Vung Tau Low Pressure Gas Distribution Enterprise	9,189,153,750	11,755,350,255
Others	30,242,902,222	154,225,517,381
<b>TOTAL</b>	<b>184,158,011,340</b>	<b>204,686,775,767</b>

**6. OTHER RECEIVABLES**

	VND	
	<b>Ending balance</b>	<b>Beginning balance</b>
Short-term	515,431,702,357	837,573,117,368
Profits shared from subsidiaries	358,392,102,244	547,165,072,432
Advance for purchase of lands	90,183,227,000	90,183,227,000
Advances to employees	27,619,762,719	26,741,318,349
Disposal of associates	15,665,290,474	-
Interest income	6,990,313,620	551,616,708
Deposits	5,713,929,000	138,798,428,600
Compensation	-	31,520,000,000
Others	10,867,077,300	2,613,454,279
Long-term		
Deposits for rental	202,093,222,150	-
Long-term deposits	205,000,000	-
<b>TOTAL</b>	<b>717,729,924,507</b>	<b>837,573,117,368</b>
Provision for doubtful other receivables	(1,640,000,000)	(740,000,000)
<b>NET</b>	<b>716,089,924,507</b>	<b>836,833,117,368</b>
In which:		
Due from related parties (Note 28)	458,001,388,370	639,008,129,274
Due from third parties	258,088,536,137	197,824,988,094

**7. INVENTORIES**

	VND	
	<b>Ending balance</b>	<b>Beginning balance</b>
Finished goods	734,738,921,821	1,175,209,610,528
Merchandises	511,623,580,259	677,488,468,657
Raw materials	296,974,292,857	843,767,940,021
Tools and supplies	215,430,530,762	224,760,876,405
Goods in transit	47,688,056,628	2,529,588,787,627
Others	17,520,962	-
<b>TOTAL</b>	<b>1,806,472,903,289</b>	<b>5,450,815,683,238</b>
Provision for obsolete inventories	(18,582,166,980)	(22,786,661,832)
<b>NET</b>	<b>1,787,890,736,309</b>	<b>5,428,029,021,406</b>

As disclosed in *Note 19*, the Company has pledged inventories with the carrying amount as at 30 September 2018 amounting to VND 1,229,352,536,487 to secure its bank loans.



## 8. PREPAID EXPENSES

	VND	
	<b>Ending balance</b>	<b>Beginning balance</b>
<b>Short-term</b>	<b>75,749,637,153</b>	<b>74,422,775,292</b>
Advertising expenses	26,163,164,737	26,925,691,491
Rental expenses	24,362,401,677	19,734,754,783
Tools and equipment	9,308,630,023	11,418,276,450
Advisory fee	2,765,970,828	5,022,641,070
Insurance fee	1,679,401,673	1,650,845,702
Others	11,470,068,215	9,670,565,796
<b>Long-term</b>	<b>207,352,425,398</b>	<b>216,697,658,464</b>
Rental expense	67,919,903,057	89,433,311,060
Tools and equipment	57,397,992,492	67,552,199,499
Advertising expenses	47,986,279,155	25,377,730,855
Repairing and maintenance	23,626,356,355	20,638,965,085
Others	10,421,894,339	13,695,451,965
<b>TOTAL</b>	<b>283,102,062,551</b>	<b>291,120,433,756</b>

## 9. LOAN RECEIVABLES

	VND	
	<b>Ending balance</b>	<b>Beginning balance</b>
<b>Short-term</b>	<b>3,660,295,900</b>	<b>25,400,000,000</b>
Due from related parties <i>(Note 28)</i>		
Finance Department of Nghe An Province	3,660,295,900	25,000,000,000
Other		400,000,000
<b>Long-term</b>		
Due from related parties <i>(Note 28) (*)</i>	66,686,721,457	74,974,967,200
<b>TOTAL</b>	<b>70,347,017,357</b>	<b>100,374,967,200</b>

(\*) Long-term loan receivable from Hoa Sen Yen Bai Joint Stock Company, a subsidiary, with original maturity in 2020 and earn interest at the rates +8% per annum.



## 10. TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Means of transportation	Office equipment	Others	Total
<b>Cost:</b>						
Beginning balance	649,108,058,078	3,485,804,694,207	379,532,131,416	32,608,589,505	19,317,249,271	4,566,370,722,477
New purchase	3,683,232,440	105,513,066,378	7,948,267,301	24,269,310,636	242,708,351	141,656,585,106
Transfer from construction in progress	2,853,827,117	271,216,467,210	-	10,042,223,036	-	284,112,517,363
Transfer from financial lease fixed assets	-	13,254,770,658	-	-	-	13,254,770,658
Transfer to Hoa Sen Steel Sheet	(150,642,102,617)	(1,399,347,330,074)	-	-	-	(1,549,989,432,691)
One Member Co., Ltd	(7,830,592,579)	(86,729,429,820)	(80,318,935,519)	(19,593,973,032)	-	(194,472,930,950)
Disposal						
Ending balance	497,172,422,439	2,389,712,238,559	307,161,463,198	47,326,150,145	19,559,957,622	3,260,932,231,963
<i>In which:</i>						
Fully depreciated	62,765,798,554	291,743,247,603	14,835,350,358	832,088,307	5,424,985,811	375,601,470,633
<b>Accumulated depreciation:</b>						
Beginning balance	(255,098,098,606)	(1,701,234,349,196)	(120,128,393,742)	(10,500,357,797)	(16,212,524,332)	(2,103,173,723,673)
Depreciation for the year	(29,261,121,404)	(228,123,396,877)	(39,113,243,836)	(6,924,854,353)	(1,991,195,848)	(305,413,812,318)
Transfer from financial lease fixed assets	-	(4,693,380,547)	-	-	-	(4,693,380,547)
Transfer to Hoa Sen Steel Sheet	39,869,153,070	631,021,304,541	-	-	-	670,890,457,611
One Member Co., Ltd	6,286,422,372	34,959,944,245	30,592,546,208	1,315,019,110	-	73,153,931,935
Disposal						
Ending balance	(238,203,644,568)	(1,268,069,877,834)	(128,649,091,370)	(16,110,193,040)	(18,203,720,180)	(1,669,236,526,992)
<b>Net carrying amount:</b>						
Beginning balance	394,009,959,472	1,784,570,345,011	259,403,737,674	22,108,231,708	3,104,724,939	2,463,196,998,804
Ending balance	258,968,777,871	1,121,642,360,725	178,512,371,828	31,215,957,105	1,356,237,442	1,591,695,704,971
<i>In which:</i>						
Assets used for collateral/Mortgaged (Note 19)	99,121,626,108	548,881,874,136	92,872,439,182	-	-	740,875,939,426

## 11. FINANCE LEASES

				VND
	<b>Machinery and equipment</b>	<b>Means of transportation</b>	<b>Office equipment</b>	<b>Total</b>
<b>Cost:</b>				
Beginning balance	30,886,346,877	8,133,090,908	-	39,019,437,785
Increase	14,635,857,235	39,910,860,176	18,636,363,636	73,183,081,047
Transfer to fixed assets	(13,254,770,658)	-	-	(13,254,770,658)
Ending balance	32,267,433,454	48,043,951,084	18,636,363,636	98,947,748,174
<b>Accumulated depreciation:</b>				
Beginning balance	(11,717,212,453)	(2,447,003,952)	-	(14,164,216,405)
Depreciation for the year	(4,489,751,537)	(3,514,602,391)	(209,339,975)	(8,213,693,903)
Transfer to fixed assets	4,693,380,547	-	-	4,693,380,547
Ending balance	(11,513,583,443)	(5,961,606,343)	(209,339,975)	(17,684,529,761)
<b>Net carrying amount:</b>				
Beginning balance	19,169,134,424	5,686,086,956	-	24,855,221,380
Ending balance	20,753,850,011	42,082,344,741	18,427,023,661	81,263,218,413

## 12. INTANGIBLE ASSETS

			VND
	<b>Land use rights</b>	<b>Computer software</b>	<b>Total</b>
<b>Cost:</b>			
Beginning balance	280,481,532,265	1,344,757,711	281,826,289,976
Transfer to fixed assets	-	44,778,337,834	44,778,337,834
Newly purchase	718,364,000	-	718,364,000
Disposal	(7,256,236,500)	-	(7,256,236,500)
Ending balance	273,943,659,765	46,123,095,545	320,066,755,310
<i>In which:</i>			
Fully amortised	456,396,144	1,344,757,711	1,801,153,855
<b>Accumulated amortisation:</b>			
Beginning balance	(21,888,977,750)	(1,344,757,711)	(23,233,735,461)
Amortisation for the year	(2,560,821,111)	(6,197,428,202)	(8,758,249,313)
Disposal	647,492,758	-	647,492,758
Ending balance	(23,802,306,103)	(7,542,185,913)	(31,344,492,016)
<b>Net carrying amount:</b>			
Beginning balance	258,592,554,515	-	258,592,554,515
Ending balance	250,141,353,662	38,580,909,632	288,722,263,294
<i>In which:</i>			
Mortgaged (Note 19)	100,775,187,505	-	100,775,187,505

**13. CONSTRUCTION IN PROGRESS**

	VND	
	Ending balance	Beginning balance
Purchases of fixed assets	23,206,143,020	241,007,879,131
Construction expenses	1,932,316,670	1,307,543,169
Others	3,168,880,000	5,350,945,426
<b>TOTAL</b>	<b>28,307,339,690</b>	<b>247,666,367,726</b>

**14. LONG-TERM INVESTMENTS**

	VND	
	Ending balance	Beginning balance
Investments in subsidiaries (Note 14.1)	2,677,776,000,000	1,633,276,000,000
Investment in associates (Note 14.2)	43,515,000,000	80,302,178,134
Bonds at Bank for Foreign Trade of Vietnam (*)	46,600,000,000	46,600,000,000
Bonds at Bank for Industry and Trade (**)	15,000,000,000	-
<b>TOTAL</b>	<b>2,782,891,000,000</b>	<b>1,760,178,178,134</b>
Provision for diminution in value of long-term investments	(13,445,353,316)	(35,933,075,667)
<b>NET</b>	<b>2,769,445,646,684</b>	<b>1,724,245,102,467</b>

(\*) 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.

#### 14. LONG-TERM INVESTMENTS (continued)

##### 14.1 Investments in subsidiaries

Details of the Company's investments in subsidiaries were as follows:

Name of subsidiaries	Ending balance		Beginning balance		Location	Business activities
	% of interest	Cost of investment (VND)	% of interest	Cost of investment (VND)		
Hoa Sen Nghe An One Member Co., Ltd.	100	1,100,000,000,000	100	450,000,000,000	Nghe An Province, Vietnam	Manufacturing and trading in metal roofing sheets and steel pipe products
Hoa Sen Nhon Hoi - Binh Dinh One Member Co., Ltd	100	420,000,000,000	100	200,000,000,000	Binh Dinh Province, Vietnam	Manufacturing and trading in metal roofing sheets
Hoa Sen Steel Sheet One Member Co., Ltd.	100	280,000,000,000	100	280,000,000,000	Binh Duong Province, Vietnam	Manufacturing and trading in cold rolled steel products
Hoa Sen Phu My One Member Co., Ltd.	100	25,000,000,000	100	100,000,000,000	Ba Ria – Vung Tau Province, Vietnam	Manufacturing steel for building materials and consumer goods
Hoa Sen Ha Nam One Member Co., Ltd.	100	200,000,000,000	100	200,000,000,000	Ha Nam Province, Vietnam	Manufacturing and trading in plastic building materials and steel pipe products
Hoa Sen Building Materials One Member Co., Ltd.	100	150,000,000,000	100	150,000,000,000	Ba Ria – Vung Tau Province, Vietnam	Manufacturing and trading in plastic building materials and steel pipe products
Hoa Sen Binh Dinh One Member Co., Ltd.	100	105,000,000,000	100	55,000,000,000	Binh Dinh Province, Vietnam	Manufacturing and trading in plastic building materials and steel pipe products
Hoa Sen Yen Bai Joint Stock Company	70	84,000,000,000	70	84,000,000,000	Yen Bai Province, Vietnam	Operating hotel, restaurant services and commercial center
Hoa Sen Yen Bai Building Materials One Member Co., Ltd.	100	50,000,000,000	100	50,000,000,000	Yen Bai Province, Vietnam	Manufacturing and trading in plastic building materials and steel pipe products

VND



**14. LONG-TERM INVESTMENTS** (continued)

**14.1 Investments in subsidiaries** (continued)

Details of the Company's investments in subsidiaries were as follows (continued):

Name of subsidiaries	Ending balance		Beginning balance		Location	Business activities
	% of interest	Cost of investment (VND)	% of interest	Cost of investment (VND)		
Hoa Sen Transportation and Engineering One Member Co., Ltd.	100	16,276,000,000	100	16,276,000,000		Providing services of cargo transportation by road
Hoa Sen Ca Na – Ninh Thuan Integrated Iron and Steel Complex Investment One Member Co., Ltd.	100	15,000,000,000	100	15,000,000,000		Manufacturing iron, steel and cast iron products
Hoa Sen Ca Na – Ninh Thuan Industrial Park Infrastructure Investment One Member Co., Ltd.	100	4,000,000,000	100	3,000,000,000		Trading in real estate and land use right for use or rent
Hoa Sen Ca Na – Ninh Thuan International General Seaport One Member Co., Ltd.	100	3,500,000,000	100	2,500,000,000		Investing riverport, seaport
Hoa Sen Van Hoi Joint Stock Company		Yen Bai Province, Vietnam	70	2,800,000,000	Binh Duong Province, Vietnam	Trading in real estate and rendering of supporting services for trading real estate
Hoa Sen Du Long Industrial Park Infrastructure Investment One Member Co., Ltd.		Ninh Thuan Province, Vietnam	100	24,700,000,000	Ninh Thuan Province, Vietnam	Investing, construction and developing industrial park infrastructure
<b>TOTAL</b>		<b>2,677,776,000,000</b>		<b>1,633,276,000,000</b>		

VND

## 14. LONG-TERM INVESTMENTS (continued)

### 14.2 Investment in associates

Detail of the Company's investment in the associates was as follows:

VND

Name of associate	Ending balance		Beginning balance		Location	Business activities
	% of interest	Cost of investment VND	% of interest	Cost of investment VND		
Hoa Sen Quy Nhon Joint Stock Company	45	27,900,000,000	45	51,952,178,134	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	15,615,000,000	-	-	Ninh Thuan Province, Vietnam	Investing, construction and developing industrial park infrastructure
Hoa Sen-Gemadep Logistics and International Port Corporation	-	-	45	51,952,178,134	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
Provision for diminution in value of long-term investments		(13,445,353,316)		(35,933,075,667)		
<b>TOTAL</b>		<b>30,069,646,684</b>		<b>44,369,102,467</b>		

## 15. TRADE PAYABLES AND ADVANCES FROM CUSTOMERS

### 15.1 Short-term trade payables

VND

	Ending balance	Beginning balance
Due to third parties	520,522,315,776	3,034,469,932,339
<i>In which:</i>		
Formosa Ha Tinh Steel Corporation	199,152,165,080	-
Hangzhou Cogeneration (HongKong) Co., Ltd.	191,161,898,608	645,971,085,812
Arcelormittal International Singapore Private Limited	-	441,107,265,180
Kim Quoc Steel Co., Ltd.	-	376,715,036,265
Others	130,208,252,088	1,570,676,545,082
Due to related parties (Note 28)	591,137,308,479	381,237,934,811
<b>TOTAL</b>	<b>1,111,659,624,255</b>	<b>3,415,707,867,150</b>



## 15. LONG-TERM INVESTMENTS (continued)

### 15.2 Short-term advances from customers

	VND	
	<b>Ending balance</b>	<b>Beginning balance</b>
Due to third parties	105,456,193,525	133,208,633,634
Due to related parties (Note 28)	93,609,040,908	224,715,547,311
<b>TOTAL</b>	<b>199,065,234,433</b>	<b>357,924,180,945</b>

## 16. STATUTORY OBLIGATION

	VND			
	<b>Beginning balance</b>	<b>Payable for the year</b>	<b>Payment made in the year</b>	<b>Ending balance</b>
Payables				
Value-added tax	104,569,749,540	1,736,447,276,733	(1,793,612,317,259)	47,404,709,014
Personal income tax	1,614,292,843	37,087,632,102	(37,097,955,659)	1,603,969,286
Corporate income tax	39,767,280,907	57,537,903,508	(97,305,184,415)	-
Export tax	941,888,393	31,185,621,787	(31,699,370,882)	428,139,298
Other taxes	61,407,708	1,612,067,307	(1,672,900,887)	574,128
<b>TOTAL</b>	<b>146,954,619,391</b>	<b>1,863,870,501,437</b>	<b>(1,961,387,729,102)</b>	<b>49,437,391,726</b>

	VND			
	<b>Beginning balance</b>	<b>Payable for the year</b>	<b>Payment made in the year</b>	<b>Ending balance</b>
Receivables				
Value-added tax deductible	1,308,779,396,886	922,947,013,065	(1,167,906,511,827)	1,063,819,898,124
Corporate income tax	-	25,792,564,658	-	25,792,564,658
Others	13,676,143	16,265,559	-	29,941,702
<b>TOTAL</b>	<b>1,308,793,073,029</b>	<b>948,755,843,282</b>	<b>(1,167,906,511,827)</b>	<b>1,089,642,404,484</b>

## 17. SHORT-TERM ACCRUED EXPENSES

	VND	
	<b>Ending balance</b>	<b>Beginning balance</b>
Tax provision	36,097,467,662	-
Transportation expense	35,712,412,522	-
Bonuses and 13 <sup>th</sup> month salary	23,755,410,000	36,886,740,000
Loan interest	12,021,671,246	10,761,599,776
Electricity fee	9,412,829,611	9,628,754,210
Payable relating to construction in progress	733,191,060	5,322,145,980
Others	123,200,000	226,700,000
<b>TOTAL</b>	<b>117,856,182,101</b>	<b>62,825,939,966</b>



## 18. OTHER SHORT-TERM PAYABLES

	VND	
	<b>Ending balance</b>	<b>Beginning balance</b>
Deposit for opening L/C	136,756,103,216	-
Document discounts	25,996,753,725	-
Tender deposits received	8,371,520,000	7,076,760,110
Social insurance, health insurance, unemployment insurance, and trade union fees	6,272,088,850	777,656,800
Dividends	4,494,873,425	4,598,464,925
Other payables to related parties (Note 28)	2,767,185,492	25,716,800,000
Deposit received for Gemadept's share transfer	-	15,776,367,206
Others	6,773,486,778	6,293,297,217
<b>TOTAL</b>	<b>191,432,011,486</b>	<b>60,239,346,258</b>

## 19. LOANS AND FINANCE LEASES

	VND	
	<b>Ending balance</b>	<b>Beginning balance</b>
<b>Short-term loans and finance leases</b>	<b>9.010.977.033.379</b>	<b>7,402,317,620,460</b>
Loans from banks (Note 19.1)	8.748.119.898.344	7,204,366,078,759
Current portion of long-term loans (Note 19.3)	174.491.250.325	193,321,275,085
Loan from related party (Note 19.2, 28)	53.000.000.000	-
Current portion of finance leases (Note 19.4)	35.365.884.710	4,630,266,616
<b>Long-term loans and finance leases</b>	<b>71.352.839.728</b>	<b>237,114,284,830</b>
Loans from banks (Note 19.3)	55.596.689.280	234,156,032,907
Finance leases (Note 19.4)	15.756.150.448	2,958,251,923
<b>TOTAL</b>	<b>9.082.329.873.107</b>	<b>7,639,431,905,290</b>

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

	VND
	<b>Amount</b>
Beginning balance	7,639,431,905,290
Drawdown from borrowings	26,978,521,614,736
Drawdown from financial lease	57,710,635,046
Repayment from borrowings	(25,622,600,226,615)
Repayment from finance lease	(14,177,118,427)
Foreign exchange differences	43,443,063,077
<b>Ending balance</b>	<b>9,082,329,873,107</b>



**19. LOANS AND FINANCE LEASES** (continued)

**19.1 Short-term loans from banks**

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

<b>Name of bank</b>	<b>Ending balance VND</b>	<b>Maturity date</b>	<b>Interest rate (% p.a.)</b>	<b>Description of collateral</b>
<i>Vietnam Bank for Industry and Trade – Binh Duong Industrial Park Branch</i>				
Loan in VND	2,111,233,891,694	From 15 November 2018 to 28 March 2019	5.5	Land use rights, buildings and structures, and machinery and equipmen
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	Từ ngày 26 tháng 11 năm 2018 đến ngày 19 tháng 12 năm 2018	From 3.5 to 3.9	Receivables
<i>HSBC Bank (Vietnam) Limited</i>				
Loan in VND	1,035,502,713,540	From 8 October 2018 to 22 January 2019	From 4.5 to 4.8	Inventories, machin- ery and equipment, land use rights, and associated assets
<i>Joint Stock Commercial Bank for Foreign Trade of Vietnam – Ho Chi Minh Branch</i>				
Loan in VND	390,501,383,564	From 25 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

## 19. LOANS AND FINANCE LEASES (continued)

### 19.1 VShort-term loans from banks (continued)

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

Name of bank	Ending balance VND	Maturity date	Interest rate (% p.a.)	Description of collateral
<i>Ho Chi Minh Development Joint Stock Commercial Bank</i>				
Loan in USD	148,320,106,584	From 19 December 2018 to 2 January 2019	3.2	Unsecured
<i>Bank Sinopac – Ho Chi Minh City Branch</i>				
Loan in VND	135,900,000,000	From 20 November 2018 to 3 December 2018	5	Unsecured
<i>United Overseas Bank – Ho Chi Minh City Branch</i>				
Loan in VND	134,418,629,258	From 30 October 2018 to 20 December 2018	From 4.2 to 4.5	Inventories
<i>Sumitomo Mitsui Banking Corporation Ho Chi Minh City Branch</i>				
Loan in VND	125,000,000,000	From 30 November 2018 to 7 February 2019	5.6	Inventories
<i>ANZ Bank (Vietnam) Limited</i>				
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
<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>Standard Chartered Bank (Vietnam) Limited – Ho Chi Minh City Branch</i>				
Loan in VND	17,000,000,000	22 October 2018	5.61	Unsecured
<b>TOTAL</b>	<b>8,748,119,898,344</b>			

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



## 19. LOANS AND FINANCE LEASES (continued)

### 19.2 Short-term loans from related party

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

Name of bank	Ending balance VND	Maturity date	Interest rate (% p.a.)	Description of collateral
<i>Công ty Cổ phần Hoa Sen Quy Nhơn</i> Vay VND	53,000,000,000	Ngày 10 tháng 10 năm 2018	5	Tín chấp

### 19.3 Long-term loans from banks

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

Name of bank	Ending balance VND	Maturity date	Interest rate (% p.a.)	Description of collateral
<i>Vietnam Bank for Industry and Trade – Binh Duong Industrial Park Branch</i>	135,924,771,861	16 July 2019	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	72,094,315,280	7 February 2022	8.0	Land use rights, and machinery and equipment
<i>Asia Commercial Joint Stock Bank – Tan Thuan Branch</i> Loan in VND	9,396,578,000	From 6 January 2020 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	9.0	Means of transportation
<i>Military Commercial Joint Stock Bank – Binh Duong Branch</i> Loan in USD	3,381,044,964	7 January 2019	8	Means of transportation
<b>TOTAL</b>	<b>230,087,939,605</b>			
In which:				
Current portion	174,491,250,325			
Non-current portion	55,596,689,280			

The Company used these loans to finance its constructions and purchases of fixed assets.

**19. LOANS AND FINANCE LEASES (continued)**  
**19.4 Finance leases**

Details of finance leases were as follows:

The Company 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		
	Total minimum lease payments	Finance charges	Lease liabilities	Total minimum lease payments	Finance charges	Lease liabilities
Current liabilities Less than 1 year	38,305,086,689	2,939,201,979	35,365,884,710	5,059,482,950	429,216,334	4,630,266,616
Non-current liabilities From 1 - 5 years	16,708,824,489	952,674,041	15,756,150,448	3,050,680,643	92,428,720	2,958,251,923
<b>TOTAL</b>	<b>55,013,911,178</b>	<b>3,891,876,020</b>	<b>51,122,035,158</b>	<b>8,110,163,593</b>	<b>521,645,054</b>	<b>7,588,518,539</b>

**20. OWNERS' EQUITY****20.1 Movements in owners' equity**

	Issued share capital	Share premium	Other funds belongs to equity	Undistributed earnings	Total
					VND
<b>Previous year:</b>					
Beginning balance	1,965,398,290,000	551,571,933,521	6,784,575,670	1,753,131,906,267	4,276,886,705,458
Net profit for the year	-	-	-	1,353,771,696,634	1,353,771,696,634
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
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)
<b>Ending balance</b>	<b>3,499,966,830,000</b>	<b>1,51,583,183,521</b>	<b>34,535,741,195</b>	<b>1,618,854,251,238</b>	<b>5,304,940,005,954</b>

(\*) 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/HDGT/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 company. 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.

## 20. OWNERS' EQUITY (continued)

### 20.1 Movements in owners' equity (continued)

	Issued share capital	Share premium	Treasury shares	Other funds belongs to equity	Undistributed earnings	Total
						VND
<b>Current year:</b>						
Beginning balance	3,499,966,830,000	151,583,183,521	-	34,535,741,195	1,618,854,251,238	5,304,940,005,954
Net profit for the year	-	-	-	-	505,274,139,165	505,274,139,165
Dividends declared	349,936,450,000	-	-	-	(349,936,450,000)	-
Buy treasury shares	-	-	-	-	(349,957,383,000)	(349,957,383,000)
The issuance of new ordinary shares to the Company's employees (*)	-	-	(1,343,000,000)	-	-	(1,343,000,000)
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)
<b>Ending balance</b>	<b>3,849,903,280,000</b>	<b>151,583,183,521</b>	<b>(1,343,000,000)</b>	<b>60,509,750,556</b>	<b>1,323,418,124,868</b>	<b>5,384,071,338,945</b>

(\*) 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 31<sup>st</sup> issued by the Department of Planning and Investment of Binh Duong Province approving this increase in the charter capital of the Company.



**20. OWNERS' EQUITY** (continued)

**20.2 Capital transactions with owners and distribution of dividends, profits**

	VND	
	<b>Current year</b>	<b>Previous year</b>
Contributed capital		
Beginning balances	3,499,966,830,000	1,965,398,290,000
Increase	349,936,450,000	1,534,568,540,000
<b>Ending balance</b>	<b>3,849,903,280,000</b>	<b>3,499,966,830,000</b>
Dividends		
Dividends declared	699,839,833,000	196,539,529,000
Dividends paid	700,018,357,500	196,362,984,225

**20.3 Share capital**

	<b>Number of shares</b>	
	<b>Ending balance</b>	<b>Beginning balance</b>
Issued shares		
Shares issued and paid-up shares	384,990,328	349,996,683
Ordinary shares		
Treasury shares		
Ordinary shares	134,300	-
Shares in circulation		
Ordinary shares	384,856,028	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.



## 21. REVENUES

### 21.1 Revenues from sale of goods and rendering of services

	VND	
	<b>Current year</b>	<b>Previous year</b>
Gross revenues	59,977,961,162,366	47,077,679,965,050
Of which:		
Sale of merchandises	40,327,474,385,158	28,936,150,602,420
Sale of finished goods	19,610,603,182,865	17,915,937,715,175
Others	39,883,594,343	225,591,647,455
Sales deduction	(113,760,574,901)	(179,072,251,662)
Of which:		
Sales discount	(91,463,945,910)	(168,048,151,825)
Sales returns	(18,018,812,564)	(9,423,827,040)
Sales allowances	(4,277,816,427)	(1,600,272,797)
<b>NET</b>	<b>59,864,200,587,465</b>	<b>46,898,607,713,388</b>
Of which:		
Sale to third parties	25,526,544,445,715	21,135,214,803,228
Sale to related parties (Note 31)	34,337,656,141,750	25,763,392,910,160

### 21.2 Finance income

	VND	
	<b>Current year</b>	<b>Previous year</b>
Profits shared from subsidiaries	358,392,102,244	547,165,072,432
Financial income from disposals of investments	102,139,227,474	2,483,309,967
Foreign exchange gains	66,882,399,885	51,672,690,640
Interest income	11,895,595,465	460,593,885
<b>TOTAL</b>	<b>539,309,325,068</b>	<b>601,781,666,924</b>

## 22. COSTS OF GOODS SOLD AND SERVICES RENDERED

	VND	
	<b>Current year</b>	<b>Previous year</b>
Costs of sale of finished goods	18,021,956,769,108	15,751,202,412,685
Costs of sale of merchandises	39,027,616,532,190	27,779,529,536,731
Others	11,737,394,894	149,332,114,043
<b>TOTAL</b>	<b>57,061,310,696,192</b>	<b>43,680,064,063,459</b>



### 23. FINANCE EXPENSES

	VND	
	<b>Current year</b>	<b>Previous year</b>
Interest expense	458,729,805,247	317,503,841,647
Foreign exchange losses	129,354,124,623	86,778,821,744
Foreign exchange losses arising from revaluation of monetary accounts denominated in foreign currency	47,305,340,201	7,111,244,819
(Reversal of provision) provision for long-term investments	(22,487,722,351)	8,983,268,917
Other	1,915,310,041	-
<b>TOTAL</b>	<b>614,816,857,761</b>	<b>420,377,177,127</b>

### 24. SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

	VND	
	<b>Current year</b>	<b>Previous year</b>
Selling expenses	1,493,660,136,661	1,235,820,173,529
Expenses for external services	790,640,510,476	593,014,446,591
Labour costs	327,536,085,599	292,108,792,713
Depreciation and amortisation	108,714,732,356	72,442,980,982
Other expenses	266,768,808,230	278,253,953,243
General and administrative expenses	711,802,548,326	639,173,453,876
Labour costs	361,669,045,416	318,188,060,303
Depreciation and amortisation	42,732,423,837	34,910,163,952
Expenses for external services	29,750,707,573	23,333,620,677
Other expenses	277,650,371,500	262,741,608,944
<b>TOTAL</b>	<b>2,205,462,684,987</b>	<b>1,874,993,627,405</b>

### 25. OTHER INCOME

	VND	
	<b>Current year</b>	<b>Previous year</b>
Compensation	27,904,180,851	46,938,922,223
Gain from disposed fixed assets	16,148,077,681	22,353,176,877
Others	8,880,345,033	3,804,743,641
<b>TOTAL</b>	<b>52,932,603,565</b>	<b>73,096,842,741</b>

## 26. PRODUCTION AND OPERATING COSTS

	VND	
	<b>Current year</b>	<b>Previous year</b>
Raw materials	16,617,021,783,833	14,997,112,273,572
Expense for external services	1,241,036,775,605	1,095,325,907,080
Labour costs	796,124,614,877	730,185,246,256
Depreciation and amortisation (Notes 10, 11 and 12)	322,385,755,534	408,968,204,482
Others	650,150,547,377	836,244,964,815
<b>TOTAL</b>	<b>19,626,719,477,226</b>	<b>18,067,836,596,205</b>

## 27. CORPORATE INCOME TAX

The Company has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profits.

The tax returns filed by the Company are subjected to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amounts reported in the separate financial statements could be changed at a later date upon final determination by the tax authorities.

### 27.1 CIT expense

	VND	
	<b>Current year</b>	<b>Previous year</b>
Current CIT expense	57,537,903,508	209,236,418,604
Adjusted CIT from previous year	-	363,780,853
Deferred CIT expense	10,926,051,734	31,435,309,359
<b>TOTAL</b>	<b>68,463,955,242</b>	<b>241,035,508,816</b>

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

	VND	
	<b>Current year</b>	<b>Previous year</b>
Accounting profit before tax	573,738,094,407	1,594,807,205,450
At CIT rate of 20%	114,747,618,881	318,961,441,090
<i>Adjustments</i>		
Non-deductible expenses	25,384,617,658	31,143,301,359
Profits shared from subsidiaries	(71,678,420,449)	(109,433,014,486)
Adjusted CIT from previous year	-	363,780,853
Other	10,139,152	-
<b>Current CIT expense</b>	<b>68,463,955,242</b>	<b>241,035,508,816</b>

**27. CORPORATE INCOME TAX** (continued)**27.2 Current tax**

The current CIT payable is based on taxable profit for the current year. The taxable profit of the Company for the year differs from the accounting profit as reported in the separate 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 Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

**27.3 Deferred CIT**

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

	VND			
	<b>Separate balance sheet</b>		<b>Separate income statement</b>	
	<b>Ending balance</b>	<b>Beginning balance</b>	<b>Current year</b>	<b>Previous year</b>
Accrued operating expenses	12,107,935,853	14,347,792,714	(2,239,856,861)	(23,151,166,468)
Provisions	7,592,142,372	13,610,183,079	(6,018,040,707)	3,759,383,106
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
Unrealised profits	582,741,890	2,302,446,294	(1,719,704,404)	(10,050,438,250)
Others	1,053,512,369	1,581,148,394	(527,636,025)	(3,060,130,770)
<b>Deferred tax assets</b>	<b>22,050,680,527</b>	<b>32,976,732,261</b>		
<b>Deferred CIT expenses</b>			<b>(10,926,051,734)</b>	<b>(31,435,309,359)</b>

## 28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Related party	Relationship	Transactions	Current year	Previous year
Hoa Sen Steel Sheet One Member Co., Ltd.	Subsidiary	Purchase of goods	14,995,785,607,702	14,901,254,604,796
		Sale of goods	13,779,143,441,900	13,643,025,632,712
		Payment on behalf	152,580,172,648	166,530,762,965
		Profit shared	34,568,169,073	76,653,509,042
		Sales of fixed asset	9,138,455,859	-
		Transfer of fixed assets	879,098,975,080	-
		Other Income	4,783,074,700	-
		Purchase return	2,510,365,445	-
		Sales return	1,980,258,020	-
		Purchase of gas	80,969,500	8,213,145,624
		Purchase of fixed assets	-	1,436,070,000
		Leasing of assets	-	139,296,000,000
		Hoa Sen Building Materials One Member Co., Ltd.	Subsidiary	Sale of goods
Purchase of goods	3,715,489,723,137			3,260,772,053,282
Profit shared	144,875,735,339			205,519,465,050
Sales return	1,329,668,691			397,974,795
Purchase of fixed assets	136,202,200			-
Rental expense	100,000,010			-
Leasing of assets	88,409,095			678,545,460
Sale of fixed assets	87,000,000			200,000,000
Transportation expenses	48,534,481,409			44,995,715,904
Leasing of assets	7,956,000,000			8,565,000,000
Hoa Sen Transportation and Engineering One Member Co., Ltd.	Subsidiary	Profit shared	5,818,027,378	5,895,764,638
		Rental expense	607,696,966	-
		Purchase of fixed asset	100,000,000	-
		Purchase of goods	-	4,611,416,810
		Other	401,957,962	-

VND

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

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

Related party	Relationship	Transactions	Current year	Previous year
Hoa Sen Nghe An One Member Co., Ltd	Subsidiary	Sale of goods	9,626,602,855,004	5,599,890,071,479
		Purchase of goods	7,502,469,038,140	4,551,651,709,046
		Capital contribution	650,000,000,000	120,000,000,000
		Profit shared	161,600,175,097	224,128,658,740
		Purchase return	6,407,186,748	-
		Sales of fixed assets	5,913,155,809	-
		Rental expense	327,272,724	-
		Purchase deduction	168,333,118	-
		Other purchase	141,284,700	-
		Leasing of assets	38,000,000	3,948,000,000
Hoa Sen Binh Dinh One Member Co., Ltd.	Subsidiary	Purchase of goods	1,082,856,041,149	794,881,373,702
		Capital contribution	50,000,000,000	-
		Sale of goods	24,251,426,607	51,434,073,556
		Profit shared	11,529,995,357	34,967,674,962
		Other sales	45,328,337	-
		Other purchases	21,454,414	-
Hoa Sen Nhon Hoi - Binh Dinh One Member Co., Ltd.	Subsidiary	Sale of goods	1,416,755,238,005	505,020,866,183
		Purchase of goods	1,224,289,168,009	145,744,606,172
		Lending	132,500,000,000	42,967,623,260
		Conversion of	119,000,000,000	-
		lending to capital	101,000,000,000	64,000,000,000
		Capital contribution	13,500,000,000	42,967,623,260
		Collection of lending	1,804,591,517	-
		Purchase returns	708,702,055	201,781,047
		Interest income	154,174,786	-
		Sales return	-	8,435,500,000
		Sale of fixed assets	-	300,000,000
		Leasing of assets	-	-

VND

## 28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

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

VND

<b>Related party</b>	<b>Relationship</b>	<b>Transactions</b>	<b>Current year</b>	<b>Previous year</b>
Hoa Sen Ha Nam One Member Co., Ltd	Subsidiary	Purchase of goods	848,947,136,769	154,761,409,425
		Sale of goods	44,779,573,986	11,076,398,202
		Sale returned	86,112,315	-
		Sales of fixed assets	2,904,000,000	-
		Capital contribution	-	150,000,000,000
		Collection of lending	-	64,852,176,516
		Lending of money	-	64,869,376,516
		Interest income	-	1,565,011,328
		Lease of assets	171,000,000	-
		Others	486,410,620	-
Hoa Sen Van Hoi Joint Stock Company	Subsidiary	Capital withdrawal	2,800,000,000	-
Hoa Sen Yen Bai Joint Stock Company	Subsidiary	Lending of money	84,022,894,522	45,663,826,935
		Collection of lending	63,000,000,000	-
		Interest income	6,103,354,523	551,616,708
		Capital contribution	-	78,500,000,000
Hoa Sen Du Long Industrial Park Infrastructure Investment One Member Co., Ltd.	Associates	Capital transfer	13,585,000,000	-
		Lending	12,160,295,900	-
		Conversion of lending to capital	4,500,000,000	24,700,000,000
		Collection of lending	4,000,000,000	-
		Loan interest	335,342,389	-
Hoa Sen Phu My One Member Co., Ltd	Subsidiary	Sales of goods	403,345,547,024	6,005,111,813
		Capital contribution	77,281,875,153	100,000,000,000
		Convert lending to capital contribution	72,718,124,847	-
		Purchase of goods	49,562,550,487	-
		Lending	43,406,984,582	29,311,140,265
		Others	2,332,380,193	164,900,884

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

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

Related party	Relationship	Transactions	Current year	Previous year
				VND
Hoa Sen Ca Na – Ninh Thuan Integrated Iron and Steel Complex Investment One Member Co., Ltd	Subsidiary	Capital contribution	-	1,500,000,000
Ca Na – Ninh Thuan International General Seaport One Member Co., Ltd	Subsidiary	Capital contribution	1,000,000,000	2,500,000,000
Hoa Sen Yen Bai Building Materials One Member Co., Ltd	Subsidiary	Purchase of goods Collection of lending Lending Capital contribution	215,951,772,945 10,605,320,725 10,605,320,725 -	- - - 50,000,000,000
		Sale of goods Others	1,704,016,764 939,048,113	2,527,910,381 -
Hoa Sen Ca Na – Ninh Thuan Industrial Park Infrastructure Investment One Member Limited Liabilities Company	Subsidiary	Capital contribution	1,000,000,000	3,000,000,000
Hoa Sen Quy Nhon Joint Stock Company	Associate	Loan Interest expense Capital contribution	53,000,000,000 1,256,027,397 -	- - 27,450,000,000
Hoa Sen Holdings Group	Related party	Sale of goods Purchase of goods Transportation expenses Trade discount Sale of fixed assets Sales return Leasing of assets Outsource Other sales Receiving of services Other	4,247,355,470,991 2,131,902,739,532 43,220,427,887 43,093,355,162 40,961,909,490 3,595,809,964 1,828,130,909 1,146,734,978 - 573,272,555 - 509,617,649	2,245,091,246,176 2,868,716,011,902 49,363,717,493 73,059,929,459 36,386,756,005 - 1,718,377,268 - - 28,255,009,089



## 28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

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

<b>Related party</b>	<b>Relationship</b>	<b>Transactions</b>	<b>Current year</b>	<b>Previous year</b>
				VND
Hoa Sen Nghe An Investment One Member Co., Ltd	Related party	Transportation expenses	818,445,193	620,677,877
Hoa sen Hoi Van One member Co., Ltd	Related party	Capital withdrawal	450,000,000	-
Hoa Sen Gemadept International Port & Logistics Joint Stock Company	Related party	Capital transfer Capital contribution	55,624,444,583 3,672,266,449	- -
Amounts due from and due to related parties at the balance sheet date were as follows:				
				VND
<b>Related party</b>	<b>Relationship</b>	<b>Transaction</b>	<b>Ending balance</b>	<b>Beginning balance</b>
<i>Short-term trade receivables</i>				
Hoa Sen Steel Sheet One Member Co., Ltd.	Subsidiary	Sales of goods	2,274,374,701,634	1,372,719,862,467
Hoa Sen Nghe An One Member Co., Ltd.	Subsidiary	Sales of goods	1,200,868,459,695	666,455,845,353
Hoa Sen Nhon Hai - Binh Dinh One Member Co., Ltd.	Subsidiary	Sales of goods	1,307,539,434,530	416,327,068,751
Hoa Sen Building Materials One Member Co., Ltd.	Subsidiary	Sales of goods	570,934,978,238	423,765,967,282
Hoa Sen Phu My One Member Co., Ltd	Subsidiary	Sales of goods	291,904,280,843	10,215,237,917
Hoa Sen Ha Nam One Member Co., Ltd	Subsidiary	Sales of goods	15,062,949,385	-
Hoa Sen Yen Bai Building Materials One Member Co., Ltd	Subsidiary	Sales of goods	-	2,380,875,132
Hoa Sen Holdings Group	Related party	Sales of goods	775,500	451,645,235
			<b>5,660,685,579,825</b>	<b>2,892,316,502,137</b>

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

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

<b>Related party</b>	<b>Relationship</b>	<b>Transaction</b>	<b>Ending balance</b>	<b>Beginning balance</b>	<b>VND</b>
<i>Short-term advances to suppliers</i>					
Hoa Sen Nhon Hoi - Binh Dinh One Member Co., Ltd.	Subsidiary	Sales of goods	141,210,746,400	-	
Hoa Sen Ha Nam One Member Co., Ltd.	Subsidiary	Advances	3,089,692,968	38,705,908,131	
Hoa Sen Yen Bai Building Materials One Member Co., Ltd.	Subsidiary	Advances	425,516,000	-	
<b>TOTAL</b>			<b>144,725,955,368</b>	<b>38,705,908,131</b>	
<i>Short-term loan receivables</i>					
Hoa Sen Du Long Industrial Park Infrastructure Investment One Member Co., Ltd.	Associates	Lending	3,660,295,900	-	
<i>Long-term loan receivables</i>					
Hoa Sen Yen Bai Joint Stock Company	Subsidiary	Lending	66,686,721,457	45,663,826,935	
Hoa Sen Phu My One Member Co., Ltd.	Subsidiary	Lending	-	29,311,140,265	
<b>TOTAL</b>			<b>66,686,721,457</b>	<b>74,974,967,200</b>	
<i>Loan</i>					
Hoa Sen Quy Nhon Joint Stock Company	Associate	Loan	53,000,000,000	-	

## 28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

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

VND

<b>Related party</b>	<b>Relationship</b>	<b>Transaction</b>	<b>Ending balance</b>	<b>Beginning balance</b>
<b>Other short-term receivables</b>				
Hoa Sen Nghe An One Member Co., Ltd.	Subsidiary	Profit shared	161,600,175,097	224,128,658,740
Hoa Sen Building Materials One Member Co., Ltd.	Subsidiary	Profit shared	144,875,735,339	205,519,465,050
Mr Hoang Duc Huy	Deputy General Director	Advance for purchase of lands	90,183,227,000	90,183,227,000
		Sales of land	1,367,463,256	-
Hoa Sen Steel Sheet One Member Co., Ltd.	Subsidiary	Profit shared	34,568,169,073	76,653,509,042
Hoa Sen Binh Dinh One Member Co., Ltd.	Subsidiary	Profit shared	11,529,995,357	34,967,674,962
Hoa Sen Yen Bai Joint Stock Company	Subsidiary	Loan interest	6,654,971,231	551,616,708
Hoa Sen Transportation and Engineering One Member Co., Ltd.	Subsidiary	Profit shared	5,818,027,378	5,895,764,638
Hoa Sen Ca Na – Ninh Thuan Intergrated Iron and Steel Complex Investment One Member Limited Liabilities Company	Subsidiary	Payment on behalf	923,312,250	923,312,250
Hoa Sen Du Long Industrial Park Infrastructure Investment One Member Co., Ltd.	Associate	Payment on behalf	335,342,389	-
Hoa Sen Ha Nam One Member Co., Ltd.	Subsidiary	Payment on behalf	118,970,000	-
Hoa Sen Ca Na – Ninh Thuan Cement One Member Limited Liabilities Company	Subsidiary	Payment on behalf	13,000,000	10,000,000
Hoa Sen Ca Na – Ninh Thuan Renewable Energy One Member Limited Liabilities Company	Subsidiary	Payment on behalf	13,000,000	10,000,000
Hoa Sen Phu My One Member Co., Ltd.	Subsidiary	Loan interest	-	164,900,884
<b>TOTAL</b>			<b>458,001,388,370</b>	<b>639,008,129,274</b>

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

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

Related party	Relationship	Transaction	Ending balance	Beginning balance	VND
<b>Short-term trade payables</b>					
Hoa Sen Binh Dinh One Member Co, Ltd.	Subsidiary	Purchases of goods	336,200,056,889	200,641,334,445	
Hoa Sen Ha Nam One Member Co., Ltd.	Subsidiary	Purchases of goods	137,214,608,808	53,560,995,083	
Hoa Sen Nhon Hoi – Binh Dinh One Member Co., Ltd.	Subsidiary	Purchases of goods	61,292,574,787	56,166,912,937	
Hoa Sen Yen Bai Building Materials One Member Co., Ltd	Subsidiary	Purchases of goods	36,513,309,235	-	
Hoa Sen Transportation and Engineering One Member Co., Ltd.	Subsidiary	Purchases of goods	15,599,670,164	14,226,066,980	
Hoa Sen Holdings Group	Owned by Chairman	Purchases of goods	4,264,268,660	54,215,530,025	
Hoa Sen Nghe An Investment One Member Co., Ltd	Related party	Purchases of goods	52,819,936	427,095,341	
Hoa Sen Steel Sheet One Member Co., Ltd.	Subsidiary	Purchases of goods	-	2,000,000,000	
<b>TOTAL</b>			<b>591,137,308,479</b>	<b>381,237,934,811</b>	
<b>Short-term advances from customers</b>					
Hoa Sen Binh Dinh One Member Co, Ltd.	Subsidiary	Advance	85,962,064,553	78,751,807,428	
Hoa Sen Holdings Group	Owned by Chairman	Advance	7,646,976,355	145,963,739,883	
<b>TOTAL</b>			<b>93,609,040,908</b>	<b>224,715,547,311</b>	
<b>Other short-term payables</b>					
Hoa Sen Quy Nhon Joint Stock Company	Associate	Interest income	1,256,027,397	-	
Huong Sen Real Estate	Related party	Payable of advance	1,000,000,000	1,000,000,000	
Hoa Sen Binh Dinh One Member Co, Ltd.	Subsidiary	Receivable on behalf	319,600,000	-	
Hoa Sen Yen Bai Building Materials One Member Co., Ltd.	Subsidiary	Payment on behalf	191,558,095	16,800,000	
Hoa Sen Du Long Industrial Park Infrastructure Investment One Member Co., Ltd.	Associate	Capital contribution	-	24,700,000,000	
<b>TOTAL</b>			<b>2,767,185,492</b>	<b>25,716,800,000</b>	

## 28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

### Transactions with other related parties

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

	<b>Current year</b>	<b>Previous year</b>
Salaries of the Management	16,987,072,159	15,910,226,680
Bonuses of the 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
<b>TOTAL</b>	<b>19,257,072,159</b>	<b>59,300,226,680</b>

## 29. COMMITMENTS

### Operating lease commitment - the Company as lessee

The Company leases land and factories under operating lease arrangements. The minimum lease commitments as at the balance sheet dates under operating lease arrangements are as follows:

		VND
	<b>Ending balance</b>	<b>Beginning balance</b>
Less than 1 year	120,530,357,667	102,622,704,600
From 1 to 5 years	432,335,802,440	360,182,972,527
More than 5 years	449,691,597,286	247,322,009,333
<b>TOTAL</b>	<b>1,002,557,757,393</b>	<b>710,127,686,460</b>

### Operating lease commitment - the Company as lessor

The Company leases out buildings and structures, machinery and equipment, and means of transportation under operating lease arrangements. The future minimum rental receivable as at the balance sheet dates under the operating lease agreements are as follows:

		VND
	<b>Ending balance</b>	<b>Beginning balance</b>
Less than 1 year	909,600,000	155,269,354,547
From 1 to 5 years	2,529,300,000	616,331,681,818
More than 5 years	-	341,516,000,000
<b>TOTAL</b>	<b>3,438,900,000</b>	<b>1,113,117,036,365</b>

### Capital commitments

As at 30 September 2018, the Company had commitments of VND 12,968,628,192 (30 September 2017: VND 35,525,754,918) mainly related to the acquisition of new machinery for its operations.



## 29. COMMITMENTS (continued)

### Capital commitments

As at 30 September 2018, the Company has capital-contributed commitments into subsidiaries and associates which have not been contributed as follows:

	Cam kết góp vốn		Thực góp
	Giá trị	% sở hữu	Giá trị
Hoa Sen Ca Na – Ninh Thuan Renewable Energy One Member Limited Liabilities Company	20,000,000,000	100%	-
Hoa Sen Ca Na – Ninh Thuan Cement One Member Limited Liabilities Company	30,000,000,000	100%	-
Hoa Sen Ca Na – Ninh Thuan Industrial Park Infrastructure Investment One Member Limited Liabilities Company	50,000,000,000	100%	4,000,000,000
Hoa Sen Ca Na – Ninh Thuan International General Seaport One Member Limited Liabilities Company	50,000,000,000	100%	3,500,000,000
Hoa Sen Ca Na – Ninh Thuan Integrated Iron and Steel Complex Investment One Member Limited Liabilities Company	100,000,000,000	100%	15,000,000,000
Hoa Sen Quy Nhon Joint Stock Company	45,000,000,000	45%	27,900,000,000
<b>TOTAL</b>	<b>295,000,000,000</b>		<b>50,400,000,000</b>

## 30. CORRESPONDING FIGURES

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

## 31. 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 separate financial statements.

Nguyen Thi Thanh Tuyen  
Preparer

Nguyen Thi Ngoc Lan  
Chief Accountant

Tran Quoc Tri  
General Director

28 December 2018

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**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.

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:



Tran Quoc Tri  
General Director

28 December 2018



Reference: 61183992/19355153-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



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

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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

B01-DN/HN

VND

<b>Code</b>	<b>Assets</b>	<b>Notes</b>	<b>Ending balance</b>	<b>Beginning balance</b>
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
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	<b>TOTAL ASSETS</b>		<b>21,254,822,061,618</b>	<b>21,591,434,567,538</b>

**CONSOLIDATED BALANCE SHEET (continued)**

As at 30 September 2018

B01-DN/HN

VND

Code	Assets	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	22	3,465,688,980,878	2,840,750,075,711
338	1. Long-term loans and finance lease obligations		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	23.1	5,151,625,718,925	5,169,801,932,685
410	I. Capital		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	23.3	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		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



Tran Quoc Tri  
General Director

28 December 2018


**CONSOLIDATED INCOME STATEMENT**

For the year ended 30 September 2018

B02-DN/HN

VND

Code	Assets	Notes	Ending balance	Beginning balance
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	<i>In which: Interest expense</i>		<i>(811,669,226,449)</i>	<i>(482,275,637,847)</i>
24	8. Shares of profit of associates, joint-ventures		514,000,092	-
25	9. Selling expenses		(1,816,042,397,184)	(1,512,517,323,076)
26	10. General and administrative expenses		(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	27	56,900,222,229	78,166,099,473
32	13. Other expenses	27	(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	28	529,184,460,902	1,642,639,473,740
51	16. Current corporate income tax expense		(95,720,855,600)	(281,166,867,134)
52	17. Deferred income tax expense		(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	30.1	409,234,037,922	1,331,663,912,171
62	20. Net loss after tax attributable to non-controlling interests	30.3	(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

  
 Công ty Cổ phần Tập đoàn HOA SEN  
 General Director

28 December 2018

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 30 September 2018

B03-DN/HN

VND

<b>Code</b>	<b>Assets</b>	<b>Notes</b>	<b>Ending balance</b>	<b>Beginning balance</b>
	<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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)
	<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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	23.3	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

B03-DN/HN

VND

Code	Assets	Notes	Ending balance	Beginning balance
	<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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



Tran Quoc Tri  
General Director

28 December 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%).

**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%).

**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%).

**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.



## **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.



## **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.



### **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.



### **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.

#### **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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **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.

#### **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;



### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **3.14 Foreign currency transactions** (continued)

- 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.

##### *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*



### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **3.17 Revenue recognition** (continued)

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.

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.



### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **3.18 Taxation**

##### *Deferred tax (continued)*

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.

### **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

	<b>Ending balance</b>	<b>Beginning balance</b>
Cash on hand	9,171,111,805	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
<b>TOTAL</b>	<b>492,079,830,667</b>	<b>292,371,319,351</b>

(\*) 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

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

**6.2 Short-term advances to suppliers**

VND

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

**7. OTHER RECEIVABLES**

VND

	<b>Ending balance</b>	<b>Beginning balance</b>
<b>Short-term</b>	<b>175,861,343,972</b>	<b>312,714,156,427</b>
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
<b>Long-term</b>	<b>202,370,220,436</b>	<b>1,458,000,000</b>
Deposits for renting	202,093,222,150	-
Long-term deposits	276,998,286	1,458,000,000
<b>TOTAL</b>	<b>378,231,564,408</b>	<b>314,172,156,427</b>
Provision for doubtful other short-term receivables	(1,640,000,000)	(740,000,000)
<b>NET</b>	<b>376,591,564,408</b>	<b>313,432,156,427</b>
In which:		
Due from third parties	284,705,531,763	222,724,725,182
Due from related parties (Note 31)	91,886,032,645	90,183,227,000

**8. INVENTORIES**

VND

	<b>Ending balance</b>	<b>Beginning balance</b>
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	-
<b>TOTAL</b>	<b>6,647,686,173,500</b>	<b>8,898,028,802,451</b>
Provision for obsolete inventories	(40,691,706,865)	(26,950,234,865)
<b>NET</b>	<b>6,606,994,466,635</b>	<b>8,871,078,567,586</b>

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.

**9. PREPAID EXPENSES**

VND

	<b>Ending balance</b>	<b>Beginning balance</b>
<b>Short-term</b>	<b>97,836,059,166</b>	<b>109,041,648,878</b>
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
<b>Long-term</b>	<b>475,698,024,116</b>	<b>412,307,081,315</b>
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
<b>TOTAL</b>	<b>573,534,083,282</b>	<b>521,348,730,193</b>

**10. LOAN RECEIVABLE**

VND

	<b>Ending balance</b>	<b>Beginning balance</b>
Finance Department of Nghe An Province	9,171,111,805	14,395,109,469
Others	409,373,357,409	276,984,603,292
Related party (Note 31)	726,553,560	848,084,715
<b>TOTAL</b>	<b>32,808,807,893</b>	<b>143,521,875</b>

**11. TANGIBLE FIXED ASSET**

	Buildings and structures	Machinery and equipment	Means of transportation	Office equipment	Office equipment	Office equipment	VND
<b>Cost:</b>							
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>							
<i>Fully depreciated</i>	92,247,652,983	600,058,716,296	23,431,418,049	2,105,761,229	6,807,413,776	724,650,962,333	
<b>Accumulated depreciation:</b>							
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)	
<b>Net carrying amount:</b>							
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	





**12. FINANCE LEASES**

VND

	<b>Machinery and equipment</b>	<b>Means of transportation</b>	<b>Office equipment</b>	<b>Total</b>
<b>Cost:</b>				
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	145,305,609,552	72,264,862,646	18,636,363,636	236,206,835,834
<b>Accumulated depreciation:</b>				
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	(87,619,756,338)	(8,224,376,030)	(209,339,975)	(96,053,472,343)
<b>Net carrying amount:</b>				
Beginning balance	74,304,488,446	5,686,086,956	-	79,990,575,402
Ending balance	57,685,853,214	64,040,486,616	18,427,023,661	140,153,363,491

**13. FINANCE LEASES**

VND

	<b>Land use rights</b>	<b>Computer software</b>	<b>Total</b>
<b>Cost:</b>			
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	308,177,659,765	46,891,492,615	355,069,152,380
<i>In which:</i>			
<i>Fully amortised</i>	456,396,144	1,818,224,781	2,274,620,925
<b>Accumulated amortisation:</b>			
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	(34,162,595,531)	(8,090,696,283)	(42,253,291,814)
<b>Net carrying amount:</b>			
Beginning balance	283,367,159,823	278,872,700	283,646,032,523
Ending balance	274,015,064,234	38,800,796,332	312,815,860,566
<i>In which:</i>			
<i>Pledged (Note 22)</i>	124,648,898,077	-	124,648,898,077

**14. CONSTRUCTION IN PROGRESS**

VND

	<b>Ending balance</b>	<b>Beginning balance</b>
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
<b>TOTAL</b>	<b>1,512,774,341,255</b>	<b>1,333,535,754,767</b>

**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**

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

VND

<b>Name of associate</b>	<b>Ending balance</b>		<b>Beginning balance</b>		<b>Location</b>	<b>Business activities</b>
	<b>% of interest</b>	<b>Cost of investment VND</b>	<b>% of interest</b>	<b>Cost of investment VND</b>		
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
<b>TOTAL</b>		<b>36,357,678,001</b>		<b>44,369,102,467</b>		

**16 LONG-TERM INVESTMENTS**

(\*\*) 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
<i>Formosa Ha Tinh Steel Corporation</i>	199,152,165,080	-
<i>Hangzhou Cogeneration (Hong Kong) Co, Ltd</i>	191,161,898,608	-
<i>Others</i>	666,293,400,461	3,571,882,195,722
Due to related parties (Note 31)	10,014,360,305	63,927,783,070
<b>TOTAL</b>	<b>1,066,621,824,454</b>	<b>3,635,809,978,792</b>

**18. SHORT-TERM ADVANCES FROM CUSTOMERS**

VND

	Ending balance	Beginning balance
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
<b>TOTAL</b>	<b>141,297,692,947</b>	<b>417,629,817,716</b>

**19. STATUTORY OBLIGATION**

VND

	Beginning balance	Increase during the year	Decrease during the year	Ending balance
<b>Payables</b>				
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
<b>TOTAL</b>	<b>167,199,725,948</b>	<b>2,216,389,954,677</b>	<b>(2,322,071,416,967)</b>	<b>61,518,263,658</b>
<b>Receivables</b>				
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
<b>TOTAL</b>	<b>1,663,349,427,320</b>	<b>1,096,358,882,972</b>	<b>(1,275,923,321,246)</b>	<b>1,483,784,989,046</b>

**20. SHORT-TERM ACCRUED EXPENSES**

VND

	<b>Ending balance</b>	<b>Beginning balance</b>
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
<b>TOTAL</b>	<b>148,220,024,270</b>	<b>101,223,708,394</b>

**21. OTHER SHORT-TERM PAYABLES**

VND

	<b>Ending balance</b>	<b>Beginning balance</b>
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
<b>TOTAL</b>	<b>213,415,952,496</b>	<b>77,593,435,079</b>

**22. LOANS AND FINANCE LEASES**

VND

	<b>Ending balance</b>	<b>Beginning balance</b>
<b>Short-term loans and finance leases</b>	<b>10,879,859,929,887</b>	<b>9,015,062,474,063</b>
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	-
<b>Long-term loans and finance leases</b>	<b>3,461,976,547,378</b>	<b>2,835,803,760,461</b>
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
<b>TOTAL</b>	<b>14,341,836,477,265</b>	<b>11,850,866,234,524</b>



## 22. LOANS AND FINANCE LEASES (continued)

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

	VND
	<b>Amount</b>
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
<b>Ending balance</b>	<b>14,341,836,477,265</b>

## 22. LOANS AND FINANCE LEASES (continued)

### 22.1 Short-term loans from banks

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

	VND			
Name of banks	Ending balance VND	Maturity date	Interest rate (% p.a.)	Description of collateral
<b>Vietnam Joint Stock Commercial Bank For Industry and Trade – Binh Duong Industrial Park Branch</b>				
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
<b>Joint Stock Commercial Bank for Foreign Trade of Vietnam – South Binh Duong Branch</b>				
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 VND	691,858,095,360	From 15 October 2018 to 5 December 2018	From 2.7 to 3	Land use rights, and machinery and equipment
<b>Joint stock Commercial Bank for Investment and Development of Viet Nam – Transaction Center 2 Branch</b>				
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 VND	408,466,309,431	From 26 November 2018 to 19 December 2018	From 3.5 to 3.9	Receivables



**22. LOANS AND FINANCE LEASES** (continued)

**22.1 Short-term loans from banks** (continued)

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

				VND
Name of banks	Ending balance VND	Maturity date	Interest rate (% p.a.)	Description of collateral
<b>HSBC Bank (Vietnam) Ltd</b>				
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
<b>Vietnam Bank for Industry and Trade – Nghe An Branch</b>				
Loan in VND	751,935,188,536	From 9 October 2018 to 13 March 2019	5.5	Buildings and structures, and machinery and equipment
<b>Joint Stock Commercial Bank for Foreign Trade of Vietnam – Ho Chi Minh Branch</b>				
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
<b>Vietnam Bank for Industry and Trade – Ba Ria Vung Tau Branch</b>				
Loan in VND	204,379,110,451	28 February 2019	5.5	Inventories
<b>United Overseas Bank – Ho Chi Minh Branch</b>				
Loan in VND	167,856,828,967	From 15 October 2018 to 31 December 2018	From 4.2 to 4.67	Inventories
<b>Ho Chi Minh City Development Joint Stock Commercial Bank</b>				
Loan in USD	148,320,106,584	From 19 December 2018 to 2 January 2019	3.2	Unsecured
<b>Bank SinoPac – Ho Chi Minh City Branch</b>				
Loan in VND	135,900,000,000	From 20 November 2018 to 3 December 2018	5	Unsecured
<b>Sumitomo Mitsui Banking Corporation Ho Chi Minh City Branch</b>				
Loan in VND	125,000,000,000	From 30 November 2018 to 7 February 2019	5.6	Inventories
<b>ANZ Bank (Vietnam) Limited</b>				
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



**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):

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

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:

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



## 22. LOANS AND FINANCE LEASES (continued)

### 22.3 Long-term loans from banks

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

				VND
Name of banks	Ending balance VND	Maturity date	Interest rate (% p.a.)	Description of collateral
<b>HSBC Bank (Vietnam) Ltd</b>				
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
<b>Joint Stock Commercial Bank for Foreign Trade of Vietnam – South Binh Duong Branch</b>				
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
<b>Vietnam Joint Stock Commercial Bank for Industry and Trade – Vung Tau Branch</b>				
Loan in VND	302,181,929,656	30 November 2019	8.95	Machinery and equipment, and inventories
<b>Vietnam Bank for Industry and Trade – Ba Ria Vung Tau Branch</b>				
Loan in VND	110,037,921,129	From 18 July 2019 to 19 July 2021	8.8	Machinery, equipment
<b>Vietnam Joint Stock Commercial Bank for Industry and Trade - Yen Bai Branch</b>				
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
<b>Standard Chartered Bank (Vietnam) Limited – Ho Chi Minh Branch</b>				
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
<b>Asia Commercial Joint Stock Bank - Tan Thuan Branch</b>				
Loan in VND	9,396,578,000	From 6 January 2019 to 17 June 2020	8.7	Means of transportation
<b>Viet Capital Commercial Joint Stock Bank</b>				
Loan in VND	9,291,229,500	From 4 July 2019 to 26 November 2019	9	Means of transportation



**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):

				VND
Name of banks	Ending balance VND	Maturity date	Interest rate (% p.a.)	Description of collateral
<b>Military Commercial Joint Stock Bank – Binh Duong Branch</b>				
Loan in VND	3,381,044,964	7 January 2019	8	Means of transportation
<b>Vietnam Joint Stock Commercial Bank for Industry and Trade – Phu Tai Industrial Zone Branch</b>				
Loan in VND	1,214,895,000	From 25 October 2018 to 28 April 2019	From 8 to 8.8	Means of transportation
<b>TOTAL</b>	<b>4,135,888,386,927</b>			

*In which:*

*Current portion* 695,634,361,360

*Non-current portion* 3,440,254,025,567

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



**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:

	<b>Total minimum lease payments</b>	<b>Finance charges</b>	<b>Lease liabilities</b>	<b>Total minimum lease payments</b>	<b>Finance charges</b>	<b>Lease liabilities</b>
Current liabilities						
Less than 1 year	76,968,318,611	5,147,253,819	71,821,064,792	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	21,722,521,811	15,388,778,781	598,838,544	14,789,940,237
<b>TOTAL</b>	<b>99,808,292,547</b>	<b>6,264,705,944</b>	<b>93,543,586,603</b>	<b>44,575,527,588</b>	<b>3,084,371,675</b>	<b>41,491,155,913</b>

VND

**23. OWNERS' EQUITY****23.1 Movements in owners' equity**

	Share capital	Share premium	Other funds belonging to owners' equity	Undistributed earnings	Total
Previous year					
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/HQQT/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.

**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
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	-	-	-	-	(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 / HDQT / 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 31 st issued by the Department of Planning and Investment of Binh Duong Province approving this increase in the charter capital of the Company.

**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	3,849,903,280,000	3,499,966,830,000
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	35,914,177,106	37,181,622,614

**23.4 Share capital**

VND

	Number of shares	
	Ending balance	Beginning balance
Issued shares		
Shares issued and paid-up shares		
Ordinary shares	384,990,328	349,996,683
Treasury shares		
Ordinary shares	134,300	-
Shares in circulation		
Ordinary shares	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.

**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:

	VND	
	<b>Current year</b>	<b>Previous year</b>
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
<b>Earnings per share (VND/share)</b>		
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**

	VND	
	<b>Current year</b>	<b>Previous year</b>
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

**24. REVENUES** (continued)**24.2 Finance income**

VND

	<b>Current year</b>	<b>Previous year</b>
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
<b>TOTAL</b>	<b>179,498,893,481</b>	<b>53,912,840,001</b>

**25. COST OF GOODS SOLD AND SERVICES RENDERED**

VND

	<b>Current year</b>	<b>Previous year</b>
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
<b>TOTAL</b>	<b>30,464,290,088,385</b>	<b>21,730,791,206,018</b>

**26. FINANCE EXPENSES**

VND

	<b>Current year</b>	<b>Previous year</b>
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	-	-
Provision for long-term investments	(33,943,763,842)	8,983,268,917
Others	1,915,310,041	-
<b>TOTAL</b>	<b>970,732,705,902</b>	<b>589,176,690,666</b>

**27. SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES**

VND

	<b>Current year</b>	<b>Previous year</b>
<b>Selling expenses</b>	<b>1,816,042,397,184</b>	<b>1,512,517,323,076</b>
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
<b>General and administrative expenses</b>	<b>895,579,880,506</b>	<b>801,479,758,048</b>
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
<b>TOTAL</b>	<b>2,711,622,277,690</b>	<b>2,313,997,081,124</b>

**28. OTHER INCOME**

VND

	<b>Current year</b>	<b>Previous year</b>
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
<b>NET</b>	<b>56,900,222,229</b>	<b>78,166,099,473</b>

**29. PRODUCTION AND OPERATING COSTS**

	<b>Current year</b>	<b>Previous year</b>
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
<b>TOTAL</b>	<b>26,313,563,660,894</b>	<b>20,669,267,707,900</b>

**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.



**30. CORPORATE INCOME TAX** (continued)**30.1 CIT expense**

VND

	<b>Current year</b>	<b>Previous year</b>
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	24,297,904,363	29,823,152,049
<b>TOTAL</b>	<b>120,018,759,963</b>	<b>310,990,019,183</b>

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

VND

	<b>Current year</b>	<b>Previous year</b>
Accounting profit before tax	529,184,460,902	1,642,639,473,740
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	1,348,180,608	(1,479,377,315)
<b>Current CIT expense</b>	<b>120,018,759,963</b>	<b>310,990,019,183</b>

**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.

**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

	Consolidated balance sheet		Consolidated income statement	
	Ending balance	Beginning balance	Current year	Previous year
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
<b>Deferred tax assets</b>	<b>40,683,260,227</b>	<b>64,981,164,590</b>		
<b>Deferred CIT expense</b>		<b>(24,297,904,363)</b>	<b>(29,823,152,049)</b>	



**31. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

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

<b>Related party</b>	<b>Relationship</b>	<b>Transaction</b>	<b>Current year</b>	<b>Previous year</b>
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	-

VND



**31. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

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

<b>Related party</b>	<b>Relationship</b>	<b>Transaction</b>	<b>Ending balance</b>	<b>Beginning balance</b>
VND				
<b>Short-term trade receivables</b>				
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
<b>TOTAL</b>			<b>254,186,679</b>	<b>484,645,235</b>
<b>Short-term loan receivable</b>				
Hoa Sen Du Long Industrial Park Infrastructure Investment One Member Co., Ltd.	Associate	Lending	3,660,295,900	-
<b>Other short-term receivable</b>				
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	-
<b>TOTAL</b>			<b>91,886,032,645</b>	<b>90,183,227,000</b>
<b>Short-term trade payables</b>				
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
<b>TOTAL</b>			<b>10,014,360,305</b>	<b>63,927,783,070</b>

**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):

<b>Related party</b>	<b>Relationship</b>	<b>Transaction</b>	<b>Ending balance</b>	<b>Beginning balance</b>
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 Huong Sen Real Estate Hoa Sen Holdings Group	Associate Related party Owned by Chairman	Interest expense Payable of advance Deposit	1,256,027,397 1,000,000,000 895,000,000	- 1,000,000,000 -
<b>TOTAL</b>			<b>3,151,027,397</b>	<b>1,000,000,000</b>

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**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	
	<b>Current year</b>	<b>Previous year</b>
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
<b>TOTAL</b>	<b>20,650,164,144</b>	<b>62,405,551,104</b>

**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	
	<b>Ending balance</b>	<b>Beginning balance</b>
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
<b>TOTAL</b>	<b>1,281,652,614,073</b>	<b>954,816,212,342</b>

**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	
	<b>Ending balance</b>	<b>Beginning balance</b>
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
<b>TOTAL</b>	<b>12,432,186,063</b>	<b>8,781,611,365</b>

**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.

**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	
	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	2,986,622,553,229	3,027,677,512,727	990,516,706,647	1,390,576,116,534	3,977,139,259,876	4,418,253,629,261

VND



### 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





**For the sake of sustainable development,  
The annual report of Hoa Sen Group is shown by  
electronic version and published on the Group's website to  
minimize printing, contributing to environmental protection.**





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