



ANNUAL REPORT  
Fiscal year 2018 - 2019

**REPRESENTATIVE OFFICE**

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*Overcoming*  
**Challenges**

# GOLDEN LOTUS

## GOLD QUALITY

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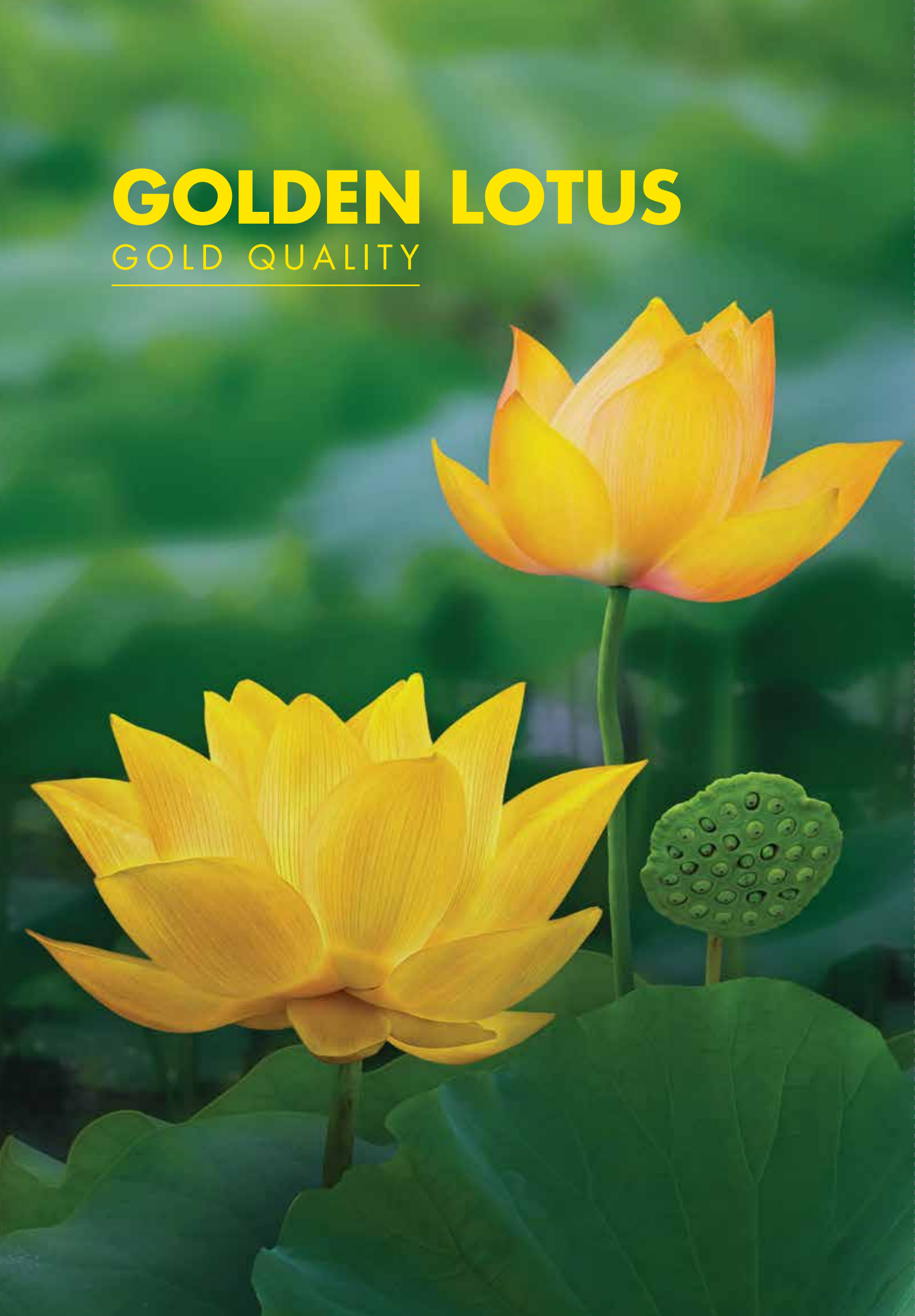
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# Culture of

## 10 "T" LETTERS

**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

“ IN THE CONTEXT OF DIFFICULTIES AND INSTABILITY OF THE MARKET, THE BOARD OF DIRECTORS, THE BOARD OF MANAGEMENT, ALL UNITS, DEPARTMENTS AND EMPLOYEES OF HOA SEN GROUP HAVE MADE THE BEST EFFORTS TO STABILIZE AND IMPROVE THE MANUFACTURING AND BUSINESS SITUATION. ”

THE CONSUMPTION REACHED  
**1,393,973** TONS  
IN THE FISCAL YEAR 2018 – 2019

NET REVENUE REACHED  
**28,035**  
BILLION VND

### Dear Esteemed Shareholders,

The steel sheet and steel market in 2019 underwent a difficult and challenging period. Trade conflicts continue to escalate, causing the increase of production protection policies, upsetting the global trade order. This makes the price of raw materials fluctuate sharply and negatively affects the consumption demand in export markets. In the domestic market, the level of competition is becoming fiercer, while businesses in the same industry are still affected by the situation of cheap and poor quality steel massively imported from other countries although the Authorities have implemented many preventive measures.

In the face of negative market developments, the Board of Directors has directed all units and departments to continue drastically, proactively and creatively in implementing governance – management measures, restructuring of the system, restructuring all assets in response to difficulties and instability. In particular, the focus revolves around the following solutions: Effectively controlling inventories and costs for production and business activities; Regulating business operations in the direction of focusing on products that make large and stable profit margins; Completing the restructuring of distribution system and putting into operation distribution system organized according to the model of Provincial Branch; Streamlining the organizational structure of the Group to ensure optimization and reduce operating costs....

At the end of the fiscal year 2018 - 2019, in the context of instable and fierce market, Hoa Sen Group has made the best effort to stabilize and improve the situation of production and business. Net profit from business activities has been recorded steadily, cash flow has been guaranteed, loans has continued to be reduced and projects have been put into operation stably according to the schedule and plan set out by the Board of Directors.

- The consumption of finished products reaches 1,393,973 tons, fulfilling 73% of the plan. Net revenue reached VND 28,035 billion, fulfilling 89% of the plan. Profit after tax reached VND 361 billion, fulfilling 72% of the plan.

- The difficulties of the market appearing from the end of 2018 and the beginning of 2019 have significantly affected the Group's business targets in the first quarter of the fiscal year 2018 - 2019. However, with the initiative and timely restructuring and governance - management resolutions of the Board of Directors, the Board of Management and all units, the Group has recorded net profit from business activities in the 2nd, 3rd and 4th Quarter. In particular, the 4th Quarter fell into the low season of the industry but the Group still recorded net profit from business activities. Gross profit / net revenue ratio is maintained at over 11%, a high level compared to the industry average.

- In the domestic market, the distribution system continues to expand. By the end of 2019, the Group has a total of 536 distribution locations across the country, including 55 Provincial Branches, 10 Warehouses and 471 Stores. With a wide distribution network from North to South, the Group continues to consolidate, promote its core competitive advantages and improve the supply chain. In parallel, the export market has been expanded to 80 countries / territories, export products have been increasingly diversified.

- Plant projects on all 3 regions (such as Hoa Sen Nghe An Plant - phase 2, Hoa Sen Nhon Hoi - Binh Dinh Plant - phase 2, Hoa Sen Phu My Hot Dip Galvanized Steel Pipe Plant...) was completed and put into operation stably, addressing

demand for consumption, product diversification, taking advantage and promoting competitive advantages of geographical location, optimizing energy of production - supply - transportation forces.

The steel sheet and steel market in 2020 will continue to face with great challenges and stronger impacts on enterprises in the same industry. Therefore, in order to cope with the challenges and complete the production and business plan, the Board of Directors aims to perform the following key tasks:

- Completing the restructuring process, strengthening the management efficiency in the spirit of modern management models, ensuring a streamlined, professional management system, well controlling risks, reducing costs , increase competitiveness.

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

- Optimizing production activities in combination with technical improvements to reduce costs, lower price and improve product quality, and arrange efficient and reasonable operations for supply, transport.

- Consolidating, training and improving the professional skills, responsibilities and quality of the human resources, ensuring the organizational structure is streamlined, professional and tied to Hoa Sen culture.

- Implementing a reasonable, creative communication strategy to meet production and business demand, combined with community events, sponsorship, charity and social security.

The way ahead of the Group needs the solidarity, efforts and determination from the Board of Directors and all employees. Therefore, the Board of Directors firmly believes that, with 19 years of establishment, development and association with the culture of " Integrity - Loyalty - Dedication - Talent - Friendliness", Hoa Sen Group will stand firm in front of the challenges and achieve 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 devote the highest trust and stand side by side with us on the journey to reach new heights.

We wish your health, happiness and success.  
Best regards,

Chairman of the Board of Directors

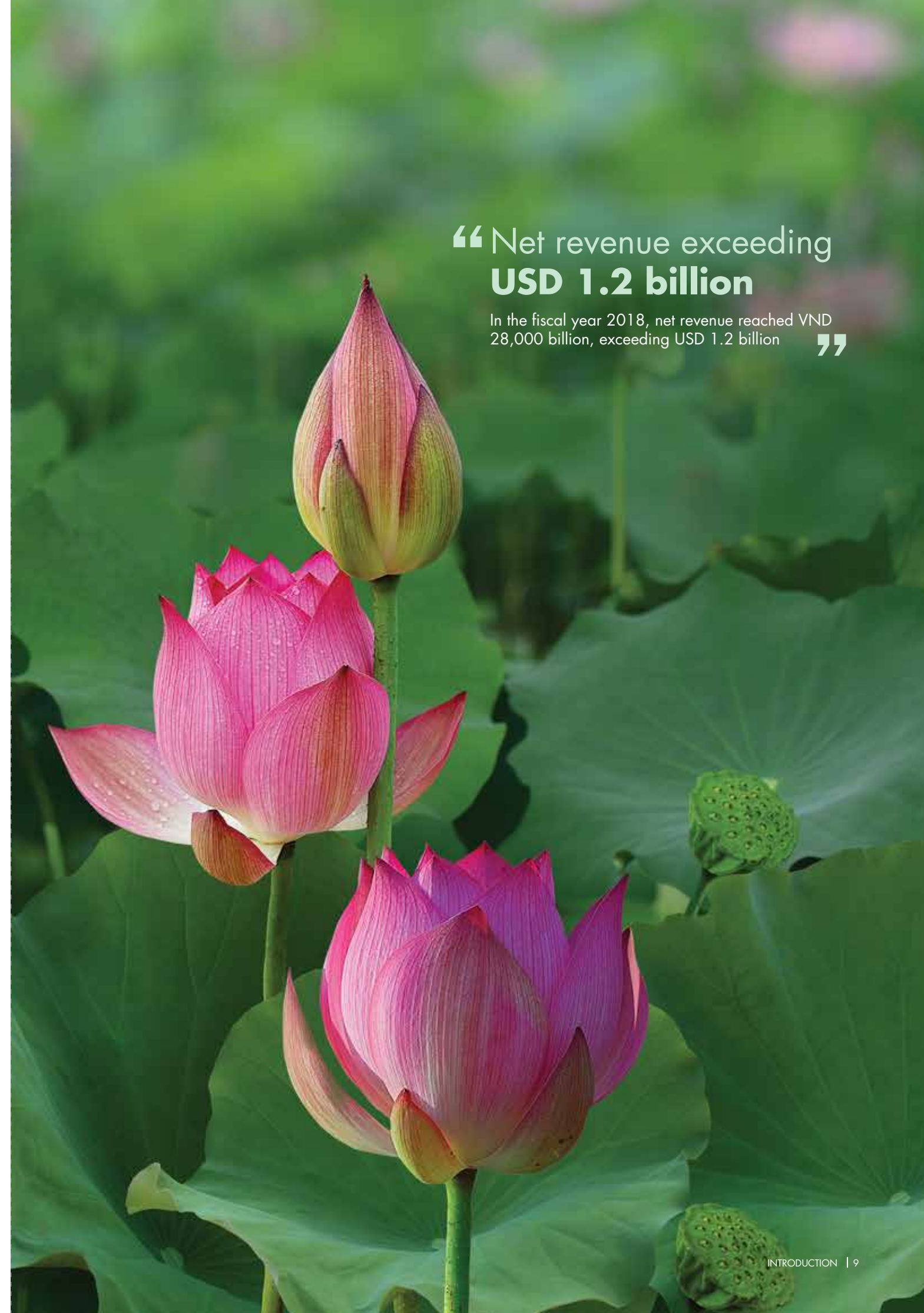


LE PHUOC VU

## WORLDWIDE SALES CHANNELS

# 80

80 COUNTRIES/TERRITORIES



## “ Net revenue exceeding USD 1.2 billion

In the fiscal year 2018, net revenue reached VND 28,000 billion, exceeding USD 1.2 billion ”



# INTRODUCTION OF HOA SEN GROUP

Gathering **resources**

## **CREATING MOMENTUM**

THE RESOURCE DEVELOPMENT POLICY HAS ALWAYS BEEN A TOP PRIORITY FOR HOA SEN GROUP IN ORDER TO MAXIMIZE THE EFFECTIVENESS OF ALL AVAILABLE RESOURCES TO COPE WITH COMPLEX MARKET CHANGES, CREATING MOMENTUM FOR THE SUSTAINABLE DEVELOPMENT OF THE GROUP.

## GENERAL INFORMATION



<b>Vietnamese name</b>	<b>CÔNG TY CỔ PHẦN TẬP ĐOÀN HOA SEN</b>
<b>English name</b>	HOA SEN GROUP
<b>Business Registration Certificate</b>	No. 3700381324 issued by the Department of Planning and Investment of Binh Duong Province on 8 August 2001, as amended.
<b>Chartered capital</b>	VND 4,234,694,890,000
<b>Headquarters</b>	No.09, Thong Nhat Boulevard, Song Than II Industrial Park, Di An Ward, Di An District, Binh Duong Province, Vietnam.
<b>Telephone</b>	028 3999 0111   Fax: 028 3847 9882
<b>Website</b>	<a href="http://www.hoasengroup.vn">http://www.hoasengroup.vn</a>

### 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;
- Manufacturing and trading plastic building materials.
- 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.

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

**OUTSTANDING ACTIVITIES  
IN THE FISCAL YEAR 2018 - 2019**



**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.

**536** In the fiscal year 2018 – 2019, Hoa Sen Group owns the nationwide distribution – retail network with 536 Branches/ Stores, increasing 45 Branches/ Stores in comparison with the previous fiscal year.

**80** By the end of the fiscal year 2018 - 2019, Hoa Sen's products have been exported to more than 80 countries and territories. 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...

**Net revenue exceeding  
USD 1.2 Billion**

In the fiscal year 2018 - 2019, the Group's net revenue reached VND 28,000 billion, exceeding USD 1.2 billion.

**OUTSTANDING ACTIVITIES**



**January 10, 2019:** Hoa Sen Group exported 17,000 tons of steel sheet shipments, worth more than 14 million USD to the US



**March 16, 2019:** Hoa Sen Group inaugurated Hoa Sen Hot - dip Galvanized Steel Pipe Plant.



**March 16, 2019:** Hoa Sen Group announced the successful implementation of ERP system





March 16, 2019: Hoa Sen Group exported 15,000 tons of steel sheet to England, Germany and Italy



22/4/2019: Tập đoàn Hoa Sen xuất khẩu lô hàng 15.000 tấn tôn đến Mexico



April 19, 2019: Hoa Sen Group inaugurated Phase II of Hoa Sen Nhon Hoi - Binh Dinh Plant



Lần đầu tiên Tập đoàn Hoa Sen triển khai chương trình khuyến mại quy mô lớn với tổng giá trị giải thưởng lên đến 20 tỷ đồng bao gồm "Mua Ống nhựa Hoa Sen - Trưng ô tô Camry" dành cho Nhà phân phối, Đại lý và chương trình "Mua Ống nhựa Hoa Sen - Cào liền tay trúng ngay AirBlade" dành cho người tiêu dùng.

# AWARDS AND ACHIEVEMENTS



**May 10, 2019**

Hoa Sen Group won the National Brand for 3 product lines: Hoa Sen Steel Sheet – Hoa Sen Plastic Pipe – Hoa Sen Galvanized Steel Pipe



**June 23, 2019**

Hoa Sen Group was honored to receive National Quality Award 2018 for Hoa Sen Steel Sheet and Hoa Sen Galvanized Steel Pipe.



**January 09, 2020**

Hoa Sen Group was honored to be ranked 36<sup>th</sup> of Top 500 Largest Enterprises in Vietnam by VNR500 in 2019. In addition to that, Hoa Sen Group ranked 12<sup>th</sup> in Top 500 Largest Private Enterprises in Vietnam in 2019.



**November 30, 2019**

Hoa Sen Group was honored in Top100 Sustainable Development Enterprises.



**April 6, 2019**

Hoa Sen Group continues to achieve the title of "Top 50 strong Vietnamese brands"



# 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.

**EXPORT SALES ACHIEVED USD 180 MILLION**

Becoming the leading exporter of steel sheets in Southeast Asia.

**ANNOUNCING THE NEW BRAND IDENTITY SYSTEM**



**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.

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**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

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

**04/2015**

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

**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.



**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**



**28/3/2015**

Inaugurating Phase 1 of Hoa Sen Binh Dinh Steel Pipe Plant



Increasing the charter capital

**1,008** billion

**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**

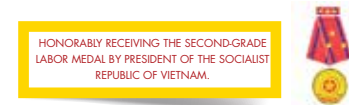
Investing in the Hoa Sen Yen Bai Hotel and Residence Complex, marked officially the development strategy of Hoa Sen Group in the future.

**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****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

**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.

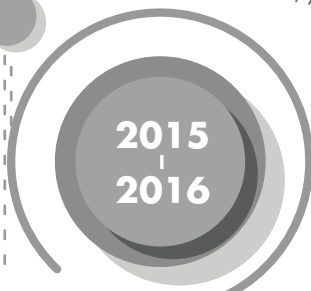
**July 27, 2018**

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

**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"

Increasing the charter capital

**1,965** Billion

**3,500** Billion

**30/11/2016**

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

**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**

The model of Provincial Branch was piloted for 03 provinces of Tay Ninh, Binh Dinh and Thanh Hoa that came into stable operation.

**January 10, 2019**

Successfully exported a shipment of 17,000 tons of steel sheet from Hoa Sen Nghe An Plant to the U.S, worth more than 14 million USD.

Officially signed Strategic Cooperation between Hoa Sen Group and SK Shipping Company in the field of bulk cargo transport to international markets.

**January 17, 2019**

Hoa Sen Group continues to be honored in the Top 500 largest Enterprises in Vietnam.

**11/2018 - 02/2019**

From November 2018 to February 2019: Based on the results of the pilot model, Hoa Sen Group officially implemented restructuring the nationwide distribution network under Provincial Branch model, in parallel with the application of ERP system into Provincial Branches. The Group has established 55 Provincial Branches in Provinces / Cities across the country and more than 400 Stores (Business Locations) under the Provincial Branch. At the same time, during this period, the Group has applied ERP system which has been refined to suit the new management model of Provincial Branches and implemented the electronic invoice system for Provincial Branches.

**March 2019**

Completing the restructuring of Distribution System according to Provincial Branch model. From March 1, 2019, 55 Provincial Branches and more than 400 Stores across the country began to operate stably. From this point of time, the Group began implementing procedures to terminate the legal form of branches under the old model, to ensure streamlining and synchronization throughout the system.

**March 18, 2019**

Officially inaugurated Hoa Sen Phu My Hot Dip Galvanized Steel Pipes Plant at Phu My I Industrial Park, Phu My Ward, Phu My Town, Ba Ria - Vung Tau Province. The plant has a total

design capacity of 85,000 tons / year, corresponding to the scale of 01 hot-dipped galvanized steel pipes line, 06 steel pipes rolling lines and 01 slitting line.

Officially announced the successful operation of ERP system after nearly 2 years of implementation. ERP system is applied synchronously to the whole Group, including Parent Company, Plant / Subsidiaries Provincial Branches and Distribution Stores across the country.

Successfully exported a shipment of 15,000 tons of steel sheet worth 11.5 million USD to European market (UK, Germany and Italy) from the plants in Phu My Industrial Park, Ba Ria - Vung Tau Province.

**April 22, 2019**

Officially inaugurated Phase II of Hoa Sen Nhon Hoi - Binh Dinh Plant at Nhon Hoi Economic Zone, Hoi Son Hamlet, Quy Nhon City, Binh Dinh Province. Phase II of the plant has a total design capacity of 430,000 tons / year, corresponding to the scale of 01 galvanized / aluminum - zinc alloy line (NOF line), 01 color coating line, 01 cold rolling line with two racks, 01 pickling line and 01 acid regeneration system.

Continuing to successfully export a shipment of 5,000 tons of steel sheet, valued at over US \$ 4 million, to Malaysia from Hoa Sen Nhon Hoi Plant.

**April 23, 2019**

Successfully exported a shipment of 15,000

tons of steel sheet worth US \$ 12 million to Mexico from Hoa Sen Nghe An Plant. This is the largest consignment of galvanized steel sheet exported to Mexico after the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP or TPP-11) came into effect.

**June 24, 2019**

Hoa Sen Nghe An One Member Limited Liability Company (Subsidiary of Hoa Sen Group) was first honored at the National Quality Awards 2018 for 02 product lines: Hoa Sen Steel Sheet and Hoa Sen Galvanized Steel Pipes.

**July 6, 2019**

Successfully organized the first award ceremony for the promotion program "Buying Hoa Sen Plastic Tubes - Win Camry Car", with total prize value of more than 3.6 billion VND.

**July 31, 2019**

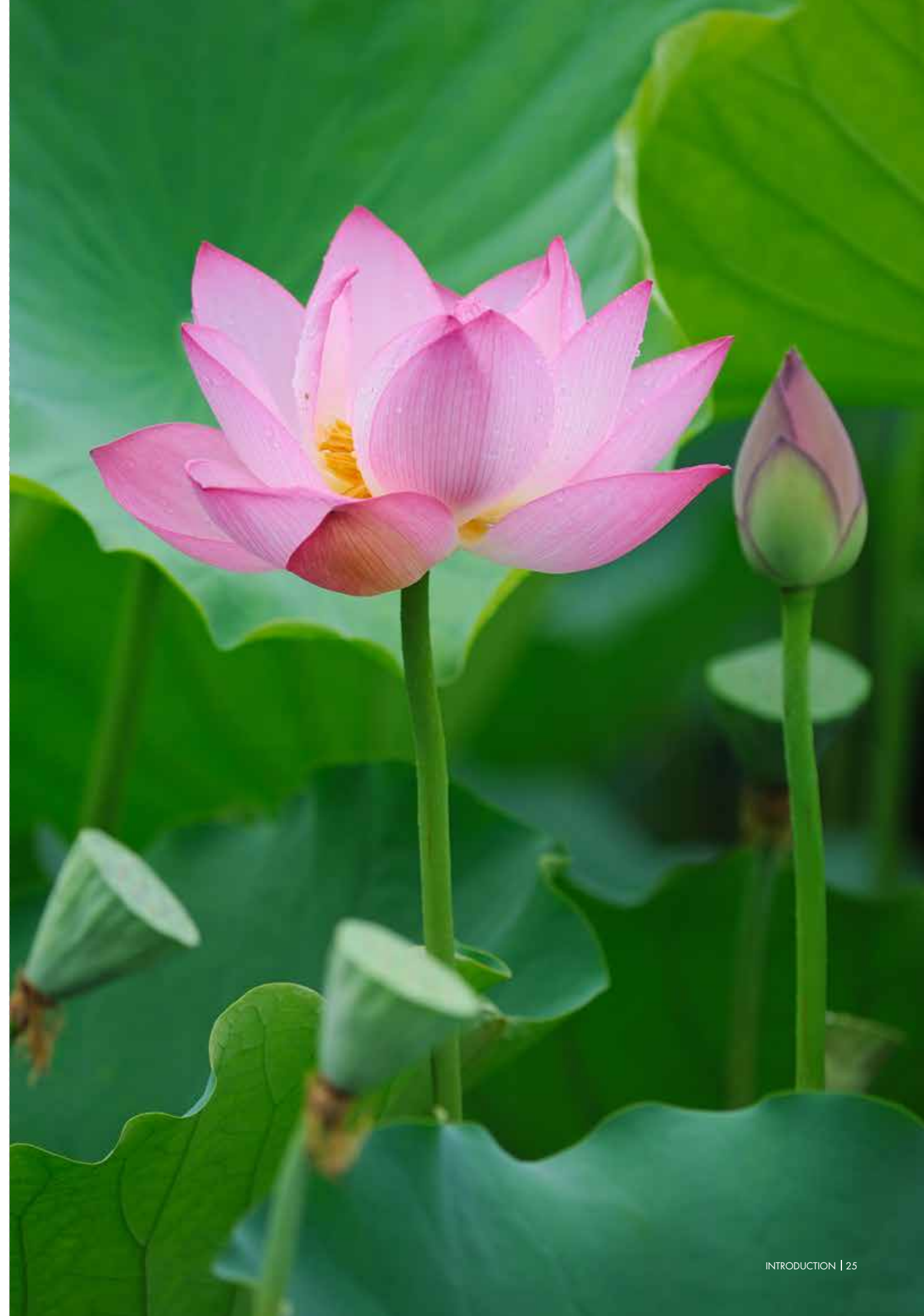
Hoa Sen Group continues to be the companion unit for the 4th consecutive year with Vietnam Television and Vietnam Volleyball Federation to organize the "International Women's Volleyball - VTV Hoa Sen Cup 2019"

**August 30, 2019**

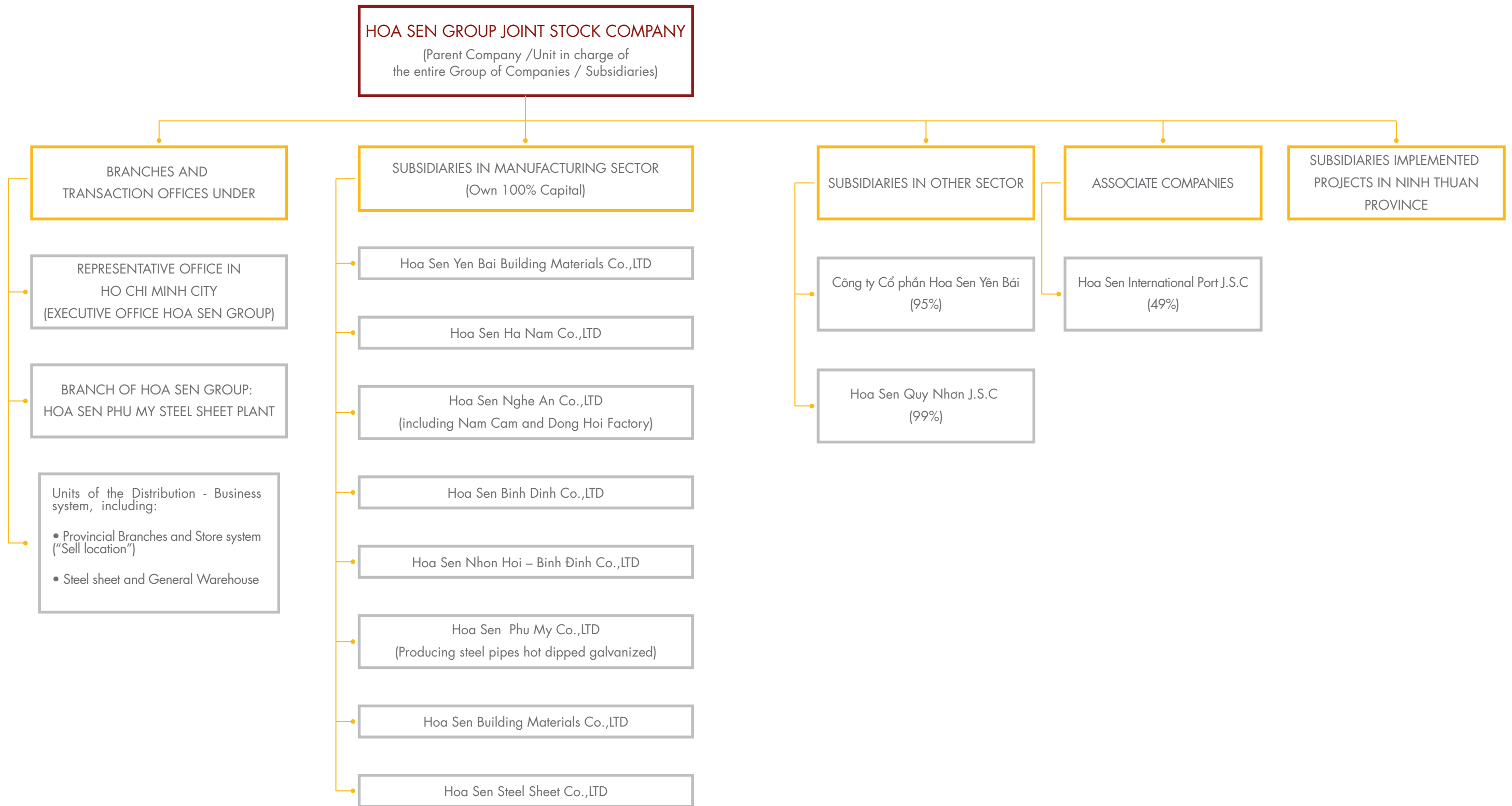
Hoa Sen Group accompanies with Vietnam Television Station, Vietnam Bicycle and Motorcycle Federation to organize the International Bicycle Tournament - VTV Hoa Sen Cup 2019, starting from Hanoi capital, the route along the road "Heritage Journey" through provinces / cities including Bac Ninh, Hai Duong, Quang Ninh, Hai Phong, Thai Binh, Nam Dinh, Ninh Binh, Thanh Hoa, Ha Tinh, Quang Binh, Quang Tri, Thua Thien Hue and Da Nang and end in Hoi An city, Quang Nam province.

**October 10, 2019**

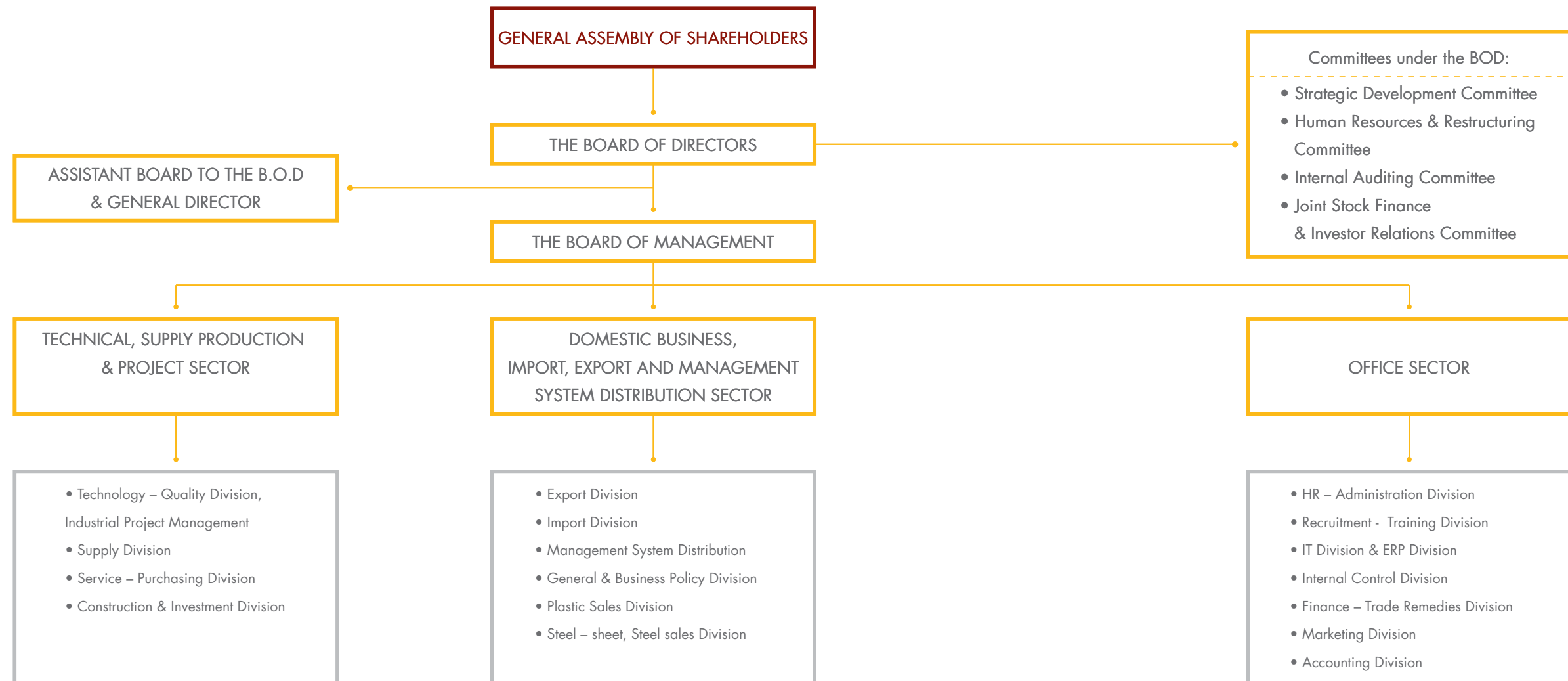
Hoa Sen Group continued to be honored for the 3rd consecutive year in the List of 1,000 largest corporate income taxpayers in Vietnam in 2018 announced by the General Department of Taxation.



# 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 and HR 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 18 years.



**Mr. TRAN NGOC CHU – Vice Chairman**

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 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.

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.



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

Mr. Tran Quoc Tri graduated from Ho Chi Minh City University of Economics - majoring in Accounting - Auditing. 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 2014, he was commended by the Binh Duong People's Committee for his contributions to the development of businesses and localities.

In 2017, he was awarded a Certificate of Merit by the Prime Minister.



## 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 Chairman 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 Chairman 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**

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 management function, Mr. Tran Quoc Tri is also assigned to guide and directly manage: Exports, Imports, Distribution Management, Business Planning & Policies, Human Resources, Recruitment & training.

In 2017, he was awarded a Certificate of Merit by the Prime Minister.



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

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.

## MEMBERS OF THE BOARD OF MANAGEMENT



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

Mr. Vu Van Thanh graduated with a Master Degree in Economics Development, currently he is 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 all Provincial Branches 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 Yen Bai Building Materials One Member Limited Liabilities Company.

Joining Hoa Sen Group since 2008 as the Chief Financial Officer, with his knowledge and experience in operating previous businesses, he has made important contributions to the Group. In 2017, he was awarded a Certificate of Merit by the Prime Minister.



**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 Nhon 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.



**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: Investment & Construction; Organizing the implementation and supervision of construction, finishing and pre-acceptance test of works, infrastructure and workshops at the Group's Projects; In charge of investment promotion activities of projects in Ninh Thuan.



**Mr. NGUYEN NGOC HUY –  
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 December 25, 2018, Mr. Nguyen Ngoc Huy has been appointed by the Board of Directors as Deputy General Director who is directly responsible for the export activities of Hoa Sen Group.



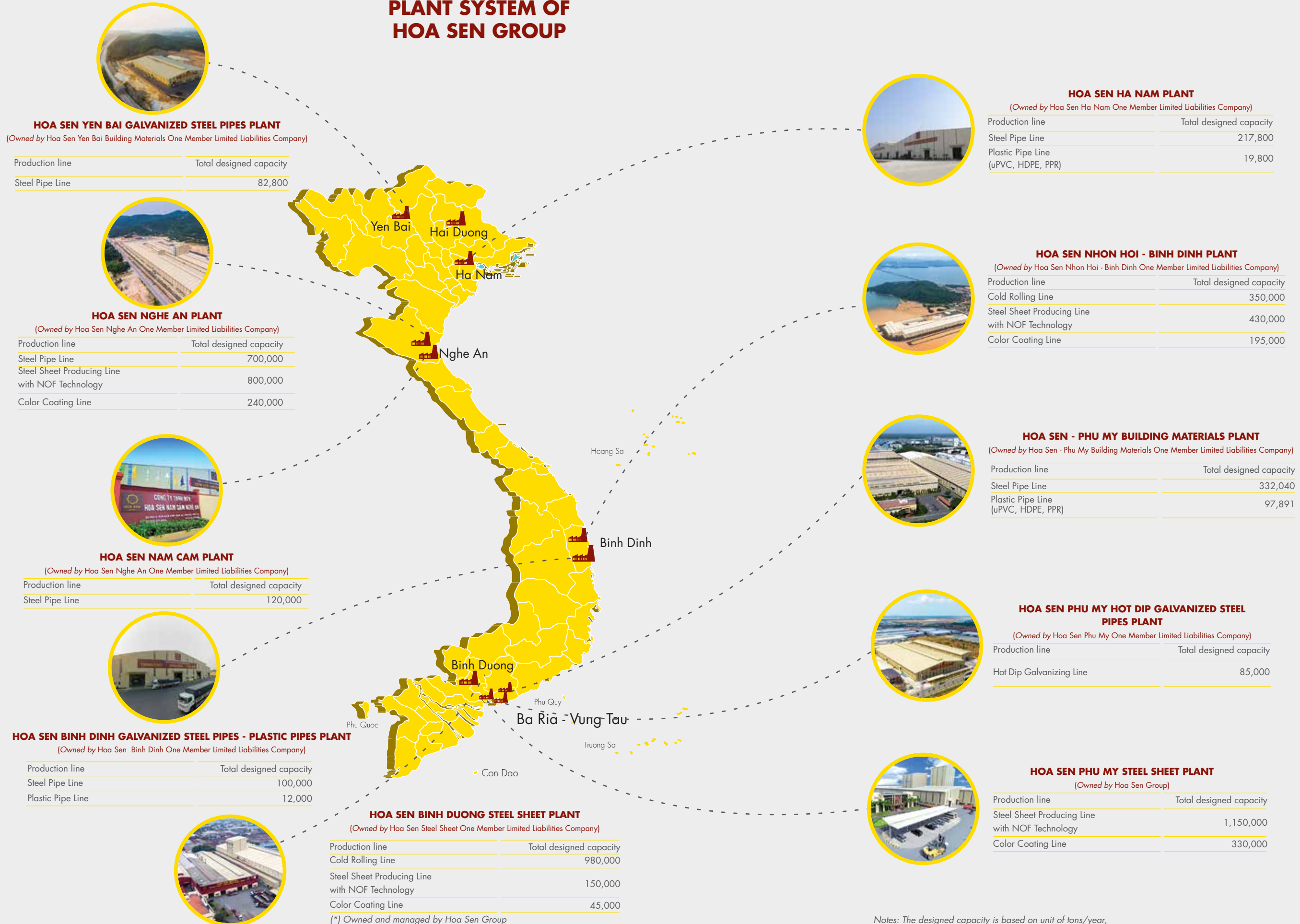
**Mr. TRAN THANH NAM -  
Acting Deputy General Director**

Mr. Tran Thanh Nam was born in 1988, holds a Master's degree in Business Administration and has been with the Group for nearly 10 years. During his time working at Hoa Sen Group, he was appointed to many positions in the field of business and management of Distribution System...

On December 17, 2019, after reviewing and evaluating Mr. Tran Thanh Nam's competence, quality, standards and dedication process at the Group, the Board of Directors appointed him to the position of Acting Deputy General Director cum Director of Distribution System, responsible for the management and administration of the entire Distribution System of the Group.

# PRODUCTION CAPACITY

## PLANT SYSTEM OF HOA SEN GROUP



**HOA SEN YEN BAI GALVANIZED STEEL PIPES PLANT**  
(Owned by Hoa Sen Yen Bai Building Materials One Member Limited Liabilities Company)

Production line	Total designed capacity
Steel Pipe Line	82,800

**HOA SEN NGHE AN PLANT**  
(Owned by Hoa Sen Nghe An One Member Limited Liabilities Company)

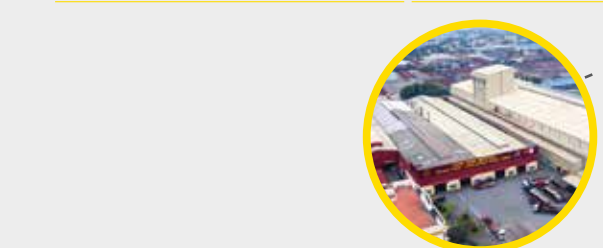
Production line	Total designed capacity
Steel Pipe Line	700,000
Steel Sheet Producing Line with NOF Technology	800,000
Color Coating Line	240,000

**HOA SEN NAM CAM PLANT**  
(Owned by Hoa Sen Nghe An One Member Limited Liabilities Company)

Production line	Total designed capacity
Steel Pipe Line	120,000

**HOA SEN BINH DINH GALVANIZED STEEL PIPES - PLASTIC PIPES PLANT**  
(Owned by Hoa Sen Binh Dinh One Member Limited Liabilities Company)

Production line	Total designed capacity
Steel Pipe Line	100,000
Plastic Pipe Line	12,000



**HOA SEN BINH DUONG STEEL SHEET PLANT**  
(Owned by Hoa Sen Steel Sheet One Member Limited Liabilities Company)

Production line	Total designed capacity
Cold Rolling Line	980,000
Steel Sheet Producing Line with NOF Technology	150,000
Color Coating Line	45,000

(\* ) Owned and managed by Hoa Sen Group

**HOA SEN HA NAM PLANT**  
(Owned by Hoa Sen Ha Nam One Member Limited Liabilities Company)

Production line	Total designed capacity
Steel Pipe Line	217,800
Plastic Pipe Line (uPVC, HDPE, PPR)	19,800

**HOA SEN NHON HOI - BINH DINH PLANT**  
(Owned by Hoa Sen Nhon Hoi - Binh Dinh One Member Limited Liabilities Company)

Production line	Total designed capacity
Cold Rolling Line	350,000
Steel Sheet Producing Line with NOF Technology	430,000
Color Coating Line	195,000

**HOA SEN - PHU MY BUILDING MATERIALS PLANT**  
(Owned by Hoa Sen - Phu My Building Materials One Member Limited Liabilities Company)

Production line	Total designed capacity
Steel Pipe Line	332,040
Plastic Pipe Line (uPVC, HDPE, PPR)	97,891

**HOA SEN PHU MY HOT DIP GALVANIZED STEEL PIPES PLANT**  
(Owned by Hoa Sen Phu My One Member Limited Liabilities Company)

Production line	Total designed capacity
Hot Dip Galvanizing Line	85,000

**HOA SEN PHU MY STEEL SHEET PLANT**  
(Owned by Hoa Sen Group)

Production line	Total designed capacity
Steel Sheet Producing Line with NOF Technology	1,150,000
Color Coating Line	330,000

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

With the investment in the most modern technologies in the world from the suppliers of Esmech-SMS (Germany), CMI (India), cold rolling line can produce thicknesses from 0.0115 - 3.0 mm combined steel quality control automation (flatness, thickness, deformation controlling). The cold rolled coil meets the strictest requirements and improves the effective resolution of losses during production process.



#### GALVANIZED STEEL SHEET (GI)

Being manufactured by the advanced and environmentally friendly NOF technology of Danieli (Italy), the GI products meet the strictest requirements of galvanized steel sheet with coating up to Z450 (450 g/m<sup>2</sup>). Thank 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) and IS 277 (India) 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), MS 2383 (Malaysia) and IS 14246 (India) standards.



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

Being manufactured by the modern NOF technology line, investing in the world leading wind-blade technology with automatic adjustment of coating amount, ensuring coating evenly, quality and coating coverage of up to AZ200 (200 g/m<sup>2</sup>), meets the requirements of ASTM A792/A792M (U.S), AS 1397 (Australia), JIS G3321 (Japan), MS 1196 (Malaysia), EN 10346 (Europe), SNI 4096 (Indonesia) and IS 15961 (India) 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 surface 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) and IS 15965 (India) standards and the warranty is from 10 to 20 years.



### 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, IS 14246 and IS 15965 (India).



### HOA SEN GOLD

HOA SEN GOLD color coating aluminum-zinc alloy steel sheet is a high-class and high-quality product line of Hoa Sen Group. HOA SEN GOLD products are coated with aluminum-zinc alloy coating and high-class paint, therefore, they have outstanding durability, chemical resistance, superior weather resistance, suitable for applications requiring high durability, long service life, especially suitable for exterior applications such as roofs, walls and panels. Especially, HOA SEN GOLD products are guaranteed against leaking up to 30 years and warranty against fading within 10 years from the date of manufacture.



### 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, JIS G3321 (Japan), ASTM A653/A653M, ASTM A792/A792M (America), AS 1397 (Australia), EN 10346 (Europe), MS 2384, MS 2385, MS 1196 (Malaysia), IS 277 và IS 15961 (India).



## PRODUCT CATEGORY

ADVANCED TECHNOLOGY CREATES DIVERSE PRODUCTS WITH HIGH QUALITY AND INTERNATIONAL STANDARDS

### HOA SEN 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) and MS 1862 (Malaysia).



#### 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... 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, BS EN 10255, ASTM A53/A53M-12, AS 1074 and MS 863 (Malaysia). 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 ISO 1452-2, ISO 1452-3, TCVN 8491-2, TCVN 8491-3, AS/NZS 1477 (Australia), Hoa Sen Group successfully produced uPVC with 630mm in diameter, 24.1mm in thickness and 10 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 61386-22:2004+A11:2010 (Europe) 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 61386-21:2004+A11:2010 (Europe) 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**

- 1** Vertically integrated value chain
- 2** Owning 536 Branches and Distribution-retail stores
- 3** The leading, friendly and community-oriented brand
- 4** Professional corporate governance and unique corporate culture
- 5** 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.

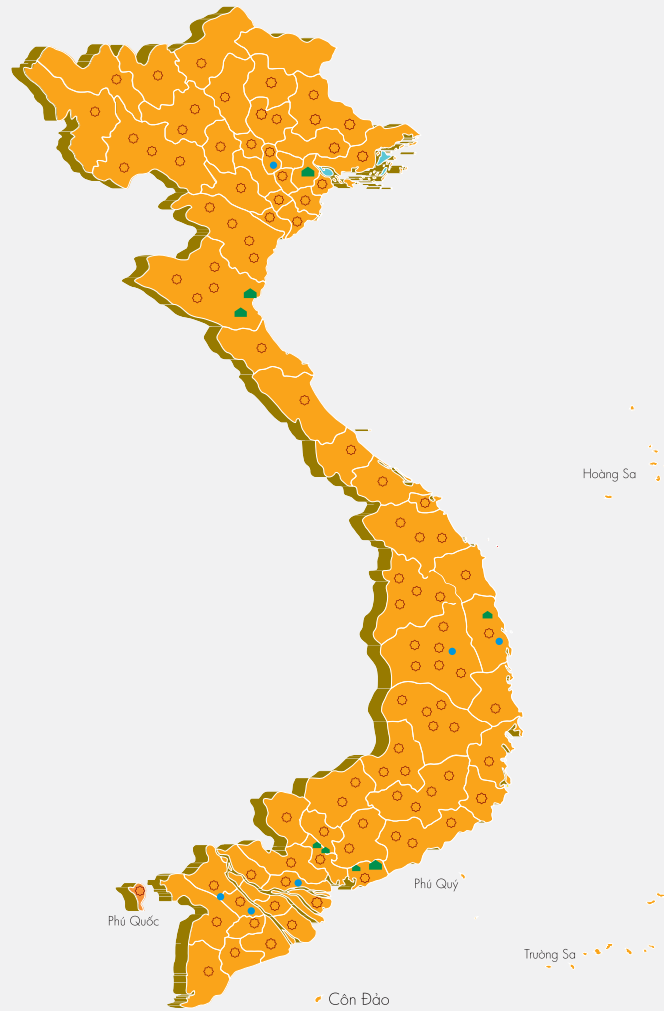
Each stage of this production process is tightly controlled. As the result, all Hoa Sen products have high quality, meet the diverse demands of the market and meet international quality standards such as ASTM standard of U.S, AS standard of Australia, JIS standard of Japan, etc.

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.

# 2

## OWNING 536 BRANCHES AND DISTRIBUTION-RETAIL STORES



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.

As of December 31, 2019, the total number of Branches and Retail stores of Hoa Sen Group across the country was 536 Branches and Retail stores - officially completing the goal of expanding the system to 500 Branches and Retail stores under the policy that has been approved by the Board of Directors since 2017.

**536**  
BRANCHES

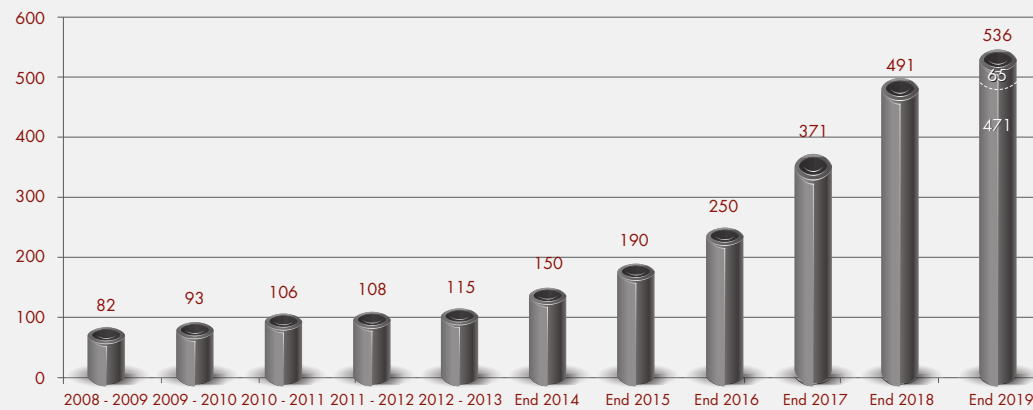
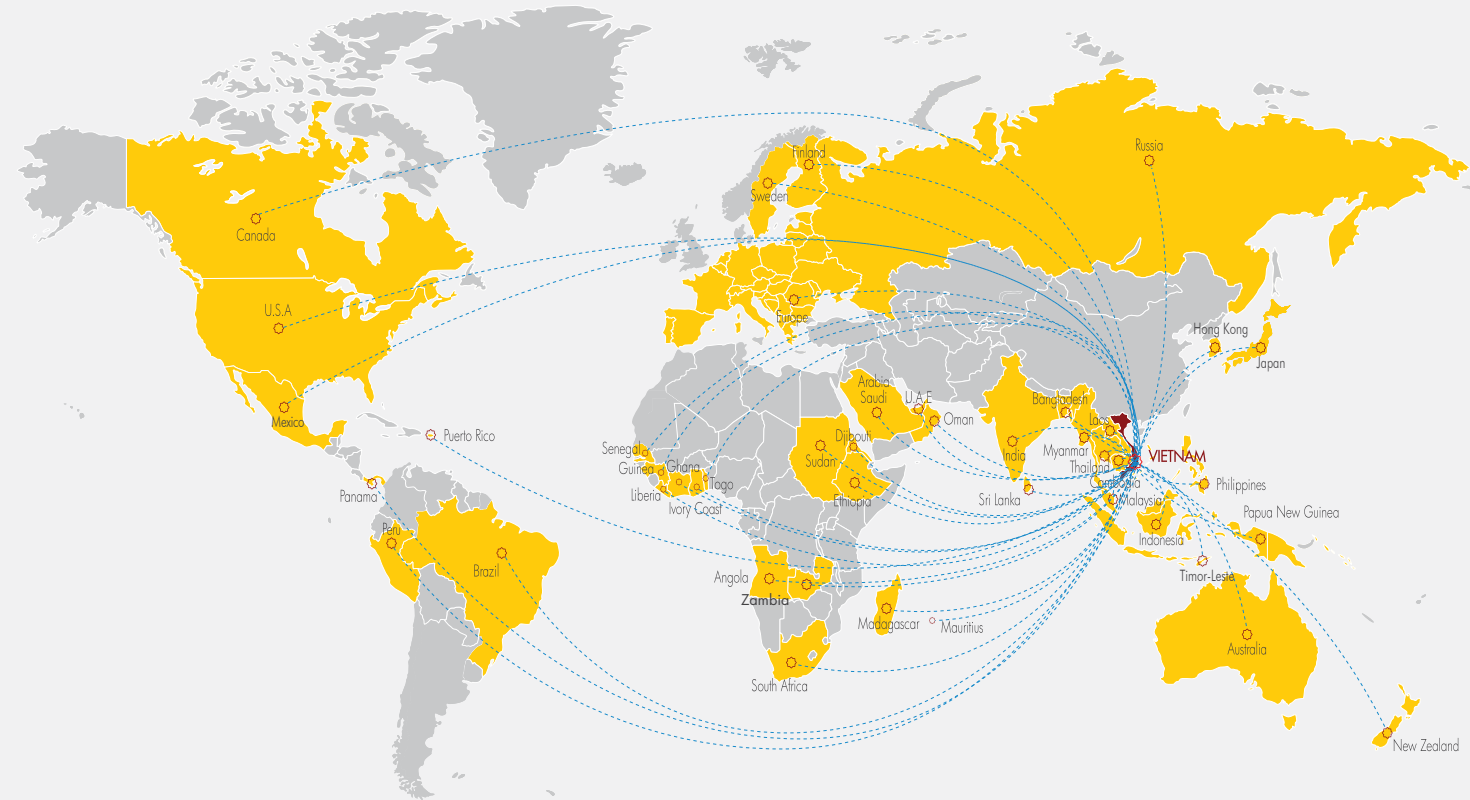


CHART OF DISTRIBUTION-RETAIL NETWORK DEVELOPMENT IN VIETNAM

## CONTINUING DEVELOPMENT AND GROWING MARKET SHARE



DISTRIBUTION CHANNELS TO COUNTRIES IN THE WORLD.

HOA SEN GROUP'S PRODUCTS ARE PRESENTED IN

**80**

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 80 countries and territories.



# 3

## THE LEADING, FRIENDLY AND COMMUNITY-ORIENTED BRAND



## THE UNIQUE BRANDING STRATEGY

“ It is not merely that Hoa Sen Group has quickly grown to lead Vietnam steel sheet and steel market and is also the leading steel sheet exporter in Southeast Asia. It is the unique branding strategy that makes a leading HOA SEN brand compared to domestic and foreign brands. Always focusing on brand development, maintaining the position of the Global Growth Company under the World Economic Forum, Hoa Sen's image is known as a strong, friendly and community-oriented brand, creating the Belief - Love in the hearts of consumers and society.”

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 18 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 major sports tournaments such as: the Futsal cup for underprivileged children, VTV International Cycling Championship – Hoa Sen Steel Sheet Cup, VTV International Women's Volleyball Championship - Hoa Sen Steel Sheet Cup; Sponsor steel sheets to people in flooded areas; Sponsor for profoundly humanistic TV shows such as: Golden Ring, Beyond yourself...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 536 Branches and Retail Stores 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 80 countries and territories.

With continuous efforts in improving the quality of products and services, Hoa Sen Group has become a successful brand associated with core and sustainable competitive advantages. In the past fiscal year, Hoa Sen Group has continuously received many awards such as Second Class Labor Medal awarded by the President; National brand for all 3 product groups: Hoa Sen Steel Sheet, Hoa Sen Plastic Pipe

and Hoa Sen Galvanized Steel Pipe; Top 50 best listed enterprises in Vietnam ...

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.

# 4

## 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 18 years.

INTEGRITY	COMMUNITY	DEVELOPMENT
Being honest and transparent in all activities	Sharing our achievements with the community is Hoa Sen Group's humanistic beauty	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**



## COHERENT MARKET

### Increase **the quality**

WITH THE NO. 1 POSITION IN THE FIELD OF STEEL SHEET MANUFACTURING AND TRADING IN VIETNAM MARKET AND THE LEADING STEEL SHEET EXPORTER IN SOUTHEAST ASIA, HOA SEN GROUP CONTINUES TO AFFIRM ITS POSITION IN THE DOMESTIC MARKET WITH DISTRIBUTION NETWORK IS WIDE AND CONSTANTLY REACHING OUT, INTEGRATING INTO WIDE AND LARGE INTERNATIONAL MARKET.

## BUSINESS RESULTS IN THE FISCAL YEAR 2018 - 2019

### GENERAL SITUATION

#### • Socio-economic situation in 2019

The Board of Directors has identified that despite the positive socio-economic situation in 2019, some uncertainties still exist, affecting the movement of the market in general and business production activities of enterprises in particular. As follows:

#### - Advantage:

- International integration has been developed comprehensively and deeply in many fields, bringing many results: the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CTTPP) was signed and officially came into effect; EU-Vietnam Free Trade Agreement (EVFTA) reached agreement and was officially signed; The Regional Comprehensive Economic Partnership (RCEP) has made progress in the negotiation process.

- The economic growth rate is stable and basically fulfilling growth targets and tasks set by the National Assembly for 2019.

- Administrative reform has been strongly implemented in accordance with the schedule. Investment and business environment is improved.

#### - Disadvantages:

- Trade conflicts and trade retaliation measures between economies are increasing in level and nature. Trade barriers (tariffs, non-tariffs) are set up in many countries, upsetting the global trade order.

- The global money market is unstable due to the trade war. Strong fluctuations of exchange rates increase input costs of many manufacturing enterprises, especially those that have to import most of their raw materials.

- Although it is expected to open some immediate opportunities for domestic businesses, the trade war poses many risks to the economy. In particular, there is a risk of initiating an anti - circumvention investigation on some products.

- The real estate and construction market is cooling down, leads to a decrease in the demand for construction materials, affecting businesses in the field of construction materials.



#### • Market situation

Following the fluctuations from 2018, the steel industry market in 2019 entered a period of strong instability and screening:

- The price of steel raw materials fluctuates unpredictably, in a complex direction, affecting input costs and causing many disadvantages to the purchase of raw materials of steel enterprises.

- Steel exports are seriously affected by the escalation of the trade war. The global supply order is turned upside down. Besides, with the rise of domestic manufacturing protectionism, a series of tariff and non-tariff barriers erected in some markets, which have been preventing and reducing the export of steel.

- Competition in domestic market is increasingly fierce. Steel businesses face many problems, including: Outstanding production capacity in excess of consumption demand; The competition for market share became fierce to make up for the shortage of export volume; Low-price and low-quality steel products are imported massively into Vietnam, despite efforts to overcome and prevent them from the Authorities.

## CONSOLIDATED BUSINESS RESULTS OF THE FISCAL YEAR 2018 - 2019

The fluctuations of the market in 2019 have been in the forecast of the Board of Directors. Therefore, from the middle of 2018, the Board of Directors has actively directed the Board of Management and all Subsidiaries to promptly implement effective management solutions to quickly stabilize the business situation in the face of market difficulties. However, the increase in the level and nature of the instability factors has also affected the Group's consolidated business results.

The Board of Directors affirmed: By the end of the fiscal year 2018 - 2019, the Group's business situation was completely stable, the cash flow was guaranteed, and the net profit from production and business was recorded.

### REPORTING BUSINESS INDICATORS:

Consumption of finished products in the fiscal year 2018-2019 reached 1,393,973 tons, fulfilling 73% of the plan, down 20% over the same period. The main reason comes from the unfavorable factors of the market. Details are explained in the following sections.

The target of net revenue in the fiscal year 2018 - 2019 reached VND 28,035 billion, fulfilling 89% of the plan, down 18.5% over the same period. The main reason comes from the decline in consumption. The structure of sales volume of finished products by sales channel continues to focus on domestic consumption channel. Specifically, the domestic consumption channel reached 914,068 tons, accounting for 66% of the total output of the Group and was the main, major channel. Export channel reached 479,905 tons, accounting for 34% of the total output of the Group.

For the after-tax profit indicator, from the end of 2018 to the beginning of 2019, the steel sheet and steel market appears to have strong and unpredictable fluctuations, seriously affecting profits and the stable operation of all enterprises in the same industry. For that reason, in the first quarter of the fiscal year 2018 - 2019, the Group's profitability indicators did not meet the set targets. This is one of the reasons for the Group not fulfilling the after-tax profit target approved by the General Meeting of Shareholders (fulfilling 72% of the plan) and decreasing slightly over the same period (down 11.7%).

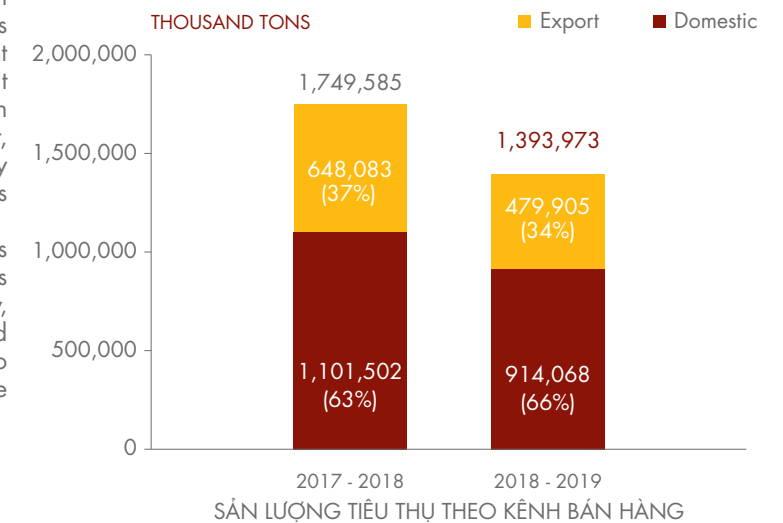
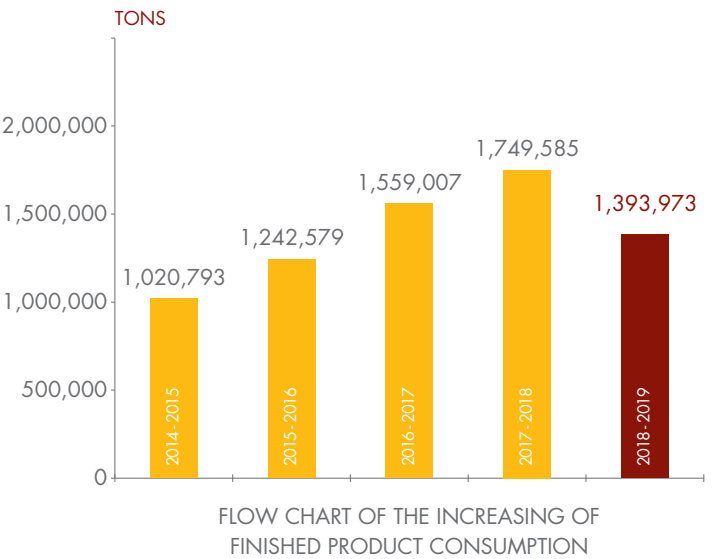
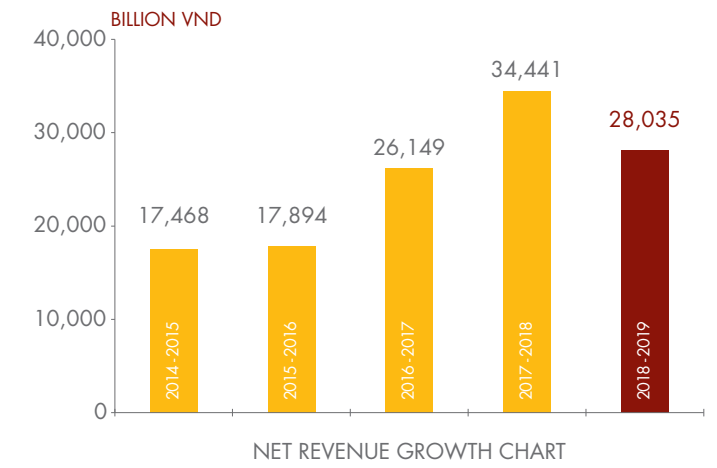
However, with the initiative, timely and drastically in the restructuring, governance - management solutions of the Board of Directors, the Board of Management and all Departments, the Group has recorded net profit from business operations in the second, third and fourth quarters of the fiscal year 2018 - 2019. In particular, the fourth quarter fell into the low stage of the industry but the Group still recorded net profit from business activities. This is a very positive signal for the Group.

At the end of the fiscal year 2018 - 2019, the business situation of Hoa Sen Group has improved, net profits from business activities have been recorded regularly, cash flow is guaranteed, debt continues to be pulled down and projects have been put into operation to record depreciation in accordance with the schedule and plan set by the Board of Directors.

### EXPLANATIONS RELATED TO THE BUSINESS RESULTS OF THE FISCAL YEAR 2018 - 2019

In the fiscal year 2018 - 2019, the Group's consumption and net revenue targets did not reach the set plan and decreased over the same period. This comes from a number of reasons:

- Objective causes - Market instability affecting business results:



- Export markets in 2018 - 2019 face many difficulties, of which the main cause is the US-China trade war. Many major export markets in Southeast Asia, Europe and the Americas have increased trade remedies and manufacturing protection (such as: tariff and non-tariff barriers, import quotas ...). This has significantly reduced demand in export markets. At the same time, the domestic production capacity in some countries has been strengthened, increasing the competitive pressure on products exporting to these markets.

- The domestic market in 2019 enters a period of fierce competition. Some steel sheet enterprises have shifted their focus to the domestic market, applying competitive price policies to gain market share. Galvanized steel products of enterprises outside the industry also began to appear in the market, increasing competition pressure. Besides, although the Authorities have taken tough measures, the domestic steel industry is still threatened by the situation of cheap and low-quality steel entering the market through many unclear and not transparent methods.

• The subjective reason - the Group's business strategy is adjusted to focus on ensuring profit:

- In the face of uncertain movements of the market, the Board of Directors has determined the goal in the fiscal year 2018 - 2019 to stabilize the business and production situation, ensure profit, maintain cash flow and depreciation.

- Therefore, the policy of the Board of Directors is: No priority to pursue discounted policy as competitors in the same industry to avoid upsetting the market. The selling price of Hoa Sen products must accurately reflect the Group's product quality and brand value.

- In addition, the Board of Directors has directed the Board of Management to evaluate and re-plan consumption channels and product categories, thereby focusing on product segments, customers and consumption areas that bring good and stable profits margins to improve the Group's profits.

- For this reason, in the fiscal year 2018-2019, although the consumption and net revenue indicators decreased compared to the same period, Gross profit / Net revenue ratio was maintained at over 11%. This is high compared to the industry average.



## PROGRESS OF IMPLEMENTATION OF INVESTMENT PROJECTS



### INDUSTRIAL PROJECTS

In the fiscal year 2018 - 2019, the Group has completed and put into operation the entire Plant Projects, officially make self – contained supply-production chain from North to South, contributing to perfecting the core competitive advantages, increasing competitiveness, reducing shipping costs. Projects completed during the fiscal year 2018-2019 include:

#### HOA SEN NHON HOI - BINH DINH PLANT PROJECT (PHASE II)

- Location: Nhon Hoi Industrial Zone, Hoi Son Hamlet, Nhon Hoi Commune, Quy Nhon City, Binh Dinh Province

- Area: 21.8 hectares

- Investor: Hoa Sen Nhon Hoi – Binh Dinh One Member Limited Liabilities Company (a wholly 100% owned Subsidiary of Hoa Sen Group)

NO	PRODUCTION LINES, MAIN EQUIPMENT	DESIGN CAPACITY	COMPLETION TIME
1	Color coating line 2	120,000 tons / year	July 2018
2	Galvanizing / Aluminium – Zinc Alloy with NOF technology line (NOF Line 2)	250,000 tons / year	March 2019
3	Pickling line	800,000 tons / year	March 2019
4	Cold Rolling Line	350,000 tons / year	March 2019
5	Acid Regeneration Line	5,000 liters / hour	April 2019

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

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

- Objective and scale of the project: Producing hot-dip galvanized steel pipe, total design capacity of 85,000 tons / year

- Investor: Hoa Sen Phu My One Member Limited Liabilities Company (a wholly 100% owned Subsidiary of Hoa Sen Group)

STT	PRODUCTION LINES, MAIN EQUIPMENT	DESIGN CAPACITY	COMPLETION TIME
1	01 Hot-dip galvanized steel pipe line	85,000 tons / year	April 2018
2	06 Steel pipe line	150,000 tons / year	December 2017
3	01 Slitting line	180,000 tons / year	December 2017
4	Project infrastructure (internal roads, office buildings, workshops, machine foundations)	-	November 2018

### TECHNICAL INNOVATIONS AND IMPROVEMENTS FOR PRODUCTION PLANTS

#### IMPLEMENTATION PURPOSE:

- Improving product quality, reducing raw material consumption, meeting increasingly demanding quality requirements in fastidious export markets and enhancing competitiveness in the domestic market.
- Enhancing the automation of production line system, strengthening production management capacity.
- Improving, strengthening quality, safety and environmental sanitation for the production lines.

#### IMPLEMENTATION PROGRESS AND RESULTS:

NO	CATEGORY OF DEPLOYMENT	LOCATION OF DEPLOYMENT	DEPLOYMENT TIME	COMPLETION TIME	RESULT
1	Upgrading and improving the system of wind - blades, cooling towers and fans at the Galvanized/ Aluminum - zinc alloy lines with NOF technology	Hoa Sen Nghe An Plant	May 2018	Expected in 2020	- Improve product quality - Reduce coating materials consumption rate. - Increase the rate of first-class and genuine products. - Through technical improvements in the production lines, the Group can confidently manufacture all orders of high quality standards in fastidious markets.

## INVESTMENT PROJECTS IN REAL ESTATE

In the fiscal year 2018 - 2019, the Board of Directors assessed the evolution of the real estate market is relatively unstable, in addition, the Group needs to focus on stabilizing and improving core business activities in the field of manufacturing and industry. Therefore, the Board of Directors has directed all Departments to balance resources appropriately for real estate projects, while ensuring focus on core business areas, while ensuring appropriate implementation progress.

### PROJECT OF HOA SEN YEN BAI SHOPPING MALL, HOTELS, RESTAURANTS AND EVENT ORGANIZATION

#### PROJECT INFORMATION

- Investor: Hoa Sen Yen Bai Joint Stock Company (a Subsidiary 95% owned by Hoa Sen Group).
- Location: Group 45 & 48, Dong Tam Ward, Yen Bai City, Yen Bai Province.
- Area: 9,675.5 m<sup>2</sup>, including:
  - Block of Shopping Mall, Hotel, Restaurant and Event Organization: 5,585.2 m<sup>2</sup>;
  - Commercial townhouses: 4,090.3m<sup>2</sup>

#### IMPLEMENTATION PROGRESS

- For Shopping Mall: The Investor has completed the basic construction of the raw part. Currently completing the interior, construction of electromechanical, fire protection.
- For Commercial townhouses: The Investor continues to design and subdivision plans for commercial townhouse, and complete legal procedures to implement the project in appropriate time.

## PROJECTS IMPLEMENTED IN NINH THUAN PROVINCE

In the fiscal year 2018 - 2019, the promotion and implementation of projects in Ninh Thuan Province are basically carried out according to the set schedule. As follows:

### PROJECT OF HOA SEN DU LONG INDUSTRIAL PARK INVESTMENT INFRASTRUCTURE

#### PROJECT INFORMATION

- Location: Loi Hai and Bac Phong communes, Thuan Bac district, Ninh Thuan province
- Area: 407.3 hectares
- Investor: Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company (a Subsidiary 95% owned by Hoa Sen Group)
- Legal procedures:
  - Completed legal procedures of investment, land, construction, including: Approving investment policy; Land lease agreement; Certificates of land use rights; License to build some basic items.
  - Currently implementing procedures: Electrical - water connection; Planning functional areas and connecting the project to National Highway 1A.
- Construction progress:
  - The project has completed welcome gates, fences and roads leading to the industrial park.
  - Currently, the Investor is constructing a number of internal roads, leveling for 20 hectares.
- Search and call for secondary investors to enter the Industrial Park: In the fiscal year 2018 - 2019, the Investor has contacted with a number of investors in the field of renewable energy, who are interested in the Industrial Park.

#### IMPLEMENTATION PROGRESS

- In the fiscal year 2019 - 2020, the Investor plans to deploy the following tasks:
  - Completing legal procedures to supply electricity and water for the Project.
  - Quickly complete the construction of some basic items, leveling to call for secondary investors.
  - Organizing a number of Conferences on investment promotion in industrial parks to advertise, contact and promote investment in industrial parks.

### PROJECT OF HOA SEN CA NA - NINH THUAN INTERNATIONAL GENERAL PORT

#### PROJECT INFORMATION

- Location: Ca Na Commune, Thuan Nam District, Ninh Thuan Province
- Investor: Hoa Sen Ca Na - Ninh Thuan International General Port One Member Limited Liabilities Company (a Subsidiary wholly 100% owned of Hoa Sen Group)
- Investment legal procedures:
  - The project has currently been approved by the People's Committee of Ninh Thuan Province for investment in Phase 1, including: 03 ports (02 ports of 70,000 - 100,000 DWT and 01 ports of 20,000 DWT)
  - The Investor has also completed the obligation to pay a deposit to ensure the project implementation
- Construction legal procedures:
  - In the fiscal year 2018 - 2019, the Investor focuses on coordinating with the consulting unit to complete the construction legal procedures, including: Planning 1/500; Basic design; Designing construction techniques and applying for construction permits for items of the project.

#### - Land legal procedures:

- The Investor continues to work with Ninh Thuan's Agencies and Authorities to come to the agreements with the value of support and site clearance compensation for households, individuals and organizations in the Project area.
- Investors have also temporarily paid part of the cost of compensation and support for site clearance.

#### IMPLEMENTATION PROGRESS

- Implementation plan in the fiscal year 2019-2020 is as follows:
  - Continue to complete the legal procedures for construction, land law for the Project.
  - It is expected that in the second quarter of the fiscal year 2019 - 2020, the Investor will start construction of the first port in the Project.

### PROJECT OF HOA SEN CA NA – NINH THUAN INDUSTRIAL ZONE INFRASTRUCTURE INVESTMENT

#### PROJECT INFORMATION

- Location: Ca Na Commune, Thuan Nam District, Ninh Thuan Province.
- Investor: Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company (a Subsidiary 95% owned by Hoa Sen Group)
- In the fiscal year 2018 - 2019, the Investor focuses on completing the investment legal procedures for the Project, the focus is on:
  - Adjust, supplement and complete the project's investment proposal;
  - Coordinate to complete the environmental impact assessment ("EIA") and organize public consultation with the Project.

#### IMPLEMENTATION PROGRESS

- The Investor aims to complete the investment legal procedures, approve the investment policy for the project in the fiscal year 2019 - 2020.

## CONSOLIDATED BUSINESS PLAN FOR THE FISCAL YEAR 2019 -2020

- The steel industry market in 2020 is expected to continue to have unpredictable fluctuations:
  - The US - China trade conflict may continue to escalate and a final agreement has not been reached. Therefore, the world trade order will continue to be turned upside down, raw material prices and currency markets will fluctuate sharply and unpredictably.
  - Export activities will be more difficult due to trade remedies, reducing demand and increasing competitive pressure from domestic supply in export markets.
  - The domestic market will continue to compete fiercely and drastically. Steel businesses will face many difficulties and must have appropriate policies and changes to stabilize the business and production situation.
- Based on the forecasts in 2020, the Board of Directors submits to the General Meeting of Shareholders the consolidated business plan for fiscal year 2019 - 2020 as follows:

ITEM	UNIT	PERFORMANCE OF THE FY 2018 - 2019	PLAN IN THE FY 2019 - 2020	IN COMPARISON WITH THE PERFORMANCE OF FY 2018 - 2019	
				ABSOLUTE NUMBERS	RELATIVE NUMBERS
Total sales volume	Ton	1,494,560	1,500,000	5,440	4%
- Finished products	Ton	1,393,973	1,400,000	6,027	4%
- By-products	Ton	100,587	100,000	(587)	(6%)
Net sales	billion VND	28,035	28,000	(35)	(1%)
Gross profit	billion VND	3,199	3,400	211	107%
Consolidated after-tax profit	billion VND	361	400	39	111%

Facing with forecasts about the instability of the market situation in 2020, the Board of Directors prioritizes ensuring prudence in proposing business plans for the fiscal year 2019 - 2020, but still ensuring a stable and sustainable growth. Specifically, the Board of Directors aims to increase Gross profit / Net revenue ratio to over 12%, equivalent to a gross profit of VND 211 billion, an increase of 7%.

## ORIENTATIONS FOR THE IMPLEMENTATION OF THE YEAR PLAN 2019 - 2020

In the face of the above developments, the Board of Directors proposed the following action plan to complete targets, production and business plans for the fiscal year 2019 - 2020:

### REGARDING ADMINISTRATION AND RESTRUCTURING ACTIVITIES

- Continue to perfect, streamline and organize the Group's operations from the Parent Company to its Subsidiaries, Plants, Provincial Branches and Stores on the basis of promoting and improving the operating capacity, administration throughout the system.
- Monitor and improve the operating mechanism and activities of the Distribution Network under the new model, in parallel with the arrangement and reallocation of

Branches / Distribution Stores in each Province / City according to the policy approved by the Board of Directors in order to enhance the business efficiency of the Group's Branches / Distribution Stores, to enhance the management and administration capacity of the Group's Distribution Network.

- Strengthen governance and control on the basis of establishing and applying reasonable and flexible norms, targets, policies, and remuneration mechanisms.

- Consolidating and promoting the efficiency of ERP system, in the spirit of ensuring optimization, streamlining and transparency in business and production activities.
- Continuing to implement the restructuring plan of the whole Group to suit the new situation, which focuses on the solutions: Streamlining and organize the structure appropriately; Improve the process system, operational regulations; Optimize resources; Reasonably reduce management expenses ...

#### FOR PRODUCTION AND SUPPLY ACTIVITIES

Set goals to optimize production capacity; improve product quality; rational, effective and professional arrangement for supply activities through the following solutions:

- To consolidate the efficiency of production management, to ensure the completion of product quality and increase the proportion of first – class and genuine products; Ensuring labor safety, fire and explosion prevention; Solutions for effectively coping with natural disasters and environment must be completed.
- Effectively exploit and operate the completed Plant Projects, quickly account the depreciation of the Projects according to the set schedule.
- Research, improve and innovate technologies to perfect technology and operating procedures for production lines and machinery.
- Strengthening the Group's competitive advantage in supply activities through taking advantage of and optimizing the geographical position and distribution

#### FOR BUSINESS ACTIVITIES

Set goals to improve profits, stabilize business situation; exist and develop in all ways before the screening of the market, through the following solutions:

- Planning and rearranging business strategy towards focusing on product lines that have the potential to create good and stable profit margins such as: Steel sheet, Galvanized steel, Plastic ...
- Research, create and implement solutions to increase output, increase competitiveness for new products such as Hot - dip Galvanized Steel Pipes ...
- Closely monitoring, following and quickly grasping market movements, especially in the current difficult period, to provide effective and timely response solutions.
- Reinforce and enhance strengths in the domestic market through the expansion and operation of Distribution System effectively, increase domestic consumption combined with

#### FOR HUMAN RESOURCE DEVELOPMENT ACTIVITIES

- Focusing on strengthening and improving the quality, profession, qualifications, skills, and responsibilities of the human resources, ensuring that the personnel structure is streamlined, efficient, professional and suitable for Hoa Sen culture.

#### FOR PROJECT INVESTMENT ACTIVITIES

- Continue to implement investment promotion, complete legal procedures, organize construction for projects under implementation such as Hoa Sen Du Long Industrial Park Project, Ca Na Industrial Park Project , Ca Na General Port project ... ensures early putting works into operation, contributes to diversifying

#### FOR COMMUNICATION - MARKETING ACTIVITIES

- Implement marketing strategy, brand promotion in a reasonable, diversified and creative manner, associated with community events, sponsorship and charity activities to strengthen and promote strong and friendly Hoa Sen brand image.

- Implement quotas, norms of revenue, output, and expenses for production and business units and departments of the whole Group, towards a reasonable autonomy in order to promote the professional competence of each Department.
- Ensure the restructuring must create motivation to consolidate and enhance the efficiency of production and business activities, achieving the goal of reducing costs and increasing the competitiveness of the Group.

conditions of the Group's production and business units in the whole country.

- Ensuring the promptness, timeliness and cost savings in the supply of raw materials, goods and finished products to serve production and business activities.
- Ensuring stable production activities, strictly complying with regulations on labor safety, fire prevention and environmental sanitation.
- Tightening the norms and reducing the amount of raw materials in inventory at the production units, contributing to reducing outstanding loans and expenses incurred related to inventories.
- Increasing and reducing the consumption of raw materials, fuel, energy, tools, spare parts but still ensuring the quality of finished products, contributing to lowering product costs and reducing production costs.
- Stable product quality policy and commitment to product warranty ...

the enhancement of supply capacity and service quality, from that confirming the Group's leading position in the market.

- Implement the strategy of diversifying export markets, in parallel with reducing export expenses, ensuring efficiency and profitability in export activities, standing firm against difficulties and instability of the market.
- Tightening norms and reducing inventory in business units, contributing to reducing outstanding loans and expenses incurred related to inventories.
- Implement solutions to reduce costs related to business operations, to ensure profit and business performance of the Group.
- Establishing effective stable business policies associated with governance, risk control, monitoring and cost optimization in all Subsidiaries of the Group.

- Ensuring mental stability and working motivation of workers and employees, especially in the current situation of market instability.

the Group's products and services, paving the way for further development steps.

- Continue to thoroughly research, consider and decide the undertakings and implementation plans for a number of projects in the field of real estate and relaxation, ensuring that they are suitable with market developments and needs.





# REPORT OF THE BOARD OF MANAGEMENT



“FOLLOWING THE BOARD OF DIRECTOR’S GUIDANCE ON PROACTIVELY COPING WITH MARKET DISADVANTAGES, IN THE FISCAL YEAR 2018-2019, THE BOARD OF MANAGEMENT CLOSELY MONITORED MARKET DEVELOPMENTS, DRASTICALLY AND PROMPTLY IMPLEMENTED MANY FLEXIBLE MANAGEMENT SOLUTIONS, IN ORDER TO STABILIZE PRODUCTION AND BUSINESS ACTIVITIES, ENSURE THE GROWTH OF THE GROUP’S OUTPUT, REVENUE AND MARKET SHARE.”

## BUSINESS RESULTS IN THE FISCAL YEAR 2018 - 2019

### BUSINESS RESULTS IN FISCAL YEAR 2018 - 2019 COMPARED TO THE PLAN

By the end of the fiscal year 2018 - 2019, the Group's sales volume of finished products reached 1,393,973 tons, fulfilling 75% of the plan. Net revenue reached 28,035 billion VND, fulfilling 89% of the plan. Profit after - tax reached VND 361 billion, fulfilling 72% of the plan.

TARGET	UNIT	PLAN OF THE FISCAL YEAR 2018 - 2019	PERFORMANCE OF THE FISCAL YEAR 2018 - 2019	COMPARING THE PERFORMANCE WITH THE PLAN
(A)	(B)	(C)	(D)	(E=(D/C)*100)
Total sales volume	Ton	2,006,000	1,494,560	75%
- Finished products	Ton	1,900,000	1,393,973	73%
- By-products	Ton	106,000	100,587	95%
Net sales	Billion	31,500	28,035	89%
Consolidated after-tax profit	Billion	500	361	72%

### COMPARE BUSINESS RESULTS OF FISCAL YEAR 2018 - 2019 WITH THE PLAN

### BUSINESS RESULTS FOR FISCAL YEAR 2018 - 2019 COMPARED TO FISCAL YEAR 2017 - 2018

In the fiscal year 2017 - 2018, the indicator of Finished products consumption and Net revenue showed an increase compared to the fiscal year 2016 - 2017. Particularly, the after-tax profit indicator had a sharp decrease due to adverse effects from market.

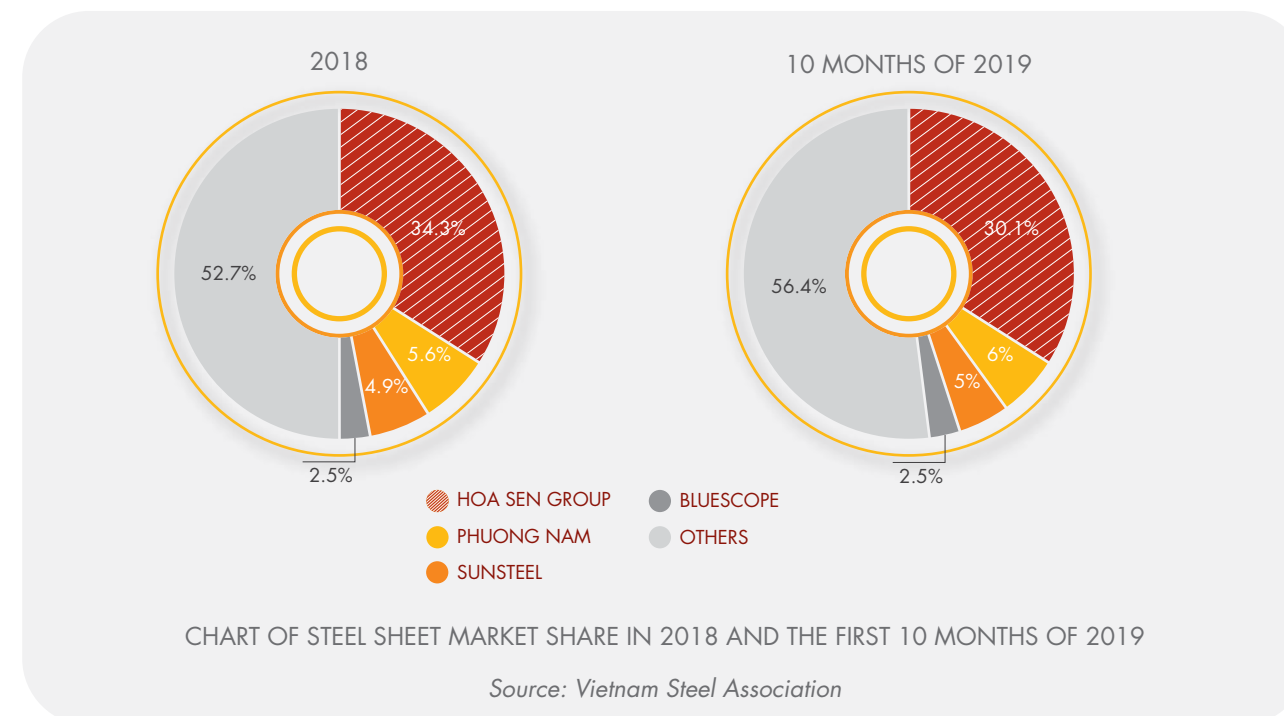
INDICATOR	UNIT	FISCAL YEAR 2017 - 2018	FISCAL YEAR 2018 - 2019	COMPARING THE PERFORMANCE OF FISCAL YEAR 2018 - 2019 WITH THE PERFORMANCE OF FISCAL YEAR 2017 - 2018
(A)	(B)	(C)	(D)	(E=(D/C)*100)
Total sales volume	Ton	1,873,735	1,494,560	(20%)
- Finished products	Ton	1,749,585	1,393,973	(20%)
- By-products	Ton	124,150	100,587	(19%)
Net sales	Billion	34,441	28,035	(18.5%)
Consolidated after-tax profit	Billion	409	361	(11.7%)

### COMPARE BUSINESS RESULT OF THE FISCAL YEAR 2018 - 2019 WITH THE FISCAL YEAR 2017-2018

## MARKET SHARE OF HOA SEN GROUP IN THE FISCAL YEAR 2018 - 2019

### SHEET STEEL MARKETSHARE

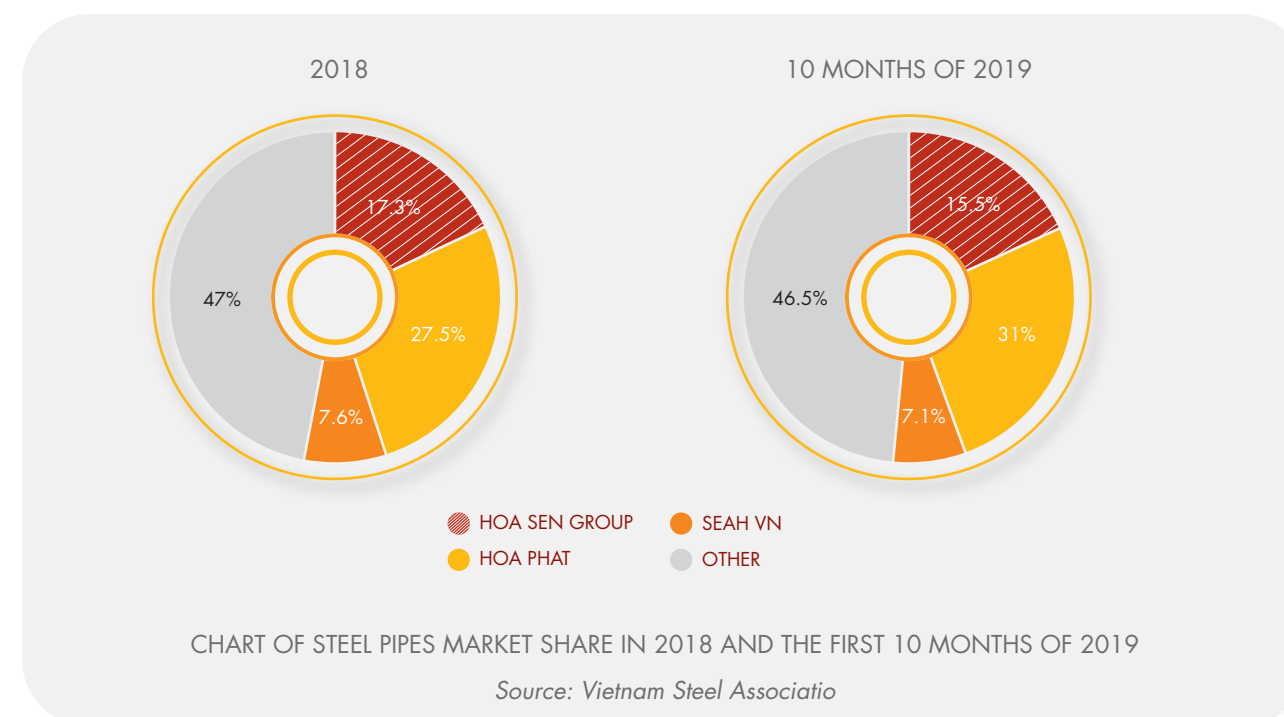
According to statistics of the Vietnam Steel Association, in the first 10 months of 2019, Hoa Sen Group maintained its leading position in the Galvanized steel sheet market, with a market share of 30.1%. According to statistics of the Vietnam Steel Association.



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 MARKETSHARE

According to Vietnam Steel Association, Hoa Sen Group's steel pipe market share in the first 10 months of 2019 reached 15.5%, ranking 02<sup>nd</sup> in the market.

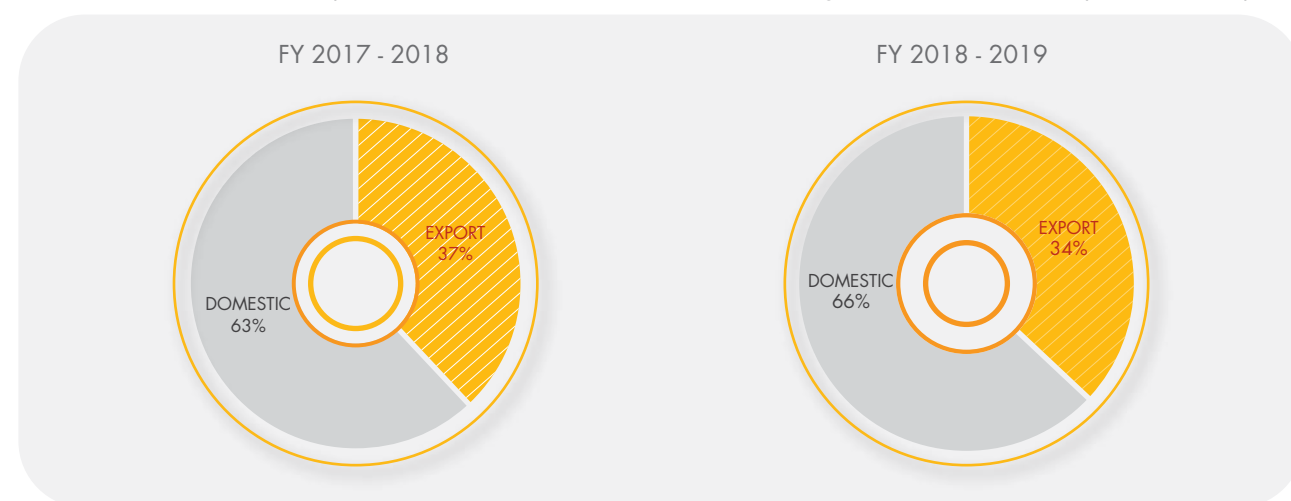


Note: This statistic only includes sales volume of members of Vietnam Steel Association.

## STRUCTURE OF CONSUMPTION VOLUME IN THE FISCAL YEAR 2018-2019

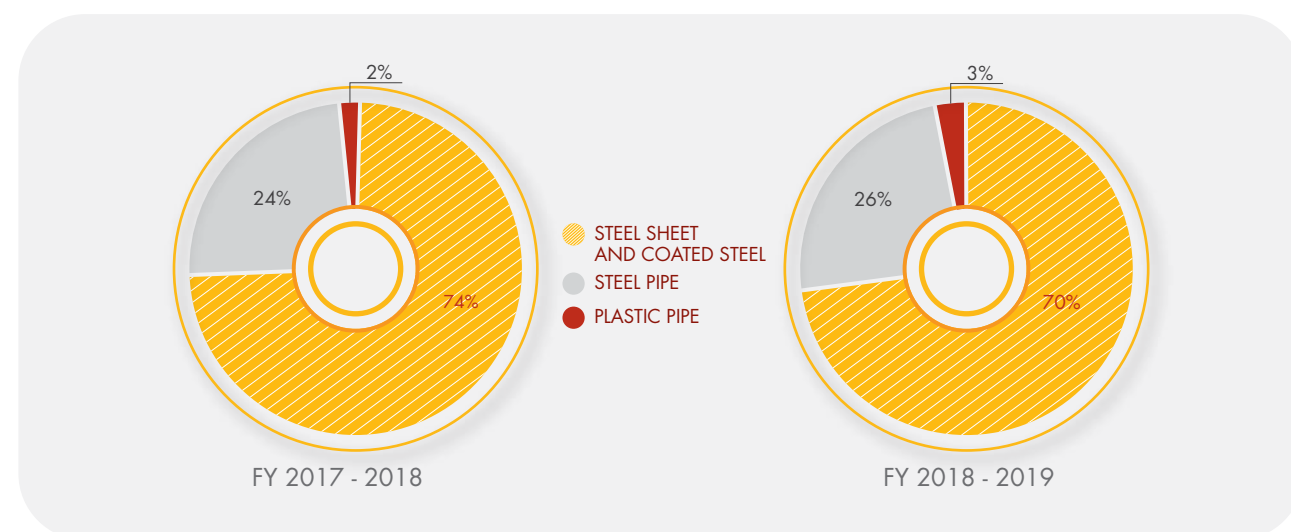
### STRUCTURE OF SALES VOLUME BY SALES CHANNEL

The structure of sales volume of finished products by sales channel continues to focus on domestic consumption channel. Specifically, the domestic consumption channel reached 914,068 tons, accounting for 66% of the total output of the Group and was the main channel. Export channel reached 479,905 tons, accounting for 34% of the total output of the Group.



### 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), etc. continued to be the main products which contributing 70% of the total sales volume. The steel pipe including galvanized steel pipe, steel pipe, galvanized purlin, purlin, hot-dip galvanized steel pipe contributed 26% of the output. Plastic products saw a growth in the consumption structure of the Group, accounting for 3%, including plastic pipes and plastic accessories.



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

NO	ITEM	UNIT	FISCAL YEAR 2017 - 2018	Fiscal year 2018 - 2019
1	Sales volume	Ton	1,873,735	1,494,560
1.1	- Finished products	Ton	1,749,585	1,393,973
1.2	- By-products	Ton	124,150	100,587
2	Net sales	Billion VND	34,441	28,035
3	Gross profit/Net sales	%	11.5	11.4
4	- Financial expenses/Net sales	%	2.8	2.9
	- Interest expenses/Net sales	%	2.4	2.7
5	Sales expenses/Net sales	%	5.3	6.2
6	General and Administration Expenses/Net sales	%	2.6	1.7

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

NO	ITEM	UNIT	FISCAL YEAR 2017 - 2018	FISCAL YEAR 2018 - 2019
<b>SOLVENCY RATIO</b>				
1	Current ratio	Lần	0,85	0,84
	Quick ratio		0,3	0,3
<b>CAPITAL STRUCTURE RATIO</b>				
2	Debt/Total assets ratio	%	76	68
	Debt/Owners' Equity ratio	%	313	215
	Total assets/ Owners' Equity ratio	%	413	315
<b>PERATION CAPABILITY RATIO</b>				
3	Inventory turnover	Time	3,9	4,5
	Net sales/Total assets	Time	1,6	1,6
<b>PROFITABILITY RATIO</b>				
4	Net profit after tax/ Net sales ratio	%	1.2	1.3
	Net profit after tax/ Owners' Equity ratio	%	7.9	6.6
	Net profit after tax/ Total assets ratio	%	1.9	2.1
	Operating profit/ Net sales ratio	%	1.4	0.9
	Earnings per share	VND/share	928	829

## MANAGEMENT OPERATIONS IN THE FISCAL YEAR 2018 - 2019

In the fiscal year 2018 - 2019, 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 2018 - 2019, 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, 2019, the whole

Group had a total of 536 direct distribution locations across the country, an increase of 45 locations compared to 2018. In which, including:

+ 55 Provincial Branches and 10 General warehouses, producing steel sheet branches are under Hoa Sen Group; and

+ 471 Stores under Provincial Branches, established as Business Locations in accordance with the law.

- 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 2018 - 2019, Hoa Sen Group exported 480 thousand tons of products, accounting for 34% of the total consumption volume of the Group.

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 80 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).

## COMPLETING PLANT PROJECTS

In the fiscal year 2018 - 2019, the Group has completed and put into operation all Plant Projects, officially make a self-contained supply-production chain from North to South, contributing to perfecting the core competitive advantages, increasing competitiveness, reducing shipping costs. Completed projects in the fiscal year 2018 - 2019 include:

### HOA SEN NHON HOI - BINH DINH PLANT PROJECT (PHASE II)

- 01 Color coating line 2 with design capacity of 120,000 tons/year
- 01 Galvanized/ Aluminum zinc coating line using NOF technology (NOF Line 2) with the design capacity of 250,000 tons/year.
- 01 Pickling line with design capacity of 800,000 tons/year
- 01 Cold rolling line with design capacity of 350,000 tons /year
- 01 Acid regeneration line with capacity of 5,000 liters/hour.

### 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 2018 - 2019, the Group has completed and put into operation stably all items, 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 2018 - 2019, 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"

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 2018 - 2019, the project implementation schedule is as follows:

- For Shopping Mall: the Investor has completed basic raw

construction. Currently the Investor is completing the interior, construction of electromechanical, fire protection.

- For Commercial townhouses: The Investor continues to design and subdivide the plan of the commercial townhouse item, and at the same time complete legal procedures to implement the project in suitable time.

## PROJECTS IN NINH THUAN PROVINCE

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 2018 - 2019, the project implementation schedule is as follows:

- For legal procedures:

- Completed legal procedures for investment, land and construction
- Currently implementing procedures for electrical – water connection; Planning functional areas and connecting the project to National Highway 1A

- Construction progress:

- The project has completed welcome gates, fences and roads leading to the industrial park
- Currently, the Investor is constructing a number of internal roads, leveling for 20 hectares.

- Looking for secondary investors to enter the Industrial Zone

- In the fiscal year 2018 - 2019, the Investor contacted a number of investors in the field of renewable energy with an interest in the Industrial Zone.



## 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 2018 - 2019 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 2018 - 2019, Hoa Sen Group was honored to achieve awards, great achievements and prestige, contributing to prove the Group's excellence and professionalism in the operation process, specifically:

- On January 16, 2019: Top 500 Largest Enterprises in Vietnam voted by Vietnam Assessment Report Joint Stock Company.
- On April 6, 2019, Top 50 Vietnam Strong Brands selected by Vietnam Economic Times.
- On May 10, 2019, winning National Brand Award for 03 product lines: Hoa Sen Steel Sheet, Hoa Sen Plastic Pipe, Hoa Sen Galvanized Steel Pipe.
- On November 30, 2019: Hoa Sen Group honored the Top 100 Sustainable Development Enterprises voted by the Vietnam Chamber of Commerce and Industry (VCCI).

## BUSINESS PLAN OF THE FISCAL YEAR 2019 - 2020

The production and business plan of the fiscal year 2019 - 2020 submitted to the General Assembly of Shareholders for consideration and approval is as follows:

ITEM	UNIT	PERFORMANCE OF FY 2018 - 2019	PERFORMANCE OF FY 2019 - 2020	IN COMPARISON WITH THE PERFORMANCE OF FY 2018 - 2019	
				ABSOLUTE NUMBERS	RELATIVE NUMBERS
Total sales volume	Ton	1,494,560	1,500,000	5,440	4%
- Finished products	Ton	1,393,973	1,400,000	6,027	4%
- By-products	Ton	100,587	100,000	(587)	(6%)
Net sales	Billion	28,035	28,000	(35)	(1%)
Gross profit	Billion	3,199	3,400	211	107%
Consolidated after-tax profit	Billion	361	400	39	111%

### PERFORMANCE ORIENTATION

In order to perform objectives of the fiscal year 2019 - 2020, 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.
- 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.
- 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.



Gathering trust

**ENHANCING MANAGEMENT**

THESE GROWTH FIGURES ARE A TESTAMENT TO THE BREAKTHROUGH THINKING OF THE MANAGEMENT TEAM OF HOA SEN GROUP, WHICH HAS A REASONABLE AND RIGHT DEVELOPMENT STRATEGY IN EACH PERIOD, HELPING THE GROUP TO SUCCESSFULLY BUILD THE VALUE CHAIN, CONNECTING THE TRUTH FROM RELATED PARTIES.

## 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. STRUCTURE AND MEMBERS OF THE BOARD OF DIRECTORS



#### 1. MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors for the term 2018 - 2023 is elected by the General Meeting of Shareholders at the 2017-2019 Annual General Meeting of Shareholders, specifically as follows:

- Number of members of the Board of Directors for the term of 2018 - 2023 is 06 members.

- Non-executive members and independent members of the Board of Directors meet the standards in Article 13 of Decree 71/2017 / ND-CP dated 06/06/2017, specifically: The Board has 03 non-executive members, in which 02 members meet the standards of independent members.

- The title of members of the Board of Directors for the term of 2018-2023 are as follows:

STT	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. COMMITTEES OF THE BOARD OF DIRECTORS

In order to carry out the functions and tasks prescribed in the Charters and Regulations on Management, the Board of Directors has established 04 affiliated Committees, appointed and assigned to the members of the Board of Directors to be the Chairmen of the affiliated Committees in order to coordinate the activities of each Committee.

The establishment of Committees under the Board of Directors shall comply with the recommendations of the State Securities Commission in the Code of Corporate Governance according to the best practices - applicable to Public Companies.

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

STT	SUB-COMMITTEE NAME	FUNCTION	CHAIRMAN OF THE COMMITTEE
1	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	Committee of Restructuring and Human Resources	Organizing research, completing and implementing plans for restructuring and developing the Group's human resources, including: Strengthening the organizational structure and apparatus; Planning, training and appointing managers; Establishing mechanisms, policies and remuneration for employees of the Group and other restructuring plans ...	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	Committee Of Internal Audit	Deploying and supervising the work of internal audit, internal control; supervise and monitor the financial situation; evaluate and select independent auditing units of financial statements; supervise and approve transactions between the Group and related persons and internal people.	Mr. <b>NGUYEN VAN LUAN</b> – Independent Member of the Board of Director
4	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 order to support, advise and assist daily work of the Board of Directors and affiliated Committees, the Board of Directors has established a number of units under the Board of Directors, performing specialized functions, including: Internal Auditing Department, Human Resources Council, Restructuring, Human Resources, Salary & Remuneration Committee, Assistant Department of Board of Directors & Chairman of the Board of Directors. At the same time, the Board of Directors appointed a number of titles to advise and assist the Board of Directors, including: Head and Deputy Head of Restructuring Board; Head, Deputy Head and Member of the Internal Audit Department; In charge of Corporate Governance (in accordance with Decree 71/2017 / ND-CP on Corporate Governance Management); Secretary of the Company (according to the Enterprise Law), Head of Assistant Department of Board of Directors & Chairman of the Board of Directors...

## 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 Chairman of the Strategic Committee and Chairman of the Restructuring 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. <b>LY VAN XUAN</b> 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. <b>NGUYEN VAN LUAN</b> Independent member of the Board of Directors	1. Holding the position of Chairman of Internal Audit 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. <b>DINH VIET DUY</b> Independent member of the Board of Directors	1. Chairman of Finance & Investor Relations Committee. 2. Monitoring transactions with related persons of the Group.

### 2. MEETINGS OF THE BOARD OF DIRECTORS

In the fiscal year 2018 - 2019 (from October 1, 2018 to September 30, 2019), the Board of Directors approved 81 Resolutions related to important issues under the authority of the Board of Directors..

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

STT	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
1	Mr. LE PHUOC VU	Chairman of the Board of Directors	16/01/2018	81	100%
2	Mr. TRAN NGOC CHU	Vice Chairman of the Board of Directors	16/01/2018	81	100%
3	Mr. TRAN QUOC TRI	Executive member of the Board of Directors	16/01/2018	81	100%
4	Mr. LY VAN XUAN	Non – Executive member of the Board of Directors	16/01/2018	81	100%
5	Mr. NGUYEN VAN LUAN	Independent member of the Board of Directors	16/01/2018	81	100%
6	Mr. DINH VIET DUY	Independent member of the Board of Directors	16/01/2018	81	100%

Summary table of some important meetings of the Board of Directors in the fiscal year 2018 - 2019:

NO	RESOLUTION NUMBER	DATE	DESCRIPTION
1	89/NQ/HĐQT/2018	25/10/2018	Approve the policy on restructuring Distribution System, accepting the transfer of Branches of Hoa Sen Holdings Group in some provinces and cities to increase the number of distribution stores under Hoa Sen Group.
2	91/NQ/HĐQT/2018	31/10/2018	Approval on establishing new Provincial Branch in pursuant to the restructuring plan, including: Quang Nam, Da Nang.
3	93/NQ/HĐQT/2018	06/11/2018	Approval on the result of transaction on transferring the the real-estate on Do Xuan Hop Street, in District 9, Ho Chi Minh City.
4	99/NQ/HĐQT/2018	21/12/2018	Approval on increasing ownership ratio of Hoa Sen Group in some subsidiaries in real-estate business: - Hoa Sen Yen Bai Joint-stock Company: 95% - Hoa Sen Quy Nhon Joint-stock Company: 99% - Hoa Sen Du Long industrial park infrastructure investment Company: 95%
5	101/NQ/HĐQT/2018	25/12/2018	- Approval on the Report on business result and financial situation of the Group in the fiscal year 2017 – 2018 and business and production plan in the fiscal year 2018 - 2019 to submit to the General Meeting of Shareholders for review at the annual meeting. - Taking the opinions of members of the Board of Directors about the market developments in the last 6 months of 2018, solutions to stabilize the business and production situation in the difficult period and forecast market movements in 2019; - Approval on transferring some real-estate of Company for capital recovering to stabilize the business and production situation. - Approval of real - estate transfer results at 123 Tran Nao, District 2, Ho Chi Minh City; - Approval of the policy of restructuring phase 2, which has been implemented from the end of 2018 to stabilize the business and production situation in the unfavorable period of the market; - Officially appointing the position of Deputy General Director of Exports to Mr. NGUYEN NGOC HUY.

NO	RESOLUTION NUMBER	DATE	DESCRIPTION
6	08 /NQ/HĐQT/2019	28/02/2019	Resolution of the Ordinary Meeting of the BOD in January and February 2019 - Approval on the Report on business result in the first 02 months of 2019; - Approval on a number of orientations and policies related to restructuring in 2019; - Approval on acquiring more Branches from Hoa Sen Holdings Group to expand the domestic Distributional Network - Approval on re-arranging and transferring some real-estate, property of Company for capital recovering - Approval on seeking approval from General Shareholders in written on issuing shares for capital supplementing
7	08A /NQ/HĐQT/2019	28/02/2019	Approval on paying dividend of fiscal year 2017 – 2018 by shares at a rate of 10%. Expected to be completed in June 2019.
8	08B /NQ/HĐQT/2019	28/02/2019	Approval on selecting KPMG Ltd. to be a independent audit unit for financial statements of the Company and its subsidiaries in the fiscal year 2018 - 2019
9	08C /NQ/HĐQT/2019	28/02/2019	Approval on acquiring more Branches from Hoa Sen Holdings Group in some provinces and cities to expand the domestic Distributional Network
10	08D /NQ/HĐQT/2019	28/02/2019	Approval on some solutions and restructuring plan to scope with the adversely impact of the market to the operations and business of the Company
11	10 /NQ/HĐQT/2019	04/03/2019	Approval on establishing new Provincial Branch in pursuant to the restructuring plan, including: Lam Dong, Ninh Thuan, at the same time approval on converting some Branches into Distributional Units under the Provincial Branches Approval on supplementing the contents seeked for approval form General Shareholders in written
12	12 /NQ/HĐQT/2019	18/03/2019	Approval on supplementing the contents seeked for approval form General Shareholders in written Additional content: Submit to the General Meeting of Shareholders for approval the policy of issuing shares and bonds/convertible bonds to existing shareholders, strategic partners and other investors to supplement capital for production and business activities.
13	13 /NQ/HĐQT/2019	19/03/2019	Approval on some financial contents relating funds ratio provision for operation of the Company
14	16 /NQ/HĐQT/2019	25/03/2019	Approval on all the proposals the General Shareholders for approving in written
15	19 /NQ/HĐQT/2019	03/04/2019	Approval on issuing non-convertible bonds for capital supplementing
16	23 /NQ/HĐQT/2019	18/04/2019	Resolution of the Ordinary Meeting of the BOD in March and April 2019: - Approval on the report of business results and financial situation of the Group in March & April 2019; - Approval on some solutions and restructuring plan to scope with the adversely impact of the market to the operations and business of the Company, transferring some real-estate, property of Company for capital recovering. - Approval on acquiring more Branches from Hoa Sen Holdings Group in some provinces and cities to expand the domestic Distributional Network.
17	23A /NQ/HĐQT/2019	18/04/2019	Approval on re-arranging some equipments and assembly lines in Hoa Sen Binh Duong Plant
18	26 /NQ/HĐQT/2019	06/05/2019	Approval on Report on issuing shares for payment of dividend of fiscal year 2017 – 2018 to increase charter capital. Charter capital after increase: VND 4,234,694,890,000.
19	31 /NQ/HĐQT/2019	11/06/2019	Resolution of the Ordinary Meeting of the BOD in May and June 2019: - Approval on the Report on business result in May & June 2019, at the same time recording positive improvements to the Group's production and business situation in the current difficult period. - Approval on some solutions and restructuring plan to scope with the adversely impact of the market to the operations and business of the Company - Approval on a number of guidelines related to shareholders' opinion on issuance of shares, bonds/convertible bonds. - Approval on implementation progress of some investment project of Company.
20	32 /NQ/HĐQT/2019	14/06/2019	Approval on dissolution of Hoa Sen Engineering & Transportation Company. Reason: rearranging transport segment in the direction of moving vehicles and transport means from Hoa Sen Engineering & Transportation Company to production plants to increase the initiative in coordinating the transport of goods, materials ...
21	33 /NQ/HĐQT/2019	20/06/2019	Approval on closing banking account of Representative Office in Myanmar and transferring all the remaining balance from the mentioned account to Hoa Sen Group banking account
22	35 /NQ/HĐQT/2019	28/06/2019	Approval on capital contribution to establish Hoa Sen International Port Joint stock Company. Capital contribution ratio: 49%.
23	39 /NQ/HĐQT/2019	06/09/2019	Resolution of the Ordinary Meeting of the BOD in July and August 2019: - Approval on the Report on business result in July and August 2019. - Approval on a number of forecasts and assessments about market situation in 2020, as a basis for making business and production plans for the fiscal year 2019 - 2020, submitting to the General Meeting of Shareholders for approval. - Approval on the report of restructuring results implemented in the fiscal year 2018-2019 and some guidelines and restructuring orientations in the fiscal year 2019-2020. - Approval on a number of guidelines and orientations for the Group's investment projects. - Approval on the scheduled time and place for the Annual General Meeting of Shareholders for the fiscal year 2019-2020.

### 3. ACTIVITIES OF COMMITTEES UNDER THE BOARD OF DIRECTORS

As Committees under the Board of Directors and established by the Board of Directors, the 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 2018 - 2019, the operations of the Committees under the Board of Directors are as follows:

#### 3.1. THE INVESTMENT & STRATEGIC DEVELOPMENT COMMITTEE

- For Production Plant Projects: The Committee has organized, directed and supervised functional units to quickly complete and put into operation the projects according to the schedule approved by the General Meeting of Shareholders and the Board of Directors, including: Hoa Sen Nghe An Plant Project (phase 3); Hoa Sen Nhon Hoi - Binh Dinh Plant Project (phase 2); Hot - dip Galvanized Steel Pipe Plant project.

- For Projects in Ninh Thuan Province: The Committee continues to urge, supervise and directly promote investment, complete legal procedures for Projects in Ninh Thuan, including: Leveling ground, building basic infrastructure in Du Long Industrial Park; Completing legal procedures and promoting construction of Ca Na General Port; Completing legal procedures of Ca Na Industrial Park Project.

- For projects temporarily suspended: The Committee advised and submitted to the Board of Directors to consider balancing resources to continue implementing or terminating operation, recovering investment capital if necessary...

- For new projects: In the fiscal year 2018 - 2019, the Board of Directors has instructed to suspend the promotion of direct investment in new projects to ensure consistent with the current business situation of the Group. However, with regard to the Projects that have much potential, the Committee advised and submitted to the Board of Directors to consider contributing capital, associating with partners in a reasonable proportion to promote the development of new Projects. Specifically: Contributing capital to establish Hoa Sen International Port Joint Stock Company (owned 49% by the Group).

#### 3.2. COMMITTEES OF RESTRUCTURING AND HUMAN RESOURCES

##### 3.2.1. THE WORK OF RESTRUCTURING AND PERFECTING 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 the Departments, Divisions in the Representative Office, Subsidiaries, Plants, Units to ensure compliance with the new situation, in the spirit of streamlining the system, reducing costs, but still ensuring optimal and effective management and control.

- Directing and coordinating with functional units to implement the restructuring of Distribution System following the model of Provincial Branch, applying ERP and electronic invoices to the Distribution Network, at the same time terminating the operation of the old model in accordance with the approved schedule.

- Directing functional units to review and complete the system of Regulations, Business Processes related to the Group's operating areas in the spirit of optimizing processes, reducing steps, intermediaries and procedures.

##### 3.2.2. HUMAN RESOURCE MANAGEMENT

- Research and build a staffing plan for the entire Group in the spirit of streamlining the apparatus and reducing costs.
- Reviewing, arranging and allocating the whole Group's personnel appropriately 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, 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.

- The Committee also advises the Board of Directors in organizing liquidation and transfer of some assets (movables assets, real estate) that the Group no longer needs to use to recover investment capital and supplement to the manufacturing and trading operation.

##### 3.2.4. Handling other issues related to the Group's restructuring, personnel and remuneration.

#### 3.3. FINANCE AND INVESTOR RELATIONS 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 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 IMPLEMENTING THE RESOLUTION OF THE GENERAL MEETING IN THE FISCAL YEAR 2018 - 2019

In the fiscal year 2018-2019, the Board of Directors held an annual shareholder meeting on January 14, 2019 to submit to the General Meeting of Shareholders approving a number of reports and guidelines related to the Company's activities. The contents approved by the General Meeting of Shareholders are recorded in Resolution No. 01/NQ /DHDCD/2019 dated January 14, 2019. Details of the implementation are as follows:

NO	DESCRIPTION	RESULTS
1	Approved the operation orientation and business plan for the fiscal year 2018 - 2019	Details are shown in the next report sections.
2	Approved the plan for profit distribution of fiscal year 2017 - 2018	Completed the dividend payment of the fiscal year 2017 - 2018 in May 2019: - Payment rate: 10% - Form of payment: Stock dividend - Charter capital after payment is completed: VND 4,234,694,890,000
3	Appropriation of funds in the fiscal year 2018 - 2019. According to the guidelines of the General Meeting of Shareholders, the rate of appropriation of funds is as follows: - Bonus fund: Maximum of 3% of consolidated profit after - tax - Remuneration fund: Maximum of 1% of consolidated profit after - tax - Funds for charity: Up to 3% of consolidated profit after - tax.	The Board of Directors has setting up funds in the fiscal year 2018 - 2019 with the following ratio: - Bonus fund: 0% of consolidated profit after - tax - Remuneration fund: 1% of consolidated profit after - tax - Funds for charity: 0% of consolidated profit after - tax.
4	Authorize the Board of Directors to choose the Auditing Company to audit the Financial Statements of the fiscal year 2018 - 2019	The Board of Directors selected KPMG Vietnam Co., Ltd. as the auditor for the Group's Financial Statements in the fiscal year 2018 - 2019. The selection of auditing company is shown in Resolution 08B / NQ / HDQT / 2019 on February 28, 2019 and has been disclosed according to regulations.

Also in the fiscal year 2018 - 2019, the Board of Directors held a written opinion to submit to the General Meeting of Shareholders for approval of the policy of issuing shares, bonds/convertible bonds to existing shareholders, strategic investors, other investors to supplement capital for business and production activities.

The work of collecting written opinions is done from April 3, 2019 to April 15, 2019. In total, the Company issued 18,741 votes, equivalent to 384,828,828 shares with voting rights and earned 414 votes, equivalent to 180,433,084 shares, of which 165,731,084 agreed with the resolution of the General Meeting of Shareholders.

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

The Board of Directors appointed and assigned to members of the Board of Management 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. Function of legal representation: Implementing the authority of the Third Legal Representative in accordance with the Enterprise Law, the Company's Charter and Current Regulations. 2. In charge of common responsibility for the management activities of the Board of Directors: - Organizing, coordinating, assigning and appointing the members of the Board of Directors in the overall management of the Group's daily business and production activities; - Organizing the implementation of the Group's orientations and policies as assigned by the Board of Directors; - Be supervised and responsible to the Board of Directors for the results of activities of the Board of Management. 3. Directly responsible for some fields as assigned by the Board of Directors: Managing and taking direct responsibility in: Export, Import, Distribution System Management, Business Planning & Policy, Human Resources, Recruitment & Training.
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 – Marketing and Representative Office in the North	1. Directing the professional operations of the Finance and Trade Remedies Department, Marketing; 2. Managing production and business activities of the Provincial Branches and Distribution Stores in the North (From Ha Tinh backward); 3. Representing the entire contributed capital of the Group to perform the function of managing - operating the activities of the manufacturing Subsidiaries in the North (Nghê An, Ha Nam, Yen Bai).

STT	HỌ TÊN VÀ CHỨC DANH	NỘI DUNG
4	Mr. NGUYEN MINH KHOA Deputy General Director In charge of Supply – Production - Project	1. Directing the operational management of Technical, Quality and Project; Purchasing and Supply; 2. Directing and taking direct responsibility for production management at the Group's plants and subsidiaries; 3. Organizing the implementation and supervision of the installation, finishing, pre-acceptance test of the production lines, machinery and equipment at the Group's production projects.
5	Mr. HO THANH HIEU Deputy General Director In charge of Domestic sales, IT, ERP and Southern region	1. Operating and taking direct responsibility in the following operations: Commercial business (Steel sheet - steel - plastic); Distribution System; Information technology & ERP 2. Managing the production and business activities of the Provincial Branches and Distribution Stores in the South (From Quang Binh and above); 3. Representing the entire contributed capital of the Group to perform the function of managing - operating the activities of the manufacturing Subsidiaries in the Central (Binh Dinh Province) 4. Organizing the implementation and supervision of the completion and application of the ERP system and the restructuring of the distribution network under the Provincial Branch model.
6	Mr. TRAN QUOC PHAM Deputy General Director In charge of Investment and Construction	1. Operating and taking direct responsibility in Investment & Basic Construction; 2. Organizing the implementation and supervision of construction, finishing, pre-acceptance test of works, infrastructure and workshops at the Group's Projects. 3. To be in charge of investment promotion activities of projects in Ninh Thuan.
7	Mr. NGUYEN NGOC HUY Deputy General Manager In charge of Export	Operating and taking direct responsibility in Export.

**Weekly meetings of the Board of Management:** 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. At the meeting, the Board of Directors will review and evaluate the reports on business and production situation; report the progress and results of the work assigned; updated information on market movements and proposed tasks and plans to be implemented during the week. At the weekly meetings, the Board of Directors sent members of the Board of Directors to attend to supervise and monitor the management activities and promptly make adjustments to suit the guidelines and orientations of the Board of Directors.

**Extraordinary meetings of the Board of Directors:** During the peak periods, important decisions need to be made, the Board of Directors holds extraordinary meetings to discuss and agree on issues and decisions. In some necessary cases, members of the Board of Directors are invited to attend the meeting to supervise, monitor and provide guidance.

**Periodic Board meetings:** The Board holds regular meetings every 2 months to evaluate the management of the Board of Management, the results of implementing the Board's guidelines and monthly business results, discuss and review the business plan of the next month and giving guidelines and important policies for the Group's activities. At regular meetings of the Board of Directors, the members of the Board of Management and a number of key managers (Internal Auditing Board, Chief Accountant, and Corporate Governance) must attend in full to report and acknowledge the guidelines and orientations of the Board of Directors.

In the fiscal year 2018 - 2019, 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.

### V. REPORT ON RESTRUCTURING AND STABILITY OF BUSINESS PERFORMANCE ORIENTATION APPROVED BY THE BOARD OF DIRECTORS IN THE FISCAL YEAR

In the fiscal year 2018 - 2019, in the face of increasingly complicated market movements, at regular and extraordinary meetings, the Board of Directors approved a number of guidelines and directed the Board of Management, the Board of Restructuring to continue deploying the restructuring activities of the Group in accordance with the orientations set out in 2018, in order to proactively cope with disadvantages, quickly stabilize the business and production situation, balance the financial resources, optimize resources, details are as follows:

NO	ORIENTATIONS	IMPLEMENTATION SCHEDULE AND RESULTS
<b>I</b>	<b>THE UNDERTAKINGS RELATED TO PRODUCTION, BUSINESS AND SUPPLY</b>	
1	<b>Good control of inventories:</b> Establishing a reasonable inventory level at Plants and Branches. At the same time, closely monitoring and supervising to ensure that the actual inventory is within the issued norms.	Inventory norm for Plants and Branches were applied from June 2018. In the fiscal year 2018 - 2019, the actual inventory in Plants and Branches is pulled down and strictly controlled within the scope of the norm. The application of inventory norms also enhances the activeness and flexibility for the units in making and deploying production, supply and business plans to suit market movements.

NO	ORIENTATIONS	IMPLEMENTATION SCHEDULE AND RESULTS
<b>I THE UNDERTAKINGS RELATED TO PRODUCTION, BUSINESS AND SUPPLY</b>		
2	<b>Control costs well:</b> Continue to implement monitoring and supervision to effectively control expenses, costs of the Group, ensuring the spirit of cost reduction set out from 2018. At the same time, researching and implementing solutions to further reduce costs to stabilize the business situation if the market has more unfavorable developments.	Cost-saving solutions have been implemented since March 2018 and showed positive results. In the fiscal year 2018 - 2019, solutions to control and reduce costs have continued to be effective. According to the Group's consolidated financial statements, all expense, costs groups sharply decreased, in which: - Financial costs reduced by 17% - Selling costs reduced by 14% - Administrative costs reduced by 30%
3	<b>Application of innovations and technical improvements in production:</b> The Board of Directors directs the Board of Management and all Plants to continue to organize the implementation of technical innovations and improvements to enhance production efficiency, reduce production costs, reducing raw material consumption, increasing the proportion of genuine products ...	The results of technical improvement in production activities are put into production costs, contributing to improving the Group's profits.
4	<b>Planning business strategy:</b> Starting from unfavorable developments of both export and domestic markets, the Board of Directors determined: - Set goals focusing on the domestic market through taking advantage of Branches and Stores nationwide. - In the domestic market, focusing on retail activities through promoting sales of rolled steel sheets and products with good profit margins to improve the Group's profitability in the current period. - Localize the sales and marketing team at Branches and Stores in order to take advantage of human resources with a good understanding and grasp of the local market, culture and society. - Focusing on increasing revenue from plastic products, through solutions such as: Applying promotions; Search and expand the network of reputable distributors; Reorganize production - supply - delivery activities; Improve product quality to increase competitiveness ...	In the fiscal year 2018 - 2019, the Group's business performance has improved. The Group has recorded net profit from operating activities for many consecutive quarters.
<b>II THE UNDERTAKINGS RELATED TO FINANCE</b>		
1	<b>Decreasing the loan balance:</b> The Board of Directors sets the target that the total loan balance of the Group must be reduced to a reasonable level to ensure the balance of financial resources and create conditions to stabilize the business and production situation when the market continues unfavorably developing.	According to the consolidated financial statements, the total loan balance of the Group as of September 30, 2019 was reduced to VND 11,600 billion, down VND 4,500 billion over the same period. Total debt/Equity ratio is less than 2.5 times, reflecting perfectly healthy financial situation.
2	<b>Restructuring the Group's assets to ensure efficiency and optimal during operation:</b> In the fiscal year 2018 - 2019, the Board of Directors approved the policy of arranging and restructuring some of the Group's assets such as: Liquidation of used assets and redundant properties after being arranged; Transfer of some assets is considered inappropriate in the development strategy of the Group in the new period.	Income from the liquidation and transfer of assets is recognized in the consolidated financial statements of the Group.
<b>III THE UNDERTAKINGS RELATED TO THE ORGANIZATIONAL STRUCTURE, PERSONNEL, AND INTERNAL AFFAIRS</b>		
1	<b>Streamlining the apparatus, organizational structure:</b> - <b>For management levels:</b> Streamline and reorganize the system of titles and ranks across the Group; Refined intermediary management levels; Reset remuneration system, payroll, policies for management levels according to the new situation. - <b>For Representative Office:</b> Arranging and streamlining Regional Executive Offices and functional units to reduce intermediate levels; Merging and consolidating Functional Departments / Divisions have similarities in business. - <b>For Subsidiaries, Plants:</b> Decreasing intermediary levels and indirect divisions; Streamlining, merging production lines and workshops for production and supply; Reform and streamline the order and operational procedures in production - supply activities. - <b>For Branches:</b> Adjusting, reducing redundant positions from the application of ERP system to the Branch's business activities.	By the end of the fiscal year 2018 - 2019, the corporate governance model of the Group and the organizational structure of the Representative Office have been streamlined and put into stable operation. In the fiscal year 2018 - 2019, the Board of Directors also considered and approved the policy of dissolution of a number of subsidiaries and representative offices after the restructuring and streamlining of the system were completed. Inventory quotas for Plants and Branches were applied from June 2018. In the fiscal year 2018-2019, the actual inventory at Plants and Branches are pulled down and strictly controlled within the scope of norms. The application of inventory norms also enhances the activeness and flexibility for the units in making and deploying production, supply and business plans to suit market movements.

NO	ORIENTATIONS	IMPLEMENTATION SCHEDULE AND RESULTS
<b>III THE UNDERTAKINGS RELATED TO THE ORGANIZATIONAL STRUCTURE, PERSONNEL, AND INTERNAL AFFAIRS</b>		
1	- <b>Đối với các Công ty con, Nhà máy:</b> Tinh giảm các cấp trung gian và các đơn vị thuộc mảng gián tiếp; Tinh gọn, sáp nhập các dây chuyền, phân xưởng phục vụ sản xuất - cung ứng; Cải cách, tinh gọn các trình tự, thủ tục tác nghiệp trong hoạt động sản xuất - cung ứng. - <b>Đối với Chi nhánh:</b> Điều chỉnh định biên, tinh giảm các vị trí dôi dư từ việc ứng dụng hệ thống ERP vào hoạt động kinh doanh của Chi nhánh.	Định mức hàng tồn kho cho các Nhà máy và Chi nhánh được áp dụng từ tháng 06/2018. Trong NĐTC 2018 - 2019, lượng hàng tồn kho thực tế tại các Nhà máy và Chi nhánh được kéo giảm và kiểm soát chặt chẽ trong phạm vi phù hợp với định mức. Việc áp dụng định mức hàng tồn kho cũng tăng cường tính chủ động, linh hoạt cho các đơn vị trong việc lập và triển khai kế hoạch sản xuất, cung ứng, kinh doanh cho phù hợp với diễn biến thị trường.
2	<b>Implementing Distribution System restructuring:</b> - Applying the Provincial Branch model for Distribution System: Changing the administration and management mechanism of Distribution System to the model of Provincial Branch and its stores ("Business Locations"), according to the guidelines and roadmap has been approved. - Application of ERP system into Distribution System: Develop and organize the application of ERP system in production and business activities of the whole Distribution System after completing the conversion to the Province Branch - Stores model. - Receiving more Branches/Stores: Receiving more branches to increase the scale of Distribution System in the current fierce competition.	The Group has completed the following tasks: - Put into operation all converted Distribution System according to the Province Branch - Store model. - Complete and put into operation the ERP system and electronic invoices for the whole Distribution System. - Received more than 160 branches from Hoa Sen Holdings Group to expand the scale and increase the density of Branches/Stores under Hoa Sen Group in Provinces/Cities.
3	<b>Streamlining the personnel in the whole Group:</b> - In the fiscal year 2018 - 2019, the Board of Directors approved the total limit of personnel in the Group to maximum 6,800 people. - The Board of Directors directs the work of reducing personnel must ensure stable production and business activities, efficiently operate units and departments, and ensure production and quality targets. At the same time, it is necessary to ensure the mental stability and working motivation of the Group's employees.	The number of personnel of the Group in the fiscal year 2018 - 2019 is controlled within the approved limit. The reduction of personnel has contributed to the reduction of the total salary fund, stabilizing the business and production situation of the Group.
4	<b>Restructuring business, production and supply of plastic products:</b> - Implementation purpose: Focusing on manufacturing, trading and supplying plastic products to 01 specialized Company to ensure consistency in management and development of production and business for plastic product. - Preliminary plan: Assigning the entire field of manufacturing, trading and supplying plastic products to 01 specialized Company (Subsidiary of Hoa Sen Group) for centralized management and administration.	In the last 3 months of 2019, the Restructuring Board and the Board of Management began to develop a plan and a roadmap for the restructuring of the plastic segment to submit to the Board of Directors for review and approval. According to the plan, the roadmap for restructuring the plastic segment will be submitted to the Board of Directors for approval and implemented in 2020.

## VI. REPORT ON ACTIVITIES OF INSPECTION AND SUPERVISION OF TRANSACTIONS WITH RELATED PERSONS

In the fiscal year 2018 - 2019, the supervision and inspection of transactions with related persons are strictly implemented, in accordance with the law, details are as follows:

- The conclusion and execution of transactions are subject to the approval of the Board of Directors in accordance with the provisions of the Group's Charter, Regulation on Management and Regulation on transactions with related persons, in accordance with the provisions of the Law on Business and the current Securities Law.
- At regular meetings, members of the Board of Directors discussed, presented opinions and views on transactions with related persons. For transactions that are considered to be important, the Board of Directors held an extraordinary meeting to pass a separate Resolution on transactions and be disclosed in accordance with the law.
- For regular transactions, the Board of Management submits to the Independent members of the Board of Directors, non-executive members of the Board of Directors and the Head of the Internal Audit Department for consideration and approval in accordance with regulations.
- The conclusion and execution of transactions are based on equality and voluntariness in accordance with the laws and regulations of the Group. Transactions are signed in writing, ensuring transparency and harmony of interests of shareholders and interests of parties to the transaction.

In the fiscal year 2018 - 2019, the Board of Directors reviewed and approved the policies on transactions with Related Persons of the Company. The guidelines have also been published in accordance with the current securities laws. As follows:

NO	RESOLUTION NUMBER	DATE	DESCRIPTION
1	89/NQ/HĐQT/2018	25/10/2018	Approving the policy of restructuring the Distribution Network of the Group in the direction of receiving a number of branches of Hoa Sen Holdings Group to expand the Distribution Network, increasing the number of Branches and Distribution Stores.
2	92/NQ/HĐQT/2018	02/11/2018	Approve transactions with Related Persons arising from July 1, 2018 to September 30, 2018 and the proposed transaction plan arising from October 1, 2018 to September 30, 2019.
3	08C/NQ/HĐQT/2019	28/02/2019	Approve the policy of restructuring Distribution System, accepting the transfer of Branches of Hoa Sen Holdings Group in some provinces and cities to increase the number of Distribution Stores under Hoa Sen Group.

## VII. REPORT ON RESULTS OF FINANCIAL - ACCOUNTING SITUATIONS IN THE FISCAL YEAR 2018 - 2019

In the fiscal year 2018 - 2019, performing the functions specified in the Organization Charter and Corporate Governance Regulation, through the operations of the Internal Audit Committee, the Board of Directors organized the following tasks: (i) reviewing and evaluating the Group's financial and accounting situation; (ii) work with the Independent Auditing Unit (KPMG Vietnam Co., Ltd.) to ensure the independence and objectivity in the audit activities of the Group's financial statements.

Evaluating the Group's financial and accounting situation in the fiscal year 2018 - 2019, the Board of Directors has the following conclusions about the Group's financial situation and financial statements:

### 1. Regarding the financial situation:

The Board of Directors confirmed that the Group's financial position in the fiscal year 2018 - 2019 is good and transparent, namely:

- The Group fully complies with the requirements of the current Vietnamese accounting standards and accounting system in organizing the accounting and financial work.

- The accounting documents are strictly managed and systematically stored by the Group in accordance with regulations, ensuring quick and complete tracking when inspection and auditing are required.

- The opening of accounting books and fund books must comply with current regulations, daily record and update promptly and accurately the receipt, payment and debit / credit notes of the bank.

- Basic indicators of debt situation, loan capital, liquidity, asset use efficiency, provisioning, and equity to meet financial - accountant regulations, principles and standards.

- The Group has made efforts in reducing costs, boosting sales to record net profits from production and business activities, effectively reducing loan balance, ensuring the Group's financial balance. The results show that, at the end of the fiscal year 2018 - 2019, the ratio of outstanding loans to equity was improved.

- Although the business results have not reached the set plan, the production and business activities are maintained stably, the cash flow is guaranteed, the financial situation is healthy. This is a positive sign in the current difficult context of the market.

### 2. Regarding financial statements:

The Board of Directors confirms that the information in the Group's quarterly, semi-annual and annual financial statements (including separate and consolidated statements) is presented in an honest, reasonable manner, consistent, suitable with the provisions of the law. The Board of Management maintains caution in organizing accounting, statistics and financial reporting.

Based on the reports presented by the Board of Management at the regular Board of Director's meetings, the actual inspection results, as well as audit data of the independent auditing unit - KPMG Vietnam Co., Ltd, the Board of Director of Hoa Sen Group confirms that the financial position of Hoa Sen Group is in a completely healthy state.

## VIII. 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.

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

### 1. REMUNERATION OF THE BOARD OF DIRECTORS IN THE FISCAL YEAR 2018 - 2019

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 (Hot - dip Galvanized Steel Pipe Company)	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

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 2018 - 2019:

- Successfully holding the Annual General Meeting of the fiscal year 2018 - 2019
- Thực hiện công bố thông tin đúng theo quy định của Thông tư 155/2015/TT-BTC ngày 06/10/2015
- Reimburse dividend payment of fiscal year 2017-2018 according to the Resolution 01/NQ/ĐHĐCĐ/2019 of Annual General Meeting on January 14th, 2019
- Organize meetings between investors to enhance the cooperation. In fiscal year 2018 - 2019, Hoa Sen Group had more than 100 meetings from domestic and international investors for Hoa Sen Group's operations.



## SHARE INFORMATION

### STOCK INFORMATION

CHART OF HOA SEN GROUP STOCK PRICE IN THE FISCAL YEAR 2018 - 2019



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 14, 2019, in the fiscal year 2018 - 2019, Hoa Sen Group paid completely its dividend payment of the fiscal year 2017 - 2018. The details are as follows:

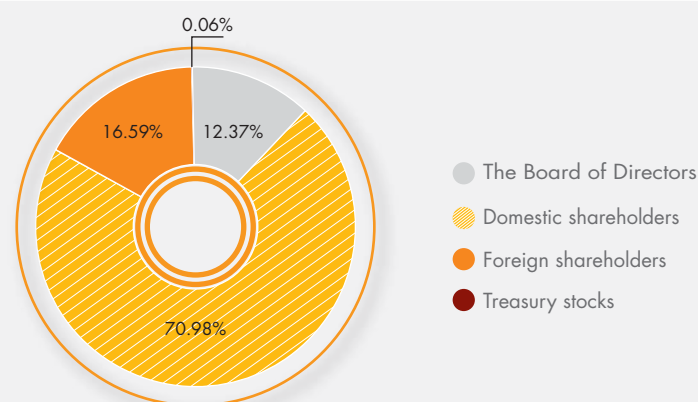
NO	ITEM	DIVIDEND PAYOUT RATIO	PAYMENT METHOD	PAYMENT DATE
1	Dividend payment by share issuance to shareholders	10% (Each shareholder owning 100 shares will receive 10 new shares)	In stock	May 27, 2019

### 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 December 21, 2018 to October 25, 2019, Hoa Sen Group has acquired 111,600 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. The total number of shares after redemption is 245,900 shares.

## SHAREHOLDER STRUCTURE ON NOVEMBER 01, 2019

NO	SHAREHOLDER	OWNING VOLUME	OWNING RATE
1	The Board of Directors	52,381,587	12.37%
2	Domestic shareholders	300,590,948	70.98%
	- Domestic individuals	190,484,352	44.98%
	- Domestic organizations	110,106,596	26.00%
3	Foreign shareholders	70,251,054	16.59%
4	Treasury stocks	245,900	0.06%
<b>TOTAL</b>		<b>423,469,489</b>	<b>100%</b>



## SHARE HOLDER OWNING OVER 5% OF SHARE CAPITAL ON NOVEMBER 01, 2019

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	102,990,933	24.32%
2	Mr. Le Phuoc Vu	052063000096	No. 19 Giang Van Minh Street, An Phu Ward, District 2, Ho Chi Minh City	49,704,820	11.74%

## FOUNDING SHAREHOLDERS

NO	FULL NAME	OWNING VOLUME	OWNING RATE
1	Mr. Le Phuoc Vu	49,704,820	11.74%
2	Mr. Hoang Duc Huy	211,750	0.05%
3	Mr. Ho Van Hoang	211,764	0.05%

## NUMBER AND PERCENTAGE OF SHARES OWNED BY THE BOARD OF DIRECTORS ON NOVEMBER 01, 2019

NO	FULL NAME	POSITION	OWNING VOLUME	OWNING RATE
1	Mr. Le Phuoc Vu	Chairman of the Board of Directors	49,704,820	11.74%
2	Mr. Tran Ngoc Chu	Vice Chairman of the Board of Directors	1,436,131	0.34%
3	Mr. Tran Quoc Tri	Member of the Board of Directors General Director	735,655	0.17%
4	Mr. Ly Van Xuan	Member of the Board of Directors	504,981	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 01, 2019

NO	FULL NAME	POSITION	OWNING VOLUME	OWNING RATE
1	Mr. Tran Quoc Tri	Member of the Board of Directors, General Director	735,655	0.17%
2	Mr. Hoang Duc Huy	Deputy General Director	211,750	0.05%
3	Mr. Vu Van Thanh	Deputy General Director	348,286	0.08%
4	Mr. Nguyen Minh Khoa	Deputy General Director	288,086	0.07%
5	Mr. Ho Thanh Hieu	Deputy General Director	486,750	0.11%
6	Mr. Tran Quoc Pham	Deputy General Director	422,110	0.10%
7	Mr. Nguyen Ngoc Huy	Deputy General Director	105,948	0.03%
8	Ms. Nguyen Thi Ngoc Lan	Chief Accountant	224,893	0.05%
9	Mr. Bui Thanh Tam	Person in charge of Corporate Governance	421,955	0.10%

## NUMBER AND PERCENTAGE OF SHARES OWNED BY THE BOARD OF INTERNAL AUDIT ON NOVEMBER 01, 2019

NO	FULL NAME	POSITION	OWNING VOLUME	OWNING RATE
1	Mr. Le Vu Nam	Head of Internal Audit Board	314,372	0.07%
2	Mr. Le Dinh Hanh	Deputy Head of Internal Audit Board	428,611	0.10%
3	Ms. Dong Thi Thanh Hang	Member of Internal Audit Board	67,760	0.02%

## NUMBER AND PERCENTAGE OF SHARES OWNED BY SHAREHOLDERS WHO RELATE TO INTERNAL SHAREHOLDERS ON NOVEMBER 01, 2019

NO	FULL NAME	RELATED SHAREHOLDERS	RELATIONSHIP WITH INTERNAL SHAREHOLDERS	OWNING VOLUME	OWNING RATE
1	Mr. Le Phuoc Vu	Tam Hy One Member Limited Liabilities Company	Mr. Le Phuoc Vu is the owner of the company	1,058,750	0.25%
		Hoa Sen Holdings Group	Mr. Le Phuoc Vu is the owner of the company	102,990,933	24.32%
2	Mr. Ly Van Xuan	Ms. Vo Thi Son Ca	Spouse	103,787	0.02%
		Mr. Ly Hoang Long	Son	86,625	0.02%
		Mr. Ly Khanh Van	Daughter	170,418	0.04%
3	Mr. Hoang Duc Huy	Ms. Hoang Thi Xuan Huong	Sister	7,150,000	1.69%
		Mr. Hoang Duc Hoang	Brother	25,989	0.01%
		Mr. Hoang Duc Canh	Brother	13	0.00%
4	Mr. Nguyen Minh Khoa	Ms. Nguyen Thi Minh Thu	Sister	31	0.00%
5	Mr. Nguyen Van Luan	Ms. Nguyen Thi Lai	Daughter	517	0.00%

# 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.

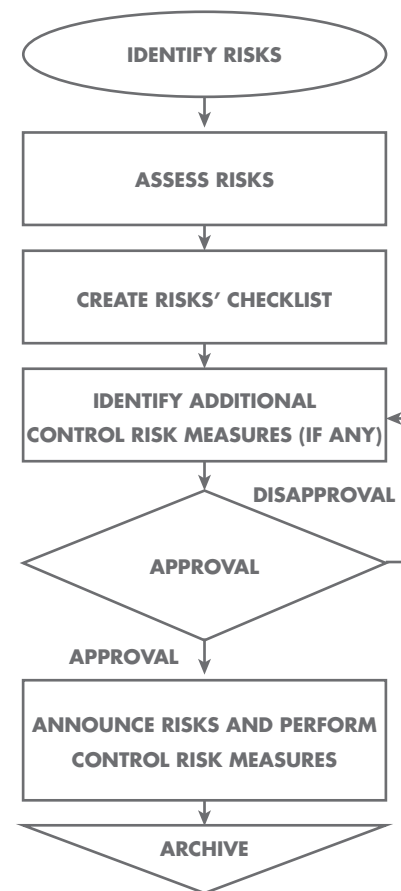


Chart of "Risks Identification and Risks Assessment Process"

## 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 RISK

**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.

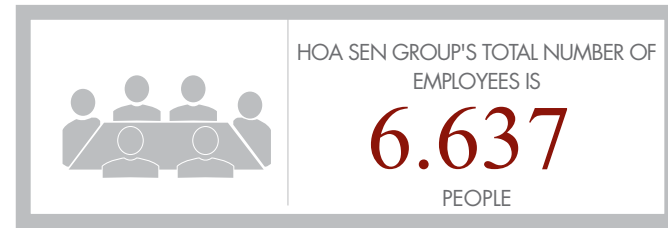


# ORGANIZATION AND HUMAN RESOURCES

## OVERVIEW OF WORKFORCE

### THE TOTAL EMPLOYEES

As of September 30, 2019, Hoa Sen Group's total number of employees is 6,637 people.



## STRUCTURE BY EDUCATION IN THE FISCAL YEAR 2018 - 2019

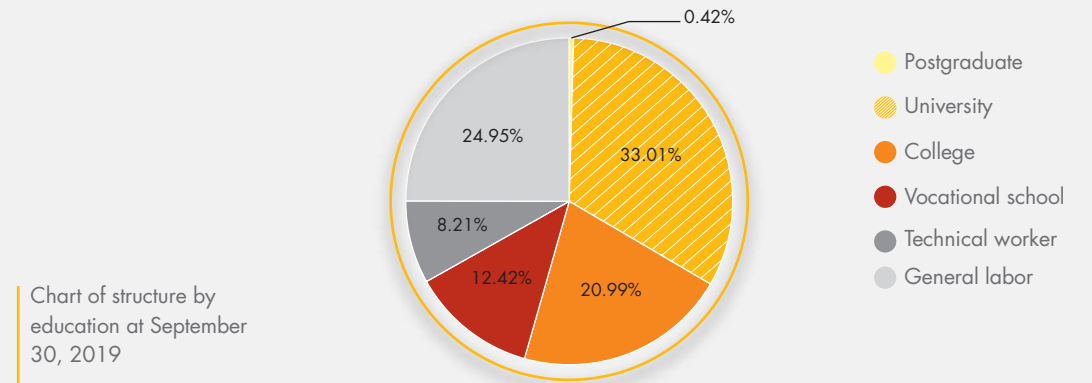


Chart of structure by education at September 30, 2019

## CHART OF STRUCTURE BY GENDER

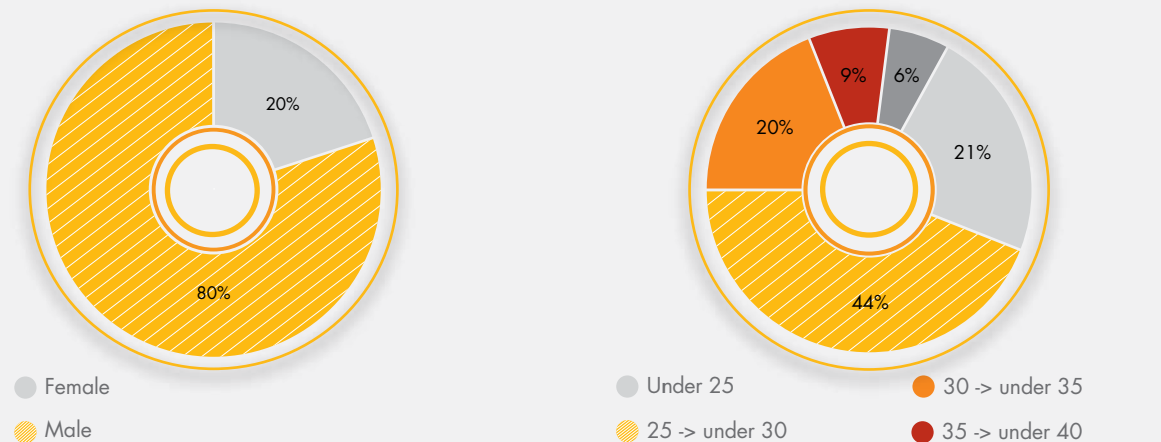
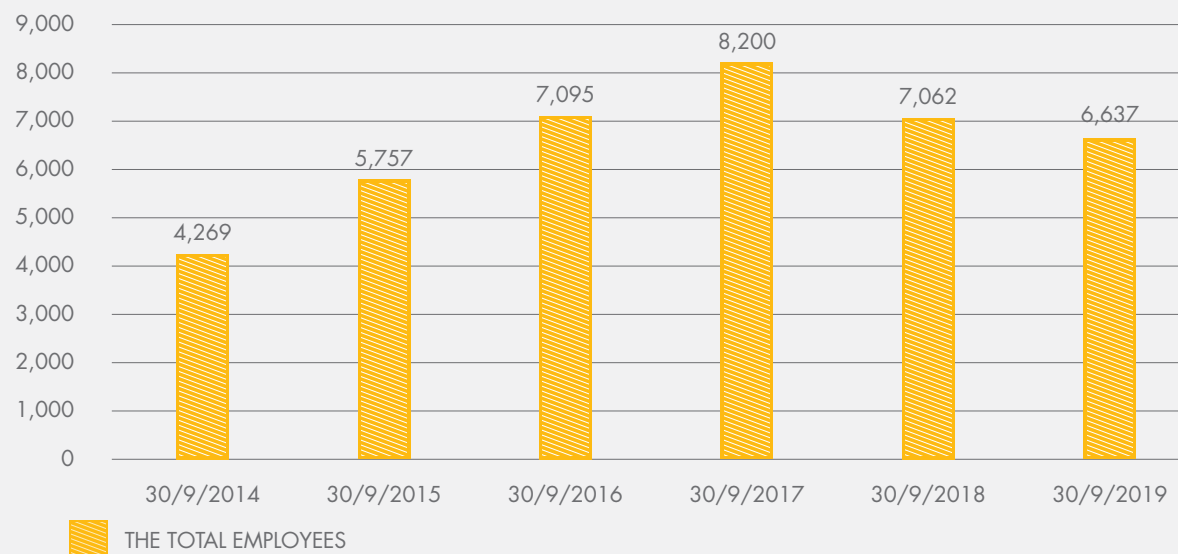


Chart of structure by gender of Hoa Sen Group at September 30, 2019

Chart of structure by age of Hoa Sen Group at September 30, 2019

## CHART ON EMPLOYMENT IN HOA SEN GROUP OF THE PAST 06 FISCAL YEARS



## CHART OF STRUCTURE BY FUNCTIONS

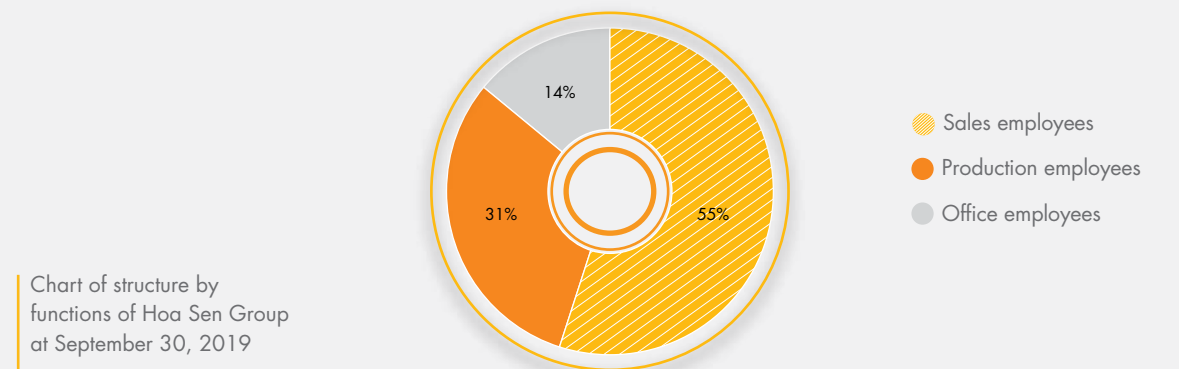


Chart of structure by functions of Hoa Sen Group at September 30, 2019

## SALARY, BONUS, BENEFITS AND OTHER BENEFITS FOR EMPLOYEES IN THE FISCAL YEAR 2018 - 2019

### SALARY, BONUS, BENEFITS AND OTHER BENEFITS FOR EMPLOYEES IN THE FISCAL YEAR 2018 - 2019

Strictly complying with the provisions of law, the collective labor agreement was signed to ensure the legitimate rights and interests of the employees and employers.

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.

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.

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

### SALARY, BONUS, BENEFITS POLICY

#### • Salary and support policy

- The fiscal year 2018 - 2019 is a challenging economic year not only for the global economy, Vietnam economy and construction materials industry in general but also for Hoa Sen Group in particular. However, the Board of Directors has had practical and effective solutions to take the Group through the most difficult times. One of the effective solutions is to promulgate, amend and supplement a number of salary policies to suit the business situation in each period to ensure the income of employees throughout the Group.

- 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

- Since employees become official employees of the Group, 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. Hoa Sen Group has adjusted the minimum salary for employees in accordance with the Government's regulations in January 2019. 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.

- In addition to the implementation of flexible salary, bonus and insurance policies according to legislation, the Group applies other welfare to employees including: organizing cultural, arts and sports activities to improve the spiritual life of employees on anniversaries, building communal canteens serving daily meals for workers and employees, providing uniform for employees, fully equipped with labor protection equipment in accordance with the law; shuttle bus for staff, supporting for female employees on International Women's Day and Vietnamese Women's Day, maternity support, support

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.

for employees when married, support for employees in mourning...

- In conjunction with the Labor Union, Hoa Sen Group also cares and takes care of the lives of employees in difficult circumstances, supporting vehicles to bring employees to their hometowns to celebrate Tet, giving gifts to employees' children every year on the occasion of International Children Day.

- In production and business activities, the Group always strictly complies with the provisions of law on safety, health and environmental protection, proactively preventing damage to people, properties and environment. Specifically, every 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. 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. The Company has actively implemented and always complied with the laws of environmental regulations such as: every year, the Group promulgates the policy of Quality - Environment and Occupational Health Safety with the purpose of ensuring safety in labor production and environmental protection.

- 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.

## BUILDING FRIENDLY AND DEVELOPMENT WORKING ENVIRONMENT

- In addition to building appropriate salary, bonus and welfare policies, working environment is also an important factor for employees to stick with the business. Therefore, Hoa Sen Group always strives to maintain and build a friendly and united working environment by organizing activities to associate employees with each other as well as between employees and the Group.

- In the fiscal year 2018 - 2019, the Labor Union in collaboration with Hoa Sen Group organized arts, sports activities to celebrate the Group's 18<sup>th</sup> anniversary as follows:



The 1<sup>st</sup> prize in the final round of Golden Lotus singing on the 18<sup>th</sup> anniversary of the establishment of Hoa Sen Group



Mini football championship cup "Lotus Champions League 2019"





Hoa Sen Sports Festival 2019

- On the occasion of the 109th anniversary of International Women's Day (March 8, 1910 - March 8, 2019) and the 89th anniversary of the founding of Vietnam Women's Union (October 20, 1930 - October 20, 2019), the Group offered gifts to all female employees and also held a warm meeting.



Honoring the female managers of the Parent Company on October 20, 2019

As in previous years, the Group cooperated with Labor Union to give gifts to employee's children of the International Children's Day, organized the Mid-Autumn Festival 2019 for Hoa Sen Group's employee's children.



Mid-Autumn Festival 2019 for Hoa Sen Group's employee's children



Fire and rescue trial operations on October 24, 2019



## RECRUITMENT WORK

- In the fiscal year 2018 - 2019, with the core values of "Honesty - Community - Development" and the "10-T" culture, recruitment in Hoa Sen Group is always closely focused on building and developing high quality human resources to meet the Group's production and business process.

- Besides looking for young, dynamic and creative human resources through participating in the "Job Fair" program at Colleges and Universities, the Group also promotes cooperation with reputable recruitment sites and extends online recruitment channels, in order to proactively build a potential candidate data system. In addition to the traditional interview format, the Group has conducted online interviews and evaluated candidates through personality analysis, professional tests, foreign languages, etc, from that, recruiting new qualified employees quickly nationwide.

- Along with the development of information technology and always close to the Group's core values, the recruitment brand "Hoa Sen Group" is increasingly being interested, trusted and chosen by candidates as a place to stick with and build career.

## TRAINING WORK

- In order to improve the quality of human resources and efficiency in human resource management, in the fiscal year 2018 - 2019 Hoa Sen Group continues to promote training. In addition to regular training courses in accordance with the law, the Group also regularly organizes skills and professional training courses for current employees as well as development courses for employees at the Representative Office of the Group, Branches / Stores of Distribution – Sales system and production units of Subsidiaries / Plants.

- Stand out in this fiscal year with the goal of continuing to build workforce with sufficient knowledge and skills to meet the requirements of each position at the Branch / Store of the Distribution – Sales System. The Group has promoted the implementation of training for employees through the typical activities: Reprinting the training document "Standard – Discipline" to provide self-study materials for new employees to intergrate the environment and jobs at the Branch / Store in time. Newly creating a set of training clips and videos for current employees, to make learning more graphic and attached to real work. Organizing training courses for "Reserve officers, Reserve administrators" to train excellent managers generation to meet the job requirements for appointment to the position of Head of Distribution – Sales System.

## SUBSIDIARIES AND AFFILIATED COMPANIES

### HOA SEN GROUP'S SUBSIDIARIES IN THE SOUTH 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 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 19th, 2010. The 5 <sup>th</sup> amendment was on August 3 <sup>rd</sup> , 2016.
Legal Representative	<b>Mr. PHAM VAN CHUNG</b>
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 1.200.000 tons/year.

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

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WITH THE TOTAL CAPACITY OF

**1,200,000**  
TONS/YEAR

**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	<b>Mr. TRAN NGOC CHU - Chairman</b>
Director	<b>Mr. NGUYEN TAN HOA</b>
Business activities	Production of cold rolled coils, mechanical processing, handling and metal coating.
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.

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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 uPVC, solvent cement for uPVC pipes, Hoa Sen HDPE and PPR pipes.
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 PPR 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 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	Mr NGUYEN VAN TRUONG
Business activities	Manufacturing hot dip galvanized 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 85,000 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

**85,000**

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)
Legal Representative	Mr. HO THANH HIEU - Chairman
Director	Mr. LE XUAN PHONG
Business Activities	Manufacturing building materials including steel pipes, 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 770,000,000,000 (Seven hundred and seventy 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 roofing sheets made of galvanized steel, aluminum zinc alloy steel, pre-painted galvanized steel and other alloys; Manufacturing steel pipes, galvanized steel pipes, steel pipes coated with other alloys; Manufacturing galvanized wire mesh, galvanized steel wire, steel wire of all kinds; Manufacturing stainless steel and inox.
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 AND AFFILIATED COMPANIES

### HOA SEN GROUP'S SUBSIDIARIES IN THE NORTH

- 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 1,100,000,000,000 (One thousand one hundred 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

800,000

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 September 28, 2016, first amended on October 11, 2017
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 – Nghi 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	Thanh Liem 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 VAN SAM
Business activities	Manufacturing galvanized steel pipes, steel strips, HDPE, PPR, uPVC plastic pipes, plastic accessories and plastic pipe adhesives
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".

## 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 01st 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...
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 1st, 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

galvanized 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, 2 <sup>nd</sup> 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 CA 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	95%

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

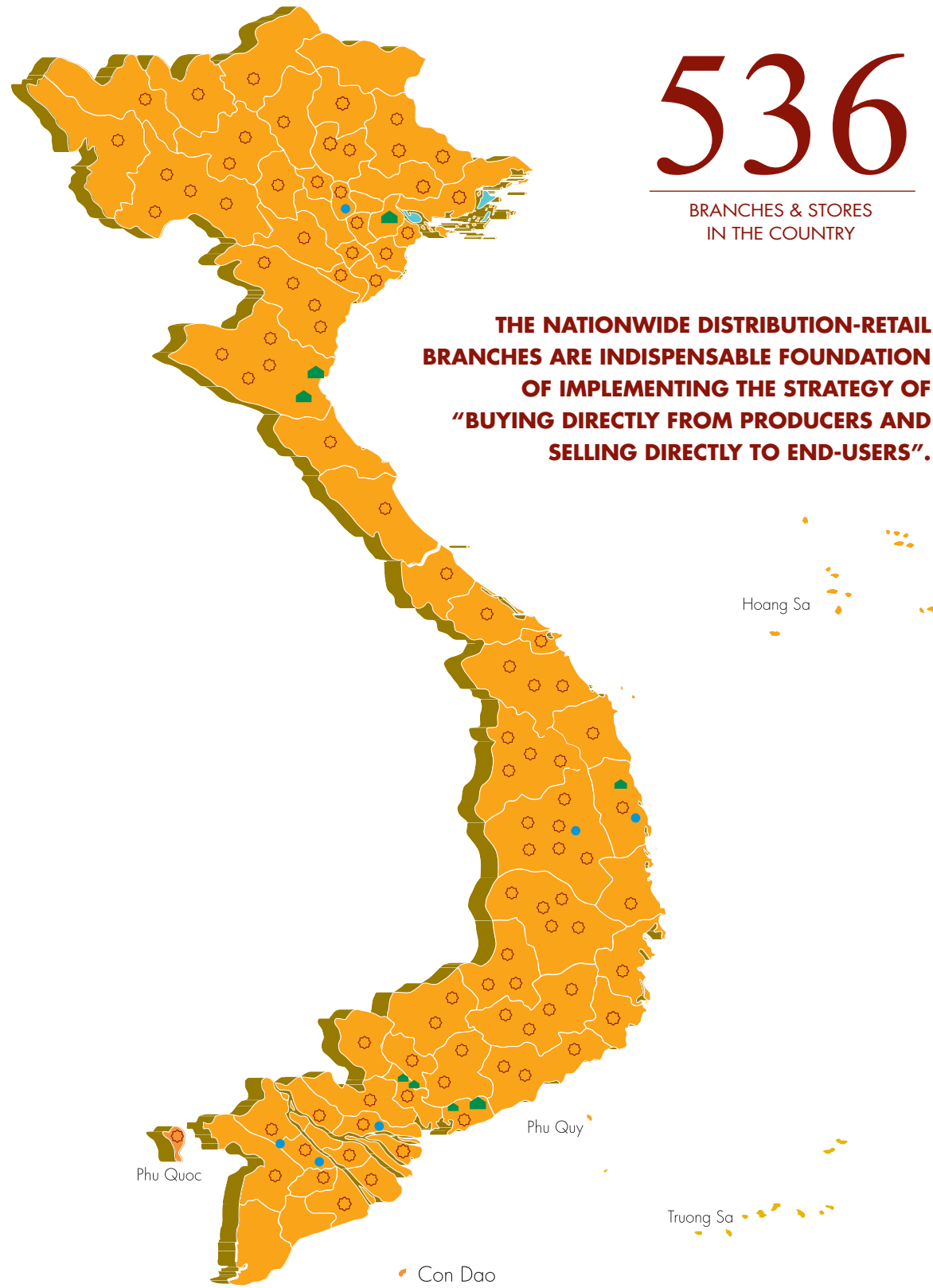


### HOA SEN YEN BAI JOINT STOCK COMPANY

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	95%

### 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	99%



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



## COMMUNITY COHESION SUBSAINABLE DEVELOPMENT

“ WITHIN 18 YEARS OF ESTABLISHMENT AND DEVELOPMENT WITH THE MISSION: "PROVIDING PRODUCTS AND SERVICES WITH HOA SEN BRAND, ENSURING INTERNATIONAL QUALITY, REASONABLE PRICES, DIVERSE MODELS, ENVIRONMENTALLY FRIENDLY PRODUCTS; MEETING CONSUMER DEMAND, CONTRIBUTING TO CHANGE THE COUNTRY'S ARCHITECTURAL STYLE AND COMMUNITY DEVELOPMENT; CONSTANTLY INNOVATE AND DEVELOP TO AFFIRM THE STATURE AND MISSION OF A DYNAMIC VIETNAMESE BUSINESS, INNOVATIVE, PIONEERING IN BOTH BUSINESS AND COMMUNITY ACTIVITIES, ACHIEVING A HIGH POSITION IN THE INTERNATIONAL MARKET". ”

## 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 SUCCESES 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

In the fiscal year 2018 - 2019, 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

The basis of information and data in the report are presented for the fiscal year 2018 – 2019 which begins on October 1, 2018 and ends on September 30, 2019. 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 2018 – 2019 and concerns orientation and target in the following years for Hoa Sen Group's sustainable development.

### METHOD OF PREPARING SUSTAINABLE DEVELOPMENT REPORT

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 2018 – 2019.

### COVERAGE OF SUSTAINABLE DEVELOPMENT REPORT

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

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

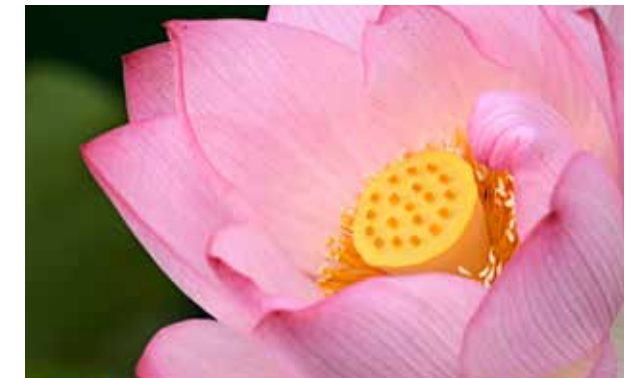
- Hoa Sen Group is one of vanguard group performing CSR (Corporate Social Responsibility). The Group always put social responsibility on top in sustainable development strategy.
- Committing environment factor over the development, minimizing impact to environment during the expansion and operation of 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>

## MATERIAL ISSUES



### DETERMINATION OF MATERIAL ISSUES

The Hoa Sen Group's sustainable development report of fiscal year 2018 – 2019 is prepared within the fluctuations of steel industry in Vietnam and international markets with critical competition. The US-China trade war and the increasing trend of protecting local businesses of many countries around the world make the export market meet a lot of obstacles. 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.

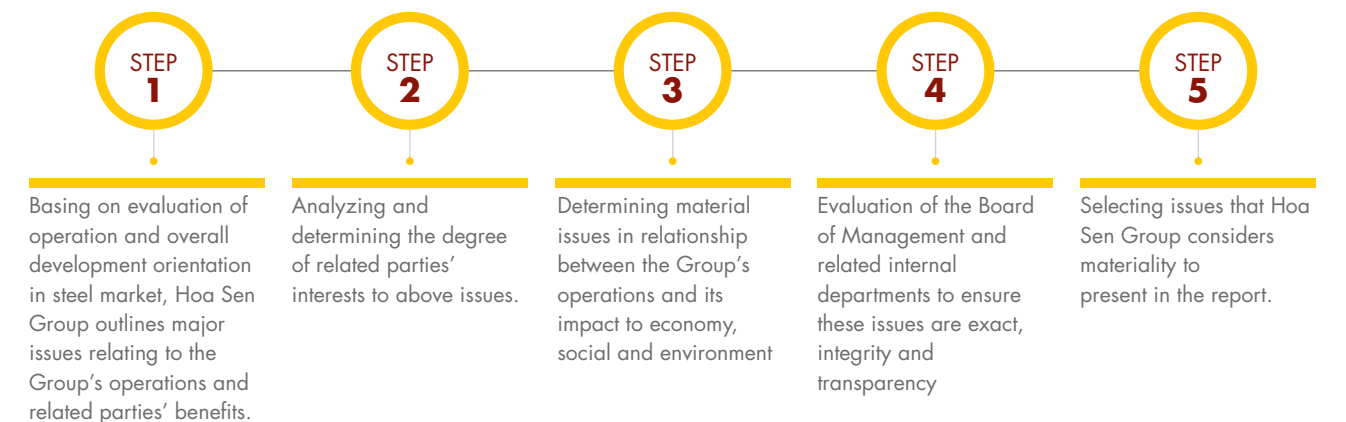
In fiscal year 2018 – 2019, the sustainable development report is prepared by assessing material issues that relating economy, social, environment to the Group's operations as well as satisfying related parties' demand. Determining correctly material issues is very important that ensure the best benefits 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.

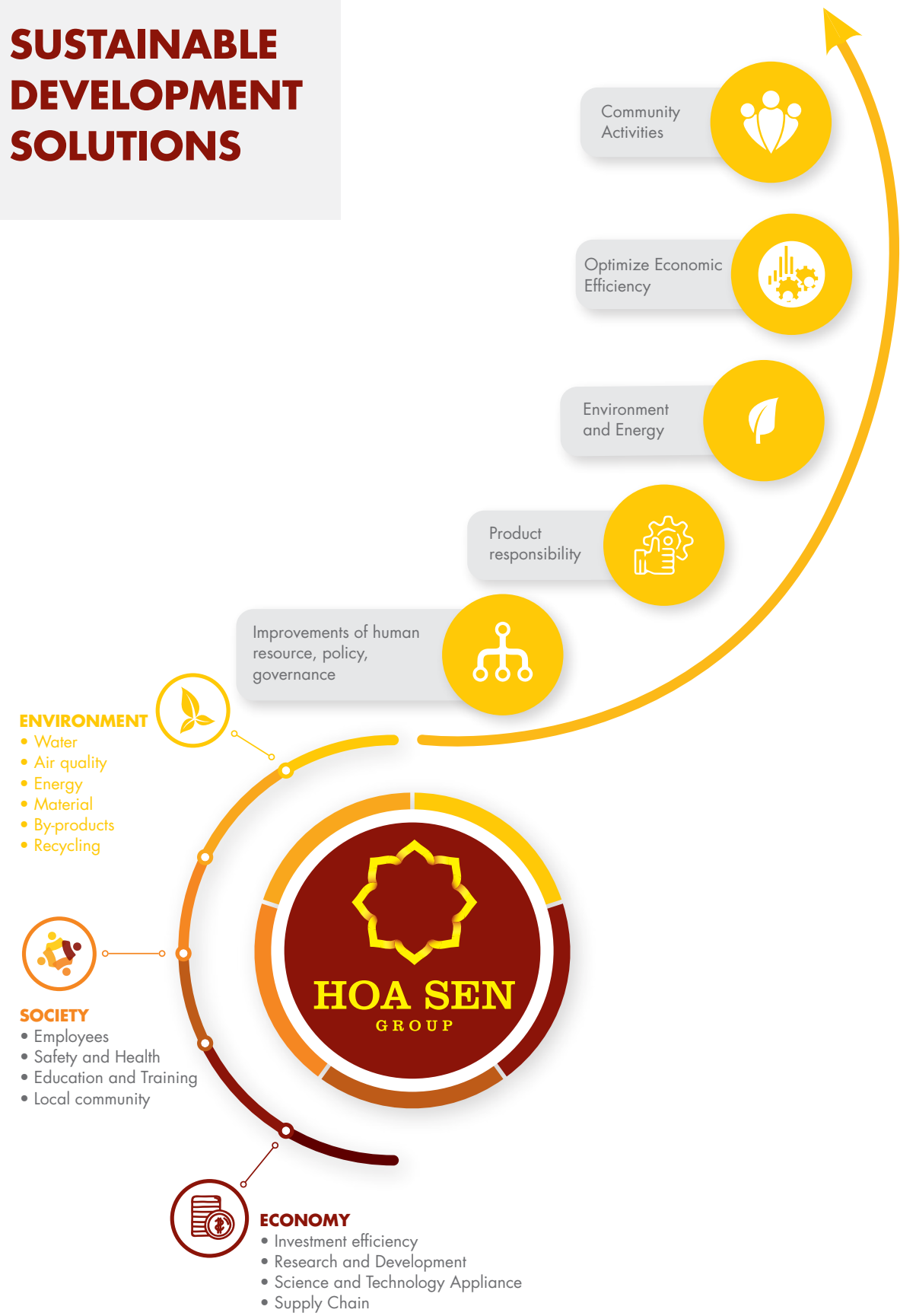
### PROCEDURE TO ASSESS MATERIAL ISSUES

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





## SUSTAINABLE DEVELOPMENT SOLUTIONS





## IMPROVEMENTS OF HUMAN RESOURCE, POLICY, GOVERNANCE



### RESPONSIBILITY TO EMPLOYEES

#### LABOR RELATIONSHIP

Strictly complying with the provisions of law, the collective labor agreement was signed to ensure the legitimate rights and interests of the employees and employers.

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.

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. 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.



### 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 2018 - 2019

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 2018 – 2019 decreased significantly (only 1 minor occupational accidents occurred), at the same time occupational disease was not realize.

In the fiscal year 2018 – 2019, 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

- 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 every year.
- 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 2018 - 2019, 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 maintenance, metal welding and cutting, and for workers who work at height.
  - Training course of first aid for the Group's first aid team.
  - Training course of radiation safety for employee who works in radiation environment.
  - Organizing rehearse to respond to chemical leakage, X-ray radiation problem and gamma radiation problem.
- 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

- The fire protecting and fighting team is organized in accordance with legislation.
- Annually inviting firefighter to inform new regulation of fire protecting and fighting as well as usage of fire equipment, fire fighting measure when problem occurs.
- Organizing rehearse of fire fighting at least once a year, getting ready when the worst situation occurs.
- Fire extinguishers are loaded regularly and ensure always ready. Renovating used fire extinguishers which do not meet the requirements of fire fighting.
- Fire alert system is maintained yearly by functional devisions
- Inspecting periodically safety of electrical system, preparing and fixing timely any state that leads to short-circuit.
- Once a year, implementing ground resistance measurement of anti-lightning system and electrical system.
- Holding non smoking rule within workshop area.
- Rechecking and labelling warning signs in easy-to-fire areas such as: chemical storage, CNG, NH3 station, kiln, painting area, etc.
- All divisions must carry out welding and cutting at clear areas. When required in flammable places, it must be shielded carefully to prevent fire-ray catching to flammable material and under the supervision of the Health and Safety employees.



## 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

- The fiscal year 2018 - 2019 is a challenging economic year not only for the global economy, Vietnam economy and construction materials industry in general but also for Hoa Sen Group in particular. However, the Board of Directors has had practical and effective solutions to take the Group through the most difficult times. One of the effective solutions is to promulgate, amend and supplement a number of salary policies to suit the business situation in each period to ensure the income of employees throughout the Group.
- 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

- Since employees become official employees of the Group, 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. Hoa Sen Group has adjusted the minimum salary for employees in accordance with the Government's regulations in January 2019. 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.
- In addition to the implementation of flexible salary, bonus and insurance policies according to legislation, the Group applies other welfare to employees including: organizing cultural, arts and sports activities to improve the spiritual life of employees on anniversaries, building communal canteens serving daily meals for workers and employees, providing uniform for employees, fully equipped with labor protection equipment in accordance with the law; shuttle bus for staff, supporting for female employees on International Women's Day and Vietnamese Women's Day, maternity support, support for employees when married, support for employees in mourning...
- In conjunction with the Labor Union, Hoa Sen Group also cares and takes care of the lives of employees in difficult circumstances, supporting vehicles to bring employees to their hometowns to celebrate Tet, giving gifts to employees' children every year on the occasion of International Children Day.
- In production and business activities, the Group always strictly complies with the provisions of law on safety, health and environmental protection, proactively preventing damage to people, properties and environment. Specifically, every 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. 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 advices effective treatments depending on

- examination's results in order to ensure employees working comfortably. The Company has actively implemented and always complied with the laws of environmental regulations such as: every year, the Group promulgates the policy of Quality - Environment and Occupational Health Safety with the purpose of ensuring safety in labor production and environmental protection.
- 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

- In fiscal year 2018 – 2019, 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, tec. 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 2018 - 2019 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 2018 - 2019, 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

- In addition to building appropriate salary, bonus and welfare policies, working environment is also an important factor for employees to stick with the business. Therefore, Hoa Sen Group always strives to maintain and build a friendly and united working environment by organizing activities to associate employees with each other as well as between employees and the Group.
- In the fiscal year 2018 - 2019, the Labor Union in collaboration with Hoa Sen Group organized arts, sports activities to celebrate the Group's 18th anniversary as follows:

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



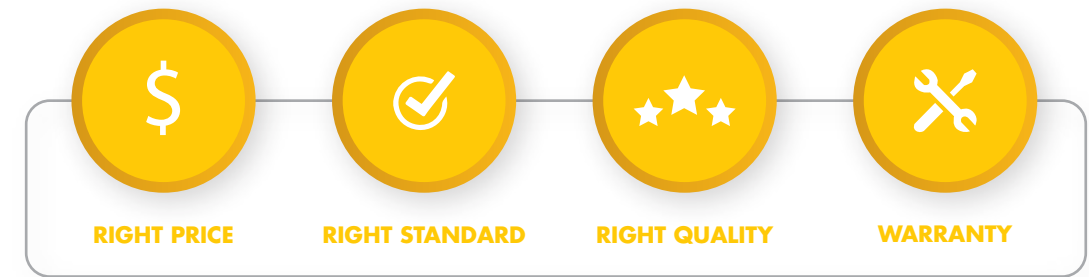
The product quality is strictly controlled from input material and on each stage to ensure product process complying with international standard and customer's quality demands by Hoa Sen Group. Hoa Sen Group established quality control processes with control indicators, quality standards, application 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

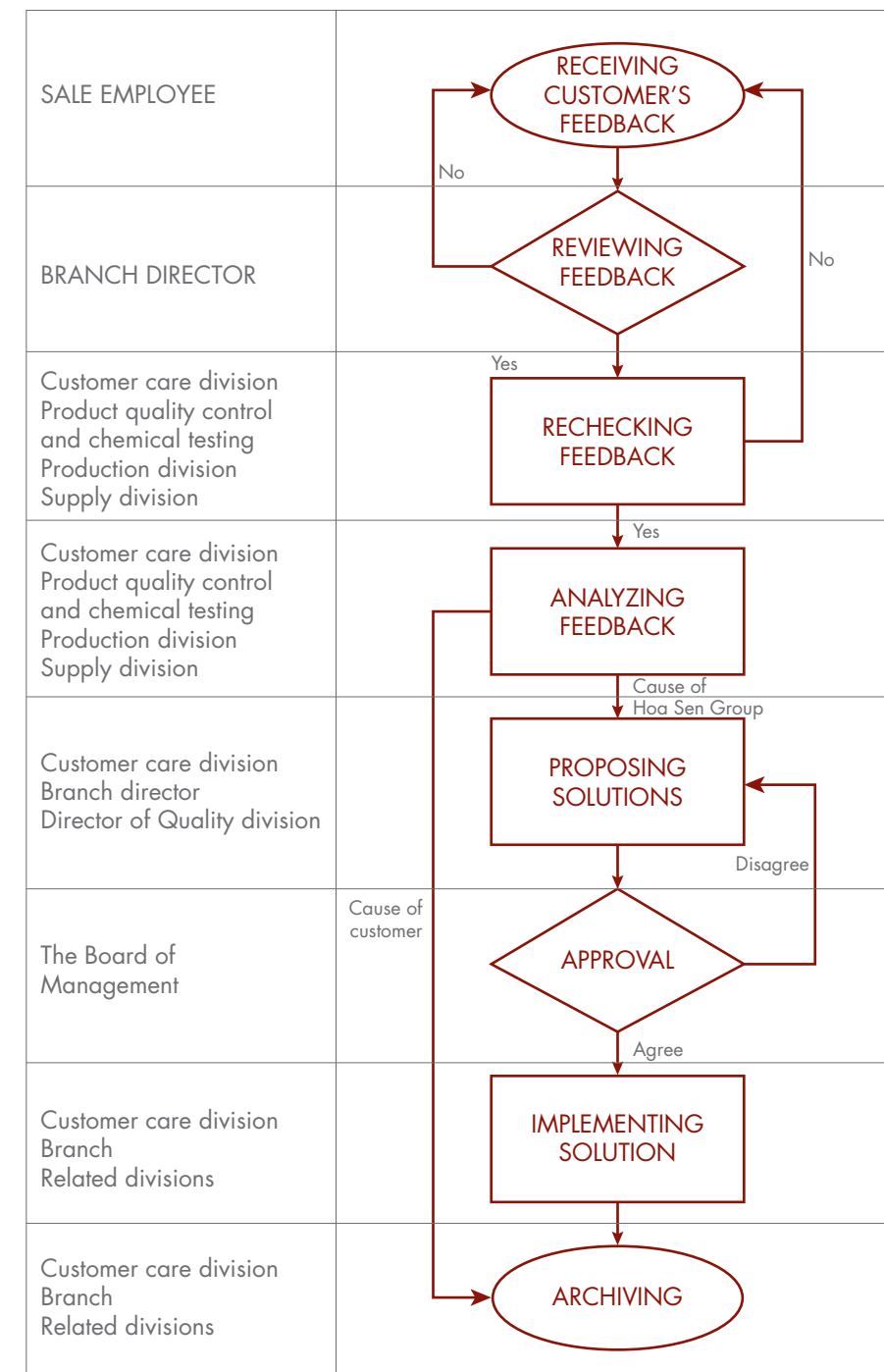


By investing advanced technology and reforming the lines, Hoa Sen Group did develop and maintain the integrated controlling system which consists of quality management system ISO 9001:2015, environmental management system ISO 14001:2015, occupational health and safety advisory services ISO 45000:2018 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

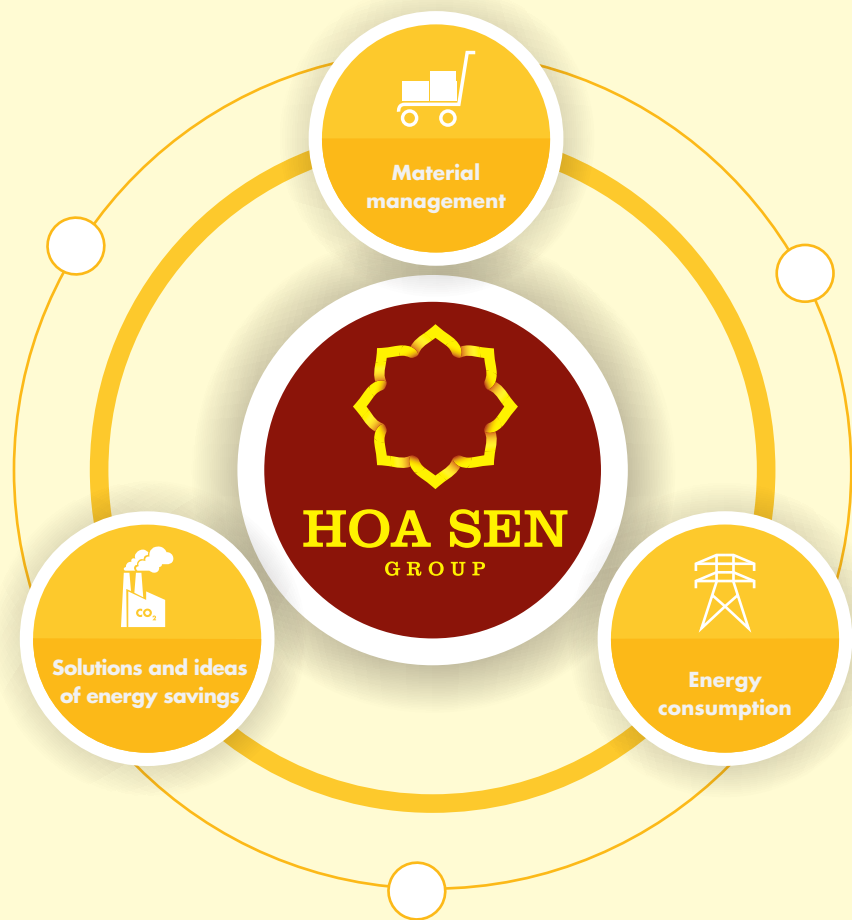


Hoa Sen Group has established warranty policy from 10 to 20 years for the products of Pre-Painted Galvanized Steel Sheet, Aluminum-Zinc Alloy Coated Steel Sheet and Pre-Painted Aluminum-Zinc Alloy Coated Steel Sheet. In addition, Hoa Sen Group is willing to receive all inquiries, complaints of product 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.

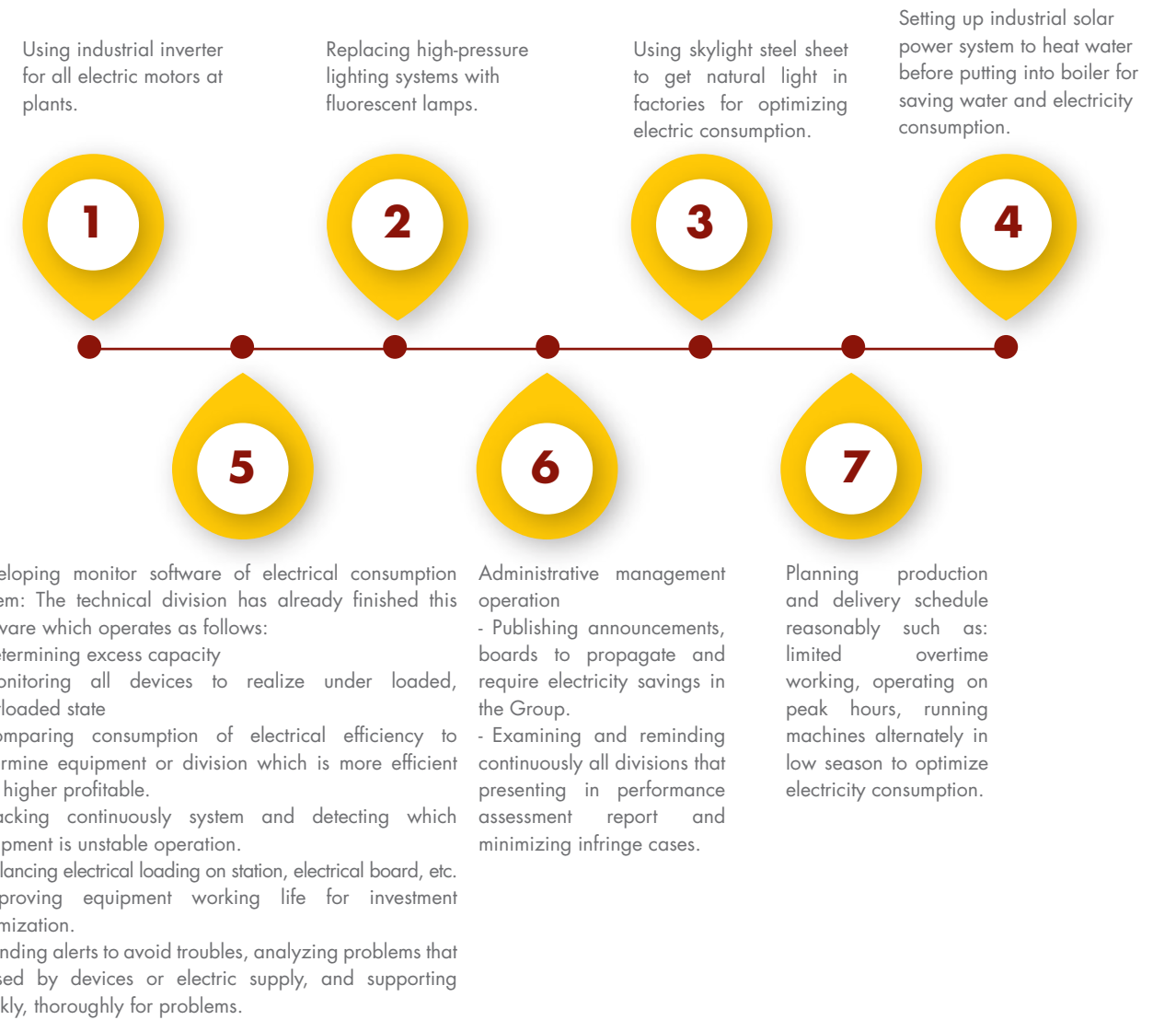


## ENERGY CONSUMPTION

### 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 2<sup>nd</sup> 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 800,000 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 20,000 tons /year and steel pipes with the capacity of 110,000 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 536 Branches and Stores (bán tiếng Việt sai rồi) , 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):



- 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

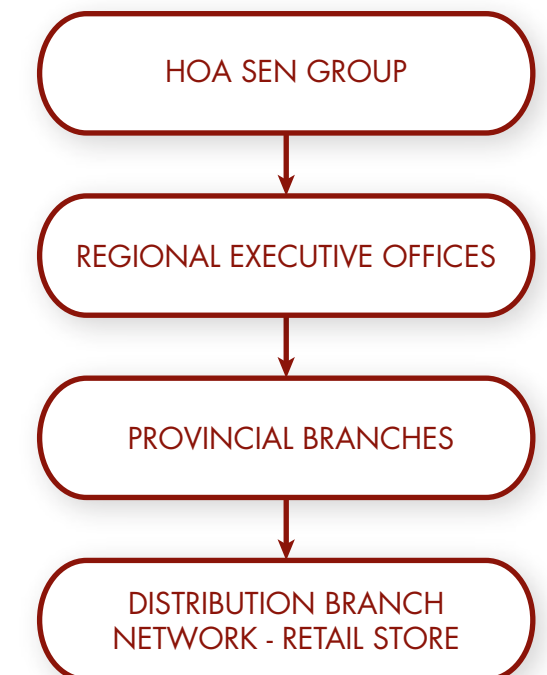
technology, hot-dip galvanized steel pipe line will produce products having coating mass with equal thickness, ensuring high corrosion resistance, keeping the quality and sustainability of works, machinery and equipment, at the same time maintaining aesthetics. Hot-dip galvanized steel pipe products 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:



“BEING CONSISTENT WITH THE BUSINESS PHILOSOPHY OF “**INTERGRITY – COMMUNITY – DEVELOPMENT**”, OVER THE PAST 18 YEAR, HOA SEN GROUP HAS ALWAYS BROUGHT HAPPINESS TO SHARE WITH THE COMMUNITIES THROUGH VARIOUS CHARITABLE ACTIVITIES.”

## “LOVING LEAF BAG” PROGRAM

"Loving Leaf Bag" is a voluntary program implemented nationwide by the Vietnam News Center VTV24 - Vietnam Television in collaboration with the Ministry of Labor and Social Policy Bank, starting from October 1, 2015. The program with the mission as a bridge for benefactors to support difficult circumstances across provinces and cities in all over the country, creating couples to support each other to overcome difficulties.

Accompanied by the "Loving Leaf Bag" in the 3rd year of the program, Hoa Sen Group and other sponsors have accompanied all the trips of the live TV program "Loving Leaf Bag" in 2019 to bring sharing and hope for a brighter future for children without access to school across the country. As a community-oriented enterprise, the sponsorship of the program "Loving Leaf Bag" is one of the activities that contribute to the work of society, demonstrating the community responsibility of Hoa Sen Group.



## VTV INTERNATIONAL WOMEN'S VOLLEYBALL CHAMPIONSHIP HOA SEN PLASTIC PIPE CUP 2019

With the desire to create healthy and professional playgrounds, promoting the development of the country's sports industry, Hoa Sen Group has become an annual sponsor for major sports tournaments, especially "VTV International Women's Volleyball Championship - Hoa Sen Plastic Pipe Cup". In 2019, the 16-year anniversary of organizing the tournament, with the enthusiastic efforts of Vietnam Television Station, Vietnam Volleyball Union and its companion - Hoa Sen Group, the leading enterprise in the field of steel sheet and steel in Vietnam and Southeast Asia, the Organizing Committee hopes to continue to bring a large and impressive VTV Cup, creating a large and prestigious playground for the teams to show their talents, dedication, fair – play and exciting matches for Vietnamese sports fans.





## VTV INTERNATIONAL CYCLING TOURNAMENT - HOA SEN STEEL SHEET CUP 2019

VTV International Cycling Tournament - Hoa Sen Steel Sheet Cup 2019 is an annual international tournament. With the message of Spreading the love, VTV International Cycling Tournament - Hoa Sen Steel Sheet Cup 2019 started from Hanoi capital on September 1, 2019, passing through provinces and cities including Bac Ninh, Hai Duong, Quang Ninh, Hai Phong, Thai Binh, Nam Dinh, Ninh Binh, Thanh Hoa, Ha Tinh, Quang Binh, Quang Tri, Thua Thien Hue, Da Nang and ended in Hoi An city, Quang Nam province on September 8, 2019 with 1,045km route. The tournament gathered 06 domestic racing teams with outstanding performance in the past 12 months and 06 international racing teams from clubs with top-class athletes, the race is an opportunity for the Vietnamese bicycle athletes are allowed to exchange and compete, improve their professional and technical qualifications, help the Vietnamese bicycle discipline to develop and meet international standards.

In particular, VTV International Cycling Tournament - Hoa Sen Steel Sheet Cup 2019 with the spirit of "Heritage Journey" to honor, introduce and promote Vietnam's famous cultural and natural heritages throughout the journey, which the racing teams went through such as Ha Long Bay, Trang An Scenic Complex, Thanh Nha Ho, Phong Nha Ke Bang National Park, Hue Monuments Complex, Hai Van Quan, Hoi An Ancient Town. In particular, the race ended on September 8, 2019 in Hoi An, Quang Nam also on the occasion of the 20th anniversary of Hoi An Ancient Town, My Son Temple Area which was recognized by UNESCO as a World Cultural Heritage and the 10th anniversary that Cu Lao Cham - Hoi An was recognized as a World Biosphere Reserve. VTV International Cycling Tournament - Hoa Sen Steel Sheet Cup 2019 is considered to be a healthy, professional and meaningful playground, while leaving many good impressions with international friends and sports fans in general and cycling in particular.



## HOA SEN GROUP DONATED 3,000M OF STEEL SHEET FOR DIFFICULT FAMILIES IN BINH BINH PROVINCE IN THE STORM NO.5

The aftermath of the storm No. 5 - Matmo leaving Binh Dinh province is extremely heavy, causing great damage to people and property. In order to support the people to overcome the consequences of the storm, Hoa Sen Group decided to donate 3,000 meters of steel sheet to the poor people whose roof were blown away by the storm and had no money to repair it. With these practical actions, Hoa Sen Group wishes to support people in flood and storm areas, help people soon stabilize their lives and develop their economy after natural disasters.



“ WITH MEANINGFUL COMMUNITY ACTIVITIES, HOA SEN GROUP HAS BEEN ASSERTING THE MISSION OF A PIONEERING ENTERPRISES IN BOTH BUSINESS AND COMMUNITY ACTIVITIES, CONFIRMING THE STATURE OF A DYNAMIC, CREATIVE, INNOVATING, AND DEVELOPING VIETNAMESE BUSINESS. ”





**LEADING, FRIENDLY AND  
COMMUNITY-ORIENTED  
BRAND**

**CORPORATE INFORMATION**

ENTERPRISE REGISTRATION 3700381324 8 August 2001

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

**BOARD OF DIRECTORS**

Mr. Le Phuoc Vu	Chairman
Mr. Tran Ngoc Chu	Vice Chairman
Mr. Tran Quoc Tri	Member
Mr. Ly Van Xuan	Member
Mr. Nguyen Van Luan	Member
Mr. Dinh Viet Duy	Member

**BOARD OF INTERNAL AUDIT**

Mr. Le Vu Nam	Head of Department
Mr. Le Dinh Hanh	Deputy Head of Department
Ms. Dong Thi Thanh Hang	Member

**BOARD OF MANAGEMENT**

Mr. Tran Quoc Tri	General Director
Mr. Hoang Duc Huy	Deputy General Director
Mr. Vu Van Thanh	Deputy General Director
Mr. Nguyen Minh Khoa	Deputy General Director
Mr. Ho Thanh Hieu	Deputy General Director
Mr. Tran Quoc Pham	Deputy General Director
Mr. Nguyen Ngoc Huy	Deputy General Director

**LEGAL REPRESENTATIVE**

Mr. Le Phuoc Vu	Chairman
Mr. Tran Ngoc Chu	Vice Chairman
Mr. Tran Quoc Tri	General Director

**REGISTERED OFFICE**

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

**AUDITOR**

KPMG Limited Vietnam

**STATEMENT OF THE BOARD OF DIRECTORS**

The Board of Directors of Hoa Sen Group ("the Company") presents this statement and the accompanying separate financial statements of the Company for the year ended 30 September 2019.

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

(a) The separate financial statements set out on pages 5 to 58 give a true and fair view of the unconsolidated financial position of the Company as at 30 September 2019, and of the unconsolidated results of operations and the unconsolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting; and

(b) At the date of this statement, there are no reasons to believe that the Company will not be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors



Tran Quoc Tri  
General Director

Ho Chi Minh City, 20 December 2019



**TO THE SHAREHOLDERS**

**HOA SEN GROUP**

We have audited the accompanying separate financial statements of Hoa Sen Group ("the Company"), which comprise the separate balance sheet as at 30 September 2019, the separate statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Company's Board of Directors on 20 December 2019, as set out on pages 5 to 58.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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



**Auditor's Opinion**

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

**Other Matter**

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

**KPMG Limited's Branch in Ho Chi Minh City**  
Vietnam  
Audit Report No.: 19-01-00214-19-1



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

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

**Ho Chi Minh City, 20 December 2019**



**Hoa Sen Group**  
Separate balance sheet as at 30 September 2019

Form B 01 – DN  
(Issued under Circular No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)

ASSETS	Code	Note	30/9/2019 VND	1/10/2018 VND
<b>CURRENT ASSETS</b> (100 = 110 + 120 + 130 + 140 + 150)	100		8,353,422,179,749	10,985,778,871,754
Cash and cash equivalents	110	5	222,264,128,540	171,659,888,989
Cash	111		222,120,606,665	171,516,367,114
Cash and cash equivalents	112		143,521,875	143,521,875
Short-term financial investments	120		75,750,000,000	270,387,032
Held-to-maturity investments	123	6(a)	75,750,000,000	270,387,032
Accounts receivable – short-term	130		5,167,377,333,616	7,860,565,817,787
Accounts receivable from customers	131	7	4,634,961,613,860	7,163,248,999,755
Prepayments to suppliers	132	8	60,553,917,594	184,158,011,340
Loans receivable – short-term	135	9(a)	-	3,660,295,900
Other short-term receivables	136	10(a)	480,496,148,586	515,431,702,357
Allowance for doubtful debts	137		(8,634,346,424)	(5,933,191,565)
Inventories	140	11	2,072,119,656,817	1,787,890,736,309
Inventories	141		2,102,406,071,644	1,806,472,903,289
Allowance for inventories	149		(30,286,414,827)	(18,582,166,980)
Other current assets	150		815,911,060,776	1,165,392,041,637
Short-term prepaid expenses	151	16(a)	78,075,432,104	75,749,637,153
Deductible value added tax	152		732,929,606,602	1,063,819,898,124
Taxes receivable from State Treasury	153	20(b)	4,906,022,070	25,822,506,360

The accompanying notes are an integral part of these separate financial statements.



**Hoa Sen Group**  
Separate balance sheet as at 30 September 2019 (continued)

Form B 01 – DN  
(Issued under Circular No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)

ASSETS	Code	Note	30/9/2019 VND	1/10/2018 VND
<b>LONG-TERM ASSETS</b> (200 = 210 + 220 + 240 + 250 + 260)	200		5,338,121,471,738	5,257,822,222,584
Accounts receivable – long-term	210		292,077,985,517	268,984,943,607
Loans receivable – long-term	215	9(b)	68,956,017,357	66,686,721,457
Other long-term receivables	216	10(b)	223,121,968,160	202,298,222,150
Fixed assets	220		1,725,295,312,625	1,961,681,186,678
Tangible fixed assets	221	12	1,441,875,639,868	1,591,695,704,971
Cost	222		3,390,288,246,734	3,260,932,231,963
Accumulated depreciation	223		(1,948,412,606,866)	(1,669,236,526,992)
Finance lease tangible fixed assets	224	13	65,309,125,812	81,263,218,413
Cost	225		76,397,768,336	98,947,748,174
Accumulated depreciation	226		(11,088,642,524)	(17,684,529,761)
Intangible fixed assets	227	14	218,110,546,945	288,722,263,294
Cost	228		259,599,505,310	320,066,755,310
Accumulated amortisation	229		(41,488,958,365)	(31,344,492,016)
Long-term work in progress	240		16,487,785,421	28,307,339,690
Construction in progress	242	15	16,487,785,421	28,307,339,690
Long-term financial investments	250		3,154,345,000,000	2,769,445,646,684
Investments in subsidiaries	251	6(b)	3,138,345,000,000	2,677,776,000,000
Investments in associates	252	6(b)	-	43,515,000,000
Allowance for diminution in the value of long-term financial investments	254	6(b)	-	(13,445,353,316)
Held-to-maturity investments	255	6(a)	16,000,000,000	61,600,000,000
Other long-term assets	260		149,915,388,175	229,403,105,925
Long-term prepaid expenses	261	16(b)	128,815,049,868	207,352,425,398
Deferred tax assets	262	17	21,100,338,307	22,050,680,527
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>13,691,543,651,487</b>	<b>16,243,601,094,338</b>

The accompanying notes are an integral part of these separate financial statements.



**Hoa Sen Group**  
Separate balance sheet as at 30 September 2019 (continued)

Form B 01 – DN  
(Issued under Circular No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)

RESOURCES	Code	Note	30/9/2019 VND	1/10/2018 VND
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		7,712,594,884,188	10,859,529,755,393
Current liabilities	310		7,662,216,467,599	10,785,335,064,915
Accounts payable to suppliers	311	18	1,370,637,850,790	1,111,659,624,255
Advances from customers	312	19	84,802,615,349	199,065,234,433
Taxes payable to State Treasury	313	20(a)	61,573,960,649	49,437,391,726
Payables to employees	314		46,039,923,293	63,430,563,768
Accrued expenses	315	21	92,362,758,133	117,856,182,101
Other payables – short-term	319	22	255,621,047,448	191,432,011,486
Short-term borrowings and finance lease liabilities	320	23(a)	5,706,275,512,506	9,010,977,033,379
Bonus and welfare fund	322	24	44,902,799,431	41,477,023,767
Long-term liabilities	330		50,378,416,589	74,194,690,478
Other payables – long-term	337		709,500,000	-
Long-term borrowings and finance lease liabilities	338	23(b)	47,195,880,089	71,352,839,728
Provisions – long-term	342	25	2,473,036,500	2,841,850,750
EQUITY (400 = 410)	400		5,978,948,767,299	5,384,071,338,945
Owners' equity	410	26	5,978,948,767,299	5,384,071,338,945
Share capital	411	27	4,234,694,890,000	3,849,903,280,000
- Ordinary shares with voting rights	411a		4,234,694,890,000	3,849,903,280,000
Share premium	412		151,583,183,521	151,583,183,521
Treasury shares	415		(2,459,000,000)	(1,343,000,000)
Other equity funds	420		55,626,670,135	60,509,750,556
Retained profits	421		1,539,503,023,643	1,323,418,124,868
- Retained profits brought forward	421a		928,395,663,920	818,143,985,703
- Profit for the current year	421b		611,107,359,723	505,274,139,165
TOTAL RESOURCES (440 = 300 + 400)	440		13,691,543,651,487	16,243,601,094,338

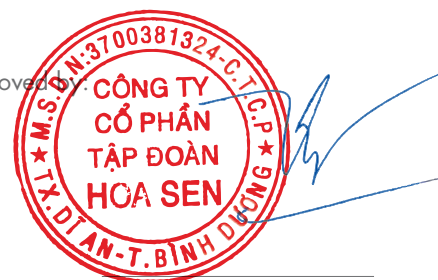
20 December 2019

Prepared by:

Nguyen Thi Thanh Tuyen  
Accountant

Approved by:

Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Quoc Tri  
General Director

The accompanying notes are an integral part of these separate financial statements.



**Hoa Sen Group**  
Separate statement of income for the year ended 30 September 2019

Form B 02 – DN  
(Issued under Circular No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)

	Code	Note	Year ended	
			30/9/2019 VND	30/9/2018 VND (Reclassified)
REVENUE FROM SALES OF GOODS AND PROVISION OF SERVICES	01	29	44,795,852,916,502	59,977,961,162,366
Revenue deductions	02	29	25,815,045,304	113,760,574,901
Net revenue (10 = 01 - 02)	10	29	44,770,037,871,198	59,864,200,587,465
Cost of sales	11	30	42,509,205,331,768	57,061,310,696,192
Gross profit (20 = 10 - 11)	20		2,260,832,539,430	2,802,889,891,273
Financial income	21	31	400,189,675,049	539,309,325,068
Financial expenses	22	32	439,093,531,704	614,816,857,761
In which: Interest expense	23		399,146,337,196	458,729,805,247
Selling expenses	25	33	1,452,918,463,175	1,710,615,254,221
General and administration expenses	26	34	311,821,718,805	494,847,430,766
Net operating profit {30 = 20 + (21 - 22) - (25 + 26)}	30		457,188,500,795	521,919,673,593
Other income	31	35	245,868,531,680	52,932,603,565
Other expenses	32		4,540,253,461	1,114,182,751
Results of other activities (40 = 31 - 32)	40		241,328,278,219	51,818,420,814
Accounting profit before tax (50 = 30 + 40)	50		698,516,779,014	573,738,094,407
Income tax expense – current	51	37	86,459,077,071	57,537,903,508
Income tax expense – deferred	52	37	950,342,220	10,926,051,734
NET PROFIT AFTER TAX (60 = 50 - 51 - 52)	60		611,107,359,723	505,274,139,165

20 December 2019

Prepared by:

Nguyen Thi Thanh Tuyen  
Accountant

Approved by:

Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Quoc Tri  
General Director

The accompanying notes are an integral part of these separate financial statements.



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

Form B 03 – DN  
(Issued under Circular No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)

	Code	Note	Year ended	
			30/9/2019 VND	30/9/2018 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Accounting profit before tax	01		698,516,779,014	573,738,094,407
Adjustments for				
Depreciation and amortisation	02		351,886,248,928	322,385,755,534
Allowances and provisions	03		960,049,390	(25,511,932,453)
Exchange losses arising from revaluation of monetary items denominated in foreign currencies	04		1,468,280,700	47,305,340,201
Profits from investing activities	05		(488,127,106,820)	(486,088,302,864)
Interest expense	06		399,146,337,196	458,729,805,247
<b>Operating profit before changes in working capital</b>	<b>08</b>		<b>963,850,588,408</b>	<b>890,558,760,072</b>
Change in receivables	09		2,571,484,034,504	(2,360,829,298,260)
Change in inventories	10		(295,933,168,355)	3,644,342,779,949
Change in payables and other liabilities	11		517,210,365,393	(2,314,955,937,226)
Change in prepaid expenses	12		76,955,554,774	8,018,371,205
			<b>3,833,567,374,724</b>	<b>(132,865,324,260)</b>
Interest paid	14		(405,309,711,905)	(457,469,733,777)
Income tax paid	15		(65,569,893,516)	(123,097,749,073)
Other payments for operating activities	17		(13,390,811,230)	(94,659,631,874)
<b>Net cash flows from operating activities</b>	<b>20</b>		<b>3,349,296,958,073</b>	<b>(808,092,438,984)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for additions to fixed assets and other long-term assets	21		(236,953,833,251)	(267,516,192,217)
Proceeds from disposals of fixed assets and other long-term assets	22		281,379,640,355	164,810,675,146
Payment for granting loans and term deposits	23		(105,390,000,000)	(297,965,882,761)
Collections on loans receivable and term deposits	24		76,870,387,032	116,105,320,725
Payments for investments in subsidiaries	25		(14,766,000,000)	(181,954,141,602)
Collections on disposals of investments in other entities	26		18,018,280,991	156,446,681,583
Receipts of interests and dividends	27		13,147,284,616	5,427,688,553
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>30</b>		<b>32,305,759,743</b>	<b>(304,645,850,573)</b>

The accompanying notes are an integral part of these separate financial statements.



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

Form B 03 – DN  
(Issued under Circular No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)

	Code	Note	Year ended	
			30/9/2019 VND	30/9/2018 VND
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments for shares redemptions	32		(1,116,000,000)	(1,343,000,000)
Proceeds from borrowings	33		18,554,179,258,809	26,978,521,614,736
Proceeds from sales and lease back	33		16,652,613,833	57,710,635,046
Payments to settle loan principals	34		(21,860,836,633,450)	(25,622,600,226,615)
Payments to settle finance lease liabilities	35		(36,886,118,070)	(14,177,118,427)
Payments of dividends	36		(225,251,900)	(350,060,974,500)
<b>Net cash flows from financing activities</b>	<b>40</b>		<b>(3,328,232,130,778)</b>	<b>1,048,050,930,240</b>
<b>Net cash flows during the year (50 = 20 + 30 + 40)</b>	<b>50</b>		<b>53,370,587,038</b>	<b>(64,687,359,317)</b>
Cash and cash equivalents at the beginning of the year	60		171,659,888,989	239,918,988,521
Effect of exchange rate fluctuations on cash and cash equivalents	61		(2,766,347,487)	(3,571,740,215)
<b>Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61)</b>	<b>70</b>	<b>5</b>	<b>222,264,128,540</b>	<b>171,659,888,989</b>

20 December 2019

Prepared by:

Nguyen Thi Thanh Tuyen  
Accountant

Approved:

Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Quoc Tri  
General Director

The accompanying notes are an integral part of these separate financial statements.



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

## **1. REPORTING ENTITY**

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

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

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

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

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

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

The normal operating cycle of the Company is generally within 12 months.

### **(d) Company structure**

As at 30 September 2019, the Company had 16 subsidiaries and 1 associate (1/10/2018: 15 subsidiaries and 2 associates) listed in the Note 6(b).

As at 30 September 2019, the Company had 4,489 employees (1/10/2018: 4,406 employees).

## **2. BASIS OF PREPARATION**

### **(a) Statement of compliance**

The separate financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting. The Company prepares and issues its consolidated financial statements separately. For a comprehensive understanding of the Company’s consolidated financial position, its consolidated results of operations and its consolidated cash flows, these separate financial statements should be read in conjunction with the consolidated financial statements.



### **(b) Basis of measurement**

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

### **(c) Going concern assumption**

The separate financial statements have been prepared on a going concern basis. As at the balance sheet date, the Company had significant loans that will require refinancing within the next 12 months (Note 23). The validity of the going concern assumption fundamentally depends on the Company being able to generate sufficient cash flows from its activities and to maintain the credit limit granted by financial institutions to enable the Company to meet its liabilities as and when they fall due and to maintain the Company in existence as a going concern for the foreseeable future.

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

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

### **(d) Annual accounting period**

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

### **(e) Accounting and presentation currency**

The Company’s accounting currency is Vietnam Dong (“VND”), which is also the currency used for financial statements presentation purpose.





### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted by the Company in the preparation of these separate financial statements.

#### (a) Foreign currency transactions

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

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the buying and selling exchange rates, respectively at the end of the accounting period quoted by the commercial bank where the Company most frequently conducts transactions.

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

#### (b) Cash and cash equivalents

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

#### (c) Investments

##### (i) Held-to-maturity investments

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

##### (ii) Investments in subsidiaries and associates

For the purpose of this separate financial statements, investments in subsidiaries and associates are initially recognised at cost which include purchase price plus any directly attributable transaction costs. Subsequent to initial recognition, these investment are stated at cost less allowance for diminution in value. An allowance is made for diminution in investment values if the investee has suffered a loss, except where such a loss was anticipated by the Company before making the investment. The allowance is reversed if the investee subsequently made a profit that offsets the previous loss for which the allowance had been made. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.



#### (d) Accounts receivable

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

#### (e) Inventories

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

The Company applies the perpetual method of accounting for inventories.

#### (f) Tangible fixed assets

##### (i) Cost

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

##### (ii) Depreciation

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

• BUILDINGS AND STRUCTURES	5 – 50 YEARS
• MACHINERY AND EQUIPMENT	3 – 10 YEARS
• MOTOR VEHICLES	2 – 10 YEARS
• OFFICE EQUIPMENT	3 – 10 YEARS
• OTHERS	3 – 8 YEARS



### **(g) Finance lease tangible fixed assets**

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

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

### **(h) Intangible fixed assets**

#### **(i) Land use rights**

Land use rights comprise:

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

Land use rights are stated at cost less accumulated amortisation. The initial cost of land use rights comprises the value of the right and any direct attributable costs incurred in conjunction with securing the land use rights. Land use rights with definite term are amortised on a straight-line basis over term of land use rights which is from 14 years to 55 years. Land use rights with indefinite term are not amortised.

#### **(ii) Software**

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

#### **(i) Construction in progress**

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



### **(j) Long-term prepaid expenses**

#### **(i) Advertising panels**

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

#### **(ii) Tools and instruments**

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

#### **(iii) Prepaid rental expenses**

Prepaid rental expenses comprise prepaid rentals for using warehouse during the Company's production and business operations and are initially recognised at cost. These costs are recognised in the separate statement of income on a straight-line basis over lease term ranging from 2 to 3 years.

#### **(iv) Maintenance expenses**

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

### **(k) Trade and other payables**

Trade and other payables are stated at their costs.

### **(l) Provisions**

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



#### Severance allowance

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

#### **(m) Share capital**

##### (i) Ordinary shares

Ordinary shares are recognised at par value.

##### (ii) Share premium

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

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

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



#### **(n) Taxation**

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

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

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

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

#### **(o) Revenue and other income**

##### (i) Goods sold

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

##### (ii) Services rendered

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

##### (iii) Interest income

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



(iv) Dividend income

Dividend income is recognised when the right to receive dividend is established.

**(p) Operating lease payments**

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

**(q) Borrowing costs**

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

**(r) Segment reporting**

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

**(s) Related parties**

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



**4. SEGMENT REPORTING**

**(a) Business segments**

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

**(b) Geographical segments**

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

	Geographical segments		
	Local VND	Export VND	Total VND
Year ended 30 September 2019			
Revenue	36,259,554,008,527	8,510,483,862,671	44,770,037,871,198
Cost of sales	(34,311,894,762,774)	(8,197,310,568,994)	(42,509,205,331,768)
	<b>1,947,659,245,753</b>	<b>313,173,293,677</b>	<b>2,260,832,539,430</b>
Year ended 30 September 2018			
Revenue	47,554,460,913,811	12,309,739,673,654	59,864,200,587,465
Cost of sales	(45,735,617,545,530)	(11,325,693,150,662)	(57,061,310,696,192)
	<b>1,818,843,368,281</b>	<b>984,046,522,992</b>	<b>2,802,889,891,273</b>



## 5. CASH AND CASH EQUIVALENTS

	30/9/2019 VND	1/10/2018 VND
Cash on hand	42,895,838,820	48,240,229,076
Cash in banks	177,399,908,259	122,549,584,478
Cash in transit	1,824,859,586	726,553,560
Cash equivalents (*)	143,521,875	143,521,875
	<b>222,264,128,540</b>	<b>171,659,888,989</b>

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

## 6. INVESTMENTS

### (a) Held-to-maturity investments

#### (i) Held-to-maturity investments – short-term

Held-to-maturity investments – short-term represented term deposits at banks with original terms to maturity of more than 3 months from transaction dates but less than 12 months from the period ended and earned annual interest rate from 5.5 to 6.4 % (1/10/2018: 5.3%).

As at 30 September 2019, held-to-maturity investments – short-term amounting to VND75 billion (1/10/2018: VND270 million) were pledged at banks.



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

	30/9/2019 VND	1/10/2018 VND
Bonds issued by Vietnam Bank for Industry and Trade Securities Joint Stock Company (*)	15,000,000,000	15,000,000,000
Bonds issued by Vietnam Bank for Agriculture and Rural Development - Saigon Branch (**)	1,000,000,000	-
Bonds issued by Vietnam Joint Stock Commercial Bank For Industry and Trade (***)	-	46,600,000,000
	<b>16,000,000,000</b>	<b>61,600,000,000</b>

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

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

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



**(b) Long-term financial investments**

	30/9/2019		1/10/2018			
	% of equity owned and voting rights	Cost VND	Allowance VND	% of equity owned and voting rights	Cost VND	Allowance VND
<b>Investments in subsidiaries</b>						
Hoa Sen Nghe An One Member Limited Liabilities Company	100%	1,100,000,000,000	-	100%	1,100,000,000,000	-
Hoa Sen Nhon Hoi - Binh Dinh One Member Limited Liability Company	100%	770,000,000,000	-	100%	420,000,000,000	-
Hoa Sen Steel One Member Company Limited	100%	280,000,000,000	-	100%	280,000,000,000	-
Hoa Sen Phu My One Member Limited Liabilities Company	100%	250,000,000,000	-	100%	250,000,000,000	-
Hoa Sen Ha Nam One Member Limited Liabilities Company	100%	200,000,000,000	-	100%	200,000,000,000	-
Hoa Sen Building Materials Company Limited	100%	150,000,000,000	-	100%	150,000,000,000	-
Hoa Sen Binh Dinh Sole Member Limited Company	100%	105,000,000,000	-	100%	105,000,000,000	-
Hoa Sen Yen Bai Joint Stock Company	95%	114,000,000,000	-	70%	84,000,000,000	-
Hoa Sen Yen Bai Building Materials One Member Limited Liabilities Company	100%	50,000,000,000	-	100%	50,000,000,000	-
Hoa Sen Transportation and Engineering One Member Limited Liability Company	-	-	-	100%	16,276,000,000	-
Hoa Sen Ca Na - Ninh Thuan Integrated Iron and Steel Complex Investment One Member Limited Liabilities Company	100%	15,000,000,000	-	100%	15,000,000,000	-
Hoa Sen Ca Na - Ninh Thuan Industrial Park Infrastructure Investment One Member Limited Liabilities Company	100%	4,000,000,000	-	100%	4,000,000,000	-
Hoa Sen Ca Na - Ninh Thuan International General Seaport One Member Limited Liabilities Company	100%	6,000,000,000	-	100%	3,500,000,000	-
Hoa Sen Ca Na - Ninh Thuan Renewable Energy One Member Limited Liabilities Company (i)	100%	-	-	100%	-	-
Hoa Sen Ca Na - Ninh Thuan Cement One Member Limited Liabilities Company (ii)	100%	-	-	100%	-	-



	30/9/2019		1/10/2018			
	% of equity owned and voting rights	Cost VND	Allowance VND	% of equity owned and voting rights	Cost VND	Allowance VND
<b>Investment in associates</b>						
Hoa Sen Quy Nhon Joint Stock Company (iv)	99%	61,380,000,000	-	-	-	-
Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company (v)	95%	32,965,000,000	-	-	-	-
		3,138,345,000,000	-		2,677,776,000,000	-
<b>Investment in associates</b>						
Hoa Sen Quy Nhon Joint Stock Company	-	-	-	45%	27,900,000,000	-
Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company	-	-	-	45%	15,615,000,000	(13,445,353,316)
Hoa Sen International Port Joint Stock Company (iii)	49%	-	-	-	-	-
		3,138,345,000,000	-		43,515,000,000	(13,445,353,316)
			-		2,721,291,000,000	(13,445,353,316)

- (i) Hoa Sen Ca Na - Ninh Thuan Renewable Energy One Member Limited Liabilities Company was incorporated under the Enterprise Registration Certificate No. 4500607960 issued by the Department of Planning and Investment of Ninh Thuan Province on 8 August 2016, in which the Company owned 100% ownership. As at 30 September 2019, the Company has not contributed capital to Hoa Sen Ca Na - Ninh Thuan Renewable Energy One Member Limited Liabilities Company.
- (ii) Hoa Sen Ca Na - Ninh Thuan Cement One Member Limited Liabilities Company was incorporated under the Enterprise Registration Certificate No. 4500607946 issued by the Department of Planning and Investment of Ninh Thuan Province on 8 August 2016, in which the Company owned 100% ownership. As at 30 September 2019, the Company has not contributed capital to Hoa Sen Ca Na - Ninh Thuan Cement One Member Limited Liabilities Company.



**Hoa Sen Group**  
**Notes to the separate financial statements for the year ended 30 September 2019**  
(continued)

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- (iii) Hoa Sen International Port Joint Stock Company was incorporated under the Enterprise Registration Certificate No. 3502399898 issued by the Department of Planning and Investment of Ba Ria Vung Tau Province on 5 July 2019, in which the Company owned 49% ownership. As at 30 September 2019, the Company has not contributed capital to Hoa Sen International Port Joint Stock Company.
- (iv) On 6 December 2018, the Company acquired 54% of equity interest of Hoa Sen Quy Nhon Joint Stock Company (“Hoa Sen Quy Nhon”), increasing the percentage of equity interest in Hoa Sen Quy Nhon from 45% to 99% at a purchase price of VND33,480 million.
- (v) On 6 December 2018, the Company acquired 50% of equity interest of Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company (“Hoa Sen Du Long”), increasing the percentage of equity interest in Hoa Sen Du Long from 45% to 95% at a purchase price of VND17,350 million.

Movements in allowance for diminution in the value of long-term financial investments during the year were as follows:

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Opening balance	13,445,353,316	35,933,075,667
Allowance made during the year	-	13,445,353,316
Allowance reversed during the year	(13,445,353,316)	(35,933,075,667)
Closing balance	-	13,445,353,316

## 7. ACCOUNTS RECEIVABLE FROM CUSTOMERS

### (a) Accounts receivable from customers detailed by significant customers

	30/9/2019 VND	1/10/2018 VND
Hoa Sen Nghe An One Member Limited Liabilities Company	1,193,849,773,641	1,200,868,459,695
Hoa Sen Steel One Member Company Limited	891,489,275,891	2,274,374,701,634
Hoa Sen Nhon Hoi - Binh Dinh One Member Limited Liability Company	709,674,610,157	1,307,539,434,530
Hoa Sen Building Materials Company Limited	599,279,619,058	570,934,978,238
Other customers	1,240,668,335,113	1,809,531,425,658
	<b>4,634,961,613,860</b>	<b>7,163,248,999,755</b>



**Hoa Sen Group**  
**Notes to the separate financial statements for the year ended 30 September 2019**  
(continued)

Form B 09 – DN  
(Issued under Circular No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)

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

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

	30/9/2019 VND	1/10/2018 VND
<b>Subsidiaries</b>		
Hoa Sen Nghe An One Member Limited Liabilities Company	1,193,849,773,641	1,200,868,459,695
Hoa Sen Steel One Member Company Limited	891,489,275,891	2,274,374,701,634
Hoa Sen Nhon Hoi - Binh Dinh One Member Limited Liability Company	709,674,610,157	1,307,539,434,530
Hoa Sen Building Materials Company Limited	599,279,619,058	570,934,978,238
Hoa Sen Phu My One Member Limited Liabilities Company	350,873,130,558	291,904,280,843
Hoa Sen Binh Dinh Sole Member Limited Company	18,396,882,422	-
Hoa Sen Ha Nam One Member Limited Liabilities Company	120,453,182	15,062,949,385
<b>Company owned by the Company's Chairman</b>		
Hoa Sen Holdings Group	-	775,500

The trade related amounts due from the related party were unsecured, interest free and are receivable in 365 days from invoice date for subsidiaries and 45 days from invoice date for company owned by the Company's Chairman.

## 8. PREPAYMENTS TO SUPPLIERS

### (a) Phải thu của khách hàng chi tiết theo khách hàng lớn

	30/9/2019 VND	1/10/2018 VND
<b>Subsidiaries</b>		
Hoa Sen Binh Dinh Sole Member Limited Company	8,000,000,000	-
Hoa Sen Nhon Hoi - Binh Dinh One Member Limited Liability Company	-	141,210,746,400
Hoa Sen Ha Nam One Member Limited Liabilities Company	-	3,089,692,968
Hoa Sen Yen Bai Building Materials One Member Limited Liabilities Company	-	425,516,000
<b>Third parties</b>		
Glencore International AG	18,231,447,222	1,781,275,187
Vuong Steel Company Limited	14,070,540,000	-
Vung Tau Low Pressure Gas Distribution Enterprise	11,239,581,644	9,189,153,750
Other suppliers	9,012,348,728	28,461,627,035
	<b>60,553,917,594</b>	<b>184,158,011,340</b>



## 9. LOANS RECEIVABLE

### (a) Loans receivable – short-term

	30/9/2019 VND	1/10/2018 VND
Loans receivable from Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company – a subsidiary	-	3,660,295,900

This loan was unsecured, with original term of 12 months and earned annual interest at rate 5.3% (1/10/2018: 5.3%). During the year, this short-term loan receivable was converted to long-term loan receivable.

### (b) Loan receivable – long-term

	30/9/2019 VND	1/10/2018 VND
Loans receivable from Hoa Sen Yen Bai Joint Stock Company – a subsidiary (*)	59,386,721,457	66,686,721,457
Loans receivable from Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company – a subsidiary (**)	9,569,295,900	-
	<b>68,956,017,357</b>	<b>66,686,721,457</b>

(\*) This loan was unsecured, with original term of 24 months and earned annual interest at rate 8% (1/10/2018: 8%).

(\*\*) This loan was unsecured, with original term of 24 months and earned annual interest at rate 9%.

## 10. OTHER RECEIVABLES

### (a) Other short-term receivables

	30/9/2019 VND	1/10/2018 VND
Profit distribution	335,992,976,173	358,392,102,244
Advances for purchase of lands	45,462,225,000	90,183,227,000
Advances to employees	42,172,559,060	27,619,762,719
Receivables from disposals of associate	-	15,665,290,474
Interest income from banks deposits and loan receivables	4,138,131,142	6,990,313,620
Short-term deposits	47,429,007,100	5,713,929,000
Others	5,301,250,111	10,867,077,300
	<b>480,496,148,586</b>	<b>515,431,702,357</b>



## Other short-term receivables from related parties

	30/9/2019 VND	1/10/2018 VND
<b>Subsidiaries</b>		
Hoa Sen Yen Bai Joint Stock Company	3,240,016,429	6,654,971,231
Hoa Sen Ca Na - Ninh Thuan Integrated Iron and Steel Complex Investment One Member Limited Liabilities Company	923,312,250	923,312,250
Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company	898,114,713	335,342,389
Hoa Sen Ha Nam One Member Limited Liabilities Company	89,195,500	118,970,000
Hoa Sen Ca Na - Ninh Thuan Cement One Member Limited Liabilities Company	16,000,000	13,000,000
Hoa Sen Ca Na - Ninh Thuan Renewable Energy One Member Limited Liabilities Company	16,000,000	13,000,000
Hoa Sen Nghe An One Member Limited Liabilities Company	215,594,389,876	161,600,175,097
Hoa Sen Building Materials Company Limited	105,657,512,793	144,875,735,339
Hoa Sen Steel One Member Company Limited	8,123,622,505	34,568,169,073
Hoa Sen Binh Dinh Sole Member Limited Company	6,627,350,999	11,529,995,357
Hoa Sen Transportation and Engineering One Member Limited Liability Company	-	5,818,027,378
<b>Other related parties</b>		
Hoa Sen Holdings Group	1,870,000,000	-
<b>Key management personnel</b>		
Mr. Hoang Duc Huy – Deputy General Director	45,474,025,000	91,550,690,256

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

### (b) Other long-term receivables

	30/9/2019 VND	1/10/2018 VND
Deposits for rental	222,016,729,000	202,093,222,150
Others	1,105,239,160	205,000,000
	<b>223,121,968,160</b>	<b>202,298,222,150</b>





## 11. INVENTORIES

	30/9/2019		1/10/2018	
	Cost VND	Allowance VND	Cost VND	Allowance VND
Goods in transit	456,751,932,912	-	47,688,056,628	-
Raw materials	175,996,261,041	(2,180,301,928)	296,974,292,857	-
Tools and supplies	177,042,260,035	-	215,430,530,762	-
Work in progress	4,817,698	-	17,520,962	-
Finished goods	750,671,538,786	(21,575,247,989)	734,738,921,821	(18,256,823,977)
Merchandise inventories	541,939,261,172	(6,530,864,910)	511,623,580,259	(325,343,003)
	<b>2,102,406,071,644</b>	<b>(30,286,414,827)</b>	<b>1,806,472,903,289</b>	<b>(18,582,166,980)</b>

At 30 September 2019 inventories with carrying value of VND1,285,431 million (1/10/2018: VND1,229,353 million) were pledged with banks as security for loans granted to the Company (Note 23).

Included in inventories at 30 September 2019 was VND95,835 million of raw materials, VND158,926 million of finished goods and VND199,911 million of merchandise inventories (1/10/2018: VND203,965 million of finished goods and VND4,470 million of merchandise inventories) carried at net realisable value.

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

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Opening balance	18,582,166,980	22,786,661,832
Allowance made/(reversed) during the year	11,704,247,847	(4,204,494,852)
Closing balance	30,286,414,827	18,582,166,980



## 12. TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Others VND	Total VND
<b>Cost</b>						
Opening balance	484,937,564,384	2,401,947,096,614	307,161,463,198	47,326,150,145	19,559,957,622	3,260,932,231,963
Additions	3,381,778,486	201,571,761,393	2,733,301,370	10,310,558,948	1,177,861,800	219,175,261,997
Transfer from construction in progress	-	18,361,559,980	17,238,507,532	-	-	35,600,067,512
Transfer from finance lease tangible fixed assets	-	32,267,433,454	13,231,994,717	-	-	45,499,428,171
Transfer to long-term prepaid expenses	(889,974,672)	(296,154,645)	-	-	-	(1,186,129,317)
Disposals	(3,112,611,358)	(76,531,265,110)	(88,527,404,706)	-	-	(168,171,281,174)
Written off	(36,799,182)	(1,524,533,236)	-	-	-	(1,561,332,418)
Closing balance	<b>484,279,957,658</b>	<b>2,575,795,898,450</b>	<b>251,837,862,111</b>	<b>57,636,709,093</b>	<b>20,737,819,422</b>	<b>3,390,288,246,734</b>
<b>Accumulated depreciation</b>						
Opening balance	232,341,909,988	1,273,907,881,796	128,672,821,988	16,110,193,040	18,203,720,180	1,669,236,526,992
Charge for the year	25,341,063,591	260,363,613,156	30,916,824,358	8,549,498,504	836,471,148	326,007,470,757
Transfer from finance lease tangible fixed assets	-	17,087,537,128	5,242,661,931	-	-	22,330,199,059
Transfer to long-term prepaid expenses	(315,607,791)	(126,547,331)	-	-	-	(442,155,122)
Disposals	(2,623,230,063)	(30,775,119,976)	(33,818,790,323)	-	-	(67,217,140,362)
Written off	(5,009,091)	(1,497,285,367)	-	-	-	(1,502,294,458)
Closing balance	<b>254,739,126,634</b>	<b>1,518,960,079,406</b>	<b>131,013,517,954</b>	<b>24,659,691,544</b>	<b>19,040,191,328</b>	<b>1,948,412,606,866</b>
Net book value						
Opening balance	252,595,654,396	1,128,039,214,818	178,488,641,210	31,215,957,105	1,356,237,442	1,591,695,704,971
Closing balance	229,540,831,024	1,056,835,819,044	120,824,344,157	32,977,017,549	1,697,628,094	1,441,875,639,868



Included in tangible fixed assets were assets costing VND420,590 million which were fully depreciated as at 30 September 2019 (1/10/2018: VND375,601 million), but which are still in active use.

Net book value of idle tangible fixed assets retired from active use and held for disposal amounted to VND18,869 million as at 30 September 2019 (1/10/2018: 17,634 million).

At 30 September 2019, tangible fixed assets with net book value of VND356,980 million (1/10/2018: VND740,876 million) were pledged with banks as security for loans granted to the Company (Note 23).

### 13. FINANCE LEASE TANGIBLE FIXED ASSETS

	<b>Machinery and equipment VND</b>	<b>Motor vehicles VND</b>	<b>Office equipment VND</b>	<b>Total VND</b>
<b>Cost</b>				
Opening balance	32,267,433,454	48,043,951,084	18,636,363,636	98,947,748,174
Addition	13,389,448,333	9,560,000,000	-	22,949,448,333
Transfer to tangible fixed assets	(32,267,433,454)	(13,231,994,717)	-	(45,499,428,171)
<b>Closing balance</b>	<b>13,389,448,333</b>	<b>44,371,956,367</b>	<b>18,636,363,636</b>	<b>76,397,768,336</b>
<b>Accumulated depreciation</b>				
Opening balance	11,513,583,443	5,961,606,343	209,339,975	17,684,529,761
Charge for the year	6,360,216,810	7,510,458,649	1,863,636,363	15,734,311,822
Transfer to tangible fixed assets	(17,087,537,128)	(5,242,661,931)	-	(22,330,199,059)
<b>Closing balance</b>	<b>786,263,125</b>	<b>8,229,403,061</b>	<b>2,072,976,338</b>	<b>11,088,642,524</b>
<b>Net book value</b>				
Opening balance	20,753,850,011	42,082,344,741	18,427,023,661	81,263,218,413
Closing balance	12,603,185,208	36,142,553,306	16,563,387,298	65,309,125,812



### 14. INTANGIBLE FIXED ASSETS

	<b>Land use rights VND</b>	<b>Software VND</b>	<b>Total VND</b>
<b>Cost</b>			
Opening balance	273,943,659,765	46,123,095,545	320,066,755,310
Disposals	(60,467,250,000)	-	(60,467,250,000)
<b>Closing balance</b>	<b>213,476,409,765</b>	<b>46,123,095,545</b>	<b>259,599,505,310</b>
<b>Accumulated amortisation</b>			
Opening balance	23,802,306,103	7,542,185,913	31,344,492,016
Charge for the year	2,553,074,427	7,591,391,922	10,144,466,349
<b>Closing balance</b>	<b>26,355,380,530</b>	<b>15,133,577,835</b>	<b>41,488,958,365</b>
<b>Net book value</b>			
Opening balance	250,141,353,662	38,580,909,632	288,722,263,294
Closing balance	187,121,029,235	30,989,517,710	218,110,546,945

Included in intangible fixed assets were assets costing VND1,801 million which were fully depreciated as at 30 September 2019 (1/10/2018: VND1,801 million), but which are still in active use.

At 30 September 2019 intangible fixed assets with net book value of VND82,378 million (1/10/2018: VND100,775 million) were pledged with banks as security for loans granted to the Company (Note 23).



## 15. CONSTRUCTION IN PROGRESS

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Opening balance	28,307,339,690	247,666,367,726
Additions during the year	35,426,731,027	71,050,520,158
Transfer to tangible fixed assets	(35,600,067,512)	(277,353,929,013)
Transfer to intangible fixed assets	-	(700,000,000)
Transfer to long-term prepaid expenses	(11,170,150,833)	(9,827,761,767)
Disposals	(476,066,951)	(2,527,857,414)
<b>Closing balance</b>	<b>16,487,785,421</b>	<b>28,307,339,690</b>

Major constructions in progress were as follows:

	30/9/2019	1/10/2018
	VND	VND
Machinery, equipment waiting for installation	12,381,694,368	23,206,143,020
Construction costs	1,472,949,719	1,932,316,670
Others	2,633,141,334	3,168,880,000
	<b>16,487,785,421</b>	<b>28,307,339,690</b>

## 16. PREPAID EXPENSES

### (a) Short-term prepaid expenses

	30/9/2019	1/10/2018
	VND	VND
Advertising expenses	17,509,179,783	26,163,164,737
Rental fee	47,383,856,353	24,362,401,677
Tools and instruments	3,702,503,887	9,308,630,023
Consultancy expenses	640,750,877	2,765,970,828
Maintenance expenses	2,600,076,525	2,577,195,640
Prepaid insurance fee	324,931,858	1,679,401,673
Other short-term prepaid expenses	5,914,132,821	8,892,872,575
	<b>78,075,432,104</b>	<b>75,749,637,153</b>



### (b) Long-term prepaid expenses

	30/9/2019	1/10/2018
	VND	VND
Advertising pannels	38,709,350,763	47,986,279,155
Tools and instruments	34,804,243,610	57,397,992,492
Rental expenses	24,900,681,838	67,919,903,057
Maintenance expenses	15,735,657,785	23,626,356,355
Other long-term prepaid expenses	14,665,115,872	10,421,894,339
	<b>128,815,049,868</b>	<b>207,352,425,398</b>

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

	Year ended	
	30/9/2019	30/9/2018
	VND	VND
Opening balance	207,352,425,398	216,697,658,464
Additions during the year	73,487,584,905	165,884,767,293
Transfer from tangible fixed assets	743,974,195	-
Transfer from construction in progress	11,170,150,833	9,827,761,767
Transfer to short-term prepaid expenses	(2,827,127,400)	-
Amortisation for the year	(152,233,598,531)	(157,599,490,710)
Disposals	(8,878,359,532)	(27,458,271,416)
<b>Closing balance</b>	<b>128,815,049,868</b>	<b>207,352,425,398</b>

## 17. DEFERRED TAX ASSETS

	Tax rate	30/9/2019	1/10/2018
		VND	VND
Deferred tax assets are recognised for:			
Accrued expenses	20%	8,387,596,988	12,107,935,853
Allowances and provisions	20%	7,784,152,250	7,592,142,372
Unrealised profits	20%	3,843,101,926	582,741,890
Foreign exchange differences	20%	559,610,798	714,348,043
Others	20%	525,876,345	1,053,512,369
		<b>21,100,338,307</b>	<b>22,050,680,527</b>



## 18. ACCOUNTS PAYABLE TO SUPPLIERS

### (a) Accounts payable to suppliers detailed by significant suppliers

	Cost/Amount within payment capacity	
	30/9/2019 VND	1/10/2018 VND
Tata Steel Limited	368,481,486,522	-
Hoa Sen Nhon Hoi - Binh Dinh One Member Limited Liability Company	237,095,129,919	61,292,574,787
Hoa Sen Binh Dinh Sole Member Limited Company	154,131,223,375	336,200,056,889
Hoa Sen Ha Nam One Member Limited Liabilities Company	147,286,762,472	137,214,608,808
Other suppliers	463,643,248,502	576,952,383,771
	1,370,637,850,790	1,111,659,624,255

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

	Cost/Amount within payment capacity	
	30/9/2019 VND	1/10/2018 VND
<b>Subsidiaries</b>		
Hoa Sen Binh Dinh Sole Member Limited Company	154,131,223,375	336,200,056,889
Hoa Sen Nhon Hoi - Binh Dinh One Member Limited Liability Company	237,095,129,919	61,292,574,787
Hoa Sen Ha Nam One Member Limited Liabilities Company	147,286,762,472	137,214,608,808
Hoa Sen Building Materials Company Limited	48,550,683,122	36,513,309,235
Hoa Sen Transportation and Engineering One Member Limited Liability Company	-	15,599,670,164
<b>Companies owned by the Company's Chairman</b>		
Hoa Sen Holdings Group	3,833,634,483	4,264,268,660
Hoa Sen Nghe An Investment One Member Limited Liability Company	24,421,594	52,819,936

The trade related amounts due to the related parties were unsecured, interest free and are payable within 365 days from invoice date for subsidiaries and are payable within 45 days from invoice date for companies owned by the Company's Chairman.



## 19. ADVANCES FROM CUSTOMERS

	30/9/2019 VND	1/10/2018 VND
PT. Great Fortune	11,985,548,861	4,548,500,000
Other customers	72,817,066,488	194,516,734,433
	84,802,615,349	199,065,234,433



**20. TAXES PAYABLE TO AND TAXES RECEIVABLE FROM STATE TREASURY**

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

	1/10/2018 VND	Incurred VND	Paid VND	Netted-off VND	Reclassified VND	30/9/2019 VND
Value added tax	47,404,709,014	5,120,013,318,154	(1,047,552,234,942)	(4,064,306,002,157)	3,305,017,004	58,864,807,073
Import-export tax	428,139,298	2,022,036,167	(2,371,828,093)	-	-	78,347,372
Corporate income tax	-	86,459,077,071	(65,569,893,516)	-	(20,889,183,555)	-
Personal income tax	1,603,969,286	12,255,060,814	(11,278,430,969)	-	(26,941,277)	2,553,657,854
Other taxes	574,128	3,386,384,287	(3,309,450,607)	-	(359,458)	77,148,350
	49,437,391,726	5,224,135,876,493	(1,130,081,838,127)	(4,064,306,002,157)	(17,611,467,286)	61,573,960,649

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

	1/10/2018 VND	Reclassified VND	30/9/2019 VND
Corporate income tax	25,792,564,658	(20,889,183,555)	4,903,381,103
Other taxes	29,941,702	(27,300,735)	2,640,967
	25,822,506,360	(20,916,484,290)	4,906,022,070



**21. ACCRUED EXPENSES**

	30/9/2019 VND	1/10/2018 VND
Tax provision expenses	66,411,611,469	36,097,467,662
Transportation expenses	-	35,712,412,522
Salary and bonus	16,336,050,500	23,755,410,000
Interest expenses	5,858,296,537	12,021,671,246
Construction in progress	3,605,600,000	733,191,060
Electricity expenses	9,305,207	9,412,829,611
Others	141,894,420	123,200,000
	92,362,758,133	117,856,182,101

**22. OTHER PAYABLES – SHORT-TERM**

	30/9/2019 VND	1/10/2018 VND
Import sponsor payables (*)	123,526,267,272	136,756,103,216
Discount export documents payables	109,826,375,736	25,996,753,725
Short-term deposits received	5,642,499,933	8,371,520,000
Dividend payables	4,269,621,525	4,494,873,425
Social insurance, health insurance, unemployment insurance and union funds	797,311,160	6,272,088,850
Others	11,558,971,822	9,540,672,270
	255,621,047,448	191,432,011,486

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



**OTHER PAYABLES – SHORT-TERM TO RELATED PARTIES**

	<b>30/9/2019 VND</b>	<b>1/10/2018 VND</b>
<b>Subsidiaries</b>		
Hoa Sen Quy Nhon Joint Stock Company	4,020,304,109	1,256,027,397
Hoa Sen Building Materials Company Limited	-	191,558,095
Hoa Sen Ca Na - Ninh Thuan Industrial Park Infrastructure Investment One Member Limited Liabilities Company	21,000,000	-
Hoa Sen Ca Na - Ninh Thuan International General Seaport One Member Limited Liabilities Company	19,500,000	-
Hoa Sen Binh Dinh Sole Member Limited Company	-	319,600,000
<b>Companies owned by the Company's Chairman</b>		
Hoa Sen Holdings Group	320,000,000	-

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



**23. BORROWINGS AND FINANCE LEASE LIABILITIES**  
**(a) Short-term borrowings and finance lease liabilities**

	<b>1/10/2018</b>	<b>Movements during the year</b>			<b>30/9/2019</b>
	<b>Carrying amount/ Amount within repay- ment capacity VND</b>	<b>Additions VND</b>	<b>Decreases VND</b>	<b>Foreign exchange differences VND</b>	<b>Carrying amount/ Amount within repayment capacity VND</b>
Short-term borrowings	8,801,119,898,344	18,554,179,258,809	(21,684,624,609,125)	(1,967,601,634)	5,668,706,946,394
Current portion of long-term borrowings (b)	174,491,250,325	21,781,600,000	(174,491,250,325)	-	21,781,600,000
Finance lease principals due within twelve months (c)	35,365,884,710	15,786,966,112	(35,365,884,710)	-	15,786,966,112
Thuế thu nhập cá nhân	12.255.060.814	(11.278.430.969)	-	(26.941.277)	2.553.657.854
	<b>9,010,977,033,379</b>	<b>18,591,747,824,921</b>	<b>(21,894,481,744,160)</b>	<b>(1,967,601,634)</b>	<b>5,706,275,512,506</b>



TERMS AND CONDITIONS OF OUTSTANDING SHORT-TERM BORROWINGS WERE AS FOLLOWS:

Lenders	Note	Currency	30/9/2019 VND	1/10/2018 VND
<b>Third parties</b>				
Vietnam Joint Stock Commercial Bank for Industry and Trade - Binh Duong Industrial Park Branch	(i)	VND	1,994,915,518,201	2,111,233,891,694
Vietnam Joint Stock Commercial Bank for Industry and Trade - Binh Duong Industrial Park Branch	(i)	USD	129,916,416,765	1,186,079,616,308
Joint Stock Commercial Bank for Foreign Trade of Vietnam - South Binh Duong Branch	(ii)	VND	1,567,097,214,485	966,390,647,671
Joint Stock Commercial Bank for Foreign Trade of Vietnam - South Binh Duong Branch	(ii)	USD	54,253,608,247	691,858,095,360
Bank for Investment and Development of Vietnam - Transaction Office 2 Branch	(iii)	VND	252,269,997,400	1,098,415,797,951
Bank for Investment and Development of Vietnam - Transaction Office 2 Branch	(iii)	USD	-	408,466,309,431
Bank for Investment and Development of Vietnam - Transaction Office 2 Branch	(iv)	VND	395,058,324,455	-
HSBC Bank (Vietnam) Ltd.	(v)	VND	589,496,289,578	1,035,502,713,540
Ho Chi Minh City Development Joint Stock Commercial Bank	(vi)	USD	299,706,629,722	148,320,106,584
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ho Chi Minh City Branch	(vii)	VND	-	390,501,383,564
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ho Chi Minh City Branch	(vii)	USD	-	85,035,839,658
Sinopac Bank - Ho Chi Minh City Branch	(viii)	VND	132,961,671,917	135,900,000,000
United Overseas Bank (Vietnam) Limited	(ix)	VND	114,584,761,996	134,418,629,258
Malayan Banking Berhad Ho Chi Minh City Branch	(x)	USD	85,446,513,628	-
Sumitomo Mitsu Bank - Ho Chi Minh City Branch	(xi)	VND	-	125,000,000,000
ANZ Bank (Vietnam) Limited	(xii)	VND	-	108,024,412,792
Vietnam Export Import Commercial Joint-Stock Bank - Binh Duong Branch	(xiii)	USD	-	105,972,454,533
Standard Chartered Bank (Vietnam) Limited - Ho Chi Minh City Branch	(xiv)	VND	-	17,000,000,000
<b>Related parties</b>				
Hoa Sen Quy Nhon Joint Stock Company – a subsidiary	(xv)	VND	53,000,000,000	53,000,000,000
			<b>5,668,706,946,394</b>	<b>8,801,119,898,344</b>



TERMS AND CONDITIONS OF SHORT-TERM BORROWINGS WERE AS FOLLOWS:

Lenders	Currency	Credit limit	30/9/2019 Interest rate	1/10/2018 Interest rate	Pledged assets
<b>Third parties</b>					
i. Vietnam Joint Stock Commercial Bank for Industry and Trade - Binh Duong Industrial Park Branch	VND	VND3,000 billion	5,50% - 6,30%	5,50%	Land use rights, buildings, structures, machinery and equipment and accounts receivable from customers
ii. Joint Stock Commercial Bank for Foreign Trade of Vietnam - South Binh Duong Branch	USD	VND2,000 billion	3,60%	2,70% - 2,90%	Land use rights, machinery and equipment and inventories
iii. Bank for Investment and Development of Vietnam - Transaction Office 2 Branch	VND	VND2,000 billion	6,20%	5,30% - 5,90%	Land use rights, machinery and equipment and inventories
iv. Bank for Investment and Development of Vietnam - Transaction Office 2 Branch	USD	VND2,000 billion	3,60%	2,70% - 2,90%	Accounts receivable from customers
v. HSBC Bank (Vietnam) Ltd.	VND	VND1,500 billion	6,00%	5,50% - 5,85%	Accounts receivable from customers
vi. Ho Chi Minh City Development Joint Stock Commercial Bank	USD	USD50 million	-	3,50% - 3,90%	Inventories
vii. Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ho Chi Minh City Branch	VND	VND500 billion	5,8% - 6,15%	4,50% - 4,70%	Inventories, machinery and equipment, land use rights and constructions on land
viii. Sinopac Bank - Ho Chi Minh City Branch	USD	USD6 million	4,20%	3,20%	Unsecured
ix. United Overseas Bank (Vietnam) Limited	VND	USD9 million	6,40%	5,50% - 5,90%	Land use rights, machinery and equipment and inventories
x. Malayan Banking Berhad Ho Chi Minh City Branch	USD	USD6.6 million	7,30%	2,90%	Unsecured
xi. Sumitomo Mitsu Bank - Ho Chi Minh City Branch	VND	-	5,90% - 6,19%	4,20% - 4,50%	Inventories
			4,20%	-	Unsecured
			6,40%	5,6%	Inventories



	Lenders	Currency	Credit limit	Interest rate		Pledged assets
				30/9/2019	1/10/2018	
	<b>Third parties</b>					
xii.	ANZ Bank (Vietnam) Limited	VND	-	5,95%	4,95% - 6,50%	Inventories and land use rights
xiii.	Vietnam Export Import Commercial Joint-Stock Bank - Binh Duong Branch	USD	-	3,00%	3,00%	Unsecured
xiv.	Standard Chartered Bank (Vietnam) Limited - Ho Chi Minh City Branch	VND	-	5,85%	5,85%	Machinery and equipment
	<b>Related parties</b>					
xv.	Hoa Sen Quy Nhon Joint Stock Company – a subsidiary	VND	-	5,50%	5,00%	Unsecured



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

	30/9/2019 VND	1/10/2018 VND
Long-term borrowings	53,875,915,280	230,087,939,605
Finance lease liabilities (c)	30,888,530,921	51,122,035,158
Repayable within twelve months	84,764,446,201 (37,568,566,112)	281,209,974,763 (209,857,135,035)
Repayable after twelve months	47,195,880,089	71,352,839,728

TERMS AND CONDITIONS OF OUTSTANDING LONG-TERM BORROWINGS WERE AS FOLLOWS:

Lenders	Note	Currency	Year of maturity	30/9/2019 VND	1/10/2018 VND
Joint Stock Commercial Bank for Foreign Trade of Vietnam - South Binh Duong Branch	(i)	VND	2022	52,094,315,280	72,094,315,280
Asia Commercial Joint Stock Bank - Tan Thuan Branch	(ii)	VND	2020	1,781,600,000	9,396,578,000
Viet Capital Bank	(iii)	VND	2019	-	9,291,229,500
Vietnam Joint Stock Commercial Bank for Industry and Trade - Binh Duong Industrial Park Branch	(iv)	VND	2019	-	135,924,771,861
Military Commercial Joint Stock Bank - Binh Duong Branch	(v)	VND	2019	-	3,381,044,964
				53,875,915,280	230,087,939,605

- (i) This loan was secured by the land use rights, machinery and equipment and inventories and bore annual interest rate of 8% (1/10/2018: 8%).
- (ii) This loan was secured by the motor vehicles and bore annual interest rate ranging from 9.5% to 10.1% (1/10/2018: 8.7%).
- (iii) This loan was secured by the motor vehicles and bore annual interest rate of 10% (1/10/2018: 9%). As at 30 September 2019, this loan has been fully paid.
- (iv) This loan was secured by the land use rights, buildings and structures and machinery and equipment and bore annual interest rate of 9%. As at 30 September 2019, this loan has been fully paid.
- (v) This loan was secured by the motor vehicles and bore annual interest rate of 8%. As at 30 September 2019, this loan has been fully paid.

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





**(c) Finance lease liabilities**

THE FUTURE MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE FINANCE LEASES ARE::

	30/9/2019		1/10/2018	
	Payments VND	Interest VND	Principal VND	Payments VND
Within one year	17,753,172,825	1,966,206,713	15,786,966,112	38,305,086,689
Within two to five years	16,277,518,116	1,175,953,307	15,101,564,809	16,708,824,489
	34,030,690,941	3,142,160,020	30,888,530,921	55,013,911,178
				3,891,876,020
				35,365,884,710
				15,756,150,448
				51,122,035,158



**24. BONUS AND WELFARE FUND**

MOVEMENTS OF BONUS AND WELFARE FUND DURING THE YEAR WERE AS FOLLOWS:

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

**25. PROVISIONS – LONG-TERM**

Provisions – long-term represented provision for severance allowanc.



## 26. CHANGES IN OWNERS' EQUITY

	Share capital VND	Share premium VND	Treasury shares VND	Other equity funds VND	Retained profits VND	Total VND
Balance at 1 October 2017	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
Shares issued to pay dividends	349,936,450,000	-	-	-	(349,936,450,000)	-
Repurchase of treasury shares	-	-	(1,343,000,000)	-	-	(1,343,000,000)
Dividends	-	-	-	-	(349,957,383,000)	(349,957,383,000)
Appropriation to bonus and welfare fund	-	-	-	-	(53,266,556,487)	(53,266,556,487)
Appropriation to equity funds	-	-	-	47,549,876,048	(47,549,876,048)	-
Utilisation of funds	-	-	-	(21,575,866,687)	-	(21,575,866,687)
<b>Balance at 1 October 2018</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>
<b>Net profit for the year</b>						
Shares issued to pay dividends (*)	-	-	-	-	611,107,359,723	611,107,359,723
Repurchase of treasury shares	384,791,610,000	-	-	-	(384,791,610,000)	-
Appropriation to bonus and welfare fund	-	-	(1,116,000,000)	-	-	(1,116,000,000)
Appropriation to equity funds (**)	-	-	-	-	(4,092,340,379)	(4,092,340,379)
Utilisation of funds	-	-	-	6,138,510,569	(6,138,510,569)	-
				(11,021,590,990)	-	(11,021,590,990)
<b>Balance at 30 September 2019</b>		<b>151,583,183,521</b>	<b>(2,459,000,000)</b>	<b>55,626,670,135</b>	<b>1,539,503,023,643</b>	<b>5,978,948,767,299</b>

(\*) In accordance with the Resolution of Board of Management dated 6 May 2019, the Company increased share capital from shares issued to pay dividends. There were 38,479,161 shares issued with par value of VND10,000.

(\*\*) In accordance with the Resolution of Board of Management dated 19 March 2019, the Company appropriated 1.5% retained profits to other equity funds for the purpose of remuneration and operation expenses of Board of Management.



## 27. SHARE CAPITAL

THE COMPANY'S AUTHORISED AND ISSUED SHARE CAPITAL ARE:

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

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

MOVEMENTS IN SHARE CAPITAL DURING THE YEAR WERE AS FOLLOWS:

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



## 28. OFF BALANCE SHEET ITEMS

### (a) Tài sản thuê ngoài

THE FUTURE MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES WERE:

	30/9/2019 VND	1/10/2018 VND
Within one year	168,318,890,487	120,530,357,667
Within two to five years	667,739,890,987	432,335,802,440
More than five years	669,893,009,734	449,691,597,286
	<b>1,505,951,791,208</b>	<b>1,002,557,757,393</b>

### (b) Foreign currencies

	30/9/2019		1/10/2018	
	Original currency	VND equivalent	Original currency	VND equivalent
USD	1,014,396	23,480,155,726	921,491	21,441,212,800
EUR	-	-	229	6,193,888
AUD	-	-	0.54	8,974
		<b>23,480,155,726</b>		<b>21,447,415,662</b>

### (c) Capital expenditure commitments

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

	30/9/2019 VND	1/10/2018 VND
Approved and contracted	2,076,133,500	12,968,628,192



## 29. REVENUE FROM SALES OF GOODS AND PROVISION OF SERVICES

Total revenue represents the gross value of goods sold and services rendered, exclusive of value added tax.

Net revenue comprised:

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Total revenue		
Sales of merchandise goods	28,574,191,796,022	40,327,474,385,158
Sales of finished goods	16,174,770,949,499	19,610,603,182,865
Others	46,890,170,981	39,883,594,343
	<b>44,795,852,916,502</b>	<b>59,977,961,162,366</b>
Less revenue deductions		
Sales discounts	5,993,686,605	91,463,945,910
Sales returns	10,758,092,293	18,018,812,564
Sales allowances	9,063,266,406	4,277,816,427
	<b>25,815,045,304</b>	<b>113,760,574,901</b>
Net revenue	<b>44,770,037,871,198</b>	<b>59,864,200,587,465</b>

## 30. COST OF SALES

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Total cost of sales:		
Merchandise goods sold	27,843,567,769,023	39,027,616,532,190
Finished goods sold	14,650,169,394,905	18,026,161,263,960
Others	3,763,919,993	11,737,394,894
Allowance made/(reversed) during the year	11,704,247,847	(4,204,494,852)
	<b>42,509,205,331,768</b>	<b>57,061,310,696,192</b>



### 31. FINANCIAL INCOME

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Interest income from deposits and loans receivable	9,558,369,470	11,895,595,465
Profit distribution from subsidiaries	336,196,144,385	358,392,102,244
Realised foreign exchange gains	54,435,161,194	66,882,399,885
Income from financial investment	-	102,139,227,474
	<b>400,189,675,049</b>	<b>539,309,325,068</b>

### 32. FINANCIAL EXPENSES

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Interest expense	399,146,337,196	458,729,805,247
Realised foreign exchange losses	51,007,238,368	129,354,124,623
Unrealised foreign exchange losses	1,468,280,700	47,305,340,201
Reversal of allowance for diminution of financial investments	(13,445,353,316)	(22,487,722,351)
Other financial expenses	917,028,756	1,915,310,041
	<b>439,093,531,704</b>	<b>614,816,857,761</b>



### 33. SELLING EXPENSES

	Year ended	
	30/9/2019 VND	30/9/2018 VND (Đã phân loại lại)
Labour costs and staff costs	465,422,257,831	490,320,212,399
Export expenses	342,477,520,100	565,192,324,587
Rental expenses	149,742,260,035	100,450,397,373
Depreciation and amortisation	135,231,920,322	109,169,791,292
Advertising expenses	104,833,377,549	113,452,026,850
Transportation expenses	96,474,932,596	127,286,438,613
Outside service	44,103,924,195	52,916,530,386
Other expenses	114,632,270,547	151,827,532,721
	<b>1,452,918,463,175</b>	<b>1,710,615,254,221</b>

### 34. GENERAL AND ADMINISTRATION EXPENSES

	Year ended	
	30/9/2019 VND	30/9/2018 VND (Đã phân loại lại)
Labour costs and staff costs	103,024,437,567	198,883,844,466
Depreciation and amortisation	36,119,987,900	42,274,183,257
Rental expenses	28,462,957,764	40,582,438,593
Guest reception expenses	14,244,841,954	18,897,878,597
Professional service fees	9,171,517,683	11,705,699,516
Outside service	37,493,678,386	54,108,920,855
Other expenses	83,304,297,551	128,394,465,482
	<b>311,821,718,805</b>	<b>494,847,430,766</b>

### 35. THU NHẬP KHÁC

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Gain from disposals of fixed assets	142,372,592,965	16,148,077,681
Compensation	2,233,381,031	27,904,180,851
Others	101,262,557,684	8,880,345,033
	<b>245,868,531,680</b>	<b>52,932,603,565</b>



### 36. PRODUCTION AND BUSINESS COSTS BY ELEMENTS

Tổng doanh thu thể hiện tổng giá trị hàng bán và dịch vụ đã cung cấp, không bao gồm thuế giá trị gia tăng.

Doanh thu thuần bao gồm:

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Raw material costs included in production costs	13,066,484,527,270	16,617,021,783,833
Labour costs and staff costs	635,988,686,522	796,124,614,877
Depreciation and amortisation	351,886,248,928	322,385,755,534
Outside services	821,162,641,453	1,241,247,047,448
Other expenses	614,699,782,838	650,150,547,377

### 37. INCOME TAX

#### (a) Recognised in the separate statement of income

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Current tax expense		
Current year	86,459,077,071	57,537,903,508
Deferred tax expense		
Origination of temporary differences	950,342,220	10,926,051,734
	87,409,419,291	68,463,955,242

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

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Accounting profit before tax	698,516,779,014	573,738,094,407
Tax at the Company's tax rate	139,703,355,803	114,747,618,881
Non-deductible expenses	14,945,292,365	25,394,756,810
Tax exempt income	(67,239,228,877)	(71,678,420,449)
	87,409,419,291	68,463,955,242



### (c) Applicable tax rates

Under the terms of Income Tax Law, the Company has an obligation to pay the government income tax at the rate of 20% of taxable profits.

### 38. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

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

	Year ended	
	30/9/2019 VND	30/9/2018 VND
<b>SUBSIDIARIES</b>		
<b>Hoa Sen Steel One Member Company Limited</b>		
Sales of goods	10,277,637,796,063	13,779,143,441,900
Purchases of goods	11,771,372,054,729	14,995,785,607,702
Transfer/sales of fixed assets	205,664,635	888,237,430,939
Sale returns	-	1,980,258,020
Purchase returns	297,325,320	2,510,365,445
Income received	8,123,622,505	34,568,169,073
Paid on behalf	130,869,456,620	152,580,172,648
Other income	2,548,006,364	4,783,074,700
Other purchase	144,292,898	80,969,500
<b>Hoa Sen Building Materials Company Limited</b>		
Sales of goods	4,564,914,020,422	4,827,327,999,833
Purchases of goods	3,196,114,481,029	3,715,489,723,137
Sales of fixed assets	4,771,478,579	87,000,000
Purchases of fixed assets	1,389,200,000	136,202,200
Income from leasing of assets	174,500,000	88,409,095
Rental expenses	258,946,015	100,000,010
Sales returns	1,562,510,453	1,329,668,691
Income received	105,647,612,793	144,875,735,339
Purchase deduction	607,336,952	-
<b>Hoa Sen Transportation and Engineering One Member Limited Liability Company</b>		
Purchases of goods	33,406,182	401,957,962
Purchases of fixed assets	2,657,188,816	100,000,000
Income from leasing of assets	3,614,419,336	7,956,000,000
Transportation costs	17,253,777,856	48,534,481,409
Rental expenses	176,000,000	607,696,966
Income received	203,168,212	5,818,027,378



**Hoa Sen Group**  
**Notes to the separate financial statements for the year ended 30 September 2019**  
(continued)

Form B 09 – DN  
(Issued under Circular No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)

	Year ended	
	30/9/2019 VND	30/9/2018 VND
<b>Hoa Sen Binh Dinh Sole Member Limited Company</b>		
Sales of goods	4,131,136,670	24,296,754,944
Purchases of goods	1,488,664,532,969	1,082,877,495,563
Capital contribution	-	50,000,000,000
Income received	6,627,350,999	11,529,995,357
Sales of fixed assets	10,000,000	-
<b>Hoa Sen Nghe An One Member Limited Liabilities Company</b>		
Sales of goods	4,375,691,067,150	9,626,602,855,004
Purchases of goods	4,983,188,835,106	7,502,610,322,840
Sales of fixed assets	1,156,685,588	5,913,155,809
Purchases of fixed assets	1,138,870,440	-
Income from leasing of assets	-	38,000,000
Purchase returns	4,851,635,477	6,407,186,748
Purchase deduction	251,036,621	168,333,118
Rental expenses	372,111,833	327,272,724
Capital contribution	-	650,000,000,000
Income received	215,594,389,876	161,600,175,097
<b>Hoa Sen Nhon Hoi - Binh Dinh One Member Limited Liability Company</b>		
Sales of goods	1,710,398,642,772	1,416,755,238,005
Purchases of goods	1,518,416,136,050	1,224,289,168,009
Sales of fixed assets	1,747,943,215	-
Sale returns	275,373,509	154,174,786
Purchase returns	611,276,883	1,804,591,517
Interest income	-	708,702,055
Capital contribution	350,000,000,000	220,000,000,000
Lending loan	-	132,500,000,000
Other sale	68,053,769	-
<b>Hoa Sen Ha Nam One Member Limited Liabilities Company</b>		
Sales of goods	3,130,344,289	44,779,573,986
Purchases of goods	833,780,298,039	849,169,547,389
Sales of fixed assets	-	2,904,000,000
Sale returns	71,190,100	86,112,315
Income from leasing of assets	323,000,000	171,000,000
Operating lease expenses	78,000,000	264,000,000
<b>Hoa Sen Yen Bai Joint Stock Company</b>		
Lending loan	22,700,000,000	84,022,894,522
Interest income	4,583,178,812	6,103,354,523



**Hoa Sen Group**  
**Notes to the separate financial statements for the year ended 30 September 2019**  
(continued)

Form B 09 – DN  
(Issued under Circular No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)

	Year ended	
	30/9/2019 VND	30/9/2018 VND
<b>Hoa Sen Phu My One Member Limited Liabilities Company</b>		
Sales of goods	283,201,838,656	403,345,547,024
Purchases of goods	191,023,808,607	49,562,550,487
Lending loan	-	43,406,984,582
Capital contribution	-	150,000,000,000
Operating lease expenses	3,417,000,000	1,790,793,080
Other	-	541,587,113
<b>Hoa Sen Ca Na - Ninh Thuan Industrial Park Infrastructure Investment One Member Limited Liabilities Company</b>		
Capital contribution	-	1,000,000,000
<b>Hoa Sen Ca Na - Ninh Thuan International General Seaport One Member Limited Liabilities Company</b>		
Capital contribution	2,500,000,000	1,000,000,000
<b>Hoa Sen Quy Nhon Joint Stock Company</b>		
Borrowing	53,000,000,000	53,000,000,000
Interest expense	2,764,276,712	1,256,027,397
<b>Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company</b>		
Capital transferring	-	13,585,000,000
Lending loan	5,940,000,000	12,160,295,900
Capital contribution	-	4,500,000,000
Interest income	562,772,324	335,342,389
<b>Hoa Sen Yen Bai Building Materials One Member Limited Liabilities Company</b>		
Sales of goods	63,832,107	1,704,016,764
Purchases of goods	241,520,896,612	215,951,772,945
Lending loan	-	10,605,320,725
Interest income	-	281,965,103
Purchases of fixed assets	-	657,083,010



**Hoa Sen Group**  
Notes to the separate financial statements for the year ended 30 September 2019  
(continued)

Form B 09 – DN  
(Issued under Circular No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)

	Year ended	
	30/9/2019 VND	30/9/2018 VND
<b>COMPANY OWNED BY THE COMPANY'S CHAIRMAN</b>		
<b>Hoa Sen Holdings Group</b>		
Sales of goods	2,222,110,174,059	4,247,355,470,991
Purchases of goods	459,762,175,044	2,131,902,739,532
Sales of fixed assets	32,476,307,578	40,961,909,490
Purchases of fixed assets	202,978,077,818	-
Sales discounts	-	43,093,355,162
Sales returns	2,098,483,579	3,595,809,964
Income from leasing of assets	4,198,466,388	1,828,130,909
Transportation costs	41,633,162,447	43,220,427,887
Processing costs	910,242,733	1,146,734,978
Other sale	1,138,936,694	635,617,480
Operating lease expenses	4,486,071,500	447,272,724
Sales allowances	21,245,500	-
<b>OTHER RELATED PARTIES</b>		
<b>Board of Directors</b>		
Salary and bonus	12,037,488,915	16,987,072,159
<b>Board of Management</b>		
Remuneration	2,340,000,000	2,270,000,000

**39. NON-CASH INVESTING AND FINANCING ACTIVITIES**

	Year ended	
	30/9/2019 VND	30/9/2018 VND
Conversion of trade receivables into investments in subsidiaries	405,377,723,185	880,253,224,847
Net-off trade payables with profits distribution	358,595,270,456	529,548,072,432
Net-off proceeds from disposals of fixed assets with proceeds from sales and lease back	6,296,834,500	15,472,446,001



**Hoa Sen Group**  
Notes to the separate financial statements for the year ended 30 September 2019  
(continued)

Form B 09 – DN  
(Issued under Circular No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)

**40. CORRESPONDING FIGURES**

The corresponding figures were derived from the Company's separate financial statements as at and for the year ended 30 September 2018.

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

**SEPARATE STATEMENT OF INCOME**

	Note	Year ended	
		30/9/2018 VND (đã phân loại lại)	30/9/2018 VND (theo báo cáo trước đây)
Selling expenses	25	1,710,615,254,221	1,493,660,136,661
General and administrative expenses	26	494,847,430,766	711,802,548,326

20 December 2019

Prepared by:

Nguyen Thi Thanh Tuyen  
Accountant

Approved by:

Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Quoc Tri  
General Director

## HOA SEN GROUP

### CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 September 2019

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**CORPORATE INFORMATION****BUSINESS REGISTRATION  
CERTIFICATE NO.**

3700381324

8 August 2001

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

**BOARD OF DIRECTORS**

Mr. Le Phuoc Vu	Chairman
Mr. Tran Ngoc Chu	Vice Chairman
Mr. Tran Quoc Tri	Member
Mr. Ly Van Xuan	Member
Mr. Nguyen Van Luan	Member
Mr. Dinh Viet Duy	Member

**BOARD OF INTERNAL AUDIT**

Mr. Le Vu Nam	Head of Department
Mr. Le Dinh Hanh	Deputy Head of Department
Ms. Dong Thi Thanh Hang	Member

**BOARD OF MANAGEMENT**

Mr. Tran Quoc Tri	General Director
Mr. Hoang Duc Huy	Deputy General Director
Mr. Vu Van Thanh	Deputy General Director
Mr. Nguyen Minh Khoa	Deputy General Director
Mr. Ho Thanh Hieu	Deputy General Director
Mr. Tran Quoc Pham	Deputy General Director
Mr. Nguyen Ngoc Huy	Deputy General Director

**LEGAL REPRESENTATIVE**

Mr. Le Phuoc Vu	Chairman
Mr. Tran Ngoc Chu	Vice Chairman
Mr. Tran Quoc Tri	General Director

**REGISTERED OFFICE**

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

**AUDITOR**

KPMG Limited Vietnam

**STATEMENT OF BOARD OF DIRECTORS**

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

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

(a) The consolidated financial statements set out on pages 5 to 59 give a true and fair view of the consolidated financial position of the Group as at 30 September 2019, and of the consolidated results of operations and the consolidated cash flows of the Group for the year then ended, in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting; and

(b) At the date of this statement, there are no reasons to believe that the Group will not be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors



Tran Quoc Tri  
General Director

Ho Chi Minh City, 20 December 2019



### TO THE SHAREHOLDERS

#### HOA SEN GROUP

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

#### Management's Responsibility

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

#### Auditor's Responsibility

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

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

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



### Auditor's Opinion

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

### Other matter

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

**KPMG Limited's Branch in Ho Chi Minh City**  
Vietnam  
Audit Report No.: 19-01-00214-19-2



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

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

Ho Chi Minh City, 20 December 2019



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

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

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

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



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

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

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

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



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

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

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

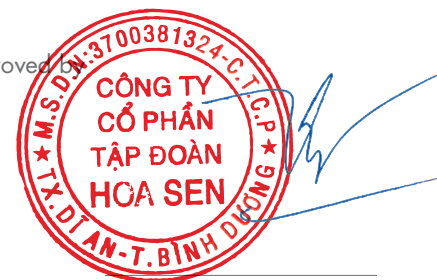
20 December 2019

Prepared by

Nguyen Thi Thanh Tuyen  
Accountant

Approved by

Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Quoc Tri  
General Director

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



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

Form B 02 – DN/HN  
(Issued under Circular No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)

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

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

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

Form B 02 – DN/HN  
(Issued under Circular No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)

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

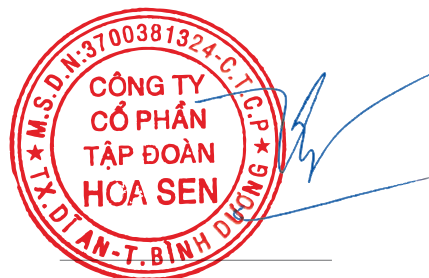
20 December 2019

Prepared by

Approved by

Nguyen Thi Thanh Tuyen  
Accountant

Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Quoc Tri  
General Director

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

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

(Indirect method)

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

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

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



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

(Indirect method – continued)

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

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

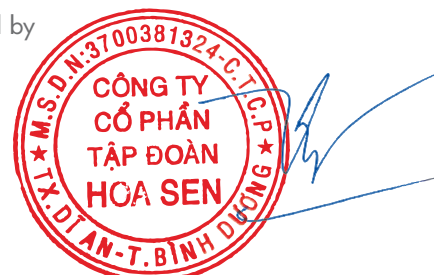
20 December 2019

Prepared by

Nguyen Thi Thanh Tuyen  
Accountant

Approved by

Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Quoc Tri  
General Director

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



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

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

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

## 1. REPORTING ENTITY

### (a) Ownership structure

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

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

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

### (b) Principal activities

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

### (c) Normal operating cycle

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

### (d) Group structure

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



**1. REPORTING ENTITY** (continued)

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



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

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

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

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

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

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

**(b) Basis of measurement**

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



### (c) Going concern assumption

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

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

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

### (d) Annual accounting period

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

### (e) Accounting and presentation currency

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of consolidation

#### (i) Subsidiaries

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



#### (ii) Non-controlling interests

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

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

#### (iii) Associates

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

#### (iv) Transactions eliminated on consolidation

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

### (b) Foreign currency transactions

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

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

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





### (c) Cash and cash equivalents

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

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

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

### (e) Accounts receivable

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

### (f) Inventories

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

The Group applies the perpetual method of accounting for inventories.

### (g) Tangible fixed assets

#### (i) Cost

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



#### (ii) Depreciation

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

- Buildings and structures 5 – 50 years
- Machinery and equipment 3 – 10 years
- Motor vehicles 2 – 10 years
- Office equipment 3 – 10 years
- Others 3 – 8 years

### (h) Finance lease tangible fixed assets

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

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

### (i) Intangible fixed assets

#### (i) Land use rights

Land use rights comprise:

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

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

#### (ii) Software

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



**(j) Construction in progress**

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

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

**(i) Tools and instruments**

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

**(ii) Rental expenses**

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

**(iii) Advertising panels**

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

**(iv) Maintenance expenses**

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

**(l) Goodwill**

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

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

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



**(m) Trade and other payables**

Trade and other payables are stated at their costs.

**(n) Provisions**

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

**Severance allowance**

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

**(o) Share capital**

**(i) Ordinary shares**

Ordinary shares are recognised at par value.

**(ii) Share premium**

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

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

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



#### **(p) Taxation**

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

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

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

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

#### **(q) Revenue and other income**

##### **(i) Goods sold**

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

##### **(ii) Services rendered**

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

##### **(iii) Interest income**

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



#### **(r) Operating lease payments**

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

#### **(s) Borrowing costs**

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

#### **(t) Earnings per share**

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

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

#### **(u) Segment reporting**

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

#### **(v) Related parties**

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



#### 4. SEGMENT REPORTING

##### (a) Business segments

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

##### (b) Geographical segments

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

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



#### 5. BUSINESS COMBINATION

##### (a) Investments in Hoa Sen Quy Nhon Joint Stock Company

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

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

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



**(b) Investments in Hoa Sen Du Long Industrial Park Infrastructure Investment Joint Stock Company**

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

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

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

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



**6. TRANSACTION WITH NON-CONTROLLING INTEREST**

**Additional acquisition of equity interest in subsidiary**

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

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

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

**7. CASH AND CASH EQUIVALENTS**

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

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



## 8. INVESTMENTS

### (a) Held-to-maturity investments

#### (i) Held-to-maturity investments – short-term

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

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

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

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

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

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



### (b) Long-term investments

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

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

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

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



## 9. ACCOUNTS RECEIVABLE FROM CUSTOMERS

### (a) Accounts receivable from customers detailed by significant customers

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

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

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

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

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

## 10. PREPAYMENT TO SUPPLIERS

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



## 11. OTHER RECEIVABLES

### (a) Other receivables – short-term

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

### Other short-term receivables from related parties

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

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

### (b) Other receivables – long-term

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



## 12. INVENTORIES

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

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

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

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

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



## 13. TANGIBLE FIXED ASSETS

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





Included in tangible fixed assets were assets costing VND849,054 million which were fully depreciated as at 30 September 2019 (1/10/2018: VND724,651 million), but which are still in active use.

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

#### 14. FINANCE LEASE TANGIBLE FIXED ASSETS

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



#### 15. INTANGIBLE FIXED ASSETS

	<b>Land use rights VND</b>	<b>Software VND</b>	<b>Total VND</b>
<b>Cost</b>			
Opening balance	308,177,659,765	46,891,492,615	355,069,152,380
Disposals	(60,467,250,000)	-	(60,467,250,000)
<b>Closing balance</b>	<b>247,710,409,765</b>	<b>46,891,492,615</b>	<b>294,601,902,380</b>
<b>Accumulated amortisation</b>			
Opening balance	34,162,595,531	8,090,696,283	42,253,291,814
Charge for the year	3,453,969,163	7,650,377,922	11,104,347,085
Disposals	-	-	-
<b>Closing balance</b>	<b>37,616,564,694</b>	<b>15,741,074,205</b>	<b>53,357,638,899</b>
<b>Net book value</b>			
Opening balance	274,015,064,234	38,800,796,332	312,815,860,566
Closing balance	210,093,845,071	31,150,418,410	241,244,263,481

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

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



## 16. CONSTRUCTION IN PROGRESS

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

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

Major constructions in progress were as follows:

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

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



## 17. PREPAID EXPENSES

### (a) Short-term prepaid expenses

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

### (b) Long-term prepaid expenses

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

MOVEMENTS OF LONG-TERM PREPAID EXPENSES DURING THE YEAR WERE AS FOLLOWS:

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



## 18. DEFERRED TAX ASSETS

	30/9/2019 VND	1/10/2018 VND
Deferred tax assets are recognised for:		
Unrealised profits	21,926,066,092	16,452,678,151
Accrued expenses	9,022,541,606	13,990,694,550
Allowances and provisions	8,713,422,216	8,472,027,114
Foreign exchange differences	559,610,798	714,348,043
Others	1,809,357,704	1,053,512,369
	42,030,998,416	40,683,260,227

## 19. ACCOUNTS PAYABLE TO SUPPLIERS

### (a) Accounts payable to suppliers detailed by significant suppliers

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

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

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

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



## 20. TAXES PAYABLE TO AND RECEIVABLE FROM STATE TREASURY

### (a) Taxes payable to State Treasury

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

### (b) Taxes receivable from State Treasury

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



## 21. ACCRUED EXPENSES

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

## 22. OTHER PAYABLES – SHORT-TERM

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

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

### OTHER PAYABLES – SHORT-TERM TO RELATED PARTIES

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

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



## 23. BORROWINGS AND FINANCE LEASE LIABILITIES

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

	Movements during the year			30/9/2019 Carrying amount/ Amount within repayment capacity VND
	1/10/2018 Carrying amount/ Amount within repayment capacity VND	Additions VND	Decreases VND	
Short-term borrowings	10,112,404,503,735	20,222,447,838,378	(24,348,251,677,877)	5,984,633,062,602
Current portion of long-term borrowings (b)	695,634,361,360	843,695,031,033	(870,196,968,857)	669,132,423,536
Finance lease principals due within twelve months (c)	71,821,064,792	58,402,608,514	(77,525,986,457)	52,697,686,849
	<b>10,879,859,929,887</b>	<b>21,124,545,477,925</b>	<b>(25,295,974,633,191)</b>	<b>6,706,463,172,987</b>



TERMS AND CONDITIONS OF OUTSTANDING SHORT-TERM BORROWINGS WERE AS FOLLOWS:

	Note	Currency	30/9/2019 VND	1/10/2018 VND
<b>Lenders</b>				
Vietnam Joint Stock Commercial Bank for Industry and Trade - Binh Duong Industrial Park Branch	(i)	VND	1,994,915,518,201	2,355,648,043,629
Vietnam Joint Stock Commercial Bank for Industry and Trade - Binh Duong Industrial Park Branch	(i)	USD	129,916,416,765	1,186,079,616,308
Joint Stock Commercial Bank for Foreign Trade of Vietnam - South Binh Duong Branch	(ii)	VND	1,567,097,214,485	966,390,647,671
Joint Stock Commercial Bank for Foreign Trade of Vietnam - South Binh Duong Branch	(ii)	USD	54,253,608,247	691,858,095,360
Bank for Investment and Development of Vietnam - Transaction Office 2 Branch	(iii)	VND	252,269,997,400	1,098,415,797,951
Bank for Investment and Development of Vietnam - Transaction Office 2 Branch	(iii)	USD	-	408,466,309,431
Bank for Investment and Development of Vietnam - Transaction Office 2 Branch	(iv)	VND	395,058,324,455	-
HSBC Bank (Vietnam) Ltd.	(v)	VND	589,496,289,578	1,035,502,713,540
Ho Chi Minh City Development Joint Stock Commercial Bank	(vi)	USD	299,706,629,722	148,320,106,584
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ho Chi Minh City Branch	(vii)	VND	-	390,501,383,564
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ho Chi Minh City Branch	(vii)	USD	-	85,035,839,658
Sinopac Bank - Ho Chi Minh City Branch	(viii)	VND	132,961,671,917	135,900,000,000
United Overseas Bank (Vietnam) Limited	(ix)	VND	168,098,218,328	167,856,828,967
Malayan Banking Berhad Ho Chi Minh City Branch	(x)	USD	85,446,513,628	-
Vietnam Joint Stock Commercial Bank for Industry and Trade - Nghe An Branch	(xi)	VND	266,182,861,076	751,935,188,536
Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Ria Vung Tau Branch	(xii)	VND	49,229,798,800	204,379,110,451
Sumitomo Mitsui Bank - Ho Chi Minh City Branch	(xiii)	VND	-	125,000,000,000
ANZ Bank (Vietnam) Limited	(xiv)	VND	-	108,024,412,792
Vietnam Export Import Commercial Joint-Stock Bank - Binh Duong Branch	(xv)	USD	-	105,972,454,533
Vietnam Joint Stock Commercial Bank for Industry and Trade - Phu Tai Industrial Park Branch	(xvi)	VND	-	50,117,954,760
Vietnam Joint Stock Commercial Bank for Industry and Trade - Ha Nam Branch	(xvii)	VND	-	27,000,000,000
Standard Chartered Bank (Vietnam) Limited - Ho Chi Minh City Branch	(xviii)	VND	-	17,000,000,000
Hoa Sen Quy Nhon Joint Stock Company			5,984,633,062,602	10,112,404,503,735

TERMS AND CONDITIONS OF SHORT-TERM BORROWINGS WERE AS FOLLOWS:

Lenders	Currency	Credit limit	30/9/2019	Interest rate		Pledged assets
				1/10/2018		
<b>Third parties</b>						
i. Vietnam Joint Stock Commercial Bank for Industry and Trade - Binh Duong Industrial Park Branch	VND	VND3,000 billion	5,50% - 6,30%	5,50%	Land use rights, buildings, structures, machinery and equipment and accounts receivable from customers	
ii. Joint Stock Commercial Bank for Foreign Trade of Vietnam - South Binh Duong Branch	USD	VND2,000 billion	3,60%	2,70% - 2,90%	Land use rights, machinery and equipment and inventories	
iii. Bank for Investment and Development of Vietnam - Transaction Office 2 Branch	VND	VND2,000 billion	6,20%	5,30% - 5,90%	Accounts receivable from customers	
iv. Bank for Investment and Development of Vietnam - Transaction Office 2 Branch	USD	VND1,500 billion	3,60%	2,70% - 3,00%	Inventories	
v. HSBC Bank (Vietnam) Ltd.	VND	USD50 million	6,00%	5,50% - 5,85%	Accounts receivable from customers	
vi. Ho Chi Minh City Development Joint Stock Commercial Bank	USD	VND500 billion	-	3,50% - 3,90%	Inventories	
vii. Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ho Chi Minh City Branch	VND	-	6,40%	4,50% - 4,70%	Inventories, machinery and equipment, land use rights and constructions on land	
viii. Sinopac Bank - Ho Chi Minh City Branch	USD	USD6 million	3,70%	3,20%	Unsecured	
ix. United Overseas Bank (Vietnam) Limited	VND	USD9 million	5,90%	5,50% - 5,90%	Land use rights, machinery and equipment and inventories	
x. Malayan Banking Berhad Ho Chi Minh City Branch	USD	USD6.6 million	4,20%	2,90%	Unsecured	
xi. Vietnam Joint Stock Commercial Bank for Industry and Trade - Nghe An Branch	VND	VND800 billion	6,40% - 6,50%	5,50%	Buildings and structures and machinery and equipment	





TERMS AND CONDITIONS OF SHORT-TERM BORROWINGS WERE AS FOLLOWS: (continued)

	Lenders	Currency	Credit limit	Interest rate		Pledged assets
				30/9/2019	1/10/2018	
	<b>Third parties</b>					
xii.	Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Ria Vung Tau Branch	VND	300 ty VND	5,50%	5,50%	Inventories
xiii.	Sumitomo Mitsu Bank - Ho Chi Minh City Branch	VND	-	6,40%	5,60%	Inventories
xiv.	ANZ Bank (Vietnam) Limited	VND	-	5,95%	4,95% - 6,50%	Inventories and land use rights
xv.	Vietnam Export Import Commercial Joint-Stock Bank - Binh Duong Branch	-	-	3,00%	3,00%	Unsecured
xvi.	Vietnam Joint Stock Commercial Bank for Industry and Trade - Phu Tai Industrial Park Branch	USD	-	5,50% - 5,80%	5,50% - 5,80%	Inventories and accounts receivable from customers
xvii.	Vietnam Joint Stock Commercial Bank for Industry and Trade - Ha Nam Branch	VND	-	5,10% - 5,50%	5,10% - 5,50%	Inventories
xviii.	Standard Chartered Bank (Vietnam) Limited - Ho Chi Minh City Branch	VND	-	5,85%	5,85%	Machinery and equipment



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

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



TERMS AND CONDITIONS OF OUTSTANDING LONG-TERM BORROWINGS WERE AS FOLLOWS:

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



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

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



**(c) Finance lease liabilities**

THE FUTURE MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE FINANCE LEASES ARE:

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



**24. BONUS AND WELFARE FUND**

MOVEMENTS OF BONUS AND WELFARE FUND DURING THE YEAR WERE AS FOLLOWS:

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

**25. PROVISIONS – LONG-TERM**

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

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





**Hoa Sen Group and its subsidiaries**  
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**26. CHANGES IN OWNERS' EQUITY**

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



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

**27. SHARE CAPITAL**

THE COMPANY'S AUTHORISED AND ISSUED SHARE CAPITAL ARE:

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

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

MOVEMENTS IN SHARE CAPITAL DURING THE YEAR WERE AS FOLLOWS:

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



## 28. OFF BALANCE SHEET ITEMS

### (a) Lease

THE FUTURE MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES WERE:

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

### (b) Foreign currencies

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

### (c) Capital expenditure commitments

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

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



## 29. REVENUE FROM SALES OF GOODS AND PROVISION OF SERVICES

Total revenue represents the gross value of goods sold and services rendered, exclusive of value added tax.

NET REVENUE COMPRISED:

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

## 30. COST OF SALES

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



### 31. FINANCIAL INCOME

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

### 32. FINANCIAL EXPENSES

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

### 33. SELLING EXPENSES

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



### 34. GENERAL AND ADMINISTRATION EXPENSES

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

### 35. OTHER INCOME

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

### 36. PRODUCTION AND BUSINESS COSTS BY ELEMENTS

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



### 37. INCOME TAX

#### (a) Recognised in the consolidated statement of income

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

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

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



#### (c) Applicable tax rates

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

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



### 38. EARNINGS PER SHARE

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

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

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

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

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

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



#### (iii) Basic earnings per share

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

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

### 39. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

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

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



#### 40. NON-CASH INVESTING ACTIVITIES

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

#### 41. CORRESPONDING FIGURES

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

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

#### CONSOLIDATED STATEMENT OF INCOME

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

20 December 2019

Prepared by

Nguyen Thi Thanh Tuyen  
Accountant

Approved by

Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Quoc Tri  
General Director

