

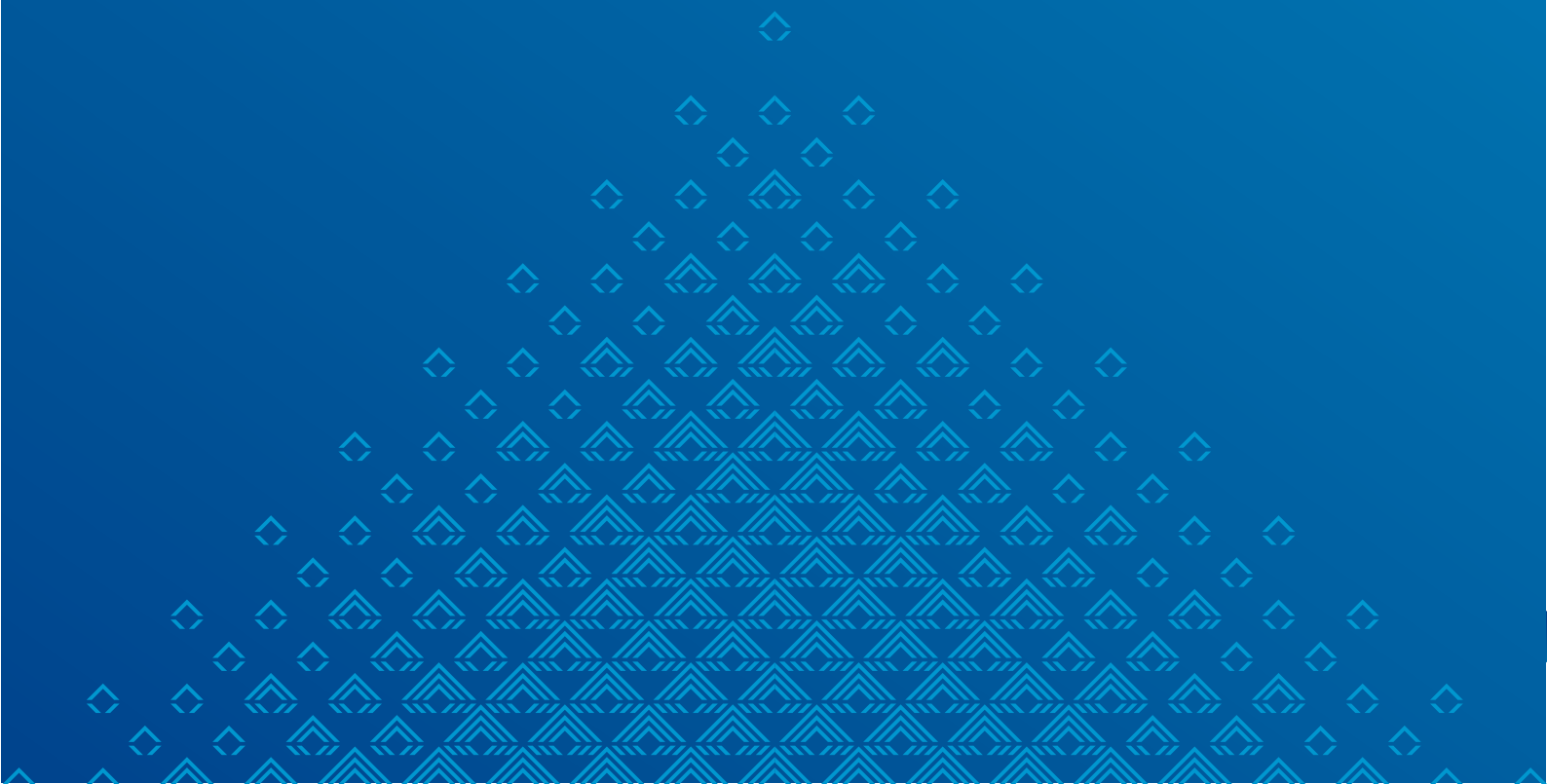


SUSTAINABILITY IS THE 1ST PRIORITY



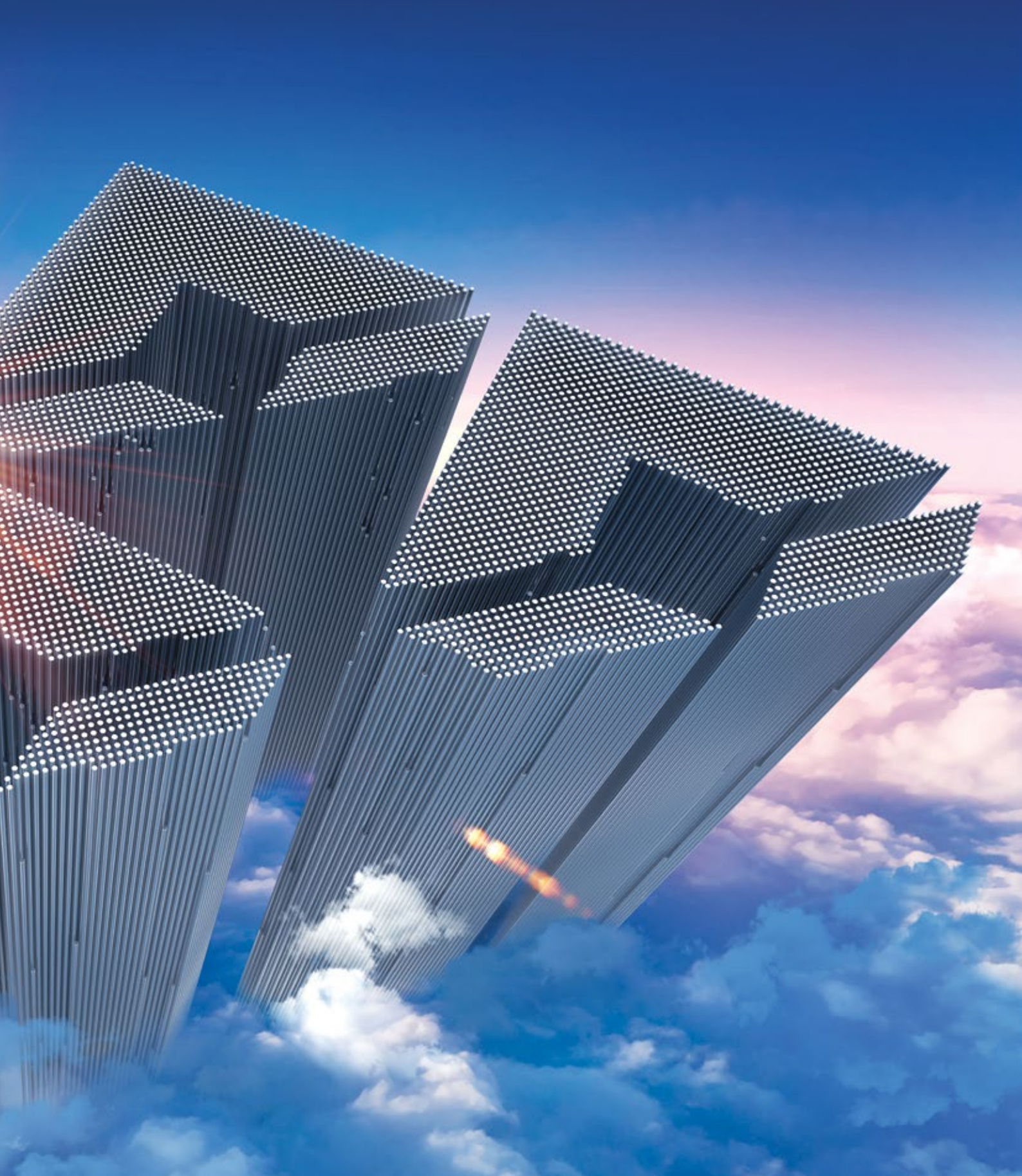
HOA PHAT

HARMONY FOR JOINT DEVELOPMENT





COMMITTING ITSELF TO LEADING IN QUALITY,
HOA PHAT ROSE TO A NEW STATUE



CONTENT

ANNUAL REPORT 2018

1	Development orientation	9
2	Message from the Chairman of the Board of Management	12
3	10 Impressive milestones of Hoa Phat Group in 2018	14

PART 1: GENERAL INFORMATION

1	BASIC INFORMATION	17
2	DETAILS OF SHARES	17
3	BUSINESS LINES	17
4	OPERATING MODEL	18
5	KEY FINANCIAL INDICATORS	19
6	LIST OF SUBSIDIARIES COMPANIES	20
7	BACKGROUND INFORMATION ON HOA PHAT	22
8	HISTORY OF DEVELOPMENT	24
9	RISKS IN OPERATION	26

PART 2: REPORT OF THE BOARD OF DIRECTORS

1	LIST OF MEMBER OF BOD	31
2	REPORT OF BOD	32
3	OPERATING PERFORMANCE EVALUATION	33
4	PERFORMANCE OF FINANCE	35
5	IMPROVEMENT OF MANAGEMENT STRUCTURE	38
6	BUSINESS PLAN FOR 2019	39

PART 3: PERFORMANCE IN 2018

1	PERFORMANCE OF SUBSIDIARIES	41
	1.1. Iron and Steel	
	1.2. Steel pipe & Prepainted hot dipped galvanized steel coils	
	1.3. Other industrial production	
	1.4. Real estate	
	1.5. Agriculture	
2	HR ORGANIZATION	50
3	STATUS OF KEY PROJECTS	52
4	SHAREHOLDER STRUCTURE	52
5	SHAREHOLDER RELATION	57

PART 4: CORPORATE GOVERNANCE

1	LIST OF MEMBER OF BOM AND OWNERSHIP RATIO	59
2	BOM'S ASSESSMENT OF OPERATIONS	62
3	BOM'S ASSESSMENT OF BOD'S OPERATION	64
4	PLANS AND DIRECTIONS	64

PART 5: REPORT OF SUPERVISORY BOARD

1	LIST OF PERSONNEL AND OWNERSHIP PERCENTAGE	67
2	REPORT OF SUPERVISORY BOARD	68
3	REPORT OF INTERNAL CONTROL BOARD	69

PART 6: SUSTAINABLE

1	SUSTAINABLE DEVELOPMENT STRATEGY	73
2	R&D	74
3	SOLUTIONS FOR ENERGY SAVING AND ENVIRONMENTAL PROTECTION	77
4	SOCIAL RESPONSIBILITY	80

PART 7: AUDITED CONSOLIDATED FINANCIAL STATEMENTS

1	REPORT OF THE BOD	84
2	INDEPENDENT AUDITOR'S REPORT	87
3	CONSOLIDATED BALANCE SHEET	89
4	CONSOLIDATED STATEMENT OF INCOME	93
5	CONSOLIDATED STATEMENT OF CASH FLOWS	95
6	NOTE TO THE CONSOLIDATED FINANCIAL	98







DEVELOPMENT ORIENTATION

- **HOA PHAT WILL BECOME ONE OF THE 50 LARGEST STEEL ENTERPRISES IN THE WORLD** with annual revenue of approximately VND 100,000 billion.
- **VISION:** To become an industrial manufacturer with top quality and core area of steel.
- **MISSION:** To provide leading products, contribute to improving living conditions and gain customers' trust.
- **POSITION:** Hoa Phat – Vietnamese brand, global standard.

HOA PHAT GROUP - HARMONY FOR JOINT DEVELOPMENT.



*Hoa phat will
become on*
Top 50
*LARGEST STEEL
ENTERPRISES*





MR.

TRAN ĐINH LONG

CHAIRMAN OF THE BOARD OF MANAGEMENT

“For Hoa Phat, the important thing is sustainability”

Dear all shareholders,

From its founding up to now, experiencing 27 years, Hoa Phat Group has always progressed, following year grew stronger than previous year, with constantly expanded research and development.

In 2018, Hoa Phat's employees accomplished work of great importance, laid a solid foundation for its production and business with a view to creating new position and strength for Hoa Phat brand from 2020.

SOLID FOUNDATION

Although the US-China trade tension has a negative impact on construction materials industry, the year 2018 witnesses great successes of Hoa Phat, surpassing many records in production and business.

Until the end of 2018, Hoa Phat Group has more than 20,000 employees, with scope of operation covering 25 provinces and cities throughout the country and one representative office established in Singapore. The Group earns VND 56,580 billion in gross revenue and VND 8,600 billion in profit after tax, a respective increase of 21% and 7% in comparison with 2017, exceeding 3% and 7% of the 2018 plan. Total amount paid to the State Budget in the year is VND 6,388 billion, an increase of 32% in comparison with 2017.

Hoa Phat construction steel, steel pipe and office furniture keep the largest market share in Vietnam. Hoa Phat is also leading in output of Australian cow in Vietnam. This is a proud achievement for an economy of 100 million people. Other traditional industrial production sectors, agriculture and real estate also promote internal strength, continuously innovate and expand development.

Hoa Phat Steel wins a lawsuit and is not imposed with anti-dumping tax in the Australian market. This is a critical victory in international trade, showing Hoa Phat's activeness, initiativeness in trade remedy lawsuits, contributing to expanding export markets.

In particular, Hoa Phat Dung Quat Steel Integrated Complex is being implemented as scheduled with cutting-edge technologies from G7 countries. The first steelworks of Hoa Phat Dung Quat with a capacity of 600,000 tons per year has put into operation with all items available for start of the blast furnace number 1 in the second quarter of 2019.

BRIGHT FUTURE

Dear all shareholders,

With its motto "never stop", regardless of advantages or disadvantages of the market, we still firmly move on. In 2019, the Group will continue focusing on the

core area of steel, ensuring Hoa Phat Dung Quat Steel Integrated Complex to operate as scheduled and officially synchronizing all equipment lines in late 2019 and early 2020.

The sale will be further promoted to enhance competitiveness of products, expand domestic market and diversify export markets. In addition to upholding the largest market share of steel, steel pipe and Australian cow and increasing agricultural products supplied to the market, the Group will also seek ways to expand other industrial products or real estate area. Traditional products will continue promoting their existing strength and position in the market while new series will be researched and launched to the market.

Hoa Phat Group is always towards sustainable development through investment in cutting-edge and environmentally friendly equipment; continuously updates and applies technology in risk management and technical renovation.

Attaching its activities to social development, Hoa Phat often organizes meaningful charity programs such as "heartbeat for love" with cardiac surgeries for poor children, granting scholarships to outstanding students, presenting gifts to the poor, preparing daily lunch for patients of Hospital K, and so on. In 2019, the Group will devote more enthusiasm, further promote its social responsibility in many difficult areas across the country.

Hoa Phat is also consistent with its business philosophy "Harmony for Joint Development". That is to say harmony for social development, reliable and sustainable cooperation with each partner, customer and shareholder. Additionally, Hoa Phat will constantly promote talent and wisdom to bring a good life to all employees, contributing to the national prosperity.

On behalf of the Board of Management, I would like to extend my sincere thanks to all shareholders for your support and confidence and to all customers and partners for your cooperation. Especially, I would like to say thanks to all Hoa Phat Group's employees who always support and join hands with me.

Yours sincerely,

Best regards,
Chairman of BOM



Tran Dinh Long

10 IMPRESSIVE MILESTONES OF HOA PHAT GROUP IN 2018

VND

8,600 billion
was Hoa Phat's record
level of net income

Vietnam's the
**largest
market share**
of construction steel,
steel pipe and office furniture

2,38
million tons
of construction steel
was record output

600,000
tons per year
was the capacity of the
first long steel rolling line
of Hoa Phat Dung Quat
Steel Integrated Complex
put into operation since
the fourth quarter of 2018





With a capacity of

400,000
tons per year

Hoa Phat steel sheet was
officially launched to
the market in April 2018

50%

drawn steel of Hoa Phat
was exported to
foreign countries

Over **40%**

was the revenue
growth of the
agriculture against 2017

42%

of Australian cow
– biggest market share

Hoa Phat steel pipe product hit


800,000 tons

for the first time (including hot
dipped galvanized steel coil)

Approximately

VND **6,400** billion

was paid by Hoa Phat
to State Budget for
25 provinces and
cities throughout
the country.



1

GENERAL INFORMATION

- › **1.** BASIC INFORMATION
- › **2.** DETAILS OF SHARES
- › **3.** BUSINESS LINES
- › **4.** OPERATING MODEL
- › **5.** KEY FINANCIAL INDICATORS
- › **6.** LIST OF SUBSIDIARIES COMPANIES
- › **7.** BACKGROUND INFORMATION ON HOA PHAT
- › **8.** HISTORY OF DEVELOPMENT
- › **9.** RISKS IN OPERATION

BASIC INFORMATION

Transaction name:	Hoa Phat Group Joint Stock Company
Business Registration Certificate No.:	0900189284
Authorized capital:	VND 21,239,071,660,000
Head office address:	Pho Noi A Industrial Zone, Giai Pham Commune, Yen My District, Hung Yen District, Vietnam
Hanoi Office:	66 Nguyen Du, Nguyen Du Ward, Hai Ba Trung District, Hanoi City
Tel:	(+84)24 6284 8666
Fax:	(+84)24 6283 3456
Da Nang Branch:	171 Truong Chinh, An Khe Ward, Thanh Khe District, Da Nang City
Tel:	(+84)23 637 21 232
Fax:	(+84)23 637 22 833
HCM City Branch:	643 Dien Bien Phu, Ward 25, Binh Thanh District, Ho Chi Minh City
Tel:	(+84)28 629 85 599
Fax:	(+84)28 629 87 799
Website:	www.hoaphat.com.vn

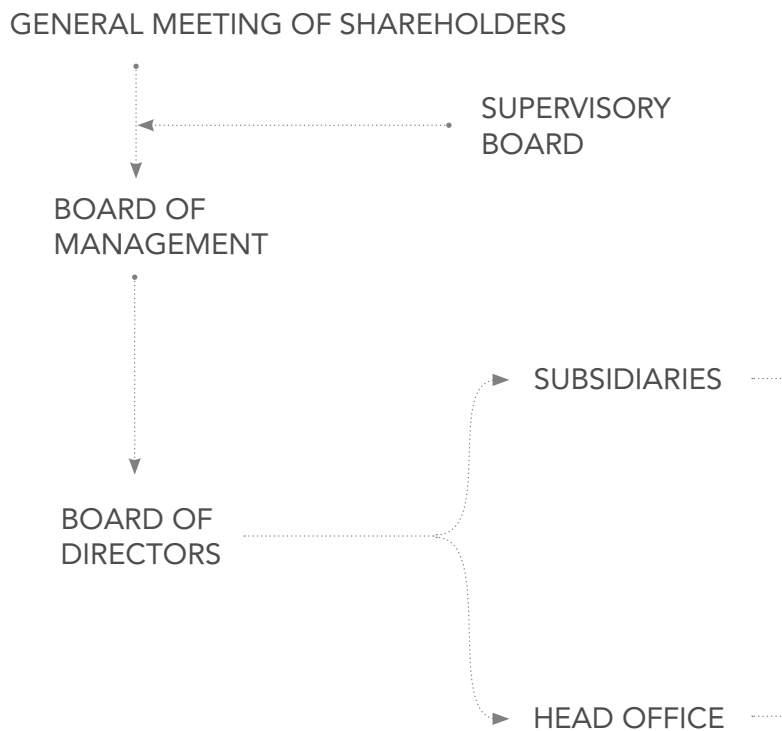
DETAILS OF SHARES

Stock sticker:	HPG
Stock exchange:	HOSE
Initial offering date:	15/11/2007
Outstanding shares:	2,123,907,166 shares

BUSINESS LINES

- 1 Trading, exporting and importing iron and steel, materials and equipment for refining and rolling steel;
- 2 Producing rolling steel, roofing steel sheet, galvanized steel sheet, galvalum steel sheet and prepainted hot dipped galvanized steel sheet;
- 3 Producing non-galvanized and galvanized steel pipes and stainless steel pipes;
- 4 Producing and trading non-ferrous metal and non-ferrous metal scrap;
- 5 Refining cast iron and steel; Casting iron and steel;
- 6 Manufacturing and trading coke coal;
- 7 Mining for metal ores; trading metals, metal ores and scrap;
- 8 Manufacturing and trading construction and mining equipment;
- 9 Producing interior furniture for offices, households and schools;
- 10 Manufacturing, trading, assembling, installing, repairing, and maintaining electric, electronic, refrigeration, civil electric products and air conditioners;
- 11 Investing and building infrastructure for industrial zones and urban areas;
- 12 Real estate;
- 13 Producing and trading animal feed for livestock and poultry, raising livestock, and processing meat and meat products, etc.

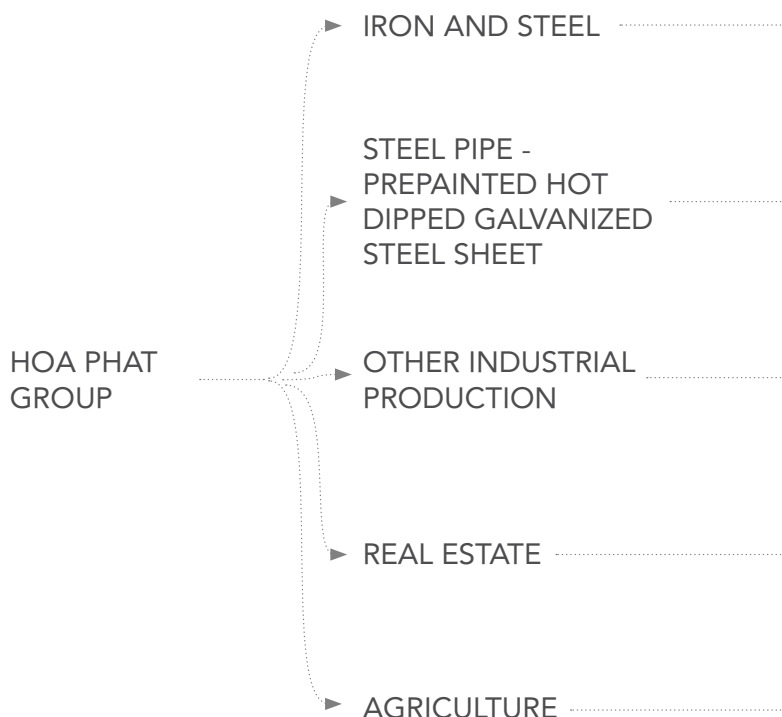
ORGANIZATION STRUCTURE



1. An Thong Mineral Investment JSC
2. Hoa Phat Hai Duong Steel JSC
3. Hoa Phat Dung Quat Steel JSC
4. Hoa Phat Hung Yen Steel Co., Ltd
5. Hoa Phat Steel Pipe Co., Ltd
6. Hoa Phat Steel Sheet Co., Ltd
7. Hoa Phat Equipment & Accessories Co., Ltd
8. Hoa Phat Furniture JSC
9. Hoa Phat Refrigeration Engineering Co., Ltd
10. Hoa Phat Urban Development and Construction JSC
11. Hoa Phat Agriculture Development JSC

1. Internal control board
2. Financial department
3. IT department
4. Legal department
5. PR department
6. Administration department
7. R&D department

OPERATING MODEL



An Thong Mineral Investment JSC
 Hoa Phat Hai Duong Steel JSC
 Hoa Phat Dung Quat Steel JSC
 Hoa Phat Hung Yen Steel Co., Ltd

Hoa Phat Steel Pipe Co., Ltd
 Hoa Phat Steel Sheet Co., Ltd

Hoa Phat Equipment & Accessories Co., Ltd,
 Hoa Phat Furniture JSC,
 Hoa Phat Refrigeration Engineering Co., Ltd

Hoa Phat Urban Development and Construction JSC

Hoa Phat Agriculture Development JSC

Indicator (Unit: VND billion)	2016	2017	2018
Income Statement			
Revenue from sales of goods & provision of services	33,885	46,855	56,580
Net revenue	33,283	46,162	55,836
Gross profit	8,751	10,626	11,671
Net financial expenses	(171)	(370)	(478)
Selling expenses	490	595	677
General and administration expenses	405	409	444
Other income	17	36	(1)
Profit before tax	7,702	9,288	10,071
Corporate income tax	1,096	1,274	1,471
Profit after tax	6,606	8,015	8,600
Profit of shareholder as holding company	6,602	8,007	8,573
Depreciation and amortization	1,652	2,005	2,286
Balance Sheet			
Total assets	33,227	53,022	78,223
Current assets	18,183	33,068	25,309
Non-current assets	15,044	19,954	52,914
Liabilities	13,376	20,625	37,600
Owner's equity	19,850	32,398	40,623
Authorized capital	8,429	15,171	21,239
Cash Flow Statement			
Net cash from business activities	6,819	6,058	7,642
Net cash from investment activities	(3,128)	17,926	(20,533)
Net cash from financial activities	(1,505)	11,574	11,143
Net cash flow during the period	2,186	(294)	(1,748)
Cash and equivalents at the beginning of the period	2,373	4,559	4,265
Cash and equivalents at the end of the period	4,559	4,265	2,516
Key financial indicators			
Gross profit/Net sales	26%	23%	21%
Net income/Net sales	20%	17%	15%
ROA	20%	15%	11%
ROE	33%	25%	21%
EBIT	7,873	9,658	10,549
EBITDA	9,526	11,663	12,835

SUBSIDIARIES AND THEIR OWNERSHIP PERCENTAGES AS AT MARCH 1, 2019

No.	Subsidiary	Address
1	An Thong Mineral Investment JSC	415 Tran Phu, Tran Phu Ward, Ha Giang City, Ha Giang Province, Vietnam
2	Hoa Phat Hai Duong Steel JSC	Hiep Son Commune, Kinh Mon District, Hai Duong Province, Vietnam
3	Hoa Phat Dung Quat Steel JSC	Dung Quat Economic Zone, Binh Dong Commune, Binh Son District, Quang Ngai Province, Vietnam
4	Hoa Phat Hung Yen Steel Co., Ltd.	Pho Noi A Industrial Zone, Giai Pham Commune, Yen My District, Hung Yen Province, Vietnam
5	Hoa Phat Steel Pipe Co., Ltd.	39 Nguyen Dinh Chieu, Le Dai Hanh Ward, Hai Ba Trung District, Hanoi City, Vietnam
6	Hoa Phat Steel Sheet Co., Ltd	Road E1, Area E, Pho Noi A Industrial Zone, Lac Dao Commune, Van Lam District, Hung Yen Province, Vietnam
7	Hoa Phat Equipment and Accessories Co., Ltd.	39 Nguyen Dinh Chieu, Le Dai Hanh Ward, Hai Ba Trung District, Hanoi City, Vietnam
8	Hoa Phat Furniture JSC	Road B4, Area B, Pho Noi A Industrial Zone, Lac Hong Commune, Van Lam District, Hung Yen Province, Vietnam
9	Hoa Phat Refrigeration Engineering Co., Ltd.	Pho Noi A Industrial Zone, Giai Pham Commune, Yen My District, Hung Yen Province, Vietnam
10	Hoa Phat Urban Development and Construction JSC	39 Nguyen Dinh Chieu, Le Dai Hanh Ward, Hai Ba Trung District, Hanoi City, Vietnam
11	Hoa Phat Agriculture Development JSC	Pho Noi A Industrial Zone, Giai Pham Commune, Yen My District, Hung Yen Province, Vietnam

Principal business activities	Contributed authorized capital (VND billion)	Ownership percentage by HPG
Exploring, exploiting, preparing and making, processing, exporting and importing minerals, mainly iron ores.	500	99.960%
Producing steel and cast iron, exploiting iron ores, exploiting and collecting lignite; wholesale of metals and metal ores; producing and trading coke coal.	3,500	99.998%
Producing steel and iron. Generating, transmitting and distributing electricity. Trading solid, liquid and gas fuel and related products. Transporting goods by coastal, by sea and inland waterways	25,000	100%
Producing steel, iron, wholesaling metals and metal ores	600	100%
Producing and trading steel pipes.	1,500	99.967%
Producing roof coverings of galvanized steel, galvanized aluminum alloy, painting and metal plating; producing iron, steel, cast iron.	2,000	100%
Producing construction equipment, trading construction machinery and equipment, exploiting small and medium-sized minerals.	350	99.857%
Producing and trading various kind of furniture.	400	99.600%
Producing and trading various kinds of refrigerant equipment	150	99.667%
Civil and industrial construction, real estate business, investing in and building technical infrastructure.	1,300	99.846%
Producing fertilizers and nitrogen compounds. Pig farming, poultry breeding, and livestock services. Processing and preserving meat and meat products. Production of animal feed, poultry and fisheries.	2,880	99.999%



BACKGROUND OF HOA PHAT GROUP

Hoa Phat is the leading industrial manufacturing group in Vietnam.

Originating as a construction machine and equipment trading company in August 1992, Hoa Phat has gradually expanded its business to trading and production of Furniture (1995), Steel Pipe (1996), Steel (2000), Refrigeration (2001), and Real Estate (2001). In 2007, Hoa Phat was reorganized into a group structure, with Hoa Phat Group Joint Stock Company restructured as the Parent Company of its subsidiaries. Since November 15, 2007, Hoa Phat has been officially listed on the Stock Exchange under the stock ticker symbol 'HPG'.

Hoa Phat Group and 11 its subsidiaries are operating in the five key areas of iron and steel, steel pipe and coated steel sheet, other industrial production such as interior furniture, refrigeration, construction equipment, agriculture and real estate. Iron and steel production is the core with over 80% revenue and profit of the Group. Capacity of Hoa Phat construction steel is 2.4 million tons per year, mainly from the Steel Integrated Complex located in Hai Duong province. Hoa Phat is now the largest manufacturer of construction steel and steel pipe in Vietnam with market share of 23.8% and 27.5%, respectively. Hoa Phat Furniture is leading in market share of office furniture.



To move forward to “a new stature and strength” by 2020, the Group is implementing construction of Hoa Phat Dung Quat Steel Integrated Complex in Quang Ngai Province with a capacity of more than 4 million tons per year, creating a closed-loop value chain in steel products from iron ore to billets, construction steel, high-quality steel, hot rolled coil steel, steel pipe, steel sheet and prestressed steel. The project is expected to be completed and put into synchronous operation at the beginning of 2020.

For years, Hoa Phat has been recognized as the National Brand, becomes one of Vietnam’s 50 largest and most efficient enterprises; one of Vietnam’s 10 largest private enterprises, etc.

In parallel with business and production development, Hoa Phat allocates an annual budget of dozens of billion dongs in order to exercise corporate social responsibilities to the community through various charity and social programs in different parts of the country where the Group and its subsidiaries are located.

HISTORY OF DEVELOPMENT

August 1992:

Establishing **Hoa Phat Equipment & Accessories Co., Ltd**
– the first company that bore the brand of Hoa Phat

August 2007:

Establishing **Hoa Phat Hai Duong Steel JSC** to initiate the Hoa Phat Steel Integrated Complex in Kinh Mon District, Hai Duong Province.

November 1995:

Establishing
Hoa Phat Furniture JSC

2001:

Establishing
• **Hoa Phat Hung Yen Steel Co., Ltd**
• **Hoa Phat Refrigeration Engineering Co., Ltd**
• **Hoa Phat Urban Development and Construction JSC.**

1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008

August 1996:

Establishing
Hoa Phat Steel Pipe Co., Ltd

January 2007:

Restructuring as a group with Hoa Phat Group Joint Stock Company being the Parent Company of its subsidiaries

November 15, 2007:

Listing **HPG** shares on the **Vietnam Stock Market**

August 2012:

20th anniversary of Hoa Phat development, **Third Class Labour Order awarded by the President.**

February 2017:

Establishing **Hoa Phat Dung Quat Steel JSC**, initiating Hoa Phat Dung Quat Steel Integrated Complex in Quang Ngai Province with the capacity of 4 million tons per year and the total investment of VND 52,000 billion, marking a turning point in Hoa Phat Group's development.

October 2013:

Finishing the second phase of the Hoa Phat Steel Integrated Complex, **raising the total capacity of Hoa Phat to 1.15 million tons per year.**

December 2009:

Finishing the first phase of Hoa Phat Steel Integrated Complex.

March 2015:

Hoa Phat officially launched **Hoa Phat Hung Yen Feeds Limited Liability Company**, marking a new step in the Group's development history by penetrating the agricultural sector.

08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019

June 2009:

An Thong Mineral Investment JSC became a member of the Hoa Phat Group.

April 2016:

Establishing **Hoa Phat Steel Sheet Co., Ltd**, starting the project of prepainted hot dipped galvanized steel sheet, galvanized steel sheet and galvalum steel sheet with the capacity of 400,000 tons per year.

January 2011:

Structuring of operation model of the Parent Company by separating the steel production and trading segment.

February 2016:

Establishing Hoa Phat Agriculture Development JSC, which manages and coordinates the operations of all subsidiaries in the agriculture segment (including animal feed and breeding).

Finishing the third phase of Hoa Phat Hai Duong Steel Integrated Complex, **raising the total capacity of Hoa Phat to 2 million tons per year.**



RISKS IN OPERATION

For effective prevention of risks that may arise during production and business, the Group has set out specific measures for each key risk group. In 2018, special attention was paid to the management of production costs, construction investment, and prevention of legal risks.

POLICY RISK

Hoa Phat Group and its 11 subsidiaries operate in a variety of sectors such as heavy industry, light industry, consumer goods, mineral exploitation, real estate, agriculture etc. While legal documents and legal guidance are in the process of finalization, changes in laws and policies may occur. In this regard, any change in laws and policies has its own certain impact on the operation of the Group.

Solutions: Coordinating with subsidiaries' functional departments. The Group has established departments specializing in policy risks, such as the Legal Department, Internal Control Board, and Finance Department. In this regard, the abovementioned departments are responsible for collecting and updating information, providing guidance to subsidiaries on any change in laws and its legal effect on the operation of the Group. Furthermore, the established departments promptly advise the Board of Management and Board of Directors to make appropriate and timely decisions. These departments are also directly involved in the review of documentation and contracts during the day-to-day business transactional processes in order to minimize relevant policy risks.

EXCHANGE RATE RISK

The State Bank of Vietnam continues its application of daily central rate as reference for transaction rate of joint stock commercial banks under the Decision No. 2730/QĐ-NHNN on announcement of central rate of VND and USD, cross rate of VND and other foreign currencies. The aforesaid central rate is based on three principal indicators including fluctuation of currency basket of currencies of Vietnam's key partners, foreign currency demand and supply index, macro balances. Transaction margin is consistently remained at 3%. According to SSI, VND has throughout 2018 experienced devaluation of approximately 2.2 - 2.3% compared to USD, much lower than the devaluation of EUR, GBP and CNY of 4.5%, 5.7% and 5.4%, respectively.

Solutions: Although the exchange rate was quite stable last year with a fluctuation range of 1.8-2.2% compared to the beginning of the year but with the operating mechanism of central rate, unpredictable changes, the Group always calculated carefully implementation time

and payment term of import contracts to take measures to balance foreign currency accordingly. All measures ranging from production revenue, onshore or offshore facility, derivatives have been taken to balance foreign currency and minimize exchange rate risks.

INTEREST RATE RISK

The Group is currently in process upgrading its range through investing in various large projects in various areas. Accordingly, the Group has a very high demand for capital. Hence, any relatively high increase in interest rates will lead to an increase in interest expenses which will significantly influence the Group's operations.

Solutions: Always taking the initiative to implement a debt and equity structuring which is suitable to the Group's operations and credit market developments from time to time. With 27 years of experience and a high credit rating in the credit market, Hoa Phat Group has been able to achieve loan agreements while incurring reasonable borrowing costs.

PRICE FLUCTUATION RISK

Steel is a core product of the economy in general and of Hoa Phat in particular. In this regard, the steel sector consistently accounts for more than 80% of the Group's revenue and profit. The price of raw materials for steel production such as iron ores and coals and the selling price of steel are similarly sensitive to the international market. During the year, raw material prices have suffered strong market fluctuation.

Solutions: Continuously updating information, taking advantage of high-class technology and commodity derivative products to control the cost at low levels. Management and prevention of price fluctuation are implemented every day through departments with the same functions such as Materials Department, Accounting Department. Materials Department and Accounting Department jointly aggregate and encode all types of materials with respect to the whole Group, compare vendors in order to determine the most optimal choice from the most competitive supplier in the market. Accordingly, these technical departments have effectively contributed to the overall development of the Group.

PERSONNEL RISK

With 20,000 employees coming from all parts of the country, the personnel fluctuation is always a special matter to be resolved. While the steel production sector always needs a large amount of skilled workers, the training system of Vietnam in mechanical engineering has not yet met the actual requirement.

Solutions: Considering human resources to be the central factor to success, Hoa Phat consistently focuses on training knowledge and skills for employees. Subsidiaries regularly hold training courses, closely coordinate with universities, colleges, vocational schools in mechanical engineering to attract skilled workers satisfying requirements for business development. Development policies in terms of both quality and quantity are always implemented equally. Hoa Phat Group has deployed a rating system to standardize the human resource system on a group scale to be applied on a step by step basis in calculation and payment of salaries to motivate employees.

PROJECT PROGRESS RISK

The Group is accelerating the implementation of Hoa Phat Dung Quat Steel Integrated Complex and many other projects. This work consists of various procedures on law, land, environment, site clearance, contracts with foreign providers, recruitment for projects. All of these may effect progress and plans.

Solutions: In light of its 27 years' experience, the Group has always been proactive in project implementation, gaining a great deal of hands-on experience and good cooperation with the relevant authorities. Accordingly, the Group's projects have always been completed on or ahead of delivery schedule.

INTERNATIONAL TRADE RISK

In the context that the world economy is still stagnant, globalization has not shown significant changes while protectionism is gradually returning to the world's largest economies. Protection trend has been more evident in the early months of 2018. Some countries are even willing to violate WTO rules to protect domestic production. This affected more or less strong products of Vietnam. Hoa Phat Group is a leading steel manufacturer in Vietnam, which has been facing the threat of trade remedy lawsuits from countries around the world.

Solutions: Always monitoring moves and policies of countries importing the Group's products on a daily and detailed basis. Proactively and actively participating in trade remedy lawsuits filed by Vietnam and lawsuits filed by other countries against Vietnam in connection with steel products. Proactively making sales policies in compliance with importers' requirements to avoid any matter on dumping, setting up a force of skilled personnel in trade remedy to participate in any case. At the same time, seeking more new markets to diversify markets and reduce dependence on any certain market.



COMMITTING ITSELF TO LEADING IN QUALITY,
HOA PHAT ROSE TO A NEW STATUE



2

REPORT OF BOD

- › 1. LIST OF MEMBER OF BOD
- › 2. REPORT OF BOD
- › 3. OPERATING PERFORMANCE EVALUATION
- › 4. PERFORMANCE OF FINANCE
- › 5. IMPROVEMENT OF MANAGEMENT STRUCTURE
- › 6. BUSINESS PLAN FOR 2019

LIST OF MEMBERS OF BOD



Mr.
TRAN TUAN DUONG
General Director

Educational qualification:

Bachelor of economics
Bachelor of Journalism
Hanoi general university.

Joining date: 1992

Before he became the Deputy Chairman of Management Board cum CEO of Hoa Phat Group since January 2007, Mr. Tran Tuan Duong held management position in subsidiaries such as: Hoa Phat Equipment & Accessories, Hoa Phat Furniture and Hoa Phat Steel Pipe.

Number of shares held
at 01/03/2019 (%)

2.68 %



Mr.
NGUYEN VIET THANG
Deputy General Director

Educational qualification:

Bachelor of civil engineering

Joining date: 2003

Mr. Nguyen Viet Thang had several years in the management position as the Deputy Director of Hoa Phat Urban Development and Construction JSC before he was appointed as the Deputy General Director of Hoa Phat Group Joint Stock Company on 7th April 2012. He also is Director of Hoa Phat Hung Yen Feeds Co., Ltd, Hoa Phat Hai Duong Steel JSC.

Number of shares held
at 01/03/2019 (%)

0.32 %



Mrs.
NGUYEN THI THAO NGUYEN
Deputy General Director

Educational qualification:

Bachelor of economics – Hanoi university of finance and accounting

Joining date: 1998

Ms. Nguyen Thi Thao Nguyen was the Chief Accountant of Hoa Phat Steel Pipe Co., Ltd. and the Head of Supervisory and Legal Board of Hoa Phat Group Joint Stock Company before she was appointed as the Deputy General Director of Hoa Phat Group Joint Stock Company on 1st September 2010.

Number of shares held
at 01/03/2019 (%)

0.02 %



Mrs.
PHAM THI KIM OANH
CFO & Chief Accountant

Educational qualification:

Master of economics

Joining date: October 2008

Ms. Pham Thi Kim Oanh was appointed as CFO & Chief Accountant of Hoa Phat Group Joint Stock Company on 28 April 2016.

Number of shares held
at 01/03/2019 (%)

0.002 %

REPORT OF BOD

Vietnam's economy in 2018 was laid in the context of 31% economic growth but containing unpredictable factors mainly due to increasingly complex changes in US-China trade policy. Global inflation in early months of the year tended to be higher than in 2017 due to dramatic increase in energy prices, especially average prices of oil. In addition, trade tension among powers along with the increasing trend of trade protectionism had an impact on the production and export of Vietnam and other countries in the region.

Facing with difficulties and challenges of the world economy, the Government of Vietnam has taken drastic instructions and solutions to implement the set objectives, thus, the socio-economic situation in 2018 was positively changed with outstanding results. GDP growth in 2018 increased by 7.08%, the highest since 2008; quality of growth and business investment environment were improved, macroeconomic foundation was strengthened and gradually enhanced.

In the sectors of industry and construction, the industry in 2018 maintained a good growth rate of 8.79%, of which processing and manufacturing industry continued to affirm that it was bright spot of this sector and main driving force of growth with a high growth rate of 12.98%, much higher than that of the years 2012-2016, and the construction maintained a good growth rate of 9.16%. However, due to joint agreements not reached by major economies, the world steel market was still quite bleak and Vietnam was not out of that fluctuation.

However, 2018 was considered an outstanding effort of Hoa Phat Group when indicators of revenue and profit exceeded the plan. This success came from the great efforts by the Board of Directors and all employees to complete the targets assigned by the General Meeting of Shareholders. At the end of the year, the Group achieved VND 56,580 billion in revenue and VND 8,600 billion in profit after tax, increasing by 21% and 7% respectively compared to 2017, exceeding 3% and 7% of the 2018 plan. Total amount paid to the State Budget in the year was VND 6,388 billion, an increase of 32% compared to 2017, in which three provinces where the most contributions were made by Hoa Phat included Hung Yen, Hai Duong and Quang Ngai.

Indicators	2017 (VND bn)	2018 (VND bn)	2018 Plan (VND bn)	% growth rate 2018/2017	% achieved compared to plan
Total revenue	46,855	56,580	55,000	21%	103%
Profit after tax	8,015	8,600	8,050	7%	107%

OPERATING PERFORMANCE EVALUATION

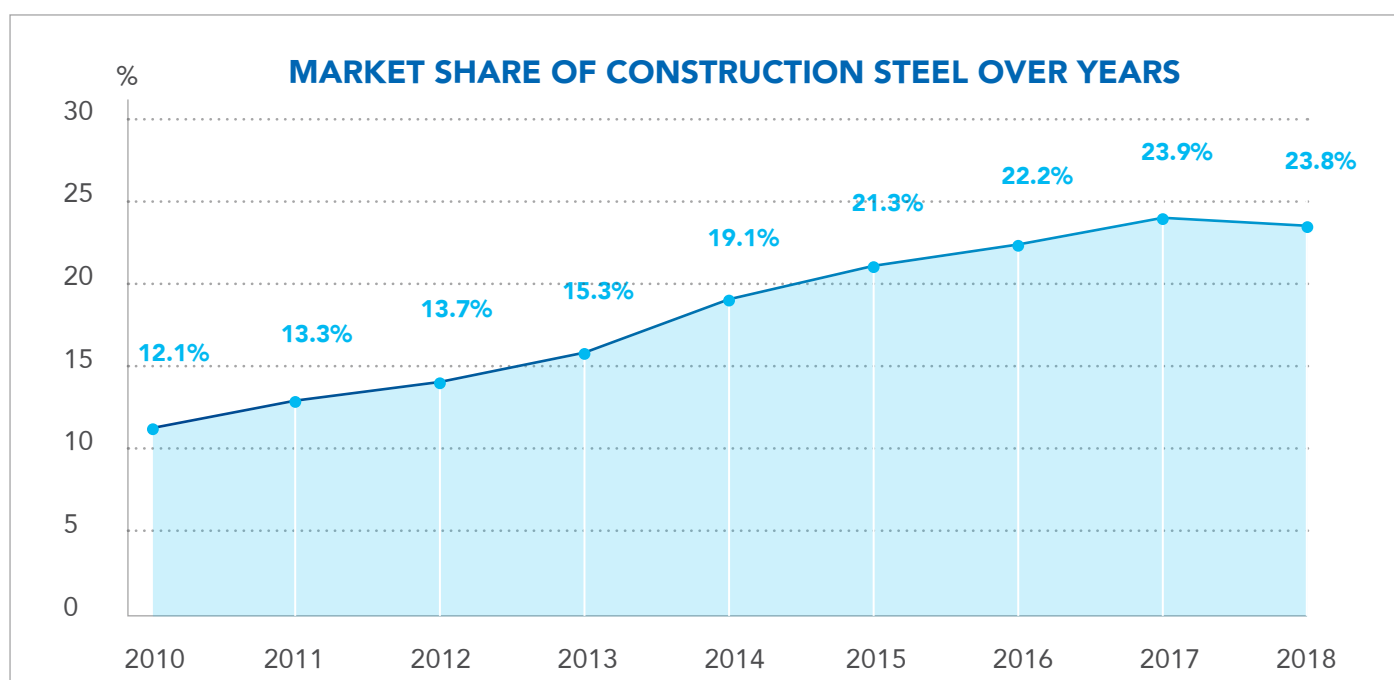
OPERATING PERFORMANCE ANALYSIS

REVENUE FROM SALES OF GOODS

In 2018, the Group achieved VND 56,580 billion in revenue from sales of goods, up 21% compared to 2017, doubling its revenue scale after 5 years (from 2014).

Revenue growth in 2018 mainly came from steel production and trading accounting for over 80% of the total revenue of the Group. In 2018, total consumption of steel was 3,180,000 tons, an increase of 10% compared to 2017. This growth

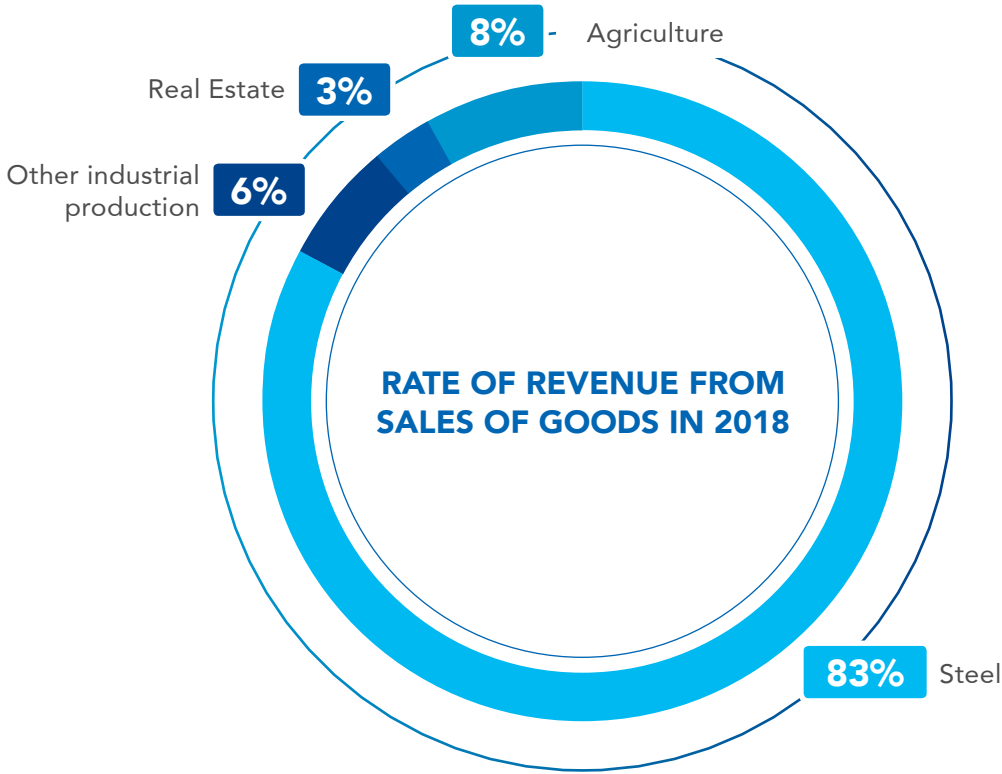
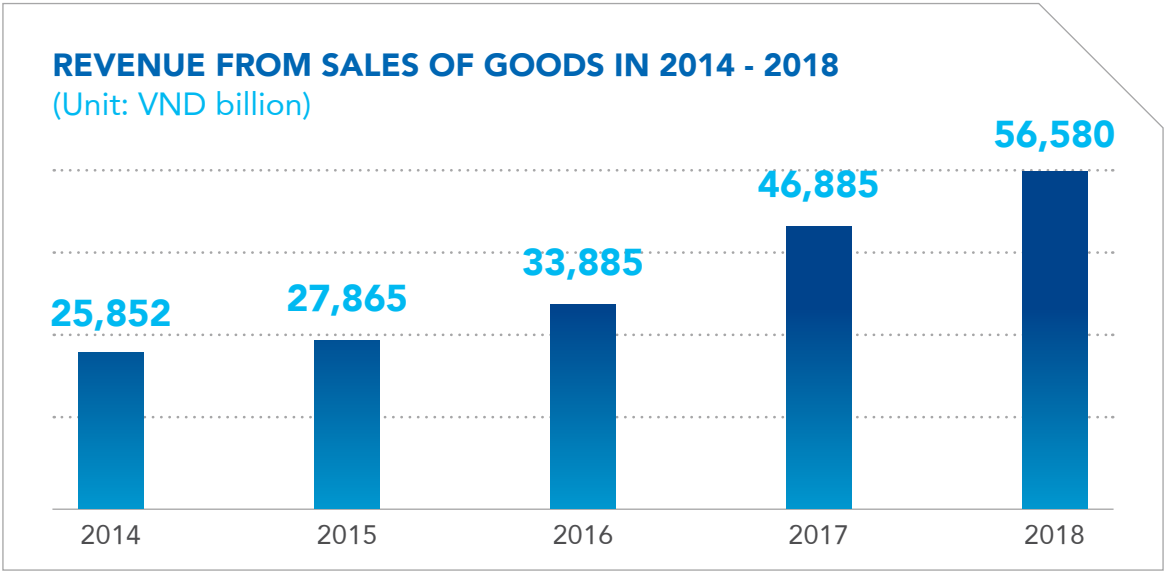
in the difficult situation of market showed a wide coverage and a clear reputation of Hoa Phat. Hoa Phat's market share of construction steel and steel pipe continued to lead with 23.8% and 27.5%, respectively. In 2018, nearly 240,000 tons of Hoa Phat construction steel was exported, up more than 50% over the previous year. Out of main markets such as Japan, the US, Cambodia and Malaysia, the Japanese market had the strongest growth, 20 times higher than the previous year. Steel pipe was also exported with high export percentage of 68% over the same period.



The sector of other industrial production still maintained regular sales activities and brought stable revenue, particularly the drawn steel of Hoa Phat Equipment and Accessories Co., Ltd has been well received in domestic and foreign markets. Mandarin Garden 2 Project in terms of real estate which recorded majority of revenue in 2018 resulted in the increase from 2% in 2017 to 3% in 2018 in proportion of real estate revenue.

Another important recognition of revenue came from the agricultural sector. Start-up in 2015 with the business lines of producing animal feed, raising pig, cow for meat and raising salable hens, the agricultural

sector of Hoa Phat has gradually accumulated with experiences and started to gain achievements in 2018. The first batch of salable pigs which launched to the market at the time of the recovery of pig prices in Vietnam and on the rise in price, the output of Australian cows which accounted for the largest market share after less than 3 years of joining, helped the agricultural sector of Hoa Phat increase markedly, with proportion of revenue increased from 6% (2017) to 8% (2018). This was considered the first success of a new "rookie" like Hoa Phat and served as a foundation to help it gain strong growth in the coming years.

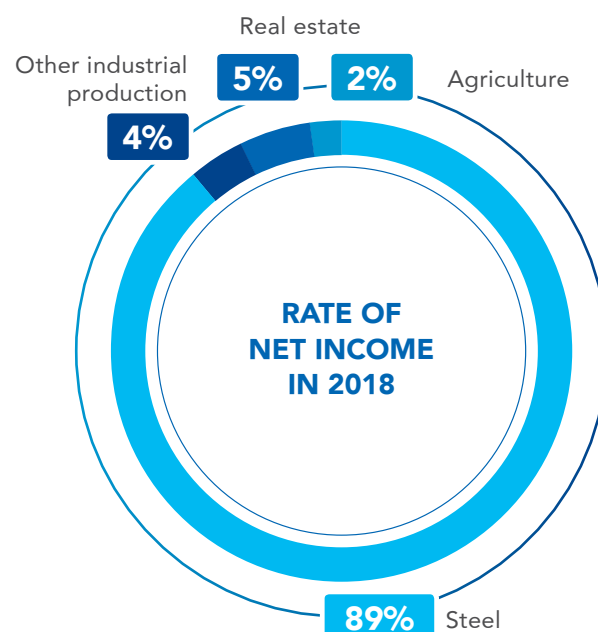
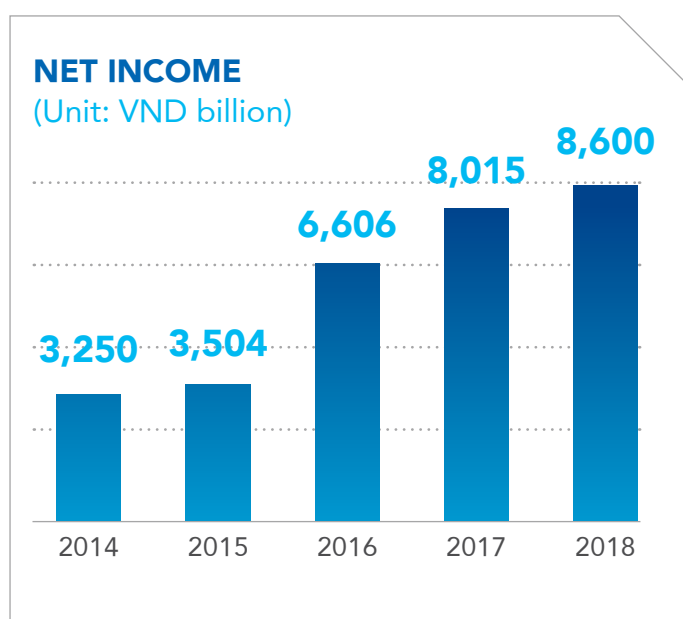


NET INCOME

Net income increased by 7% compared to 2017, fulfilling 107% of the plan, net income/net sales reached 15%, indicating a high rate of profit/sales, effective cost management although the situation of steel market was really difficult and most steel enterprises in the market only remained below 10%. The very advantage of closed-loop production

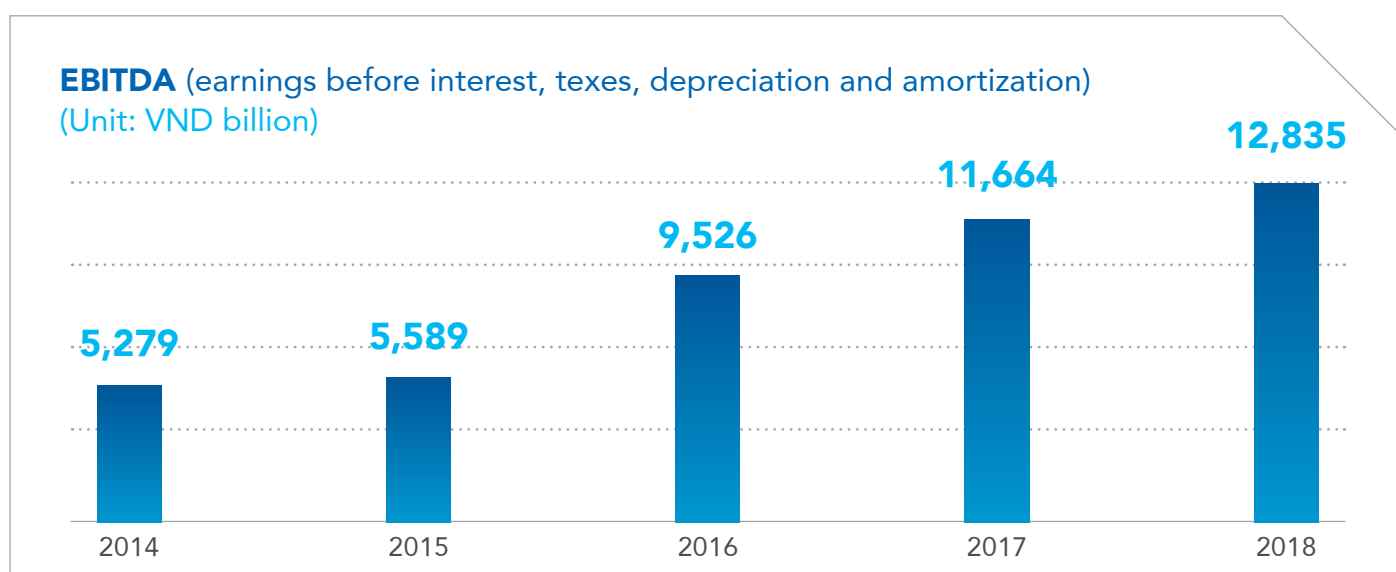
process and chain production process has been really effective at the time of major industry competition like 2018, and the production of steel from upstream helped to increase value of products and minimize production costs resulting in higher rate of return on products.

PERFORMANCE OF FINANCE



Although the rate of net income/net sales decreased from 17% in 2017 to 15% in 2018, EBITDA (earnings before interest, taxes, depreciation and amortization) increased significantly, reaching VND 11,663 billion in 2017 and VND 12,835 billion in 2018. This showed that net performance from business activities without expenses of corporate income tax, loan interest and amortization really rose.

In 2018, the Group paid nearly VND 6,400 billion to the state budget, an increase of 32% compared to 2017, depreciation expense increased slightly due to the completion and operation of some projects, and interest expense increased by 12.5% due to increase in production scale leading to increased working capital demand, on the other hand, the credit tightening policy at the end of 2018 raised an interest rate to high level, making interest expense higher than in the same period last year.



ASSETS

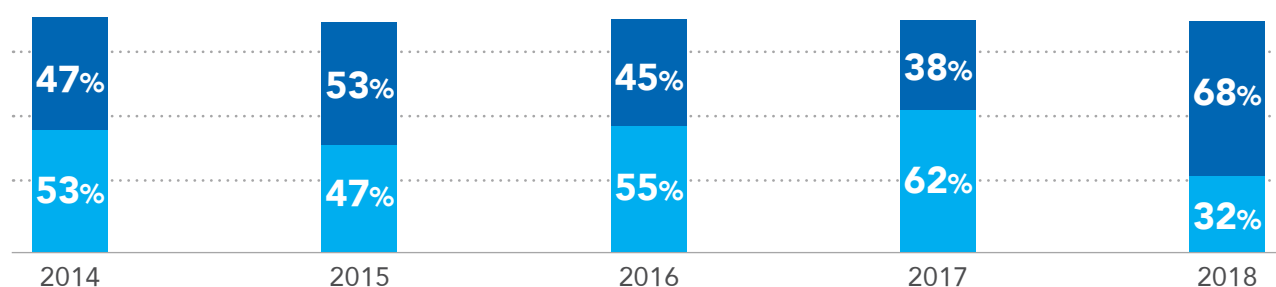
Scale of assets increased sharply and total assets increased by 48% compared to 2017 with focus on non-current assets. Non-current assets increased from VND 19,954 billion in 2017 to VND 52,914 billion at the end of 2018, showing that the Group is in the process of strong investment in assets, the Hoa Phat Dung Quat Steel Integrated Complex Project with total investment of VND 52,000 billion, of which the total fixed capital

investment of VND 40,000 billion is entering the formation and completion phase, leading to significant increase in value of non-current assets.

Asset structure accordingly also shifted with proportion of current assets as at December 31, 2018 accounted for only 32% of total assets, the remaining 68% was non-current assets.

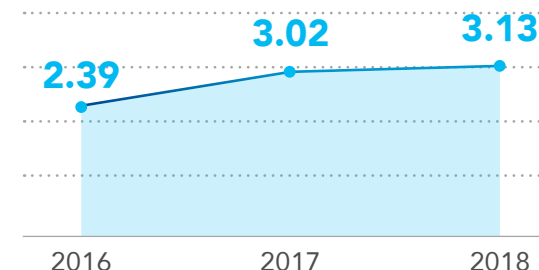
ASSET STRUCTURE FROM 2014 - 2018

■ Current asset ■ Non-current asset



In current assets, inventories accounted for 54%, inventory turnover as at December 31, 2018 was 3.13 times. The figure shows the fastest inventory turnover in the last 3 years, indicating that inventory management at the Group was always closely and effectively monitored. Increase in this index shows the sales of Hoa Phat was good and the inventory was not stagnant.

INVENTORY TURNOVER (time)



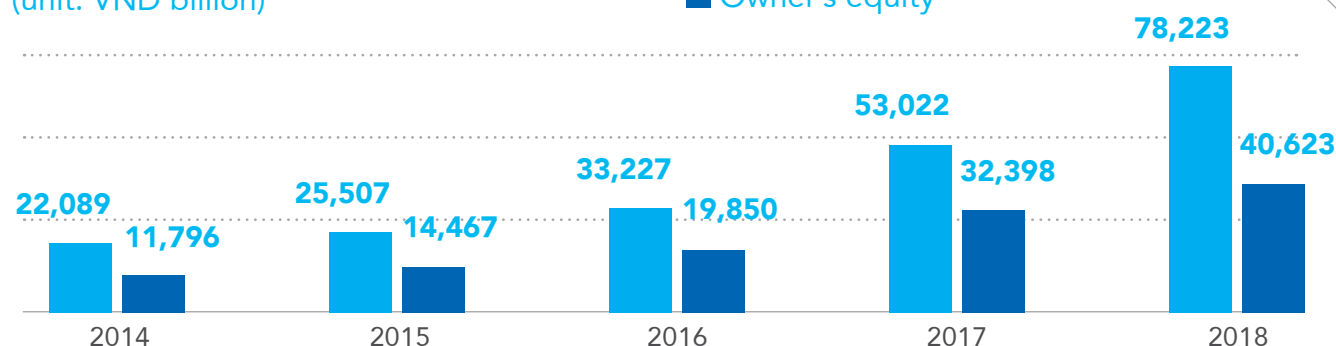
Non-current assets increased sharply compared to the same period last year, as at December 31, 2018, non-current assets reached VND 52,914 billion, up 165% compared to December 31, 2017, of which, fixed assets, investment property and long-term work in progress accounted for 97%, an increase of

VND 32,212 billion compared to 2017, the 2018 - 2019 is a major investment year of Hoa Phat, projects of prepainted hot dipped galvanized steel coils and Hoa Phat Dung Quat Steel Integrated Complex which are gradually completed will lead to a sharp increase of non-current assets in this period.

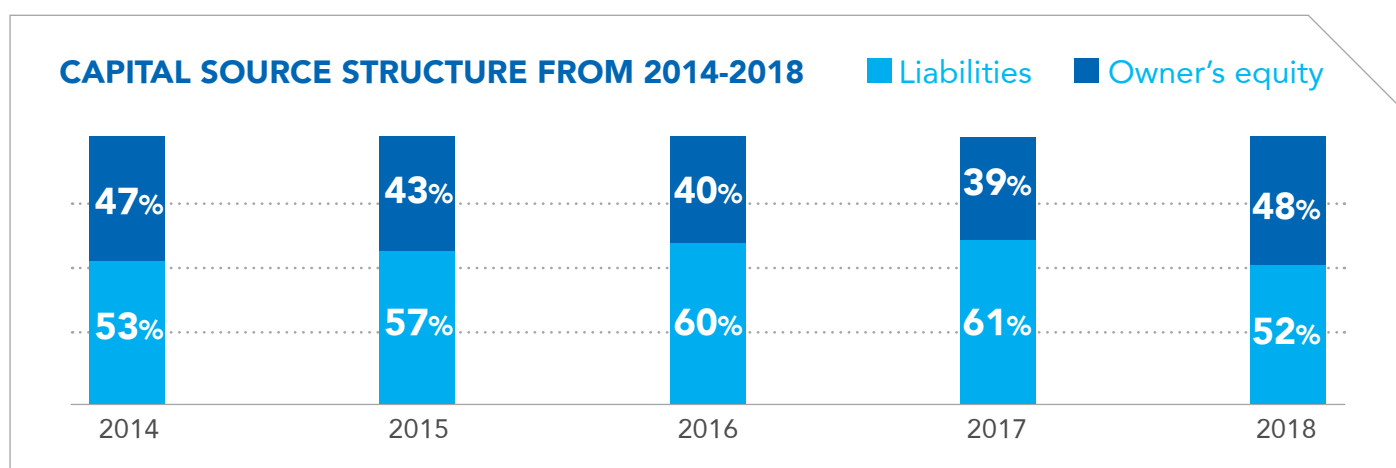
TOTAL ASSET & OWNER'S EQUITY

(unit: VND billion)

■ Total Assets ■ Owner's equity



CAPITAL SOURCE



The capital structure which has been kept stable over the years, showing that the Group's policies and financial capacity are always cautious and strictly managed and that rate of debts is reasonably controlled to minimize burden and ensure proper operation of the system. In 2018, owner's equity increased by VND 8,225 billion, corresponding to an increase of 25%. Increased capital came from the profit made in the year, helping the Group have flexible cash flow for operations.

Debt-to-equity ratio which has been closely controlled always maintains below the coefficient of 1 and debt-to-equity coefficient as at December 31, 18 is 0.6 times, much lower than other enterprises. Current ratio is 1.12 times, indicating that the Group's current solvency is good.

IMPROVEMENT OF MANAGEMENT STRUCTURE

HUMAN IS THE CORE

To bring into full play qualification of each employee, Hoa Phat always stresses that human is the core in production and business administration and at the same time makes some management policies to ensure a streamlined but effective structure.

Last year, personnel rating system, regulations on management of wages and assets were applied uniformly, promoting efficiency in calculating and paying salary and bonus worthily to motivate employees. In order to enhance operational efficiency, Hoa Phat began to test Viettel Group's VOffice electronic office system in processing documents, handling work arising on desktops and laptops, helping save time and easily storing and searching documents.

The cadre of next generation management officers has been formed and developed with priorities given to officers serving the Group for a long time, having high qualifications, rich in experience, and regularly trained, internally transferred, accumulating management experiences in the country and foreign countries. Hoa Phat has built a cadre of next generation management officers who are very perfect and professional not every enterprise is able to employ.

The transfer of personnel to the Group's new projects and key projects is carried out flexibly to ensure the organizational structure and management apparatus have been operated smoothly at the Group's subsidiaries.

In addition, Hoa Phat has always promoted the application of information technology and management software to production and business activities for purposes of management efficiency enhancement, professional administration and sustainable development. Accordingly, Hoa Phat Dung Quat Steel JSC pioneered the implementation of SAP S/4HANA resources management system to control all production and business activities at Hoa Phat Dung Quat Steel Integrated Complex.

In the industry 4.0, the decision to choose the above ERP solution expressed the Group's strong determination of applying modern administration methods, contributing to helping management and enlightening information about production segments. Upon gaining efficiency from application of the SAP administration system at the Hoa Phat Dung Quat Steel Project, the Group will consider the implementation at other subsidiaries.



BUSINESS PLAN FOR 2019

DETERMINATION TO PUT DUNG QUAT PROJECT INTO OPERATION



The World Bank (WB) forecasts that Vietnam's economy will grow 6.6% in 2019 and 6.5% in 2020, higher than the average of the East Asia - Pacific region. The Standard Chartered Bank forecasts that Vietnam will continue to be one of the fastest growing economies in Asia and ASEAN. Especially, for the first time, Vietnam is included in the list of 60 most innovative economies in the world ranked by Bloomberg. However, with existing risks and challenges from the global economy, the US-China continues to have negotiations in the first months of 2019, but a general agreement has not yet been reached, so the economy still has potential risks.

Hoa Phat determines the year 2019 to be a challenging year, however, with the determination and consensus of nearly 20,000 employees, Hoa Phat believes that orientations and policies which were built are correct. The BOD strives to achieve the following targets:

- › Completing synchronously the first phase and testing blast furnaces of the second phase under the Hoa Phat Dung Quat Steel Integrated Complex Project.
- › Leading the market share nationwide in construction steel and steel pipes - galvanized steel sheet in the field of iron and steel production and trading.
- › Seeking and expanding other industrial products, real estate.
- › Maintaining the largest market share in supply of Australian cows, increasing agricultural output supplied to the market.
- › Managing inventories effectively, monitoring material prices, exchange rate, interest rate closely to take proper measures of price moderation.

On the basis of subsidiaries' plans, the BOD is expected to plan Revenue & Profit in 2019 as follows:

- Revenue from sales of goods: **70,000 VND billion**
- Net income: **6,700 VND billion**

3

PERFORMANCE IN 2018

› 1. PERFORMANCE OF SUBSIDIARIES

1.1. Iron and Steel

1.2. Steel pipe & Prepainted hot dipped galvanized steel coils

1.3. Other industrial production

› 1.4. Real estate

› 1.5. Agriculture

› 2. HR ORGANIZATION

› 3. STATUS OF KEY PROJECTS

4. SHAREHOLDER STRUCTURE

5. SHAREHOLDER RELATION

PERFORMANCE OF SUBSIDIARIES

IRON AND STEEL

With impressive business results, subsidiaries operating in the iron and steel industry deserve to be the locomotive to keep up the growth. In 2018, Hoa Phat Construction Steel set the highest business record ever with 2.38 million tons of finished steel products, up more than 9% compared to 2017.

HOA PHAT CONSTRUCTION STEEL AFFIRMS ITS LEADING POSITION IN VIETNAM'S STEEL INDUSTRY

Although the market faced many difficulties, the blast furnace number 2 of the Hai Duong Steel Integrated Complex had to stop production to upgrade equipment, but Hoa Phat Group still had a year ahead of the plan with 2,380,000 tons, maintained growth momentum compared to the previous year. In particular, the amount of steel sold in the three regions of the country had a high growth rate and the exports increased dramatically, especially in Japan, US and Cambodia markets.

A wide range of large projects across the country choosing Hoa Phat construction steel along with the growing demand for civil engineering, have pushed Hoa Phat to promote the capacity of factories to timely serve the market's needs, helping Hoa Phat steel reach the highest output in history. A series of basic infrastructure projects, large roads and bridges, high-class urban areas chose Hoa Phat steel.

In addition, in 2018, Hoa Phat Steel conquered 14 countries with construction steel exports of nearly

240,000 tons, an increase of more than 50% compared to 2017. Hoa Phat Steel has not yet received a large amount of orders before. The diversity of markets helped Hoa Phat steel not depend on any specific market and proactive in allocating exports when necessary. In particular, the Japanese market has last year surged orders, 20 times higher than in 2017, with all of ordered products was high quality rolled steel.

For the US market, in spite of being imposed the import tax of 25% under Act 232, Hoa Phat Steel still exported a total of 35,600 tons to this market, accounting for nearly 15% of the output and ranking the third among fourteen export markets in 2018. Exports to fastidious markets which have been increasing strongly showed the high competitiveness of Hoa Phat steel in the international market.

Hoa Phat Steel also won a lawsuit and was not subject to anti-dumping tax on the Australian market. This was a critical victory in international trade, demonstrating the activeness and imitateness of Hoa Phat in trade remedy lawsuits, contributing to expanding export markets.

With good growth compared to the previous year both in domestic consumption and export, Hoa Phat is firmly in the leading position in Vietnam's steel industry. The main product of the Group is construction steel which is leading in the market with market share of 23.8%.

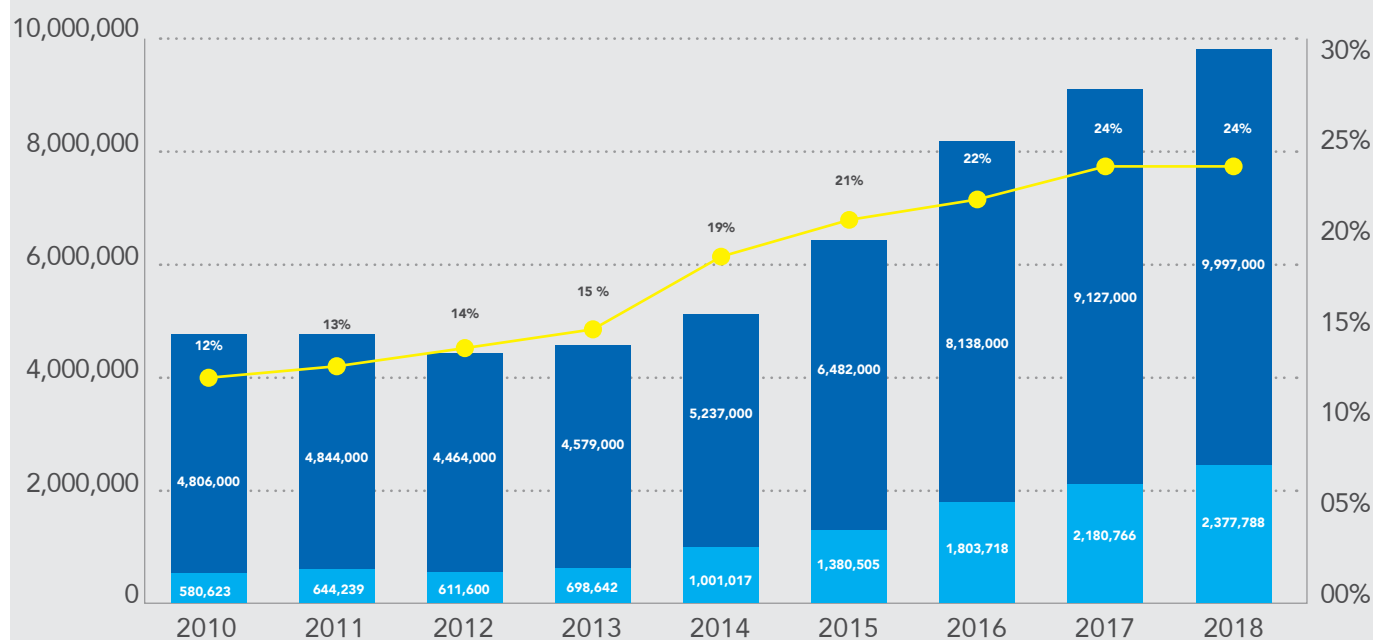


CHART OF PRODUCTION AND MARKET SHARE OF HOA PHAT CONSTRUCTION STEEL OVER YEARS

■ Consumption by Vietnam Steel Association (ton)

■ HPG consumption (ton)

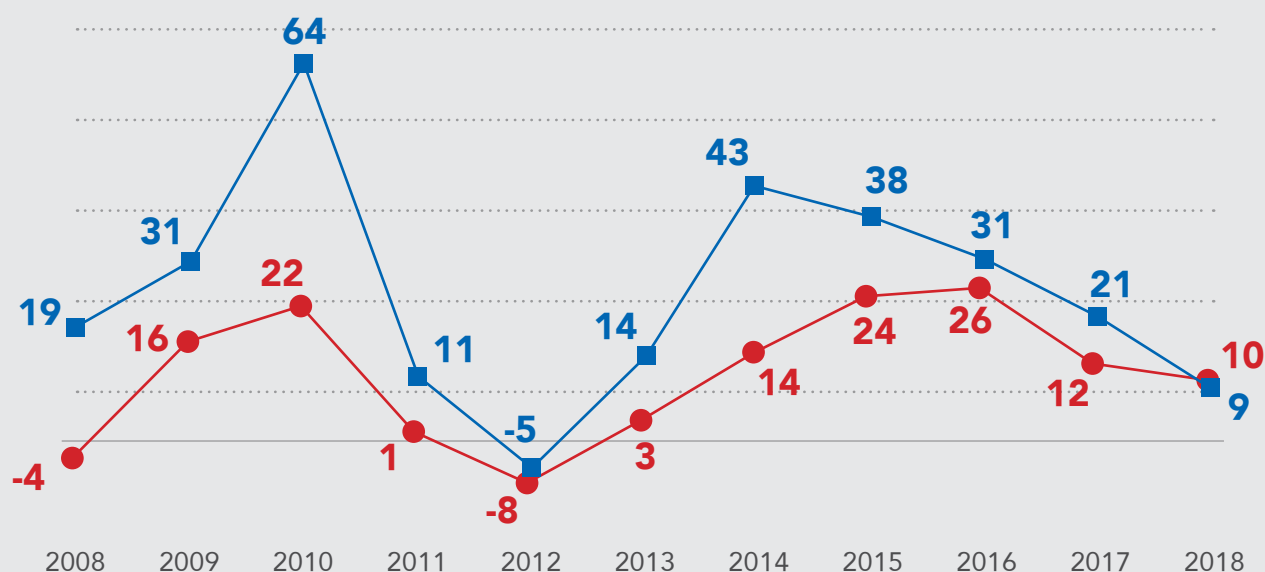
● Consumption market share



PERCENTAGE CHART OF CONSTRUCTION STEEL PRODUCTION OVER TEN YEARS

■ Hoa Phat Group

● Vietnam Steel Association



HOA PHAT HAI DUONG STEEL INTEGRATED COMPLEX FINISHED THE UPGRADING OF THE BLAST FURNACE NUMBER 2

In the past year, the outstanding success of Hoa Phat Hai Duong Steel Integrated Complex was to maintain a stable production, and at the same time renovate and upgrade the blast furnace number 2 and auxiliary works of the second phase. Billet and construction steel production in the Complex increased by 10% compared to 2017.

In 2018, construction steel consumption of the whole Hoa Phat Group reached 2.38 million tons, the highest ever, including the main contribution of the Hoa Phat Hai Duong Steel Integrated Complex's blast furnaces which operated effectively and stably. From the production achieved in 2017, the Complex was upgraded with new equipment items to optimize and increase output.

Accordingly, from the end of March to the end of May in 2018, the blast furnace number 2 and related line items of the second phase of the Complex were renovated and upgraded in accordance with the design of Danieli Group (Italia). Currently, the output of the blast furnace number 2 increased by 20% compared to before the renovation, the output of cast iron water reached 2,100 tons/day, contributing to the Company exceeding the target.

Another success of Hai Duong Steel Integrated Complex was to successfully operate and start supplying fine-grained blast furnace slag S95 to the market from the third quarter of 2018, making Hoa Phat become first enterprise in Vietnam to optimize technology, turn solid waste into high-quality construction material products, protect the environment, bring significant added value to the Group's steel production chain.

ACCELERATING SCHEDULE OF THE MAJOR PROJECT OF HOA PHAT DUNG QUAT STEEL INTEGRATED COMPLEX

Dung Quat project is a strategic long-term "steel punch" of the Group on the journey to become one of the 50 largest steel enterprises in the world.

By the end of 2018, the main items of the first phase have completed nearly 70% of the workload such as blast furnace 1, sintering 1, coke furnace, basic oxygen furnace 1 and thermal power plant 1. The items of the second phase with capacity of 2 million tons of flat steel per year and deep-water seaport enabling 200,000 ton vessel to dock were also actively deployed. Some ports have been put into use to receive construction materials and export finished steel products.

In particular, in the fourth quarter of 2018, the first construction steel rolling factory of the first phase, with a capacity of 600,000 tons per year was officially put into production. The products are supplied to southern region and serve construction of such own project. As expected, by the middle of 2019, the first blast furnace of the Complex will officially operate. All equipment lines are expected to be completed and operated synchronously at the end of 2019 and early 2020.

Hoa Phat Dung Quat Port also held a ceremony to welcome the first cargo ship to dock. That was Chau Thanh 36 ship with a load of 3,000 tons carrying 1,800 tons of steel billets from the port of Hoa Phat Hai Duong Steel Integrated Complex.

Hoa Phat Dung Quat Port has a total of 11 berths, accommodating vessel with maximum load of 200,000 tons. According to the progress of the first phase of the port project, by the end of March 2019, 9 ports capable of accommodating vessels of 100,000 tons will be completed. In the second phase, the last two berths will be completed, and expected to be operational in the fourth quarter of 2019. Upon completion of the project, 11 ports of Hoa Phat will have a total capacity of 32 million tons per year including exported and imported goods.

With a designed capacity of 4 million tons of long steel and flat steel per year, Hoa Phat Dung Quat Steel Integrated Complex is being exerted by the Group to ensure its progress, expected to be completed in the first quarter of 2020.

MAINTAINING EXPLOITATION AND PROCESSING OF IRON ORE

In 2018, An Thong Mineral Investment JSC reached the highest consumption so far with over 700,000 tons of all kinds of ore, raising the total revenue of the Company to over VND 1,000 billion.

Iron ore pellet and iron ore concentrate products of An Thong Company were mainly supplied to Hoa Phat Steel Integrated Complex in Kinh Mon, Hai Duong. Minh Son Iron Ore Processing Plant has actively researched and changed technologies to match the properties of the original ore according to the mining divergence of the Sang Than Iron Mine to produce iron ore of good quality, in accordance with the current steel production technology of Hoa Phat Hai Duong Steel JSC.

In 2019, the Company continues focusing on improving product quality to stabilize production cost as well as maintain profit margin.

STEEL PIPE & PREPAINTED HOT DIPPED GALVANIZED STEEL COILS

As one of the key products of Hoa Phat Group, Hoa Phat Steel Pipe has overcome many difficulties in the past year, maintaining the leading market share in the industry. Meanwhile, rookie Hoa Phat Steel Sheet brought the first products to the market and initially obtained many positive signals.

HOA PHAT STEEL PIPE REACHED 800,000 TONS FOR THE FIRST TIME

It can be said that 2018 was the most difficult year for the steel pipe industry in recent years when the domestic market witnessed fierce competition because supply has surpassed demand, many countries in the world strengthened trade remedy measures. In this context, Hoa Phat Steel Pipe Co., Ltd. still achieved many outstanding achievements. Total sales reached nearly 800,000 tons, of which pipes reached 654,000 tons, galvanized steel coils reached 137,000 tons. Hoa Phat Steel Pipe continues to hold Vietnam's leading market share of 27.53%, with revenue up 15% compared to 2017.

During the year, Hoa Phat Steel Pipe Co., Ltd. paid special attention to boosting sales in the Southern region. By promoting multimedia communication such as radio, television, large signboards, etc., Hoa Phat steel pipe products have been strengthened to identify in the Southern market. By the end of 2018, sales volume in the Southern region increased 19% over the same period last year, which was the region with the strongest growth out of three regions of the country.

With great efforts to boost exports to the world market, the Company has achieved export turnover of nearly US\$ 17 million with an output of 16,300 tons, an increase of 68% compared to 2017. Hoa Phat steel pipe products met the most stringent standards to be present in many countries around the world, such as Australia, South Korea, USA and Canada.

In 2019, Hoa Phat Steel Pipe Co., Ltd. set a target of 18% sales growth. Although growth is modest compared to previous years, but in the current difficult context, this is still a reasonable and acceptable plan.

Especially in 2019, the Company will complete the $\phi 273$ -325 large-sized pipe production line, expected to be officially launched from the third quarter, contributing more to the Company about 30,000 tons

per year. At the same time, the Company will put into operation the inside hot coated pipe blowing project in all three regions; semi-automatic bundling project will also be widely deployed in Hung Yen and Da Nang plants.

Hoa Phat Steel Pipe Co., Ltd. also aims to increase exports, not only maintaining traditional markets but also expanding to other markets, with special emphasis on Southeast Asia such as Laos, Cambodia, Myanmar, Indonesia and so on. Target for 2019 is that export turnover of Hoa Phat steel pipe products will increase from 150% to 200%.



HOA PHAT PREPAINTED HOT DIPPED GALVANIZED STEEL COILS INITIALLY CONQUERED THE MARKET

First Hoa Phat prepainted hot dipped galvanized steel coil products were officially launched on the market from the end of April 2018, quickly received and supported by the market. Unit weight of the products was strictly controlled in compliance with published standards, especially color and quality of paint colors which were greatly appreciated.

Among product lines of Hoa Phat steel coils, it is noteworthy to mention prepainted hot dipped galvanized steel coils using Super Polyester paint and PVDF paint system which is the most advanced paint system for roofing in the world today. Hoa Phat is proud to be one of the few manufacturers in Vietnam that meet the technological conditions to supply this product. The line of Super polyester and PVDF steel sheets have outstanding anti-fading properties, resist agents of corroding and destroying paint films in harsh environmental conditions compared to conventional steel sheet.

The nature of steel sheet products is that it takes a certain time for consumers to know the brand, then experience and evaluate products, thereby gradually assert its position in the market. Besides mass media such as radio, television, large signboard, etc. In the first phase, Hoa Phat Steel Sheet Co., Ltd. also organized a series of technical seminars in many provinces and cities across the country to introduce products directly to each locality. This initiative has accelerated the process of market approach, helping Hoa Phat steel sheet gradually become a familiar brand for consumers.

In 2019, Hoa Phat Steel Sheet Co., Ltd. aims to double production and sales, with a focus on products for the roofing market (prepainted hot dipped galvanized steel coils, cold galvanized steel sheet) and hot dipped galvanized steel sheet products for mechanical processing (purlin, deck floor, air duct). Besides, the Company also expects to export about 40% of the total output to international markets such as North America, India and ASEAN countries.

Currently, the main markets of Hoa Phat Steel Sheet is in the North and Central regions, in which key provinces are Ha Nam, Nam Dinh, Thai Binh, Thanh Hoa, Nghe An, Ha Tinh, Da Nang, Quang Nam, Binh Dinh. From 2019, products will begin to be distributed in the Southern market. It is expected that by the end of 2019 with the hot rolled coil project of Hoa Phat Group coming into operation in Dung Quat Economic Zone, Quang Ngai province, Hoa Phat Steel Sheet is proud to be the only plant in Vietnam to supply to consumer with products 100% made in Vietnam with the best product quality.

OTHER INDUSTRIAL PRODUCTION

Other subsidiaries operating in other industrial sectors have made important strides in the past year, contributing to the overall growth of the Group.

In particular, Hoa Phat Equipment and Accessories has been really changed to gradually shift to production and trade of drawn wire, prestressed steel that bring added value to the core business.

HOA PHAT EQUIPMENT AND ACCESSORIES

Strong growth of drawn wire exports and launch of prestressed steel

In 2018, Hoa Phat Equipment & Accessories Co., Ltd reached revenue of nearly VND 2,000 billion, an increase of 76% against the last year. Although it has been recently launched but revenue from annealed and galvanized wire is highly promising.

During the year, the Company has invested in a number of key projects such as galvanized drawn steel project with a design capacity of 10,000 tons of black wire, 21,000 tons of galvanized wire per year. The project had a total investment of more than VND 100 billion, officially went into operation from March 2018, producing drawn wire for domestic and foreign markets to implement the Hoa Phat Group's policy of fine processing following chain of steel products, thereby gradually replacing imported products. As of the end of 2018, the project revenue was very good, bringing a stable source of profits. Exports are increasing rapidly, reaching nearly 50% of the total output with the main markets of Canada, South Korea, Cambodia, and Laos, and aiming to export more.

In particular, the export of drawn steel products with a foreign currency source of more than USD 6 million helped the Company to be more active in buying and selling foreign currencies to serve the needs of importing raw materials. From the end of 2018, the Company began to import galvanized steel production line for the second phase, with a view to increasing output twice. It is expected that around June 2019, the second phase of the plant will come into operation.

In addition, the Company promoted to complete the project of prestressed steel production plant in Hoa Phat Dung Quat Steel Integrated Complex including three high-class product lines: prestressed concrete steel bar (PC bar), prestressed concrete steel strand (PC Strand) and prestressed concrete steel wire (PC Wire). These products are used in large-scale projects that require high technology, load-bearing capacity, safety level such as towers, viaducts, overpasses, skyscraper, suspension

cable, etc. while help to optimize space as well as material costs and shorten duration of construction. This is a major and spearhead project of the Company. By the end of 2018, the project basically completed the infrastructure. PC Bar line of the first phase which is expected to go into operation in early 2019 will provide 40,000 tons per year to the market.

In addition, the Company also implemented the PC flange production project in Binh Duong Plant with a capacity of 1,500 tons per month for concrete pile plants nationwide, which is expected to be completed in 2019.

Regarding consumption of products, the Company implemented a strategy to promote products in the country and promote products to international markets to increase exports. The notable highlight was that in May 2018, Hoa Phat Equipment and Accessories Co., Ltd. and Viet Nam Concrete Pile Industry Associations signed a long-term strategic cooperation contract on PC bars and flanges about 100,000 tons per year, equivalent to about VND 2,000 billion per year provided to all member plants of the Association.

Achievements in the past year created momentum for the Company to well implement the targets for 2019, continue to promote the production and trading of key products of galvanized zinc wire and prestressed steel and so on, manufacture and act as agent of construction machinery equipment for foreign firms.

HOA PHAT FURNITURE

Changing image of brand, boosting line of household products

2018 is considered the year of the most dramatic change in brand of Hoa Phat Furniture, with the majority of dealers nationwide being equipped with new signboards in accordance with the Group's standards. Along with the application of the strategy of covering products to all parts of the country, actively accounting for 50% - 70% of displaying/selling products compared to rivals helps Hoa Phat Furniture keep a sustainable growth. Especially, the Southern branch recorded the highest growth rate compared to other regions, affirming its position and image of Hoa Phat Furniture in the Southern market.

A series of high-end office furniture launched in 2018 has quickly been received and appreciated by the market, such as the Luxury Furniture products, the iron cabinet of new generation, etc. The Household Furniture products also made impression to meet the demand of high quality, durable and beautiful products

with reasonable prices. This is the strong point of Hoa Phat Furniture when providing a synchronous product chain, from living room, dining room, bedroom, bringing a warm, charming and comfortable space to all customers.

In addition to promoting business activities, Hoa Phat Furniture JSC also fulfilled its responsibility to protect environmental resources when continuously offering innovative solutions, energy-saving systems and water source protection at plants. In particular, the wastewater treatment system worth ~VND 650 million in the Industrial Wood Factory has helped Hoa Phat Furniture reduce 30% of clean water volume used in 2018. Also in the past year, Hoa Phat Furniture assessed certification of quality management system as per ISO 9001:2015, environmental management system 9001:14001 which are the latest version from the quality management version according to international standards applied for many years by Hoa Phat Furniture.

2019 is predicted to be a year of dramatic changes in brand when it is expected that all dealers will be replaced with the new signboard, bringing a unified, youthful and impressive image to customers. At the same time, the continuation of in-depth development with the key of technology and application of technology in production, continuously creating many outstanding products, increasing the market share of Office Furniture products, creating imprints for Household Furniture products are specific objectives that Hoa Phat Furniture pays special attention to.



HOA PHAT REFRIGERATION

Year of Funiki MMC air conditioner

2018 was a successful year with Funiki air conditioner products of Hoa Phat Refrigeration Co., Ltd with an impressive increase of 150% compared to the same period of last year. In addition to air conditioner products, Hoa Phat's trading of refrigerators and freezers was also stable. By the end of 2018, the company's total revenue increased by 8% over the previous year.

The main product of Hoa Phat Refrigeration in the past year was Funiki MMC air conditioner product imported completely from Malaysia. Produced on modern lines, Funiki MMC possesses many outstanding features such as: compact and delicate design; using safe R410a gas, being friendly with environment; extremely fast cooling, energy saving; durable over time thanks to a protective coating against rust, corrosion even in the environment with steam. The product is especially safe for health by having a Nano silver filter net, preventing harmful dust and dirt.

In addition to the preeminent features of the product, Hoa Phat Refrigeration Co., Ltd. also actively promoted marketing and sales promotion activities throughout the three regions of the country, for example, a series of large-scaled customer conferences in the locality, promoting advertising on mass media, advertising with large plates, signboards, implementing many attractive sales programs for dealers and down to retail stores, etc. The efforts of the Company paid off with impressive growth figures, although the weather this year is not really favorable for the business of air conditioner.

Hoa Phat Refrigeration Co., Ltd aims to increase by 28% in revenue and 17% in profit in 2019, with continuation to promote traditional markets and more efforts to the Central region and the Southern region, with a view to reaching a dramatic growth rate there.

Hoa Phat Refrigeration will continue to research and continuously produce new product models to diversify products to better meet the increasing demands of customers. The Company plans to promote and be more active in marketing, flexible in sales policies in order to make full use of all opportunities of the market.





REAL ESTATE

In 2018, the projects of Hoa Phat Urban Development and Construction JSC witnessed a lot of prosperity. Sales revenue, growth of 100% compared to 2018 showed an impressive increase in the period of real estate market facing many difficulties.

URBAN AREA AND HOUSING PROJECTS MADE THE MOST CONTRIBUTIONS OUT OF TOTAL REVENUE

The past year recorded the positive operating performance from urban area and housing projects. Mandarin Garden 2 (Tan Mai, Hanoi) was accepted with good fire protection system and completed main utility items (swimming pool, children's recreational park, community library, ecological park, etc.). As of the end of 2018, 83% of apartments here were sold out. It is expected that the sale of the remaining will be completed in 2019.

More than 85% apartments of the 70 Nguyen Duc Canh Project in Hanoi was handed over. Hoa Phat

also sets a target of selling out the remaining apartments in 2019.

Apart from housing projects, Hoa Phat is now focusing on the investment of resources in Pho Noi Urban Area located in Hung Yen with an area of 262 ha, expected to sell goods from the end of 2019. Upon completion, the Pho Noi Urban Area will provide the market with a wide range of housing products such as villa, adjacent house, social house, commercial building and shophouse. Upon its shape is taken, the Pho Noi Urban Area will satisfy the great demand for housing at various localities, including residents who live in other areas but need modern place of living and workers who come from other localities and work at industrial groups situated at this locality, as well as individual real estate investors.

EXPANDING AND STRENGTHENING BUSINESS ACTIVITIES AT INDUSTRIAL ZONES

After nearly 12 years of operation, Pho Noi A Industrial Zone (Hung Yen) has so far had 154 investment projects, of which there are 87 domestic projects, 67 FDI projects, mostly coming from Japan and Republic of Korea. Filling ratio of those industrial parks reaches over 90%, as the highest amongst industrial zones in the Northern Region.

In 2018, the Pho Noi A Industrial Zone was approved by the Prime Minister to expand by 92.5 hectares, raising the total area of the industrial park up to 686.5 hectares. A lot of land lessees who are enterprises rented more lots for production and business, and the industrial park welcomed some new projects. Typical customers should be mentioned including Kim Tin Hung Yen JSC (3.3hectares), Lixil Vietnam Co., Ltd (2.16 hectares), Austrong JSC (1 hectare).

Also in Hung Yen province, the first phase of Yen My II Industrial Zone with total area of 200 hectares was basically completed. It started to welcome investors. Its first customers are Sohavimex JSC, TP Tech JSC, etc. Total area of occupied land at this industrial park is 15.5 hectares. Meanwhile, Hoa Mac Industrial Zone in Ha Nam province recorded more area of rent of 4.6 hectares. This is resulted from the maintenance of infrastructure, landscape, providing stable production to customers.

In 2019, Hoa Phat Urban Development and Construction JSC sets a target of leasing more 14 hectares of the area of the Pho Noi A Industrial Zone, 22 hectares of Yen My II Industrial Zone and 15 hectares of Hoa Mac Industrial Zone.

AGRICULTURE

After three years of investment, Hoa Phat Group has initially recognized achievements in clean agriculture with high technology, from farming to animal feed which have been gradually stabilized. Revenue of 2018 in this line reaches a growth rate of over 40% compared to 2017.

With two animal feed production plants situated in provinces of Hung Yen and Dong Nai, Hoa Phat products have met customers' demand, gained their interest and trust, and spreaded its brand with top quality and best services. Total level of consumption of Hoa Phat animal feed in 2018 rose by 150% compared to the same period of 2017, of which the high quality pig feed had highest level of consumption.

In 2018, Hoa Phat was honored to be listed in the Top 10 Sao Vang Dat Viet 2018 in terms of Animal Feed, which worthily recognized Hoa Phat Group's efforts and prestige in a new sector, apart from major and traditional products. The year 2018 also recorded Hoa Phat's success in the field of pig farming with production increasing 4.5 times in comparison with 2017 and production criteria leading in the farming sector. Hoa Phat focused on the provision

of high-quality breeding stock, pig breeds for sale, pig for meat to the market, originated from farms in provinces of Yen Bai, Hoa Binh, Bac Giang and Binh Phuoc.

For farming of cow for meat, Hoa Phat Trading Co., Ltd had an impressive year of business with revenue two times higher and profit rising by 176% compared to 2017, and production of Australian cow accounted for 42% of the nationwide market share. As a result, Hoa Phat has officially occupied the leading market share in Vietnam in terms of provision of Australian cow only after less than three years of joining the market.

At present, in this sector, Hoa Phat is the largest scale organization including hi-tech cow farms in provinces of Thai Binh, Quang Binh and Dong Nai. Hoa Phat's farms have large scale, apply closed-loop process using high technology in order to ensure quality and safety hygiene. The implementation of cooperative program on cow nutritions with the participation of leading Australian experts ensures care of cows in accordance with the most optimal standard for each kind of cow.

Hoa Phat Poultry Co., Ltd completed the investment in construction of the first phase of Phu Tho commercial farm with scale of 600,000 hens in 2018. Cage system, incubator system and egg processing system were synchronized with cutting-edge technologies in the world from European firms. Until the end of 2018, Hoa Phat provided 20 million of clean chicken eggs which were highly appreciated in terms of quality by customers.

In 2019, Hoa Phat is expected to increase production of Australian cow which will account for 45% of the nationwide market share, provide 130 million of salable chicken eggs to the market. Production of Hoa Phat animal feed will reach growth rate of 100% compared to 2018. Product and service quality will continue to be enhanced to meet requirement of the market.

In the early second quarter of 2019, in addition to market hogs provided to the market, Hoa Phat Livestock Development JSC will provide market hog breeds to collaborate with two animal feed companies to close breed-food supply chain and at the same time, research market of body pork, towards to finalizing "Feed – Farm – Food" 3F chain of the Group.



HR ORGANIZATION

PERSONNEL SIZE

Unit: Person

No.	COMPANY NAME	QUALIFICATION						GENDER		TOTAL
		Above University Degree	University Degree	College Degree	Vocational Secondary School	Technical Worker	Unskilled Worker	Male	Female	
	HOA PHAT GROUP JSC	2	51	13	7	6	30	57	52	109
I	Iron and Steel	26	1,957	2,277	2,063	3,376	1,973	10,748	924	11,672
1	An Thong Mineral Investment JSC	2	63	35	33	82	169	316	68	384
2	Hoa Phat Hung Yen Steel Co., Ltd	1	128	116	156	224	310	790	145	935
3	Hoa Phat Hai Duong Steel JSC	8	667	852	797	1,747	841	4,499	413	4,912
4	Hoa Phat Dung Quat Steel JSC	15	1,099	1,274	1,077	1,323	653	5,143	298	5,441
II	Steel pipe and prepainted hot dipped galvanized steel coils	11	534	504	455	341	1,067	2,618	294	2,912
5	Hoa Phat Steel Pipe Co., Ltd.	7	338	421	386	300	980	2,200	232	2,432
6	Hoa Phat Steel Sheet Co., Ltd	4	196	83	69	41	87	418	62	480
III	Other industrial production	5	343	217	301	269	1,745	2,112	768	2,880
7	Hoa Phat Equipment & Accessories Co., Ltd.	2	78	22	55	82	197	374	62	436
8	Hoa Phat Furniture JSC	3	191	154	170	143	1,422	1,471	612	2,083
9	Hoa Phat Refrigeration Engineering Co., Ltd.	0	74	41	76	44	126	267	94	361
IV	Real Estate	4	233	63	34	62	362	585	173	758
10	Hoa Phat Urban Development and Construction JSC	4	233	63	34	62	362	585	173	758
V	Agriculture	12	429	144	119	163	630	1,055	442	1,497
11	Hoa Phat Urban Development and Construction JSC	12	429	144	119	163	630	1,055	442	1,497
	TOTAL	60	3,547	3,218	2,979	4,217	5,807	17,175	2,653	19,828

EMPLOYEES POLICIES

Hoa Phat's today success is mostly thanks to the solidarity and consensus of thousands of its employees. Aware of this, Hoa Phat always focuses on the recruitment, training and strict implementation of benefit policies to its employees.

PERSONNEL SIZE AND TRAINING

By the end of 2018, the Group has a total of 19,828 employees, an increase of 24.4% compared to 2017, of which, qualified personnel (from vocational secondary school level or higher) accounts for approximately 50%.

The personnel of Hoa Phat Dung Quat Steel JSC is recorded as the highest increase level, even breakthrough, with 5,441 employees, up 157.5% compared to the last year, exceeding the criteria of 5,000 employees as expected at the beginning of the year. This is reasonable because the Group is making an all-out effort to finish the Project of Hoa Phat Dung Quat Steel Integrated Complex with all items which are urgently implemented and need intensive human resources.

The recruitment of a large number of employees in such a short time requires a quick and urgent training work. During the last year, Hoa Phat Dung Quat provided professional training courses to 1,879 employees at the two main points of Hoa Phat Hai Duong Steel JSC and An Thong Mineral Investment JSC in Ha Giang. The company also worked with 11 training institutions which are vocational college, professional centers and other local institutions to train and grant certificates to 1,312 employees.

Not only Hoa Phat Dung Quat, other subsidiaries of the Group also focus on training for employees of both office block and factory production block. Hundreds of training courses on manufacturing operation, sales skills, occupational safety, fire prevention training, etc. are held at Hoa Phat's facilities across the country in the past year.

BENEFIT POLICIES

Benefits policies were still maintained at the Group, with some new benefits added in the last year to encourage creativity, long-term dedication of all employees, particularly key personnel at subsidiaries.

Pay range and pay grade have been still applied at Hoa Phat. Additionally, some entities considered bonus based on monthly performance. This policy guaranteed an equal income suitable with ability of each employee as well as motivated them to make more efforts to get better income. There were no wage liabilities at Hoa Phat.

Apart from wage, bonus and allowance, Hoa Phat also ensured all benefits to its employees in accordance with regulations of the State and the Group, such as social insurance, health insurance, unemployment insurance. Furthermore, during the last year, Hoa Phat provided health care insurance to the BOD and heads, deputy heads of departments in the Group.

The Company closely worked with the Trade Union to carry out programs of caring employee's life, including organizing holidays for employees and their families; giving presents to those facing difficulties; honoring retired employees; providing hundreds of buses carrying employees to come back their hometown for enjoying Tet in all parts of the country.

Especially, Hoa Phat also provided accommodation to employees far from home working at the Hoa Phat Dung Quat Steel Integrated Complex, Hoa Phat Hai Duong Steel Integrated Complex. In Dung Quat, there are hundreds of key employees transferred from projects located in the Northern Region, most of them from Hoa Phat Hai Duong Steel Integrated Complex. Hoa Phat provided support for them to stay at dormitories or buildings, setting their minds at rest to concentrate on their jobs.

ART & SPORT ACTIVITIES

Sport movement at Hoa Phat was very exciting, in which, the strongest was football tournaments. All entities such as Hai Duong Steel, Dung Quat Steel, Hung Yen Steel Pipe, Binh Duong Steel Pipe, Agriculture, etc. on a regular basis organized internal male and female football tournaments with high quality. Teambuilding program with physical exercise was also implemented to help employees to feel relaxed and strengthen solidarity within the Company.

In 2018, Hoa Phat organized two big events; each of them served more than 1,000 employees and their children. They were the Circus "Mid-Autumn Festival for You" on occasion of Mid-Autumn and the Combination of Music, Circus, Magic "HPG Christmas Miracle" on occasion of Christmas. These grand art performance programs brought joy to not only "little angels" but also their parents.

In addition, art performance festivals were organized continuously at many subsidiaries in national holidays such as the Founding Day, the International Women's Day, the Vietnamese Women's Day, End of Year, New Year, etc. to improve spiritual life of employees of Hoa Phat Group.

STATUS OF KEY PROJECTS

HOA PHAT DUNG QUAT STEEL INTEGRATED COMPLEX

Address: Dung Quat Economic Zone, Quang Ngai Province

Designed capacity: 4 million tons per year

› First phase: 2 million tons of long steel per year

› Second phase: 2 million tons of hot rolled coils (HRC) per year

Progress: The scope of work including basic construction and installation was completed up to 80% and the amount of disbursement was VND 30,000. It is expected that the first phase of the project will make debut of products to the market in the second quarter of 2019. The remaining items will be constructed in the second phase, towards the target of putting the rolling line into operation in the third quarter of 2019.

NORTH OF PHO NOI URBAN AREA PROJECT IN HUNG YEN PROVINCE

Address: Phan Dinh Phung Commune, Nhan Hoa Commune and Ban Yen Nhan Township of My Hao District, Hung Yen Province.

Area: 262 hectares

Size: Urban area and infrastructure complex including trading centers, office services, high-rise buildings, low-rise buildings, adjacent houses, villas.

Total investment: VND 2,700 billion for the first phase. The project is divided into two phases. Upon finishing the first, the second will be invested in.

Progress: The land clearance and trees growing were completed.

STRUCTURE OF SHAREHOLDER

SHARE INFORMATION

Authorized capital: VND 21,239,071,660,000

Share title: Hoa Phat Group Joint Stock Company

Share type: Ordinary share

Stock sticker symbol: HPG

Par value of share: VND 10,000 per share

Initial offering date: November 15, 2007

Total of shares: 2,123,907,166

Total of treasury shares: 0

Total of outstanding shares: 2,123,907,166

Number of freely transferred shares: 2,123,907,166

Number of shares restricted from transfer: 0

CHANGES TO OWNER'S EQUITY DURING THE YEAR

› On **June 20, 2018**, the Group announced the change in number of outstanding shares due to issue of shares to pay dividend of 2017.

› Authorized capital before issue: **VND 15,170,790,000,000**

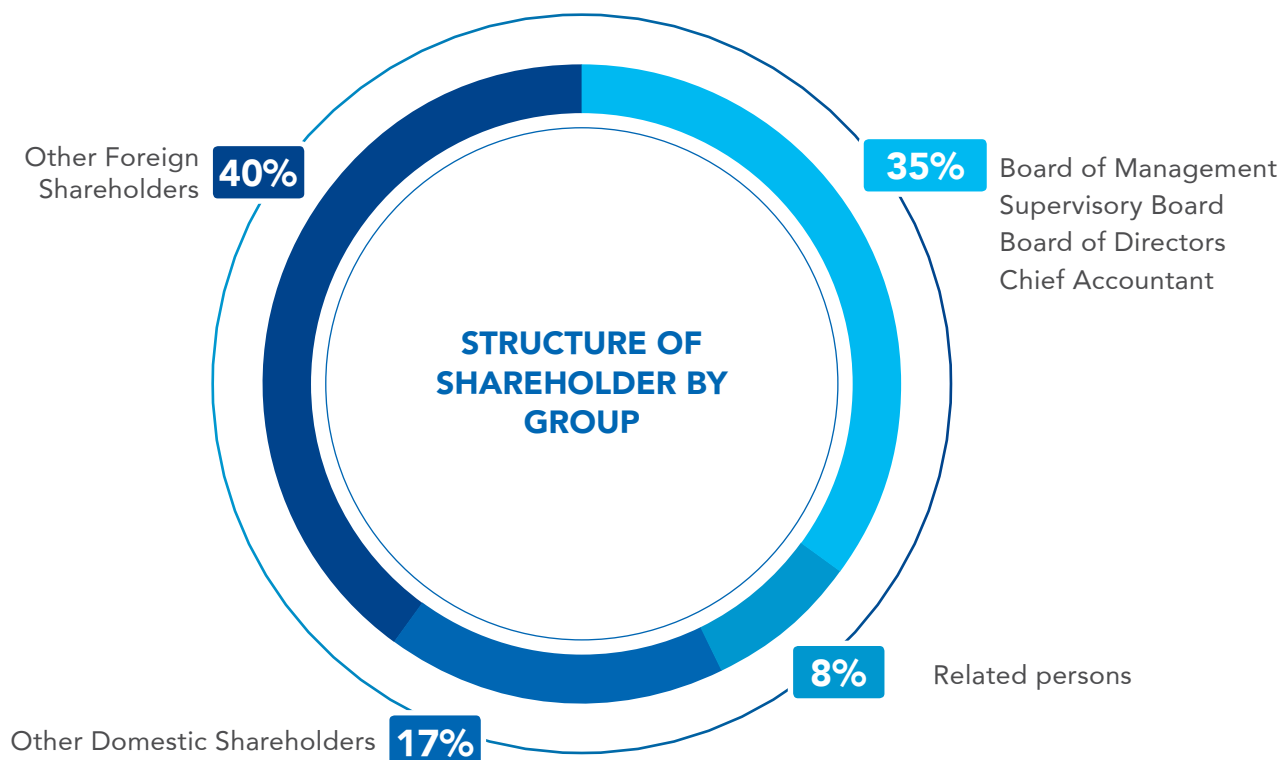
› Authorized capital after issue: **VND 21,239,071,660,000**

› Treasury share transaction:

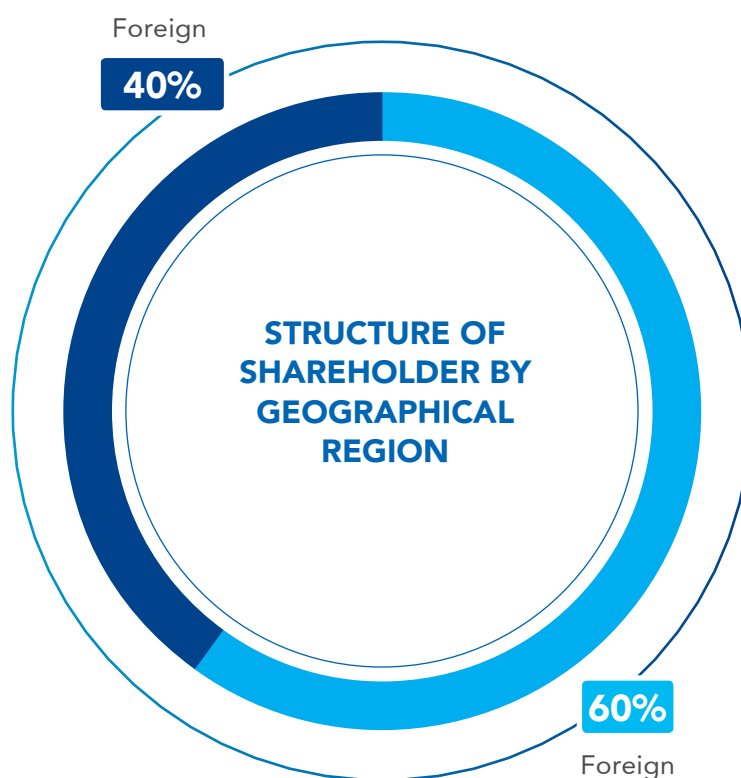
• Total of treasury shares as at **December 31, 2018**: 0

• Treasury share transaction in 2018: From May 02 to May 16, 2018, the Company sold 206,327 treasury shares.

STRUCTURE OF SHAREHOLDER BY GROUP AS AT MARCH 01, 2019



STRUCTURE OF SHAREHOLDER BY GEOGRAPHICAL REGION



STRUCTURE OF SHAREHOLDER BY EQUITY PERCENTAGE AS AT MARCH 01, 2019

No.	DESCRIPTION	NUMBER OF SHARES	PERCENTAGE (%)
1	Shareholders with ownership over 5%	688,911,340	32.44
2	Shareholders with ownership from 1% to 5%	548,228,704	25.81
3	Shareholders with ownership below 1%	886,767,122	41.75
Total		2,123,907,166	100

SHARE TRANSACTION OF INTERNAL SHAREHOLDERS AND RELATED PEOPLE IN 2018

STT	TRANSACTIONS PERFORMED BY	RELATION WITH INTERNAL SHAREHOLDER	NUMBER OF SHARES OWNED AT THE BEGINNING OF PERIOD		NUMBER OF SHARES OWNED AT THE END		REASON
			Number of shares	%	Number of shares	%	
1	Bui Thi Hai Van	Head of Supervisory Board	40,674	0.003	3,743	> 0.01	Sale + share-based dividend 2017
2	Do Thi Gioi	Chairman of BOM Tran Dinh Long's mother	742,356	0.049	–	0.00	Inheritance
3	Tran Dinh Tan	Chairman of BOM Tran Dinh Long's brother	–	-	346,432	0.02	Inheritance + share-based dividend 2017
4	Tran Dinh Thang	Chairman of BOM Tran Dinh Long's brother	–	-	346,432	0.02	Inheritance + share-based dividend 2017
5	Tran Anh Tuyet	Chairman of BOM Tran Dinh Long's sister	–	-	346,432	0.02	Inheritance + share-based dividend 2017
6	Tran Thi Tinh	Vice Chairman of BOM cum General Director Tran Tuan Duong's mother	197,958	0.01	0	0.00	Sale
7	Nguyen Viet Thang	Member of BOM cum Deputy General Director	5,794,354	0.38	6,812,095	0.32	Sale + share-based dividend 2017
8	PENM III GERMANY GMBH & CO.KG	Organization related to Mr. Hans Christian Jacobsen as Member of BOM	42,826,270	2.82	49,056,778	2.31	Sale + share-based dividend 2017
9	Ta Tuan Duong	Member of BOM Ta Tuan Quang's son	101,750	0.01	163,450	0.01	Purchase

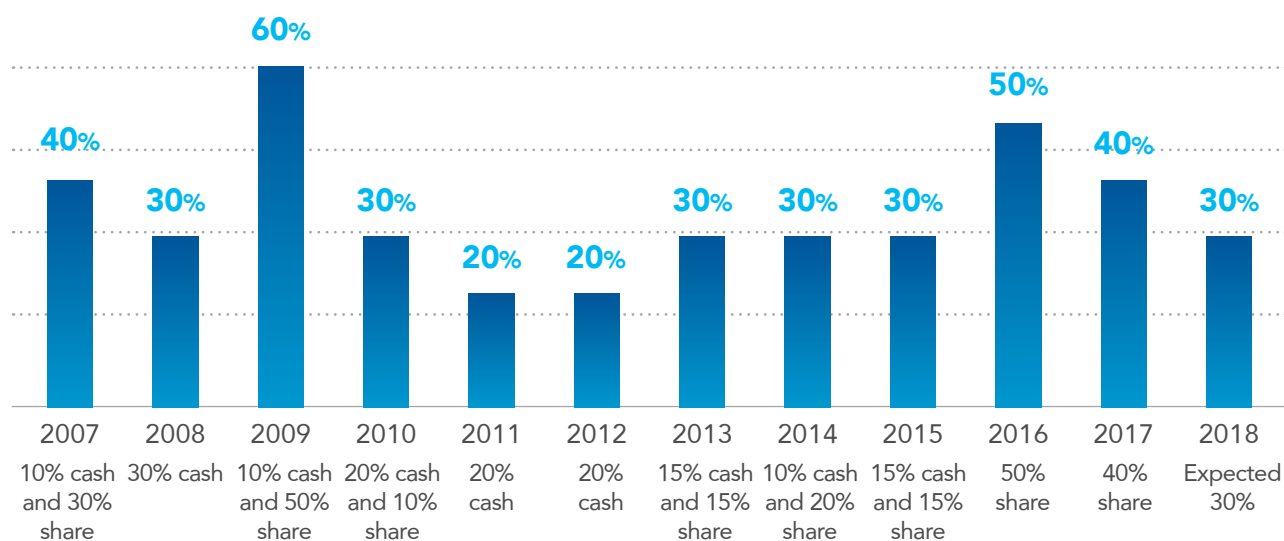
LIST OF MAJOR SHAREHOLDERS AS AT MARCH 1, 2019

No.	Shareholder	Address	Number of shares	Percentage as at 01/3/2019 (%)
1	Tran Dinh Long	119, Bui Thi Xuan, Hai Ba Trung, Hanoi	534,179,993	25.13
2	Vu Thi Hien	119, Bui Thi Xuan, Hai Ba Trung, Hanoi	154,731,347	7.29
	Total		688,911,340	32.44

TOP 10 INSTITUTIONAL SHAREHOLDERS AS AT MARCH 01, 2019

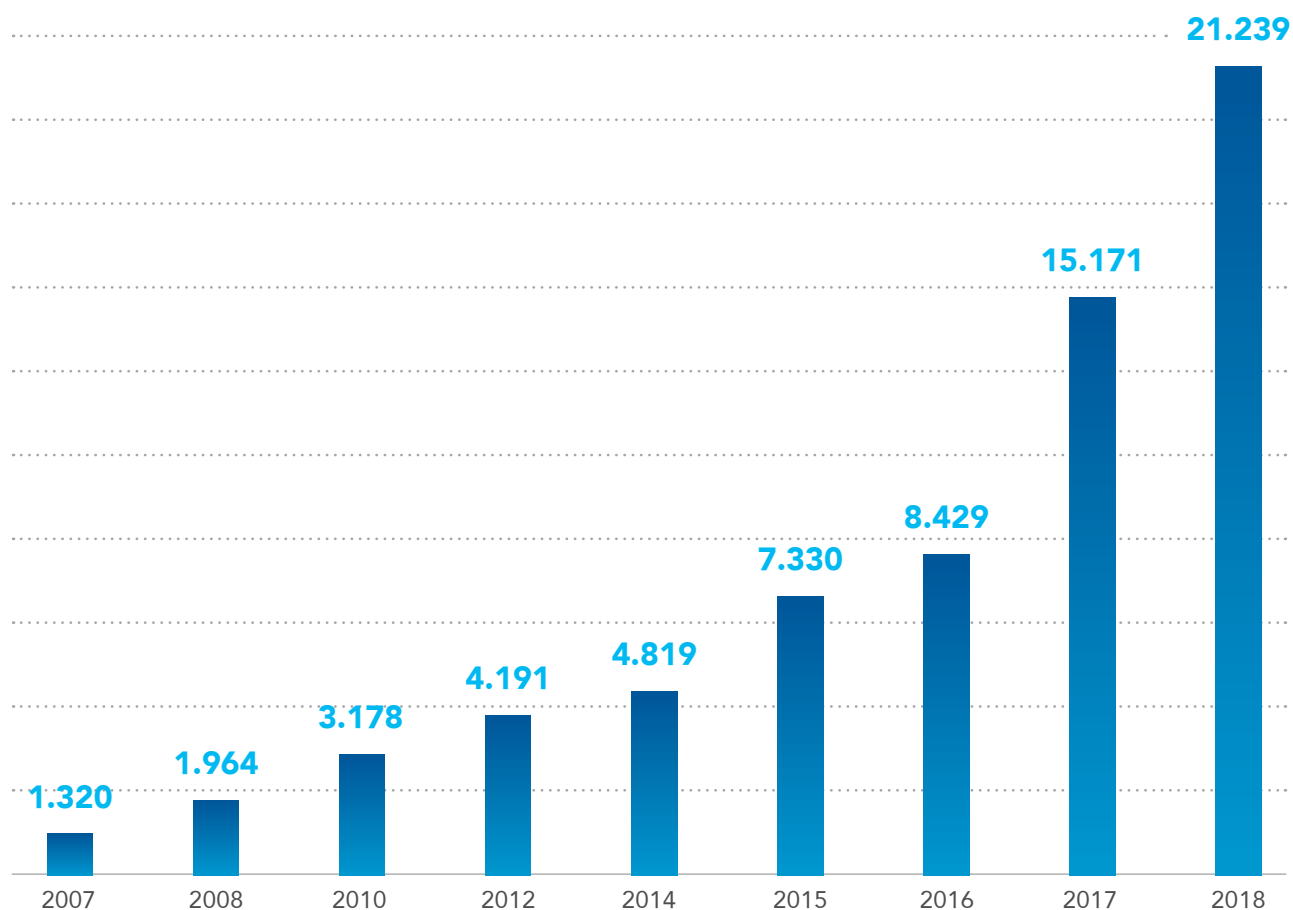
No.	Tổ chức	Address	Number of shares	%
1	VOF INVESTMENT LIMITED	Commence Chambers, P.O Box 2208, Road Town, Tortola, British Virgin Islands	79,941,953	3.76
2	PENM III GERMANY GMBH & CO.KG	C/O Johanna Beteiligungsverwaltungs GmbH Johanna-Kinkel-Str.2.4, 53175 Bonn	49,056,778	2.31
3	NORGES BANK	Bankplassen 2 P.O. Box 1179 Sentrum NO-0107 Oslo	37,810,657	1.78
4	KIM VIETNAM GROWTH EQUITY FUND	Hoehyeon-dong, 1(il)-ga, 51 Sogong ro Jung-gu, Seoul, 100-792, Republic of Korea	36,522,244	1.72
5	EMPLOYEES PROVIDENT FUND BOARD	EPF Building Jalan Raja Laut 50350 Kuala Lumpur Malaysia	29,091,820	1.37
6	VIETNAM ENTERPRISE INVESTMENTS LIMITED	1501 Cao Ốc Mê Linh Point, 2 Ngõ Đức Kế, Quận 1, Tp HCM, Việt Nam	26,507,088	1.25
7	THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED	LEVEL 16, 1 QUEEN'S ROAD CENTRAL, CENTRAL, HONGKONG SAR	22,946,890	1.08
8	FRANKLIN TEMPLETON INVESTMENT FUNDS-TEMPLETON ASIAN SMALLER COMPANIES FUND	8A, rue, Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg	22,863,918	1.08
9	PENM IV GERMANY GMBH & CO. KG	C/O Johanna Beteiligungsverwaltungs GmbH, Johanna-Kinkel-Str. 2-4, 53175 Bonn	21,672,000	1.02
10	UBS AG LONDON BRANCH	5 Broadgate, London, EC2M 2QS	20,230,902	0.95
Total			346,644,250	16.32

TABLE OF DIVIDEND CONTRIBUTION OF HPG FROM 2007 TO 2018 (%)



INCREASE OF AUTHORIZED CAPITAL OF HOA PHAT GROUP FROM 2007 TO 2018

(Unit: VND billion)



SHAREHOLDER RELATION

At the ceremony of announcing selection results of enterprises with the best investor relation (IR Awards) in August 2018, Hoa Phat Group Joint Stock Company (HPG) was honored to be one of the three enterprises with the best investor relation. This is the clearest evidence of HPG's transparency, timeliness and compliance with listed companies' regulations.



To be honored at the IR Awards, the listed companies must fully and urgently comply with regulations on disclosure in Vietnam stock market according to survey criteria and must pass strict IR evaluation rounds from professional financial institutes as well as gain the majority of votes from investors.

The aim of Hoa Phat is to publicize information, provide information fully and promptly to shareholders, investors and comply with legal provisions on disclosure. The exchange and disclosure must be equal and bring equal investment opportunities to all investors. On that basis, Shareholder Relation department will maintain regular interaction with shareholders through events such as Annual General



Meeting of Shareholders, meeting of shareholders and investors to exchange and update business activities.

The Company held many meetings, visits to factories, projects for investors, analysts, domestic and foreign organizations through direct meeting, television conference, email or phone. Also, HPG often updated

information on production and consumption of main products such as construction steel, steel pipe and on project progress on the website of the Company, especially Dung Quat Steel Integrated Complex.

Some typical activities should be mentioned such as the working session with the research team of Boston University (USA), delegation of Korean investors, roadshow of HPG promotion with Thai investors in June 2018, the meeting with domestic major securities companies. Particularly, in early December 2018, Chairman of BOM Tran Dinh Long presided an online meeting with investors in Hanoi and HCM City, with the participation of hundreds of investors, shareholders, representatives of fund management companies, analysts of securities companies.

The above exchange activities with investors were highly appreciated by securities analysts and shareholders because all questions on the Group's business lines or projects were explained frankly. In the upcoming years, the IR department will promote establishing relations with investors to access and provide exact information to investors.

CORPORATE GOVERNANCE

- › 1. LIST OF MEMBER OF BOM AND OWNERSHIP RATIO
- › 2. BOM'S ASSESSMENT OF OPERATIONS
- › 3. BOM'S MAIN ACTIVITIES DURING THE YEAR
- › 4. PLANS AND DIRECTIONS



Mr. TRAN DINH LONG

BOM Chairman of Hoa Phat Group

- **Bachelor of economics - National Economics University**

Joining date: 1992

As founding shareholder and holding Chairman position of member companies, Mr. Long was the first person setting up the foundation for Hoa Phat Equipment & Accessories, the earliest member in the Group. Mr. Long employed a lot of experts who had consensus ambition and responsibilities. During the establishment and development of Hoa Phat, Mr. Long was the person who oriented business strategy for each subsidiary.

Percentage of shares held as at 01/03/2019 (%): **25.15**



Mr. TRAN TUAN DUONG

BOM Vice Chairman

General Director of Hoa Phat Group JSC

- **Bachelor of economics – National Economics University;**

Joining date: 1992

Mr. Duong held management position in subsidiaries such as: Hoa Phat Equipment & Accessories, Hoa Phat Furniture and Hoa Phat Steel Pipe before he became the Deputy Chairman of Management Board cum CEO of Hoa Phat Group since January 2007. With his in deep experience, Mr. Duong has contributed greatly to strengthen the position of Hoa Phat steel and Hoa Phat Group as a whole.

Percentage of shares held as at 22/02/2018 (%): **2.68**



Mr. NGUYEN MANH TUAN

BOM Vice Chairman cum Director
of Hoa Phat Steel Pipe Co., Ltd

- **Bachelor of economics – National Economics University**

Joining date: 1996

In 1996, Mr. Tuan was a Vice Director of Hoa Phat Steel Pipe cum Head of trading department. Since 10/2004, being Director of Hoa Phat Steel Pipe Company, Mr. Tuan has helped the Hoa Phat steel pipe become a top steel pipe maker.

Percentage of shares held as at 01/03/2019 (%): **2.63**





Mr. DOAN GIA CUONG

BOM Vice Chairman cum Director of Hoa Phat Furniture JSC
 • **MBA, National Economics University**

Joining date: 1999

Mr. Cuong was appointed first in the position of Vice Director before promoting as a Director of Hoa Phat Furniture JSC. From 01/2007, he additionally held the Deputy Chairman position of Hoa Phat Group JSC. With his straight forward orientation in achieving realistic goals, Mr. Cuong has helped Hoa Phat Furniture becoming familiar to every Vietnamese consumer. From April 2016, he held the position of Director of Hoa Phat Agricultural Development Joint Stock Company, responsible for managing the whole agricultural segment of Hoa Phat Group.

Percentage of shares held as at 01/03/2019 (%): **1.98**



Mr. NGUYEN NGOC QUANG

BOM member cum Director of Hoa Phat Equipment & Accessories Co.,Ltd.

• **Vocational training**

Joining date: 1992

Mr. Nguyen Ngoc Quang had been Director of Hoa Phat Equipment

& Accessories in Ho Chi Minh subsidiary for 4 years (1992-1996). He has been Director of the Company since 1997. As one of the top construction equipments producer in Vietnam, products of Hoa Phat Equipment & Accessories under his management have been successfully persuading customers in domestic and foreign country on their qualities, prices and after sales services.

Percentage of shares held as at 01/03/2019 (%): **1.98**



Mr. TA TUAN QUANG

BOM Member cum Director of Hoa Phat Refrigeration Engineering Co., Ltd

• **Bachelor of economics - National Economics University**

Joining date: since 1995

Mr. Quang was among founders of Hoa Phat Furniture, he was Director of Hoa Phat Furniture for 11 years. Since December 2006, he has been Director of Hoa Phat Refrigeration Engineering where he has contributed significantly to its success and brand name of Funiki position.

Percentage of shares held as at 01/03/2019 (%): **0.13**





Mr. HOANG QUANG VIET

BOM Member cum Director

of Hoa Phat Urban Development & Construction

- **Graduated from People's Security University**

Joining date: since 2001

Joining the Group since 2001, Mr. Viet has been elected as a Director of Hoa Phat Urban Development and Construction. He was successful in real estate, especially for industrial infrastructure such as Pho Noi A industrial park where big international and domestic firms located. Mr. Viet and Board of Directors are now going to deploy other housing and urban areas after the success of Pho Noi A.

Percentage of shares held as at 01/03/2019 (%): **0.49**



Mr. NGUYEN VIET THANG

BOM Member cum Deputy General Director of Hoa Phat Group JSC

- **Educational qualification: Bachelor of Civil Engineering**

Joining date: 2003

Mr. Nguyen Viet Thang had several years in the management position as the Deputy Director of Hoa Phat Urban Development and Construction JSC before he was appointed as the Deputy General Director of Hoa Phat Group Joint Stock Company on 7th April 2012. In March, 2015, he has been assigned as Director of Hoa Phat Feeds Trading and Production

One Member Co., Ltd. In March 2018, he has been assigned as Director of Hoa Phat Hai Duong Steel JSC.

Percentage of shares held as at 01/03/2019 (%): **0.32**



Mr. HANS CHRISTIAN

BOM Member

- **Master of Business, Denmark**

Joining date: 2012

Being appointed as a member of the Management Board in 2012, Mr. HANS CHRISTIAN has held many important responsibilities of the Industrialization Fund for Developing Countries (IFU), Denmark (1983-1989); Regional Director, Investment Fund for the Europe Central and East,

Denmark (1989 - 1991); CEO of array of agriculture, the European Bank for construction and development (EBRD), London (1991-2006); CEO of PENM I, PENM II, PENM IV (2006 - present)....

Percentage of shares held as at 01/03/2019 (%): **0.00**



BOM'S ASSESSMENT OF OPERATION

Facing difficulties generated by the global economy, domestic economy and steel industry as well as internal challenges caused to the Company, the BOM has actively looked into and analyzed situations, promptly worked out suitable targets, solutions and orientations based on reality, as well as directed effective realization of business plans. Nearly 20,000 employees of Hoa Phat Group nationwide has just experienced the year 2018 with memorable milestones.



IRON AND STEEL

During the last year, the steel industry saw extraordinary changes and experienced a difficult and unstable period. The prices of steel materials were unforeseeable, exerting considerable effect on cost of good sold of enterprises. There was a fierce competition in the domestic market when capacity had not been used up and enterprises shifted to the domestic market. It leads to increase of supply which did not match the demand, influencing profit of many enterprises operating in the same field.

Despite such difficulty, the consumption of Hoa Phat construction steel in 2018 still reached 2.38 million tons, keeping the No.1 market share in Vietnam. In 2018, Hoa Phat Steel exported nearly 240,000 tons, an increase of over 50% compared to the last year. Hoa Phat Steel has so far penetrated into 14 countries all around the world. In 2019, Hoa Phat Group continues concentrating in the domestic market, maintaining an export ratio of over 10%, and expanding markets, especially ASEAN countries.

For the Project of Hoa Phat Dung Quat Steel Integrated Complex, as of the end of 2018, main items of the first phase were completed up to nearly 70%. Items of the second phase, including capacity of 2 million of tons of flat steel per year and completion of deep water port receiving 200,000 ton ships have been actively implemented. Particularly, in the fourth quarter of 2018, the first phase of the first construction steel rolling mill with capacity of 600,000 tons per year was put into official operation. As scheduled, the first blast furnace of the complex will be officially operated in the second quarter of 2019. All equipment lines are expected to be completed and synchronized in late 2019 and early 2020.



STEEL PIPE AND PREPAINTED HOT DIPPED GALVANIZED STEEL COIL

During the past year, the steel pipe market had a lot of difficulties with trade remedy lawsuits by foreign countries. In that context, Hoa Phat steel pipe still completed its target. Total sales output hit nearly 800,000 tons, of which the steel pipe hit 654,000 tons and the galvanized steel coil hit 137,000 tons. Hoa Phat steel pipe continued to be the largest market share of 27.53% in Vietnam, with an increase of 15% in revenue in comparison with 2017.

For the steel sheet, the first prepainted hot dipped galvanized steel coils of Hoa Phat were launched to the market from the end of April in 2018, quickly received and actively supported. Hoa Phat Steel Sheet targets to export about 40% of output to international markets. With capacity of 400,000 tons per year, Hoa Phat Steel Sheet Plant is a key project of Hoa Phat Group in the itinerary of realizing the target of becoming one of five largest steel sheet manufacturers in Vietnam in 2020.

OTHER INDUSTRIAL PRODUCTION



Out of subsidiaries operating in this field, Hoa Phat Equipment and Accessories Co., Ltd really made a vigorous change by promoting the trading of downstream products in steel production chain such as drawn steel wire, prestressed steel, flanged with a view to replacing imported goods. From this orientation, the Company finished some plant construction projects, and expected to complete and supply prestressed steel and flange to enterprises operating in prestressed concrete piles from the first quarter of 2019.

In addition to the product range accounting for the largest market share, which is office furniture, Hoa Phat Furniture continued promoting and launching a wide range of high quality household products to local customers and was at the same time willing to provide consultations, measure apartment and office furniture suitably with each space. This was the Hoa Phat Furniture's strengths of providing synchronous product series, thereby bringing comfortable space to customers.

In the field of refrigeration products, 2018 was considered the year of air conditioner with outstanding growth rate of sales output of Furniki MMC, reaching 150% compared to 2017. Hoa Phat Refrigeration started to import full box and distribute Funiki MMC air conditioners in Vietnam since 2018.

REAL ESTATE

The status of construction in the country in 2018 was slow down because the real estate market was less noisy and new construction projects were behind schedule. However, two segments of Hoa Phat including urban area, housing real estate and trading of industrial zone infrastructure had a noisy year with a large amount of items.

For the segment of urban area & housing, the Company completed all items of construction, utility, building management system, fire prevention system for the projects including Mandarin Garden 2, 70 Nguyen Duc Canh Apartment Building. From the end of 2018, the 70 Nguyen Duc Canh Apartment Building Project started to hand over finished apartments to customers.

AGRICULTURE

Agriculture is a new field with three years of investment and development. Main activities include animal feed production and pig, cow, poultry raising with high technology and large scale. In 2018, Hoa Phat Group initially obtained achievements from animal feed to livestock which has been gradually stabilized. 2018 revenue of this field reached over 40% compared to 2017. With this result, Hoa Phat was included in Top 10 Sao Vang Dat Viet 2018 for Animal Feed.



ĐÁNH GIÁ CỦA HĐQT BOM'S ASSESSMENT OF BOD'S OPERATIONS

Experiencing a year with complex changes of domestic and foreign markets, the BOM speaks highly of the BOD's efforts in the process of realizing the Group's production and business plans in 2018.

The General Director and the BOD have accomplished their roles with prompt and flexible running solutions in compliance with the BOM's policies and orientations. The BOM's plans and directions were also realized fully and promptly and reported in detail by the BOD with high sense of responsibility. Results of all business lines continued maintaining and consolidating trust from partners, customers and shareholders.

The BOM believes that certain and flexible running solutions of the Group's BOD and the subsidiaries' BOD will contribute to strengthening production stability and gradually conquering new markets and demanding markets in the region and in the world regardless of difficulties.

BOM'S MAIN ACTIVITIES DURING THE YEAR

During 2018, the BOM held 15 meetings and approved the important following:

- Approving the 2018 production and business plans of the Group and submitting it to the General Meeting of Shareholders;
- Approving detailed method of paying dividend 2017;
- Increasing paid-in capital at Hoa Phat Dung Quat Steel JSC, Hoa Phat Steel Sheet Co., Ltd; Hoa Phat Urban Development and Construction JSC; Hoa Phat Equipment and Accessories Co., Ltd; Hoa Phat Steel Pipe Co., Ltd.
- And other important decisions.

PLANS AND DIRECTIONS

The year 2018 witnessed the trade war between the USA and China with protection and retaliation methods threatening the domestic economy with considerable impacts.

There were some positive signs in the country such as GDP maintained good growth rate; International integration taken place strongly in many areas; CPTTP Agreement was signed and approved. These brought a lot of opportunities to the national economy. Nevertheless, despite efforts to prevent by relevant authorities, poor quality and low price steel products were massively penetrated into Vietnam via fraudulent, intransparent methods threatening production and business of domestic enterprises.

Analysts do not make positive assessments of steel enterprises' prospect in 2019. Trade protection is increasing in many countries/regions, steel prices are likely to be allocated in regions. Additionally, China basically completed the reduction of capacity and is now losing environmental standard for steel production while supply sources of steel in Vietnam is strongly increasing, the steel prices will be forced to reduce in 2019.



From the above assessments and forecast, in 2019, the BOM still focuses on core production field of steel as follows:

1. Hoa Phat Dung Quat Steel Integrated Complex must be given top priority to come into operation as scheduled. It is expected that the first blast furnace of the complex will be put into official operation in the second quarter of 2019. All equipment lines are expected to complete and synchronize in late 2019, early 2020.
2. Unceasingly enhancing competitiveness of products, diversifying market in order to avoid dependence on a certain market. Upholding the leading position in the local market for steel products is the top priority in sales policy.
3. Promoting the expansion of the local market, especially the Southern Region, seek more markets to export steel, prepainted hot dipped galvanized steel coils and furniture products of Hoa Phat.

4. Traditional products will continue promoting its strength and position available in the market; conducting research to launch many new series according to the market trend.

5. Strengthening the control of risks, governance of the company, technical innovation, application of IT to improve performance, updating production and business figures, thereby contributing to saving productions costs and reducing product prices as well as assisting the BOD in promptly making decisions on daily production and business.

6. Enhancing living conditions and income of workers, improving working environment so that Hoa Phat Group is always an attractive environment and enhancing their creativity, dedication and attachment to the Group.



A full-page background image showing a worker in a yellow hard hat and safety glasses, wearing a dark jacket, talking on a radio. He is standing in front of a large industrial furnace where molten metal is being poured, creating a bright orange glow and sparks. The scene is set in a dark industrial environment.

5

REPORT OF SUPERVISORY BOARD

- › 1. LIST OF PERSONNEL AND OWNERSHIP PERCENTAGE
- › 2. REPORT OF SUPERVISORY BOARD
- › 3. REPORT OF INTERNAL CONTROL BOARD

LIST OF PERSONNEL AND OWNERSHIP PERCENTAGE



Mrs.
BUI THI HAI VAN
Head of Supervisory Board
Finance-Accounting Bachelor

Working starting time: 2008

Before coming Head of Supervisory Board, Ms Van held position Deputy Chief accountant - Hoa Phat Hai Duong Steel JSC (2008 - 2016) and currently she is also head of Internal control Board of Hoa Phat Group JSC (2016-present).

Percentage of shares held as at
01/3/2019 (%)

0,002



Mrs.
LE THI KIM ANH
Member of Supervisory Board
Master of Business Administration

Working starting time: 2018

Before being voted as a member of Supervisory Board, Mrs. Le Thi Kim Anh held a number of position in: auditor of Pricewaterhouse Coopers Vietnam Co.,Ltd (2001 - 2004); manager of Portfolio Management Department, project manager of Vietfund Management (2008 - 2014), manager of Investment Department - PENM Partners ApS Fund (from 2017 - now).

Percentage of shares held as at
01/3/2019 (%)

-



Mrs.
VU THANH THUY
Member of Supervisory Board
Economic Bachelor

Working starting time: 2005

Before becoming a member of Supervisory Board, Ms Thuy held a number of position in: staff member in accounting department of Hoa Phat Hai Duong Steel JSC (2005-2006); staff member in Finance Department of Hoa Phat Group (2007-present)

Percentage of shares held as at
01/3/2019 (%)

-

REPORT OF SUPERVISORY BOARD

According to functions and powers as regulated by Laws and in the Charter of Company with experience and sense of responsibility before the General Meeting of Shareholders, in 2018, the Supervisory Board performed the following:

- › Building and promulgating detailed plans in 2018
 - › Inspecting and supervising the Company's activities in accordance with the Law on Enterprises, the Charter of Company as well as Resolutions approved by the General Meeting of Shareholder;
 - › Collaborating with the Internal Control Board, Finance Department, Legal Department to review potential risks and material risks to build and propose control plan in 2018, at the same time monitoring, supervising and reviewing results of Internal Control Board;
 - › The Supervisory Board made plan, built working scheme and assigned tasks to each member to inspect and supervise financial activities of the Company. The Supervisory Board's activities were always independent of the Company's running activities. During operation, the Supervisory Board was always active in resources to complete its tasks;
 - › Controlling and following progress of projects during the phase of investment: Dung Quat Steel Project, Poultry Project, etc.
 - › In 2018, the Supervisory Board organized regular meetings (twice a year) with Independent Auditor KPMG (KPMG Co., Ltd.) to exchange scope of audit, result of audit and other matters mentioned the management letter. Accordingly, the Group's activities were true and fair without material violations of accounting, finance as well as operational procedure.
- In addition, the Supervisory Board also analyzed quarterly financial statements, reviewed reports for six months and financial statements 2018 and data presented by the BOD at the meeting of the BOM.
- › The Supervisory Board coordinated with the Internal Control Board, the BOD, the IT Department to deploy IT system and common code system of the whole Group and assisted Hoa Phat Dung Quat Steel JSC to deploy SAP software.

During performance of tasks, the Supervisory Board always received interest and favorable conditions from the BOM, the BOD and professional departments under the Company so that it could fulfill tasks assigned by the General Meeting of Shareholders. The Supervisory Board did not receive any complaint from shareholders in connection with the Company's activities such as the BOM's and BOD's management. In general, the Supervisory Board accomplished tasks in 2018 in accordance with functions and missions as specified in the Charter of Company.

For effective performance of the control under the Law on Enterprises and the Charter of Company, the Supervisory Board makes plans for 2019 as follows:

- › Supervising the compliance with legal provisions, the Charter of Company, and the implementation of resolutions and decisions made by the General Meeting of Shareholders and the BOM.
- › Inspecting and supervising the running and management activities in accordance with functions and missions as regulated in the Law on Enterprises and the Charter of Company, as well as the Regulations issued by the Supervisory Board.
- › Supervising performance of plans, status of operations and investment of subsidiaries.
- › Reviewing and appraising financial statements for six months and whole year.
- › Supervising coordination among the BOM, the BOD and the Supervisory Board.
- › Other tasks as stipulated by the Law on Enterprises and the Charter of Company.

REPORT OF INTERNAL CONTROL BOARD

With continuous and regular activities, the Internal Control Board performed tasks to ensure subsidiaries' activities complied with internal regulations and relevant legal provisions, and provide consultations, warnings and directions of controlling risks during process of operation.

INSPECTION BY THE INTERNAL CONTROL BOARD IN 2018:

In 2018, the Internal Control Board focused on control of special issues and coordination with functional departments to take new methods. The details are as follows:

- › Reviewing process of inventory management applied at subsidiaries. Carrying out scheduled and surprised inspection of inventory. Then making recommendations to improve the process of inventory management.
- › Inspecting basic construction at companies performing investment projects. Guaranteeing selection of bidders, schedule of payment, finalization and disbursement according to regulations. Collaborating with specialized departments to inspect construction quality.
- › Reviewing sales policies, discounts, promotions and checking actual application of these at some subsidiaries. Reviewing liabilities at some subsidiaries, checking payment term and liabilities limit. Then minimizing bad debts and recommending measures to recover outstanding debts.
- › Reviewing wage policies and social insurance policies at all companies under the Group. Proposing methods to make pay scale in accordance with new provisions of laws.
- › Checking the purchase of materials at companies. Ensuring the purchase meeting needs and approved by levels. At the same time comparing prices among companies under the Group for control of prices.
- › Implementing overall control of some companies. Main items of the overall control include management of cash, advance, account receivable and account payable, inventory, tax declaration, etc. Making reports inclusive of consultations, recommendations to help the companies operate more effectively.
- › Working with Hoa Phat Dung Quat Steel JSC and IT Department in application of corporate governance software SAP and transfer of material code system of the Group.
- › Regularly collaborating with functional departments to look into legal provisions on corporate governance, finance, accounting and tax. At the same time updating changes made during the year influencing companies under the Group.
- › Inspecting and certifying quality, reliability of information about economy and finance in financial statements before submission for approval. Working with the independent audit company and subsidiaries under the Group with regard to the audit of financial statements.

In 2018, activities of companies under the Group strictly complied with legal provisions and internal regulations of the Group, thereby achieving outstanding results. The Internal Control Board did not discover any material mistake in companies' activities. Remedy for minor and negligible mistakes were also proposed.

Plans for 2019

Upon summarizing work performed in 2018, the Internal Control Board devised plans and directions for 2019 as follows:

- › Carrying out overall review and inspection of each specific content at subsidiaries. Plans will be realized on scheduled or unscheduled basis according to functions and missions of the Internal Control Board.
- › Regularly and promptly updating changes in tax and accounting policies in relation with activities of companies under the Group.



COMMITTING ITSELF TO LEADING IN QUALITY,
HOA PHAT ROSE TO A NEW STATUE





SUSTAINABLE DEVELOPMENT

- › 1. SUSTAINABLE DEVELOPMENT STRATEGY
- › 2. R&D
- › 3. SOLUTIONS FOR ENERGY SAVING AND ENVIRONMENTAL PROTECTION
- › 4. SOCIAL RESPONSIBILITY

SUSTAINABLE DEVELOPMENT STRATEGY WITH RELEVANT PARTIES

"The motto "Harmony for Joint Development" is the orientation for all activities of Hoa Phat Group. This is shown in all relations among employees, between the Group and shareholders partners, agents and

social community for mutual benefits of related parties in the same boat in direction to sustainable development", said Mr. Tran Dinh Long, Chairman of BOM of Hoa Phat Group.

RELATIONS BETWEEN HOA PHAT AND RELEVANT PARTIES



R & D

Hoa Phat considered research to expand production, development of new products, application of cutting-edge technologies into production as well as regular innovation of technique as tasks of top importance for a large industrial production group. During the last year, these tasks achieved many considerable results contributing to increasing operation efficiency, meeting needs of market, improving market share of business areas over years, towards sustainable development.

SUCCESSFUL UPGRADING OF THE BLAST FURNACE NUMBER 2 AT HOA PHAT HAI DUONG STEEL

Particularly, the blast furnace number 2 and related line items under the second phase of the Complex were upgraded during period from the end of March to the end of May in 2018, in which the entire blast furnace barrel was renewed with equipment of Danieli Group (Italy). It is reported from the plant that output of the blast furnace number 2 rose by 20% compared to output before upgrading.

Specifically, output of cast iron water of this blast furnace currently reaches 2,100 tons/day, while before upgrading it was about 1,600 tons to 1800 tons a day. Coke coal consumption level is lower, saving 3% of cost for the production of cast iron by blast furnace. Three basic oxygen furnaces of the steelworks were upgraded to absorb cast iron water generated from the blast furnace number 2, raising capacity from 40 to 45 tons a batch.

Maintenance of stable production along with success in upgrading of the blast furnace number 2 contributed to consolidating the leading position in the country and increase export outputs to the global market.

SAVE HUNDREDS OF VND BILLION THANKS TO EFFICIENT INITIATIVES

More than 40 initiatives of employees of Hoa Phat Hai Duong Steel JSC were recognized with awards compatible with actual efficiency created by their initiatives.

The most noticeable was the Technical Department's initiative "Using quartz power added with SiO₂ for agglomerate". According to assessment of the



BOD, this initiative was of great importance to bring intensive economic benefits, save VND 144 billion each year. Especially, this was a new solution initially applied at the Company, ensuring more diversified and flexible use of materials for cast iron production.

Material processing plant had other innovation initiatives such as increase of capacity of heating or cooling support fans from 220kw to 250kw to increase capacity of lime kiln number 3, saving VND 10 billion each year, reducing power consumption, ensuring stable operation of equipment, enhancing performance of equipment; upgrading of feeder system of palletizing furnace number 1 to take all equipment to central control room enabling regulation of optimal batching ratio, amount of feeding ore, quicker and more flexible stop of equipment, reducing amount of workers at the batching tunnel.

A lot of innovations to steelworks and rolling mills at the Complex were successfully applied to production to minimize material consumption and protect environment. Innovations should be mentioned including manufacturing and installing billet scale

to control unit weight of billet; upgrading opening/closing mechanism of air vents made of cloth bag at the basic oxygen furnace 2 to better the shaking of dusts.

Steelworks added two photocells among rollers, modified the PLC program compatible with new control, innovated lines of coils after Block, calculated optimal billet volume for rolling products from D25-D40 to save replacement materials, reduce consumables, stabilize production and increase performance. These solutions brought over VND 1 billion a year to the Company.

In addition, according to recommendation of the Materials Department, Hoa Phat Hai Duong Steel Integrated Complex is implementing some new technological solutions to save energy such as trial replacement of traditional large capacity water pumps with energy saving pumps, especially for projects using residual coal air to build more thermal power turbines with capacity from 15-20 MW. The Company constantly updates new technologies in fire proofing materials used in metallurgy to increase life span and reduce material consumption. Specifically, average life span of cast iron barrel in early months of 2018 only reached 645 batches per barrel, but in the end of 2018, it reached 900 batches per barrel, cutting down number of workers producing fire proofing bricks from 20 to 10 workers because barrels were not required to be renewed regularly. Estimated saving value is VND 600 million a year.

HOA PHAT HUNG YEN STEEL'S MAJOR CHANGE IN PRODUCTION ORGANIZATION

In order to complete the re-planning of production to the same zone according to directions of the BOM since 2017, Hoa Phat Hung Yen Steel Co., Ltd constructed a plant to categorizing and processing waste for two purposes. The first is re-planning of phases of production, preparation of input steel scrap which meet quality requirement to ensure continuous, stable and efficient rolling process and rolled product quality according to applicable national standards. At the same time, the Company removes all scrap gathering and processing point to new place to connect the rolling mill to the billet casting zone.

In the end of 2018, Scrap Processing Plant (800m far from billet plant and rolling mill) has been operated for 7 months. Scrap which was cleaned and classified

according to each billet product reduced consumption criteria of the company. Particularly, consumption of scrap reduced by 1.5% in the last six months of 2018, consumption of power on each ton of billet reduced by more than 6 kwh. More importantly, Hoa Phat Hung Yen Steel was more active in billet grades to be used in each batch, overcoming the situation that there were various billet grades due to failure of classifying scrap in the past. The management of scrap and control of production costs were better and more accurate.

During the year, Hoa Phat Hung Yen Steel planned construction and installation of casting system with a casting machine having maximum capacity of 420,000 tons a year. After completing installation of new casting machine, the Company will relocate the whole Rolling Mill at Nhu Quynh Industrial Zone to new location at Pho Noi A Industrial Zone, at the same time upgrade, maintain and renew the line with rolling capacity of 380,000 tons per year.

At present, foundation and workshop of the main area were finished while auxiliary area and facilities are being constructed to meet requirement of new production process. It is expected that the new billet casting machine will be given to hot trial test in April 2019 and the Company will cease the Rolling Mill to remove and re-install in June 2019. As planned, this Rolling Mill will be given to hot trial test in August 2019 and resume production.

HOA PHAT STEEL PIPE'S FOCUS ON CONSUMPTION REDUCTION AND CAPACITY INCREASE AT PLANTS

In 2018, Hoa Phat Steel Pipe Co., Ltd gave 25 initiatives of technical innovation which were applied to reduce consumption and increase capacity, thereby enhancing production and business efficiency. Particularly, the innovation "using centering axis for strip coating" applied at Binh Duong Plant since October 2018 and at Hung Yen Plant since December 2018 brought huge efficiency to the Company's activities.

Main consumption criteria such as input metal consumption; rate of waste generated from production stages; hydraulic oil consumption; axis (bending); zinc and zinc alloy (pipe coating, strip coating) consumption; CNG, gas, coal, acid, cutting fluid, packing strap, power consumption reduced in comparison with 2017.

In addition, increase of labor productivity achieved good results in three regions of the country. Production stages requiring a large amount of workers such as bending, pipe coating, pickling, rolling, increase of labor productivity reached from 7-15%. Particularly, at Binh Duong Plant and Long An Plant, since the fourth quarter of 2018, Hoa Phat Steel Pipe has taken initiative in renovating and localizing bearing of cold rolling machine to save costs of maintenance and replacement of production equipment.

In terms of investment, the Company has expanded Zone D of Hoa Phat Da Nang Steel Pipe Plant which is expected to be completed in the first quarter of 2019. With Binh Duong Plant, the Company started to construct Zone C and finished installation of pipe coating line number 2 at Zone A. Hoa Phat Steel Pipe finished conversion of the quality management system in accordance with ISO 9001:2015 and implementation of material management software; implemented electronic invoice code management software at Hung Yen Steel Pipe Plant.



Hoa Phat Equipment and Accessories implemented flange production project

Along with the acceleration to finish the key project of Prestressed Steel Production Plant at Hoa Phat Dung Quat Steel Integrated Complex, Hoa Phat Equipment and Accessories Co., Ltd researched investment in another flange production line at Binh Duong Mechanical Manufacturing Plant, besides traditional products of crushing jaws.

The Project has total investment of VND 90 billion, capacity of 1,500 tons per month, providing products to prestressed concrete pile manufacturing plant throughout the country. In 2018, installation of equipment was basically completed and the project is expected to be completed in the first quarter of 2019. In February 2018, the Plant produced trial cast steel finished products and then has officially produced steel since March 2018, making Hoa Phat to become the largest scaled manufacturer from cast steel billet to flanges of all types, closing chain of prestressed steel products including PC Bar, PC Strand, PC Wire and flange.

Flange is product attaching to PC bar to produce prestressed concrete pile SS400/CT3. Products of Hoa Phat Equipment and Accessories have diameter



range from 300 to 600mm. For consumption of products, in May 2018, Hoa Phat Equipment and Accessories Co., Ltd. and Viet Nam Pile Industry Associations signed a long-term strategic cooperation contract for prestressed steel bars and flanges, etc. providing approximately 100,000 tons per year to all members of the Associations.

SOLUTIONS FOR ENERGY SAVING AND ENVIRONMENTAL PROTECTION

With particularity of multi-sectored production, in which iron and steel production using a large amount of electricity, water, coal, etc., Hoa Phat appreciates the saving of energy and natural resources. Additionally, the Company unceasingly researches and applies environment protection measures to all production areas of Hoa Phat throughout the country.

A LOT OF FRIENDLY AND EFFECTIVE MEASURES TO CONTROL AND TREAT ENVIRONMENT

In the field of iron and steel production, the investment in technological equipment to control environment, eradicate waste and emission gas is important. The most important is closed-loop and friendly technological solution. This solution is applied to both Hoa Phat Steel Integrated Complexes in Hai Duong and Quang Ngai. Capital for environmental items of Hoa Phat Group accounted for 20-30% total investment of projects.

Effect of application of the closed-loop circulation technology was clearly proved at Hai Duong Steel Integrated Complex. With 100% closed-loop blast furnace technology without release of waste into environment, waste, emission gas, wastewater were completely treated in accordance with applicable standards in heavy industrial production, circulation for re-use, no release of wastewater into environment.

The Complex chose environmentally friendly super clean heat recovery coking technology which was the most advanced in the world. This is heat recovery clean coke production technology in compliance with environmental standards according to CDM clean development mechanism reducing greenhouse gas emissions under the Kyoto Protocol. It eradicates gas, fume and toxic chemicals generated during coking process and recovers heat energy to run generators, meeting 50% need for power for production at Hoa Phat. At the Complex in Dung Quat, Quang Ngai, the self-generating power output can be up to 60-70%, bringing a vast economic value to Hoa Phat.

Furthermore, Hoa Phat Hai Duong Steel JSC puts approximately VND 700 billion into replacement

of coke wet quenching with coke dry quenching using nitrogen. It is expected to be completed in the middle of 2019. This is the Company's effort in renovating technology to be more environmentally friendly, save production cost, increase power output for production, from 55MW now to 64MW by the third quarter of 2019

Concerning energy saving solution, the Complex applied trial test of energy saving pump. As a result, after trial test of energy saving pump with the same flow and pressure, it saves 15-18% compared to pumps in use. It is expected that in 2019, Hai Duong Complex will popularize this pump to save more than 3 million kWh per year as estimated.

Hoa Phat also takes measures to treat dusts generated during production such as electrostatic precipitation, bag filtering, wet filtering, construction of surrounding walls, trees planting to prevent spreading dust and absorbing sound. Campuses of plants and roads are filled with trees, flower gardens, small ornamental plants, contributing to creating a green, clean and beautiful environment at the Complex. Every year, a lot of initiatives are applied by departments to root out lime dusts. Volume of iron-containing dust recovered during steel manufacture, steel rolling are re-used at production stages, helping save costs and improve working environment.

In early 2018, processing of granulated blast-furnace slag during steel refining by upgrading granulated slag generating system using high pressure cold water was implemented and another blast-furnace granulated slag crushing line was constructed at Hai Duong Steel Integrated Complex. This is a cutting-edge vertically crushing technology with capacity of 750,000 tons per year. In the third quarter of 2018, S95 blast-furnace crushed granulated slag of Hoa Phat was officially launched to the market, showing the determination of optimizing technology, turning solid waste generated from steel refining into building materials, helping protect environment and bring considerable added value to steel production chain.

Noticeably, in 2018, Hai Duong Steel Integrated Complex completed investment in installation of automatic observing system continually transmitting data to the Hai Duong Provincial Department of Natural Resources and Environment.

HOA PHAT STEEL'S APPLIES ENVIRONMENT UPDATED ISO IN PRODUCTION ENVIRONMENT

On February 26, 2018, the Vietnam Certification Centre (Quacert) under the Directorate for Standards, Metrology and Quality officially granted Certificate of Environmental Management System under ISO14001:2015 to construction steel production plants of Hoa Phat. This is the latest standard of Environmental Management System replacing ISO14001:2004.

Accordingly, Hoa Phat Steel is certified as having operated in compliance with environmental management system standard in the field of hot rolled steel and billet production. Certification by Quacert has been recognized and acknowledged globally because Quacert is a member of JAS-ANZ who is one of the most prestigious international certification organization.

Hoa Phat always considers the evaluation and application of environmental management system under ISO14001:2015 as important to industrial production in general and to steel production in particular. Therefore, the Company has invested in innovation of equipment with cutting-edge technologies to ensure environmentally friendly operation, at the same time set up and operated environmental management system effectively to maximize interests of ISO 14001 and develop sustainably.

HOA PHAT STEEL PIPE'S EFFECTIVE APPLICATION OF INITIATIVES INTO ENVIRONMENT ISSUES

Along with measures to cut down consumption and enhance labor productivity, Hoa Phat Steel Pipe Co., Ltd. has invested in innovation of wastewater treatment system, signed a contract with licensed waste treatment units and made regular reports to the Provincial Departments of Natural Resources and Environment in accordance with applicable regulations.

During the year, the Company has applied good initiatives to the environment including the use of steel corrosion inhabitation and acid anti-evaporation agent Bonderite S-AD 3305C for pipe coating line and pickling line to help reduce acid consumption level equal to about 4 kgs per month for each line. Apart from reduction acid consumption cost, quality of treated wastewater is better, improving environment at wastewater treatment station, at the same time cutting down cost of labor, electricity, lime and cost of hiring workers to treat wastewater sludge with percentage of over 30% in comparison with the last years.

HOA PHAT FURNITURE - SAVING ENERGY AND TRYING ITS BEST TO PROTECT WATER RESOURCES

Always raising sense of responsibility for protection of natural resources, Hoa Phat Furniture continually took innovative measures for energy saving system and water resources protection at plants in Hung Yen and Binh Duong. Particularly, the wastewater treatment system worth approximately VND 650 million at the Industrial Wood Plant has helped Hoa Phat Furniture reduce 30% volume of clean water used in 2018 compared to 2017.

In 2018, Hoa Phat Furniture assessed the Certificates of Quality Management System ISO 9001:2015 and Environmental Management System 14001:2015. These updated versions of quality management system certification replace versions 9001:2008 and 14001:2008. These updates helped Hoa Phat Furniture to identify context and risk in the entire system of organization, standardize operational procedures, remove unnecessary formalities to shorten time and cut down costs arising out of mistakes in production and business. This is a comprehensive approach to enable Hoa Phat to quickly meet growing demand for export to markets of EU, America and Middle East where strict quality standard and environment commitment applies to imported goods.





HOA PHAT AGRICULTURE'S INTEREST IN ENVIRONMENTAL PROTECTION

Hoa Phat's hi-tech farm system always ensures serious compliance with legal provisions on environmental protection towards sustainable development and actively responds to the Government's policy of attracting and encouraging enterprises to invest in hi-tech agriculture with large scale, contributing to step-by-step change of agricultural structure.

Hoa Phat's current hi-tech breeding farm system is certified to meet VIETGAP standard. In addition to the investment in animal husbandry, the Company has seriously invested in environmental items as committed in the environmental impact report. For waste and wastewater treatment process, in addition to biogas tank system, there are aerobic, anaerobic

treatment processes or treatment by microbiological culture, ensuring standardized wastewater before being discharged into environment, applying deodorizing biological products during farming. Poultry farm also invests in building a self-contained manure treatment station to thoroughly dispose of generated waste on the spot.

Environmental observations from the beginning of 2018 until now show that environmental criteria are met in accordance with standards applicable to animal husbandry such as Standard 24:2016/BYT, Decision 3733/QĐ-BYT of the Ministry of Health on 21 occupational safety and health standards, Standard 30:2012/BTNMT of the Ministry of Natural Resources and Environment on garbage incineration plant, Standard 40:2011/BTNMT, Standard 62-MT:2016/BTNMT on farming waste quality, etc.

SOCIAL RESPONSIBILITY

With the slogan "Harmony for Joint Development", Hoa Phat Group always performs practical activities towards community and disadvantaged people in the society.

"HEARTBEAT FOR LOVE" 2018: 49 HEARTS WERE CURED

"Heartbeat for Love" is a free of charge heart operation program held by Hoa Phat Group since 2015. So far, after four years of operation, the event has become a reliable address for poor patients with congenital heart disease requiring supports.

In 2018, "Heartbeat for Love" supported successful surgery for 49 cases, with a total cost of nearly VND 2 billion. Hospital E was the most performing place among hospitals cooperating with the program with 24 patients. In which, there were three cases sponsored with pacemaker. In particular, there were cases that receive multiple supports from Hoa Phat Group like Hu Thi Chuc (Hoang Su Phi, Ha Giang). This was the biggest difference of "Heartbeat for Love" compared to existing heart surgery funds.

Timely financial support of Hoa Phat Group has helped many families to reduce their worries, burden of surgery costs as well as bring hope to life and joy for children and stay with them on the path to overcoming any disease.



"HOA PHAT FOLLOWS CHILDREN TO SCHOOL": STEP BY STEP MODERNIZING EDUCATIONAL INFRASTRUCTURE

"Hoa Phat follows children to school" is a practical activity of Hoa Phat Group, in order to modernize educational infrastructure, improve the quality of teaching and learning in localities across the country. In particular, Kinh Mon commune (Hiep Son, Hai Duong) is one of the localities receiving the most supports from Hoa Phat. Kindergarten and primary school of Hiep Son gradually changed its appearance under the maximum financial and human support from Hoa Phat. In 2018, Hiep Son Primary School continued to be funded by Hoa Phat with a perfect kitchen and a modern toilet. The project was inaugurated and put into use from the fourth quarter of 2018.

Along with that, at Primary School of Binh Dong commune, Binh Son district, Quang Ngai province, Hoa Phat Group also completed the construction of 5 new classrooms of national standards, thus ending overload, ensuring space suitable for physical and academic development of students.

Also in 2018, Hoa Phat also sponsored many interior and sound equipment for schools in Son Dong and Bac Giang communes and Hoi Xuan Secondary School in Thanh Hoa province.



"CHARITY RICE - KIND HEART"

"Charity rice - Kind heart" which is also known as "Hospital K Meal" is given by patients at Vietnam National Cancer Hospital (Hospital K), Tam Hiep campus to meaningful activities which have been performed by Hoa Phat since 2010 up to now and will be maintained in the future.

During eight years of implementing the program, regardless of weather conditions, 100 hot lunches full of nutrients every day are given to the poor patients who are treated at the hospital. That is not a big number, but it contains the heart of Hoa Phat Group's employees with the desire to share partly the pain that patients suffer, reducing the economic burden for patients with difficult situation.



"HOA PHAT IS ALWAYS A COMPANION OF STUDENTS"

According to the signed agreement between Hoa Phat Group and National Economics University, Hoa Phat Group funded VND 5 billion in the 2016-2020 period for students with outstanding academic achievements and students with difficult situation. Each scholarship is worth VND 1.1 million/student/academic month. Accordingly, the total value of scholarship in a semester granted to a student will correspond to VND 5.5 million. In 2018, there were 170 students receiving scholarships, divided into 2 phases with a total budget of nearly VND 1 billion.

For convenience of granting monthly scholarships, Hoa Phat Group provided free bank accounts for students and provided scholarships through that account number. It can be said that, besides accumulated knowledge in the learning process, Hoa Phat Scholarship is the first preparation to accompany the students to step into life.

In addition to sponsoring monthly scholarships for students, Hoa Phat Group also donated VND 60 million to students' scientific research projects. With its supports, Hoa Phat hopes to encourage scientific research movement, bring valuable works to authors who are the students themselves.

"SPRING OF LOVE"

It is an annual activity carried out by Hoa Phat Group before the Lunar New Year, in order to bring a warm and joyful new year to families in difficult circumstances. In 2018, "Spring of Love" reached 12 provinces across the country, bringing nearly 2000 gifts with a total value of more than VND 2 billion including cash and things for families in difficult circumstances in localities where Hoa Phat's factories and breeding farms are located.



7

AUDITED FINANCIAL STATEMENTS

- › 1. REPORT OF THE BOD
- › 2. INDEPENDENT AUDITOR'S REPORT
- › 3. CONSOLIDATED BALANCE SHEET
- › 4. CONSOLIDATED STATEMENT OF INCOME
- › 5. CONSOLIDATED STATEMENT OF CASH FLOWS
- › 6. NOTE TO THE CONSOLIDATED FINANCIAL



The audited consolidated Financial Statement are posted on Company's website at: www.hoaphat.com.vn

HOA PHAT GROUP JOINT STOCK COMPANY

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Hoa Phat Group Joint Stock Company ("the Company") presents its report and the consolidated financial statements of the Company and its subsidiaries (together referred to as "the Group") for the year ended 31 December 2018.

The members of the Board of Management and the Board of Directors during the year and at the date of this report are as follows:

Board of Management	Mr. Tran Dinh Long	Chairman
	Mr. Tran Tuan Duong	Vice Chairman
	Mr. Nguyen Manh Tuan	Vice Chairman
	Mr. Doan Gia Cuong	Vice Chairman
	Mr. Nguyen Ngoc Quang	Member
	Mr. Ta Tuan Quang	Member
	Mr. Hoang Quang Viet	Member
	Mr. Nguyen Viet Thang	Member
	Mr. Hans Christian Jacobsen	Member
Board of Directors	Mr. Tran Tuan Duong	General Director
	Mrs. Nguyen Thi Thao Nguyen	Deputy General Director
	Mr. Nguyen Viet Thang	Deputy General Director

CORPORATE INFORMATION

The Company was originated from Hoa Phat Steel Joint Stock Company incorporated under the Law on Enterprise of Vietnam pursuant to the initial Business Registration Certificate No. 0503000008 issued by Hung Yen Department of Planning and Investment on 26 October 2001. In accordance with the 8th amendment of the Business Registration Certificate No. 0503000008 issued by Hung Yen Department of Planning and Investment on 9 January 2007, **Hoa Phat Steel Joint Stock Company** was transformed into Hoa Phat Group Joint Stock Company.

The Company's Enterprise Registration Certificate has been amended several times, the most recent of which is by Enterprise Registration Certificate No. 0900189284 dated 10 July 2018. The Enterprise Registration Certificate was issued by the Hung Yen Department of Planning and Investment.

The registered office of the Company is located in **Pho Noi A Industrial Zone, Giai Pham Commune, Yen My District, Hung Yen Province, Vietnam.**

The subsidiaries and associates of the Company are disclosed in Note 1.4 to the consolidated financial statements.

HOA PHAT GROUP JOINT STOCK COMPANY

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

OPERATING RESULTS AND DIVIDENDS

The consolidated net profit attributable to the equity holders of the Company for the year ended 31 December 2018 was VND 8,573,014 million (2017: VND 8,006,672 million).

On 22 March 2018, the Company's General Meeting of Shareholders passed the resolution on the distribution of the 2017 dividends to the shareholders in the form of shares at the rate of 40% (shareholders will receive 4 additionally-issued shares for every 10 ordinary shares they own). This dividend payment scheme was approved by the General Meeting of Shareholders on 17 May 2018 and implemented in Quarter 3 of 2018.

POST BALANCE SHEET EVENTS

There are no significant post balance sheet events that need to be adjusted or disclosed in the consolidated financial statements.

AUDITOR

The auditor of the Company and the Group is KPMG Limited.

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and presentation of the consolidated financial statements which give a true and fair view of the Group's consolidated financial position as at 31 December 2018, consolidated results of operations and consolidated cash flows for the year then ended. In preparing the consolidated financial statements, the Board of Directors is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- Confirm that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board of Directors is also responsible for ensuring that proper accounting records are prepared and kept which disclose, with reasonable accuracy at any time, the financial position of the Group and to ensure that the accounting records comply with Vietnamese Accounting Standards, the Vietnamese Accounting System for Enterprises and the relevant statutory requirements applicable to financial reporting. The Board of Directors is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms with the Company's Board of Management and Shareholders that they have complied with the above requirements in preparing the consolidated financial statements.

HOA PHAT GROUP JOINT STOCK COMPANY

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements for the year ended 31 December 2018. These financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, its consolidated results of operations and its 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.

On behalf of the Board of Directors

Hung Yen, 14 March 2019



Tran Tuan Duong
General Director

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND BOARD OF MANAGEMENT HOA PHAT GROUP JOINT STOCK COMPANY

We have audited the accompanying consolidated financial statements of Hoa Phat Group Joint Stock Company ("the Company"), which comprise the consolidated balance sheet as at 31 December 2018, 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 14 March 2019, as set out on pages 6 to 72.

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 Directors determines is 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 Phat Group Joint Stock Company as at 31 December 2018 and of its consolidated results of operations and its 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.

KPMG LIMITED

Vietnam

Audit Report No.: 16-02-00073-19-2



TRAN ANH QUAN

Practicing Auditor Registration

Certificate No.: 0306-2018-007-1

Deputy General Director

Hanoi, 14 March 2019

A blue ink signature, likely belonging to Lai Thuy Linh, written in a cursive style.

LAI THUY LINH

Practicing Auditor Registration

Certificate No.: 2040-2018-007-1

HOA PHAT GROUP JOINT STOCK COMPANY
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

Form B 01 – DN/HN

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

	Code	Note	31/12/2018 VND	1/1/2018 VND
ASSETS				
Current assets (100 = 110 + 120 + 130 + 140 + 150)	100		25,308,725,187,618	33,068,060,366,641
Cash and cash equivalents	110	6	2,515,617,135,457	4,264,641,954,689
Cash	111		1,822,302,135,457	764,396,954,689
Cash equivalents	112		693,315,000,000	3,500,245,000,000
Short-term financial investments	120		3,724,562,710,535	9,936,707,080,033
Held-to-maturity investments	123	7.1	3,724,562,710,535	9,936,707,080,033
Accounts receivable – short-term	130		3,210,278,608,751	6,555,418,799,648
Accounts receivable from customers	131		2,281,760,501,157	1,999,843,596,977
Prepayments to suppliers	132	8	810,319,171,039	4,007,002,903,693
Other receivables	136	9	150,952,350,749	583,180,931,761
Allowance for doubtful debts	137		(37,693,842,866)	(35,984,891,839)
Shortage of assets awaiting resolution	139		4,940,428,672	1,376,259,056
Inventories	140	10	14,115,139,048,908	11,748,873,281,675
Inventories	141		14,188,336,169,734	11,893,184,186,263
Allowance for inventories	149		(73,197,120,826)	(144,310,904,588)
Other current assets				
Short-term prepaid expenses	150		1,743,127,683,967	562,419,250,596
Deductible value added tax	151	16.1	122,420,331,320	118,434,339,660
Taxes and others receivable from State Treasury	152		1,601,957,215,751	421,916,425,069
	153		18,750,136,896	22,068,485,867

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

HOA PHAT GROUP JOINT STOCK COMPANY
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018
(CONTINUED)

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

	Code	Note	31/12/2018 VND	1/1/2018 VND
Long-term assets (200 = 210 + 220 + 230 + 240 + 250 + 260)	200		52,914,282,483,307	19,954,124,411,610
Accounts receivable – long-term	210		22,301,804,672	21,810,530,536
Other long-term receivables	216		22,301,804,672	21,810,530,536
Fixed assets	220		12,782,560,625,001	13,197,796,695,351
Tangible fixed assets	221	11	12,565,363,529,879	13,012,259,134,112
Cost	222		22,992,663,946,845	21,244,526,727,212
Accumulated depreciation	223		(10,427,300,416,966)	(8,232,267,593,100)
Intangible fixed assets	227	12	217,197,095,122	185,537,561,239
Cost	228		268,391,812,870	225,393,363,897
Accumulated amortisation	229		(51,194,717,748)	(39,855,802,658)
Investment property	230	13	179,740,530,488	191,191,085,236
Cost	231		246,767,060,543	246,141,517,543
Accumulated depreciation	232		(67,026,530,055)	(54,950,432,307)
Long-term work in progress	240		38,107,320,507,117	5,468,751,412,626
Long-term work in progress	241	14	910,420,483,699	742,673,512,829
Construction in progress	242	15	37,196,900,023,418	4,726,077,899,797
Long-term financial investments	250		66,584,926,457	16,951,738,400
Equity investments in other entities	253	7.2	700,000,000	15,700,000,000
Held-to-maturity investments	255	7.1	65,884,926,457	1,251,738,400
Other long-term assets	260		1,755,774,089,572	1,057,622,949,461
Long-term prepaid expenses	261	16.2	1,461,311,868,435	832,464,153,214
Deferred tax assets	262	17	206,227,896,900	170,753,319,290
Goodwill	269	18	88,234,324,237	54,405,476,957
TOTAL ASSETS (270 = 100 + 200)	270		78,223,007,670,925	53,022,184,778,251

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

HOA PHAT GROUP JOINT STOCK COMPANY
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018
(CONTINUED)

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

	Code	Note	31/12/2018 VND	1/1/2018 VND
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		37,600,057,830,115	20,624,604,566,341
Current liabilities	310		22,636,149,492,136	18,519,722,634,329
Accounts payable to suppliers	311		8,706,913,341,857	4,226,437,580,299
Advances from customers	312		361,444,408,581	824,276,288,448
Taxes and others payable to State Treasury	313	19	481,510,200,714	378,251,543,847
Payables to employees	314		252,288,255,386	294,643,257,677
Accrued expenses	315	20.1	261,634,131,158	308,755,056,470
Unearned revenue – short-term	318		9,929,720,982	2,863,469,241
Other payables – short-term	319	21.1	300,069,780,261	442,135,349,194
Short-term borrowings	320	22.1	11,494,717,393,327	11,328,518,776,500
Provisions – short-term	321	23	6,238,723,132	8,150,637,096
Bonus and welfare fund	322	24	761,403,536,738	705,690,675,557
Long-term liabilities	330		14,963,908,337,979	2,104,881,932,012
Long-term accounts payable to suppliers	331		1,647,091,707,192	-
Long-term accrued expenses	333	20.2	451,100,573,027	386,454,362,041
Other payables – long-term	337	21.2	36,480,820,999	46,659,980,472
Long-term borrowings	338	22.2	12,810,996,979,972	1,651,494,675,275
Deferred tax liabilities	341		-	323,343,866
Provisions – long-term	342	23	18,238,256,789	19,949,570,358

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

HOA PHAT GROUP JOINT STOCK COMPANY
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018
(CONTINUED)

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

	Code	Note	31/12/2018 VND	1/1/2018 VND
EQUITY (400 = 410)	400		40,622,949,840,810	32,397,580,211,910
Owners' equity	410	25	40,622,949,840,810	32,397,580,211,910
Share capital	411	26	21,239,071,660,000	15,170,790,000,000
<i>Ordinary shares with voting rights</i>	411a		21,239,071,660,000	15,170,790,000,000
Capital surplus	412		3,211,560,416,270	3,202,198,967,068
Treasury shares	415		-	(1,693,270,000)
Foreign exchange differences	417		276,819,257	-
Investment and development fund	418	28	918,641,612,156	518,641,612,156
Retained profits	421		15,126,437,863,905	13,397,029,077,196
<i>Retained profits brought forward</i>	421a		6,553,423,653,491	5,390,356,963,349
<i>Retained profits for the current year</i>	421b		8,573,014,210,414	8,006,672,113,847
Non-controlling interest	429		126,961,469,222	110,613,825,490
TOTAL RESOURCES (440 = 300 + 400)	440		78,223,007,670,925	53,022,184,778,251

14 March 2019

Prepared by:



Nguyen Thi Thu Trang
General Accountant



Pham Thi Kim Oanh
Chief Accountant



Tran Tuan Duong
General Director

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

HOA PHAT GROUP JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED
31 DECEMBER 2018

Form B 02 – DN/HN

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

	Code	Note	2018 VND	2017 VND
Revenue from sales of goods and provision of services	01	30	56,580,423,695,083	46,854,825,722,466
Revenue deductions	02	30	743,965,315,324	693,134,108,162
Net revenue (10 = 01 - 02)	10	30	55,836,458,379,759	46,161,691,614,304
Cost of sales	11	31	44,165,626,148,685	35,536,120,578,221
Gross profit (20 = 10 - 11)	20		11,670,832,231,074	10,625,571,036,083
Financial income	21	32	294,408,270,741	186,215,464,700
Financial expenses	22	33	772,317,161,901	555,756,583,746
<i>In which: Interest expense</i>	23		539,861,243,640	479,707,569,855
Share of loss in associates	24		-	(159,611,603)
Selling expenses	25	34	676,809,221,259	594,707,868,484
General and administration expenses	26	35	444,024,985,823	409,038,156,382
Net operating profit {30 = 20 + (21 - 22) + 24 - (25 + 26)}	30		10,072,089,132,832	9,252,124,280,568
Other income	31	36	488,856,588,036	432,791,811,829
Other expenses	32	37	489,872,848,566	396,546,349,700
Results of other activities u (40 = 31 - 32)	40		(1,016,260,530)	36,245,462,129
Accounting profit before tax (50 = 30 + 40)	50		10,071,072,872,302	9,288,369,742,697
Income tax expense – current	51	39	1,506,320,087,551	1,317,628,785,035
Income tax benefit– deferred	52	39	(35,797,921,476)	(44,015,628,386)
Net profit after tax (carried forward to next page) (60 = 50 - 51 - 52)	60		8,600,550,706,227	8,014,756,586,048

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

HOA PHAT GROUP JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED
31 DECEMBER 2018 (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	2018 VND	2017 VND
Net profit after tax (brought forward from previous page) (60 = 50 - 51 - 52)	60		8,600,550,706,227	8,014,756,586,048
Attributable to:				
Equity holders of the parent company	61		8,573,014,210,414	8,006,672,113,847
Non-controlling interest	62		27,536,495,813	8,084,472,201
Basic earnings per share	70	40	4,037	Restated 4,074

14 March 2019

Prepared by:


Nguyen Thi Thu Trang
General Accountant


Pham Thi Kim Oanh
Chief Accountant


Tran Tuan Duong
General Director

Approved by:

CÔNG TY CỔ PHẦN
TẬP ĐOÀN
HÒA PHÁT
H. YÊN MỸ - T. HƯNG YÊN

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

HOA PHAT GROUP JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018
(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	2018 VND	2017 VND
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		10,071,072,872,302	9,288,369,742,697
Adjustments for				
Depreciation and amortisation	02		2,259,594,298,268	1,984,032,269,593
Amortisation of goodwill	02		26,051,152,720	20,624,439,671
Allowances and provisions	03		(72,990,493,823)	(10,870,919,019)
Exchange losses/(gains) arising from revaluation of monetary items denominated in foreign currencies	04		29,910,869,480	(4,721,135,461)
Profits from investing activities	05		(112,985,971,103)	(100,141,408,999)
Interest expense	06		539,861,243,640	479,707,569,855
Operating profit before changes in working capital	08		12,740,513,971,484	11,657,000,558,337
Change in receivables	09		(1,423,156,571,992)	(462,712,870,273)
Change in inventories	10		(2,301,594,154,020)	(2,201,681,306,847)
Change in payables and other liabilities	11		1,459,709,130,157	(427,137,753,385)
Change in prepaid expenses	12		(500,921,130,265)	(57,137,603,269)
			9,974,551,245,364	8,508,331,024,563
Interest paid	14		(611,767,789,386)	(476,521,018,456)
Income tax paid			(1,416,437,918,395)	(1,723,779,496,359)
Other payments for operating activities	15 17		(304,001,386,852)	(249,708,157,378)
Net cash flows from operating activities	20		7,642,344,150,731	6,058,322,352,370

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

HOA PHAT GROUP JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018
(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	2018 VND	2017 VND
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(27,594,117,760,420)	(8,875,037,848,448)
Proceeds from disposals of fixed assets and other long-term assets	22		64,821,767,118	6,994,210,217
Payments for purchase of debt instruments of other entities	23		(11,295,502,021,543)	(13,644,057,693,450)
Receipts from collecting loans, sales of debt instruments of other entities	24		17,443,013,202,984	4,461,988,265,600
Payments for investments in other entities	25		(115,947,860,804)	(40,833,411,607)
Collections on investments in other entities	26		17,599,680,288	651,015,518
Receipts of interests on term deposits and loans	27		946,999,021,433	164,530,335,333
Net cash flows from investing activities	30		(20,533,133,970,944)	(17,925,765,126,837)

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

HOA PHAT GROUP JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018
(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	2018 VND	2017 VND
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from equity issued	31		11,424,719,202	5,057,285,360,000
Proceeds from borrowings	33		53,472,014,216,173	37,194,696,510,889
Payments to settle loan principals	34		(42,335,009,094,686)	(30,674,534,262,267)
Payments of dividends	36		(5,918,198,429)	(3,754,507,141)
Net cash flows from financing activities	40		11,142,511,642,260	11,573,693,101,481
Net cash flows during the year (50 = 20 + 30 + 40)	50		(1,748,278,177,953)	(293,749,672,986)
Cash and cash equivalents at the beginning of the year	60		4,264,641,954,689	4,558,660,713,745
Effect of exchange rate fluctuations	61		(746,641,279)	(269,086,070)
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61)	70	6	2,515,617,135,457	4,264,641,954,689

14 March 2019

Prepared by:


Nguyen Thi Thu Trang
General Accountant


Phan Thi Kim Oanh
Chief Accountant


Tran Tuan Duong
General Director



HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

1.1 Ownership structure

Hoa Phat Group Joint Stock Company ("the Company") is incorporated as a joint stock company in Vietnam. The consolidated financial statements of the Company for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates.

1.2 Principal activities

The principal activities of the Group are as follows:

- Office leasing;
- Financial investments;
- Integrated investment and construction of infrastructures, industrial zones and urban zones;
- Manufacturing of furniture for offices, households and schools;
- Timber production and processing;
- Manufacturing of mechanical products (mainly construction machinery, office desks, chairs and cabinets);
- Leasing machines, equipment and motor vehicles;
- Dealing in automobiles, motorbikes, equipment, parts for transport and mining sectors, transport vehicles;
- Production and trading of construction and mining machineries;
- Dealing in electrical, electronic appliances, optical and medical equipment;
- Production, trading, assembly, installation, repair and maintenance of electrical, electronic, electrical refrigeration and civil electrical appliances and air-conditioners;
- Production and trading of raw materials and plastic products;
- Advertisement;
- Civil and industrial construction;
- Exploitation of sand, stones and gravel;
- Production, trading and assembly of furniture products and construction equipment;
- Real estate trading (excluding land price consultancy);
- Domestic and foreign investment advisory (excluding law advisory);
- Production and trading of non-ferrous metal and non-ferrous metal scraps;
- Trading and export and import of steel and supplies for steel making and rolling;
- Production of rolled steel products and roofing sheets;
- Exploitation of metal ores;
- Trading metals, metal ores, iron and steel scraps;
- Making cast iron and steel, and casting cast iron, iron and steel;
- Production of plated and non-plated steel pipes and inox pipes;
- Production and trading of galvanized steel sheet, color coated steel sheet and galvalum steel sheet;
- Rendering sports and gymnastics services (training, competition organisation, athlete transfer);
- Building and renting sports practice ground and competition ground; and

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Form B 09 – DN/HN

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

- Entrusted export-import activities;
- Raising pigs;
- Raising cows;
- Raising poultry;
- Raising other animals;
- Provision of raising services;
- Processing and preserving meat and meat products;
- Producing feeds for cattle, poultry and aquaculture sector;
- Producing fertilizer and nitrogen compounds; and
- Trading agricultural equipment, machineries and accessories.

1.3 Normal operating cycle

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

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

1.4 Group structure

As at 31 December 2018, the Group's subsidiaries and associates are as follows:

No.	Tier 1 - subsidiaries	Principal activities	Percentage of ownership and voting rights of the Group	
			31/12/2018	1/1/2018
1	An Thong Mineral Investment JSC	Exploring, exploiting, processing, importing and exporting minerals (mainly iron ores).	99,96%	99,96%
2	Hoa Phat Hai Duong Steel JSC	Producing steel, iron, exploiting iron ores, exploiting and collecting lignite; wholesaling metals and metal ores; producing, trading coke coal.	99,998%	99,998%
3	Hoa Phat Dung Quat Steel JSC	Producing steel, iron, exploiting iron ores; wholesaling metals and metal ores; producing and wholesaling coke coal and other related business activities..	99,999%	99,999%
4	Hoa Phat Hung Yen Steel Co., Ltd.	Producing steel, iron, wholesaling metals and metal ores	100%	100%
5	Hoa Phat Steel Pipe Co., Ltd.	Producing and trading various kinds of steel pipes.		
6	Hoa Phat Steel Sheet Co., Ltd. (previously known as Hoa Phat Steel	Production and trading of galvanized steel sheet, color coated steel sheet and galvalum steel sheet.	99,967% 100%	99,95% 100%
7	Sheet One-member Co., Ltd.) Hoa Phat Equipment and Accessories Co., Ltd.	Producing construction equipment, trading construction machinery and equipment, exploiting small and medium-sized minerals.	99,857%	99,72%
8	Hoa Phat Furniture JSC	Producing and trading various kinds of furniture.	99,60%	99,60%
9	Hoa Phat Refrigeration Engineering Co., Ltd.	Producing and trading various kinds of refrigerant equipment.	99,67%	99,67%
10	Hoa Phat Urban Development and Construction JSC	Civil and industrial construction, development of real estate for sales and lease, leasing houses and offices, investing in and building technical infrastructure.	99,85%	99,67%
11	Hoa Phat Agriculture Development JSC	Raising livestock and poultry; farming; providing plantation, raising, post-harvest services; producing feeds for cattle, poultry and aquaculture sector.	99,999%	99,999%

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

No.	Tier 2 - subsidiaries	Principal activities	Percentage of direct ownership of tier 1 – subsidiaries		Percentage of ownership of the Group	
			31/12/2018	1/1/2018	31/12/2018	1/1/2018
SUBSIDIARIES OF AN THONG MINERAL INVESTMENT JSC						
1	Binh Vang One Member Co., Ltd.	Exploiting iron ore, non-ferrous metal, producing non-ferrous metal and precious metal, exploiting precious and rare metal ore.	100%	100%	99,96%	99,96%
2	Hoa Phat Mitraco Mining JSC	Exploring and production of iron, bauxite and other rare ores; trading metal and metal ores.	98,42%	98,42%	98,38%	98,38%
SUBSIDIARIES OF HOA PHAT HAI DUONG STEEL JSC						
3	Hoa Phat Energy JSC	Producing and wholesaling coke coal, exploiting and collecting coal; producing refined petroleum products; wholesaling metals and metal ores; and trading various kinds of coal.	99,89%	99,89%	99,89%	99,89%
SUBSIDIARIES OF HOA PHAT DUNG QUAT STEEL JSC						
4	Hoa Phat Dung Quat Ferro Alloy JSC	Production of iron, steel and cast iron products.	89,99%	89,99%	89,99%	89,99%
5	Hoa Phat Dung Quat Steel Pipe JSC	Production of iron, steel and cast iron products.	89,99%	89,99%	89,99%	89,99%
6	Hoa Phat Dung Quat Steel Sheet JSC	Production of iron, steel and cast iron products.	89,99%	89,99%	89,99%	89,99%
7	Hoa Phat Trading International Pte Ltd.,(i)	Trading of iron, steel and cast iron products	100%	-	99,999%	-
8	Hoa Phat Multi Purpose Port JSC (i)	Direct support services for waterway transportation.	98%	-	99,999%	-
SUBSIDIARIES OF HOA PHAT HUNG YEN STEEL CO., LTD.						
9	Hoa Phat - Binh Dinh One Member Limited Liability Company	Producing steel, iron, wholesaling metals and metal ores	100%	100%	100%	99,89%
10	Nhon Trach Service Trading Company Limited	Provision of warehouses, storage yards for rent; and storing, loading/unloading of goods.	99,90%	99,90%	99,90%	99,90%

**HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

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

No.	Tier 2 - subsidiaries	Principal activities	Percentage of direct ownership of tier 1 – subsidiaries		Percentage of ownership of the Group	
			31/12/2018	1/1/2018	31/12/2018	1/1/2018
SUBSIDIARIES OF HOA PHAT STEEL PIPE CO., LTD.						
11	Hoa Phat Cold Rolled Steel Co., Ltd.	Producing of cold rolled steel products.	100%	100%	99,967%	99,95%
12	Hoa Phat Binh Duong Steel Pipe One Member Co., Ltd.	Producing and trading various kinds of steel pipes.	100%	100%	99,967%	99,95%
13	Hoa Phat Da Nang Steel Pipe Co., Ltd.	Producing and trading various kinds of steel pipes.	99,98%	99,98%	99,944%	99,93%
14	Hoa Phat Long An Steel Pipe One Member Co., Ltd.	Producing and trading various kinds of steel pipes.	100%	100%	99,967%	99,95%

SUBSIDIARIES OF HOA PHAT EQUIPMENT AND ACCESSORIES CO. LTD.

15	Hoa Phat Mining and Construction Machinery Manufacturing Co., Ltd.	Producing and trading construction and mining machines; producing engines and turbines.	100%	100%	99,86%	99,72%
16	Hoa Phat Mechanical Manufacturing Co., Ltd.	Repairing and producing mechanical products; leasing machines, equipment and vehicles.	99,90%	99,90%	99,76%	99,62%
17	Hoa Phat Prestressed Concrete Steel One member Co., Ltd	Production of iron, steel and cast iron products.	100%	100%	99,86%	99,72%

SUBSIDIARIES OF HOA PHAT URBAN DEVELOPMENT AND CONSTRUCTION JSC

18	Pho Noi A Industrial Zone Management and Operation Company	Civil and industrial construction, freehold or leasehold real estate trading, workshop and office leasing, integrated investment and construction of infrastructure, clean water trading, waste collection, exploitation, treatment and supply of water and operation of restaurants	100%	100%	99,85%	99,67%
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HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

No.	Tier 2 - subsidiaries	Principal activities	Percentage of direct ownership of tier 1 – subsidiaries		Percentage of ownership of the Group	
			31/12/2018	1/1/2018	31/12/2018	1/1/2018
19	Hoa Mac Industrial Zone Management and Operation Co., Ltd.	Civil and industrial construction, freehold or leasehold real estate trading, workshop and office leasing, integrated investment and construction of infrastructure, clean water trading, waste collection, exploitation, treatment and supply of water.	100%	100%	99,85%	99,67%
20	Hoa Phat Hung Yen Urban Development and Construction Co., Ltd.	Trading of real estate, land use rights of land owners, land users or land lessees	100%	100%	99,85%	99,67%
21	Golden Gain Vietnam JSC	Real estate trading.	99,99%	99,99%	99,85%	99,66%
22	Long Viet Construction JSC (ii)	Real estate trading.	100%	-	99,85%	-
SUBSIDIARIES OF HOA PHAT AGRICULTURE DEVELOPMENT JSC						
23	Hoa Phat Trading Co., Ltd.	Raising buffalos, cows; providing plantation, raising, post-harvest services.	99,90%	99,90%	99,899%	99,899%
24	Hoa Phat Livestock Development JSC	Raising and providing breeding and market pigs.	99,975%	99,975%	99,974%	99,974%
25	Hoa Phat Hung Yen Feeds Co., Ltd.	Producing and trading feeds and materials for producing feeds for cattle, poultry and aquaculture sector.	100%	100%	99,999%	99,999%
26	Hoa Phat Dong Nai Feeds Co., Ltd.	Producing and processing feeds for cattle, poultry and aquaculture sector.	100%	100%	99,999%	99,999%
27	Hoa Phat Poultry Co., Ltd. (previously known as Hoa Phat Poultry One-member Co., Ltd.)	Raising poultry	100%	100%	99,999%	99,999%
28	Hoa Phat Da Nang Breeding One-member Co., Ltd. (iii)	Raising cattle and poultry; providing plantation services.	-	100%	-	99,999%

**HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

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

No.	Tier 3 - subsidiaries	Principal activities	Percentage of direct ownership of tier 2 – subsidiaries		Percentage of ownership of the Group	
			31/12/2018	1/1/2018	31/12/2018	1/1/2018

SUBSIDIARIES OF GOLDEN GAIN VIETNAM JSC

1	Hanoi Investment and Services JSC	Sports, entertainment activities, including tennis, badminton, billiards, swimming, body-building, games and real estate trading.	95,27%	95,27%	95,074%	94,95%
2	Hanoi Transportation and Trading Services JSC	Goods transport by automobiles, inter-provincial passenger transport by automobiles, machinery and equipment repair, domestic travel, petrol and oil trading agency, transport agency services and automobiles keeping services, office, warehouse and storage yard services and real estate trading.	99,90%	99,90%	99,698%	99,56%

SUBSIDIARIES OF HOA PHAT TRADING CO., LTD

3	Hoa Phat Quang Binh Breeding Co., Ltd.	Raising livestock and poultry: providing plantation services.	72,72%	72,72%	72,647%	72,647%
4	An Chau Breeding One-member Co., Ltd. (iv)	Raising livestock and poultry: providing plantation services.	-	100%	-	99,899%
5	Viet Hung Breeding One-member Co., Ltd.	Raising livestock and poultry: providing plantation services.	100%	100%	99,899%	99,899%
6	Dong Phat Breeding One-member Co., Ltd.	Raising livestock and poultry: providing plantation services.	100%	100%	99,899%	99,899%

SUBSIDIARIES OF HOA PHAT LIVESTOCK DEVELOPMENT JSC

7	Hoa Phat Thai Thuy Breeding Co., Ltd. (previously known as Hoa Phat Thai Binh Breeding One-member Co., Ltd.)	Raising pigs, raising poultry, raising other animals.	100%	100%	99,974%	99,974%
8	Hoa Phat Lac Thuy Breeding Co., Ltd. (previously known as Hoa Phat Hoa Binh Breeding One Member Co., Ltd.)	Raising poultry, raising other animals.	100%	100%	99,974%	99,974%

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

No.	Tier 3 - subsidiaries	Principal activities	Percentage of direct ownership of tier 2 – subsidiaries		Percentage of ownership of the Group	
			31/12/2018	1/1/2018	31/12/2018	1/1/2018
SUBSIDIARIES OF HOA PHAT LIVESTOCK DEVELOPMENT JSC						
9	Hoa Yen Breeding One Member Co., Ltd.	Raising pigs, raising other animals.	100%	100%	99,974%	99,974%
10	Hoa Phat Bac Giang Breeding One-member Co., Ltd.	Raising pigs, raising poultry, raising other animals.	100%	100%	99,974%	99,974%
11	Hoa Phat Lang Son Breeding One-member Co., Ltd.	Raising pigs, raising poultry, raising other animals.	100%	100%	99,974%	99,974%
12	Hoa Phuoc Breeding Co., Ltd.	Raising breeding and market pigs.	99,998%	99,998%	99,972%	99,972%
SUBSIDIARIES OF HOA PHAT POULTRY CO., LTD (PREVIOUSLY KNOWN AS HOA PHAT POULTRY ONE-MEMBER CO., LTD)						
13	Hoa Phat Phu Tho Poultry One Member Co., Ltd.	Raising pigs, raising poultry, raising other animals.	100%	100%	99,999%	99,999%
14	Hoa Phat Dong Nai Poultry One Member Co., Ltd.	Raising pigs, raising poultry, raising other animals.	100%	100%	99,999%	99,999%
15	Van Thang Livestock One Member Co., Ltd.	Raising livestock and poultry: providing plantation services.	100%	100%	99,999%	99,999%

- (i) These are tier-2 subsidiaries that were established during the year.
- (ii) This is a tier-2 subsidiary that was acquired during the year.
- (iii) This is a tier-2 subsidiary that was dissolved during the year.
- (iv) This is a tier-3 subsidiary that was transferred by Hoa Phat Trading Co., Ltd. to a third party.

All the Group's subsidiaries are incorporated in Vietnam, except Hoa Phat Trading International Pte Ltd., which is incorporated in Singapore.
As at 31 December 2018, **the Group had 19,914 employees (1/1/2018: 16,019 employees).**

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated 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

2.2 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.

2.3 Annual accounting period

The annual accounting period of the Group is from 1 January to 31 December.

2.4 Accounting and presentation currency

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

3.1 Basis of consolidation

(a) 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.

(b) Non-controlling interests

Non-controlling interests 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

(c) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Gain or loss is recognised in the consolidated income statement. Any interest retained in the former subsidiary when control is lost is stated at the carrying amount of the retained investment in the consolidated financial statements adjusted for appropriate shares of changes in equity of the investee since the acquisition date, if significant influence in the investee is maintained, or otherwise stated at cost.

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

(d) 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 equity accounted 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.

(e) Transactions eliminated on consolidation

Intra-group balances and transitions, 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 associates are eliminated against the investment to the extent of the Group's interest in the associates.

(f) Business combination

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

3.2 Foreign currency transactions

(a) Foreign currency transactions

Transactions in currencies other than VND during the year have been translated into VND at rates approximating 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 average of the account transfer buying rates and selling rates at the end of the annual accounting period quoted by the commercial bank where the Company or its subsidiaries most frequently conduct transactions.

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

b) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to VND at exchange rates as at 31 December 2018. The income and expenses of foreign operations are translated to VND at exchange rates at the dates of transactions.

Foreign currency differences arising from the translation of foreign operations are recognised in the balance sheet under the caption "Foreign exchange differences" in equity.

3.3 Cash and cash equivalents

Cash comprises cash balances, cash in transit and call deposits. Cash equivalents are short-term highly

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

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.

3.4 Investments

(a) Held-to-maturity investments

Held-to-maturity investments are those that the Company's and its subsidiaries' management has the intention and ability to hold until maturity. Held-to-maturity investments include term deposits at bank. These investments are stated at costs less allowance for investments.

(b) Investments in equity instruments of other entities

Investments in equity instruments of other entities 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 loss was anticipated by the Group's management 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.

3.5 Accounts receivable

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

Allowance for doubtful debts is established for amount of outstanding receivables at the balance sheet date which are overdue more than 6 months or are doubtful of recovery. Increases and decreases to the allowance for doubtful debts balance are recorded as general and administration expense account in the consolidated statement of income.

3.6 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.

Net realisable value is the estimated selling price of inventory items, less the estimated costs of completion and selling expenses.

Allowance for inventories is established for the estimated losses arising due to the impairment of value (through diminution, damage or obsolescence) of inventories owned by the Group, based on appropriate evidences of impairment available at the balance sheet date. Increases and decreases to the allowances for inventories balance are recorded as cost of goods sold account in the consolidated statement of income.

Manufacturing, trading and production of goods

Cost in the case of finished goods and manufactured work in progress includes raw materials, direct labour and attributable production overheads.

The Group applies the perpetual method of accounting for inventories.

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

Real estate development for future sales

Cost is determined on a specific identification basis and includes land costs and other related development and infrastructure costs, other direct costs and attributable manufacturing overheads.

3.7 Tangible fixed assets

(a) 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. Expenditure incurred after tangible fixed assets have been put into operation, such as repair and maintenance cost, except overhaul and major maintenance expenses recognised in long-term prepaid expenses (Note 3.11(b)), 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.

(b) 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 5 – 50 years
- machinery and equipment 2 – 25 years
- motor vehicles 6 – 20 years
- office equipment 3 – 12 years
- livestock 3 – 5 years
- others 3 – 12 years

3.8 Intangible fixed assets

(a) 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 rights certificate issued by competent authority.

Land use rights are stated at cost less accumulated amortisation. The initial cost of land use rights comprise the purchase price and any directly attributable costs incurred in conjunction with securing the land use rights. For land use rights with definite useful lives, amortisation is computed on a straight-line basis over 15 to 50 years. No amortisation is provided for land use rights with indefinite useful lives

(b) 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 2 to 6 years.

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

3.9 Investment property held to earn rental

(a) Cost

Investment property held to earn rental is stated at cost less accumulated depreciation. The initial cost of an investment property held to earn rental comprises its purchase price, cost of land use rights and any directly attributable expenditures of bringing the property to the condition necessary for it to be capable of operating in the manner intended by management. Expenditure incurred after the investment property held to earn rental has been put into operation, such as repairs and maintenance, is charged to the consolidated statement of income in the year in which the expenditure is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in future economic benefits in excess of the originally assessed standard of performance of the existing investment property held to earn rental, the expenditure is capitalised as an additional cost of the investment property.

(b) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of investment property. For land use rights with indefinite useful live, depreciation is not required. The estimated useful lives are as follows:

- buildings 5 – 49 years

For land use rights with indefinite useful live, depreciation is not required.

3.10 Construction in progress

Construction in progress represents (i) the costs of construction and machinery which have not been fully completed or installed and (ii) the costs directly attributable to raising breeding pigs which are growing and not mature enough for producing piglets. No depreciation is provided for construction in progress during the period of construction, installation and the period in which breeding pigs are not mature enough for producing piglets

3.11 Long-term prepaid expenses

(a) Tools and instruments

Tools and instruments include assets held for use by the Group in the normal course of business. Tools and instruments are labour materials not satisfying requirements pertaining to value and use time prescribed in regulations of fixed assets. Cost of tools and instruments are amortised on a straight-line basis over a maximum period of 3 years.

(b) Overhaul and major maintenance expenses

These comprise major overhaul and maintenance expenses incurred on a periodical basis during the use of assets. These expenses are initially stated at cost and are amortised to the consolidated statement of income on a straight line basis over 2 to 4 years.

(c) Prepaid land costs

Prepaid land costs comprise prepaid land lease rentals, including those for which the Group obtained land use rights certificate but are not qualified as intangible fixed assets under prevailing regulations and other costs incurred in conjunction with securing the use of leased land. These costs are recognised in the consolidated statement of income on a straight-line basis over the term of the lease.

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

(d) Site clearance costs

Site clearance costs comprise compensation and clearance fee paid by the Group. These expenses are initially stated at cost and amortised on a straight-line basis over the useful lives of land lease period.

(e) Borrowing related costs

Borrowing related costs comprise arrangement costs, security agent fee and agent fee. Borrowing related costs are initially stated at cost and are amortised to the consolidated statement of income on a straight line basis for the loan term of 5 years

3.12 Goodwill

Goodwill arises on the acquisition of subsidiaries. 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 over 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.

3.13 Trade and other payables

Trade and other payables are stated at their cost.

3.14 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.

Warranties

The provision for warranties relates mainly to goods sold and services rendered during the year. The provision is based on estimates derived from historical warranty data associated with similar products and services.

3.15 Share capital

(a) Ordinary shares

Ordinary shares are recognised at par value. The excess of proceeds from share issuance over the par value of shares issued is recorded as share premium. Incremental costs directly attributable to the issue of shares, net of tax effects, are recognized as a deduction from capital surplus.

(b) Issuance of bonus shares to employees

In accordance with the Group's policy, amount of bonus shares issued at par value to employees from capital surplus is not recognised as expenses but as a reduction from capital surplus.

(c) Withdrawal of bonus shares to employees as treasury shares

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

When bonus shares recognised as equity are withdrawn, the par value of these shares is recognised in retained profits under equity. Withdrawn shares are classified as treasury shares under equity. When treasury shares are sold for reissue, subsequently, the cost of the reissued shares is determined on a weighted average basis. Any difference between the amount received and the cost of the reissued shares is presented within capital surplus.

3.16 Classification of financial instruments

Solely for the purpose of providing disclosures about the significance of financial instruments to the Group's consolidated financial position and consolidated results of operations and the nature and extent of risk arising from financial instruments, the Group classifies its financial instruments as follow:

(a) Financial assets

Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

- It is considered by the Board of Directors as held for trading. A financial asset is considered as held for trading if:
 - it is acquired principally for the purpose of selling it in the near term;
 - there is evidence of a recent pattern of short-term profit-taking;
 - a derivative (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument).
- Upon initial recognition, it is designated by the Group as at fair value through profit or loss

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Group has the positive intention and ability to hold to maturity, other than:

- Those that the Group upon initial recognition designates as at fair value through profit or loss;
- Those that the Group designates as available-for-sale
- Those that meet the definition of loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those:

- That the Group intends to sell immediately or in the near term, which are classified as held for trading, and those that the Group on initial recognition designates as at fair value through profit or loss;
- That the Group upon initial recognition designates as available-for-sale; or
- For which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or that are not classified as:

- Financial assets at fair value through profit or loss;
- Held-to-maturity investments
- Loans and receivables.

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

(b) Financial liabilities

Financial liabilities at fair value through profit or loss

A financial liability at fair value through profit or loss is a financial liability that meets either of the following conditions:

- It is considered by the Board of Directors as held for trading. A financial liability is considered as held for trading if:
 - it is incurred principally for the purpose of repurchasing it in the near term;
 - there is evidence of a recent pattern of short-term profit-taking;
 - a derivative (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument).
- Upon initial recognition, it is designated by the Group as at fair value through profit or loss.

Financial liabilities carried at amortised cost

Financial liabilities which are not classified as financial liabilities at fair value through profit or loss are classified as financial liabilities carried at amortised cost.

The above described classification of financial instruments is solely for presentation and disclosure purpose and is not intended to be a description of how the instruments are measured. Accounting policies for measurement of financial instruments are disclosed in other relevant notes.

3.17 Income tax

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 annual 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 annual 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.

3.18 Revenue and other income

(a) Goods sold

Revenue from the sale of goods is recognised in the consolidated statement of income when the 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 the possible return of goods. Revenue on sales of goods is recognised at the net amount after deducting sales discounts stated on the invoice.

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

(b) 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

(c) Revenue from sublease of leasehold land

Revenue from sublease of leasehold land is recognised in the consolidated statement of income when the following conditions are met:

- The leasehold land has been completed and transferred to the buyer. The Group has transferred the risks and rewards associated with the ownership of the real estate to the buyer;
- The Group no longer holds the right to manage (as the owner of the real estate) or control the real estate;
- The revenue is reliably measured;
- The Group has received or will receive economic benefits from the sale of real estate; and
- The expenses related to the sublease of leasehold land are determinable.

(d) Rental income

Rental income from leased property is recognised in the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(e) Sales of apartments

Revenue from the sale of apartments is recognised in the consolidated statement of income when the 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. The transfer of significant risks and rewards is determined to be at the time of completion and hand over of the apartments.

(f) Interest income

Interest income is recognised on a time basis with reference to the principal outstanding and the applicable interest rate. Interest income from deposits during the period of construction is set off with borrowing costs relating to borrowings in respect of the construction of qualifying assets, net of the remaining difference from adjustment to decrease the value of investment.

(g) Dividend income

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

3.19 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.

3.20 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

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

borrowing costs incurred during the period of construction are capitalized as part of the cost of the assets concerned.

3.21 Earnings per share

The Group presents basic earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. At the reporting date, the Group did not have any dilutive potential ordinary shares. Therefore, the presentation of diluted earnings per share is not applicable.

3.22 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, directly or indirectly, having voting rights that give them significant influence over the Group, the Group's key management personnel, close family members of any individual considered to be a related party and the Group's associates.

4. 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. The Group comprises the following main business segments:

- Production and trading of steel: refining steel; casting steel, iron; trading and import-export of steel, steel-producing machinery and equipment; production of industrial steel including steel sheet, hot rolled steel, cold rolled steel, steel pipe, steel scrap; production and trading of steel pipes; production of steel string machinery;
- Other industrial production: production and trading of construction equipment and exploitation of medium and small sized metals; producing and trading various kinds of interior furniture and refrigerant products.
- Construction and development of real estate: civil construction, industrial construction, trading of real estate under its ownership or lease from others; leasing houses, offices and investing in construction of infrastructure;
- Agriculture: raising pigs, cows, poultry; provision of raising services; processing and preserving meat and meat products; producing feeds for cattle, poultry and aquaculture sector; producing fertilizer and nitrogen compounds; trading agricultural equipment, machineries and accessories; and other relevant auxiliary sectors
- Financial investment (parent entity): long-term investment in subsidiaries and associates.

The Group did not present geographical segment because the Board of Directors determines that, the Group currently operates in a sole geographical segment which is Vietnam territory.

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

	Production and trading of steels VND	Other industrial production VND	Real estates VND
FOR THE YEAR ENDED 31 DECEMBER 2018			
Net external revenue	46,424,438,557,484	3,143,642,159,185	1,672,193,024,470
Net inter-segment revenue	24,846,558,699,153	1,512,209,181,834	69,825,151,585
Total segment revenue	71,270,997,256,637	4,655,851,341,019	1,742,018,176,055
Segment net operating profits	9,074,781,411,234	400,450,243,651	608,767,909,016
Other income	481,555,388,120	6,427,041,940	2,361,816,807
Other expenses	(473,877,140,311)	(505,693,124)	(10,517,197,278)
Income tax expenses – current	(1,282,407,631,700)	(77,598,081,433)	(126,462,893,836)
Income tax(expenses)/benefit– deferred	(15,011,401,092)	4,353,955,612	9,288,714,217
Net profit after tax	7,785,040,626,251	333,127,466,646	483,438,348,926
AS AT 31 DECEMBER 2018			
Segment assets	70,112,614,533,225	2,352,850,909,969	3,103,472,590,479
Investments in subsidiaries	-	-	-
Total assets	70,112,614,533,225	2,352,850,909,969	3,103,472,590,479
Segment liabilities	34,668,413,777,196	1,156,149,078,573	1,295,312,499,076
Total liabilities	34,668,413,777,196	1,156,149,078,573	1,295,312,499,076

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

Agriculture VND	Financial investment (parent entity) VND	Elimination VND	Consolidated total VND
4,596,184,638,620	-	-	55,836,458,379,759
20,993,986,355	144,749,999,691	(26,594,337,018,618)	-
4,617,178,624,975	144,749,999,691	(26,594,337,018,618)	55,836,458,379,759
167,737,638,337	7,294,706,264,480	(7,474,354,333,886)	10,072,089,132,832
4,648,172,875	5,878,321,906	(12,014,153,612)	488,856,588,036
(4,911,728,653)	(3,448,677,322)	3,387,588,122	(489,872,848,566)
(15,845,962,217)	(4,005,518,365)	-	(1,506,320,087,551)
(366,828)	-	37,167,019,567	35,797,921,476
151,627,753,514	7,293,130,390,699	(7,445,813,879,809)	8,600,550,706,227
4,736,137,299,885	1,283,829,879,943	(3,365,897,542,576)	78,223,007,670,925
-	34,803,204,800,000	(34,803,204,800,000)	-
4,736,137,299,885	36,087,034,679,943	(38,169,102,342,576)	78,223,007,670,925
1,587,916,921,745	1,632,900,490,338	(2,740,634,936,813)	37,600,057,830,115
1,587,916,921,745	1,632,900,490,338	(2,740,634,936,813)	37,600,057,830,115

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

	Production and trading of steels VND	Other industrial production VND	Real estates VND
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FOR THE YEAR ENDED 31 DECEMBER 2018

Capital expenditure	26,738,252,580,611	272,317,873,374	87,759,535,150
Depreciation of tangible fixed assets and investment properties	1,777,947,106,997	151,603,926,387	39,907,758,171
Amortisation of intangible fixed assets	4,034,426,400	2,702,816,090	343,278,188
Amortisation of long-term prepaid expenses	222,372,671,125	12,761,252,832	4,133,271,398

FOR THE YEAR ENDED 31 DECEMBER 2017

Net external revenue	39,737,649,059,975	2,768,232,079,356	760,366,216,592
Net inter-segment revenue	22,953,408,232,368	997,642,231,567	106,155,936,742

Total segment revenue	62,691,057,292,343	3,765,874,310,923	866,522,153,334
Segment net operating profits	8,477,303,702,361	521,200,069,346	304,118,036,659

Other income	412,282,284,865	5,860,242,421	14,022,071,000
Other expenses	(381,960,031,829)	(2,806,112,923)	(8,982,359,795)
Income tax expenses – current	(1,152,974,118,694)	(82,889,545,511)	(74,378,134,791)
Income tax benefit/ (expenses) – deferred	8,970,727,763	(445,169,714)	18,083,265,052

Net profit after tax	7,363,622,564,466	440,919,483,619	252,862,878,125
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AS AT 31 DECEMBER 2018

Segment assets	44,403,369,552,427	2,555,647,245,732	2,785,382,198,731
Investments in subsidiaries	-	-	-

Total assets	44,403,369,552,427	2,555,647,245,732	2,785,382,198,731
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Segment liabilities	17,761,089,461,708	1,467,103,202,705	1,949,607,320,284
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Total liabilities	17,761,089,461,708	1,467,103,202,705	1,949,607,320,284
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HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

Agriculture VND	Financial investment (parent entity) VND	Elimination VND	Consolidated total VND
531,980,846,312	119,758,395,348	(156,713,428,631)	27,593,355,802,164
255,399,752,105	25,698,547,463	(11,414,656,220)	2,239,142,434,903
944,383,552	3,201,650,812	(12,212,230)	11,214,342,812
38,883,623,930	8,669,289,252	(1,411,580,970)	285,408,527,567
2,895,444,258,381	-	-	46,161,691,614,304
177,629,309,137	78,390,832,436	(24,313,226,542,250)	-
3,073,073,567,518	78,390,832,436	(24,313,226,542,250)	46,161,691,614,304
55,548,990,583	8,675,848,220,515	(8,781,894,738,896)	9,252,124,280,568
2,567,784,231	6,123,361,147	(8,063,931,835)	432,791,811,829
(3,292,630,460)	(377,389,359)	872,174,666	(396,546,349,700)
(7,386,986,039)	-	-	(1,317,628,785,035)
(366,828)	-	17,407,172,113	44,015,628,386
47,436,791,487	8,681,594,192,303	(8,771,679,323,952)	8,014,756,586,048
4,408,505,978,925	1,813,783,095,673	(2,944,503,293,237)	53,022,184,778,251
-	26,045,704,800,000	(26,045,704,800,000)	-
4,408,505,978,925	27,859,487,895,673	(28,990,208,093,237)	53,022,184,778,251
1,386,548,425,570	529,208,815,969	(2,468,952,659,895)	20,624,604,566,341
1,386,548,425,570	529,208,815,969	(2,468,952,659,895)	20,624,604,566,341

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

	Production and trading of steels VND	Other industrial production VND	Real estates VND
FOR THE YEAR ENDED 31 DECEMBER 2017			
Capital expenditure	7,251,704,104,753	270,481,526,191	9,347,796,773
Depreciation of tangible fixed assets and invest- ment properties	1,659,135,850,096	144,147,325,793	25,663,704,357
Amortisation of intangible fixed assets	3,121,944,878	2,445,175,440	5,658,602
Amortisation of long-term prepaid expenses	137,671,773,822	13,446,937,991	2,068,735,436

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

Agriculture VND	Financial investment (parent entity) VND	Elimination VND	Consolidated total VND
1,414,588,301,045	26,343,229,059	(97,427,109,373)	8,875,037,848,448
127,032,275,762	7,761,232,399	3,395,416,014	1,967,135,804,421
755,789,896	226,046,035	(12,212,231)	6,542,402,620
36,602,144,283	1,424,146,787	(808,665,757)	190,405,072,562

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

5. BUSINESS COMBINATION

During the period, Hoa Phat Urban Development and Construction JSC, a tier 1 subsidiary of the Company, acquired 99.8% of contributed capital of Long Viet Construction JSC from another party.

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

	Carrying value and fair value at the acquisition date VND
Cash and cash equivalents	3,812,139,196
Accounts receivable – short-term	189,330,658,235
Inventories	161,342,366,766
Other current assets	1,089,100,366
Fixed assets	22,063,485,809
Other long-term assets	2,941,901,472
Current liabilities	(314,156,621,543)
Long-term liabilities	(6,423,030,301)
Net identifiable assets	60,000,000,000
The Group's interest in the subsidiaries' net assets at the date of acquisition	59,880,000,000
Goodwill on acquisitions	59,880,000,000
Considerations paid	119,760,000,000
Cash acquired	(3,812,139,196)
Net cash outflow	115,947,860,804

6. CASH AND CASH EQUIVALENTS

	31/12/2018 VND	1/1/2018 VND
Cash on hand	21,227,327,440	10,571,592,154
Cash in banks	1,801,074,808,017	753,825,362,535
Cash equivalents	693,315,000,000	3,500,245,000,000
	2,515,617,135,457	4,264,641,954,689

Cash in banks at 31 December 2018 included VND231,499 million (1/1/2018: Nil) pledged with banks as security for loans granted to the Group.

7. INVESTMENTS

7.1 Held-to-maturity investments

	31/12/2018		1/1/2018	
	Cost VND	Fair value VND	Cost VND	Fair value VND
Held-to-maturity investments - short-term				
• Term deposits (i)	3,724,562,710,535	3,724,562,710,535	9,936,707,080,033	9,936,707,080,033
Held-to-maturity investments - long-term				
• Term deposits (ii)	65,884,926,457	(*)	1,251,738,400	(*)

(i) These represent term deposits with a remaining term of no more than 12 months placed at financial institutions and with interest rates ranging from 4.3% to 7.1% (2017: 4.3% to 7.4%) per annum.

(ii) These represent term deposits with a remaining term of more than 12 months placed at financial institutions and with interest rates ranging from 6.9% to 7.1% (2017: 6.5%) per annum.

(*) 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. The fair values of these financial instruments may differ from their carrying amounts

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

7.2 Long-term financial investments

		31/12/2018				1/1/2018			
		Address	% of equity owned	% of voting rights	Carrying amount VND	Fair value VND	% of equity owned	% of voting rights	Carrying amount VND
Equity investments in:									
• Viet Ha Brewery JSC		Bac Ninh, Vietnam	-	-	-	-	6.98%	6.98%	15,000,000,000
• Bac Ha Noi Urban Development JSC		Hanoi, Vietnam	7.00%	7.99%	700,000,000	(*)	7.00%	7.99%	700,000,000
					700,000,000				15,700,000,000

(*) 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. The fair values of these financial instruments may differ from their carrying amounts.

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Form B 09 – DN/HN

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

8. PREPAYMENTS TO SUPPLIERS

	31/12/2018 VND	1/1/2018 VND
Danieli & C.Officine Meccaniche S.P.A	97,670,989,755	478,672,150,000
Qinhuangdao Qinye Heavy Industry Co., Ltd	-	538,320,535,200
WISDRI Engineering & Research Incorporation Limited	-	575,110,698,765
Other suppliers	712,648,181,284	2,414,899,519,728
	810,319,171,039	4,007,002,903,693

9. OTHER RECEIVABLES

	31/12/2018 VND	1/1/2018 VND
Interest income	81,149,546,700	408,750,980,885
Materials issued for outside processing	8,023,107,431	284,793,745
Export tax paid in advance	7,232,772,315	2,047,804,976
Commodity swap contract	7,232,060,000	96,542,256,500
Other receivables	47,314,864,303	75,555,095,655
	150,952,350,749	583,180,931,761

10. INVENTORIES

	31/12/2018		1/1/2018	
	Cost VND	Allowance VND	Cost VND	Allowance VND
Goods in transit	1,623,197,709,854	-	1,067,045,868,296	(44,640,078,437)
Raw materials	4,961,008,117,990	(20,733,723,761)	4,408,032,815,564	(48,971,892,001)
Tools and supplies	1,332,123,835,404	(5,238,692,265)	1,268,892,892,753	(5,357,710,640)
Work in progress	2,141,040,914,296	(11,097,564,473)	1,676,502,031,812	-
Finished goods	3,580,989,993,951	(24,439,053,883)	2,962,405,916,489	(45,169,264,501)
Merchandise inventories	543,305,582,635	(11,688,086,444)	505,013,254,419	(171,959,009)
Goods on consignment	6,670,015,604	-	5,291,406,930	-
	14,188,336,169,734	(73,197,120,826)	11,893,184,186,263	(144,310,904,588)

Included in inventories as at 31 December 2018 was VND860,882 million (1/1/2018: VND2,078,232 million) of inventories carried at net realisable value.

As at 31 December 2018, inventories with a carrying value of VND5,215,369 million (1/1/2018: 5,710,666 million) were pledged with banks as security for loans granted to the Group.

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

11. TANGIBLE FIXED ASSETS

	Buildings VND	Machinery and equipment VND	Motor vehicles VND
Cost			
Opening balance	4,866,916,317,804	15,336,909,018,759	782,367,752,616
Additions	9,533,944,828	143,135,951,916	116,762,038,538
Increase due to acquisition of subsidiaries	378,063,361	74,091,489,107	6,031,685,456
Transfer from construction in progress	616,853,312,422	782,683,062,839	50,790,199,627
Transfer to long-term prepaid expenses	-	(694,387,608)	-
Disposals and written off	(12,732,198,621)	(118,586,765,084)	(24,349,987,364)
Reclassifications	(37,743,768,245)	32,810,391,728	5,254,650,958
Other movements	(149,177,510)	(469,787,570)	(131,422,909)
Closing balance	5,443,056,494,039	16,249,878,974,087	936,724,916,922
Accumulated depreciation			
Opening balance	1,372,244,959,356	6,472,001,153,397	325,972,273,024
Charge for the year	377,351,195,581	1,649,090,752,098	119,501,186,848
Increase due to acquisition of subsidiaries	258,343,296	53,749,391,123	4,656,382,104
Transfer to long-term prepaid expenses	-	(9,225,805)	-
Disposals and written off	(4,031,260,469)	(71,978,774,741)	(14,651,281,779)
Reclassifications	(18,494,597,423)	19,008,829,514	(352,058,651)
Closing balance	1,727,328,640,341	8,121,862,125,586	435,126,501,546
Net book value			
Opening balance	3,494,671,358,448	8,864,907,865,362	456,395,479,592
Closing balance	3,715,727,853,698	8,128,016,848,501	501,598,415,376

Included in tangible fixed assets were assets costing VND1,808,092 million which were fully depreciated as at 31 December 2018 (1/1/2018: VND1,323,777 million) but still in active use.

As at 31 December 2018, tangible fixed assets with a carrying value of VND2,322,746 million (1/1/2018: VND2,533,913 million) were pledged with banks as security for loans granted to the Group

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

Office equipment VND	Livestock VND	Others VND	Total VND
50,741,795,948	203,095,968,862	4,495,873,223	21,244,526,727,212
19,603,456,935	-	-	289,035,392,217
330,653,636	-	211,589,297	81,043,480,857
3,209,274,424	81,690,718,729	373,000,001	1,535,599,568,042
-	-	-	(694,387,608)
(427,494,817)	-	-	(156,096,445,886)
(416,728,986)	-	95,454,545	-
-	-	-	(750,387,989)
73,040,957,140	284,786,687,591	5,175,917,066	22,992,663,946,845
29,009,175,918	32,297,649,932	742,381,473	8,232,267,593,100
10,917,405,163	69,618,289,692	576,335,647	2,227,055,165,029
266,056,817	-	145,523,108	59,075,696,448
-	-	-	(9,225,805)
(427,494,817)	-	-	(91,088,811,806)
(182,059,810)	-	19,886,370	-
39,583,083,271	101,915,939,624	1,484,126,598	10,427,300,416,966
21,732,620,030	170,798,318,930	3,753,491,750	13,012,259,134,112
33,457,873,869	182,870,747,967	3,691,790,468	12,565,363,529,879

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

12. INTANGIBLE FIXED ASSETS

	Land use rights VND	Software VND	Others VND	Total VND
Cost				
Opening balance	206,055,346,072	117,837,108,161	1,500,909,664	225,393,363,897
Additions	9,586,790,627	14,822,877,700	-	24,409,668,327
Increase due to acquisition of subsidiaries	-	281,801,460	-	281,801,460
Transfer from construction in progress	14,788,122,400	3,718,856,786	-	18,506,979,186
Disposals and written off	-	(200,000,000)	-	(200,000,000)
Closing balance	230,430,259,099	36,460,644,107	1,500,909,664	268,391,812,870
Accumulated amortisation				
Opening balance	31,726,235,517	6,628,657,477	1,500,909,664	39,855,802,658
Charge for the year	3,577,563,421	7,636,779,391	-	11,214,342,812
Increase due to acquisition of subsidiaries	-	186,100,060	-	186,100,060
Disposals and written off	-	(61,527,782)	-	(61,527,782)
Closing balance	35,303,798,938	14,390,009,146	1,500,909,664	51,194,717,748
Net book value				
Opening balance	174,329,110,555	11,208,450,684	-	185,537,561,239
Closing balance	195,126,460,161	22,070,634,961	-	217,197,095,122

Included in the cost of intangible fixed assets were assets costing VND5,012 million which were fully depreciated as of 31 December 2018 (1/1/2018: VND4,061 million), but still in active use.

At 31 December 2018, intangible fixed assets with a carrying value of VND74,684 million (1/1/2018: VND78,531 million) were pledged with banks as security for loans granted to the Group.

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

13. INVESTMENT PROPERTY

	Buildings VND	Land use rights VND	Total VND
Cost			
Opening balance	230,360,522,943	15,780,994,600	246,141,517,543
Additions during the year	625,543,000	-	625,543,000
Closing balance	230,986,065,943	15,780,994,600	246,767,060,543
Accumulated depreciation			
Opening balance	54,950,432,307	-	54,950,432,307
Charge for the year	12,076,097,748	-	12,076,097,748
Closing balance	67,026,530,055	-	67,026,530,055
Net book value			
Opening balance	175,410,090,636	15,780,994,600	191,191,085,236
Closing balance	163,959,535,888	15,780,994,600	179,740,530,488

The Group's investment property was buildings comprising factories for rent in Pho Noi A Industrial Park, Giai Pham Commune, Yen My District, Hung Yen Province, Vietnam, some floors for rent of the building at 257 Giai Phong Street, Hai Ba Trung District, Hanoi, Vietnam and at Mandarin Garden project, Hoang Minh Giam Street, Cau Giay District, Hanoi, Vietnam.

Investment property was land use right in relation to Mandarin Garden project. As the land use right has an indefinite term, the Group did not perform depreciation.

At the reporting date, the Group has not determined the fair value of its investment property as there was no active market for such property for reliable determination of the fair value.

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

14. LONG-TERM WORK IN PROGRESS

	Cost and recoverable amount	
	31/12/2018	1/1/2018
	VND	VND
The Urban Area and Industrial Park Project in Hung Yen	864,094,718,493	711,811,073,288
Other projects	46,325,765,206	30,862,439,541
	910,420,483,699	742,673,512,829

15. CONSTRUCTION IN PROGRESS

	2018	2017
	VND	VND
Opening balance	4,726,077,899,797	1,107,960,762,975
Additions during the year	34,129,720,391,691	5,904,906,983,399
Increase due to acquisition of subsidiaries	-	40,336,054,000
Decrease due to disposal and dissolution of a subsidiary	(2,413,696,610)	(986,420,420)
Transfer to tangible fixed assets	(1,535,599,568,042)	(2,262,797,236,990)
Transfer to intangible fixed assets	(18,506,979,186)	(1,401,135,096)
Transfer to long-term prepaid expenses	(45,567,864,862)	(59,426,854,519)
Transfer to short-term prepaid expenses	(6,161,692,214)	(435,020,428)
Disposals	(50,248,878,905)	(903,319,497)
Others	(399,588,251)	(1,175,913,627)
Closing balance	37,196,900,023,418	4,726,077,899,797

Major constructions in progress were as follows:

	31/12/2018	1/1/2018
	VND	VND
Iron and Steel Production Complex Project in Dung Quat	33,754,919,592,351	1,536,739,121,107
Iron and Steel Production Complex Project in Hai Duong	228,647,924,909	38,474,562,924
Color Coating Steel Sheet Factory Project	2,540,735,364,553	2,189,597,742,478
Agriculture projects	252,111,559,414	724,121,942,319
Other projects	420,485,582,191	237,144,530,969
	37,196,900,023,418	4,726,077,899,797

At 31 December 2018 constructions in progress with a carrying value of VND34,275,473 million (1/1/2018: 2,187,780) were pledged with banks as security for loans granted to the Group.

In 2018, Iron and Steel Production Complex Project in Dung Quat – Phase II used VND3,239 billion (2017: VND1,761 billion) from the counterpart fund of VND5,000 billion received from shares issuance in 2017. As at 31 December 2018, this project used all of this fund.

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

16. PREPAID EXPENSE

16.2 Short-term prepaid expenses

	31/12/2018 VND	1/1/2018 VND
Tools and instruments	53,369,610,322	58,991,502,805
Maintenance and repair cost of assets	39,975,823,527	15,363,790,386
Other expenses	29,074,897,471	44,079,046,469
	122,420,331,320	118,434,339,660

16.2 Long-term prepaid expenses

	Tools and supplies VND	Overhaul and major maintenance expenses (VND)	Prepaid land costs VND	Loan related expenses VND	Site clearance costs VND	Others VND	Total VND
Opening balance	86,978,996,499	26,730,586,939	526,451,813,217	-	71,352,248,193	120,950,508,366	832,464,153,214
Additions	74,922,713,551	586,880,224,126	4,181,129,000	85,853,157,895	124,618,000	116,182,069,061	868,143,911,633
Increase due to acquisition of subsidiaries	2,941,901,472	-	-	-	-	-	2,941,901,472
Transfer from construction in progress	4,994,514,466	7,908,000,020	-	-	6,313,421,579	26,351,928,797	45,567,864,862
Transfer from tangible fixed assets	50,774,195	-	-	-	-	634,387,608	685,161,803
Disposals	(60,865,005)	-	(2,907,011,094)	-	-	(556,373,000)	(3,524,249,099)
Amortisation for the year	(84,239,321,159)	(150,666,182,317)	(11,275,733,882)	(3,877,239,389)	(5,367,051,463)	(29,174,060,578)	(284,599,588,788)
Reclassifications	(222,479,100)	(44,619,812)	2,250,501,011	-	1,869,545,598	(4,220,234,359)	(367,286,662)
Closing balance	85,366,234,919	470,808,008,956	518,700,698,252	81,975,918,506	74,292,781,907	230,168,225,895	1,461,311,868,435

At 31 December 2018, long-term prepaid expenses with the net book value of VND36,304 million (1/1/2018: 36,213 were pledged with banks as security for loans granted to the Group.

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Form B 09 – DN/HN

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

17. DEFERRED TAX ASSETS

Deferred tax assets were recognised in respect of the following items

	31/12/2018 VND	1/1/2018 VND
Accrued expenses	70,387,522,690	62,917,813,481
Unrealised profits arising on the intra-group sales of inventories and fixed assets	131,616,679,852	92,539,309,961
Allowance for inventories	4,090,510,804	15,296,195,848
Unrealised foreign exchange differences	133,183,554	-
	206,227,896,900	170,753,319,290

18. GOODWILL

	Hoa Phat Energy JSC VND	Lac Thuy Breeding Co.,Ltd. VND	Nhon Trach Service Trading Co., Ltd. VND	Long Viet Construction JSC VND	Total VND
Cost					
Opening balance	206,244,396,684	4,367,130,430	195,950,665	-	210,807,477,779
Additions	-	-	-	59,880,000,000	59,880,000,000
Số dư cuối năm	206,244,396,684	4,367,130,430	195,950,665	59,880,000,000	270,687,477,779
Accumulated amortisation					
Opening balance	156,402,000,822	-	-	-	156,402,000,822
Amortisation for the year	20,624,439,672	436,713,048	-	4,990,000,000	26,051,152,720
Closing balance	177,026,440,494	436,713,048	-	4,990,000,000	182,453,153,542
Net book value					
Opening balance	49,842,395,862	4,367,130,430	195,950,665	-	54,405,476,957
Closing balance	29,217,956,190	3,930,417,382	195,950,665	54,890,000,000	88,234,324,237

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Form B 09 – DN/HN

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

19. TAXES AND OTHERS PAYABLE TO STATE TREASURY

	1/1/2018 VND	Incurred/offsetting against deducted VND	Paid VND	31/12/2018 VND
Value added tax	102,118,881,477	4,322,021,830,951	(4,349,789,828,785)	74,350,883,643
Special consumption tax	598,617,287	37,465,084,207	(37,821,701,747)	241,999,747
Import-export tax	30,212,655	188,885,779,567	(188,717,545,976)	198,446,246
Corporate income tax	266,098,722,450	1,522,802,267,655	(1,416,437,918,395)	372,463,071,710
Withholding tax	2,191,487,507	129,107,870,559	(117,679,873,738)	13,619,484,328
Personal income tax	2,943,401,586	28,050,301,160	(27,456,979,136)	3,536,723,610
Natural resource taxes	2,575,528,366	163,171,061,225	(148,716,987,761)	17,029,601,830
Land rental	1,569,304,154	99,560,310,732	(101,129,614,886)	-
Other taxes	125,388,365	42,367,213,915	(42,422,612,680)	69,989,600
	378,251,543,847	6,533,431,719,971	(6,430,173,063,104)	481,510,200,714

20. ACCRUED EXPENSES

20.1 Accrued expenses – short-term

	31/12/2018 VND	1/1/2018 VND
Interest expense	134,576,976,320	35,025,639,245
Electricity expense	46,778,473,607	46,325,779,449
Promotion expense	46,566,249,185	60,608,283,542
Expenses payable to contractor	15,622,014,627	140,624,893,938
Transportation cost	10,328,348,793	7,878,135,010
Salaries and bonuses	3,799,166,005	3,608,597,315
Others	3,962,902,621	14,683,727,971
	261,634,131,158	308,755,056,470

20.2 Accrued expenses – long-term

	31/12/2018 VND	1/1/2018 VND
Accruals for cost of industrial zone land	433,100,573,027	379,254,362,041
Accruals for infrastructure maintenance	18,000,000,000	7,200,000,000
	451,100,573,027	386,454,362,041

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Form B 09 – DN/HN

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

21. OTHER PAYABLES

21.1 Other payables – short-term

	31/12/2018	1/1/2018
	VND	VND
Payables related to imports of goods	137,111,395,750	302,263,641,836
Sales discounts	46,513,739,461	68,760,740,511
Trade union fee, social and health insurance	26,193,773,064	18,040,448,530
Deposits received for lease of land in industrial parks	18,945,712,017	8,549,400,000
Surplus assets awaiting resolution	9,640,059,107	1,858,745,444
Dividends payable	6,231,445,088	2,136,591,436
Others	55,433,655,774	40,525,781,437
	300,069,780,261	442,135,349,194

21.2 Other payables – long-term

	31/12/2018	1/1/2018
	VND	VND
Apartment maintenance fund	24,620,141,400	37,648,730,069
Others	11,860,679,599	9,011,250,403
	36,480,820,999	46,659,980,472

22. BORROWINGS

22.1 Short-term borrowings

	1/1/2018		Movement during the year		31/12/2018	
	Carrying amount VND	Amount within repay- ment capacity VND	Addition VND	Decrease VND	Carrying amount VND	Amount within repay- ment capacity VND
Short-term borrowings	11,326,247,555,546	11,326,247,555,546	41,729,297,151,802	(41,869,150,668,601)	11,186,394,038,747	11,186,394,038,747
Current portion of						
long-term borrowings						
(Note 22.2)	2,271,220,954	2,271,220,954	308,252,133,626	(2,200,000,000)	308,323,354,580	308,323,354,580
	11,328,518,776,500	11,328,518,776,500	42,037,549,285,428	(41,871,350,668,601)	11,494,717,393,327	11,494,717,393,327

At 31 December 2018, short-term borrowings in VND and USD with carrying amounts of VND9,873,511 million and VND1,621,206 million (1/1/2018: VND9,546,834 million and VND1,781,685 million), respectively.

At 31 December 2018, the short-term borrowings in VND and USD with the carrying amounts of VND7,851,798 million and VND1,204,271 million (1/1/2018: VND5,884,319 million and VND 1,781,685 million), respectively, are secured by certain inventories (Note 10), fixed assets (Notes 11 and 12), and a number of Hoa Phat Group Joint Stock Company ("HPG") shares owned by a number of the members of the Board of Management of the Company (related parties).

The remaining short-term borrowings were unsecured.

The borrowings denominated in VND bore interest at rates ranging from 4.3% to 9.6% (2017: 2.8% to 7.6%) per annum. The borrowings denominated in USD bore interest at rates ranging from 3.24% to 4.1% (2017: 2.1% to 4.0%) per annum.

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

22.2 Long-term borrowings

	31/12/2018 VND	1/1/2018 VND
Long-term borrowings	13,119,320,334,552	1,653,765,896,229
Repayable within twelve months (Note 22.1)	(308,323,354,580)	(2,271,220,954)
Repayable after twelve months	12,810,996,979,972	1,651,494,675,275

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

	Currency	Year of maturity	31/12/2018 VND	1/1/2018 VND
Vietnam Joint Stock Commercial Bank for Industry and Trade – Hanoi Branch (*)	VND	2025	7,245,457,423,257	-
Joint Stock Commercial Bank For Foreign Trade of Viet Nam – Thanh Cong branch (*)	VND	2025	3,400,291,289,471	-
HSBC Bank (Vietnam) Ltd. (*)	VND	2022	898,829,176,016	783,934,721,436
BNP Paribas Bank (*)	USD	2023	699,000,000,000	-
ANZ Bank (Vietnam) Limited (*)	VND	2020	339,941,443,852	274,892,537,357
Borrowings from individuals	VND	2020	300,000,000,000	400,000,000,000
Vietnam Joint Stock Commercial Bank for Industry and Trade – Dong Da Branch (*)	VND	2020	163,948,792,415	132,335,427,895
Vietnam Joint Stock Commercial Bank for Industry and Trade – Hoang Mai Branch (*)	VND	2021	48,512,209,541	22,712,209,541
Environmental Protection Fund	VND	2026	23,340,000,000	15,200,000,000
Bank for Investment and Development of Vietnam (*)	VND	2019	-	24,691,000,000
			13,119,320,334,552	1,653,765,896,229

(*) These long-term borrowings are secured by cash and cash equivalents (Note 6), certain inventories (Note 10), construction in progress of some projects of the Group (Note 15) and long-term prepaid expenses (Note 16.2).

The remaining long-term borrowings are unsecured.

The long-term borrowings in VND bore interest rates ranging from 4.59% to 11% (2017: 3.5% to 12.6%) per annum. The long-term borrowings in USD bore interest at LIBOR + 2.5% per annum.

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Form B 09 – DN/HN

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

23. PROVISIONS

	Warranties VND	Environmental restoration VND	Total VND
Opening balance	18,382,602,418	9,717,605,036	28,100,207,454
Provision made during the year	3,334,240,464	486,816,636	3,821,057,100
Provision used during the year	(37,566,445)	-	(37,566,445)
Provision reversed during the year	(7,406,718,188)	-	(7,406,718,188)
Closing balance	14,272,558,249	10,204,421,672	24,476,979,921
Current	6,238,723,132	-	6,238,723,132
Non-current	8,033,835,117	10,204,421,672	18,238,256,789

24. BONUS AND WELFARE FUND

This fund is established by appropriating from net profit after tax as approved by shareholders at General Meeting of Shareholders. This fund is used to pay bonus, welfare and allowance to the Company's and subsidiaries' Board of Management, Board of Directors and employees in accordance with the Group's bonus and welfare policies. Movements of bonus and welfare fund during the year were as follows:

	2018 VND	2017 VND
Balance at the beginning of the year	705,690,675,557	399,761,246,105
Appropriation during the year	361,741,289,236	538,532,386,830
Utilisation during the year	(306,028,428,055)	(232,602,957,378)
Balance at the end of the year	761,403,536,738	705,690,675,557

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

25. CHANGES IN OWNERS' EQUITY

	Share capital VND	Capital surplus VND	Treasury shares VND	Foreign exchange differences VND
Balance at 1/1/2017	8,428,749,560,000	674,149,437,068	(1,093,000,000)	-
Receipt of contributed capital by non-controlling shareholders into the Company's subsidiary	-	-	-	-
Issuance of additional equity to existing shareholders	2,528,235,830,000	2,528,049,530,000	-	-
Net profit for the year	-	-	-	-
Payment of dividends in the form of shares (Note 27)	4,213,804,610,000	-	-	-
Dividends (Note 27)	-	-	-	-
Withdrawal of bonus shares to employees as treasury shares	-	-	(600,270,000)	-
Reversal of investment and development fund	-	-	-	-
Appropriation to bonus and welfare fund	-	-	-	-
Remuneration for Members of Supervisory Board	-	-	-	-
Other movements	-	-	-	-
Balance at 31/12/2017	15,170,790,000,000	3,202,198,967,068	(1,693,270,000)	-

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

Investment and development fund VND	Retained profits VND	Non-controlling interest VND	Total VND
1,156,415,747,213	9,486,351,633,348	105,687,700,335	19,850,261,077,964
-	-	1,000,000,000	1,000,000,000
-	-	-	5,056,285,360,000
-	8,006,672,113,847	8,084,472,201	8,014,756,586,048
-	(4,213,804,610,000)	-	-
-	-	(4,503,452,577)	(4,503,452,577)
-	600,270,000	-	-
(637,774,135,057)	637,449,884,245	324,250,812	-
-	(538,532,386,830)	-	(538,532,386,830)
-	(28,000,000)	-	(28,000,000)
-	18,320,172,586	20,854,719	18,341,027,305
518,641,612,156	13,397,029,077,196	110,613,825,490	32,397,580,211,910

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

	Share capital VND	Capital surplus VND	Treasury shares VND	Foreign exchange differences VND
Balance at 1/1/2018	15,170,790,000,000	3,202,198,967,068	(1,693,270,000)	-
Net profit for the year	-	-	-	-
Payment of dividends in the form of shares (Note 27)	6,068,281,660,000	-	-	-
Increase due to acquisition of a subsidiary	-	-	-	-
Withdrawal of bonus shares to employees as treasury shares	-	-	(370,000,000)	-
Reissuance of treasury shares	-	9,361,449,202	2,063,270,000	-
Appropriation to bonus and welfare fund	-	-	-	-
Appropriation to investment and development fund	-	-	-	-
Dividends paid by subsidiaries to non-controlling shareholders	-	-	-	-
Effect of change in reporting currency	-	-	-	276,819,257
Other movements	-	-	-	-
Balance at 31/12/2018	21,239,071,660,000	3,211,560,416,270	-	276,819,257

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

Investment and development fund VND	Retained profits VND	Non-controlling interest VND	Total VND
518,641,612,156	13,397,029,077,196	110,613,825,490	32,397,580,211,910
-	8,573,014,210,414	27,536,495,813	8,600,550,706,227
-	(6,068,281,660,000)	-	-
-	-	120,000,000	120,000,000
-	370,000,000	-	-
-	-	-	11,424,719,202
-	(360,445,489,236)	(1,295,800,000)	(361,741,289,236)
400,000,000,000	(400,000,000,000)	-	-
-	-	(10,013,052,081)	10,013,052,081
-	-	-	276,819,257
-	(15,248,274,469)	-	(15,248,274,469)
918,641,612,156	15,126,437,863,905	126,961,469,222	40,622,949,840,810

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

26. SHARE CAPITAL

The Company's authorised and issued share capitals are:

	31/12/2018		1/1/2018	
	Number of shares	VND	Number of shares	VND
Authorised share capital	2,123,907,166	21.239.071.660.000	1.517.079.000	15.170.790.000.000
Issued share capital				
Ordinary shares	2,123,907,166	21.239.071.660.000	1.517.079.000	15.170.790.000.000
Treasury shares				
Ordinary shares	-	-	(169.327)	(1.693.270.000)
Shares in circulation				
Ordinary shares	2,123,907,166	21.239.071.660.000	1.516.909.673	15.169.096.730.000

All ordinary shares have a par value of VND10,000/share. Each share is entitled to one vote at 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 and held as treasury shares, all rights are suspended until those shares are reissued.

Movements in shares in circulation during the year were as follows:

	2018		2017	
	Number of shares	Par value VND	Number of shares	Par value VND
Opening balance	1,516,909,673	15,169,096,730,000	842,765,656	8,427,656,560,000
Share capital issued during the year	-	-	252,823,583	2,528,235,830,000
Payment of dividends in the form of shares	606,828,166	6,068,281,660,000	421,380,461	4,213,804,610,000
Withdrawal of bonus shares to employees as treasury shares	(37,000)	(370,000,000)	(60,027)	(600,270,000)
Reissuance of treasury shares	206,327	2,063,270,000	-	-
Closing balance	2,123,907,166	21,239,071,660,000	1,516,909,673	15,169,096,730,000

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

27. DIVIDENDS

On 22 March 2018, the Company's General Meeting of Shareholders passed the resolution on the distribution of the 2017 dividends to the shareholders in the form of shares at the rate of 40% (shareholders will receive 4 additionally-issued shares for every 10 ordinary shares they own). This dividend payment scheme was approved by the General Meeting of Shareholders on 17 May 2018 and implemented in Quarter 3 of 2018.

28. INVESTMENT AND DEVELOPMENT FUND

Every year, the Company and its subsidiaries appropriated their net profit after tax with rate not over 5% of net profit after tax and the total must not exceed 10% of share capital of each company. These funds were established for the purpose of future business expansion.

29. OFF BALANCE SHEET ITEMS

29.1 Foreign currencies

	31/12/2018		1/1/2018	
	Original currency	VND equivalent	Original currency	VND equivalent
United State Dollars ("USD")	22,027,561	511,742,354,766	6,807,364	154,782,471,184
Euro ("EUR")	1,802	47,108,949	26,516	718,637,558
Australian Dollar ("AUD")	-	-	7,000	123,800,000
Chinese Yuan ("CNY")	-	-	7,000	24,605,000
Indonesian Rupiah ("IDR")	-	-	12,310,000	28,313,000
		511,789,463,715		155,677,826,742

29.2 Capital expenditure commitments

At the reporting date, the Group had the following outstanding capital commitments approved but not provided for in the consolidated balance sheet:

	31/12/2018 VND	1/1/2018 VND
Approved but not contracted	-	10,985,873,380,358
Approved and contracted	11,681,964,854,599	30,209,982,019,607
	11,681,964,854,599	41,195,855,399,965

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

29.3 Lease

At the reporting date, the Group had the following future minimum lease payments under non-cancellable operating leases were:

	31/12/2018 VND	1/1/2018 VND
Within one year	23,967,816,010	26,975,297,468
Within two to five years	95,871,264,041	107,360,965,594
More than five years	125,107,937,387	176,951,848,627
	244,947,017,438	311,288,111,689

30. 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:

	2018 VND	2017 VND
TOTAL REVENUE		
• Sales	54,925,454,767,158	46,110,892,799,656
• Services	210,022,988,666	67,757,629,841
• Revenue from sublease of leasehold land	449,966,515,633	409,331,653,515
• Rental income from investment property	40,744,093,902	42,544,742,936
• Sales of real estate	950,772,479,524	218,355,482,089
• Others	3,462,850,200	5,943,414,429
	56,580,423,695,083	46,854,825,722,466
LESS REVENUE DEDUCTIONS		
• Sales discounts	(704,201,282,232)	(652,148,193,139)
• Sales allowances	(714,583,730)	(1,529,249,749)
• Sales returns	(39,049,449,362)	(39,456,665,274)
	(743,965,315,324)	(693,134,108,162)
	55,836,458,379,759	46,161,691,614,304

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

31. COST OF SALES

	2018 VND	2017 VND
Finished goods and merchandise goods sold	43,262,052,605,460	35,077,539,193,749
Services provided	136,039,024,534	37,341,077,306
Cost of leasehold land subleased	296,004,982,957	280,658,808,663
Cost of investment property held to earn rental	17,912,392,359	14,657,780,495
Cost of real estate sold	523,208,991,393	123,788,438,256
Other costs	1,521,935,744	2,124,589,341
Allowance for inventories	(71,113,783,762)	10,690,411
	44,165,626,148,685	35,536,120,578,221

32. FINANCIAL INCOME

	2018 VND	2017 VND
Interest income from deposits	163,434,005,510	108,744,716,493
Realised foreign exchange gains	115,851,955,886	60,033,233,785
Unrealised foreign exchange gains	7,311,244,552	7,022,061,539
Payment discounts	3,963,967,200	5,298,698,100
Other financial income	3,847,097,593	5,116,754,783
	294,408,270,741	186,215,464,700

33. FINANCIAL EXPENSES

	2018 VND	2017 VND
Interest expense	539,861,243,640	479,707,569,855
Payment discounts	13,562,300,498	13,251,530,000
Realised foreign exchange losses	165,195,158,549	56,460,231,285
Unrealised foreign exchange losses	37,222,114,032	2,300,926,078
Other financial expenses	16,476,345,182	4,036,326,528
	772,317,161,901	555,756,583,746

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

34. SELLING EXPENSES

	2018	2017
	VND	VND
Staff costs	90,304,394,644	87,069,471,033
Depreciation	23,778,051,778	13,131,061,046
Warranty expenses	7,613,411,168	6,392,420,284
Transportation expenses	238,679,725,659	195,273,595,699
Advertising expenses	60,566,399,339	55,961,933,154
Promotion expenses	9,056,295,407	17,666,413,273
Export expenses	100,146,389,143	79,681,670,547
Outside services and other selling expenses	146,664,554,121	139,531,303,448
	676,809,221,259	594,707,868,484

35. GENERAL AND ADMINISTRATION EXPENSES

	2018	2017
	VND	VND
Goodwill amortisation	26,051,152,720	20,624,439,671
Staff costs	196,492,766,190	165,582,996,681
Depreciation expenses	40,289,154,302	33,367,028,532
Outside services and other general and administration expenses	181,191,912,611	189,463,691,498
	444,024,985,823	409,038,156,382

36. OTHER INCOME

	2018	2017
	VND	VND
Gain from disposals of fixed assets	2,047,287,701	3,055,907,364
Income from sales of electricity, water and rendering services	430,657,845,942	387,589,676,010
Compensation received from other parties	51,138,756,190	31,352,041,671
Others	488,856,588,036	432,791,811,829

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

37. OTHER EXPENSES

	2018 VND	2017 VND
Loss on disposals of fixed assets and construction in progress	52,620,505,786	8,052,422,212
Costs of electricity, water sold and services rendered	416,094,814,602	380,942,609,903
Other expenses	21,157,528,178	7,551,317,585
	489,872,848,566	396,546,349,700

38. PRODUCTION AND BUSINESS COSTS BY ELEMENT

	2018 VND	2017 VND
Raw material costs included in production costs	36,585,746,491,178	27,872,769,613,293
Staff costs	1,584,989,943,790	1,424,837,060,398
Depreciation and amortisation	2,259,594,298,268	1,984,032,269,593
Outside services	2,639,853,534,460	2,882,218,747,940
Other expenses	3,631,779,099,564	3,192,336,645,870

39. INCOME TAX

39.1 Recognised in the consolidated statement of income

	2018 VND	2017 VND
Current corporate income tax expense ("CIT")		
Current year	1,455,876,632,228	1,317,286,464,618
Additional corporate income tax for prior year	50,443,455,323	342,320,417
	1,506,320,087,551	1,317,628,785,035
Deferred tax benefit		
Origination and reversal of temporary differences	(35,797,921,476)	(44,015,628,386)
Income tax expense	1,470,522,166,075	1,273,613,156,649

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

39.2 Income tax

	2018 VND	2017 VND
Accounting profit before tax	10,071,072,872,302	9,288,369,742,697
Adjustment to increase/(decrease) accounting profit	16,482,132,683	53,444,826,145
Non-deductible expenses	26,051,152,720	20,624,439,671
Goodwill amortisation	(47,304,208,908)	(44,523,841,127)
Allowance for inventories	18,997,010,011	(5,735,846,718)
Unrealised foreign exchange differences	53,447,507,077	95,548,083,838
Accrued cost of sales of real estate sold	141,779,316,094	80,614,080,895
Origination and reversal of other temporary differences	-	159,611,603
Share of loss from associates		
	10,280,525,781,979	9,488,501,097,004
Tax losses brought forward	(14,220,505,384)	(150,394,078,413)
Current year taxable profit	10,266,305,276,595	9,338,107,018,591
Income tax expense at the Company's tax rate	2,053,261,055,319	1,867,621,403,718
Tax incentives in subsidiaries	(601,511,349,283)	(542,876,232,559)
Effect of different tax rates in subsidiaries	(5,804,120,081)	(18,495,943,801)
Deferred tax assets unrecognised on tax losses of subsidiaries	9,931,046,273	11,037,237,260
Deferred tax benefit	(35,797,921,476)	(44,015,628,386)
Additional corporate income tax for prior year	50,443,455,323	342,320,417
Income tax expense	1,470,522,166,075	1,273,613,156,649

39.3 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 from 2016.

The Group's subsidiaries have obligations to pay the government income tax at the rate as defined in the enacted tax regulations.

40. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2018 was based on the profit attributable to ordinary shareholders after deducting the amounts appropriated to Bonus and welfare funds for the annual accounting period and a weighted average number of ordinary shares outstanding during the year, calculated as follows:

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

40.1 Weighted average number of ordinary shares

	2018 (Number of shares)	2017 (Number of shares) Restated
Issued ordinary shares at the beginning of the year	1,516,909,673	842,765,656
Share capital issued during the year	-	94,202,760
Effect of dividends paid in the form of shares (Note 27)	606,828,166	1,028,208,627
Effect of withdrawal of bonus shares to employees as treasury shares	(37,000)	(97,027)
Reissue of treasury shares	129,238	-
Weighted average number of ordinary shares outstanding during the year	2,123,830,077	1,965,080,016

40.2 Basic earnings per share

	2018	2017 Restated
Net profit attributable to ordinary shareholders (VND)	8,573,014,210,414	8,006,672,113,847
Weighted average number of ordinary shares outstanding during the year (Number of shares)	2,123,830,077	1,965,080,016
Basic earnings per share (VND)	4,037	4,074

40.3 Restatement for the weighted average number of ordinary shares and basic earnings per share for the year ended 31 December 2017

Due to the effect of dividends paid in the form of shares (Notes 26 and 27) and the effect of withdrawal of bonus shares to employees as treasury shares, the weighted average number of ordinary shares and basic earnings per share for the year ended 31 December 2017 were restated as follows:

	Weighted average number of ordinary shares	Basic earnings per share VND
As previously reported	1,358,288,850	5,895
Effect of dividends paid in the form of shares	606,828,166	(1,821)
Effect of withdrawal of bonus shares to employees as treasury shares	(37,000)	-
As restated	1,965,080,016	4,074

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

41. FINANCIAL INSTRUMENTS

41.1 Financial risk management

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

The Company's Board of Management oversees how the Board of Directors monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group

(b) Risk management framework

The Company's and its subsidiaries' Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Company's and its subsidiaries' Board of Directors are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

41.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables and cash placed at financial institutions.

Exposure to credit risk

The total of carrying amounts of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	31/12/2018 VND million	1/1/2018 VND million
Cash at banks and cash equivalents	(a)	2,494,390	4,254,070
Held-to-maturity investments - short-term and long-term	(b)	3,790,448	9,937,959
Accounts receivable from customers – short-term and other short-term and long-term receivables	(c)	2,409,298	2,568,565
		8,694,136	16,760,594

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

(a) Cash at bank and cash equivalents

Cash at bank and cash equivalents at bank of the Group is mainly held with well-known financial institutions. The Board of Directors does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

(b) Held-to-maturity investments

Held-to-maturity investments of the Group represent time deposits with well-known financial institutions. The Board of Directors does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

(c) Accounts receivable from customers short-term and other short-term and long-term receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In response to the risk, the Board of Directors of the Company and its subsidiaries has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Credit purchase limit is established for each customer, which represents the maximum open amount without requiring approval from the Board of Directors of the Company and its subsidiaries. The limit is reviewed annually. No collateral is collected from the customers.

Based on historic default rates, the Board of Directors believes that apart from the amount provided for as per below, no further allowance for doubtful debts is necessary in respect of the outstanding trade and other receivables at the reporting date.

The aging of trade and other receivables not impaired at the year end is as follows:

	31/12/2018 VND million	1/1/2018 VND million
Not past due	2,227,459	2,380,658
Past due 0 - 30 days	54,648	127,579
Past due 31 - 180 days	66,644	22,042
Past due more than 180 days	60,547	38,286
	2,409,298	2,568,565

Movements in the allowance for doubtful debts during the year were as follows:

	2018 VND	2017 VND
Opening balance	35,984,891,839	41,339,337,971
Increase in allowance during the year	2,928,473,222	1,418,199,013
Written back during the year	(1,219,522,195)	(6,772,645,145)
	37,693,842,866	35,984,891,839

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

41.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

At the reporting date, the financial liabilities with fixed or determinable payments have the following contractual maturities including the estimated interest payments:

	Carrying amount VND million	Contractual cash flows VND million	Within 1 year VND million	1 – 2 years VND million	2 – 5 years VND million	More than 5 years VND million
31 DECEMBER 2018						
Accounts payable to suppliers and other payables	10,872,008	10,872,008	9,213,056	1,658,952	-	-
Borrowings	24,305,714	26,853,781	12,255,813	1,255,356	2,374,919	10,967,693
	35,177,722	37,725,789	21,468,869	2,914,308	2,374,919	10,967,693
1 JANUARY 2018						
Accounts payable to suppliers and other payables	4,966,336	4,966,336	4,957,325	9,011	-	-
Borrowings	12,980,013	13,396,917	11,550,645	933,561	894,410	18,301
	17,946,349	18,363,253	16,507,970	942,572	894,410	18,301

The Group manages its ability to meet the expected operational expenses and servicing its debts by investing its cash surpluses in term deposits and maintaining several bank facilities from some domestic banks.

41.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's results of operations or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(a) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than VND, the accounting currency of the Group. The currency in which these transactions primarily are denominated is United States Dollar (USD) and Euro ("EUR").

The Group's exposure to currency risk is managed by keeping the exposure to an acceptable level by buying or selling foreign currencies at spot rates when necessary.

Exposure to currency risk

At the reporting date, the Group had the following net monetary liability position exposed to currency risk:

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

	31/12/2018		1/1/2018
	USD	EUR	USD
Cash and cash equivalents	22,027,561	1,802	6,807,364
Accounts receivable from customers	16,964,223	-	7,635,948
Accounts payable to suppliers	(213,358,450)	(15,950,676)	(72,966,121)
Short-term borrowings	(69,568,540)	-	(78,367,484)
Long-term borrowings	(30,000,000)	-	-
	(273,935,206)	(15,948,874)	(136,890,293)

The followings are the significant exchange rate applied by the Group:

	Exchange rate as at	
	31/12/2018	1/1/2018
USD/VND	23,300	22,735
EUR/VND	26,311	-

(b) Interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	31/12/2018 VND million	1/1/2018 VND million
Fixed rate financial instruments		
Financial assets	4,483,763	13,438,204
Financial liabilities	(23,606,714)	(12,980,013)
	(19,122,951)	458,191
Variable rate financial instruments		
Financial liabilities	(699,000)	-

A change of 100 basis points in interest rates would have increased or decreased the consolidated net profit of the Group by VND5,592 million (2017: Nil). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

41.5 Fair values

(a) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated balance sheet, are as follows:

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

	31/12/2018		1/1/2018	
	Carrying amount VND million	Fair value VND million	Carrying amount VND million	Fair value VND million
Categorised as held-to-maturity investments:				
- Held-to-maturity investments – short-term	3,724,563	3,724,563	9,936,707	9,936,707
- Held-to-maturity investments – long-term	65,885	(*)	1,252	(*)
Categorised as loans and receivables:				
- Cash and cash equivalents	2,515,617	2,515,617	4,264,642	4,264,642
- Accounts receivable from customers and other receivables – short-term	2,386,996	3,091,875	2,546,754	2,546,754
- Other receivables – long-term	22,302	(*)	21,811	(*)
Categorised as financial assets available-for-sale:				
- Equity investments in other entities	700	(*)	15,700	(*)
Categorised as financial liabilities at amortised cost:				
- Accounts payable to suppliers and other payables – short-term	(9,213,056)	(9,213,056)	(4,957,325)	(4,957,325)
- Accounts payable to suppliers, accrued expenses and other payables – long-term	(1,658,952)	(*)	(9,011)	(*)
- Borrowings	(24,305,714)	(24,298,044)	(12,980,013)	(12,931,447)
	(26,461,659)		(1,159,483)	

(b) Basis for determining fair values

Cash and cash equivalents, held-to-maturity investments, accounts receivable from customers – short-term and other short-term receivables and short-term non-derivative financial liabilities

The fair value of cash and cash equivalents, held-to-maturity investments, accounts receivable from customers – short-term and other short-term and long-term receivables and short-term non-derivative financial liabilities approximates the carrying value due to the short-term nature of these financial instruments. The fair value of the instruments is determined for disclosure purpose only.

The long-term non-derivative financial liabilities

HOA PHAT GROUP JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

The fair value of the long-term non-derivative financial liabilities, which is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the annual accounting period.

(*) 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. The fair values of these financial instruments may differ from their carrying amounts.

42. 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:

	Transaction value	
	2018 VND	2017 VND
Members of Supervisory Board, Board of Directors and Board of Management		
Salary and bonus	8,385,499,000	6,630,513,466
Allowances	2,504,000,000	1,575,240,000

43. NON-CASH INVESTING AND FINANCING ACTIVITIES

	2018 VND	2017 VND
Payment of dividends in the form of shares	6,068,281,660,000	4,213,804,610,000

44. CORRESPONDING FIGURES

Corresponding figures as at 1 January 2018 were derived from the balances and amounts reported in the Company's consolidated financial statements as at and for the year ended 31 December 2017.

14 March 2019

Prepared by:


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