



ANNUAL REPORT | 2016



HOA PHAT GROUP



25 YEARS

**HARMONY
& DEVELOPMENT**

ACRONYM LIST

LETTER	DETAIL	LETTER	DETAIL
BOM:	Board of Management	HPG:	Hoa Phat Group
BOD:	Board of Directors	ROA:	Return on Asset
EBIT:	Earnings before interest and taxes	ROE:	Return on Equity
EBITDA:	Earnings before interest, taxes, depreciation and amortization	Complex:	Hoa Phat Steel Integrated Complex in Hai Duong province
EPS:	Earnings per share	VND:	Vietnam Dong
GDP:	Gross domestic product	IZ:	Industrial Zone

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(I) OVERVIEW

HOA PHAT GROUP PROFILE

Transaction name:	Hoa Phat Group Joint Stock Company
Business Registration	
Certificate No.:	0900189284
Charter capital:	VND8,428,749,560,000
Address:	Pho Noi A Industrial Zone, Giai Pham Commune, Yen My District, Hung Yen Province
Head Office:	39 Nguyen Dinh Chieu, Le Dai Hanh Ward, Hai Ba Trung District, Hanoi
Phone:	(84) 4 62848666
Fax:	(84) 4 62833456
Da Nang Branch	171 Truong Chinh, An Khe Ward, Thanh Khe District, Da Nang City
Phone:	(84) 511 3721232
Fax:	(84) 511 3722833
HCM City Branch:	643 - 645 Dien Bien Phu, Ward 25, Binh Thanh District, Ho Chi Minh City
Phone:	(84) 8 62985599
Fax:	(84) 8 62987799
Website:	www.hoaphat.com.vn

SHARE INFORMATION

Stock sticker:	HPG
Stock exchange:	HOSE
Initial offering date:	15 November 2007
Shares in circulation:	842,765,656 shares

BUSINESS ACTIVITIES

1. Trading, exporting and importing iron and steel, materials and equipment for refining rolling steel;
2. Producing rolling steel and roof fabrication; galvanized steel sheet, colour coated steel sheet and galvanized steel sheet;
3. Producing steel pipes and galvanized ones, stainless ones;
4. Producing and trading non-ferrous metal and non-ferrous metal scrap;
5. Refining steel and casting iron;
6. Manufacturing and trading coke coal
7. Mining for metal ores; trading metals, metal ores and metal scrap;
8. Manufacturing and trading construction and mining equipment;
9. Production interior furniture of offices, households and schools;
10. Manufacturing, trading, assembling, repairing, and maintaining electric, electronic, refrigeration, civil electric products, air conditioners;
11. Investing and building infrastructure of industrial zones and urban areas;
12. Real estate business;
13. Producing and trading animal feed, raising cattle and poultry.

MESSAGE FROM THE CHAIRMAN OF BOM

"Hoa Phat will be always continuing to succeed
in the coming time"





Dear Valued Shareholders,

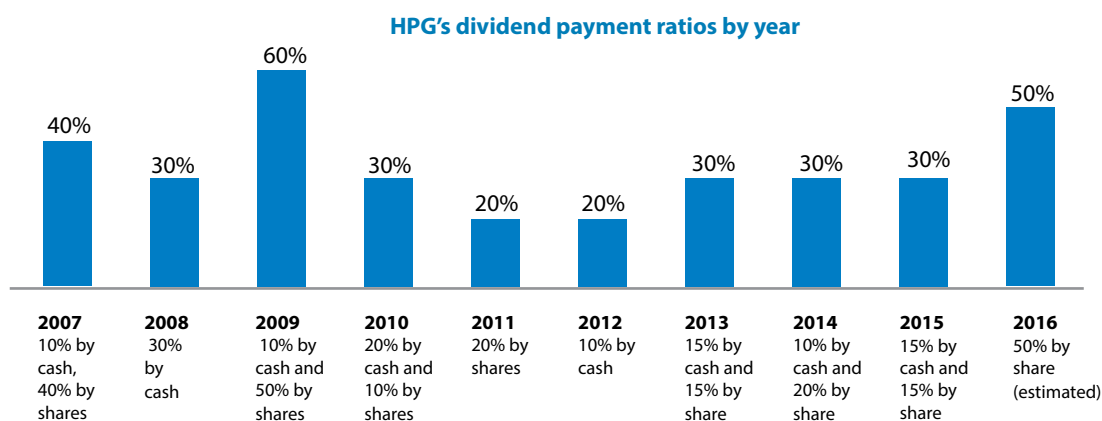
In 2017, Hoa Phat Group will celebrate its 25th anniversary of founding and development. Looking back on the path of laying a solid and valuable foundation during $\frac{1}{4}$ of a century, we are really optimistic to ensure the sustainable development of Hoa Phat Group for the next 25 years, 50 years and even 100 years to come.

25 years with the outstanding development

Hoa Phat Group is one of the first enterprises founded after the issuance of the new Enterprise Law in 1992. Growing simultaneously with the miraculous development of Vietnam, Hoa Phat continuously maintains innovation and growth in all of its core businesses, wins the highest market share to be the number one producer in many industries such as steel, steel pipes, and office furniture.

Started as a small company selling construction equipment, Hoa Phat gradually grew its business to include furniture, refrigeration, steel, steel pipe production, real estate, and agriculture. Working in many industries, Hoa Phat is always appreciated as a transparent, serious, and careful partner, which is why Hoa Phat can ensure success, and high and sustainable revenues and profits annually.

On 31/12/2016, the owner's equity and the charter capital of Hoa Phat Group was VND19,850 and 8,429 billion respectively, and the accumulated undistributed profit increased to nearly VND9,500 billion. We always manage to assure shareholders with regular, high dividends every year since HPG was listed on HOSE in 2007.



2016 – From success to success

In 2016, Hoa Phat Group achieved the best year ever with consolidated revenues of VND33,885 billion and a profit after tax of VND 6,606 billion, exceeding its targets by 34% and 89% compared to 2015. It is notable that construction steel and steel pipe maintained the 1st place on Vietnam market in terms of market share and revenue.

Other traditional production segments, such as furniture, refrigeration, engineering, and real estate, maintained stable growth with a remarkable increase of 10%. Hoa Phat's office furniture is proud to be the number one brand in Vietnam so far. Agriculture industry ventures started to make a profit, especially animal feeds selling volume increased monthly and total volume of 2016 exceeded the plan.

We have always created a harmonious linkage between business and social responsibility

activities. During the last year, Hoa Phat spent more than VND 20 billion carrying out social and charitable activities, assisting disadvantaged people to improve their lives, granting scholarship to outstanding students, providing lunch for poor patients, sponsoring social construction projects in various provinces of Vietnam, especially in mountainous and remote areas, and presenting New Year's gifts to poor families.

In 2017, it can be identified that the macroeconomic will be stable, investment flow will be stronger after various policies boosting the development of enterprises.

For 2017, Hoa Phat has set a goal of achieving the biggest market shares of construction steel, steel pipes, sustainable expansion in all involving industry, ensuring safe and healthy financial management.

Stable and firm future ahead

The year 2017 is an important milestone in the history of founding and development of Hoa Phat, in which we will celebrate our 25th birthday. At the beginning of 2017, the Prime Minister approved Hoa Phat's Dung Quat Integrated Steel Complex in Quảng Ngãi Province Project. After completing the project, Hoa Phat will firmly consolidate its core business and will be one of the biggest steel producers in the region.

We can see great opportunities and an open future, but we are also aware of vast challenges in this changing world. Yet, I believe that with our experience in large-scale end-to-end production cycles, skilled staff, and effort for "overcoming any challenge and stepping forward over any obstacles," Hoa Phat will continue to succeed.

Hoa Phat is also consistent in its business philosophy of "Harmony and Development": Harmonizing with social development, targeting the mutual benefit of customers, partners, and shareholders, as well as promoting talent and intelligence in order to bring a better future for employees, and contribute to the prosperity of Vietnam.

On behalf of the Board of Management, I would like to express our sincere gratitude for the trust and support of our valuable shareholders and for the close cooperation of our local and international customers and business partners. I would like to especially express my sincerest thanks to all employees of the Hoa Phat Group, who have exhibited great dedication and aspirations for the success of the Hoa Phat Group in all sectors.

Chairman of the Board of Management



Tran Dinh Long



BACKGROUND INFORMATION

The Hoa Phat Group is one of the leading private industrial manufacturing groups in Vietnam. Originating as a mall 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 Property Development (2001). In 2007, Hoa Phat was reorganized into a group structure, with Hoa Phat Group Joint Stock Company being the Parent Company of its subsidiaries. Since 15th November, 2007, Hoa Phat has been officially listed on the Stock Exchange under the stock ticker symbol 'HPG'.

The Hoa Phat Group operates with a focus on steel, refrigeration, furniture, machinery and property development including industrial zone and housing; its agricultural segment comprises husbandry and feed production with dozens of plants in various provinces nationwide. At present, production of construction steel is the core business activity of the Group and accounts for 80% of total revenue and total profit.

Through its construction steel segment, the Hoa Phat Group is the owner of the Hoa Phat Integrated Steel Complex in Hai Duong Province. With a total capacity of up to 1.7 million tonnes per year, the project put all three stages into operation simultaneously in Quarter I of 2016, raising the construction steel capacity total of Hoa Phat to 2 million tons per year. Presently, the Hoa Phat Group is recognized as the largest construction steel and steel pipes in Vietnam with a market share of 22% and 26%, respectively. The Hoa Phat Furniture leads the market share for office furniture.

From 2016, the Hoa Phat Group reorganized the model of its member companies, especially steel and agriculture, to streamline production and business efficiency and reduce management costs. As of March 2017, the Hoa Phat Group has 12 subsidiaries. Companies in the agricultural sector will be managed by the Hoa Phat Agricultural Development Joint Stock Company which covers the production of animal feeds, pigs, cattle and poultry. Hoa Phat's goal in the next five years will be to produce 1 million tons per year of animal feed with 3 factories in Hung Yen, Phu Tho, and Dong Nai; 650,000 of commercial pigs per year; 75,000 cattles and 300 million clean chicken eggs per year.



MISSION STATEMENT



Vision

To become a leading multi-disciplinary industrial manufacturer in Vietnam well prepared for global integration with steel production as its core business activity.



Mission

Harmonize

Harmonize with social development, targeting the benefit of customers in production

Promote

Promote talent and intelligence, bringing a good life for employees

Cooperate

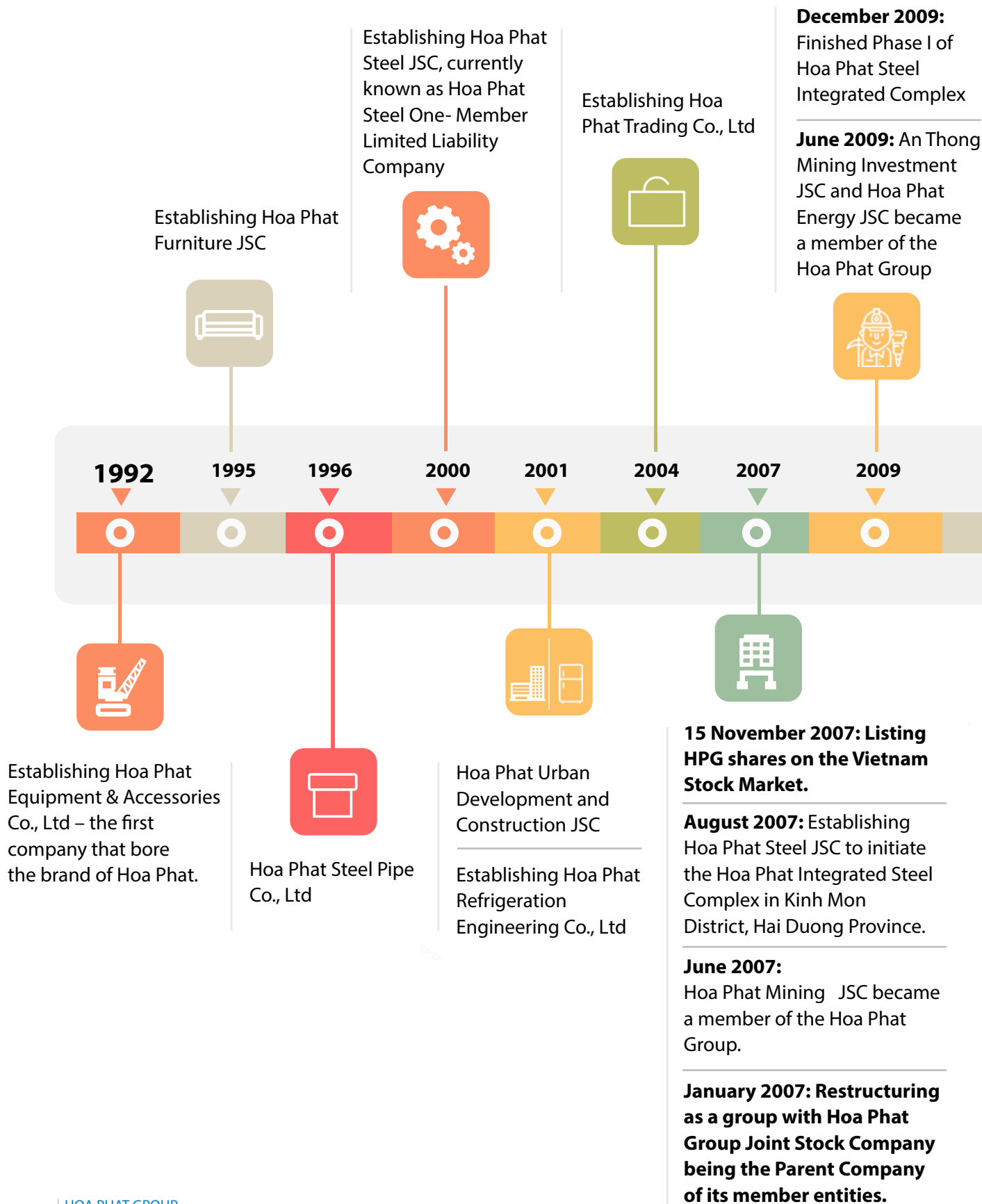
Cooperate solidly with reliable partners, creating long-term values for shareholders

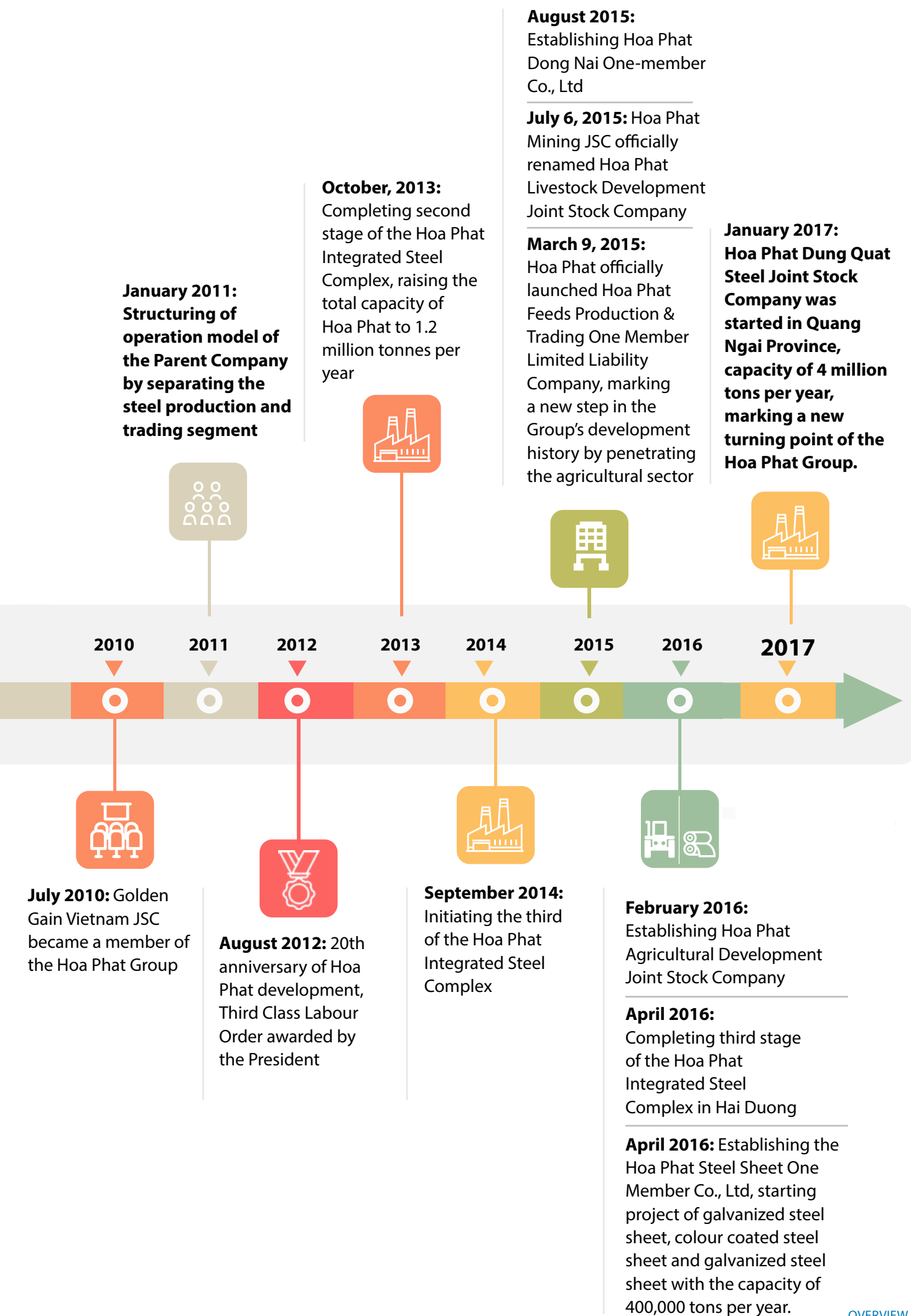
Promise

Promise additional investments, contributing to the prosperity of Vietnam



HISTORIC MILESTONES OF HOA PHAT

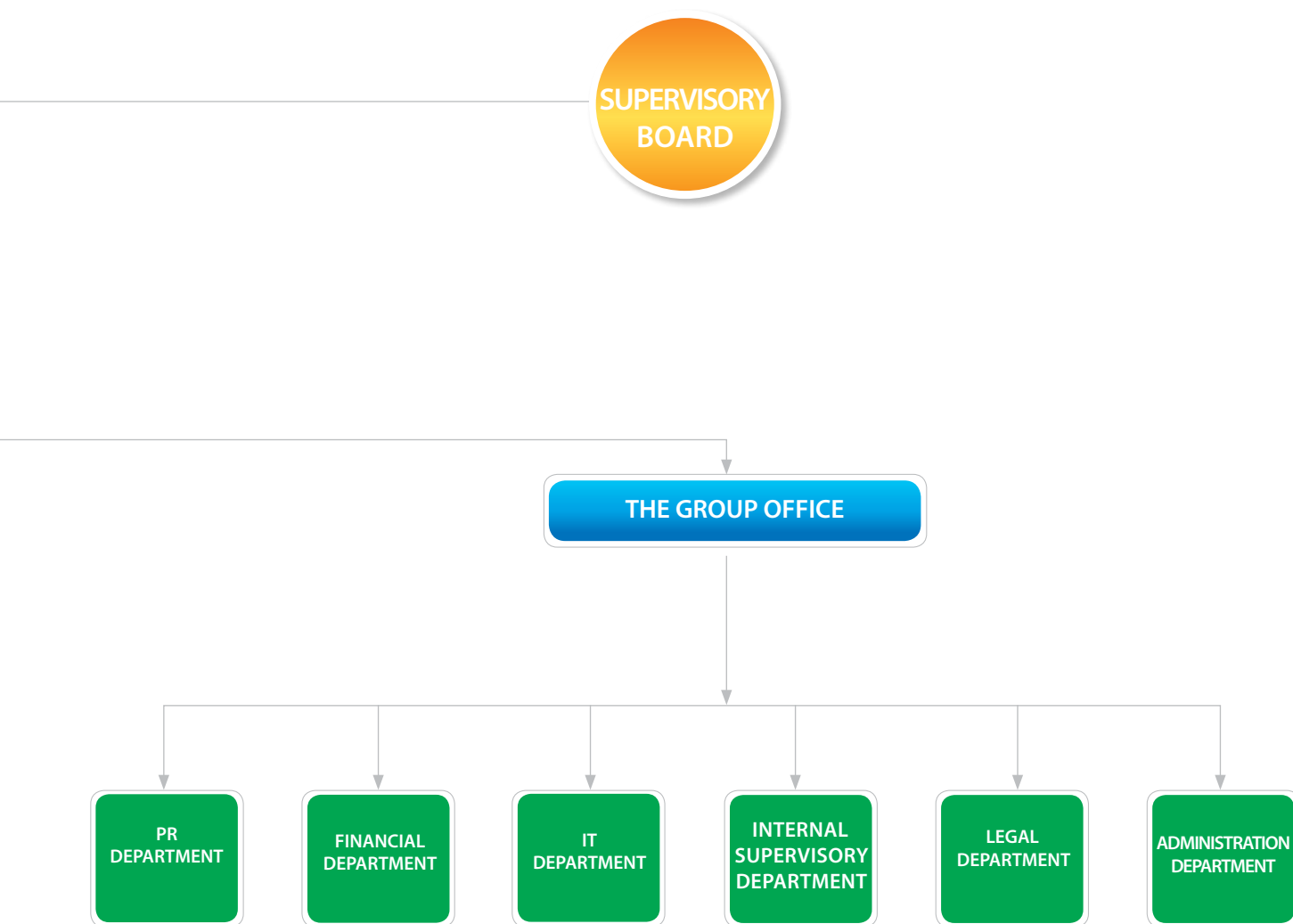






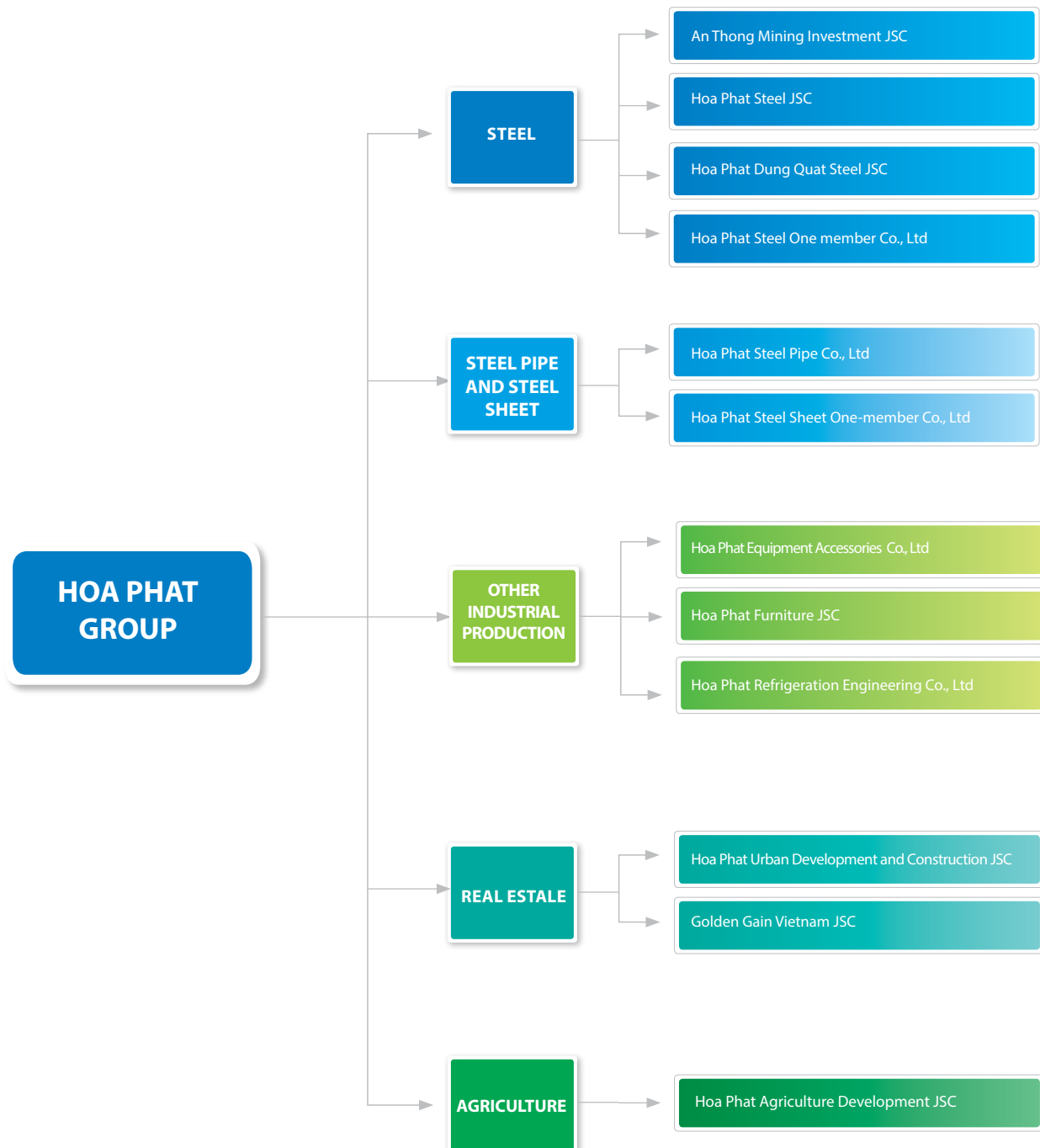
CORPORATE STRUCTURE







GROUP STRUCTURE





FINANCIAL POSITION

Key financial indicator

Content (Unit: VND billion)	2014	2015	2016
Revenue	25,852	27,865	33,885
Net Sales	25,525	27,453	33,283
Cost of goods sold	20,338	21,859	24,533
Gross profit	5,187	5,594	8,751
Selling expenses	366	424	490
General and administration expenses	607	761	405
Results of other activities	(40)	(101)	17
EBIT	4,173	4,308	7,873
Depreciation and amortisation expenses	1,106	1,281	1,674
EBITDA	5,279	5,589	9,547
Net financial profit	(404)	(318)	(171)
Profit before tax	3,770	3,990	7,702
Corporate income tax	519	485	1,096
Net profit	3,250	3,504	6,606
Current assets	11,746	11,915	18,183
Long-term assets	10,343	13,592	15,044
Total assets	22,089	25,507	33,227
Short and long term debts	6,748	6,856	6,460
Owner's equity	11,796	14,467	19,850
Financial ratios			
Gross profit margin	20.3%	20.4%	26.3%
EBITDA margin	20.7%	20.3%	28.6%
EBIT margin	16.3%	15.7%	23.7%
Net profit margin	12.7%	12.8%	19.8%
Net Sales growth rate	34.8%	7.6%	21.2%
Net Profit growth rate	61.7%	7.8%	88.5%
Quick ratio (times)	0.47	0.47	0.64
Debts/ equity	57.2%	47.4%	32.5%
ROE	27.6%	24.2%	33.3%
ROA	14.7%	13.7%	19.9%
EPS (VND/share)	6,435	4,517	7,162



SUBSIDIARIES

As of 2 March 2017, the Hoa Phat Group had 12 subsidiaries

No	Subsidiaries	Address	Principal business activities	Contributed charter capital (VND billion)	% of equity owned by HPG
1	An Thong Mining Investment JSC	415 Tran Phu, Ha Giang City, Ha Giang Province, Vietnam	Explore, exploit, prepare and make, process, purchase and sell, export and import minerals, primarily iron ores.	500	99.96%
2	Hoa Phat Steel JSC	Hiep Son Commune, Kinh Mon District, Hai Duong Province, Vietnam	Producing steel and iron, exploiting iron ores, exploiting and collecting lignite; wholesale of metals and metal ores; producing and trading coke coal.	3,500	99.99%
3	Hoa Phat Dung Quat Steel JSC	Dung Quat Economic zone, Binh Dong Commune, Binh Son District, Quang Ngai Province, Vietnam	Producing steel and iron. Generate, transmit and distribute electricity. Trade solid, liquid and gas fuel and related products. Transport goods by coastal and inland waterways...	3,003.2	98%
4	Hoa Phat Steel One Member Co., Ltd.	Pho Noi A Industrial Zone, Giai Pham Commune, Yen My District, Hung Yen Province, Vietnam	Producing steel, iron, wholesaling metals and metal ores.	600	100%
5	Hoa Phat Steel Pipe Co., Ltd.	39 Nguyen Dinh Chieu, Le Dai Hanh Ward, Hai Ba Trung District, Hanoi, Vietnam	Producing and trading various types of steel pipes.	800	99.94%
6	Hoa Phat Steel Sheet One-member Co., Ltd	Road E1, Area E, Pho Noi A Industrial Zone, Lac Dao Commune, Van Lam District, Hung Yen Province, Vietnam	Production and trading of galvanized steel sheet, colour coated steel sheet and galvanized steel sheet.	1,000	100%

No	Subsidiaries	Address	Principal business activities	Contributed charter capital (VND billion)	% of equity owned by HPG
7	Hoa Phat Equipment and Accessories Co., Ltd.	39 Nguyen Dinh Chieu, Le Dai Hanh Ward, Hai Ba Trung District, Hanoi, Vietnam	Producing construction equipment, trading construction machinery and equipment, exploiting small and medium-sized minerals.	180	99.72%
8	Hoa Phat Furniture JSC	Road B4, Area B, Pho Noi A Industrial Zone, Lac Hong Commune, Van Lam District, Hung Yen Province, Vietnam	Producing and trading interior furniture and products.	400	99.60%
9	Hoa Phat Refrigeration Engineering Co., Ltd.	Pho Noi A Industrial Zone, Giai Pham Commune, Yen My District, Hung Yen Province, Vietnam	Producing and trading various kinds of refrigerant equipment.	150	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.	Civil and industrial construction, development of real estate for sales and leasing, leasing houses and offices, investing in and building technical infrastructure.	300	99.67%
11	Golden Gain Vietnam JSC	N03 Dong Nam Tran Duy Hung Urban Zone, Hoang Minh Giam Street, Trung Hoa Ward, Cau Giay District, Hanoi, Vietnam	Real estate trading.	433.1	99.99%
12	Hoa Phat Agriculture Development JSC	Pho Noi A Industrial Zone, Giai Pham Commune, Yen My District, Hung Yen Province, Vietnam	Production of fertilizers and nitrogen compounds. Pig farming, poultry breeding, and livestock services. Processing and preserving meat and meat products. Production of animal feed, poultry and fishery.	2,189.4	99.99%



RISKS

Hoa Phat is an industrial production group operating in a variety of sectors with many potential and inherent risks associated with the features of each sector and economic conditions in each geographical area. Hoa Phat always considers risk management as inseparable part of development strategy. Risk management activities focus on different key issues each year subject to the evolution of business environment. In 2016, the Group has specially emphasized on managing costs of construction investment and managing production in order to reduce the unit cost.



Market Risk: _____

Price fluctuation: Steel is the core products of Hoa Phat. This sector always accounts for over than 80% of the Group's revenue and profit. The price of raw materials for steel production such as iron ores, coals...and the selling price of steel are both sensitive to the international market. The selling price has been stable during the year but raw materials price has suffered strong fluctuation.

Solutions: Continuously update information, take advantage from high-class technology and commodity derivative products to control the cost at low level. The Group has established departments specializing in managing risk and are in charge of aggregating, comparing, and then making optimal choice of the most competitive supplier in the market. The specialist departments have effectively contributed to the development of the Group.

Currency risk: At the beginning of 2016, the State Bank has quoted daily centre foreign exchange rate as a reference for bid and offer exchange rate of commercial banks as per Decision No. 2730/QĐ-NHNN on disclosure of centre exchange rate between VND and USD, cross rate between VND and other foreign currencies. The centre rate mentioned above is based on 3 primary indexes including currencies of key economic partners of Vietnam, foreign currency supply and demand index and

the macro balance. The trading margin remains consistent at 3%.

Solutions: Although the exchange rate was quite stable during the year with a fluctuation of 1.2% compared to the beginning of the year, but with the central exchange rate management mechanism, unpredictable fluctuation, the Group always carefully calculated the implementation time and term of payment for import contracts to take appropriate measures to balance foreign currency, utilized all measures such as export revenue, built onshore or offshore credit facilities, commodity derivative products to balance foreign currency and minimize exchange rate risk.

Interest rate risk: The Group is currently in the process of upgrading its range so it has invested in large projects in many sectors. Therefore, it has a very high demand of capital. Increase in interest rate will lead to a sharp increase in borrowing costs and significantly influence the Group's business outcomes.

Solutions: Always take the initiative to orient the debt-equity structure in accordance with each period of business activities and time of credit market. With 25 years of experience and a high credit rating in the credit market, Hoa Phat Group has been able to reach loan agreements at reasonable borrowing costs.



MANAGEMENT RISKS



Policy risk: _____

Hoa Phat Group and its 12 subsidiaries operate in a variety of sectors such as heavy industry, light industry, consumer goods, mineral exploitation, real estate, agriculture... While legal documents and legal guidance are in the process of finalization, changes in laws and policies may occur. Any change has its own certain impacts on business operation of the Group.

Solutions: Incorporate with subsidiaries' division in charge. The Group has established departments specializing in policy risks, such as the Legal Department, Internal Controls Department, and Finance Department. These departments are responsible for collecting and updating information, make guidance for subsidiaries on any change in laws and legal effect to the operation of the Group. They 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 in day-to-day business transactions to limit policy risk at the Group and subsidiary level.

Personnel Risk: _____

With nearly 13,000 young employees from many areas over the country, the personnel fluctuation is always a special matter to be solved. To meet the need of development, Hoa Phat has to continuously enhance employees' ability.

Solutions: Considering human resource as the vital factor of success, Hoa Phat always

focuses on training knowledge and skills for employees. 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 group scale and step by step apply the appropriate calculation and compensation to motivate employees.

Investment risk: _____

Hoa Phat has invested in agriculture since 2015. In the medium term, Hoa Phat focuses on Step 2F of the 3F cycle which specializes in production of feed, raising cattle and poultry. On the one side, this business sector is based on biological assets, which are affected by many latent risks including natural disasters, epidemics, weather, and sector planning. Agriculture is new sector and Hoa Phat does not have significant experiences in this field.

Solutions: The Group always has sceptical policy on investment in agriculture. To eliminate the risk as much as possible, Hoa Phat has determined to invest in closed chain to control from feed material, feed supplied to Hoa Phat's farms and breeding process at each farms. Hoa Phat's farms have been located around Ha Noi and Ho Chi Minh City. The size of each farm is set at optimal level with a safe regional distance to limit the losses in case of epidemic. Therefore, Hoa Phat can distribute fresh products with clear original to standard slaughter system, supermarkets, restaurants and other consumers.





(II) REPORT OF THE BOARD OF DIRECTORS



List of the board of directors members

No	Name	Position	Percentage of shares held as at 22 February 2017 (%)
1	Mr. Tran Tuan Duong	Vice-Chairman cum General Director	2.675
2	Mr. Nguyen Viet Thang	Deputy General Director	0.382
3	Ms. Nguyen Thi Thao Nguyen	Deputy General Director	0.019
4	Ms. Pham Thi Kim Oanh	CFO cum Chief Accountant	0.002



MR. TRAN TUAN DUONG

*BOM Vice Chairman
General Director of Hoa Phat Group JSC*

**Bachelor of Economics – National Economics University;
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.



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.



MS. 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.



MS. 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.



BUSINESS PERFORMANCE IN 2016



BILLION VND
33,885
IN REVENUE

BILLION VND
6,606
PROFIT AFTER TAX

Vietnam's 2016 GDP growth rate of 6.21%, lower than 2015's growth rate of 6.68%, failed to meet the target of 6.7%. However, in the light of difficult international and domestic economy, it was quite successful to reach this growth rate.

For the steel industry, the increase infrastructure investment and the warming of real-estate market lead to positive changes. The whole market's production and sale volume of steel have increased by 19.6% and 27.9%, respectively, compared to 2015. Businesses operating in the industry also showed strong growth due to the recovery of steel price and barrier policies from State authorities.

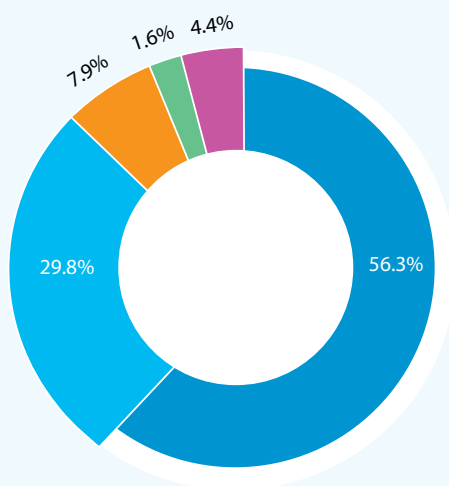
For Hoa Phat Group, this year's performance results have marked the most significant growth in revenue and profit since the time of the Group founding. Thanks to the efforts from all directors and employees, by the year end, Hoa Phat Group has achieved revenue of VND33,885 billion and profit after tax of VND6,606 billion, a 34% and 89% increase compared to 2015, respectively, and exceeding the budget by 21% and 106%, respectively.

Steel segment continues to be affirmed as the core business of the Group with sales revenue and profit increase by 19% and 120%, respectively, compared to planned. By the end of 2016, construction steel sale volume has reached 1,804,000 tonnes, accounting for 22.2% steel nationwide market share. Steel pipes sale volume has accounted for a quarter of total nationwide consumption equivalent to 26% of market share, which maintains the leading position on Vietnam steel pipes market.

Other industrial and real estate segment continue to keep steady growth with average profit growth rate of 10%.

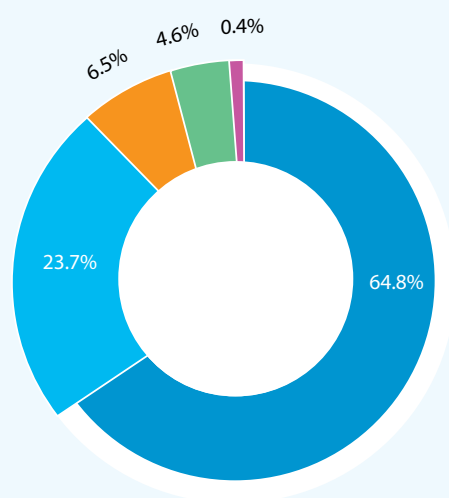
The agriculture segment, in particular, was new to the Group with many difficulties but had positive profit this year. In spite of a small proportion in the Group's revenue and profit structure, the result was quite encouraging. The consumption of animal feed increased monthly and the total sales for the year has exceeded the target. With flourish business result, Hoa Phat Group has contributed to the State Budget with VND3,435 billion, increasing by 24% compared to 2015 and in the top 30 largest corporate income tax payers in Vietnam.

Criteria	2015 (VND bn)	2016 (VND bn)	2016 plan (VND bn)	% growth rate	% achieved compared to plan
Total revenue	27,864	33,885	28,000	22%	121%
Profit after tax	3,504	6,606	3,200	89%	206%



Revenue by segment 2016

- Construction Steel
- Steel pipe & Steel sheet
- Other industrial production
- Real estate
- Agriculture



Profit by segment 2016

- Construction Steel
- Steel pipe & Steel sheet
- Other industrial production
- Real estate
- Agriculture



FINANCIAL PERFORMANCE

Some key financial indicators

No	Indicator	Unit	2014	2015	2016	% Increase decrease (2016/2015)
1	Total assets	VND billion	22,089	25,506	33,227	30%
2	Revenue	VND billion	25,852	27,864	33,885	22%
3	Net revenue	VND billion	25,525	27,453	33,283	21%
4	Profit from operating activities	VND billion	3,810	4,091	7,685	88%
5	Profit before tax	VND billion	3,770	3,990	7,702	93%
6	Profit after tax	VND billion	3,250	3,504	6,606	89%
7	Dividend payment rate	%	30%	30%	50%	67%

Note: 2016 dividend payment rate is based on the budget

Key financial ratios

No	Ratios	Unit	2014	2015	2016
I	Liquidity ratios				
1	Current ratio	Times	1.29	1.19	1.52
2	Quick ratio	Times	0.47	0.47	0.64
II	Capital structure ratios				
1	Liabilities/Total assets	Times	0.46	0.43	0.40
2	Liabilities/Owners' Equity	Times	0.86	0.76	0.67
3	Bank borrowings/Owners' Equity	Times	0.57	0.47	0.33
III	Operation capacity ratios				
1	Inventory turnover	Times	2.75	3.15	2.39
2	Total assets turnover	Times	1.16	1.08	1.00
IV	Profitability ratios				
1	Profit after tax/Net revenue	%	12.73	12.76	19.85
2	Profit after tax/ Owners' Equity	%	27.55	24.22	33.28
3	Profit after tax/Total assets	%	14.71	13.74	19.88
4	Profit from operating activities/Net revenue	%	16.51	14.90	23.09

Asset structure

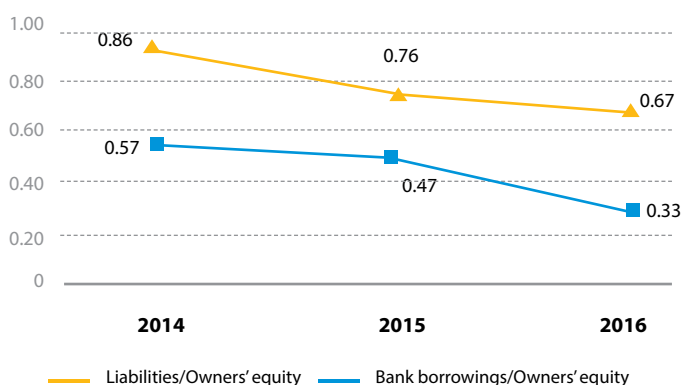
The Group's total asset as at 31 December 2016 was 33,227 billion, in which current assets was 18,182 billion and non-current assets was 15,044 billion, respectively, accounting for 55% and 45% of total asset. Compared to 2015, the proportion of current assets is higher than non-current assets with main increase in cash and cash equivalents. A profitable business usually has high cash level retained from high profit. For Hoa Phat Group, it is clearly recognized through the financial picture of 2016. As at 31 December 2016, cash and cash equivalents was 4,002 billion, term deposit is 693 billion, total is over 5,000 billion.

Liabilities and Owner's Equity structure

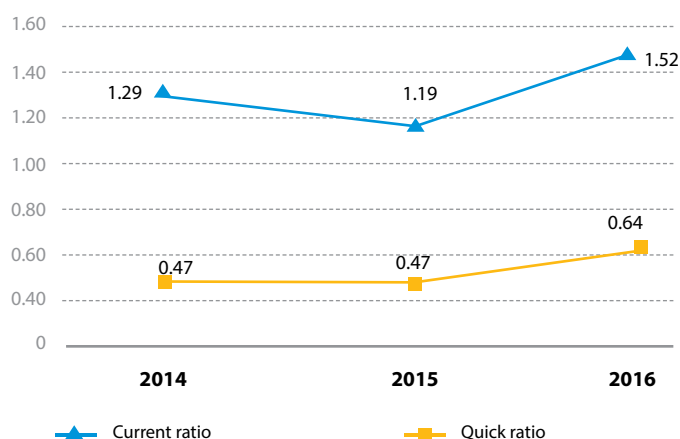
In the capital structure, liabilities accounts for 40%, equivalent to VND13,376 billion. The proportion of liabilities is lower than owner's equity, which shows that the Group prioritizes using owner's equity rather than financial leverage to invest in assets. This ratio keeps the financial safety and better business result for the Group. For the second year in a row, the debt to equity ratio continued to decline, even at the end of the year, only at 0.33 times.

Thanks to the healthy cash flow, liquidity ratios have been significantly improved. As at 31 December 2016, current ratio was 1.52 times and quick ratio was 0.64 times.

Debt ratios



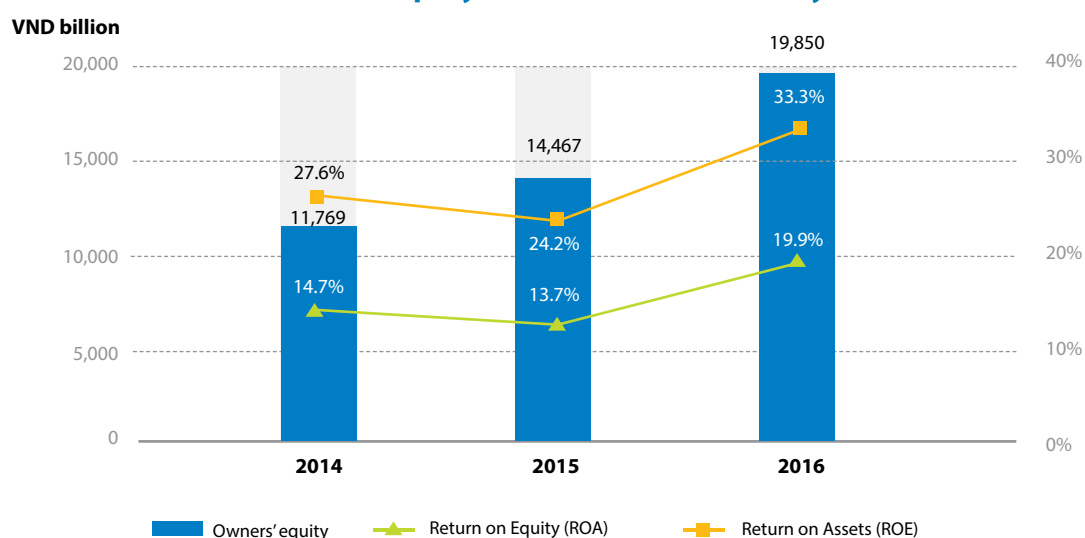
Liquidity ratios



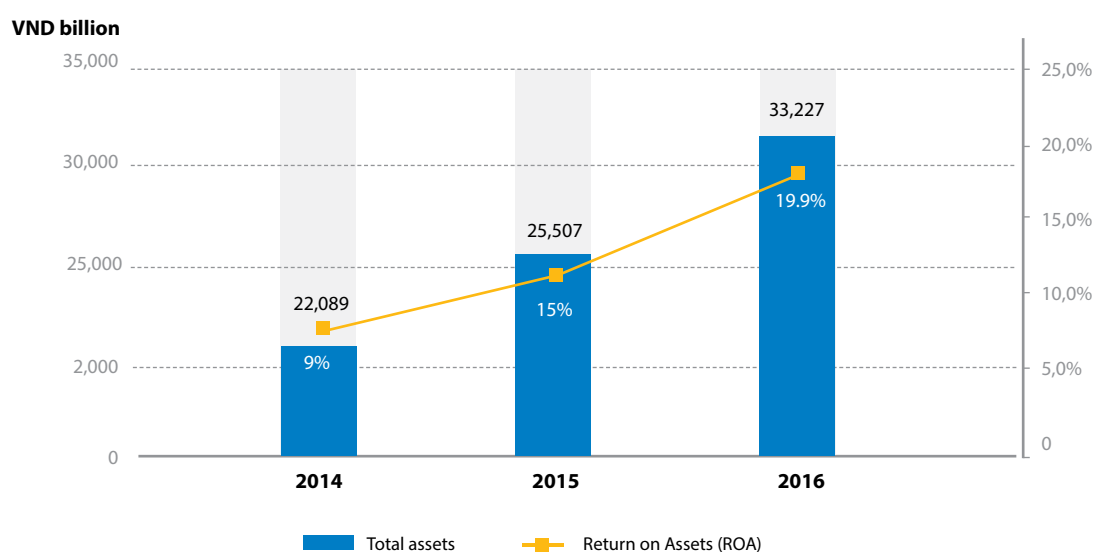
As at 31 December 2016, owner's equity of the Group was VND19,850 billion, in which charter capital was 8,429 billion and retained profits was VND9,486 billion. 2016 was considered as "the year of harvest" for Hoa Phat Group. Its investment activities has well generated

profit. ROA and ROE were 19.9% and 33.3% respectively. It was very difficult for other companies operating in heavy industries to reach these ideal ratios.

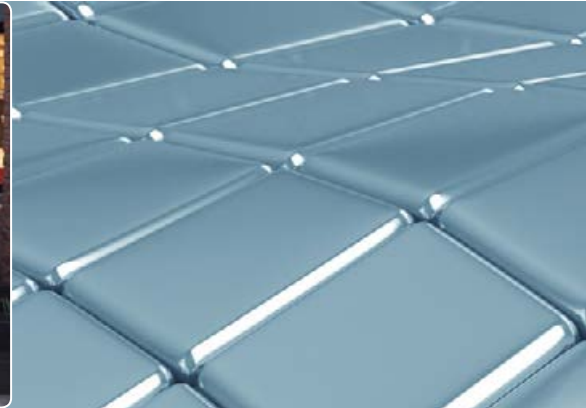
Owner's equity, ROA and ROE over the years



Total Assets and ROA over the years



ENHANCE THE MANAGEMENT STRUCTURE AND APPARATUS



In production and business management, HR always play the most important part to Hoa Phat Group. In order to getting the most out of each and every employee's ability, Hoa Phat has worked out and improve some of HR policy to ensure the simple but effective management apparatus.

At Hoa Phat, a unique pay scale is consistently applied throughout the Group, which ensures that employees can be offered compensation which rewards their capacity and is competitive in the labour market. The Group has standardized and applied all important policies such as: Payment Policy and its appendix on human grade across all departments of each subsidiary; Asset Management Policy. In addition, we are also working on applying advanced HR management software.

Hoa Phat has founded Hoa Phat Agriculture Development Joint Stock Company to handle all small agriculture companies within Hoa Phat under a centralized model/structure so that the group can make the most of each member's experience, resource and ability.

Construction steel industry is managed according to the geographic placement. The Hoa Phat Group has passed all the equity of Hoa Phat Energy JSC to Hoa Phat Steel JSC which will directly manage all the production flow of Hai Duong Integrated Steel Complex.

Steel Pipes and Colour Steel Sheet in Coil is separated from Steel and under the management of Mr Nguyen Manh Tuan – Vice Chairman.

The 2nd, 3rd generation management team of Hoa Phat selected basing on such criteria: seniority, ability, skill, experience usually receive on-job and abroad training course. Hoa Phat continually applies information technology to all business activities to improve effectiveness and ensure professional and sustainable development.



VND BILLION
40,000
IN REVENUE

VND BILLION
6,000
PROFIT AFTER TAX

The year 2017 is remarkable milestone of Hoa Phat's formation and development history – Hoa Phat Group steps to 25 years old. Coming into a new age with many important events, the Board of Management aware that:

In 2017, Vietnamese economy remained stable so that investment capital disbursement will be promoted, enterprises will operate under much favourable conditions for development particularly in the private sector. For Hoa Phat Group, the steel sector still plays the role of core production sector in many coming years. The Board of Management determines:

- In 2017, keep leading position in nationwide market share for construction steel and steel pipes.

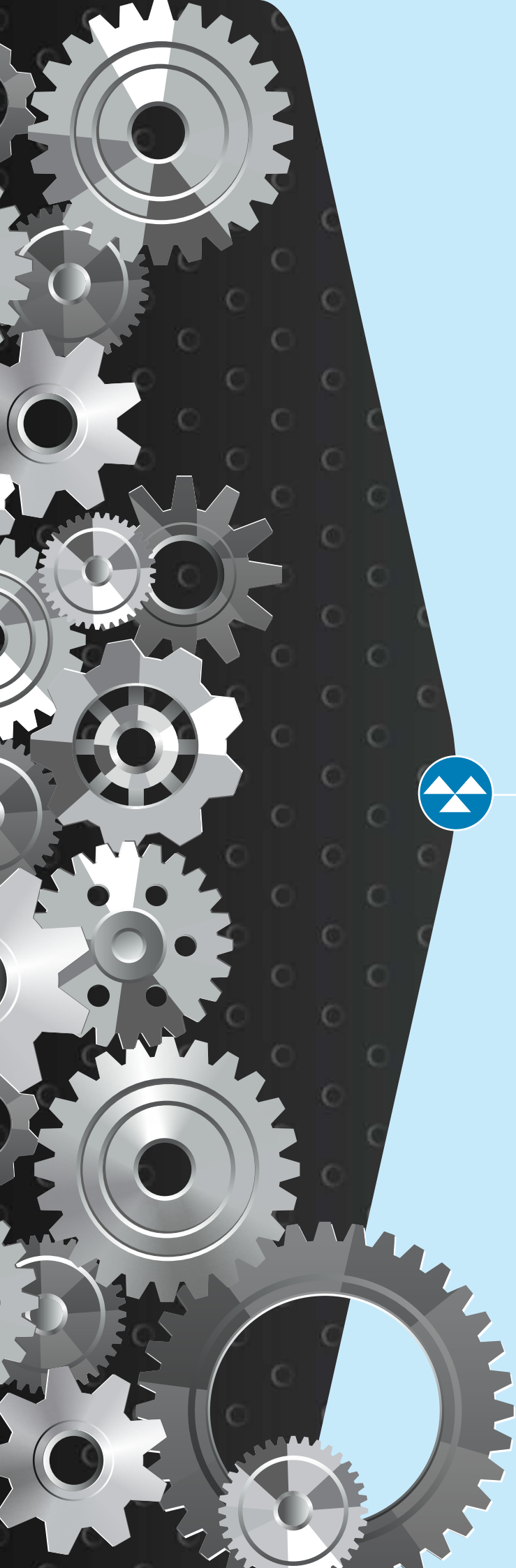
- Whole the Group focuses on projects which has been currently implemented to ensure schedule on track, devote all resources for large projects especially key project with regional scale as Dung Quat Steel production Complex in Quang Ngai.

- Well manage inventories, adaptable to flexibility of raw material price to ensure healthy cash flow and capital preservation.

Based on the business plans built by subsidiaries, the Boards of Management anticipate the Group revenue and profit plan for 2017 as follows:

- Sales revenue: VND40,000 billion
- Net profit after tax: VND6,000 billion





(III) 2016 PERFORMANCE



STEEL PRODUCTION SEGMENT

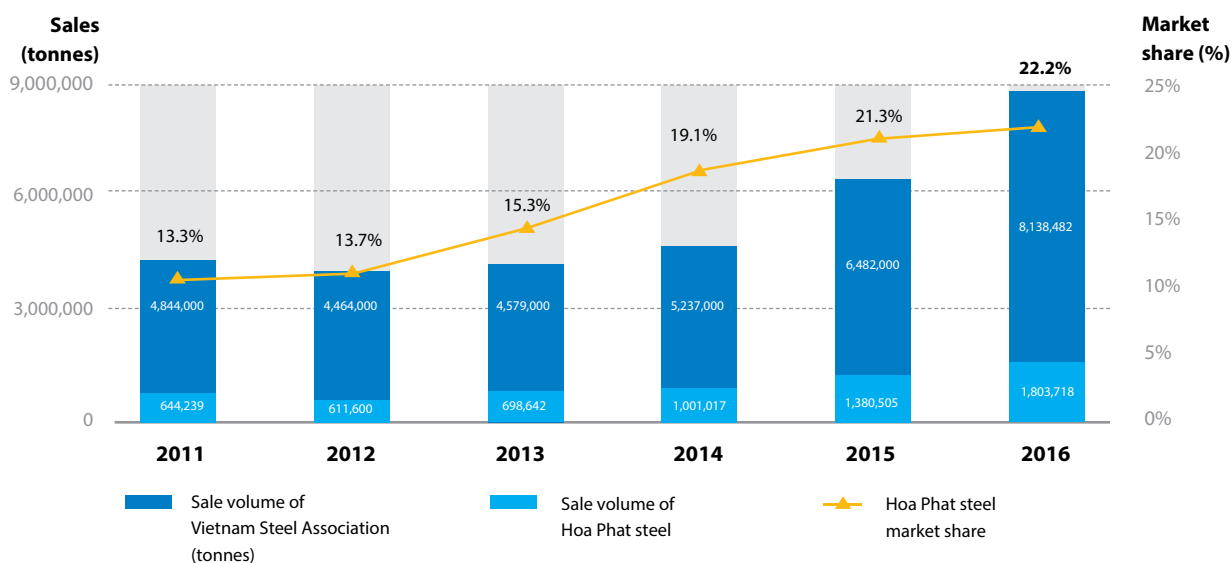


The steel production segment and other related segments made many record marks in 2016. All target of production, sales and profit highly exceeded the plan, contributing to the outstanding success of Hoa Phat in the last year. Specifically, the steel subsidiaries contributed 86.1% and 88.4% to the total revenue and profit after tax of the Group.

Hoa Phat Steel - new milestones

In December 2016, sales of Hoa Phat construction steel recorded a new sales record when it reached over 223,000 tons, nearly 2 times higher than the same period. For the whole year 2016, Hoa Phat steel sold over 1.8 million tons, an increase of 30% compared to 2015 and exceeding 10% of the year plan. Hoa Phat steel also recorded a growth rate of nearly 50% in the export market with an output of over 52,000 tons.

Sale volume and consumption market share of construction steel



From the first quarter of 2016, phase III of Hoa Phat Steel integrated Complex in Hai Duong province has been formally put into operation, contributing significantly to the overall output of the Group in the past year. In addition, steel mill and

steel rolling mill in Hung Yen province that operated by Hoa Phat Steel One Member Co. Ltd. also reached 306,000 tons and 346,800 tons, respectively.

Outputs and market shares of 5 market leading steel manufacturers

No	Manufacturers	Current designed capacity (thousand tonnes)	2015			2016		
			Production capacity (thousand tonnes)	Consumption (thousand tonnes)	Market share (%)	Production capacity (thousand tonnes)	Consumption (thousand tonnes)	Market share (%)
1	Hoa Phat	2,000	1,390	1,381	21.3%	1,814	1,804	22.2%
2	Pomina	1,100	809	817	12.6%	953	969	11.9%
3	Tisco	1,000*	720	670	10.3%	824	815	10.0%
4	Vinakyoei	950	603	552	12.1%	728	724	8.9%
5	PoscoSS	1,000*	209	141	2.2%	581	561	6.9%

Source: VSA

* Tisco steel capacity includes output in cordinated to Thai Trung steel company. PoscoSS's capacity is included 500,000 tons/year of form steel

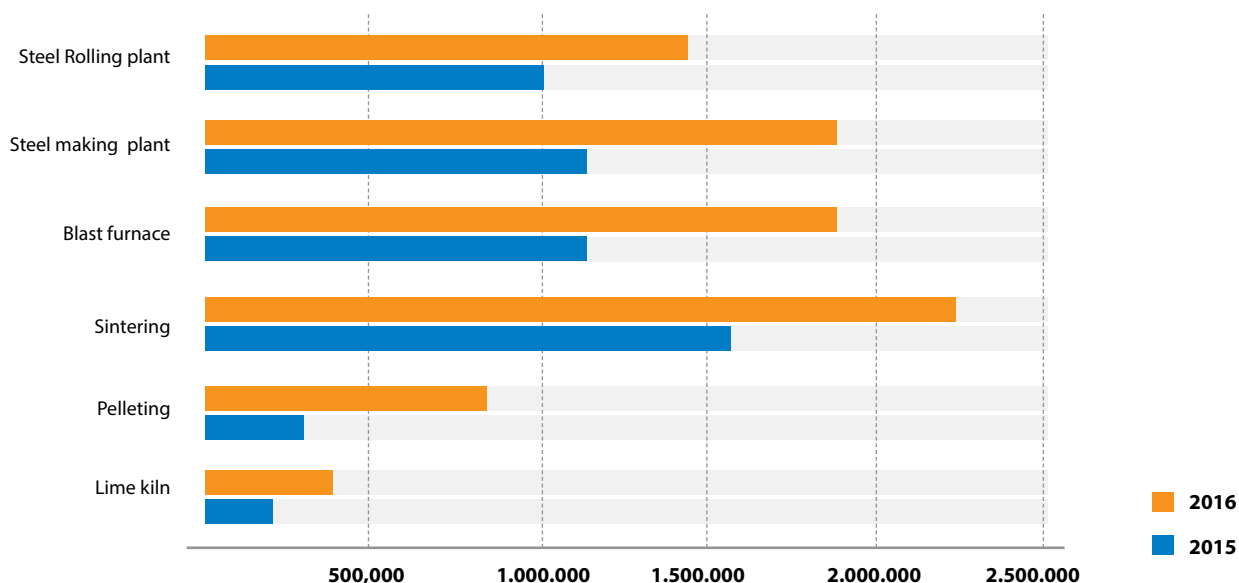
In addition to taking full advantage of steel billet, Hoa Phat has supplied to other Vietnamese steel rolling mill with sales volume of more than 222,000 tons of billets for VPS Posco, Viet Duc Steel, Vinakyoei (Vung Tau), KFCC (Vinakyoei Ninh Binh), and Viet-Australia steel. This shows that Hoa Phat has brought into full play the capacity of the factories to supply the domestic market with reasonable price in a timely manner, avoiding dependence on imported billet.

Hoa Phat has been promoting the production and supply of $\phi 6$ SAE1008 wire rod steel according to ASTM A510 / A510M-13 standards for the domestic market. More than 48,000 tons of steel wire rod production has been sold in 2016. Particularly, Hoa Phat started exporting the first construction steel volume to the US and Canada through some large multinational firms with an output of over 10,000 tons per month. This is considered a milestone, marking the success of Hoa Phat Steel in conquering the most difficult markets.



Hoa Phat steel integrated Complex grew remarkably

The Hoa Phat Steel Integrated Complex (the Complex) which is being operated by Hoa Phat Steel JSC has recorded a remarkable growth rate in the last year. All plants have achieved an increase of 40-65% compared to 2015, and the iron ore pelleting plant have increased by 205%.



The capacity addition of 750,000 tons/year of the Complex's 3rd phase has helped Hoa Phat steel to achieve many historical landmarks. In terms of the Complex's production output without the third phase, the output of blast furnace, steel making and rolling mill have just reached 1 million tons in the period of 2013-2015. However, since the end of 2015, the blast furnace, steel making factory of the third phase has been completed, boosting steel output in 2016. Particularly, the blast furnace and steel making furnace increase of 62% with over 1.8 million tons. With nearly 1.5 million tons, the output of rolling steel mill increased 46% in compared to 2015. The auxiliary lines such as raw material processing, lime

kilns, pellets, sintering also grew strongly to meet the demand for raw input materials for production.

With the strategy of diversifying products, Hoa Phat has promoted the production of some high quality steel (wire rod steel, filler wire steel) for the domestic market and export with high grade products like H08A, SAE1006-1012, C12D, ... These products were previously imported from many countries, mainly China. Hoa Phat is one of the few steel enterprises that can manufacture these products. In 2016, the Complex manufactured more than 53,000 tons of high quality steel, more than half of this serving domestic demand and the remains were exported to Australia, Malaysia, and Singapore.

Strongly increase to product high quality steel in 2017

In 2017, Hoa Phat steel aims to reach 2 million tons (excluding billets for the Vietnamese other rolling mills). In particular, the wire rod, high-quality steel will be promoted, expected to supply 30,000 tons of wire rod steel per month for the domestic market and export 15-20,000 tons to the markets USA, Canada, Australia, ASEAN countries. In order to achieve this goal, the steel Complex in Hai Duong plays a key role.

The leadership of Hoa Phat steel targets to promote high capacity further and improve the equipment performance in order to accomplish the general plan of the Group in construction steel segments. It is noteworthy that this year, the Company will increase the high quality wire rod output up to 8 times of last year to supply to the market.



HOA PHAT ENERGY

Coke coal output increased by more than 24%

In the construction steel segment, Hoa Phat Energy JSC plays role of producing coke coal and providing about 40% of the electricity total for Hoa Phat steel integrated Complex. Thanks to constant improvements and upgrades of the production line, the Company recorded a coke growth rate of over 24% with 786,000 tons, of which 99% coking coal was used for production of the Complex, and the rest was exported to the Japanese market.

Hoa Phat Energy has researched and implemented many technology improvement projects, raising the capacity of producing coke coal from 700,000 tons to 800,000 tons coke per year. At the same time, the Company also invested phase 3 of the thermo-electric plant to increase the generating capacity from 37MW to 52MW, making full use of the surplus of the coking coal plant, contributing to be more active in supplying electricity for the whole complex's production, saving often costs and ensure environment. Specifically, electricity generation was 32% higher than before.

Based on the actual demand, the Company has invested to build 3 more silos and a conveyor belt and coal weighing-mixture system, increasing from 5 silos to 8 silos. Therefore, the Company can mix different coal types in production, expand the supply of

fat coal, especially, increase the ability to use more variety of coal, reducing costs, but ensuring product quality. In addition, the Company has taken the initiative in researching coking technology deeply, including an experiment of using new coal sources, increasing the coal wheel height, and shortening the coking time. This activity has been annual work to promote effective production.

On the occasion of the Company's 9th anniversary (31/08/2007 - 31/08/2016), the Hoa Phat coking coal and thermo-electric plant reached a milestone of 1 billion kWh commercial electricity since the day it was operated. Also, the third phase of the thermal power plant was officially completed, bringing the total generating capacity to 52 MW, stabilizing power source for the entire complex as well as annulling all exhaust and environmental protection.

In 2016, the Company's surplus thermal power output was about 331 million kWh, an increase of 18.6% compared to 2015, supplying for producing of the Complex. When maximizing capacity, coke production reaches 800,000 tons and approximately 400 million KWh of commercial electricity per year.

In March 2017, the Group will transfer its entire shareholding in Hoa Phat Energy JSC to Hoa Phat Steel JSC, aiming to manage the closed production line of the Complex identically.

THERMAL POER OUTPUT INCREASED

18.6%

COMPARED TO 2015



MINING ACTIVITY

Maintain iron ore mining and processing

In the past year, An Thong Mining Investment JSC has produced over 512,000 tons fine iron ore, the highest production level ever. There are more than 97,000 tons of pelleted iron ore, contributing about 20% of the iron ore for the blast furnace. During the year, the Company exerted efforts in renovating production lines, and streamlining the work force, etc. Consequently, the production cost

of fine iron ore was reduced by approximately 200,000 VND per ton as compared to 2015.

Apart from exploiting and processing iron ore, An Thong Company has expanded its business to the field of basic construction, assisting some agricultural subsidiaries in the construction of projects on livestock and animal feed in Yen Bai, Phu Tho, Bac Giang and Hoa Binh provinces. These are still tasks that need to be implemented in 2017.



HOA PHAT STEEL PIPE

Hoa Phat Steel Pipe reached milestone of VND 10,000 billion for the first time _____

In the year of 20th anniversary, Hoa Phat Steel Pipe Co., Ltd has made memorable achievements. All indicators of business, production expanding projects across the country exceeded the plan. Sales volume and revenue increased by over 40% over the previous year. In particular, Hoa Phat Steel Pipe sales reached VND10,000 billion for the first time, its market share increased to 26%, the highest ever.



On the basis of properly assessing the market potential growth, the Company has improved production capacity of all factories, meeting the needs of customers better. With a total investment of more than VND300 billion, Hoa Phat Steel Pipe has increased the galvanized steel sheet-in coil capacity of Hoa Phat Steel Pipe factory in Hung Yen to 500,000 tons per year, and raised capacity in Da Nang from 60,000 tons to 100,000 tons per year. For the plants in Binh Duong and Long An province, the Company has completed the galvanized steel sheet-in coil project, installing 5 more steel pipe bending machines to actively produce and supply to the southern market.

Along with the key market consolidation, the Company is constantly expanding and developing new markets. The consumer trend shifted from traditional products to the galvanized steel pipe, therefore, sales volume of this product has increased 50% over the same period.

The Group's target with steel pipe business from now to 2020 is to grow 20-30% per year and reach an output of 1 million tons, and market share of around 30% by 2020. This is a very big figure in the steel pipe industry, however, the Company leaders believed that is the feasible target, and able to be reached ahead of schedule.

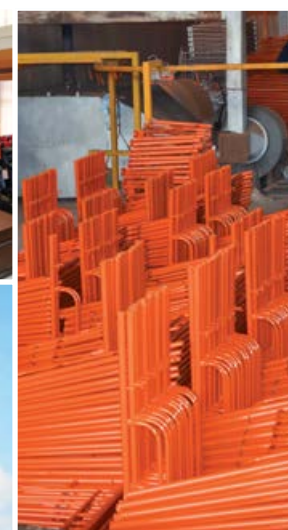
VND BILLION
10,000
IN REVENUE



OTHER INDUSTRIAL SEGMENTS



Other traditional manufacturing segments such as construction equipment, furniture, and refrigeration of Hoa Phat Group have continued to maintain stable production and market share, and Hoa Phat is actively researching and developing new products. In 2016, these segments contributed about 7.9% of revenue and 6.5% of after-tax profit.



HOA PHAT EQUIPMENT

Hoa Phat Equipment Accessories enhances new product development

Maintaining and increasing market share of traditional products, including construction machinery and equipment, while researching new product development is the main task of Hoa Phat Equipment and Accessories Company Co., Ltd in 2016. In fact, the business activities of the Company have improved over the previous year.

Regarding business results, the revenue increased slightly compared to the same period, but profit after tax of the Company grew by 16%. Many improvements have been made during the year, such as the renovation of the scaffold producing line with robots imported from Japan, investment in an automatic paint line to raise productivity and quality without depending on the welder, and the Company can be more active in the production process, respond faster to the delivery demand for customers.

In terms of products, the Company has researched to improve design of construction hoist in order to reduce production cost, change size to suit the new demands of the market. At the same time, Hoa Phat Equipment & Accessories actively supports the Group's livestock companies by researching and producing various breeding products for large-scale industrial livestock (pigs, cows, and chickens), supplying and installation of

pig breeding system in Bac Giang, Hoa Binh, and Binh Phuoc province.

Also, after a long time of researching and surveying market demand, Hoa Phat Equipment and Accessories Company has started to implement the investment project of automatic ring lock welding production line both in the south and north. This is a new product, used as a support system in construction works to replace the combinational scaffold system before. Advantages of the ring lock scaffold are easy to remove, save storage area, high pressure, easy to transport. The Company expects to provide the new products to the market by March 2017.

Another project that's also being boosted in 2017 is an investment of a 3,000 ton/month steel wire rope production line, contributing to an additional VND400-500 billion per year for the Company's sales. The project products include galvanized steel wire rod and steel wire for construction and civil works. Hoa Phat Equipment & Accessories expects to supply these products by the end of 2017.

With the new breakthrough and traditional product lines, the Company will grow strongly in 2017 and in the following years. In 2017, the Company aims to achieve 38% growth in revenue.

HOA PHAT FURNITURE

Hoa Phat Furniture: Strengthen quality objectives, develop in depth

Vietnam's economic situation still has much difficulties, and public investment continues to be reduced, yet Hoa Phat Furniture JSC still successfully completed the 2016 business plan, maintaining the number one position in the office furniture market through good quality control and implementation of a market coverage strategy and a series of consumer stimulus policies.

REVENUE GROWTH
25-35 %
COMPARE TO 2016



Constantly expanding production, and applying new technologies to production

With a leading position in the Vietnam furniture market, the Company has launched a series of new products to meet the consume taste of fashion, convenience, and flexibility. Specially, Hoa Phat Furniture focuses on producing high quality household goods with advance painting technology; family sofa with many sizes suitable for apartment trend now. Many new products such as smart safe, high-class sofa, Italian style folding chairs have been launched and received acclaim from the market. Besides, the Company focuses on reviewing and thoroughly controlling product quality. According to statistics, the percentage of complaints has decreased by 17% compared to 2015.

Hoa Phat Furniture also boldly invested in modern machinery and continued to expand production in Hung Yen and Binh Duong, pioneering the use 3D printing technology, information technology into business, shortening the Prototype creating time, increasing product design accuracy, saving production cost and meeting customer and market demand.

In the south, the Company invested in 03 workshops with an area of 7,080 m² / workshop on a 2.5 ha project in Binh Duong Industrial Park to expand the production of mechanical and wooden products. By the end of 2016, the Company has completed two of these workshops, moving the painting and industrial wooden Factory in Cat Lai to the new project area, ready to produce for the Southern market.

Comprehensive development in depth

Hoa Phat Furniture always determines its strategy and overall development orientation that becomes a large-scale furniture manufacturer in the Southeast Asia, keeping the market leading role, meeting all needs of customers.

For that target, the Company has continuously researched market demand, developed products, maintained direct training courses on products, sale skills and marketing for sales staffs, invested in the modern equipment of advanced countries, human resource review, pushing up labour productivity. The pioneering application of information technology such as sales and production software has helped Hoa Phat to manage and deliver goods quickly to customers.

In 2017, Hoa Phat Furniture JSC is confident with the year's plans and targets, in which comprehensive brand development, product and market share are always the first priority to achieve business goals. The Company will continue to improve its management capacity, focusing more on family goods, quickest supply of products, and high concentration in the Southern market with 25%-35% of revenue growth target. At the same time, Hoa Phat Furniture will be together with the Group to carry out corporate social responsibility with the community, ensuring the interests of the employees and the sustainable development of the Hoa Phat brand.

HOA PHAT REFRIGERATION

Hoa Phat Refrigeration grows strongly with freezer

About 139,500 products of Hoa Phat Refrigeration Company have been sold nationwide. In particular, the freezer product line has the largest output growth over the same period.



PROFIT INCREASED
200%
COMPARE TO 2015

In 2015, Hoa Phat freezer output achieved just more than 8,700 products, but it rose to 22,502 freezers that sold in the market, equivalent to an increase of nearly 2.6 times. Hanoi and Da Nang city are the strongest growth markets, 2.7 times and 3.9 times respectively. Branch of Hoa Phat Refrigeration Company in Da Nang has the strongest increase compared to 2015 and exceeding the plan for 2016. Last year, the branch of Hoa Phat Refrigeration in the Central has achieved sales over VN42 billion, increasing significantly compared to 2015. This revenue mainly came from the impressive growth of the freezer product in the Central – Tay Nguyen region.

Thanks to the good sales growth, Hoa Phat Refrigeration exceeded the year profit target significantly after just seven months of 2016, on the occasion of the 15th anniversary of the Company's development. By the end of 2016, the profit of Hoa Phat Refrigeration Company has increased more than 200% compared to 2015. According to the Company leader, the good business was also results of increasing production volume, good input material prices leading to significantly decrease production cost. In addition, the sales department always took advantages of sales opportunities, constantly launching the appropriate sales and marketing programs from time to time.

Especially, since the fourth quarter of 2016, Hoa Phat Refrigeration Company really changed its business strategy with the establishment of a supermarket sales development department, forming the more professional marketing department to promote the freezer business, research and development of cooler products.

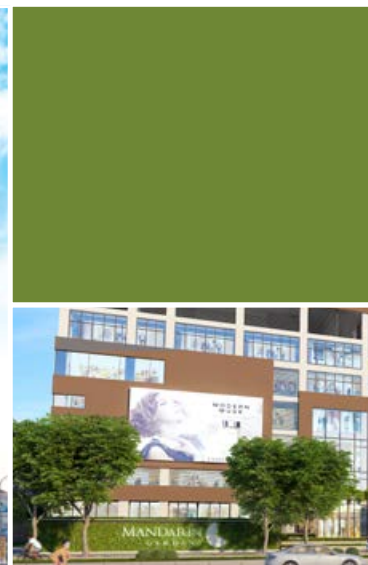
In 2017, the Group's leader sets a high target for Hoa Phat Refrigeration: striving to reach the turnover of a thousand billion Dong. This bold goal represents the really high determination of the Group's Management Board to invest in the refrigeration segment. With good market potential and production capacity, the Company will accomplish this plan well.



REAL ESTATE SEGMENT



The real estate business segment includes industrial parks, housing and urban projects, which are held by Hoa Phat Urban Development and Construction Joint Stock Company.



Actively invest in expanding and business industrial park infrastructure

With sales of VND445 billion, the industrial zone (IZ) infrastructure business, including land leasing, factories, warehouses and services in the industrial zone, is the biggest income source for the Company last year. Promoting the quality of infrastructure, improving the landscape, leasing policies, promoting IZs on the media has attracted many investors, domestic and foreign enterprises to the Hoa Phat industrial zones.

In 2016, Pho Noi A Industrial Zone (Hung Yen) cleared about 22.6 hectares, built 25 hectares of infrastructure and leased 25.5 hectares. For Hoa Mac Industrial Park - Ha Nam, the entire infrastructure of the IZ first phase has been completed with a total

of 131 hectares, attracting the interest of Vietnamese and foreign investors to build the factory, such as Dorco, Finetek, AMV Vietnam.

In the past year, Hoa Phat has completed the legal procedures and started ground clearance of Yen My II Industrial Zone. The IZ has very convenient location, adjacent to Highway 39, near the Ha Noi - Hai Phong expressway, National Highway 5A, belonging to Yen My town - the administrative centre of Yen My district - Hung Yen province. In the first Quarter 2017, the Company will complete the clearance of 107 ha of the first phase and build infrastructure. The IP is expected to welcome the first investors to lease land by early of Quarter III/2017.

MANDARIN
GARDEN2



Boosting to deploy the housing and urban area projects

Along with the IZ business, the housing and urban area projects have also been pushed on existing land funds. As of early February 2017, the Mandarin Garden2 project at Tan Mai Street (Hoang Mai, Hanoi) was roughly constructed to the 23rd floor, started finishing from the bottom up. The rapid construction progress and quality commitments of investors have brought peace of mind to customers who buy apartments here. Besides, many customers also appreciate the project design when it comes to comfort and safety, in accordance with the wishes of future residents here.

On the other hand, Hoa Phat will apply a fully automatic

condominium operation management system. Being constructed by the high technical standards of Mandarin Garden in Cau Giay District, Mandarin Garden 2 is expected to begin handover of apartments by the end of 2017. Many sales and marketing policies have been carried out and implemented, thereby speeding up sales of apartments as well as attracting customers to lease commercial space at the project's base.

In addition to above housing project, the Company has started to take the first steps to implement the apartment project at 70 Nguyen Duc Canh street, Hanoi, speeding up the ground clearance, building the Pho Noi Northern urban area of 260 hectares in Hung Yen province to meet the huge

demand on housing for labourers in the industrial zones and residents next to Hanoi.

With many projects being implemented at the same time, Hoa Phat Urban Development and Construction JSC is concentrating all resources to achieve the business objectives in 2017, specifically, around VND890 billion of revenue, actively lease and hand over land to investors in the industrial zones, complete and hand over the apartment for resident of Mandarin Garden 2, start selling apartments at the 70 Nguyen Duc Canh Building project, Hanoi and building the technical infrastructure of North Pho Noi urban area, Hung Yen province.

AGRICULTURAL SEGMENT



Animal feed is an important part of Hoa Phat's closed agricultural production chain. In June 2016, the first animal feed factory which located in Pho Noi A industrial zone, Hung Yen province was put into operation with a capacity of 300,000 tons per year with brand name Big Boss and HP Feed, officially marking the presence of Hoa Phat in animal feed products.



Expanding animal feed production to the south, the Group has built a second animal feed factory in Long Khanh Industrial Park, Dong Nai province. The plant has been completed since February 2017. The third factory in Phu Tho province is also expected to deploy in 2017.

This is a system of modern factories with fully automatic equipment lines, imported from Europe, with a large capacity to ensure good quality products and high stability; best to meet the customer needs in the country. After completion, the total capacity of three plants will reach approximately 1 million tons of products per year. It is expected that by 2020, Hoa Phat will have 5 animal feed factories nationwide, aiming to reach Top 10 largest animal feed producing companies of Vietnam, accounting for 5% of animal feed market share.

In the livestock segment, Hoa Phat focuses on supplying high quality breeding pigs, commercial breeding pigs and finisher pigs in Yen Bai, Hoa Binh, Bac Giang and Binh Phuoc provinces. In 2017, Hoa Phat will continue to expand farms in Thai Binh, Lang Son and Hung Yen. According to the plan, Hoa Phat will start supplying finisher pigs and breeding pigs by 2018.

Next step, the Group continues to expand to beef and hens. Currently, Hoa Phat is operating a beef ranch in Thai Binh and Dong Nai province and is implementing a farm in Quang Binh province. The Group is also implementing a commercial and breeding egg hen livestock project to produce clean chicken eggs.

The first parent hen farm is under construction in Phu Tho with an average size of 22,000-25,000 chickens. In 2017, the Group will import first parent herd.





Two commercial hen farms with 600,000 laying hens/year/farm has been deploying in Phu Tho and Dong Nai provinces. It is expected that Hoa Phat will begin to provide fresh, clean chicken eggs with high nutritional value to the market by early of 2018. When it's operated full capacity, Hoa Phat will supply 300 million eggs per year.

After animal feed and breeding, Hoa Phat will invest in the processing and distribution of safe and high quality food to the market, finishing 3F chain in agricultural segment: Feed - Farm - Food. This is a solution to provide products with good quality, high nutritional value, and ensure food hygiene and safety standards.



HEN FARMS WITH SCALE
300,000,000
 EGGS PER YEAR



GROUP EMPLOYEE LIST

Group employee list as of 31/12/2016

No	Company name	Total	Academic level				Gender	
			Post Graduate	Graduate	Vocational school	Other	Male	Female
1	Hoa Phat Group JSC	87	2	47	7	31	41	46
Group1: Steel		8,787	12	2,875	1,409	4,491	7,898	889
1	An Thong Mining Investment JSC	397	1	120	55	221	337	60
2	Hoa Phat Energy JSC	671	1	247	103	320	551	120
3	Hoa Phat Steel JSC	4,154	2	1,330	648	2,174	3,817	337
4	Hoa Phat Steel One member Co., Ltd	963	0	255	172	536	810	153
5	Hoa Phat Steel Pipe Co., Ltd	2,531	5	856	431	1,239	2,318	213
6	Hoa Phat Steel Sheet One-member Co., Ltd	71	3	67	0	1	65	6
Group2: Other industrial production		2,701	4	560	334	1,803	2,004	697
1	Hoa Phat Equipment Accessories Co., Ltd	313	1	87	54	171	265	48
2	Hoa Phat Furniture JSC	2,025	3	359	193	1,470	1,474	551
3	Hoa Phat Refrigeration Engineering Co., Ltd	363	0	114	87	162	265	98
Group 3: Real estate		361	1	129	9	222	274	87
1	Hoa Phat Urban Development and Construction JSC	144	1	39	3	101	94	50
2	Golden Gain Vietnam JSC 217	217	0	90	6	121	180	37
Group 4: Agriculture		950	15	538	73	324	703	247
1	Hoa Phat Agriculture Development JSC	950	15	538	73	324	703	247
Total		12,886	34	4,149	1,832	6,871	10,920	1,966





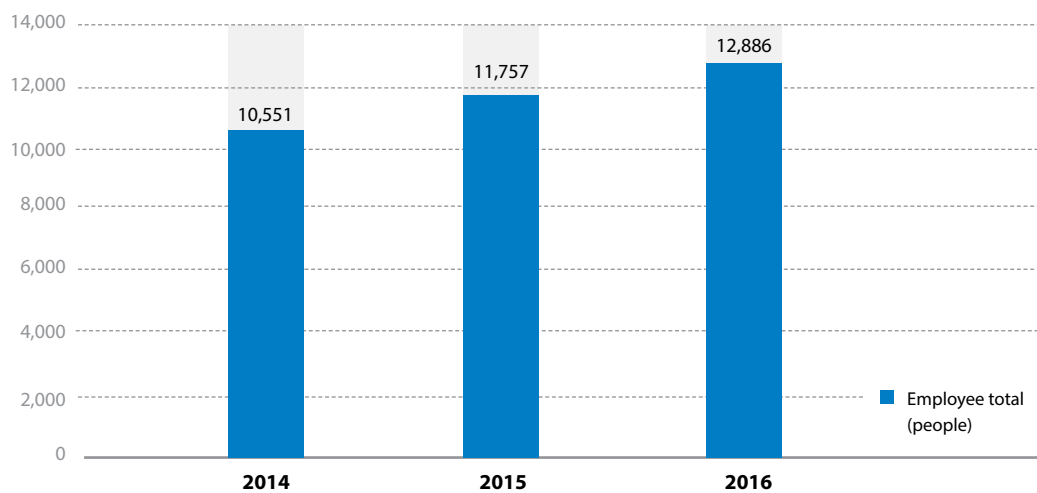
EMPLOYEE POLICIES

At Hoa Phat, human resources are always seen as invaluable assets and foundations for the sustainable development of the Group. Accordingly, one of the top priority goals of the Hoa Phat Group is to foster, retain and develop a work force with sufficient quantities and qualities to successfully fulfil its set plans.

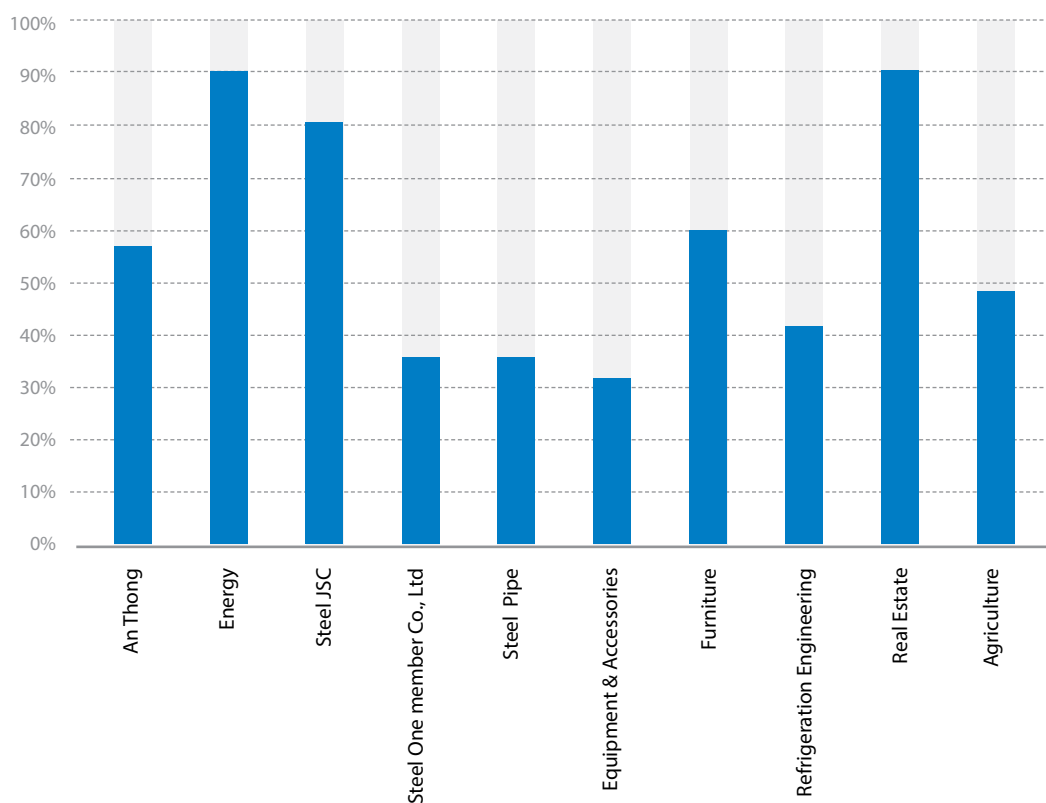
Number of employees of the group

On 31/12/2016, the number of employees of Hoa Phat Group is 12,886, grow by 10% compared to 2015, in which male employees account for 85% and female ones account for 15%.

Personnel fluctuation by year



Local employee rate





Human resource training and development

Hoa Phat has continuously developed training programs to raise the quantity and quality of its work force. In 2016, Hoa Phat recruited 1,129 new employees. Hoa Phat also cooperates with prestigious Universities and Colleges to prepare skilled human resource for our various business especially steel productions.

Special attention has been accorded to specific in-depth professional training for each function and department, for both back officer and workers at factories to improve their skills and ensure labour safety, best practices in technology application and management. In total, the Group organized 338 courses for 12,976 attendees in 2016.

Employee benefits

In parallel with human resource training and development, Hoa Phat maintains a friendly and efficient working environment in combination with a sound and attractive benefit regime. At Hoa Phat, a unique pay scale is consistently applied throughout the Group, which ensures that employees can be offered compensation which rewards their capacity and is competitive in the labour market.

The salary fund of 2016 increased more than 25% in comparison with that of 2015 due to the rise in number of employees and the application of new payment policies. A policy of productivity-based salaries and profit-based bonuses is flexibly applied to support business and production development with the aim of motivating staff and workers to successfully fulfil their duties. The benefit system comprises allowances for job responsibilities,



allowances for harmful labour conditions (in cash or in kind), night shift allowances and mobile call fee allowances, etc. which are added to the monthly compensation, ensuring employees' benefits and making them loyal to the organization.

Hoa Phat's reward system comprises a 13th month salary, an ABC ratings bonus, a bonus for technical improvement and productivity initiatives, and a bonus for individuals achieving excellent performance, etc. This incentive policy is applied on a fair and rewarding basis for all employees with the aim of promptly recognizing and incentivizing individuals who devote themselves to the growth of the Group.

Participation in social insurance, health insurance, and unemployment insurance schemes for employees is ensured at the Hoa Phat Group. In addition, other perks are offered, including holiday tours, periodic health checks, visits and gifts to employees and families facing difficult circumstances.

Enterprise cultural activities

Cultural activities that emphasize staff engagement are held on a regular basis, including football competitions, concert performances, teambuilding, presenting gift on the occasion of women's days etc. Hoa Phat's Company Culture is built on the basis of the natural engagement and harmonizing relationship of all staffs. Hoa Phat is proud to be one of the enterprises with the best culture, illustrated by the fact that many employees who belong to different generations of the same family work for the sustainable development of the Group.



Steel Projects

Real estate Projects

Agricultural Projects

Phase III - Hoa Phat Steel Integrated Complex Project in Hai Duong province

Time of commencement: September 2014

Capacity: 750,000 tons per year

Total investment: VND 3,800 billion

The project has come into operation in the second quarter of 2016, which raised the Hoa Phat's capacity of steel to 2 million tonnes per year. After several months of operation, the project has immediately run 100% of capacity and increased Hoa Phat's steel consumption in 2016 to 1.8 million tonnes. Steel rolling plant phase III has come into operation and raised Hoa Phat's construction steel productivity to 2 million tonnes.

Hoa Phat Dung Quat Steel Integrated Complex Project in Quang Ngai province

The project is located in Dung Quat economic zone, Quang Ngai province with a productivity of 4 million tonnes comprising 2 million tonnes of long steel and 2 million tonnes of hot rolled coil steel. Total investment (excluding working capital) is VND 40,000 billion. The project is divided into 2 phases. Phase 1 has been expected to be commenced within 24 months from February 2017 and Phase 2 from August 2017.

Steel Sheet Project

Location: Pho Noi A industrial zone – Hung Yen province

Products: cold rolled steel sheet, galvanized steel sheet, cold steel sheet, colour coated steel sheet

Capacity: 400,000 tons per year divided into 2 phases (200,000 tons/phase)

Total investment (excluding working capital): VND 2,000 billions in which equity capital accounts for 60%

Construction duration: 18 months from May 2016.

In June 2016, the Company signed the contract of design and supply equipment line for the project with DANIELI Group (Italy). This was the greatest value contract in total project investment, accounting for 70% of equipment value of the plant. Hoa Phat Steel Sheet plant will be the first one in Vietnam which is synchronously equipped with the most high-end technological machineries from the European Union. Danieli will supply and install the production line within 13 – 20 months. The products are expected to be launched to the market by early 2018.



Steel Projects

Real estate Projects

Agricultural Projects

Mandarin Garden 2 Project

This is a Complex of luxury apartments and shopping mall which is favourably located on Tan Mai Street, Hoang Mai district, Ha Noi with convenient transportation and related infrastructure. The project commenced in December 2014 with a scope of 640 apartments built on an area of more than 13,000 m², including four 26-30 storey blocks excluding 2 basements. Total investment of the project is more than VND1,600 billion, which was mainly invested from the owners' capital. By the end of 2016, the project has invested more than VND400 billion VND, built up to the 20th floor and sold more than 60% of total apartments. Hoa Phat expects to commence handover to customers by the end of 2017.

Northern Pho Noi Urban zone Project

Location: Phan Đình Phùng commune, Nhan Hoa commune and Ban Yen Nhan town, My Hao district, Hung Yen province

Area: 262 ha.

Form of investment: Investment in construction of new technical infrastructure.

The project serves as a modern urban zone with related technical and social infrastructure in conjunction with amusement areas and a system of trees, parks and gymnasiums.

This is the combination of shopping mall, offices and urban zone with a variety of residence types such as apartment, adjacent house, garden house, villas which are ecologically designed to meet the great demand of local people, workers, domestic and foreign experts working at industrial zone in Hung Yen province. The project is currently in the clearance phase.

Total investment is VND2,700 billion.

Yen My II Industrial zone project – Phase I

In order to promote the development of the industrial zone infrastructure business, Hoa Phat has made the decision to newly invest in infrastructure of Yen My Industrial zone in Yen My district, Hung Yen province on the area of 107 ha (phase I).

Duration: 4 years

Commencement time: At the beginning of 2017



PROJECTS PERFORMANCE (Next)

Steel Projects

Real estate Projects

Agricultural Projects

Animal Feed Plants: _____

Two feed plants with total capacity of 600,000 tonnes per year in Hung Yen and Dong Nai province has come into operation in quarter 2 of 2016 and quarter 1 of 2017 respectively.

Currently, the Group has continued to implement the animal feed production project in Phu Tho with a total investment of VND350 billion and capacity of 300,000 tonnes per year. The project is expected to come into operation in quarter 1 of 2018.

Pig livestock Project: _____

Hoa Phat has imported about 2,000 pigs from Denmark for the purpose of breeding. It's expected that pigs will be launched into the market in 2018.

Cow livestock Project: _____

Hoa Phat has some beef fattening farms in Thai Binh, Quang Binh, and Dong Nai.
Current scale is 75,000 cows per year.

Poultry livestock Project: _____

Hoa Phat has 01 parent chicken farm, 02 commercial hen farms

Location: Phu Tho and Dong Nai

Scale: 1,200,000 hens, 300,000,000 eggs per year



SHAREHOLDING STRUCTURE

Share information:

Charter Capital: VND 8,428,749,560,000
 Share name: Share of Hoa Phat Group Joint Stock Company
 Share type: Original share
 Stock sticker symbol: HPG
 Par value of share: VND10,000 per share
 IPO date: 15 November 2007
 Total of shares: 842,874,956 shares
 Total of treasury shares: 109,300 shares
 Total of shares in circulation: 842,765,656 shares
 Total of freely transferred shares: 831,283,933 shares
 Number of shares subject to transfer restrictions (per the Company's Share issuance Regulation ESOP 2014-2015): 11,481,723 shares

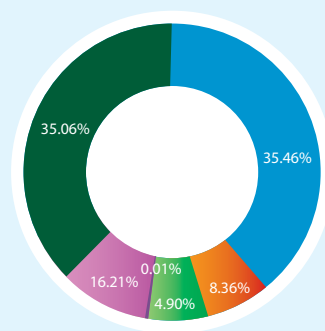
Changes in owner's equity during the year:

- On 16 September 2016 the Ho Chi Minh City Stock Exchange (HOSE) approved the additional listing of 109,923,537 shares issued for payment of 15% of the dividend in 2015.
 - Charter capital before issuance of shares: VND7,329,514,190,000.
 - Charter capital after issuance of shares: VND8,428,749,560,000.
 Treasury share transactions:
 - Total treasury shares as at 31 December 2016: 109,300 shares
 - Treasury share transactions during the year: During the year, the company reclaimed 45,450 shares of resigned employees who participating in the ESOP program 2014-2015 to add in treasury shares.

Shareholding structure as at 22/02/2017

No	Content	Share volume	Percentage%
1	State shareholders	0	0
2	Internal shareholders	410,669,272	48.72
	BOM, Supervisory Board, Board of Directors, Chief Accountant	298,876,146	35.46
	Related people	70,486,644	8.36
	Employees	41,306,482	4.90
3	Treasury shares	109,300	0.01
4	Other share holders	432,096,384	51.27
	Local shareholders	136,570,397	16.21
	Individual	119,741,305	14.21
	Institutional	16,829,092	2.00
	Foreign shareholders	295,525,987	35.06
	Individual	4,183,566	0.50
	Institutional	291,342,421	34.57
	Total	842,874,956	100.00

Shareholding structure

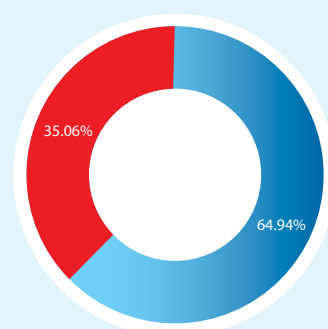


■ BOM, Supervisory Board, Board of Directors, Chief Accountant
 ■ Treasury shares
 ■ Local shareholders
 ■ Related people
 ■ Employees
 ■ Foreign shareholders

Demographic shareholding structure as at 22/02/2017

No	Content	Share volume	Percentage%
1	Viet Nam	547,348,969	64.94
	<i>Individual</i>	525,442,577	62.34
	<i>Institutional</i>	21,906,392	2.60
2	Foreign	295,525,987	35.06
	<i>Individual</i>	4,183,566	0.50
	<i>Institutional</i>	291,342,421	34.57
	Total	842,874,956	100.00

Demographic shareholding structure



■ Viet Nam ■ Foreign

Shareholder structure by level of ownership as at 22/02/2017

No	Content	Share volume	Percentage %
1	Shareholders with ownership over 5%	273,377,517	32.43
2	Shareholders with ownership from 1% to 5%	228,329,412	27.09
3	Shareholders with ownership below 1%	341,168,027	40.48
	Total	842,874,956	100.00

Shares transaction of the internal and related shareholders in 2016

No	Transactions performed by	Relationship with internal shareholder	Number of shares owned at the beginning of the period		Number of shares owned at the end of the period		Note
			No. of shares	Rate %	No. of shares	Rate %	
1	PRIVATE EQUITY NEW MARKETS II K/S	The company in relation to Mr. Hans Christian Jacobsen- Member of Board of Management	21,073,593	2.88	-	0.00	Sell

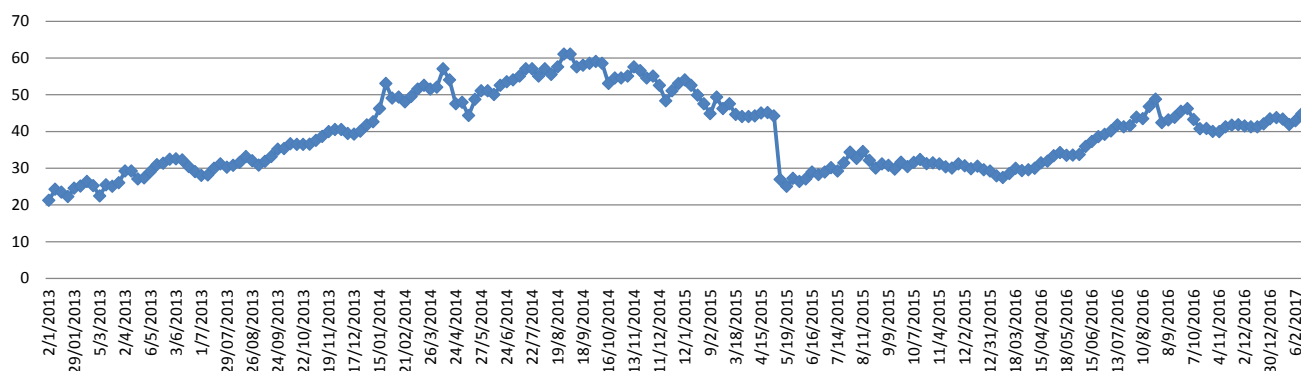
Largest shareholders as at 22/02/2017

No	Full name	Address	Share volume	Percentage %
1	Tran Dinh Long	119 Bui Thi Xuan str, Hai Ba Trung dist, Ha Noi	211,976,188	25.15
2	Vu Thi Hien	119 Bui Thi Xuan str, Hai Ba Trung dist, Ha Noi	61,401,329	7.28
Total			273,377,517	32.43

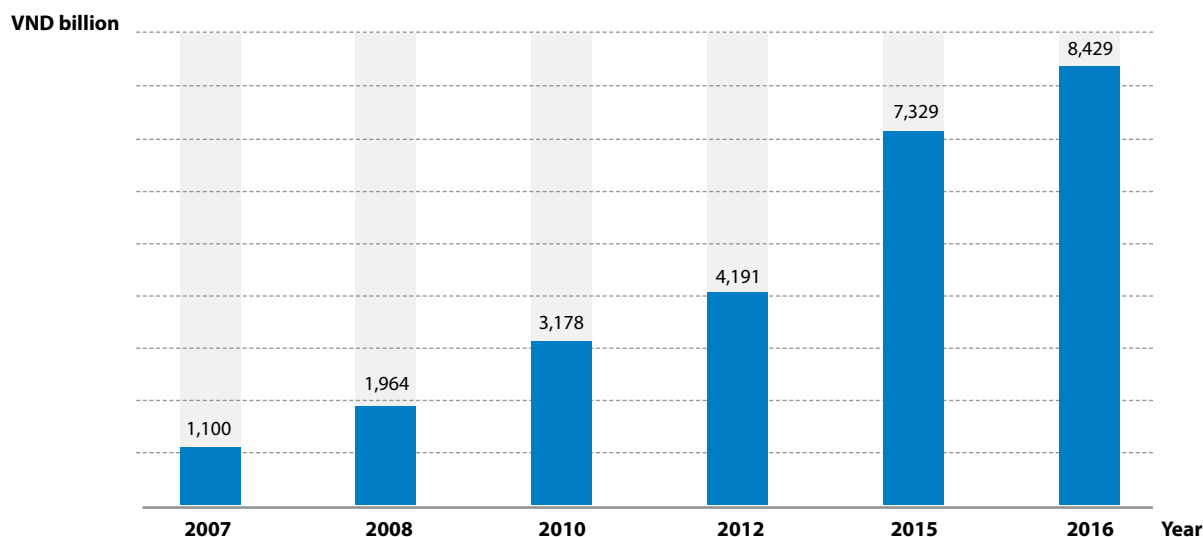
10 Largest institutional shareholders as at 22/02/2017

No	Name of Institutions	Address	Share	Percentage%
1	VOF INVESTMENT LIMITED	Suite 1703, Sun Wah Tower, 115 Nguyen Hue Blvd, Dist.1, HCMC	39,421,897	4.68
2	PENM III GERMANY GMBH&CO.KG	TRANEGARDSVEJ 20 2900 HELLERUP DENMARK	23,792,373	2.82
3	Deutsche Bank AG London	Winchester House, 1 Great Winchester Street, London EC2N 2DB	18,040,184	2.14
4	Vietnam Enterprise Investments Limited	1501 Me Linh Point tower, 2 Ngo Duc Ke, Quan 1, TP HCM, Viet Nam	11,847,678	1.41
5	ACADIAN FRONTIER MARKETS EQUITY FUND	200 Clarendon Street, 52nd Floor Boston MA 02116	10,602,087	1.26
6	NORGES BANK	Bankplassen 2 P.O. Box 1179 Sentrum NO-0107 Oslo	9,209,610	1.09
7	JPMORGAN VIETNAM OPPORTUNITIES FUND	1 Queen's Road Central, Hong Kong	8,862,446	1.05
8	MARKET VECTORS ETF TRUST-MARKET VECTORS-VIETNAM ETF	99 PARK AVENUE, 8TH F1 NEW YORK NY 10016 U.S.A	8,658,340	1.03
9	PXP VIETNAM EMERGING EQUITY FUND LIMITED	21 Collyer Quay #14-01 HSBC Building Singapore 049320.	7,288,700	0.86
10	HARDING LOEVNER FUNDS INC- FRONTIER EMERGING MARKETS PORTFOLIO	50 South Lasalle Street Chicago, Illinois 60603 USA Singapore 049320	7,205,535	0.85
Total			144,928,850	17.19

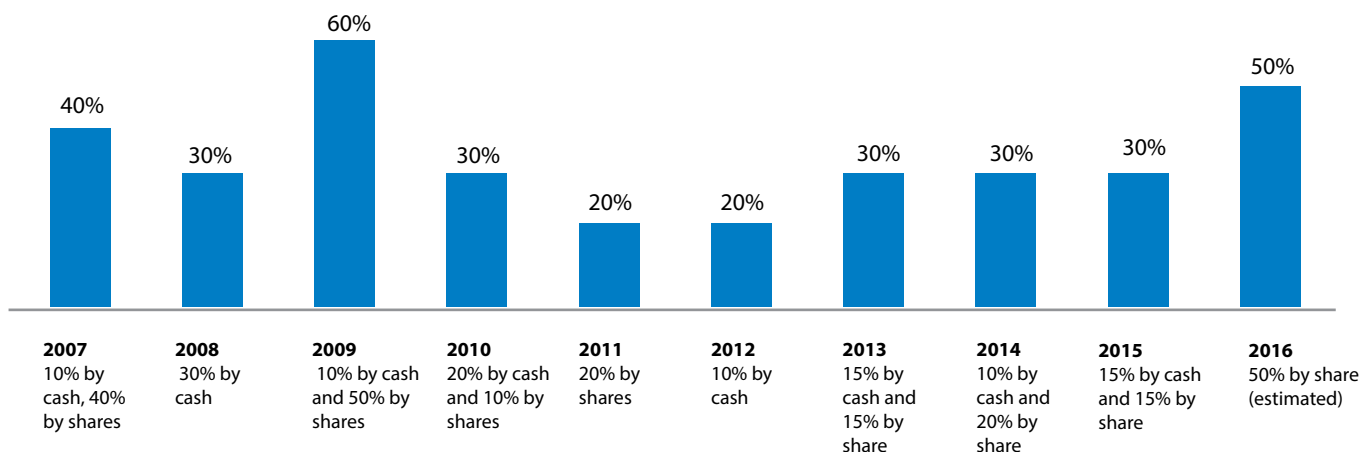
Fluctuations of HPG shares during 2013-2016



Increases in charter capital of Hoa Phat Group from 2007 to 2017 (VND billion)



HPG's dividend payment ratios by year



2007
10% by cash, 40% by shares

2008
30% by cash

2009
10% by cash and 50% by shares

2010
20% by cash and 10% by shares

2011
20% by shares

2012
10% by cash

2013
15% by cash and 15% by share

2014
10% by cash and 20% by share

2015
15% by cash and 15% by share

2016
50% by share (estimated)



SHAREHOLDER RELATIONSHIP

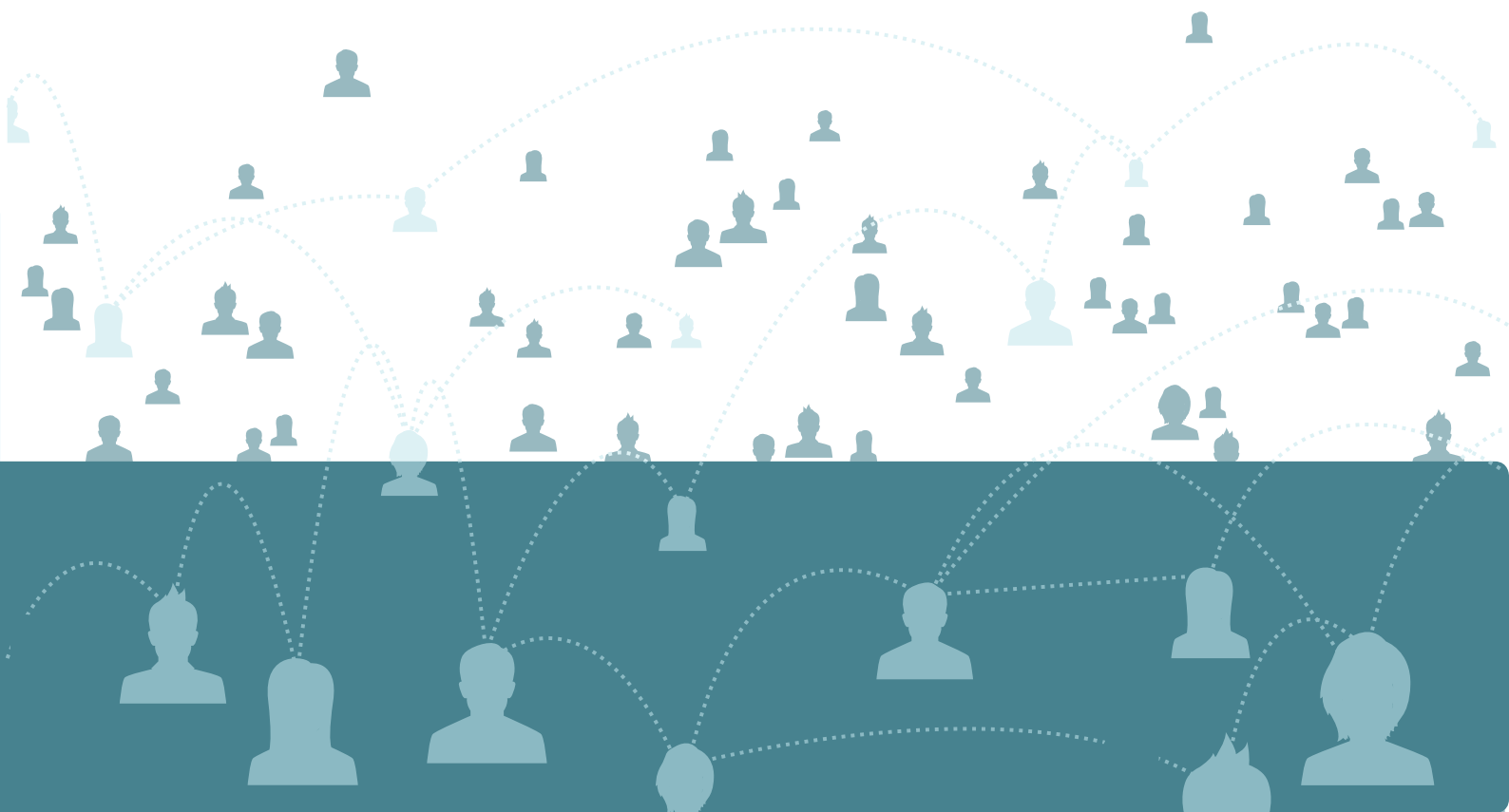


Hoa Phat is one of 50 best listed companies in Vietnam. In Ho Chi Minh City Stock Exchange, HPG is one of 30 shares which have greatest market capitalization and attracts much attention from investors. Therefore, Hoa Phat Group always emphasize on maintaining good relationship with shareholders, investors with the objective of transparency of information, providing sufficient information on timely basis for the shareholders and investors in compliance with laws and regulations on information disclosure.

Shareholders Relationship sector has maintained regular interaction with shareholders through such events: Annual General Shareholders meeting, quarterly meeting with investors to discuss business performance and

progress of projects, meeting with analysts, domestic and foreign investing entities in person or in form of video conference. The Company also continuously updates information on production and consumption of main sectors such as construction steel, steel pipes, furniture... and projects progress on our website. These activities build a solid connection between shareholders, investors and Hoa Phat Group for the common purpose of sharing financial and operational information.

On 26 July 2016, Hoa Phat organized an Investors Meeting quarter 2/ 2016 chaired by Chairman Tran Dinh Long with 150 investors in attendance, representing investment funds, stock companies, and other shareholders in both Ha Noi and Ho Chi Minh City. This boasts great interest



from investors in the Group's operation and development. At the meeting, the Board of Directors discussed the business performance, business outcomes, and the business plan of Hoa Phat Group. Shareholders and investors were well satisfied with open and straightforward sharing from Hoa Phat Group leaders. In addition, the Company also accompanied the investors to visit animal feed plant in Hung Yen and Steel Production Complex in Hai Duong.

In 2017, Shareholder Relationship Department will continuously promote and diversify connecting activities in order to well access and provide information for investors as well as quickly give feedbacks to any investors' questions on a precise and timely basis.





(IV) BOM ASSESSMENT



BOARD OF MANAGEMENT'S MEMBERS

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.



Members of the Board of Management

No	Name	Position	No. of shares held at the end of term	Percentage of shares held as at 22 February 2017 (%)
1	Tran Dinh Long	Chairman	211,976,188	25.15
2	Tran Tuan Duong	Vice Chairman	22,549,200	2.68
3	Nguyen Manh Tuan	Vice Chairman	22,168,320	2.63
4	Doan Gia Cuong	Vice Chairman	16,669,365	1.98
5	Nguyen Ngoc Quang	Member	16,669,365	1.98
6	Ta Tuan Quang	Member	1,315,520	0.16
7	Hoang Quang Viet	Member	4,100,325	0.49
8	Nguyen Viet Thang	Member	3,219,086	0.38
9	Hans Christian	Member		0
Total			298,667,369	35.45



BOARD OF MANAGEMENT'S MEMBERS (Next)



MR. TRAN TUAN DUONG

*BOM Vice Chairman
General Director of Hoa Phat Group JSC*

Bachelor of Economics – National Economics University; Bachelor of Journalism - Hanoi General 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.



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.



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.

**MR. NGUYEN NGOC QUANG**

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

Vocational training**Joining date: Since 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.

**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.

**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.



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.



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)....



BOM ASSESSMENT OF OPERATIONS



For the year 2016, Hoa Phat Group achieved total revenue of 33,885 billion VND and profit after tax of 6,606 billion VND, an increase of 34% and 89%, respectively, compared to last year. The Group continued to be ranked in the Top 5 most prestigious listed companies for 2016 by Vietnam Report Company. These facts optimistically show a spectacular step forward of the Group.

This outstanding performance resulted from the Group's major business sectors like steel, steel pipes, furniture, and real estate. For construction steel, total sale volume reached more than 1.8 million tons – an increase of 30% compared to 2015, which demonstrates the substantiality and breakthrough in producing and selling construction steel in the context of an unstable market. The innovation in technology and investment in steel making factories and cast iron factories helped the Group to increase its

market share of construction steel and surpass its profit plan.

Hoa Phat Steel Pipe Co., Ltd. ("Hoa Phat Steel Pipe") held a major role in the big development of the whole Group. In 2016, Hoa Phat Steel Pipe officially opened a second factory in Da Nang which is also its sixth factory in Viet Nam. Regarding market share, Hoa Phat Steel Pipe has been holding the No.1 position on the market since 2000 with 26% market share. Its products have been used in big projects nationwide and exported to many foreign markets such as the US, Canada, and South East Asia, with a value of millions of US dollars/year.

Other traditional sectors like furniture, refrigeration, and equipment and accessories continued to use market coverage strategy. Hoa Phat Furniture JSC was the pioneer in apply information technology like software in sales and manufacture, which helped the Company to manage and

response to customers' need quickly. The real estate sector, including leasing in economic zones and selling apartments, remained its growth and reputation for keeping its commitment in construction quality, progress and flexible sale policy.

The agriculture sector of the Group is at its beginning but made certain achievements. Based on the Group's reputation, Hoa Phat Feeds has developed simultaneously a system of agents all over the country and received positive response from the market. Investment of the third feed factory for the purpose of 1 million ton capacity in 2020 was a firm step to bring the goals of the BOM into reality.



BOM ASSESSMENT OF THE BOARD OF DIRECTORS' PERFORMANCE



The BOM highly appreciates performance of the BOD and other management levels in implementing the Group's business plan in 2016.

Contributing to impressive numbers in the business results of the past year is the tireless effort of the Board of Directors of member companies, with all capacity, solidarity and seriously adhered to the policy of the BOM. The decisions of the BOM are implemented drastically but carefully and cautiously. The results achieved in all production and

business sectors have maintained and strengthened trust from partners, customers and shareholders.

The BOM believes the firm and flexible solutions in the management of BODs of member companies will contribute to the stability of production and step by step help to conquer the new market segments in the country, difficult markets regionally and internationally in the context of many difficulties and complexity.



PLAN AND ORIENTATION



Inheriting the achievements of the past year, the Group will continue to maintain its traditional production and business lines such as steel, steel pipes, furniture, real estate business in economic zones, expedite firmly the agricultural sector, give best efforts to implement the newly licensed project - Hoa Phat Dung Quat Iron and Steel Complex in Dung Quat Economic Zone - Quang Ngai Province.

The Group is structured into five major segments, including: construction steel and high quality steel, steel pipe and pre-painted steel sheet, agriculture, real estate and other industrial segments. For each of the segments, the BOM assigns its members to intensify supervision, closely direct investment activities and production activities, ensure financial security and improve business efficiency.

In parallel with the implementation of the business plan, public relations and brand development, the BOM will continue to focus on human resource management, information technology investment, risk management and internal control activities.

With the inherent advantage of solidarity among the generations of executives and shareholders' trust, the Group is gradually improving to become a large industrial corporation in the regional as well as on the world.

Major decisions of the BOM in 2016

In 2016, the Board of Directors conducted 18 meetings and passed many important contents as follows:

- Approving the business plan of 2016 for the whole Group and submit it to the General Meeting of Shareholders;

- Contribute capital to set up Hoa Phat Agricultural Development JSC
- Increasing capital contribution and appointing representative to manage the additional capital contribution at Hoa Phat Steel Pipe Co., Ltd.
- Approving the establishment of Hoa Phat Steel Sheet one-member Limited Liability Company;
- Approving dividend payment plan in 2015, dividend pay-out ratio is 30% with 15% in cash and 15% in share;
- Transferring shares in a number of subsidiaries;
- Approving the selection of Independent Auditor of the Group's Financial Statements for the years 2016, 2017, 2018;
- And many other important decisions.



(V) SUPERVISORY BOARD'S REPORT



PERSONNEL OF THE SUPERVISORY BOARD

Ownership rate of members of the Supervisory Board

No	Name	Title	No. of shares held at the end of term	Percentage of shares held as at 22/02/2017 (%)
1	Le Tuan Anh	Head of Supervisory Board	26,047	0,003
2	Truong Nu Minh Ngoc	Member of Supervisory Board	0	-
3	Vu Thanh Thuy	Member of Supervisory Board	0	-
Total			26.047	0,003



Mr. LE TUAN ANH

Head of Supervisory Board

Economic Bachelor; Accounting Practice Certificate (Viet Nam)

Working starting time: Since 2006

Before appointed as member of the Supervisory Board, Mr. Le Tuan Anh worked in the accounting department of Hoa Phat Steel Pipe Co., Ltd. (2006 - 2007), specialist of the Supervisory internal and legal department (2007 - 2011) and currently he is manager of Internal Supervisory Department of Hoa Phat Group JSC. He is currently the Director of Hoa Phat Poultry One Member Limited Compan



Ms. VU THANH THUY

Member of Supervisory Board

Degree in economics

Working starting time: Since 2005

Before becoming a member of Supervisory Board, Ms. Thuy held a number of positions in: Staff member in accounting department of Hoa Phat Steel JSC (2005 - 2006), Staff member in Finance department of Hoa Phat Group (2007 – present).



Ms. TRUONG NU MINH NGOC

Member of Supervisory Board

MBA

Working starting time: Since 2011

Ms Truong Nu Minh Ngoc has experienced many positions in large financial institutions such as: Senior Auditor in Pricewaterhouse Coopers (9/2000 – 2/2005), financial analyst in Vina Capital (2/2005 – 7/2005), Investment Manager in Bank Invest (2012 - now).



SUPERVISORY BOARD'S REPORT



The Supervisory Board has been voted in by the General Shareholders' Meeting to fulfil all its duties and obligations as laid out in Enterprise Law and the Company's Charter of Hoa Phat Group Joint Stock Company. During the 2016 fiscal year, the Supervisory Board has performed its duties, described more specifically as follows:

- Reviewed the management of Board of Management, the Board of Directors and the management of subsidiaries.
- Monitored the implementation of the resolutions of the General Shareholders' Meeting, the Board of Management, the Company's Charter and other official documents issued by the Board of Directors; reported on the management of the Group by the Board of Directors.
- Monitored production and business activities and the fulfilment of production and business plans for 2016 by the subsidiaries of the Group.
- Obtained updates on and reviewed the progress of projects that were in progress: the steel project phase 3; Mandarin Garden 2 real estate project; Hung Yen, Dong Nai animal food project; livestock project.
- Obtained and reviewed the

working schedule of internal controllers, and internal control reports prepared for each subsidiary within the Group. Upon the results of internal control report, the Supervisory Board and the Internal Control Department immediately noticed to the Board of Management, the Board of Directors in order to prevent, find out and handle all existing problems during the operation.

- Reviewed quarterly and annual consolidated financial statements before submission to the Ho Chi Minh City Stock Exchange; reviewed the review/audit results in respect of six-monthly/annual financial statements of the parent entity, its subsidiaries and the Group's consolidated financial statements.
- During 2016, the Supervisory Board continued to discuss with the Independent Auditors (KPMG Limited, Vietnam) on their audit results and internal control issues in order to comprehend most of the mistakes and potential risks which may occur during the Company's activities, provided solutions to prevent risks to the Board of Management, the Board of Directors.
- Proposed nominee to attend all the

meetings of the Board of Management, updates on and reviewed production and business activities, the progress of projects and provided recommendations. Through their regular activities, the Supervisory Board saw no abnormal signs in the Group's business and production activities, the activities complied with all applicable laws, the Company's Charter and the requirements of the internal control system. They greatly appreciate the results achieved by the Group's businesses in 2016. The Board of Management and the Board of Directors managed the companies effectively, oversaw both sales and profits plans 21% and 106%, the Group's financial position and performance are being maintained at a healthy and transparent status.

The Supervisory Board held 2 meetings in 2016 which were attended by all the board members. During the meetings, the members discussed important issues in respect of recent developments as well as the direction of the Group in general and in respect of each individual business sector. Remuneration for Supervisory Board members: VND20 million/person/year.



INTERNAL CONTROL DEPARTMENT'S REPORT

Internal control operation is important part in internal control system, through regular their operation to ensure the Group's operations more efficient, safe and stability. During 2016, internal control operation was based on orientation and control risks. The Department found out and warned about the mistakes and risks and regularly reviewed businesses and operation processes, has proposed independent, true and fair ideas, warned to reduce risks, proposed to improve the Group's operation to be more efficiently and safely orientated.

The Internal Control Department's operations in 2016

The Department obtained an understanding of the government's incentive regulations and policies for new projects and business sectors (Agriculture sector), and assisted in the development of control regulations for newly-established companies. The department's operations at the Group's subsidiaries focused on: make and implement policies, business processes; compliance with laws, regulations and policies; internal reports; financial management at subsidiaries. On the other hand, the Department combined with Construction Department reviewed construction in process at building projects, to ensured there operations compliance with the regulations and good quality.

Through internal controlled processes, the Department determined there are no significant risks in the Group's management process systems as well

as compliance with laws, regulations and policies of relative individuals and parties. Implemented plans to improve control systems as proposed by the Department were fully implemented by the Group's management.

Subsidiaries' operations in 2016 from direct to indirect production parts were high efficient and tight control: Construction in process is fully compliance with building plans. Some minor wrongdoings were identified but their effects were insignificant; the regular supplies of raw and other materials was always guaranteed and assessed as good in the marketplace; and the subsidiaries' financial statements were all free of material misstatement.

Combination with other parties:

The Department has combined with the Group's subsidiaries and other departments implement the processes to improve role of internal control system at parties; combined with accounting department of subsidiaries and Financial Department to set up consolidated financial statements and internal management software to ensure accuracy, timeless of consolidated financial statements and internal management reports and consistency of accounting system of the whole Group.

The Department implemented regularly communicates with independent auditors about scope and results of audit and other matters to consider in internal control system, regularly review analysis information,

data on financial statements. Maintain close combination with independent auditors to ensure quality monitoring audit reports, along with update results of financial statements audit.

Conclusion & Proposals

Conclusion

During 2016, no significant mistakes were detected in the Group and its subsidiaries by the Department. All the Group's subsidiaries' operations in 2016 comply with the laws, regulations, and resolution of the General Meeting.

Proposals

In order to continue to improve efficiency on the Group's management, the Department asked the Group's subsidiaries to improve internal control system policies to ensure operations to more efficient, tight; keep improving training, complete high quality human resources to meet requirements of the Group; in addition, it's strictly enforce the Department's proposals in detail reports.

Working Plan for 2017

In order to implement plan for 2017 well, the Department give views to its functions and missions which were assigned as follows: Plan to review in the Group's subsidiaries under regular or extraordinary inspection, with detail contents. Update newly-established laws, regulations, policy to propose to apply or reduce risks in implementation.

(VI) SUSTAINABLE DEVELOPMENT





RESOLUTIONS TO SAVE ENERGY AND PROTECT ENVIRONMENT

Hoa Phat has applied many methods to save and use energy effectively _____

Steel production in particular and other industrial production in general utilizes a large amount of energy such as electricity, fossil fuel, water. One of Hoa Phat Group's targets is applying methods to improve, save, reproduce and use energy effectively aiming to improve production and business efficiency, protect environment and develop sustainably.

Hoa Phat Integrated Steel Complex: Electricity consumption has reduced by 40% _____

After the third phase has started for one year, Hoa Phat Integrated Steel Complex operated by Hoa Phat Steel Joint Stock Company has recorded a remarkable increase in production. This result comes from good solutions, technique and technology improvement as well as effective energy reproduction and energy usage which save costs of production in many stages.

The company have studied and applied several methods: recovering heat from sintering and cooling zones, giving priority to input materials, raising level of operating management, and improving equipment in sintering zones. Especially, technology rooms studied and set up a BPRT (blast pressure recovery turbine) aiming to reduce the energy consumption of equipment such as the cast iron factory and the steel making factory.

In steel rolling - making process, Hoa Phat Integrated Steel Complex installed a recovering system to collect coal gas from the converter, installed an automatic billet welding machine, used hot billet in order to lengthen laminated steel, and used sensor in



automatic biller welding machine. With its target of making the best use of energy sources and environmental protection, the Company has applied a mechanism to recover waste gases and materials for reuse in steel production. Producing cast iron and steel using the blast furnace technology produces a mixture of many gases.

Such gases are recovered and cleaned by a dust filtering system – such as bag filters, wet dust filters, and electro-static precipitators – to remove the dust. The clean gas mixture will then be stored in a gas tank, from which gases will be fed to the hot air generator for reuse or used as fuel in various production processes, such as being used in the Lime Kiln to burn lime for metallurgy, or being used for burning pelletized ore in the Pelletizing furnace, for sintering iron ore in the Sintering Plant, etc.

Moreover, the dust collected during the recovery of gases at

the dust filtering system is a mixture with high iron content and is therefore also reused in sintering iron ore, which is an input material of the blast furnace. These solutions have saved 30 – 40% electricity consumption in blast furnace section and saved 20-30% fuel consumption in rolled steel section.

In respect to water use in production, Hoa Phat Integrated Steel Complex needs about 57.000m³/hour. Water is circulated in all sections of production, without discharging of wastewater. Industrial water, domestic water and flowing rain-water are collected in five water collectors around Steel Integrated Complex. Wastewater is treated and then reused in sections of production process. Thanks to circular operation, every day, integrated complex only needs use a small amount of water more, saving tens of billions per year and protecting our environment.

Hoa Phat energy: Use electricity resource actively, recovery and reuse water supply more than 70% _____

Hoa Phat Coke Coal and Thermoelectricity Power Factory of Hoa Phat Integrated Steel Complex also has a recovery system (generating electricity with capacity of 52MW), meeting 40% electricity consumption in Integrated Complex. An amount of gas and waste from coking is recovered to turn the electric generator turbine, without releasing waste into the environment. This is preeminent technology feature which a small number of steel producers own, therefore, Hoa Phat has more competitive advantages.

In 2016, Hoa Phat Energy JSC had improvement initiative of reusing treated wastewater, water for cooling equipment. The amount of industrial water and domestic water is about 240,000m³ one day and one night. This amount is quite large and is very wasting without good solutions.

Water for cooling indirectly motors, output shafts, fans, is checked for quality. Because it still gets quality standards for industrial water with higher temperatures, it is collected to reuse for cooling town, washing vehicles, and production areas and mixing materials. In fact, the amount of recovered water is about 70%. For industrial wastewater and domestic wastewater, the company invested in a separate collecting system. Wastewater is always



collected and moved to the treatment system, then reused for coking and not release into the environment.

According to Mr Hoang Duc Thuan, director of Hoa Phat Energy Co., Ltd, , applying these methods brings economic advantages. Water supply reduced by about 50.000m³/month, equivalent to 4 billion VND/year. Moreover, it helps to save water supply and protect the environment because all water supply is reused.

Upgrading equipment system to save electricity

With capacity of 300.000 tons per year, Hoa Phat Steel One Member Co.Ltd (the factory of Billet production) is the first factory applying arc furnace technology and medium-frequency furnace to produce billet from wasted materials. This technology uses a large amount of electricity energy, double the amount of the blast furnace needs. Therefore, Hoa Phat Group has constantly upgraded equipment system over last years in order to increase production and save electricity.

According to Leaders of the company, applying both arc furnace and medium- frequency furnace (follows rate 20%-80%) creates flexible production and

makes use of different kinds of waste materials to produce high quality products. Over last year, Hoa Phat Steel One Member Co. Ltd. improved and replaced some furnace equipment, tended to increase production by using medium-furnace (30 tons/round. When using arc furnaces and medium-frequency furnaces, capacity of billet has increased from 2.500 tons/month to 3.000 tons/month, save electricity energy (40-50 Kwh/ton). Moreover, the production environment is fresher because of using arc furnaces.

Another solution is collecting crushed steel and non-ferrous metal to reuse through setting up a vibrating screens system. All of the soil from wasted materials is taken to storehouse without distributing into the environment. This system helps to collect 5-8% crushing steel and non-ferrous metal to be reused in production. Besides the vibrating screens system, the company also invested in a waste materials dump with a thickness of 20 cm. There is a rain-water collection system inside and around the dump. Settling tank and catch pit collect 300 m³ treatment before expelling to the collection system of the industrial zone.



Improvement initiatives help to save billions VND in producing Hoa Phat Steel pipe

In 2016, Hoa Phat steel company continued to promote five-criterion movement and ideas for improving technical and technology to lower cost production, raise quality of products. According to preliminary statistics, thanks to improvement initiatives, factories have saved tens of billions.

In the last year, Hoa Phat steel pipe factories turned five-criterion movement to five-rule (arrange, select, care, prepare) in production and improve equipment.

Many improvement initiatives, solutions aiming to decrease electricity energy consumption, limit amount of smoke and pollution, are applied to the production process. Therefore, the company has saved tens of billions.

Besides, many other initiatives also are applied such as reusing older moulds to be moulds for bending apparatus, changing the number of steel pipe of each faggot steels...These solutions help to limit oil film making factory and products dirty, increase production capacity, lessen hoops to make faggot steels, save time to load and unload products for customers.



Hoa Phat Furniture saves energy

In Hoa Phat Furniture Joint Stock Company, programs for improvement initiatives have recorded remarkable results. For example, in some factories where product wooden interior furniture (painting wood, laminated wood, natural wood), more windows are made collecting light, saving electricity energy for lighting, fanning workers.

On the other hand, the company has constantly invested in setting up updated equipment to save input materials, decrease energy consumption by using milling machine CNC, follow consumption norms of materials to find cause of unusual statistics.

About water resource for these factories, Hoa Phat furniture company often controls and reuses for stages, avoids wasting, follows level of consumption every month, appreciates and criticizes straight to raise production and business effects.



Hoa Phat Steel Pipe upgrades sewage treatment system

In order to improve the capacity and quality of sewage and industrial waste treatment for the steel pipe factory in Hung Yen, Hoa Phat Steel Pipe Company has invested in upgrading the sewage treatment system in order to improve the environment and enhance the sustainable production.

Along with the continuous expansion of new production lines of galvanized steel sheet and galvanized steel pipe, etc., the upgrading of wastewater and industrial wastes treatment system is the fact that the Board of Directors carefully conduct to ensure the clean working as well as the neighbourhood environment and ensure long-term health for workers and local communities.

Specifically, the company has started basic construction in early June, including wastewater and acid waste tanks, neutralization tanks, oxidation tanks, sedimentation tanks, silt presses, dry mud containing area and clean water tank for reuse after recycling. Compared with the previous system, the new system has many improvements in terms of technology and processing power. The upgrading of the wastewater treatment system has been completed and put into use

in mid-October.

All waste water from the producing process is collected in the central system with a treatment capacity of 300m³/day and night. The wastewater is thoroughly treated to meet A QCVN 40: 2011 standard of the Ministry of Natural Resources and Environment. After treatment, this water will be reused for the cleaning process of the galvanized line, the left waste will be pour out into the environment. The dry mud in the wastewater treatment system is industrial waste which will be collected by Hanoi URENCO to ensure environmental protection.

According to its leaders, Hoa Phat steel pipe factories in Da Nang and Binh Duong have also invested in similar wastewater treatment systems. In addition, all factories of Hoa Phat Steel Pipe Company carried out environmental monitoring according to regulations. Results of the monitoring sessions have met the requirements of the current environmental standards of the Ministry of Natural Resources and Environment and the Ministry of Health.



RESEARCH AND DEVELOP NEW PRODUCTS



Based on the market demand survey and HP's ability, products and projects have been developed in order to meet this demand and its rapid growth goal in next few years.

Hoa Phat wire rod steel for welding filler and rod - New products, replacing imported products

According to the survey of welding consumables sector, in Vietnam, about 100.000 tons of low carbon steel is needed to produce welding flux every year. However, since the third quarter of 2016, HPG Steel has begun to produce this steel in order to help domestic welding consumables businesses access easily and not depend on imported products.

This steel is a specialized, high-tech product which contains carbon under 0.09%, manga under 0.65% and other impurities with low content such us P, S, said Mr. Ho Duc Tho - deputy director of the Integrated Steel Complex. This steel is used to produce flux cored arc welding with steel bar SWRY 11 meeting Japan ISO standard G 3503 (2006); steel bar H08A meeting China standard GBT 3429; auto cored welding wipes with steel bar EM 12K meeting American standard ASME SFA/AWS A5.17. In Vietnam and other countries over the world, only steel factories using Blast Furnace and Basic Oxygen Furnace are able to produce those products. HPG Steel ensures to meet all the demands of rolled steel for domestic needs with high quality and suitable price.

Since October 2016, HPG Steel has enforced to produce rolled steel for factories SAE1008 steel material properties with ASTM A510M standard. Using this steel brings a lot of advantages such as sustainable supply and suitable price compared with imported products for Stainless steel cable factories. They do not need to stock a large amount of materials due to available one, which helps them save huge cost.

Using this steel helps reduce the obsolescence of raw materials when stocking inventory in not necessary. According to report from factories, the obsolescence of imported raw materials is from 1.2 to 1.5%, compared with only about from 0.5 to 0.8% of HPG $\Phi 6$ SAE1008 rolled steel. In 2016, over 53.000 tons of stainless rolled steel for domestic screw factory.

Hoa Phat Steel Sheet Company will introduce its product in 2018



In April 2016, Hoa Phat Steel Sheet One Member Co., Ltd was established with the role of building a cold, colour covered steel sheet coil factory in Pho Noi A industrial zone (Hung Yen province) with the capacity of 400,000 tons per year with the total investment of VND 4,000 billion and the modern technology of Italia, Germany, and Japan. The purpose of building this factory is to meet the increasing market demand of colour steel sheets as well as support material for steel pipe factory in Hung Yen.

At the end of 2016, infrastructure ground, directing office and human resources department were completed. Hoa Phat Company began to buy equipment and technological lines from Danieli (Italia) – a long term partner. The products of this factory including cold rolled sheet coil, galvanized steel sheet, painted steel sheet, etc., are high quality and environmental friendly which will meet the standard JIS 3321: 2010 of Japan, BS-EN 10346: 2009 of European, AS 1397: 2001 of Australia, ASTM A792 of the US, etc.

The project will be speeded for trial operation at the end of 2017 and the product distribution in the first quarter of 2018 in order to create the added value chain for steel production sector – the core product of HPG.

Smart safe – Product of digital technology

Recognizing the increasing market demand, Hoa Phat Furniture JSC has developed the application of surveillance and alarm devices via mobile phones for “SMART SAFE”. With this intelligent safe, Vietnamese consumers are completely assured of saving the most valuable documents and assets of themselves and their families.

This is the first time in Vietnam the safes have integrated security features using a wireless technology platform, opening up a new revolution in the security appliance industry. Inside each Hoa Phat “SMART SAFE” is a miniaturized electronic microprocessor system designed in modular form, which is a versatile system that is connected and operated on the GSM network via phone number. With a sensory sensor system, the central controller will automatically send an SMS and call the owner in case there are shaking sign, fire or cut off power suddenly. As soon as being launched, the product has received great attention from consumer nationwide.





Hoa Phat started the project of Pho Noi Northern urban area - Hung Yen

In 2016, recognizing the recovery of the real estate market, Hoa Phat Group has started to deploy the project Area A, Pho Noi Northern urban area - Hung Yen. This is considered as the satellite urban area of Hanoi, aimed at reducing the demand for living of capital residents, and creating a modern and civilized living environment for tens of thousands of labourers working in industrial zone in Hung Yen.

Pho Noi Northern located in Ban town and the whole area of Nhan Hoa commune, Phan commune Dinh Phung (My Hao district) with total area of about 262 hectares, was directly invested by Hoa Phat Urban Development and Construction Joint Stock Company. This

location is near the highway 5, connecting Hanoi - Hung Yen - Hai Phong - Quang Ninh, 25 km far from the Hanoi. The company is actively implementing land recovery and ground clearance compensation to build a synchronous urban area of technical and social infrastructure as soon as possible.

Zone A consists of adjacent houses, villas, high buildings, schools and public houses, etc. Especially, the project with trees system will contribute to create a green urban area. With these guaranteed living conditions, it is expected that the urban area will attract a population of nearly 40,000 people. Project is likely to be implemented within 15 years.



SOCIAL AND CHARITY ACTIVITIES

With the aim to create a harmonious linkage between business and social activities, during 2016, Hoa Phat Group spent more than VND20 billion undertaking many charity and community activities. Such activities reflect the Group's recognition of its corporate social responsibilities. During 2016, Hoa Phat undertook the most of social and charity activities.



Largest income tax contribution to the national budget

Hoa Phat contributed VND 3,435 billion to the national budget, an increase of 24% in comparison with 2015. Hoa Phat was ranked in Top 30 of 1000 enterprises of tax contribution of Vietnam (V1000).

"Heartbeat of love"

"Heartbeat of love" project has begun since the end of 2015 with a special mission: to fund heart surgery for poor patients. Hoa Phat Group worked in collaboration with leading heart doctors in prestigious hospitals, such as Viet Duc Hospital, Hanoi University of Health Hospital, E Hospital, Bach Mai Hospital, etc....

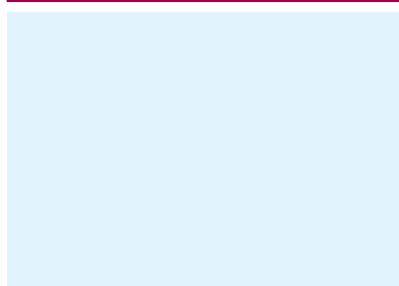
During 2016, Hoa Phat granted for 16 poor patients with the charity capital of nearly VND 500 million.

This means that 16 hearts have been healed, opening new lives for 16 poor children and their family.

"Free meal – honourable heart"

One of the activities that Hoa Phat has focused and remained for 6 years at the Central Oncology Hospital (K Hospital), Tam Hiep, Hanoi. In 2016, 409,508 meal portions were provided, Hoa Phat provided 44,850 meal portions with 10% of total portions.

Under this program for consecutive 6 years, 150 meals portions per day have been provided to support poor patients and help their medical treatment. This is realistic action that comes from Hoa Phat workers and staffs' heart to share with the poor patients' difficulties.



“Hand in hand to school”

Start of the (new) school year, on September 5th 2016, Ms Nguyen Thi Thao Nguyen – Deputy CEO on behalf of Hoa Phat Group presented 905 bunk beds for Tram Tau Commune and Mu Cang Chai Commune, Yen Bai Province. This activity aims to taking care interne pupils and minority ethnic pupils for their better environment with Yen Bai Province.

Also in 2016, Hoa Phat sponsored the phase 1 of building Nguyen Van Linh Kindergarten (Giai Pham commune, Yen My district, Hung Yen province) with the total investment of VND 2 billion. In 2017, the phase 2 will be continued to finish the project. After come in

to operation, Nguyen Van Linh Kindergarten is the place to develop kids’ soul.

In addition, Hoa Phat Group spent VND 7 billion to build 10 new rooms of Hiep Son Primary School (Hiep Son Commune, Kinh Mon District, and Hai Duong Province), repair facilities the old Hiep Son Primary School and Hiep Son Secondary School. These schools are better well- furnished and more modern, and are national standard ones. It helps to make the teaching and studying environment better.

SOCIAL AND CHARITY ACTIVITIES (Next)



Join hands with students

For the period 2015-2020, Hoa Phat has granted scholarships to the best and poor students of the National Economics University (Hanoi) with the total value of VND 5 billion. The scholarship values VND 1,1 million/student/month. At the end of the 2 terms 2015-2016, 85 students are granted, including 40 best students and 35 poor students.

Hoa Phat provided free assistance in opening bank accounts for students and granted monthly scholarships to them via such accounts. Up to now, Hoa Phat has granted nearly VND 400 million.

Besides granting scholarships, Hoa Phat granted allowances to students who have won scientific research awards on an annual basis.

With the scholarship, Hoa Phat would like to encourage scientific research to bring the valuable research.

In the near future, Hoa Phat Group will provide free assistance for students – young leaders in the future.





“The good leaves protect the worn-out leaves”

During 2016, 1,390 gifts were given to poor households and poor students in 9 provinces nationwide in the annual program of “spring of love” at the threshold of the lunar New Year, in order to bring a real spring of love to poor households.

October 2016, 3,134 gifts (value of VND 1 million) were given to poor households in flood-hit areas in Minh Hoa, Bo Trach, Le Thuy, Quang Ninh Districts, and Quang Binh Province.

In addition, Hoa Phat Group commenced the Project “Repair and construction of welfare facilities” in Hiep Son commune, Kinh Mon district, Hai Duong province, with a total investment of more than VND 12 billion. To be specific, Hoa Phat financed all expenses for repairing the infrastructure of the pumping stations, 2 new roads. The project’s success upgrades the basic infrastructure of the commune, bringing long-lasting socio-economic benefits of Hiep Son commune.





HOA PHAT GROUP JOINT STOCK COMPANY AND ITS SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED AS AT 31 DECEMBER 2016**



2016 consolidated and separate financial
statements were reported on the Website:
www.hoaphat.com.vn



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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 2016.

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 Business Registration Certificate has been amended several times, the most recent of which is by Business Registration Certificate No. 0900189284 dated 29 September 2016. The Business 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 2016 was VND6,602,102 million (2015: VND3,485,463 million).

On 14 March 2016, the Company's Board of Management passed the detailed resolution on the distribution of the 2015 dividends to the shareholders by cash at the rate of 15% of the par value amounting to VND1,099,263 million and 15% in the form of shares amounting to VND1,099,235 million. This dividend payment scheme was approved by the General Meeting of Shareholders on 31 March 2016 and already executed during the year.

Post balance sheet events

Except the events described in Note 42, there are no other 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.

Hoa Phat Group Joint Stock Company

Report of the Board of Directors (continued)

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 2016, 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.

Approval of the consolidated financial statements

We hereby approve the accompanying consolidated financial statements for the year ended 31 December 2016. These financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, 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



HÒA PHÁT

Trần Tuan Duong
General Director

Hung Yen, 1 March 2017



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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 2016, 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 1 March 2017, as set out on pages 6 to 76.

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 2016 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.: 16-02-073-2016-b



Tran Anh Quan

Practicing Auditor Registration
Certificate No.: 0306-2013-007-1
Deputy General Director

Hanoi, 1 March 2017

Le Viet Hung

Practicing Auditor Registration
Certificate No.: 0296-2013-007-1

Hoa Phat Group Joint Stock Company
Consolidated balance sheet as at 31 December 2016

Form B 01 – DN/HN

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

	Code	Note	31/12/2016 VND	1/1/2016 VND
ASSETS				
Current assets (100 = 110 + 120 + 130 + 140 + 150)	100		18,182,786,709,294	11,915,177,133,485
Cash and cash equivalents	110	6	4,558,660,713,745	2,372,761,840,865
Cash	111		556,922,713,967	349,396,206,420
Cash equivalents	112		4,001,737,999,778	2,023,365,634,445
Short-term financial investments	120		693,498,769,815	758,094,875,121
Held-to-maturity investments	123	7.1	693,498,769,815	758,094,875,121
Accounts receivable – short-term	130		2,394,830,525,734	1,608,216,522,801
Accounts receivable from customers	131		1,546,607,430,306	1,210,987,095,176
Prepayments to suppliers	132		705,742,217,537	390,265,827,195
Other receivables	136	8	182,962,827,055	47,234,353,011
Allowance for doubtful debts	137		(41,339,337,971)	(41,276,739,619)
Shortage of assets awaiting resolution	139		857,388,807	1,005,987,038
Inventories	140	9	10,247,175,680,697	6,937,441,787,064
Inventories	141		10,391,475,894,874	7,208,055,393,649
Allowance for inventories	149		(144,300,214,177)	(270,613,606,585)
Other current assets	150		288,621,019,303	238,662,107,634
Short-term prepaid expenses	151		24,180,135,532	18,548,607,805
Deductible value added tax	152		255,637,124,321	212,136,927,444
Taxes and others receivable from State Treasury	153		8,803,759,450	7,976,572,385

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 2016 (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	31/12/2016 VND	1/1/2016 VND
Long-term assets (200 = 210 + 220 + 230 + 240 + 250 + 260)	200		15,043,765,608,591	13,591,592,052,060
Accounts receivable – long-term	210		18,173,189,031	16,485,258,954
Loans receivable – long-term	215		2,500,000,000	5,000,000,000
Other long-term receivables	216		15,673,189,031	11,485,258,954
Fixed assets	220		12,670,459,873,438	8,211,430,447,399
Tangible fixed assets	221	10	12,487,811,189,623	8,047,470,109,033
Cost	222		18,855,209,473,822	13,055,040,780,097
Accumulated depreciation	223		(6,367,398,284,199)	(5,007,570,671,064)
Intangible fixed assets	227	11	182,648,683,815	163,960,338,366
Cost	228		215,970,717,186	193,249,079,259
Accumulated amortisation	229		(33,322,033,371)	(29,288,740,893)
Investment property	230	12	202,756,917,580	192,494,292,820
Cost	231		245,628,493,960	236,450,059,552
Accumulated depreciation	232		(42,871,576,380)	(43,955,766,732)
Long-term work in progress	240		1,154,980,172,259	4,342,159,437,952
Long-term work in progress	241		47,019,409,284	2,970,929,067
Construction in progress	242	13	1,107,960,762,975	4,339,188,508,885
Long-term financial investments	250		78,864,136,876	102,545,479,270
Investments in associates	252	7.2	3,271,387,743	3,806,335,925
Equity investments in other entities	253	7.2	15,702,128,365	15,702,128,365
Held-to-maturity investments	255	7.1	59,890,620,768	83,037,014,980
Other long-term assets	260		918,531,319,407	726,477,135,665
Long-term prepaid expenses	261	14	716,374,249,275	551,682,828,680
Deferred tax assets	262	15	127,323,104,169	83,703,031,782
Goodwill	269	16	74,833,965,963	91,091,275,203
TOTAL ASSETS (270 = 100 + 200)	270		33,226,552,317,885	25,506,769,185,545

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 2016 (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	31/12/2016 VND	1/1/2016 VND
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		13,376,291,239,921	11,040,058,800,235
Current liabilities	310		11,985,020,235,150	9,992,832,755,685
Accounts payable to suppliers	311		3,733,634,506,722	2,638,687,908,117
Advances from customers	312		1,036,123,955,455	50,112,574,555
Taxes and others payable to State				
Treasury	313	17	744,422,755,457	398,530,099,807
Payables to employees	314		262,345,657,297	212,634,466,249
Accrued expenses	315	18.1	159,606,432,529	106,756,384,950
Unearned revenue – short-term	318		5,433,344,113	14,311,517,049
Other payables – short-term	319	19.1	140,603,236,406	95,876,723,487
Short-term borrowings	320	20.1	5,488,170,638,894	6,116,817,325,257
Provisions – short-term	321	21	14,918,462,172	9,745,648,320
Bonus and welfare fund	322	22	399,761,246,105	349,360,107,894
Long-term liabilities	330		1,391,271,004,771	1,047,226,044,550
Long-term accrued expenses	333	18.2	280,768,142,325	181,520,840,109
Other payables – long-term	337	19.2	118,559,169,199	110,185,097,424
Long-term borrowings	338	20.2	972,200,000,000	739,000,000,000
Deferred tax liabilities	341		908,757,131	157,445,445
Provisions – long-term	342	21	18,834,936,116	16,362,661,572
EQUITY (400 = 410)	400		19,850,261,077,964	14,466,710,385,310
Owners' equity	410	23	19,850,261,077,964	14,466,710,385,310
Share capital	411	24	8,428,749,560,000	7,329,514,190,000
- Ordinary shares with voting rights	411a		8,428,749,560,000	7,329,514,190,000
Capital surplus	412		674,149,437,068	674,149,437,068
Treasury shares	415		(1,093,000,000)	(638,500,000)
Investment and development fund	418	26	1,156,415,747,213	891,436,091,839
Retained profits	421		9,486,351,633,348	5,549,332,356,102
- Retained profits brought forward	421a		3,317,122,322,348	2,455,676,950,702
- Retained profits for the current year	421b		6,169,229,311,000	3,093,655,405,400
Non-controlling interest	429		105,687,700,335	22,916,810,301
TOTAL RESOURCES	440		33,226,552,317,885	25,506,769,185,545
(440 = 300 + 400)				

1 March 2017

Prepared by:


Nguyen Thi Thu Trang
General Accountant

Approved by:


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 2016

Form B 02 – DN/HN

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

	Code	Note	2016 VND	2015 VND
Revenue from sales of goods and provision of services	01	28	33,884,892,008,435	27,864,558,436,964
Revenue deductions	02	28	601,681,848,448	411,626,322,631
Net revenue (10 = 01 - 02)	10		33,283,210,159,987	27,452,932,114,333
Cost of sales	11	29	24,532,650,438,985	21,858,956,167,813
Gross profit (20 = 10 - 11)	20		8,750,559,721,002	5,593,975,946,520
Financial income	21	30	197,181,167,853	248,607,642,113
Financial expenses	22	31	367,986,756,135	566,233,897,606
<i>In which: Interest expense</i>	23		<i>279,951,879,407</i>	<i>251,337,896,345</i>
Share of loss in associates	24		(534,948,182)	(190,801,524)
Selling expenses	25	32	489,954,015,797	424,150,105,358
General and administration expenses	26	33	404,587,312,609	760,822,612,994
Net operating profit {30 = 20 + (21 - 22) + 24 - (25 + 26)}	30		7,684,677,856,132	4,091,186,171,151
Other income	31	34	434,468,369,665	314,546,263,699
Other expenses	32	35	417,322,272,122	415,903,770,054
Results of other activities (40 = 31 - 32)	40		17,146,097,543	(101,357,506,355)
Accounting profit before tax (50 = 30 + 40)	50		7,701,823,953,675	3,989,828,664,796
Income tax expense – current	51	37	1,138,489,987,447	516,978,888,313
Income tax benefit– deferred	52	37	(42,868,760,701)	(31,532,711,296)
Net profit after tax (carried forward to next page) (60 = 50 - 51 - 52)	60		6,606,202,726,929	3,504,382,487,779

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 2016 (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	2016 VND	2015 VND
Net profit after tax (brought forward from previous page) (60 = 50 - 51 - 52)	60		6,606,202,726,929	3,504,382,487,779
Attributable to:				
Equity holders of the parent company	61		6,602,102,000,272	3,485,462,964,249
Non-controlling interest	62		4,100,726,657	18,919,523,530
<hr/>				
				Restated
Basic earnings per share	70	38	7,162	3,928
<hr/>				

1 March 2017

Prepared by:



Nguyen Thi Thu Trang
General Accountant

Approved by:



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 cash flows for the year ended 31 December 2016
(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	2016 VND	2015 VND
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		7,701,823,953,675	3,989,828,664,796
Adjustments for				
Depreciation and amortisation	02		1,674,325,806,175	1,572,582,070,688
Allowances and provisions	03		(113,894,221,513)	65,304,349,717
Exchange losses arising from revaluation of monetary items denominated in foreign currencies	04		22,123,664,306	13,166,497,767
Profits from investing activities	05		(142,785,039,051)	(81,208,667,361)
Interest expense	06		279,951,879,407	251,337,896,345
Operating profit before changes in working capital	08		9,421,546,042,999	5,811,010,811,952
Change in receivables	09		(486,371,890,043)	(17,333,301,250)
Change in inventories	10		(3,334,840,113,940)	390,083,981,802
Change in payables and other liabilities	11		2,294,022,318,780	(849,876,282,431)
Change in prepaid expenses	12		121,804,325,086	66,692,373,461
			8,016,160,682,882	5,400,577,583,534
Interest paid	14		(280,617,909,310)	(284,307,633,410)
Income tax paid	15		(752,694,098,346)	(447,842,572,341)
Other payments for operating activities	17		(164,128,748,378)	(125,477,836,812)
Net cash flows from operating activities	20		6,818,719,926,848	4,542,949,540,971

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 2016
(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	2016 VND	2015 VND
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(3,416,965,133,077)	(3,386,572,345,633)
Proceeds from disposals of fixed assets and other long-term assets	22		27,787,679,259	32,360,460,543
Payments for purchase of debt instruments of other entities	23		-	(298,004,536,121)
Receipts from collecting loans, sales of debt instruments of other entities	24		109,242,499,518	-
Receipts of interests on term deposits and loans	27		162,361,726,520	119,070,843,886
Purchase of shares of subsidiary from its non-controlling shareholders			-	(230,628,789,000)
Net effect of acquisition and disposal of subsidiaries during the year			(10,561,686,300)	-
Net cash flows from investing activities	30		(3,128,134,914,080)	(3,763,774,366,325)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from capital contributed by non-controlling shareholders	31		10,000,000	58,500,000
Proceeds from borrowings	33		28,158,082,994,564	22,541,238,710,236
Payments to settle loan principals	34		(28,560,488,372,250)	(22,433,385,840,450)
Payments of dividends	36		(1,102,410,958,562)	(540,720,414,633)
Net cash flows from financing activities	40		(1,504,806,336,248)	(432,809,044,847)
Net cash flows during the year (50 = 20 + 30 + 40)	50		2,185,778,676,520	346,366,129,799
Cash and cash equivalents at the beginning of the year	60		2,372,761,840,865	2,026,280,467,705
Effect of exchange rate fluctuations	61		120,196,360	115,243,361
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61)	70	6	4,558,660,713,745	2,372,761,840,865

1 March 2017

Prepared by:



Nguyen Thi Thu Trang
General Accountant

Approved by:



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

Notes to the consolidated financial statements for the year ended 31 December 2016

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 2016 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;

Hoa Phat Group Joint Stock Company

Notes to the consolidated financial statements for the year ended 31 December 2016

(continued)

Form B 09 – DN/HN

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

- 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
- 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 2016 (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 2016, the Group's subsidiaries and associates are as follows:

No.	Tier 1 - subsidiaries	Principal activities	Percentage of ownership and voting rights of the Group	
			31/12/2016	1/1/2016
1	Hoa Phat Equipment and Accessories Co., Ltd.	Producing construction equipment, trading construction machinery and equipment, exploiting small and medium-sized minerals.	99.72%	99.72%
2	Hoa Phat Furniture JSC	Producing and trading various kinds of furniture.	99.60%	99.60%
3	Hoa Phat Steel Pipe Co., Ltd.	Producing and trading various kinds of steel pipes.	99.94%	99.91%
4	Hoa Phat Refrigeration Engineering Co., Ltd.	Producing and trading various kinds of refrigerant equipment.	99.67%	99.67%
5	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.	99.67%	99.67%
6	Hoa Phat 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%
7	An Thong Mineral Investment JSC	Exploring, exploiting, processing, importing and exporting minerals (mainly iron ores).	99.96%	99.96%
8	Golden Gain Vietnam JSC	Real estate trading.	99.99%	99.99%
9	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%
10	Hoa Phat Steel One Member Co., Ltd.	Producing steel, iron, wholesaling metals and metal ores.	100%	100%
11	Hoa Phat Steel Sheet One-member Co., Ltd. (i)	Production and trading of galvanized steel sheet, color coated steel sheet and galvalum steel sheet.	100%	-
12	Hoa Phat Agriculture Development JSC (i)	Raising livestock and poultry; farming; providing plantation, raising, post-harvest services; producing feeds for cattle, poultry and aquaculture sector.	99.999%	-
13	Hoa Phat Trading Co., Ltd. (ii)	Raising buffalos, cows; providing plantation, raising, post-harvest services.	-	99.83%

Hoa Phat Group Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2016 (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 1 - subsidiaries	Principal activities	Percentage of ownership and voting rights of the Group	
			31/12/2016	1/1/2016
14	Hoa Phat Da Nang Breeding One-member Co., Ltd. (formerly known as “Nam Giang Mining One-member Co., Ltd.”) (ii)	Raising cattle and poultry; providing plantation services.	-	100%
15	Hoa Phat Livestock Development JSC (ii)	Raising and providing breeding and market pigs.	-	99.80%
16	Hoa Phat Feeds Production and Trading One-member Co., Ltd. (ii)	Producing and trading feeds and materials for producing feeds for cattle, poultry and aquaculture sector	-	100%
17	Hoa Phat Dong Nai Feeds One-member Co., Ltd (ii)	Producing and processing feeds for cattle, poultry and aquaculture sector.	-	100%
18	Hoa Phat Mitraco Mining JSC (iii)	Exploring and production of iron, bauxite and other rare ores; trading metal and metal ores.	-	98.42%

Hoa Phat Group Joint Stock Company

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

Form B 09 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC
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No.	Tier 2 - subsidiaries	Principal activities	Percentage of direct ownership of tier 1 – subsidiaries		Percentage of ownership of the Group	
			31/12/2016	1/1/2016	31/12/2016	1/1/2016
	<i>Subsidiaries of Hoa Phat Equipment and Accessories Co. Ltd.</i>					
1	Hoa Phat Mining and Construction Machinery Manufacturing Co., Ltd.	Producing and trading construction and mining machines; producing engines and turbines.	100%	100%	99.72%	99.72%
2	Hoa Phat Mechanical Manufacturing Co., Ltd.	Repairing and producing mechanical products; leasing machines, equipment and vehicles.	99.95%	99.95%	99.62%	99.62%
	<i>Subsidiaries of Hoa Phat Steel Pipe Co., Ltd.</i>					
3	Hoa Phat Cold Rolled Steel Co., Ltd.	Producing of cold rolled steel products.	100%	100%	99.94%	99.91%
4	Hoa Phat Binh Duong Steel Pipe One Member Co., Ltd.	Producing and trading various kinds of steel pipes.	100%	100%	99.94%	99.91%
5	Hoa Phat Da Nang Steel Pipe Co., Ltd.	Producing and trading various kinds of steel pipes.	99.98%	99.97%	99.92%	99.88%
6	Hoa Phat Long An Steel Pipe One Member Co., Ltd.	Producing and trading various kinds of steel pipes.	100%	100%	99.94%	99.91%

Hoa Phat Group Joint Stock Company

Notes to the consolidated financial statements for the year ended 31 December 2016 (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	
			31/12/2016	1/1/2016	31/12/2016	1/1/2016
<i>Subsidiaries of Hoa Phat Urban Development and Construction JSC</i>						
7	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%	99.67%	99.67%
8	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%	99.67%	99.67%
<i>Subsidiaries of Golden Gain Vietnam JSC</i>						
9	Hanoi Investment and Services JSC	Sports, entertainment activities, including tennis, badminton, billiards, swimming, body-building, games and real estate trading.	95.27%	95.27%	95.26%	95.26%
10	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%	99.89%	99.89%
<i>Subsidiaries of Hoa Phat Steel One Member Co., Ltd</i>						
11	Hoa Phat - Binh Dinh One Member Limited Liability Company	Producing steel, iron, wholesaling metals and metal ores.	100%	100%	100%	100%

Hoa Phat Group Joint Stock Company

Notes to the consolidated financial statements for the year ended 31 December 2016 (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	
			31/12/2016	1/1/2016	31/12/2016	1/1/2016
<i>Subsidiaries of Hoa Phat Agriculture Development JSC</i>						
12	Hoa Phat Trading Co., Ltd. (ii)	Raising buffalos, cows; providing plantation, raising, post-harvest services.	99.90%	-	99.899%	-
13	Hoa Phat Livestock Development JSC (ii)	Raising and providing breeding and market pigs.	99.95%	-	99.949%	-
14	Hoa Phat Feeds Production and Trading One-member Co., Ltd (ii)	Producing and trading feeds and materials for producing feeds for cattle, poultry and aquaculture sector.	100%	-	99.999%	-
15	Hoa Phat Dong Nai Feeds One-member Co., Ltd. (ii)	Producing and processing feeds for cattle, poultry and aquaculture sector.	100%	-	99.999%	-
16	Hoa Phuoc Breeding Co., Ltd. (iv)	Raising breeding and market pigs.	99.997%	-	99.996%	-
17	Hoa Phat Poultry One-member Co., Ltd. (i)	Raising poultry	100%	-	99.999%	-
18	Hoa Phat Da Nang Breeding One-member Co., Ltd. (ii)	Raising cattle and poultry; providing plantation services.	100%	-	99.999%	-
<i>Subsidiaries of Hoa Phat Steel JSC</i>						
19	Hoa Yen Mining JSC (v)	Exploring and production of iron, bauxite and other rare ores.	-	99.77%	-	99.76%
20	Duc Long Mining JSC (v)	Exploring and production of iron, bauxite and other rare ores.	-	99.98%	-	99.97%

Hoa Phat Group Joint Stock Company

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

Form B 09 – DN/HN
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No.	Tier 2 - subsidiaries	Principal activities	Percentage of direct ownership of tier 1 – subsidiaries		Percentage of ownership of the Group	
			31/12/2016	1/1/2016	31/12/2016	1/1/2016
<i>Subsidiaries of An Thong Mineral Investment JSC</i>						
21	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.	100.00%	100%	99.96%	99.96%
22	Hoa Phat Mitraco Mining JSC (iii)	Exploring and production of iron, bauxite and other rare ores; trading metal and metal ores.	98.42%	-	98.38%	-
23	Phu Tho Agricultural Investment and Development One Member Co., Ltd. (vi)	Raising pigs, buffalos, cows; mixed farming; processing and preserving vegetables and fruits, meat and meat products.	-	100%	-	99.96%

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No.	Tier 3 - subsidiaries	Principal activities	Percentage of direct ownership of tier 2 – subsidiaries		Percentage of ownership of the Group	
			31/12/2016	1/1/2016	31/12/2016	1/1/2016
<i>Subsidiaries of Hoa Phat Livestock Development JSC</i>						
1	Hoa Phat Hoa Binh Breeding One Member Co., Ltd. (iv)	Raising poultry, raising other animals.	100%	-	99.949%	-
2	Hoa Yen Breeding One Member Co., Ltd. (i)	Raising pigs, raising other animals.	100%	-	99.949%	-
3	Hoa Phat Ninh Binh Breeding One Member Co., Ltd.	Raising pigs, raising poultry, raising other animals.	100%	100%	99.949%	99.80%
4	Phu Tho Agricultural Investment and Development One Member Co., Ltd. (vi)	Raising pigs, buffalos, cows; mixed farming; processing and preserving vegetables and fruits, meat and meat products.	100%	-	99.949%	-
5	Hoa Phat Lac Thuy Breeding One-member Co., Ltd. (vii)	Raising pigs, raising poultry, raising other animals.	-	100%	-	99.80%
6	Hoa Phat Bac Giang Breeding One-member Co., Ltd.	Raising pigs, raising poultry, raising other animals.	100%	100%	99.949%	99.80%
7	Hoa Phat Lang Son Breeding One-member Co., Ltd.	Raising pigs, raising poultry, raising other animals.	100%	100%	99.949%	99.80%
8	Hoa Phat Thai Binh Breeding One-member Co., Ltd. (i)	Raising pigs, raising poultry, raising other animals.	100%	-	100%	-

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No.	Tier 3 - subsidiaries	Principal activities	Percentage of direct ownership of tier 2 – subsidiaries		Percentage of ownership of the Group	
			31/12/2016	1/1/2016	31/12/2016	1/1/2016
	<i>Subsidiaries of Hoa Phat Trading Co., Ltd.</i>					
9	Hoa Phat Quang Binh Breeding Co., Ltd. (i)	Raising livestock and poultry: providing plantation services.	72.72%	-	72.646%	-
10	Chi Thien Breeding One-member Co., Ltd. (i)	Raising livestock and poultry: providing plantation services.	100%	-	99.899%	-
11	An Chau Breeding One-member Co., Ltd.	Raising livestock and poultry: providing plantation services.	100%	100%	99.899%	99.83%
12	Van Thang Breeding One-member Co., Ltd.	Raising livestock and poultry: providing plantation services.	100%	100%	99.899%	99.83%
13	Viet Hung Breeding One-member Co., Ltd.	Raising livestock and poultry: providing plantation services.	100%	100%	99.899%	99.83%
14	Dong Phat Breeding One-member Co., Ltd.	Raising livestock and poultry: providing plantation services.	100%	100%	99.899%	99.83%

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No.	Associates	Principal activities	Percentage of ownership and voting rights of the Group	
			31/12/2016	1/1/2016
1	Hoa Phat – SSG Mining JSC	Exploiting and collecting lignite; exploiting nonferrous ores; rendering mining support services and producing coke, lime, gypsum.	38%	38%

- (i) These are subsidiaries that were established during the year.
- (ii) These are tier 1 subsidiaries that were transferred to Hoa Phat Agriculture Development JSC during the year.
- (iii) This is the tier 1 subsidiary that were transferred to An Thong Mineral Investment JSC during the year.
- (iv) These are subsidiaries that were acquired during the year.
- (v) These are tier 2 subsidiaries transferred to An Thong Mineral Investment JSC by Hoa Phat Steel JSC, then transferred to third parties during the year.
- (vi) These are subsidiaries that were transferred to Hoa Phat Livestock Development JSC by An Thong Mineral Investment JSC during the year.
- (vii) This is the subsidiary dissolved during the year.

All the Company's subsidiaries and associates are incorporated in Vietnam.

As at 31 December 2016, the Group had 12,851 employees (1/1/2016: 11,757 employees).

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

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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. Any resulting 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.

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.

(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 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.

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3.2 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.

3.3 Cash and cash equivalents

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

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 doubtful debts.

(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 a 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.

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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.

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 – 10 years
▪ office equipment	3 – 12 years
▪ livestock	4 years
▪ others	3 – 12 years

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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.

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

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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 Circular 45, 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.

(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.

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 no more than 10 years. Carrying value of goodwill arising on acquisition of a subsidiary is written down to recoverable amount as management determines that it is not fully recoverable.

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

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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. 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

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:

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(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; or
 - 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; and
- 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; or
- Loans and receivables.

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(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; or
 - 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.

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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.

(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 at the balance sheet date. 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 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 (“EPS”) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders (after deducting any amounts appropriated to bonus and welfare funds for the annual accounting period) of the Company by the weighted average number of ordinary shares outstanding during the year.

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; and
- 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.

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	Production and trading of steels VND	Other industrial production VND	Real estates VND	Agriculture VND	Financial investment (parent entity) VND	Elimination VND	Consolidated total VND
For the year ended 31 December 2016							
Net external revenue	28,854,964,753,230	2,597,815,381,257	435,462,940,082	1,394,967,085,418	-	-	33,283,210,159,987
Net inter-segment revenue	19,100,915,399,376	209,040,347,651	246,028,247,605	405,204,094,440	77,559,819,947	(20,038,747,909,019)	-
Total segment revenue	47,955,880,152,606	2,806,855,728,908	681,491,187,687	1,800,171,179,858	77,559,819,947	(20,038,747,909,019)	33,283,210,159,987
Segment net operating profits	7,042,595,178,369	502,409,727,619	227,154,567,959	25,685,271,774	5,708,071,814,642	(5,821,238,704,231)	7,684,677,856,132
Other income	417,276,345,429	15,759,541,021	25,675,511,190	4,032,743,092	8,114,457,950	(36,390,229,017)	434,468,369,665
Other expenses	(401,721,089,734)	(3,227,536,508)	(11,521,809,577)	(1,706,275,070)	(449,759,140)	1,304,197,907	(417,322,272,122)
Income tax expenses – current	(983,744,656,725)	(78,187,062,554)	(58,020,011,113)	(180,377,950)	(18,357,879,105)	-	(1,138,489,987,447)
Income tax benefit/(expenses) – deferred	8,656,003,959	(1,766,232,965)	16,948,280,851	1,803,573	-	19,028,905,283	42,868,760,701
Net profit after tax	6,083,061,781,298	434,988,436,613	200,236,539,310	27,833,165,419	5,697,378,634,347	(5,837,295,830,058)	6,606,202,726,929

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	Production and trading of steels VND	Other industrial production VND	Real estates VND	Agriculture VND	Financial investment (parent entity) VND	Elimination VND	Consolidated total VND
As at 31 December 2016							
Segment assets	26,751,186,404,211	1,891,283,472,193	2,307,735,728,580	2,747,112,617,052	3,020,037,256,673	(3,494,074,548,567)	33,223,280,930,142
Investments in subsidiaries	-	-	-	-	11,158,244,026,533	(11,158,244,026,533)	-
Investments in equity accounted associates	-	-	-	-	5,730,000,000	(2,458,612,257)	3,271,387,743
Total assets	26,751,186,404,211	1,891,283,472,193	2,307,735,728,580	2,747,112,617,052	14,184,011,283,206	(14,654,777,187,357)	33,226,552,317,885
Segment liabilities	14,311,560,655,203	715,761,060,879	985,915,041,210	551,060,317,625	211,460,052,426	(3,399,465,887,422)	13,376,291,239,921
Total liabilities	14,311,560,655,203	715,761,060,879	985,915,041,210	551,060,317,625	211,460,052,426	(3,399,465,887,422)	13,376,291,239,921
For the year ended 31 December 2016							
Capital expenditure	1,545,117,235,057	117,691,744,811	35,316,820,235	1,245,809,535,542	16,678,240,000	(27,770,342,622)	2,932,843,233,023
Depreciation of tangible fixed assets, finance leases assets and investment properties	(1,453,868,933,683)	(130,228,542,948)	(24,795,208,990)	(18,612,687,407)	(21,347,019,651)	9,693,027,616	(1,639,159,365,063)
Amortisation of intangible fixed assets	(1,845,161,269)	(2,210,722,344)	-	(111,323,850)	(138,406,861)	232,321,846	(4,073,292,478)
Amortisation of long-term prepaid expenses	(232,226,334,499)	(13,765,769,796)	(1,972,804,508)	(9,879,387,296)	(11,480,768,917)	680,456,975	(268,644,608,041)

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	Production and trading of steels VND	Other industrial production VND	Real estates VND	Agriculture VND	Financial investment (parent entity) VND	Elimination VND	Consolidated total VND
For the year ended 31 December 2015							
Net external revenue	22,585,958,233,245	2,472,399,094,213	1,062,606,385,074	1,331,968,401,801	-	-	27,452,932,114,333
Net inter-segment revenue	15,080,757,770,381	132,961,038,668	64,534,033,233	-	26,162,521,000	(15,304,415,363,282)	-
Total segment revenue	37,666,716,003,626	2,605,360,132,881	1,127,140,418,307	1,331,968,401,801	26,162,521,000	(15,304,415,363,282)	27,452,932,114,333
Segment net operating profits	3,518,353,837,431	423,612,111,063	387,206,050,544	(46,782,297,035)	1,787,061,911,805	(1,978,265,442,657)	4,091,186,171,151
Other income	290,232,381,080	88,656,070,520	14,568,708,595	667,677,280	6,958,601,854	(86,537,175,630)	314,546,263,699
Other expenses	(403,174,068,613)	(2,985,989,420)	(9,544,255,602)	(120,949,033)	(579,648,126)	501,140,740	(415,903,770,054)
Income tax expenses – current	(309,048,816,014)	(105,197,665,823)	(100,240,295,233)	-	(2,492,111,243)	-	(516,978,888,313)
Income tax benefit – deferred	671,080,393	2,859,125,454	16,370,220,408	-	-	11,632,285,041	31,532,711,296
Net profit after tax	3,097,034,414,277	406,943,651,794	308,360,428,712	(46,235,568,788)	1,790,948,754,290	(2,052,669,192,506)	3,504,382,487,779

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	Production and trading of steels VND	Other industrial production VND	Real estates VND	Agriculture VND	Financial investment (parent entity) VND	Elimination VND	Consolidated total VND
As at 1 January 2016							
Segment assets	20,794,438,209,585	1,910,318,727,906	1,910,699,885,605	965,948,963,815	1,090,838,321,365	(1,169,281,258,656)	25,502,962,849,620
Investments in subsidiaries	-	-	-	-	8,534,660,542,633	(8,534,660,542,633)	-
Investments in associates	-	-	-	-	5,730,000,000	(1,923,664,075)	3,806,335,925
Total assets	20,794,438,209,585	1,910,318,727,906	1,910,699,885,605	965,948,963,815	9,631,228,863,998	(9,705,865,465,364)	25,506,769,185,545
Segment liabilities	9,905,643,324,266	758,586,589,679	505,658,442,121	647,341,216,503	210,778,630,594	(987,949,402,928)	11,040,058,800,235
Total liabilities	9,905,643,324,266	758,586,589,679	505,658,442,121	647,341,216,503	210,778,630,594	(987,949,402,928)	11,040,058,800,235
For the year ended 31 December 2015							
Capital expenditure	4,330,739,001,288	290,996,481,484	34,436,905,457	155,975,426,454	7,530,894,984	(42,539,121,945)	4,777,139,587,722
Depreciation of tangible fixed assets, finance leases assets and investment properties	(1,126,674,740,987)	(111,468,953,189)	(20,680,938,255)	(802,108,154)	(5,839,205,480)	(7,083,951,723)	(1,272,549,897,788)
Amortisation of intangible fixed assets	(1,791,927,870)	(2,769,560,368)	-	-	(314,023,524)	309,613,068	(4,565,898,694)
Amortisation of long-term prepaid expenses	(207,609,914,032)	(23,804,469,783)	(169,741,013)	(1,284,900,900)	(6,194,124,814)	517,659,929	(238,545,490,613)

Hoa Phat Group Joint Stock Company**Notes to the consolidated financial statements for the year ended 31 December 2016****(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 and transfer of capital in subsidiaries****5.1 Transfer of capital in subsidiaries**

During the year, the Group transferred all of its share capital in two tier 2 subsidiaries, namely Hoa Yen Mining JSC and Duc Long Mining JSC, to third parties.

These transactions had the following effect on the Group's assets and liabilities on the date of loss of control:

	Carrying amount at the date of loss of control		
	Hoa Yen Mining JSC VND	Duc Long Mining JSC VND	Total VND
Cash and cash equivalents	1,325,304,341	1,538,769,542	2,864,073,883
Accounts receivable – short-term	27,361,199,345	38,756,223,592	66,117,422,937
Inventories	-	1,131,504	1,131,504
Fixed assets	33,726,837	-	33,726,837
Current liabilities	(1,789,292,026)	(1,720,584,205)	(3,509,876,231)
Net identifiable assets and liabilities	26,930,938,497	38,575,540,433	65,506,478,930
Decrease in non-controlling interest	(63,119,387)	(9,643,885)	(72,763,272)
The Group's share of net assets at the date of loss of control	26,867,819,110	38,565,896,548	65,433,715,658
Disposal price	26,867,819,110	38,565,896,548	65,433,715,658
Decrease in cash due to loss of control over the subsidiaries	(1,325,304,341)	(1,538,769,542)	(2,864,073,883)
Net cash received from loss of control over the subsidiaries	25,542,514,769	37,027,127,006	62,569,641,775

5.2 Consolidation of subsidiaries acquired during the year

On 31 January 2016, Hoa Phat Livestock Development JSC, a tier 2 subsidiary of the Group, took over 100% of owners' equity and corresponding control rights of Hoa Phat Hoa Binh Breeding One-member Co., Ltd., which is incorporated in Vietnam.

On 19 February 2016, Hoa Phat Agriculture Development JSC, a subsidiary of the Group, took over 99.98% of owners' equity and corresponding control rights of Hoa Phuoc Breeding Co., Ltd, which is incorporated in Vietnam.

Hoa Phat Group Joint Stock Company**Notes to the consolidated financial statements for the year ended 31 December 2016****(continued)****Form B 09 – DN/HN***(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)*

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

	Carrying value and fair value at the acquisition date		
	Hoa Phat Hoa Binh Breeding One- member Co., Ltd VND	Hoa Phuoc Breeding Co., Ltd VND	Total VND
Cash and cash equivalents	4,814,669,434	2,576,002,491	7,390,671,925
Short-term financial investments	15,000,000,000	-	15,000,000,000
Accounts receivable – short-term	-	51,274,309,086	51,274,309,086
Other current assets	2,188,538,136	55,094,600	2,243,632,736
Fixed assets	-	805,226,190	805,226,190
Long-term work in progress	182,260,000	1,226,494,512	1,408,754,512
Current liabilities	(20,598,000)	(6,516,086,975)	(6,536,684,975)
Net identifiable assets and liabilities	22,164,869,570	49,421,039,904	71,585,909,474
The Group's interest in the subsidiaries' net assets at the date of acquisition	22,164,869,570	49,411,155,696	71,576,025,266
Goodwill on acquisitions	4,367,130,430	578,844,304	4,945,974,734
Considerations paid	26,532,000,000	49,990,000,000	76,522,000,000
Cash acquired	(814,669,434)	(2,576,002,491)	(3,390,671,925)
Net cash outflow	25,717,330,566	47,413,997,509	73,131,328,075

During the period from the acquisition date to 31 December 2016, the acquirees have not yet generated any revenue but suffered a loss of VND1,543 million.

6. Cash and cash equivalents

	31/12/2016 VND	1/1/2016 VND
Cash on hand	12,684,178,304	7,364,886,583
Cash in banks	544,238,535,663	342,031,319,837
Cash equivalents	4,001,737,999,778	2,023,365,634,445
	4,558,660,713,745	2,372,761,840,865

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7. Investments

7.1 Held-to-maturity investments

	31/12/2016		1/1/2016	
	Cost VND	Fair value VND	Cost VND	Fair value VND
Held-to-maturity investments - short-term				
▪ Term deposits (i)	693,498,769,815	693,498,769,815	758,094,875,121	758,094,875,121
Held-to-maturity investments - long-term				
▪ Term deposits (ii)	59,890,620,768	(*)	83,037,014,980	(*)

(i) These represent term deposits with terms ranging from 3 months to 1 year placed at financial institutions and with interest rates ranging from 3.5% to 7% (2015: 3.5% to 5.8%) 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 6.1% to 6.8% (2015: 6.2% to 6.3%) 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.

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7.2 Equity investments in other entities

	Address	31/12/2016				1/1/2016			
		% of equity owned	% of voting rights	Carrying amount VND	Fair value VND	% of equity owned	% of voting rights	Carrying amount VND	Fair value VND
Equity investments in:									
▪ Associates									
• Hoa Phat – SSG Mining JSC	Ho Chi Minh City, Vietnam	38.00%	38.00%	3,271,387,743		38.00%	38.00%	3,806,335,925	
▪ Others									
• Viet Ha Brewery JSC	Bac Ninh, Vietnam	6.98%	6.98%	15,000,000,000		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	
• Others				2,128,365				2,128,365	
				15,702,128,365				15,702,128,365	
				18,973,516,108 (*)				19,508,464,290 (*)	

(*) 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 2016****(continued)****Form B 09 – DN/HN***(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)***8. Other receivables**

	31/12/2016 VND	1/1/2016 VND
Commodity swap contract	129,870,457,740	-
Interest receivables	16,797,595,647	16,260,121,412
Export tax paid in advance	2,725,908,790	2,916,009,473
Materials issued for outside processing	7,615,163,731	3,167,292,171
Other receivables	25,953,701,147	24,890,929,955
	182,962,827,055	47,234,353,011

9. Inventories

	31/12/2016		1/1/2016	
	Cost VND	Allowance VND	Cost VND	Allowance VND
Goods in transit	1,544,293,431,711	92,954,347,922	695,366,378,460	-
Raw materials	3,540,346,294,961	31,042,362,678	2,728,251,654,898	214,141,701,768
Tools and supplies	973,951,292,560	1,794,923,018	826,775,384,751	18,367,069
Work in progress	827,918,323,538	-	881,447,559,380	10,762,651,083
Finished goods	3,372,947,849,974	16,753,673,196	1,913,398,544,726	42,842,913,922
Merchandise inventories	96,143,598,451	1,754,907,363	76,824,564,678	2,847,972,743
Goods on consignment	35,875,103,679	-	85,991,306,756	-
	10,391,475,894,874	144,300,214,177	7,208,055,393,649	270,613,606,585

As at 31 December 2016, inventories with a carrying value of VND2,462,144 million (1/1/2016: VND1,318,451 million) were pledged with banks as security for loans granted to the Group.

Included in inventories as at 31 December 2016 was VND1,042,141 million (1/1/2016: VND738,684 million) of inventories carried at net realisable value.

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10. Tangible fixed assets

Cost	Buildings VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Livestock VND	Others VND	Total VND
Opening balance	2,961,524,231,496	9,600,099,685,033	461,158,947,117	29,886,932,589	-	2,370,983,862	13,055,040,780,097
Increase due to acquisition of subsidiaries	-	-	838,500,000	-	-	-	838,500,000
Increase due to contributed capital from non-controlling shareholders into the Company's subsidiaries	-	-	-	-	-	-	-
Additions	2,336,701,358	118,976,023,233	89,311,391,494	5,887,608,904	-	-	2,336,701,358
Transfer from construction in progress	24,781,946,129	4,913,895,602,804	76,897,092,354	1,585,520,914	-	-	238,956,969,760
Disposals of subsidiaries	823,558,641,733	(76,428,215,290)	(16,117,913,280)	-	27,730,285,569	-	5,843,667,143,374
Disposals and written off	(77,275,405,062)	(93,163,462,792)	(14,107,273,572)	(1,666,754,851)	-	(298,523,809)	(169,821,533,632)
Reclassifications	(3,703,797,265)	(3,087,761,228)	5,181,672,728	(285,741,891)	-	-	(112,939,812,289)
Other movements	(1,808,169,609)	(10,400,000)	-	-	-	(1,776,541,200)	-
	(10,400,000)	(1,082,333,646)	-	-	-	(1,776,541,200)	(2,869,274,846)
Closing balance	3,729,403,748,780	14,459,209,538,114	603,162,416,841	35,407,565,665	27,730,285,569	295,918,853	18,855,209,473,822
Accumulated depreciation							
Opening balance	933,179,565,406	3,852,183,593,364	201,193,043,927	20,223,515,081	-	790,953,286	5,007,570,671,064
Charge for the year	245,870,488,310	1,314,189,062,198	63,840,496,940	4,283,681,455	440,770,542	100,254,763	1,628,724,754,208
Increase due to acquisition of subsidiaries	-	-	33,273,810	-	-	-	33,273,810
Disposals of subsidiaries	(77,275,405,062)	(76,394,488,453)	(16,117,913,280)	-	-	-	(169,787,806,795)
Disposals and written off	(2,339,373,608)	(81,914,046,926)	(12,080,832,510)	(1,268,385,589)	-	(298,523,809)	(97,901,162,442)
Reclassifications	2,076,300,653	(2,942,119,927)	865,819,274	-	-	-	-
Other movements	-	(944,680,259)	-	-	-	(296,765,387)	(1,241,445,646)
Closing balance	1,101,511,575,699	5,004,177,319,997	237,733,888,161	23,238,810,947	440,770,542	295,918,853	6,367,398,284,199
Net book value							
Opening balance	2,028,344,666,090	5,747,916,091,669	259,965,903,190	9,663,417,508	-	1,580,030,576	8,047,470,109,033
Closing balance	2,627,892,173,081	9,455,032,218,117	365,428,528,680	12,168,754,718	27,289,515,027	-	12,487,811,189,623

Included in tangible fixed assets were assets costing VND1,337,495 million which were fully depreciated as at 31 December 2016 (1/1/2016: VND1,021,785 million) but still in active use.

As at 31 December 2016, tangible fixed assets with a carrying value of VND2,972,111 million (1/1/2016: VND4,908,798 million) were pledged with banks as security for loans granted to the Group.

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	Land use rights VND	Software VND	Others VND	Total VND
Cost				
Opening balance	188,088,756,072	3,659,413,523	1,500,909,664	193,249,079,259
Additions	1,200,000,000	4,795,047,927	-	5,995,047,927
Transfer from construction in progress	16,766,590,000	-	-	16,766,590,000
Disposals of subsidiaries	-	(40,000,000)	-	(40,000,000)
Closing balance	206,055,346,072	8,414,461,450	1,500,909,664	215,970,717,186
Accumulated amortisation				
Opening balance	24,967,658,624	2,820,172,605	1,500,909,664	29,288,740,893
Charge for the year	3,267,811,717	805,480,761	-	4,073,292,478
Disposals of subsidiaries	-	(40,000,000)	-	(40,000,000)
Closing balance	28,235,470,341	3,585,653,366	1,500,909,664	33,322,033,371
Net book value				
Opening balance	163,121,097,448	839,240,918	-	163,960,338,366
Closing balance	177,819,875,731	4,828,808,084	-	182,648,683,815

Included in the cost of intangible fixed assets were assets costing VND2,679 million which were fully depreciated as of 31 December 2016 (1/1/2016: VND1,411 million), but still in active use.

At 31 December 2016, intangible fixed assets with a carrying value of VND75,978 million (1/1/2016: VND77,867 million) were pledged with banks as security for loans granted to the Group.

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	Buildings VND	Land use rights VND	Total VND
Cost			
Opening balance	220,669,064,952	15,780,994,600	236,450,059,552
Additions during the year	19,514,545,865	-	19,514,545,865
Transfer from construction in progress	7,786,557,067	-	7,786,557,067
Disposals	(18,122,668,524)	-	(18,122,668,524)
Closing balance	229,847,499,360	15,780,994,600	245,628,493,960
Accumulated depreciation			
Opening balance	43,955,766,732	-	43,955,766,732
Charge for the year	10,434,610,855	-	10,434,610,855
Disposals	(12,373,825,216)	-	(12,373,825,216)
Other movements	855,024,009	-	855,024,009
Closing balance	42,871,576,380	-	42,871,576,380
Net book value			
Opening balance	176,713,298,220	15,780,994,600	192,494,292,820
Closing balance	186,975,922,980	15,780,994,600	202,756,917,580

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 fair value of the Group's investment properties has not been determined because the Group has not performed a valuation as there is no active market for such properties.

Hoa Phat Group Joint Stock Company**Notes to the consolidated financial statements for the year ended 31 December 2016****(continued)****Form B 09 – DN/HN***(Issued under Circular No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)***13. Construction in progress**

	2016 VND	2015 VND
Opening balance	4,339,188,508,885	429,472,156,988
Additions during the year	2,668,376,669,471	4,522,554,816,392
Increase due to acquisition of subsidiaries	1,408,754,512	-
Decrease due to dissolution of a tier 2 - subsidiary	(166,671,113)	-
Transfer to tangible fixed assets	(5,843,667,143,374)	(566,996,059,615)
Transfer to intangible fixed assets	(16,766,590,000)	-
Transfer to investment property	(7,786,557,067)	-
Transfer to long-term prepaid expenses	(28,388,477,090)	(41,913,545,408)
Transfer to short-term prepaid expenses	(1,880,826,249)	(3,333,681,721)
Disposals	(2,045,295,000)	-
Others	(311,610,000)	(595,177,751)
Closing balance	1,107,960,762,975	4,339,188,508,885

Major constructions in progress were as follows:

	31/12/2016 VND	1/1/2016 VND
Steel Production Complex project in Hai Duong	66,188,073,600	3,859,465,178,880
Steel Pipe Factory expansion project	156,166,783,570	150,545,022,392
Agriculture projects	768,103,096,522	124,154,056,454
Other projects	117,502,809,283	205,024,251,159
	1,107,960,762,975	4,339,188,508,885

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14. Long-term prepaid expenses

	Tools and supplies VND	Overhaul and major maintenance expenses VND	Prepaid land costs VND	Site clearance costs VND	Others VND	Total VND
Opening balance	51,510,458,326	223,773,189,559	233,090,784,881	23,536,108,962	19,772,286,952	551,682,828,680
Receipt of capital contribution from non-controlling shareholders into the Company's subsidiaries	-	-	-	-	-	-
Additions	85,946,342,633	13,704,476,184	192,456,619,309	17,666,194,490	79,258,720,820	79,258,720,820
Transfer from construction in progress	10,440,113,017	1,701,067,475	14,447,400,000	-	24,836,029,964	334,609,662,580
Disposals	(34,178,858)	-	-	-	1,799,896,598	28,388,477,090
Amortisation for the year	(58,608,654,221)	(178,056,955,287)	(9,889,864,660)	(3,093,942,296)	(8,886,652,996)	(8,920,831,854)
Reclassifications	(650,200,094)	(81,839,257)	(1,578,833,446)	1,578,833,446	(18,995,191,577)	(268,644,608,041)
					732,039,351	-
Closing balance	88,603,880,803	61,039,938,674	428,526,106,084	39,687,194,602	98,517,129,112	716,374,249,275

At 31 December 2016, no long-term prepaid expenses (1/1/2016: VND36,367 million) were pledged with banks as security for loans granted to the Group.

15. Deferred tax assets

Deferred tax assets were recognised in respect of the following items:

	31/12/2016 VND	1/1/2016 VND
Accrued expenses	44,610,714,421	26,957,539,726
Unrealised profits arising on the intra-group sales of inventories and fixed assets	81,652,198,271	56,676,400,218
Unrealised foreign exchange losses	1,060,191,477	69,091,838
	127,323,104,169	83,703,031,782

Hoa Phat Group Joint Stock Company**Notes to the consolidated financial statements for the year ended 31 December 2016****(continued)****Form B 09 – DN/HN***(Issued under Circular No. 202/2014/TT-BTC
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	Hoa Phat Energy JSC VND	Hoa Phat Hoa Binh Breeding One Member Co., Ltd. VND	Hoa Phuoc Breeding Co., Ltd. VND	Total VND
Cost				
Opening balance	206,244,396,684	-	-	206,244,396,684
Additions	-	4,367,130,430	578,844,304	4,945,974,734
Closing balance	206,244,396,684	4,367,130,430	578,844,304	211,190,371,418
Accumulated amortization				
Opening balance	115,153,121,481	-	-	115,153,121,481
Amortization for the year	20,624,439,670	-	578,844,304	21,203,283,974
Closing balance	135,777,561,151	-	578,844,304	136,356,405,455
Net book value				
Opening balance	91,091,275,203	-	-	91,091,275,203
Closing balance	70,466,835,533	4,367,130,430	-	74,833,965,963

17. Taxes and others payable to State Treasury

	1/1/2016 VND	Increase due to acquisition of subsidiaries VND	Incurred VND	Offsetting against deducted/paid VND	Decrease due to disposal of subsidiaries VND	31/12/2016 VND
Value added tax	29,395,378,795	-	4,225,063,037,522	(4,198,615,011,868)	(308,448,840)	55,534,955,609
Special consumption tax	117,580,416	-	32,096,943,359	(30,303,966,928)	-	1,910,556,847
Import-export tax	892,864,191	-	106,262,632,080	(107,128,936,104)	-	26,560,167
Corporate income tax	300,528,703,513	-	1,138,489,987,447	(766,960,269,802)	-	672,058,421,158
Withholding tax	1,426,954,456	-	25,335,339,081	(25,145,743,302)	-	1,616,550,235
Personal income tax	1,192,733,258	20,667,513	51,920,851,341	(50,450,526,670)	(2,735,209)	2,680,990,233
Natural resource taxes	4,675,648,019	-	86,754,417,796	(85,520,725,499)	(115,005,200)	5,794,335,116
Land rental	57,304,516,484	-	11,146,620,059	(67,845,439,165)	-	605,697,378
Other taxes	2,995,720,675	-	38,257,358,573	(36,961,990,534)	(96,400,000)	4,194,688,714
	398,530,099,807	20,667,513	5,715,327,187,258	(5,368,932,609,872)	(522,589,249)	744,422,755,457

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dated 22 December 2014 of the Ministry of Finance)***18. Accrued expenses****18.1 Accrued expenses – short-term**

	31/12/2016 VND	1/1/2016 VND
Electricity expense	32,268,597,568	36,513,158,033
Promotion expense	62,560,595,468	26,614,711,130
Interest expense	16,930,433,412	18,514,828,201
Mineral mining right fees	1,388,340,138	9,085,228,848
Transportation cost	5,920,240,515	2,864,387,729
Geological exploration information fee	1,422,758,863	1,402,755,548
Construction of fixed assets	26,672,368,281	-
Salaries and bonuses	2,517,176,890	1,972,044,207
Others	9,925,921,394	9,789,271,254
	<hr/>	<hr/>
	159,606,432,529	106,756,384,950

18.2 Accrued expenses – long-term

	31/12/2016 VND	1/1/2016 VND
Accruals for infrastructure maintenance	3,600,000,000	-
Accruals for cost of Industrial zone land	277,168,142,325	181,520,840,109
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	280,768,142,325	181,520,840,109

Hoa Phat Group Joint Stock Company**Notes to the consolidated financial statements for the year ended 31 December 2016****(continued)****Form B 09 – DN/HN***(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)***19. Other payables****19.1 Other payables – short-term**

	31/12/2016 VND	1/1/2016 VND
Payable to RHI Refractories Asia-Pacific PTE	11,707,045,832	7,384,565,916
Deposits received for purchase of apartments in Mandarin 2	26,048,470,074	-
Payable to Golden Gain Enterprises JSC	3,756,425,917	3,756,425,917
Interest expense	1,024,519,687	106,154,801
Dividends payable	1,387,646,000	1,549,770,000
Short-term deposits and collaterals received	1,517,880,000	2,406,910,000
Sales discounts	63,864,160,176	41,960,588,602
Trade union fee, social and health insurance	12,992,955,133	8,788,887,474
Borrowed goods	1,770,771,360	2,728,208,404
Surplus assets awaiting resolution	82,156,074	497,821,990
Guarantee expenses	361,115,980	1,275,960,726
Others	16,090,090,173	25,421,429,657
	<hr/>	<hr/>
	140,603,236,406	95,876,723,487
	<hr/>	<hr/>

19.2 Other payables – long-term

	31/12/2016 VND	1/1/2016 VND
Apartment maintenance fund	110,699,629,045	104,098,853,611
Others	7,859,540,154	6,086,243,813
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	118,559,169,199	110,185,097,424
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20. Borrowings

20.1 Short-term borrowings

	1/1/2016		Movement during the year		31/12/2016	
	Carrying amount VND	Amount within repayment capacity VND	Addition VND	Decrease VND	Carrying amount VND	Amount within repayment capacity VND
Short-term borrowings	5,966,817,325,257	5,966,817,325,257	27,642,841,685,887	(28,121,488,372,250)	5,488,170,638,894	5,488,170,638,894
Current portion of long-term borrowings (Note 20.2)	150,000,000,000	150,000,000,000	-	(150,000,000,000)	-	-
	6,116,817,325,257	6,116,817,325,257	27,642,841,685,887	(28,271,488,372,250)	5,488,170,638,894	5,488,170,638,894

At 31 December 2016, short-term borrowings include borrowings in VND and USD with carrying amounts of VND5,134,464 million and VND353,707 million (1/1/2016: VND5,881,883 million and VND84,934 million), respectively.

At 31 December 2016, the short-term borrowings in VND and USD with the carrying amounts of VND4,172,503 million and VND334,194 million (1/1/2016: VND5,394,158 million and VND55,508 million), respectively, are secured by certain inventories (Note 9), fixed assets (Notes 10 and 11), and long-term prepayments of the Group (Note 14) 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 3.9% to 6% (2015: 3.9% to 6%) per annum. The borrowings denominated in USD bore interest at rates ranging from 1.2% to 2.2% (2015: 1.2% to 2.2%) per annum.

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20.2 Long-term borrowings

	31/12/2016 VND	1/1/2016 VND
Long-term borrowings	972,200,000,000	889,000,000,000
Repayable within twelve months (Note 20.1)	-	(150,000,000,000)
Repayable after twelve months	972,200,000,000	739,000,000,000

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

	Currency	Annual interest rate (%)	Year of maturity	31/12/2016 VND	1/1/2016 VND
Bank for Investment and Development of Vietnam	VND	8%	2021	-	289,000,000,000
PENM IV Germany GmbH & Co,KG (*)	VND	3.5%	2018	360,000,000,000	-
Environmental Protection Fund (*)	VND	6.8%	2025	12,200,000,000	-
Borrowings from individuals (*)	VND	9.6% - 12.6%	2018	600,000,000,000	600,000,000,000
				972,200,000,000	889,000,000,000

(*) These long-term borrowings were from third parties and unsecured.

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	Warranties VND	Environmental restoration VND	Total VND
Opening balance	17,346,213,438	8,762,096,454	26,108,309,892
Provision made during the year	13,852,864,700	473,798,077	14,326,662,777
Provision used during the year	(266,619,885)	-	(266,619,885)
Provision reversed during the year	(6,414,954,496)	-	(6,414,954,496)
Closing balance	24,517,503,757	9,235,894,531	33,753,398,288
Current	14,918,462,172	-	14,918,462,172
Non-current	9,599,041,585	9,235,894,531	18,834,936,116

22. 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:

	2016 VND	2015 VND
Balance at the beginning of the year	349,360,107,894	214,569,969,365
Appropriation during the year	215,655,983,165	260,167,975,341
Utilisation during the year	(163,772,128,493)	(125,377,836,812)
Decrease due to disposals of subsidiaries	(1,482,716,461)	-
Balance at the end of the year	399,761,246,105	349,360,107,894

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23. Changes in owners' equity

	Share capital VND	Capital surplus VND	Treasury shares VND	Investment and development fund VND	Retained profits VND	Non-controlling interest VND	Total VND
Balance at 1 January 2015	4,819,081,750,000	2,207,350,817,068	-	674,783,632,921	4,094,767,826,367	169,355,717,253	11,965,339,743,609
Contributed capital	-	-	-	-	-	58,500,000	58,500,000
Net profit for the year	-	-	-	-	3,485,462,964,249	18,919,523,530	3,504,382,487,779
Issuance of shares from capital surplus	1,465,851,380,000	(1,465,851,380,000)	-	-	-	-	-
Issuance of bonus shares to employees	67,350,000,000	(67,350,000,000)	-	-	-	-	-
Payment of dividends in the form of shares (Note 25)	977,231,060,000	-	-	-	(977,231,060,000)	-	-
Dividends (Note 25)	-	-	-	-	(488,625,075,000)	(52,129,190,633)	(540,754,265,633)
Withdrawal of bonus shares to employees as treasury shares	-	-	(638,500,000)	-	638,500,000	-	-
Appropriation to investment and development fund	-	-	-	216,652,458,918	(216,652,458,918)	-	-
Appropriation to bonus and welfare fund	-	-	-	-	(260,167,975,341)	-	(260,167,975,341)
Remuneration for Members of Supervisory Board	-	-	-	-	(100,000,000)	-	(100,000,000)
Differences from acquisition of additional share capitals of subsidiaries	-	-	-	-	(117,247,358,223)	(113,381,430,777)	(230,628,789,000)
Other movements	-	-	-	-	28,486,992,968	93,690,928	28,580,683,896
Balance at 31 December 2015	7,329,514,190,000	674,149,437,068	(638,500,000)	891,436,091,839	5,549,332,356,102	22,916,810,301	14,466,710,385,310

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	Share capital VND	Capital surplus VND	Treasury shares VND	Investment and development fund VND	Retained profits VND	Non-controlling interest VND	Total VND
Balance at 1 January 2016	7,329,514,190,000	674,149,437,068	(638,500,000)	891,436,091,839	5,549,332,356,102	22,916,810,301	14,466,710,385,310
Receipt of contributed capital by non-controlling shareholders into the Company's subsidiary	-	-	-	-	-	81,850,000,000	81,850,000,000
Net effect of disposals and consolidation of subsidiaries during the year	-	-	-	-	-	(62,879,064)	(62,879,064)
Net profit for the year	-	-	-	-	6,602,102,000,272	4,100,726,657	6,606,202,726,929
Payment of dividends in the form of shares (Note 25)	1,099,235,370,000	-	-	-	(1,099,235,370,000)	-	-
Dividends (Note 25)	-	-	-	-	(1,099,263,178,500)	(2,985,656,062)	(1,102,248,834,562)
Withdrawal of bonus shares to employees as treasury shares	-	-	(454,500,000)	-	454,500,000	-	-
Appropriation to investment and development fund	-	-	-	264,979,655,374	(264,979,655,374)	-	-
Appropriation to bonus and welfare fund	-	-	-	-	(215,655,983,165)	-	(215,655,983,165)
Remuneration for Members of Supervisory Board	-	-	-	-	(90,000,000)	-	(90,000,000)
Other movements	-	-	-	-	13,686,964,013	(131,301,497)	13,555,662,516
Balance at 31 December 2016	8,428,749,560,000	674,149,437,068	(1,093,000,000)	1,156,415,747,213	9,486,351,633,348	105,687,700,335	19,850,261,077,964

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24. Share capital

The Company's authorised and issued share capitals are:

	31/12/2016		1/1/2016	
	Number of shares	VND	Number of shares	VND
Authorised share capital	842,874,956	8,428,749,560,000	732,951,419	7,329,514,190,000
Issued share capital				
Ordinary shares	842,874,956	8,428,749,560,000	732,951,419	7,329,514,190,000
Treasury shares				
Ordinary shares	(109,300)	(1,093,000,000)	(63,850)	(638,500,000)
Shares in circulation				
Ordinary shares	842,765,656	8,427,656,560,000	732,887,569	7,328,875,690,000

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, all rights are suspended until those shares are reissued.

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

	2016		2015	
	Number of shares	Par value VND	Number of shares	Par value VND
Opening balance	732,887,569	7,328,875,690,000	481,908,175	4,819,081,750,000
Issuance of shares from capital surplus	-	-	146,585,138	1,465,851,380,000
Issuance of bonus shares to employees	-	-	6,735,000	67,350,000,000
Payment of dividends in the form of shares	109,923,537	1,099,235,370,000	97,723,106	977,231,060,000
Withdrawal of bonus shares to employees as treasury shares	(45,450)	(454,500,000)	(63,850)	(638,500,000)
Closing balance	842,765,656	8,427,656,560,000	732,887,569	7,328,875,690,000

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25. Dividends

On 14 March 2016, the Company's Board of Management passed the detailed resolution on the distribution of the 2015 dividends to the shareholders by cash at the rate of 15% of the par value amounting to VND1,099,263 million and 15% in the form of shares amounting to VND1,099,235 million (2015: VND488,625 million in cash and VND977,231 million in share). This dividend payment scheme was approved by the General Meeting of Shareholders on 31 March 2016 and already executed during the year.

26. Investment and development fund

Every year, 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.

27. Off balance sheet items

27.1 Foreign currencies

	31/12/2016		1/1/2016	
	Original currency	VND equivalent	Original currency	VND equivalent
USD	934,178	21,275,266,611	5,339,407	119,887,573,966
EUR	31,521	748,312,306	-	-
		<hr/>		<hr/>
		22,023,578,917		119,887,573,966
		<hr/>		<hr/>

27.2 Capital expenditure commitments

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

	31/12/2016 VND	1/1/2016 VND
Approved but not contracted	43,653,723,361,637	-
Approved and contracted	2,073,521,204,315	1,255,785,000
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	45,727,244,565,952	1,255,785,000
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At the reporting date, the Group had the following future minimum lease payments under non-cancellable operating leases were:

	31/12/2016 VND	1/1/2016 VND
Within one year	4,638,933,832	2,416,570,374
Within two to five years	18,015,511,049	10,191,543,870
More than five years	70,839,646,095	60,761,488,450
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	93,494,090,976	73,369,602,694
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28. 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:

	2016 VND	2015 VND
Total revenue		
▪ Sales	33,200,292,247,740	26,807,955,353,574
▪ Services	195,766,286,265	69,115,386,268
▪ Revenue from sublease of leasehold land	258,659,469,704	441,848,730,354
▪ Rental income from investment property	23,028,824,975	15,968,996,859
▪ Sales of real estate	202,014,162,227	528,092,180,000
▪ Others	5,131,017,524	1,577,789,909
	<hr/>	<hr/>
	33,884,892,008,435	27,864,558,436,964
Less revenue deductions		
▪ Sales discounts	(567,038,718,006)	(389,925,788,211)
▪ Sales allowances	(642,313,143)	(482,370,302)
▪ Sales returns	(34,000,817,299)	(21,218,164,118)
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	(601,681,848,448)	(411,626,322,631)
	<hr/>	<hr/>
Net revenue	33,283,210,159,987	27,452,932,114,333
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	2016 VND	2015 VND
Finished goods and merchandise goods sold	24,252,827,854,953	21,188,064,682,897
Services provided	124,513,249,988	49,154,581,687
Cost of leasehold land subleased	166,757,046,872	274,291,011,527
Cost of investment property held to earn rental	5,334,122,021	5,181,748,473
Cost of real estate sold	105,524,579,353	285,923,459,150
Other costs	4,006,978,206	448,333,847
Allowance for inventories	(126,313,392,408)	55,892,350,232
	24,532,650,438,985	21,858,956,167,813

Cost of sales includes accrued costs of finished goods sold and real estate sold as follows:

	2016 Period expected to be incurred	VND	2015 Period expected to be incurred	VND
Hoa Mac Industrial Zone project	12 months	221,014,638	18 months	9,316,244,470
Mandarin project	-	-	6 months	(7,000,000,000)
Pho Noi A Industrial Zone project	24 months	122,709,236,198	30 months	135,425,833,659
		122,930,250,836		137,742,078,129

30. Financial income

	2016 VND	2015 VND
Interest income from deposits and loans	138,365,096,129	121,207,483,294
Realised foreign exchange gains	54,165,326,274	121,667,462,970
Unrealised foreign exchange gains	182,909,164	5,628,405,343
Payment discounts	3,023,916,000	-
Other financial income	1,443,920,286	104,290,506
	197,181,167,853	248,607,642,113

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	2016 VND	2015 VND
Interest expense	279,951,879,407	251,337,896,345
Payment discounts	15,956,528,828	14,262,620,720
Realised foreign exchange losses	49,342,493,176	278,414,394,260
Unrealised foreign exchange losses	22,306,573,470	18,794,903,110
Other financial expenses	429,281,254	3,424,083,171
	<hr/>	<hr/>
	367,986,756,135	566,233,897,606
	<hr/>	<hr/>

32. Selling expenses

	2016 VND	2015 VND
Staff costs	61,932,370,148	34,727,505,317
Depreciation	6,711,458,812	8,496,071,916
Warranty expenses	13,427,184,515	7,977,749,581
Transportation expenses	188,393,634,486	192,258,442,307
Advertising expenses	64,337,339,352	9,932,272,225
Promotion expenses	30,790,119,270	5,260,000,000
Adjustments to traffic charge	-	(21,139,062,856)
Outside services and other selling expenses	124,361,909,214	186,637,126,868
	<hr/>	<hr/>
	489,954,015,797	424,150,105,358
	<hr/>	<hr/>

33. General and administration expenses

	2016 VND	2015 VND
Goodwill amortisation	21,203,283,974	290,990,807,284
Staff costs	182,938,327,740	152,845,811,794
Depreciation expenses	35,898,720,858	41,309,794,396
Outside services and other general and administration expenses	164,546,980,037	275,676,199,520
	<hr/>	<hr/>
	404,587,312,609	760,822,612,994
	<hr/>	<hr/>

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	2016 VND	2015 VND
Gain from disposals of fixed assets	10,106,156,100	13,728,256,817
Income from sales of electricity, water and rendering services	405,333,001,832	264,051,836,193
Compensation received from other parties	2,634,021,517	9,095,455,228
Others	16,395,190,216	27,670,715,461
	<hr/>	<hr/>
	434,468,369,665	314,546,263,699

35. Other expenses

	2016 VND	2015 VND
Loss on disposals of fixed assets	5,151,264,996	53,536,271,226
Costs of electricity, water sold and services rendered	401,743,554,509	260,054,990,627
Maintenance expenses	-	73,394,315,209
Other expenses	10,427,452,617	28,918,192,992
	<hr/>	<hr/>
	417,322,272,122	415,903,770,054

36. Production and business costs by element

	2016 VND	2015 VND
Raw material costs included in production costs	18,943,444,685,420	16,170,135,182,988
Staff costs	1,137,035,181,444	914,533,110,388
Depreciation and amortisation	1,653,122,522,201	1,277,115,796,482
Outside services	2,099,266,984,319	1,509,002,431,952
Other expenses	2,916,785,687,152	2,983,520,073,442
	<hr/>	<hr/>

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dated 22 December 2014 of the Ministry of Finance)***37. Income tax****37.1 Recognised in the consolidated statement of income**

	2016 VND	2015 VND
Current corporate income tax expense (“CIT”)		
Current year	1,140,859,207,757	510,366,793,096
(Over)/under provision in prior years	(2,369,220,310)	6,612,095,217
	<hr/> 1,138,489,987,447	<hr/> 516,978,888,313
Deferred tax benefit		
Origination and reversal of temporary differences	(42,868,760,701)	(31,532,711,296)
	<hr/> 1,095,621,226,746	<hr/> 485,446,177,017

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37.2 Current income tax

	2016 VND	2015 VND
Accounting profit before tax	7,701,823,953,675	3,989,828,664,796
Adjustment to increase/(decrease) accounting profit		
Non-deductible expenses	107,692,369,023	51,469,446,581
Goodwill amortisation	21,203,283,974	290,990,807,284
Allowance for inventories	(67,158,115,635)	10,654,278,740
Accelerated depreciation and amortisation of fixed assets and long-term prepaid expenses	45,923,456,316	80,924,421,645
Unrealised foreign exchange differences	5,741,198,245	(59,699,463,561)
Accrued cost of sales of real estate sold	82,412,824,903	89,203,381,592
Origination and reversal of other temporary differences	87,479,566,548	73,501,739,713
Share of loss from associates	534,948,182	(190,801,524)
Tax exempt income	(56,650,560,070)	(159,445,280,068)
	7,929,002,925,161	4,367,237,195,198
Tax losses brought forward	(74,552,186,200)	(9,022,860,334)
Current period taxable profit	7,854,450,738,961	4,358,214,334,864
Current year income tax expense at the Company's tax rate	1,570,890,147,792	958,807,153,670
Tax incentives in subsidiaries	(415,130,746,487)	(328,954,577,207)
Effect of different tax rates in subsidiaries	(17,361,796,544)	(170,640,038,362)
Deferred tax assets unrecognised on tax losses of subsidiaries	2,461,602,996	51,154,254,995
Deferred tax benefit	(42,868,760,701)	(31,532,711,296)
(Over)/under provision in prior years	(2,369,220,310)	6,612,095,217
Income tax expense	1,095,621,226,746	485,446,177,017

37.3 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 (2015: 22%).

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

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38. Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2016 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:

38.1 Weighted average number of ordinary shares

	2016 (Number of shares)	2015 (Number of shares) Restated
Issued ordinary shares at the beginning of the year	732,887,569	842,765,656
Effect of dividends paid in the form of shares (Note 25)	109,923,537	-
Effect of withdrawal of bonus shares to employees as treasury shares	(45,450)	-
Weighted average number of ordinary shares outstanding during the year	842,765,656	842,765,656

38.2 Basic earnings per share

	2016 VND	2015 VND Restated
Net profit attributable to ordinary shareholders	6,602,102,000,272	3,485,462,964,249
Appropriation to bonus and welfare funds (*)	(566,000,000,000)	(175,155,099,929)
	6,036,102,000,272	3,310,307,864,320
Weighted average number of ordinary shares outstanding during the year	842,765,656	842,765,656
	7,162	3,928

(*) Amount appropriated to Bonus and welfare fund for 2016 was approved by the Company's Board of Management under the Resolution No. 03/NQHP-2017 dated 17 February 2017. The amount appropriated to Bonus and welfare fund included remuneration to the Board of Management of VND66 billion and bonus to the Board of Directors of VND170 billion.

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38.3 Restatement for the weighted average number of ordinary shares and basic earnings per share for the year ended 31 December 2015

Due to the effect of dividends paid in the form of shares and the effect of withdrawal of bonus shares to employees as treasury shares (Notes 24 and 25), the weighted average number of ordinary shares and basic earnings per share for the year ended 31 December 2015 were restated as follows:

	Weighted average number of ordinary shares	Basic earnings per share VND
As previously reported	732,887,569	4,517
Adjustment for the effect of dividends paid in the form of shares during the year	109,923,537	(589)
Adjustment for the effect of withdrawal of bonus shares to employees as treasury shares	(45,450)	-
As restated	842,765,656	3,928

39. Financial instruments

39.1 Financial risk management

(a) Overview

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

- credit risk;
- liquidity risk; and
- 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.

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(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.

39.2 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	31/12/2016 VND million	1/1/2016 VND million
Cash at banks and cash equivalents	(a)	4,545,977	2,365,397
Held-to-maturity investments - short-term and long-term	(b)	753,389	841,132
Accounts receivable from customers – short-term and other short-term and long-term receivables	(c)	1,696,289	1,225,263
Loans receivable – long-term		2,500	5,000
		6,998,155	4,436,792

(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.

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(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:

	31/12/2016 VND million	1/1/2016 VND million
Not past due	1,661,831	1,153,730
Past due 0 - 30 days	3,364	20,670
Past due 31 - 180 days	15,135	50,286
Past due more than 180 days	15,959	577
	1,696,289	1,225,263

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

	2016 VND	2015 VND
Opening balance	41,276,739,619	40,801,876,327
Increase in allowance during the year	720,713,056	1,367,179,636
Written back	(658,114,704)	(892,316,344)
	41,339,337,971	41,276,739,619

39.3 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.

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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 2016						
Accounts payable to suppliers short-term and other short-term and long-term payables	4,004,409	4,004,409	3,992,949	11,460	-	-
Borrowings	6,460,371	6,560,375	5,548,040	841,085	155,317	15,933
	10,464,780	10,564,784	9,540,989	852,545	155,317	15,933
1 January 2016						
Accounts payable to suppliers short-term and other short-term and long-term payables	2,835,392	2,835,392	2,829,306	6,086	-	-
Borrowings	6,855,817	6,948,270	6,493,685	454,585	-	-
	9,691,209	9,783,662	9,322,991	460,671	-	-

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.

39.4 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).

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.

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

	31/12/2016 USD	1/1/2016 USD
Cash and cash equivalents	934,178	5,339,407
Accounts receivable from customers	96,889	581,252
Accounts payable to suppliers	(82,816,025)	(53,204,695)
Short-term borrowings	(15,497,547)	(3,768,294)
	<hr/>	<hr/>
	(97,282,505)	(51,052,330)

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

	Exchange rate as at 31/12/2016	1/1/2016
USD/VND	22,824	22,547

(b) Interest rate risk

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

	Carrying amount 31/12/2016 VND million	1/1/2016 VND million
Fixed rate instruments		
Financial assets	4,755,127	2,864,498
Financial liabilities	(6,460,371)	(6,566,817)
	<hr/>	<hr/>
	(1,705,244)	(3,702,319)
Variable rate instruments		
Financial liabilities	-	(289,000)

As at 31 December 2016, the Group had no variable rate instrument so that a change of 1% per annum in interest rate would have no impact on the consolidated profit before tax of the Group (2015: VND2,890 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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

	31/12/2016		1/1/2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	VND million	VND million	VND million	VND million
Categorised as held-to-maturity investments:				
- Held-to-maturity investments				
– short-term	693,499	693,499	758,095	758,095
- Held-to-maturity investments				
– long-term	59,891	(*)	83,037	(*)
Categorised as loans and receivables:				
- Cash and cash equivalents	4,558,661	4,558,661	2,372,762	2,372,762
- Accounts receivable from customers				
– short-term and other short-term receivables	1,680,616	1,680,050	1,213,778	1,213,778
- Loans receivable and other receivables – long-term	18,173	(*)	16,485	(*)
Categorised as financial assets available-for-sale:				
- Equity investments in other entities	18,974	(*)	19,508	(*)
Categorised as financial liabilities at amortised cost:				
- Accounts payable to suppliers and other payables	(3,992,949)	(3,992,949)	(2,829,306)	(2,829,306)
- Long-term accrued expenses and other long-term payables	(11,460)	(*)	(6,086)	(*)
- Borrowings	(6,460,371)	(6,428,839)	(6,855,817)	(6,863,252)
	(3,434,966)		(5,227,544)	

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(b) Basis for determining fair values

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

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

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.

40. 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	
	2016	2015
	VND	VND
Members of Supervisory Board, Board of Directors and Board of Management		
Salary and bonus	6,798,883,620	6,410,642,774
Allowances	4,085,538,462	1,432,000,000

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41. Non-cash investing and financing activities

	2016	2015
	VND	VND
Capital contribution in the form of assets by non-controlling shareholders	81,840,000,000	-
Payment of dividends in the form of shares	1,099,235,370,000	977,231,060,000
Transfer of prepaid land rental from inventories to long-term prepaid expenses	103,169,714,554	-
Issuance of bonus shares to employees	-	67,350,000,000
Issuance of shares from capital surplus	-	1,465,851,380,000

42. Post balance sheet events

42.1 Establishment of a new subsidiary

Subsequent to the end of the annual accounting period, the Company started contributing its capital to establish a new subsidiary namely Hoa Phat Dung Quat Steel Joint Stock Company at Dung Quat Economic Zone, Binh Dong Commune, Binh Son District, Quang Ngai Province to implement Hoa Phat Dung Quat Steel Production Complex Project with main products including construction steel and steel coils. Charter capital of Hoa Phat Dung Quat Steel Joint Stock Company is VND10,000 billion, of which the Company contributed 98%, and Hoa Phat Steel One-member Co., Ltd. and Hoa Phat Steel Joint Stock Company, subsidiaries of the Company, each contributed 1%.

42.2 Dividends declared after the year end

Subsequent to the end of the annual accounting period, the Company's Board of Management passed the distribution of 2016 dividends at rate of 50% in form of shares only. The estimated payment date is in Quarter 1 and Quarter 2 of 2017. This dividend payment scheme shall be presented for approval in 2017 Annual General Meeting of Shareholders of the Company.

42.3 Issuance of shares to existing shareholders

Subsequent to the end of the annual accounting period, the Company's Board of Management passed the plan on issuance of shares to existing shareholders of the Company with estimated number of shares to be issued of 250 million shares and par value of VND10,000/share. With every 10 shares owned, existing shareholders have the right to buy 2 new shares. The General Shareholders authorised the Board of Management to decide the offering price at the date of issuance which shall be dependent on the market factors and not lower than the par value. Expected proceeds from the offering shall be used for investment in Hoa Phat Dung Quat Steel Production Complex Project and for supplementing the Group's working capital.

This share issuance plan shall be presented for approval in 2017 Annual General Meeting of Shareholders of the Company.

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42.4 Restructuring of the Group

Subsequent to the end of the annual accounting period, the Company's Board of Management passed the capital increase in Hoa Phat Steel Joint Stock Company with an increase of VND1,000 billion. Besides, the Company's Board of Management passed the transfer of its share capital in Hoa Phat Energy Joint Stock Company to Hoa Phat Steel Joint Stock Company.

1 March 2017

Prepared by:



Nguyen Thi Thu Trang
General Accountant

Approved by:



Pham Thi Kim Oanh
Chief Accountant



Tran Tuan Duong
General Director

HARMONY & DEVELOPMENT



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