



**HAGL Agrico**



ANNUAL  
REPORT  
2019

**SUCCESSFUL  
COOPERATION  
DEVELOPMENT  
BREAKTHROUGH**



## BUSINESS PHILOSOPHY

A business under high evaluation must create safety and stability in its operation, generate sustainable profit, and its market share is constantly expanding and growing.



## MISSION

Application of state-of-the-art technology in agribusiness to exploit land potentiality in order to produce useful agricultural products for life. Satisfactory treatment is provided both spiritually and materially to encourage executives and employees' creation of new values for customers, shareholders and the whole society.



## VISION

To become the leading agribusiness company in Vietnam and in Asia.



## CORE VALUE

**Respect:** Self-respect; Respect for colleagues; Respect for the Company; Respect for partners; Respect for cooperation.

**Compliance:** Compliance with the laws and regulation of Vietnam, Laos and Cambodia. Compliance with the Company's regulations and policies.

**Willingness to survive hardship:** Preparing to tackle challenges, making every effort and determination to find workable solutions



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## GENERAL INFORMATION

Vietnamese name:

**CÔNG TY CỔ PHẦN  
NÔNG NGHIỆP  
QUỐC TẾ  
HOÀNG ANH GIA LAI**

English name:

**HOANG ANH GIA LAI  
AGRICULTURAL  
JOINT STOCK  
COMPANY**

Abbreviation name: **HAGL AGRICO**

Business registration certificate:

No. : 5900712753 first issued on 26/5/2010 and 18th amended on 26/08/2019 by the Department of Planning and Investment of Gia Lai Province.

Head office:

Add: 15 Truong Chinh Street, Phu Dong Ward, Pleiku City Gia Lai Province, Vietnam

Telephone: (84.269) 222 2285

Fax: (+84.269) 222 2218

Website: [www.haagrico.com.vn](http://www.haagrico.com.vn)



CHARTER CAPITAL (OWNER'S EQUITY)

**VND 11,085,538,950,000**



PAR VALUE

**10,000 VND**



SECURITIES CODE

**HNG**



TOTAL NUMBER OF SHARES

**1,108,553,895**



**TRUNG TÂM ĐIỀU HÀNH  
TẬP ĐOÀN  
HOÀNG ANH GIA LAI**  
15 TRƯỜNG CHINH-TP. PLEIKU-GIA LAI  
[www.hagl.com.vn](http://www.hagl.com.vn)

## MESSAGE FROM CHAIRMAN



## SUCCESSFUL COOPERATION DEVELOPMENT BREAKTHROUGH

### Dear distinguished shareholders, investors, banks and partners!

In 2019, HAGL Agrico has recorded many important milestones of the financial restructuring process such as ineffective liquidation of assets, conversion of a large part of oil palm area into fruit trees and transfer of subsidiaries.

With the strong shift in the business strategy by focusing our main resources on fruit production, we believe that we are on the right direction. Because fruits are consumed in huge volume by a large market and the high economic efficiency brought about by the relatively shorter period of cultivation, they quickly generated the much needed cash flow to the company. Currently, HAGL Agrico's fresh fruits are being exported to the international market and are highly welcomed and appreciated by customers and consumers alike.

From the end of 2019 to the early part of 2020, the world witnessed the Covid-19 pandemic that caused detrimental impacts on the production and business activities, from

“ Preserving shareholders' tremendous assets is the ultimate goal in 2020. ”

the labor sources, to the supply of materials, harvesting, transportation and market consumption, etc. At the time of the preparation of this annual report, the company is facing complicated development due to the crisis while the end is still very difficult to predict. To counter the adverse effect of the pandemic, HAGL Agrico has set a goal for 2020 which is to maintain good care of the existing fruit plantations, stabilize jobs and income for the workers, actively control and prevent epidemics by maintaining good health for the workforce. Keep order and security in the project area, sustain distribution channels and foster customer relations, among others. Further, HAGL Agrico will negotiate with banks on debt charge-off and rescheduling, cutting down on interest rates to deal with the difficulties and consequences of the epidemic. Preserving shareholders' tremendous assets is the ultimate goal in 2020.

The leaders of HAGL Agrico believe that the Covid-19 epidemic will come to an end, and the world economy in general and Vietnam in particular will recover. Producing vital products, fruit business will get a great opportunity for good growth when the economy is restarted. With the motto of stabilizing production and business, financial restructuring to adapt to difficulties and with Government solutions to support the economy, HAGL Agrico will continue to exist and develop, maintaining jobs for workers and preserving immense wealth for its shareholders.

For long-term goal, HAGL Agrico would like to become an industrial-scale agricultural corporation, strictly follow environmental and ecological standards, and to create a tropical fruit value chain in Vietnam's agricultural sector participating in the global market.

On behalf of the Board of Directors, I would like to express our sincere gratitude to Shareholders, Investors, Banks and Partners who have accompanied HAGL Agrico on this hard journey, and we hope to receive your further support in the future. Your companionship and support will hold the motivational key for us to consistently developing and pursuing the mission of **"Sustainable agriculture development"**.

Moreover, I would like to express my sincere thanks to the BOM and all employees for their efforts, dedication, and solidarity to support the Company throughout the difficulty of the past years.

A handwritten signature in blue ink, appearing to be 'Doan', with a long horizontal line extending to the right.

**Doan Nguyen Duc**  
Chairman

# HISTORY OF THE COMPANY



2010

## Significant milestones

Formerly known as Hoang Anh Gia Lai Rubber JSC, established in 2010, the Company was originally focused mainly on planting rubber trees for latex production and sugar cane plantations in Vietnam, Laos and Cambodia.

2012  
2014

**2012 - 2014**  
HAGL Agrico expanded its business activities to oil palm cultivation and cattle husbandry.

2015

**In 2015**  
The Company changed its name to Hoang Anh Gia Lai Agricultural JSC and listed on HCMC Stock Exchange on 10 July 2015.

2016  
2018

**2016 - 2018**  
The Company narrowed the scale of cattle business, transferred the sugarcane project and converted some of leftover land to fruit trees, with main fruits including banana, mango, jackfruit, grapefruit, dragon fruit and over 10 other fruit trees.

2019  
TO PRESENT

**2019 to present**  
The Company has been maintaining and exploiting the rubber, while pushing the investments in fruit production. The long-term strategy of the Company is focused on planting, maintaining, harvesting of fruits, and investing in post-harvest handling facilities to improve the product quality and diversifying the products for the market.



# ANNIVERSARY OF THE ONE-YEAR THACO AND HOANG ANH GIA LAI STRATEGIC COOPERATION

08/08/2018 – 09/09/2019

September 9, 2019 in Ho Chi Minh City, witnessed the celebration of one-year strategic cooperation between THACO, Hoang Anh Gia Lai (HAGL) and HAGL Agrico. The ceremony was attended by Mr. Nguyen Xuan Cuong - Member of Central Party Committee, Minister of Agriculture and Rural Development, Leaders of some central agencies, provinces and cities, and partners of THACO and HAGL.



## BUSINESS SECTORS AND LOCATION

### a. Business sectors Fruit trees

SINCE 2016, THE COMPANY HAS SHIFTED TO GROWING FRUIT TREES AND DETERMINED THIS IS A KEY BUSINESS SEGMENT BRINGING SUSTAINABLE REVENUE TO THE COMPANY.

AS OF 31 DECEMBER 2019, THE TOTAL AREA PLANTED FOR FRUIT PRODUCTION WAS 18,304 HECTARES, IN WHICH 5,736 ARE ALREADY PRODUCTIVE.



BANANA  
**7,930HA**

MANGO  
**3,267HA**



POMELO  
**1,946HA**

DRAGON FRUIT  
**1,076HA**



JACKFRUIT  
**2,110HA**



OTHER FRUIT  
**1,975HA**



## BUSINESS SECTORS AND LOCATION (continued)

### a. Business sectors (continued)



**“ Fresh bananas are the key products generating the biggest revenue to the Company ”**



#### BANANA

Fresh bananas are the key products generating the biggest revenue to the Company. With the advantage of large scale, steady year round supply, stable quality by Global GAP standards, the product has been presented in most major supermarket chains of China. In addition, the company is also gradually expanding the market to Japan, Korea, Thailand and Singapore.

### b. Business location



**HAGL Agrico agribusiness lies in Vietnam - Laos - Cambodia delta within a distance of 200km**

# SUBSIDIARIES AND ASSOCIATES

## 1.1. Subsidiaries

### Detail of Subsidiaries on 31 December 2019

#### 01. HOANG ANH - QUANG MINH RUBBER INDUSTRIAL AND AGRICULTURAL CO., LTD.

Office: Attapeu, Laos  
**Ownership:** 97.77%  
**Charter capital:** USD 40 million  
**Business lines:** planting, harvesting and processing rubber latex; planting fruit trees, cattle husbandry.

#### 02. HOANG ANH - QUANG MINH RUBBER JSC.

Office: Gia Lai, Vietnam  
**Ownership:** 97.77 %  
**Charter capital:** VND 200 billion  
**Business lines:** planting and nursing forest; planting rubber tree, sugarcane; cattle husbandry.

#### 03. HOANG ANH DAK LAK JSC

Office: Dak Lak, Vietnam  
**Ownership:** 99.53%  
**Charter capital:** VND 320 billion  
**Business lines:** real estate; planting and nursing forest; planting rubber tree, pepper and coffee

#### 04. HOANG ANH ATTAPEU AGRICULTURAL DEVELOPMENT CO., LTD.

Office: Attapeu, Laos  
**Ownership:** 100.00%  
**Charter capital:** USD 85 million  
**Business lines:** planting, harvesting and processing rubber latex; planting and processing palm oil; planting fruit trees.

#### 05. HOANG ANH RATTANAKIRI CO., LTD.

Office: Ratanakiri, Cambodia  
**Ownership:** 100.00%  
**Charter capital:** USD 16 million  
**Business lines:** planting, harvesting and processing rubber latex.

#### 06. HENG BROTHERS CO., LTD.

Office: Ratanakiri, Cambodia  
**Ownership:** 100.00%  
**Charter capital:** USD 17 million  
**Business lines:** planting, harvesting and processing rubber latex.

#### 07. HOANG ANH OYADAV CO., LTD.

Office: Ratanakiri, Cambodia  
**Ownership:** 100.00%  
**Charter capital:** USD 67 million  
**Business lines:** planting, harvesting and processing rubber latex; planting fruit trees.

#### 08. CRD CO., LTD.

Office: Ratanakiri, Cambodia  
**Ownership:** 100.00%  
**Charter capital:** USD 57 million  
**Business lines:** planting, harvesting and processing rubber latex.

#### 09. HOANG ANH ANDONG MEAS CO., LTD.

Office: Ratanakiri, Cambodia  
**Ownership:** 97.77%  
**Charter capital:** USD 42.5 million  
**Business lines:** planting and processing palm oil; planting fruit trees

#### 10. HOANG ANH GIA LAI IMPORT - EXPORT TRADING ONE MEMBER CO., LTD.

Office: Gia Lai, Vietnam  
**Ownership:** 100.00%  
**Charter capital:** VND 100 billion  
**Business lines:** importing and exporting sugar, palm oil, rubber products; trading in fertilizer, construction materials, equipment, and other parts.

#### 11. HIGHLAND DAIRY CATTLE JSC

Office: Gia Lai, Vietnam  
**Ownership:** 99.00%  
**Charter capital:** VND 550 billion  
**Business lines:** cattle husbandry, livestock services, planting services.

#### 12. AN DONG MIA JSC

Office: Gia Lai, Vietnam  
**Ownership:** 99.9%  
**Charter capital:** VND 200 billion  
**Business lines:** planting rubber trees, seeded trees, oil-bearing crops

#### 13. HOANG ANH LUMPHAT CO., LTD.

Office: Ratanakiri, Cambodia  
**Ownership:** 99.9%  
**Charter capital:** USD 75.74 million  
**Business lines:** planting rubber trees, oil palm trees, and construction of palm oil processing mill.

**13**  
SUBSIDIARIES

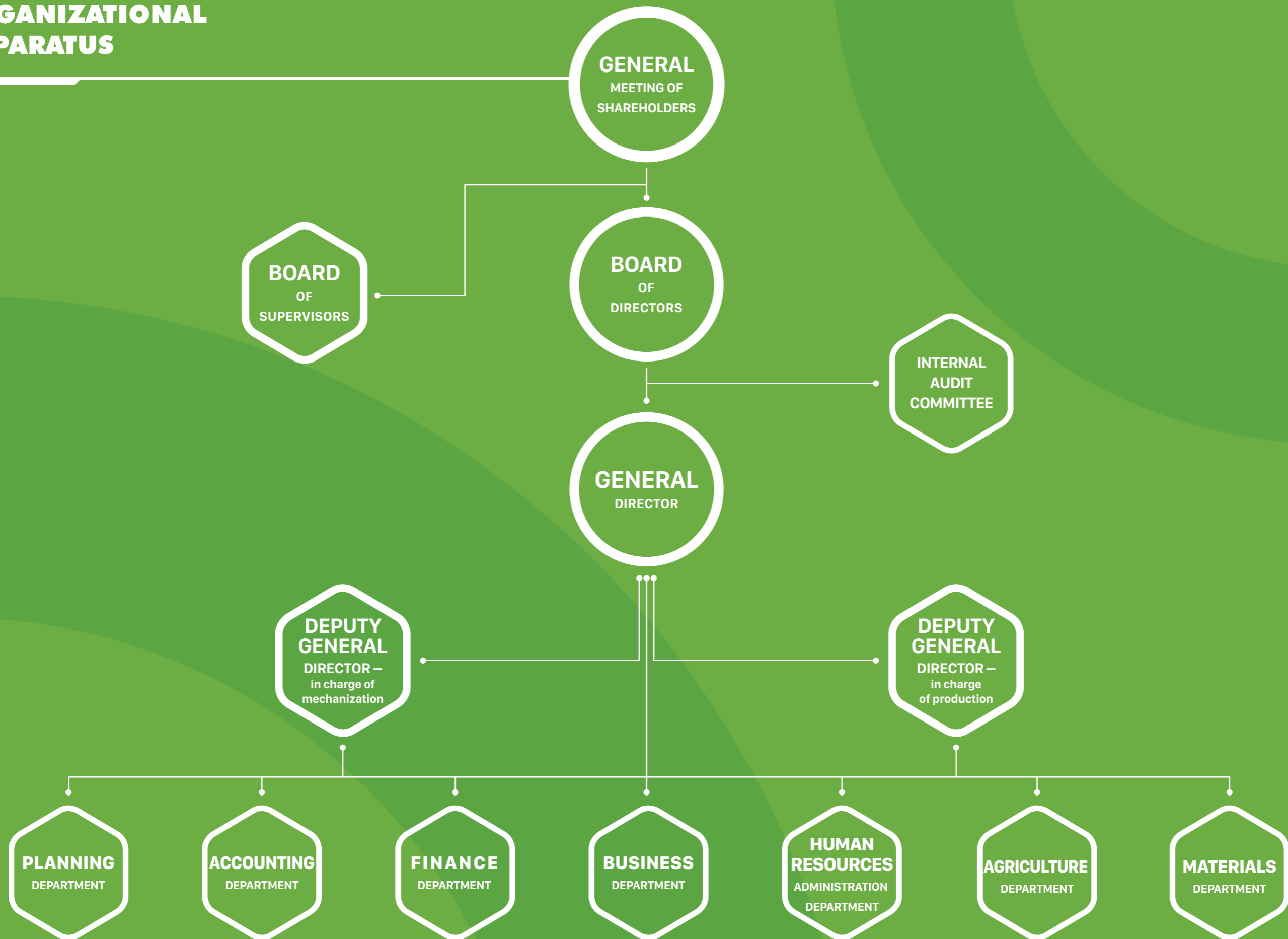
**01**  
ASSOCIATES

## 1.2. Investments in associates

#### BIDIPHAR RUBBER JSC

**Ownership:** 49.14 %  
**Invested value:** VND 315.49 billion  
**Business lines:** planting rubber trees

# ORGANIZATIONAL APPARATUS





# DEVELOPMENT ORIENTATION

To become the leading agribusiness company in Vietnam and in Asia.



# DEVELOPMENT ORIENTATION

"MAIN PRODUCTS ARE FRUITS"



"USE OF HIGH TECHNOLOGY IN AGRICULTURE"



## 1. BUSINESS STRATEGY

- To become the leading agribusiness company in Vietnam and in Asia.
- Main products are fruits. The Company will also invest in post-harvesting processing to increase the product value and diversify the products supplying to the market.
- The core benefit offered to customers is the reliability of agro products tagged with HAGL Agrico brand by its explicitness in tracing the origin of products.

## 2. SUSTAINABLE DEVELOPMENT GOALS

- To focus on the sustainable development in revenue and profit to guarantee the interest of shareholders and investors.
- To achieve economic growth and environment protection hand in hand and to share the community and society the benefits that the Company gains from its investment and business activities.
- To create stable employment for local people.



## RISK FACTORS

HAGL Agrico operates in many sectors and different countries which are associated with potential risks. Therefore, the Company has identified the types of risks and taken measures to manage them.



### MARKET RISKS

#### Nature

Prices of the Company's products from cultivation are all connected to global market demand and subjected to daily and hourly fluctuations that directly affect the profit margin, cash flow and the payback period.

Currently, HAGL Agrico is focused mainly on China market which has been booming and opening up wonderful opportunities. However, the concentration of exports in a single market involves potential risks.

#### Risk management measures

The Company manages risks with effective cost-control system and the adoption of technology to increase capacity and ensure consistency of product quality in all of its business sectors. The Company always controls investment expenses and costs at the lowest rate. Therefore, the profit margin of output products is high enough to maintain a minimum rate of profit for the Company in case of a sharp decrease in prices in the global market.

Besides, the multisector strategy helps the Company to cover the loss caused by the price reduction in one sector by the profit of another when such fluctuation does not affect its profit margin. In the long term, the Company will also face foreign exchange rate risks. Debt re-structuring corresponding to the cash flow from operating activities by currencies will also be considered.

### INTEREST RATE RISKS

#### Nature

The Company's operations require a huge capital investment source to finance its projects. Over 40% of its capital is mobilized from banks and issuance of corporate bonds at a floating interest rate. If interest rate increases, the borrowing costs become more burdensome and adversely affect the Company's businesses.

#### Risk management measures

The Company has proactively developed a debt and equity structure according to each period of its production and operating activities. In the current circumstance of government-managed macro economy, interest rate risks could be assessed as acceptable for 2018.

In addition to capital mobilization from loans, and ordinary bonds, the Company also mobilized capital from issuance of shares and convertible bonds at low-interest rates from both domestic and foreign investors. The cost of these funds is usually expected to be low, predetermined and not deeply affected by interest rate fluctuations.

### PROJECT IMPLEMENTATION RISKS

#### Nature

The Company has some business sectors with long project development periods; for example, seven years for rubber production and two to three years for perennial fruit plantation.

The work implementation includes legal procedures for land, environment, site clearance, reclamation, cultivation, construction, and nursing among others. Problems arising during any of these phases can significantly affect the overall implementation progress, slow down the capital turnover, and adversely affect the plant quality and yield, thus leading to negative impacts on business results.

#### Risk management measures

With extensive experience in project management and close relationships with relevant authorities, the Company is always proactive in the implementation of its projects.

Moreover, because many of the Company's projects overlap with each other or short-term crops alternating with long-term ones, its business plans and capital turnover are not dependent on any single project research and apply risk protection instruments such as forward contracts, long-term trading contracts signed with major partners at a fixed price, etc.

Besides, the Company gradually employs principles of dual board system for product quality control and diversify markets for its products, with emphasis on large consumer markets, avoiding risks of price fluctuation in a single market.

### EXCHANGE RATE RISK

#### Nature

In recent years, the exchange rates between VND and foreign currencies (especially USD) have not changed much, under the State Bank's control, and caused little effects on the Company's operations. However, the Company always places an importance on the exchange rate risk management and gives out appropriate risk management measures to avoid negative effects of the future large fluctuations in exchange rates.

#### Risk management measures

The Company's operations include both exports and imports oriented towards export for the most part. Revenue from export enables the Company to be more proactive in its prevention of exchange rate risks.

The Company carefully worked out the schedule for import and export activities related to foreign partners as well as payment term to minimize the risks.

### LEGAL RISKS

#### Nature

As a listed company, the Company's operations are primarily governed by the Enterprise Law, Securities Law and legal documents of securities, stock exchange, etc. However, the sub-law documents and guidance are still under continuous improvement, so possible legal and policy changes will have certain impacts on the management and activities of the Company.

Moreover, agricultural markets are influenced by customs barrier, technique, environment and protectionism imposed by importing countries.

#### Risk management measures

The Company has a legal department comprising qualified and experienced lawyers. The department will update legal changes and possible impacts on a regular and timely basis to consult the Board of Directors and the Board of Management. Besides, the legal department is responsible for reviewing business agreements in the Company's daily transactions to mitigate legal risks. Forecast and diversification of consumption markets help to reduce dependence on any single market.

### OTHER RISKS

#### Nature

Each business has one or more unsystematic risks. The cultivation, for example, is exposed to risks of natural disasters, drought, flood or fire. Whether they are expected or not, those risks always exist and potentially affect the Company's business activities.

#### Risk management measures

The Company is by degrees applying high technology as a model in forecast of natural disasters, diseases to take proactive measures in response to them. The Company has started to estimate probability of risks to each sector and extent of damage at risk occurrence and determine suitable insurance plans available for that particular risk and insurance premium. On that basis, the Company will make decision to either accept and self-manage the risk or take out appropriate insurance policies. The Company has fully purchased insurance policies covering buildings and factories; tree insurance for rubber, fruit and spice plantations; labor accident insurance for employees, third party liability insurance.

# PROFILE OF DIRECTORS AND KEY MANAGEMENT

## Board of Directors

**Mr. Doan Nguyen Duc**  
Chairman

- Year of birth: 1963
- Working experience:  
+ 1992 – now: HAGL JSC
- Present position at HAGL Agrico:  
BOD Chairman
- Other major appointment:  
BOD Chairman of HAGL JSC



**Mr. Do Xuan Dien**  
Vice Chairman

- Year of birth: 1964
- Qualifications: Bachelor of Business Administration
- Working experience:  
+ 2001 – 2009: Director of Ky Ha-Chu Lai Investment & Development Co.Ltd.  
+ 2009 – 2018: Head of the Board of Chu Lai open economic zone  
+ 2019 – now : Chairman of Thadi Agriculture Farming Processing and Distribution JSC , Vice Chairman of HAGL Agrico
- Present position at HAGL Agrico: Vice chairman
- Other major appointment:  
Chairman of Thadi Agriculture Farming Processing and Distribution JSC



**Mr. Vo Trung Son**  
Member

- Year of birth: 1973
- Qualifications:  
Master of Finance, Bachelor of Laws, Member of the Association of Chartered Certified Accountants (ACCA), the Vietnam Association of Certified Public Accountants (VACPA), CFA
- Working experience:  
+ 08/1996 – 11/2003 : A&C Auditing and Consulting Co., Ltd.  
+ 11/2003 – 10/2008 : Senior Audit Manager at Ernst & Young Vietnam Limited  
+ 10/2008 – now : HAGL JSC
- Present position at HAGL Agrico: BOD member
- Other major appointment:  
BOD member cum General Director of HAGL JSC



## PROFILE OF DIRECTORS AND KEY MANAGEMENT (continued)

### Board of Directors (continued)

**Mr. Tran Bao Son**  
Member



- Year of birth: 1973
- Qualifications: Bachelor of Business Administration
- Working experience:
  - + 01/05/1997 - 31/12/1999 : Technician at Da Nang Branch of THACO
  - + 01/01/2000 - 30/06/2004 : Head of Business Department of Long Bien KIA Showroom – THACO
  - + 01/07/2004 - 07/08/2006 : Director of Can Tho Showroom – THACO
  - + 08/08/2006 - 30/04/2008 : Director of Long Bien KIA Showroom – THACO
  - + 01/05/2008 - 31/03/2009 : Director of MAZDA Showroom in Northern region - THACO
  - + 01/04/2009 - 30/06/2009 : Director of Showroom Management in Northern region - THACO
  - + 01/07/2009 - 30/06/2010 : Director of MAZDA Showroom in Northern region – THACO
  - + 01/07/2010 - 18/04/2018 : Director of Northern branch – THACO
  - + 19/04/2018 - now : Deputy Director – THACO
- Present position at HAGL Agrico: BOD Member
- Other major appointments: Deputy Director – THACO

**Ms. Vo Thi Huyen Lan**  
Member



- Year of birth: 1971
- Qualifications: Bachelor of Economics of HCMC University; MBA of HEC Paris, France; Master of Finance of Paris Dauphine University, France.
- Working experience:
  - + 1996 – 1998 : Chief accountant at Prezioso Company
  - + 1998 – 2002 : Chief accountant at Espace Bourbon An Lac Co., Ltd.
  - + 2002 – 2006 : Deputy General Director cum CFO at Big C Vietnam
  - + 2007 – now : General Director of Jaccar Holdings
- Present position at HAGL Agrico: BOD member
- Other major appointment:
  - + General Director – Jaccar Holdings
  - + BOD member – Bourbon Ben Luc JSC
  - + BOD member – Agrex Saigon Foodstuffs JSC
  - + BOD member – HAGL JSC

**Ms. Vo Thi My Hanh**  
Member



- Year of birth: 1977
- Qualifications: Bachelor of Laws, MBA
- Working experience:
  - + 2001 – 2006 : Sales Manager at Hoang Anh Enterprise.
  - + 2006 – 2008 : Deputy Director at HAGL Furniture Factory Branch.
  - + 1 – 4/2009 : Assistant Manager at Investment and Planning Department of HAGL JSC
  - + Since 4/2009 : Deputy Director of HAGL Hydro Power JSC
  - + Since 12/2014 – to 4/2017 : Deputy Director of HAGL Agrico
  - + Since 2/2015 to – 5/2017 : CFO at HAGL Medical Pharmacy University Hospital.
  - + Since 5/2017 : General Director of HAGL Agrico
- Present position at HAGL Agrico: BOD member cum General Director
- Other major appointment: BOD Member of HAGL JSC

**Mr. Nguyen Quan Anh**  
Member



- Year of birth: 1969
- Working experience:
  - + 1993 – 2005 : Hoang Anh Enterprise
  - + 2006 – 2009 : Director of HAGL Furniture Factory
  - + 2010 – 6/2012 : Director of Gia Lai Mining JSC
  - + 2013 – 2015 : Director of HAGL Mining JSC, and Director of Kon Tum Mining JSC.
  - + 2016 – now : Director of Daun Penh Agrico One Member Co., Ltd.
- Present position at HAGL Agrico: BOD member cum Deputy General Director



# PROFILE OF DIRECTORS AND KEY MANAGEMENT (continued)

## Board of Management

**Ms. Vo Thi My Hanh**  
General Director

(For information see BOD)



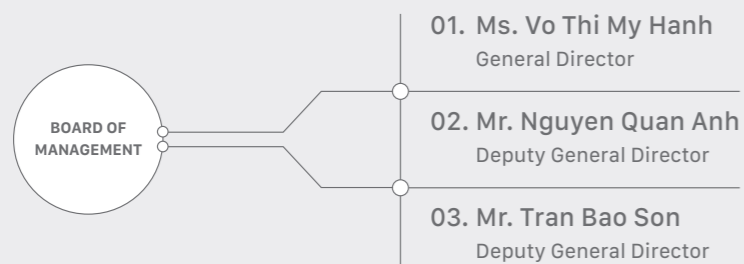
**Mr. Nguyen Quan Anh**  
Deputy General Director

(For information see BOD)



**Mr. Tran Bao Son**  
Deputy General Director

(For information see BOD)



## BOARD OF SUPERVISION

**Mr. Nguyen Duc Quang**  
Head of BOS

- Year of birth: 1988
- Qualifications: ACCA Certification, Certified Public Accountant
- Working experience: From 12/2017 - 12/2019: Chief Accountant at Hoang Anh Gia Lai Myanmar Co.,Ltd
- Present position at HAGL Agrico: Head of BOS



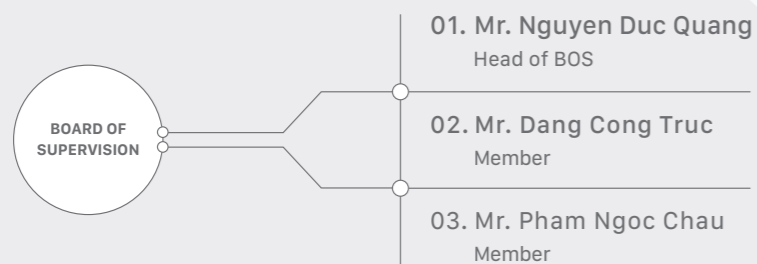
**Mr. Dang Cong Truc**  
Member

- Year of birth: 1970
- Qualifications: MBA - Apollos University (USA), Bachelor of Economics - HCMC University of Economics
- Working experience:
  - + 01/04/2006 - 31/12/2006: Finance Consultant - Counselor Committee - Internal Audit - THACO
  - + 01/01/2007 - 20/06/2013: Head of Counselor Committee & Internal Audit - Counselor Committee - Internal Audit - THACO
  - + 21/06/2013 - 31/12/2013: Member of BOS - Counselor Committee - Internal Audit - THACO
  - + 01/01/2014 - now: Member of BOS - THACO



**Mr. Pham Ngoc Chau**  
Member

- Year of birth: 1975
- Qualifications: Bachelor of Economics
- Working experience:
  - + 2001 - 2003 : Saigon Trading & Packaging JSC
  - + 2004 - 2007 : Europe Asia Co., Ltd.
  - + 2008 - 2012 : HAGL Real Estate Management JSC
  - + 2012 - now : HAGL JSC
- Present position at HAGL Agrico: Member of BOS





# REPORT ON THE OPERATIONS IN 2019

In 2019, the Company implemented the massive changes in its business operations such as liquidation of ineffective assets, conversion of a large part of oil palm area into fruit trees and transfer of subsidiaries...



# REPORT ON THE OPERATIONS IN 2019

## 01. Production and business results in 2019

In 2019, the Company implemented the massive changes in its business operations such as liquidation of ineffective assets, conversion of a large part of oil palm area into fruit trees and transfer of subsidiaries. However, thanks to the drastic financial restructuring; the Company has reduced the burden of interest; generated cash flow for business activities and focused resources on fruit planting which currently is the core business of the Company.

### Business results in 2019 compared to that in 2018:

Unit: VND billion

Item	2019	2018	Increase/ (Decrease) compared to 2018 (%)
Net revenue	1,811	3,688	-50.9%
Profit before tax	(2,375)	(626)	-279.4%
Profit after tax	(2,444)	(656)	-272.6%



### Revenue structure

Unit: VND billion

No	Business sector	2019	2018	Increase/ (Decrease) compared to 2018 (%)
01	Fruits	1,242	2,351	-47.2%
02	Rubber latex	342	345	-0.9%
03	Goods	177	292	-39.4%
04	Chilli	40	535	-92.5%
05	Apartments and services	10	38	-73.7%
06	Cattle	-	127	-100%
	<b>TOTAL</b>	<b>1,811</b>	<b>3,688</b>	<b>-50.9%</b>

Revenue from fruits reached VND 1,242 billion, a 47.2% decline as compared with 2018 figures due to the transfer of some of the subsidiaries to THADI in 2019.

Rubber latex revenue was at VND 342 billion, a slight decrease of 0.9% from the previous year. Although the rubber price has increased again, the rebound was not much. So, HAGL Agrico's exploitation of rubber remained to a humble extent to husband the trees pending a considerable increase in prices to start large-scale exploitation.

Revenue from chillies and peppers was at VND 40 billion, a drastic 92.5% plunge from 2018 revenue due to the conversion of the land to fruit trees, reducing the planted areas significantly.

Revenue from apartment and supply of services was at VND 10 billion accounting for a reduction of 73.7% as compared with 2018 revenue because the Company sold all apartments in the same year.

The cattle sector has not generated any revenue for 2019 as their operations ceased at the end of 2018.

# REPORT ON THE OPERATIONS IN 2019 (continued)

## 02. Financial position

### a. Financial

Unit: VND billion

Item	2019	2018	Increase/ (Decrease) compared to 2018 (%)
<b>Total assets</b>	<b>23,280</b>	<b>30,532</b>	<b>-23.75%</b>
<b>Total liabilities</b>	<b>13,542</b>	<b>19,856</b>	<b>-31.80%</b>
Short-term loans	4,655	5,879	-20.82%
Other short-term liabilities	3,258	2,635	23.64%
Long-term loans	4,550	9,551	-52.36%
Other long-term liabilities	1,079	1,791	-39.75%

### Assets

As of 31 December 2019, the total assets were valued at VND 23,280 billion, a 23.75% decrease compared to the same period of the previous year. This is due to the transfer of some subsidiaries and the adjustment of the investment cost of rubber and oil palm plantation to finance the fruit production in 2019.

### Liabilities

As at 31 December 2019, the total liabilities amounted to VND 13,542 billion as compared to VND 19,856 billion at the end of 2018. The reason for the sharp decrease of loans and payables resulted from comprehensive investment cooperation with THACO. In 2019, the Company completed the conversion of bonds into shares valued at VND 2,217 billion by which the charter capital raised to VND 11,086 billion and the transfer of some subsidiaries to THADI, a member of THACO to the value of VND 6,996 billion.

### b. Key financial ratios

Items	Unit	2018	2019
<b>Liquidity</b>			
Current ratio	Time	0,49	0,49
Quick ratio	Time	0,34	0,22
<b>Capital structure</b>			
Total loans and debts/ Total assets	Time	0,65	0,58
Total loans and debts/ Owner's equity	Time	1,86	1,39
<b>Operation capability ratio</b>			
Inventory turnover	Round	1,90	0,92
Net revenue/ Total assets (average)	Round	0,12	0,07
<b>Profitability</b>			
Profit after tax/ Net revenue	%	-17,79	-134,95
Profit after tax/ Owner's equity (average)	%	-6,30	-23,94
Profit after tax/ Total assets (average)	%	-2,09	-9,08
Operating profit/ Net revenue	%	3,15	-53,40

## 03. The process of project implementation

Since 2016 the Company has shifted its business strategy to fruit tree planting as a major sector due to the large scale market demand, short harvesting time and high economic efficiency. Besides, the rubber trees are still maintained for long term targets.

In 2019, HAGL Agrico continued to pursue the business strategies by converting the less productive plants to fruit trees, diversifying the products, and actively developing the market in China which is the world's largest fruit consumer.



### Rubber sector

The Company still maintained 31,085 hectares of rubber and tapped the mature trees at a moderate level.

**31,085 HA**



### Fruit sector

The Company converted several plantations of less productive rubber trees and oil palm in Vietnam, Laos and Cambodia to fruit tree plantations. The total area developed for this purpose has by far reached 18,305 hectares; 5,736 of which are already productive and on continuous harvesting with key products including banana, jackfruit, dragon fruit, mango, green-skin pomelo, durian, coconut and avocado. These fruit trees are well suited to the tropical climate, and the short-term cultivation period has brought in high economic value.

**18,305 HA**

## 04. Shareholder structure

### a. Shares: (as at 31 March 2020)

• Number of shares	:	1,108,553,895	shares
• Par value	:	10,000	VND
• Preferred shares	:	-	shares
• Common shares	:	1,108,553,895	shares
• Outstanding shares	:	1,108,553,895	shares
• Treasury shares	:	-	shares
• Freely transferable shares	:	1,108,553,895	shares
• Restricted shares	:	-	shares

# REPORT ON THE OPERATIONS IN 2019 (continued)

## 04. Shareholder structure, change in charter capital (continued)

### b. Shareholders structure

Shareholders	Number of shareholders	Number of shareholdings	Holding percentage/ charter capital
<b>State</b>	-	-	-
<b>Domestic</b>	<b>1,714</b>	<b>1,105,078,155</b>	<b>99.69</b>
Organization	20	966,770,655	87.21
Individual	1,694	138,307,500	12.48
<b>Foreign</b>	<b>42</b>	<b>3,475,740</b>	<b>0.31</b>
Organization	13	3,320,640	0.30
Individual	29	155,100	0.01
<b>Total</b>	<b>1,756</b>	<b>1,108,553,895</b>	<b>100</b>

### c. Major shareholders

**01. Organization/Individual : Hoanh Anh Gia Lai JSC**  
 Business registration certificate : 5900377720  
 Address : 15 Truong Chinh, Phu Dong Ward, Pleiku City, Gia Lai Province  
 Number of share holding : 452,665,840  
 Holding percentage /charter capital : 40.83

**02. Organization/Individual : Truong Hai Auto Corporation**  
 Business registration certificate : 3600252847  
 Address : No19, Bien Hoa Industrial Zone, 2A, An Binh Ward,  
 Bien Hoa City, Dong Nai Province  
 Number of share holding : 291,388,000  
 Holding percentage /charter capital : 26.29

**03. Organization/Individual : Hung Thang Loi Gia Lai Co.,Ltd**  
 Business registration certificate : 5901046432  
 Address : 15 Truong Chinh, Phu Dong Ward, Pleiku City, Gia Lai Province  
 Number of share holding : 93,145,000  
 Holding percentage /charter capital : 8.40

### d. Change in charter capital:

August 2019, the Company completed the conversion of convertible bonds (issued in 2018) into shares, by that the charter capital increase to VND11,085,538,950,000.

**Treasury share transaction:** in 2019, there was no treasury share transaction implemented.





# REPORT OF THE BOARD OF MANAGEMENT



# REPORT OF THE BOARD OF MANAGEMENT

## 01. Production and business results

### a. Net revenue

The net revenue for 2019 is VND 1,811 billion, a 50.9% decline as compared with 2018 figures due to the transfer of some of the subsidiaries to THADI for financial restructuring. The earnings from fruits and rubber latex accounts for 87.5% of the net revenue while the remaining 12.5% is derived from the sales of goods, peppers, chilies, apartments and services.

1,242 BILLION	342 BILLION	227 BILLION
Fruit sale is the largest contributor to the revenue with VND 1,242 billion, accounting for 68.6% in the revenue structure.	Rubber latex ranked second with VND 342 billion, accounting for 18.9% in the revenue structure.	The remaining 12.5% or 227 billion VND is derived from the sales of goods, peppers, chilies and apartments and services.

### b. Profit (Loss) after Tax

The loss is VND 2,444 billion, resulted from:

- High interest expense; Revaluation of ineffective assets and adjustment of investment costs from rubber and oil palm to fruit plantations.
- The company no longer consolidated the revenue from Group of Dong Duong companies, Dong Penh and Trung Nguyen.

## 02. Financial status

### a. Assets

Items	2019	2018	Increase/Decrease
<b>Total assets</b>	<b>23,280</b>	<b>30,532</b>	<b>-23.75%</b>
Current assets	3,872	4,178	-7.30%
Non-current assets	19,408	26,354	-26.36%

As at 31/12/2019, the total value of assets was VND 23,280 billion, a decrease of 23.75% compared with 2018 because of the decrease of loans and the Company has liquidated the inefficient assets.

### b. Liabilities

Items	2019	2018	Increase/Decrease
<b>Current liabilities</b>	<b>7,913</b>	<b>8,514</b>	<b>-7.06%</b>
- Short-term loans	4,655	5,879	-20.82%
- Other short-term liabilities	3,258	2,635	23.64%
<b>Non-current liabilities</b>	<b>5,629</b>	<b>11,342</b>	<b>-50.37%</b>
- Long-term loans	4,550	9,551	-52.36%
- Other long-term liabilities	1,079	1,791	-39.75%
<b>Total liabilities</b>	<b>13,542</b>	<b>19,856</b>	<b>-31.80%</b>

As of 31/12/2019, the Company's total liabilities dropped to VND 13,542 billion as compared to VND 19,856 billion at the same period of 2018 because the loans related to parties decreased. The ratio of liabilities over owner's equity of 1.86 and 1.39 at the end of the years 2018 and respectively, shows that despite a slight change in HAGL Agrico's settlement of liabilities, the business operations has recovered and stabilized.

## 03. Plan in 2020

- Continuing to expand the area of fruit trees. The main products distributed to markets are fresh fruits, dried fruits and juice.
- To maintain the rubber plantation and exploit when the price of latex rebounds.
- To arrange the investment capital and cash flow to pay off the loans.
- To implement the business strategies approved by the BOD.





# REPORT OF THE BOARD OF DIRECTORS

## 01. The BOD's assessment on the Company's operations

**Investment:** At the end of 2019 HAGL Agrico has cultivated a total of 18,304 hectares of fruit plantations. Banana in particular, is the largest contributor to the revenue generation in 2019, accounting to about half of the total earnings and will continue to grow in the years to come.

**Financial restructuring:** HAGL Agrico has completed the transfer of its subsidiaries including the Group of Dong Duong companies, Dong Penh Agrico and Trung Nguyen to solve the liquidity demand, pay bank loans and scale up investment in the development of fruit plantations. By the end of 2019, the total bank loan balance subsided to VND 4,924 billion, a significant decrease from VND 7,802 billion at the beginning of the same year.

**Business activities:** as HAGL Agrico is in the stage of investment on crop restructuring, the Company suffered losses due to the conversion cost and the disposal of assets attached to the previous plantations while more than half of the fruit farms are yet to mature. These losses however are expected to gradually diminish when these farms become fully productive, pushing the Company to a profitable position.

## 02. The BOD's assessment on the BOM's performance

At the BOD's quarterly and extraordinary meetings, the BOD straightly questioned and discussed with the Board of Management over the implementation of strategy for business operations and the Resolutions passed by the General Meeting of Shareholders.

Moreover, the Board of Management was in regular communication with the BOD and made proactive reports on the work progress as well as the difficulties and obstacles they encountered for the BOD's directions.

Despite the failure to reach profit as planned, the Board of Management, accomplished the tasks assigned to them, specifically:

- Completion of the transfer of the contributed capital in its subsidiaries
- Implementation of the conversion of rubber trees and oil palm into fruit trees
- Promptly taking measures to cope with the incident of flooded fruit plantation in Laos caused by natural disaster in September 2019
- Implementation of the business activities of the Company in planting, maintaining and harvesting of fruits in the plantations.



## 03. The BOD's plan and orientation

### Production and business activities

Continuing to focus resources on fruit segment, ensuring stability in agricultural production and business to create stable revenue;

To carry out large-scale and specialized agricultural production according to crop type, focusing on the application of advanced technology to perfect planting techniques, tending, harvesting, preserving fruit, improving productivity and increasing fruits of grade 1.



### Finance

To balance the capital to convert the entire area of oil palm and part of rubber into fruit plantations to ensure future cash flow;

To pay off the loans for banks, and to balance the cash flow for production and business activities.



### Governance

Continuing to apply the advanced technology on management for the entire production chain, ensuring the efficient and scientific use of resources, substantially reducing the loss of resources.



# REPORT OF THE ACTIVITIES OF THE BOARD OF SUPERVISION

## I. MEMBERS AND ACTIVITIES OF THE BOS IN 2019

### 01. Members of the BOS

Trong năm 2019, BKS hoạt động với các thành viên cụ thể như sau:

Name	Position
Mr. Nguyen Duc Quang	Head
Mr. Dang Cong Truc	Member
Mr. Pham Ngoc Chau	Member

### 02. Activities in 2019

In 2019, the BOS supervised the production and business situation of the Company within the scope of rights and obligations under the Law and the Company Charter, specifically as follows:

- Attending the Company's meetings, and keeping track of practical business position, and checking the compliance with the provisions of the Law, and the Charter of the Company;
- Monitoring the implementation of the Resolution of the General Meeting of Shareholders in 2019;
- Evaluating the BOM on the management, operation, and implementation of production and business activities based on the Resolutions of the BOD;
- Examining the periodic financial statements of the Company, and discussing with the Auditors about the inspection results of the financial statement for 2019;
- Performing other jobs as stipulated in the Charter of the Company

## II. ACTIVITIES OF THE BOS IN 2019

### 01. Results of supervising the production and business situation in 2019

#### Business results in 2019

Unit: VND billion

Item	Performed in 2019	Plan for 2019 (*)	% business plan be achieved
- Net revenue	1,811	4,775	38%
- Gross profit	213	2,141	10%
- Profit before Tax	(2,375)	103	

#### Results of verification of the financial situation of the Company

The BOS discussed with the audit firm on scope and results of auditing, and at the same time, reviewed key items on the Financial Statements as follows:

Unit: VND billion

Item	2019	2018	Increase/Decrease	%
<b>Total asset</b>	<b>23,280</b>	<b>30,532</b>	<b>(7,252)</b>	<b>-24%</b>
1. Short-term assets	3,872	4,178	(306)	-7%
2. Long-term assets	19,408	26,354	(6,946)	-26%
<b>Total of capital</b>	<b>23,280</b>	<b>30,532</b>	<b>(7,252)</b>	<b>-24%</b>
1. Liabilities	13,543	19,856	(6,313)	-32%
- Short-term loans	7,913	8,514	(601)	-7%
- Long-term loans	5,630	11,342	(5,712)	-50%
Equity	9,737	10,676	(939)	-9%

# REPORT OF THE ACTIVITIES OF THE BOARD OF SUPERVISION (continued)

## 02. Results of monitoring the execution of resolutions of the General Meeting of Shareholders (“GMS”) in 2019

No	Resolution	Performance in 2019
1	<b>2604/19/NQĐHĐCĐ -HAGL Agrico, date 26/04/2019</b>	
1.1	Approval of business and investment plans for 2019.	<ul style="list-style-type: none"> <li>- Net revenue in 2019: VND1,811 billion, achieving 38% of the plan.</li> <li>- Gross profit: VND 213 billion, achieving 10% of the plan.</li> <li>- Loss before tax: VND 2,375 billion; the plan is profit with VND 103 billion.</li> </ul>
1.2	Approval of capital investment in 2019. <ul style="list-style-type: none"> <li>- Reviewing the business majors and reevaluating the effectiveness of the assets.</li> <li>- Focusing on fruit development by increasing the planted areas, expanding the export market, investing in processing technology and diversifying products.</li> <li>- Keep maintaining the rubber plantations.</li> </ul>	<ul style="list-style-type: none"> <li>- On 17/06/2019, the BOD issued the Resolution No.1706/19/NQ-HĐQT HAGL Agrico about transferring 100% of ownership ratio at Indochina Rubber Investment and Development Co.,Ltd. for Thadi Indochina Agriculture Processing &amp; Distribution JSC (“THADI”).</li> <li>- On 19/08/2019, the BOD issued the Resolution No. 1908-1/19/NQ-HĐQT HAGL Agrico about transferring 99.88% of ownership ratio at Dong Penh Co.,Ltd. for THADI.</li> <li>- On 09/09/2019, the BOD issued the Resolution No. 0909/19/NQ-HĐQT HAGL Agrico about transferring 100% of ownership ratio at Trung Nguyen Rubber Co.,Ltd for THADI</li> <li>- The Company continues to develop the fruit plantations and keep maintaining the rubber plantations as planned by 2019 GMS.</li> </ul>
1.3	Approval of the plans of profit distribution and remuneration for the Board of Directors, the Board of Supervision and the Board of Secretary in 2019.	- Implemented in accordance with the resolution of the 2019 GMS.
2	<b>0605/18/NQĐHĐCĐ-HAGL Agrico, on 06/05/2018</b>	
2.1	Approval of convertible bonds offering to public.	<ul style="list-style-type: none"> <li>- The convertible bond offering to public was completed on 07/08/2018;</li> <li>- On 30/7/2019, the BOD approved the Resolution No. 3007/19/NQ-HĐQT-HAGL Agrico on issuing shares converted from convertible bonds pursuant to the Resolution No. 0605/18/NQĐHĐCĐ-HAGL Agrico. The conversion from the bonds to shares was finished on 09/08/2019.</li> </ul>



## 03. Results of the supervision of management activities of the Board of Directors and the Board of Management

- The BOD held regular and irregular meetings in accordance with the Charter of the Company and Corporate Governance Regulations.
- The BOD issued Resolutions and Decisions related to the production and business activities of the Company within the scope of responsibilities and authority of the BOD, in accordance with the Resolution of the GMS, the Charter of the Company, the Law on Enterprises and other legal provisions.
- The BOD directed and supervised the Board of Management in managing the business operations of the Company in order to implement the resolutions approved by the GMS.
- The BOM actively planned and organized the operations of production and business activities according to the strategy of the BOD, and fully performed the obligations of the enterprise to the State in accordance with the law and ensured legitimate interests of the employees.

## 04. Operation plans of the BOS 2020

- To attend the Company meetings and timely keep track of production and business activities to monitor the implementation of the Resolution of the GMS.
- To supervise the BOD and the BOM in organizing and operating production and business activities in order to achieve the items under the Resolution approved by the GMS.
- To verify the periodic financial statements, including focusing on issues related to investments, capital use management, and cash flow plans.
- To perform other tasks as stipulated in the Charter of the Company.

# CORPORATE GOVERNANCE REPORT

## 01. Members of the BOD

No	Full name	Position	Date of becoming member of the BOD	Number of shareholding (**)	Holding percentage/ charter capital
01	Mr. Doan Nguyen Duc	Chairman	15/06/2010		
02	Mr. Do Xuan Dien	Vice chairman	26/04/2019		
03	Mr. Vo Truong Son	Member	04/04/2015	505,000	0.05%
04	Ms. Vo Thi My Hanh	Member cum General Director	30/06/2017	505,000	0.05%
05	Mr. Tran Bao Son	Member cum Deputy General Director	17/09/2018		
06	Ms. Vo Thi Huyen Lan	Member	04/04/2015		
07	Mr. Nguyen Quan Anh	Member cum Deputy General Director	04/04/2015	5,000	0.0005%
08	Mr. Nguyen Hung Minh (*)	Member	17/09/2018	24,388,880	2.2%

(\*) On 26/04/2019, the annual GMS approved the resignation of Mr. Nguyen Hung Minh from the position of BOD member and appointed Mr. Do Xuan Dien as BOD member. On 14/05/2019, Mr. Do Xuan Dien was elected as Vice Chairman of the BOD.

(\*\*) Pursuant to the list of shareholders on the record date at 31 March 2020.

## 02. The activities of BOD in 2019

### 2.1 The supervision of the BOD to the Board of Management

In 2019, the BOD directed and supervised the BOM on the following activities:

- The transfer of contributed capital in the subsidiaries;
- The redemption of bonds before maturity;
- The completion of convertible bonds offering to the public; and additional registration and listing of shares from convertible bonds;
- To assign and supervise the Board of Management on business activities in planting, maintaining and harvesting the fruit plantations, at the same time maintaining and exploiting the rubber plantations; and specially timely propose solutions to resolve the problem of flooding in Laos due to the impact of natural disasters in September 2019.
- The execution of resolutions promulgated by the GMS and BOD;
- The implementation of 2018 Annual Report and Financial Statements.

### 2.2 Meetings of the BOD

In 2019, the BOD convened the following meetings:

No.	Member of the BOD	Position	Date of becoming member of the BOD	Number of attendance	Percentage	Reasons for absence
01	Mr. Doan Nguyen Duc	Chairman	15/06/2010	10/10	100%	
02	Mr. Do Xuan Dien	Vice chairman	26/04/2019	9/10	100%	Appointed from 26/04/19
03	Mr. Vo Truong son	Member	04/04/2015	10/10	100%	
04	Ms. Vo Thi My Hanh	Member	30/06/2017	10/10	100%	
05	Mr. Tran Bao Son	Member	17/09/2018	10/10	100%	
06	Ms. Vo Thi Huyen Lan	Member	04/04/2015	10/10	100%	
07	Mr. Nguyen Quan Anh	Member	04/04/2015	10/10	100%	
08	Mr. Nguyen Hung Minh	Member	17/09/2018	1/10	100%	Resigned from 26/04/19



# CORPORATE GOVERNANCE REPORT (continued)

## 02. The activities of BOD in 2019 (continued)

### 2.3 The Resolutions of the BOD

No.	Resolution No.	Date	Content
1	1903/19/NQ HĐQT - HAGL Agrico	19/03/2019	Approval of the record date for list of shareholders to convene the 2019 Annual General Meeting of Shareholders.
2	1405/19/NQ HĐQT - HAGL Agrico	14/05/2019	Approval of electing vice chairman of the BOD.
3	2105/19/NQ HĐQT - HAGL Agrico	21/05/2019	Approval of remuneration in 2019 for the BOD, the Board of Supervisors and Board of Secretary
4	1706/19/NQ HĐQT - HAGL Agrico	17/06/2019	Approval of the transfer of contributed capital in Eastern Rubber Investment and Development Co.,Ltd.
5	0407/19/NQ HĐQT - HAGL Agrico	04/07/2019	Approval of selecting the audit firm to review the 2019 interim FS.
6	3007/19/NQ HĐQT - HAGL Agrico	30/07/2019	Approval of converting convertible bonds issued in 2018 into shares
7	1908/19/NQ HĐQT - HAGL Agrico	19/08/2019	Approval of the transfer of contributed capital in Dong Penh Co.,Ltd.
8	0909/19/NQ HĐQT - HAGL Agrico	09/09/2019	Approval of the transfer of contributed capital in Trung Nguyen Co.,Ltd.
9	0310/19/NQ HĐQT - HAGL Agrico	03/10/2019	Approval of selecting the audit firm to review the 2019 FS.
10	2210/19/NQ HĐQT - HAGL Agrico	22/10/2019	Approval of appointing the Person in charge of Corporate Governance.

## 03. Transactions, salaries and other interests of the BOD, BOM and BOS

### 3.1 Transactions, salaries and other interests of the BOD, BOM and BOS

In 2019, the transactions, salaries and other interests of the BOD, BOM and BOS are VND 4.8 billion and presented in Item 33 of 2019 Audited Consolidated Financial Statements at "Transactions with related parties".

### 3.2 Transactions of internal persons and related persons with the shares of the Company

No.	Transaction execution	Relationship with internal person	Number of shares owned at the beginning of the period		Number of shares owned at the end of the period		Reason for increase/decrease
			Number of shares	percentage %	Number of shares	percentage %	
01	Truong Hai Auto Corporation		0	0	291,388,000	26.29	- Increase of 69,700,000 shares by purchase; - Increase of 221,688,000 by converting bonds into shares
02	Hoang Anh Gia Lai JSC.		512,665,840	57.81	452,665,840	40.83	- Decrease of 60,000,000 shares by selling
	<b>Total</b>		<b>512,665,840</b>	<b>57.81</b>	<b>744,053,840</b>	<b>67.12%</b>	

### 3.3 Implementation of regulations on corporate governance

The Company always maintains up-to-date regulations promulgated by the State Securities Commission and strictly adheres to the internal management of the Company. In addition, the Company always facilitates for the members of the BOD, the BOS, the BOM, and the Secretary of the Company to take part in the training courses on corporate governance. In 2019, there was 3 more persons completing the course of corporate governance.



## REPORT OF SUSTAINABLE DEVELOPMENT

Cam kết bằng những nỗ lực không ngừng trong việc bảo tồn các nguồn tài nguyên, hành động có trách nhiệm đối với môi trường và đóng góp vào việc cải thiện đời sống của người dân, cộng đồng...



## REPORT OF SUSTAINABLE DEVELOPMENT

Fully aware of the fact that the environment is a precious resource of humans, over the past few years, HAGL Agrico has placed great importance on it, made every effort to develop measures on effective utilization of natural resources and energy, complied with regulations on ecological environment protection and minimized environmentally negative effect.

### 01. Management of materials and energy

The exploitation of natural resources is the use of natural resources for economic growth, sometimes with a negative connotation of accompanying environmental degradation. Therefore, with agriculture as the main business, HAGL Agrico always places importance on associating its production and business activities with sustainable development. To address considerable environmental issues, the Company has introduced main solutions to build a detailed plan based on the proposed orientation.



#### Water consumption

The company promotes economical water use which indirectly impacts on significant water use activities such as cultivation, animal husbandry and production to further efficiency, especially when it comes to increasingly expanded production.

##### Specific solutions include:

- Application of Israeli drip irrigation systems is always the top choice in the irrigation work at its agricultural projects. This system can save 50 - 70% of irrigation water compared to normal irrigation forms.
- Waste water from processing plants is treated and reused to irrigate crops. Waste water from livestock farms is treated to partly produce biogas and the rest for crop irrigation. This measure helps the Company minimize environmental pollution, protect water sources and save costs.

#### Waste treatment

In order to ensure that solid waste and other types of waste do not leave adverse effects on the environment, the Company has imposed measures to save, recycle materials and minimize waste to the environment with the following specific solutions:

- Packages of animal manure: nylon bags, 50% of which are reused to collect plant waste such as broken fruits, branches ..., are used to store manure distributed to farms.
- The Company uses carton boxes to export fruits to the market because this is a biodegradable and environmentally friendly material.

#### Power consumption

The Company has significantly reduced its power consumption in operations of processing plants, service workshops, water pumping, and irrigation by adopting practical measures:

- Replacing old appliances and equipment such as incandescent bulbs, fluorescent bulbs, etc. with LED bulbs.
- Using solar heating systems.
- Building irrigation network by natural drainage canals to carry water to reservoirs for crop watering.
- Disseminating regulations of power-saving utilization to all employees.



# REPORT OF SUSTAINABLE DEVELOPMENT (continued)

## 01. Management of materials and energy (continued)

### Waste treatment (continued)

- Irrigation pipes (such as PVC pipes, HDPE pipes, LDPE pipes) are used for drip irrigation in the plantations. 90% of broken irrigation pipes after use are shipped to the Company's factories for recycling.
- The Company uses manure sources available from cattle breeding to apply basal and top dressing for plants
- The Company makes efforts to reduce emissions into the environment through a variety of measures such as new technology application, equipment and infrastructure investments, optimization of production processes, and selection of product and eco-friendly production processes. At the same time, at the current manufacturing and processing factories, the Company prioritizes the construction of a wastewater process system, collection of hazardous substances before discharging it into the environment, and application of management measures to segregate waste.



## 02. Complying with environmental laws

One of the key elements of sustainable cultivation is to coordinate specific regional knowledge and strictly follow the local laws and environmental standards. Therefore, during the cultivation process, the Company has introduced the following measures to minimize negative impacts on the environment.

### Waste classification and pollution factors



Waste (paper, cardboard, plastic, oil) and pollution sources (excess fertilizer, emissions, oil, fuel, noise, sewage, and chemicals) generated by plantation activities must be listed and given specific handling methods.

The discharged organic materials need to be composted and used to fertilize the soil. The incubation method ensures there are no risks of pests, diseases or weeds.

Wastewater from washing machines, spraying equipment, water-cooled units is collected and disposed in a manner that ensures minimal impacts on the environment, health, and safety of farm workers. At the same time, at the factories, the Company has built a wastewater treatment system to recycle to irrigate the plantations.

### Fertilizer management



The demand for fertilizer is given based on the plan nutrient demand. The fertilizer application is adjusted to optimize handling and storage processes to avoid loss and contamination. The company has established a record keeping norm and fertilizing schedule for monitoring.

All fertilizers must be stored in a way that minimizes water pollution. The water storage tank/bin must be surrounded by a waterproof barrier to prevent leakage.

Fertilizers are not allowed to store with the harvested products.

### Management of plant protection products



All the pesticides used in the plantations must be approved by the relevant governmental authorities in the local area.

There is a team of plant protection specialists established in the Company to study and timely give the most effective and beneficial method of using preventive and curative medicines.



# REPORT OF SUSTAINABLE DEVELOPMENT (continued)

## 03. Employee welfare policy

Considering human resources as the most valuable asset to drive the Company to sustainable development, HAGL Agrico always creates the best working environment and conditions to connect employees. In addition to complying with the law on welfare policy for employees, the Company also performs its responsibilities to employees based on the following factors:

### Safety and healthcare

Work safety issues are strictly complied within the Company to ensure a safe working environment for workers. Occupational safety and fire prevention are regularly organized for employees. Workers are equipped with timely and adequate labour protection equipment to meet job requirements. The Company also issues and closely supervises the implementation of internal regulations on occupational safety and environmental sanitation, and regularly checks and evaluates labour safety at the workplace. In addition to medical insurance, the Company provides employees with healthcare by supporting medical expenses at HAGL Medicine and Pharmacy University Hospital, and considers the exemption and reduction of medical expenses for staff working in Laos and Cambodia.

### Assurance of equality

Culture of fair competition is applied to employment from recruitment, training, development and promotion opportunities. HAGL gives priority in using local labourers and respects gender equality, providing equal opportunities to both male and female employees.

### Development opportunity

In HAGL Agrico, work is properly and appropriately assigned to make best suits to employee's level of expertise and ability. Healthy competition is created in each department to encourage each employee to perform the best of their ability. The company always encourages and creates the most favourable conditions for its employees to attend professional training courses. Annually, HAGL Agrico runs professional training courses to enhance working skills for staff and employees in all fields: agriculture, real estate, and health care; regular training courses on statistical software, accounting software, awareness of ISO 9001 and Global GAP, HACCP hygiene and food safety, internal auditor training, guiding for safe operations of machinery and equipment at factories and plantations.



# REPORT OF SUSTAINABLE DEVELOPMENT (continued)

## 04. Responsibilities to the community

**Joining Hands for a Better Society** is the Company's corporate social responsibility program, which has been maintaining annually and implementing for many years, including the donations to the Foundation For The Poor, Child Protection Fund, Agent Orange Fund, donating to help people in flood areas, presenting Tet gifts for disadvantaged families. Activities of gratitude, charity, medical examination and treatment have been implemented in three countries of Vietnam, Laos and Cambodia where the Company is investing.

In the past year, the Medical University – Hoang Anh Gia Lai Hospital has improved the quality of health for people in the Central Highland provinces. In addition to providing on-site medical examination and treatment, the hospital also regularly conducts the social activities such as: organizing humanitarian medical examination, implementing medical examination and provision programs, providing free eye surgery for the people in the remote areas of Gia Lai province and people of Laos and Cambodia.

On 26/05/2019, the Youth Union of the Medical University – Hoang Anh Gia Lai Hospital in collaboration with the Youth Union of Police Department of Duc Co district in Gia Lai province organized the medical examination and treatment and gave the free medicine and gifts for 300 people of ethnic minorities in Ia Krieng commune, Duc Co district, Gia Lai province who are mainly suffered from diseases such as osteoarthritis, blood pressure, cardiovascular, respiratory, otolaryngology, paediatrics. Also on this occasion, the Union presented more than 300 of apparel, 300 pairs of shoes for people and more than 300 gifts for children in commune on June 1.



## 05. Mutual development

### SHAREHOLDERS AND INVESTORS

- Information on operating activities, financial position is disclosed proactively and transparently through annual reports, financial statements, press releases, on the Company's website at [www.haagrigo.com.vn](http://www.haagrigo.com.vn), as well as on the website of Ho Chi Minh Stock Exchange (HOSE) and other media channels.
- The Leaders of the Company often have regular meetings in direct, press conferences and Shareholders' general meeting to exchange information and receive comments from shareholders and investors.
- The regular site trips to the Company's projects in Vietnam, Laos, and Cambodia are often organized to provide investors a comprehensive view of the Company activities

### CUSTOMERS AND PARTNERS

HAGL Agrico continues to promote investment activities in agriculture with a self-contained production process, producing high quality products to meet stringent requirements of purchasing partners and customers.

### EMPLOYEES

- Communicating, updating information for the employees via email, telephone, online meetings.
- Promoting unity among the employees through informal gatherings, birthday parties, teambuilding, etc.
- Running training courses to improve professional skills of the staff.

### SOCIAL COMMUNITY

- Priority is given to employment of the local human resources in order to provide stable jobs and income for the local.
- Funding construction of basic facilities such as housing, roads, wells, hospitals, schools, etc., improving the people's livelihood.
- Conducting charitable work, providing free health examinations, and donating food to deprived people.

### STATE AND GOVERNMENT

Through investments in local economic development and social improvement of the community, the relationships between Vietnam and the countries where HAGL Agrico is making investments in are cemented.

### SUPPLIERS

Suppliers are one of the key elements in HAGL Agrico's solid value chain. Being responsible for the input of the production process, HAGL partners who are selected to supply technology, technique, printing, plant varieties, breeds, etc., are established contractors, satisfying requirements of quality and ensuring compliance with community and environment principles.

### THE MEDIA

- Exchanging and sharing information with press agencies via press releases, press conferences and events held by HAGL Agrico as well as seminars on the sectors the Company is involved in.
- Inviting journalists to participate in the Company's community activities.

# FINANCIAL STATEMENTS



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## GENERAL INFORMATION

### The Company

Hoang Anh Gia Lai Agricultural Joint Stock Company ("the Company") is a joint stock company incorporated under the Law on Enterprises of Vietnam pursuant to Business Registration Certificate ("BRC") No. 5900712753 issued by the Department of Planning and Investment of Gia Lai Province on 26 May 2010 and eighteenth (18) amended BRCs.

The Company's shares were listed on the Ho Chi Minh City Stock Exchange (stock code "HNG") in accordance with Decision No. 278/QĐ-SGDHCM issued by the Ho Chi Minh City Stock Exchange on 10 July 2015.

As at 31 December 2019, the Company had eight (8) direct subsidiaries, five (5) indirect subsidiaries and one (1) associate.

The registered principal activities of the Company and its subsidiaries ("the Group") are breeding and trading dairy cows and cows for meat; planting and trading rubber latex, palm oil, fruits and other plants; generating and trading seeding; afforesting and related materials; constructing houses; constructing industrial and civil projects.

The Company's head office is located at No. 15, Truong Chinh Street, Phu Dong Ward, Pleiku City, Gia Lai Province, Vietnam.

### Board of Directors

Members of the Board of Directors ("BOD") during the year and at the date of this report are:

NAME	POSITION	
Mr Doan Nguyen Duc	Chairman	
Mr Do Xuan Dien	Vice Chairman	appointed on 26 April 2019
Mr Vo Truong Son	Member	
Mr Nguyen Quan Anh	Member	
Mrs Vo Thi My Hanh	Member	
Mrs Vo Thi Huyen Lan	Member	
Mr Tran Bao Son	Member	
Mr Nguyen Hung Minh	Member	resigned on 26 April 2019

### Board of Supervisors

Members of the Board of Supervisors ("BOS") during the year and at the date of this report are:

NAME	POSITION	
Mr Nguyen Duc Quang	Head	
Mr Dang Cong Truc	Member	
Mr Pham Ngoc Chau	Member	

### Management

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

NAME	POSITION	
Mrs Vo Thi My Hanh	General Director	
Mr Nguyen Quan Anh	Deputy General Director	
Mr Tran Bao Son	Deputy General Director	

### Legal Representative

The legal representative of the Company during the year and at the date of this report is Mrs Vo Thi My Hanh.

### Auditors

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

## REPORT OF MANAGEMENT

Management of Hoang Anh Gia Lai Agricultural Joint Stock Company ("the Company") is pleased to present this report and the consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2019.

### Management's Responsibility in Respect of The Consolidated Financial Statements

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

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

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and to ensure that the accounting records comply with the applied accounting system. It 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.

Management confirmed that it has complied with the above requirements in preparing the accompanying consolidated financial statements.

### Statement by Management

Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of the consolidated financial statements.

For and on behalf of management:



Vo Thi My Hanh  
General Director

Gia Lai Province, Vietnam  
9 April 2020



**Ernst & Young Việt Nam Limited**  
20th floor, Bitexco Financial Tower, 2 Hai Trieu Street  
District 1, Ho Chi Minh City, Vietnam  
Socialist Republic of Vietnam

Tel : +84 28 3824 5252  
Fax : +84 28 3824 5250  
Website: ey.com

## INDEPENDENT AUDITORS' REPORT

Reference: 61280353/21443463-HN

**To: The Shareholders of Hoang Anh Gia Lai Agricultural Joint Stock Company**

We have audited the accompanying consolidated financial statements of Hoang Anh Gia Lai Agricultural Joint Stock Company ("the Company") and its subsidiaries ("the Group") as prepared on 9 April 2020 and set out on pages 5 to 68, which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement and the consolidated cash flow statement for the financial year then ended and the notes thereto.

### Management's responsibility

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

### Auditors' responsibility

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

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

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

## INDEPENDENT AUDITORS' REPORT (continued)

### Basic for qualified opinion

As disclosed in Note 31 of the accompanying consolidated financial statements, the Group recorded other income from reversal of the provisional Current Income Tax expense ("CIT expense") as at 31 December 2018 amounting to VND'000 192,397,024 which was made in prior years according to Item 3, Article 8 of Decree No. 20/2017/ND-CP, prescribing tax administration for enterprises engaged in transfer pricing, issued by the Government on 24 February 2017 ("Decree 20"). The Group has not accrued similar CIT expense for the year then ended 31 December 2019, in relation to non-deductible interest expense amounting to VND'000 42,987,791 either. Had the Group recognised CIT expense according to Decree 20 for the year ended 31 December 2019, the "Other income" would have decreased by VND'000 192,397,024, the "Current corporate income tax expense" would have increased by VND'000 42,987,791, the "Loss before tax" and "Loss after tax" would have increased by VND'000 192,397,024 and VND'000 235,384,815, respectively. At the same time, the "Accumulated losses" and "Statutory obligation" as at 31 December 2019 would have increased by the same amount of VND'000 235,384,815.

### Qualified opinion

In our opinion, except for the effect of the matter described in the "Basis for Qualified Opinion" paragraph, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Group as at 31 December 2019, and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of the consolidated financial statements.

### Ernst & Young Vietnam Limited



Duong Le Anthony  
Deputy General Director  
Audit Practicing Registration Certificate  
No. 2223-2018-004-1

Ho Chi Minh City, Vietnam  
9 April 2020



Thai Trong Cang  
Auditor  
Audit Practicing Registration Certificate  
No. 4139-2017-004-1

CODE	ASSETS	NOTES	ENDING BALANCE	BEGINNING BALANCE
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>3,872,422,704</b>	<b>4,177,427,203</b>
<b>110</b>	<b>I. Cash</b>	<b>5</b>	<b>111,485,200</b>	<b>72,447,272</b>
111	1. Cash		111,485,200	72,447,272
<b>130</b>	<b>II. Current accounts receivable</b>		<b>1,550,646,377</b>	<b>2,766,412,291</b>
131	1. Short-term trade receivables	6	1,209,598,617	2,318,603,106
132	2. Short-term advances to suppliers	7	130,188,322	183,774,708
135	3. Short-term loan receivables	8	-	76,814,000
136	4. Other short-term receivables	9	230,433,528	212,204,353
137	5. Provision for short-term doubtful receivables	6	(19,574,090)	(24,983,876)
<b>140</b>	<b>III. Inventories</b>	<b>10</b>	<b>2,166,596,272</b>	<b>1,294,888,066</b>
141	1. Inventories		2,187,324,242	1,306,450,947
149	2. Provision for obsolete inventories		(20,727,970)	(11,562,881)
<b>150</b>	<b>IV. Other current assets</b>		<b>43,694,855</b>	<b>43,679,574</b>
151	1. Short-term prepaid expenses	16	6,087,728	20,937,610
152	2. Value-added tax deductible		37,122,086	22,405,890
153	3. Tax and other receivables from the State		485,041	336,074
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>19,408,066,392</b>	<b>26,354,127,080</b>
<b>210</b>	<b>I. Long-term receivable</b>		<b>10,372,877</b>	<b>6,556,215</b>
216	1. Other long-term receivables	9	10,372,877	6,556,215
<b>220</b>	<b>II. Fixed assets</b>		<b>8,518,016,314</b>	<b>9,475,881,785</b>
221	1. Tangible fixed assets	11	8,512,947,157	9,452,032,650
222	Cost		10,476,925,849	11,124,291,966
223	Accumulated depreciation		(1,963,978,692)	(1,672,259,316)
227	2. Intangible assets	12	5,069,157	23,849,135
228	Cost		6,648,075	54,845,260
229	Accumulated amortisation		(1,578,918)	(30,996,125)
<b>240</b>	<b>III. Long-term asset in progress</b>		<b>10,012,930,483</b>	<b>13,270,329,599</b>
242	1. Construction in progress	13	10,012,930,483	13,270,329,599
<b>250</b>	<b>IV. Long-term investments</b>	<b>15</b>	<b>318,081,963</b>	<b>307,231,754</b>
252	1. Investment in an associate		315,487,353	299,447,924
253	2. Investment in another entity		2,594,610	7,783,830
<b>260</b>	<b>V. Other long-term assets</b>		<b>548,664,755</b>	<b>3,294,127,727</b>
261	1. Long-term prepaid expenses	16	126,689,199	154,355,869
262	2. Deferred tax assets	32.2	49,589,730	50,738,434
269	3. Goodwill	17	372,385,826	3,089,033,424
<b>270</b>	<b>TOTAL ASSETS</b>		<b>23,280,489,096</b>	<b>30,531,554,283</b>

# CONSOLIDATED BALANCE SHEET (continued)

as at 31 December 2019

B01-DN/HN

VND'000

CODE	RESOURCES	NOTES	ENDING BALANCE	BEGINNING BALANCE
<b>300</b>	<b>C. LIABILITIES</b>		<b>13,542,536,476</b>	<b>19,855,671,686</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>7,912,947,521</b>	<b>8,513,547,223</b>
311	1. Short-term trade payables	18	984,872,754	413,725,650
312	2. Short-term advances from customers	19	197,329,676	86,711,848
313	3. Statutory obligations	20	25,458,573	46,065,717
314	4. Payables to employees		83,065,743	48,561,776
315	5. Short-term accrued expenses	21	1,495,873,051	1,548,036,970
319	6. Other short-term payables	22	471,776,625	491,538,723
320	7. Short-term loans	23	4,654,571,099	5,878,906,539
<b>330</b>	<b>II. Non-current liabilities</b>		<b>5,629,588,955</b>	<b>11,342,124,463</b>
333	1. Long-term accrued expenses	21	728,263,269	759,275,084
337	2. Other long-term liabilities	22	241,038,047	988,865,252
338	3. Long-term loans	23	4,550,026,796	9,551,092,730
341	4. Deferred tax liabilities	32.2	110,260,843	42,891,397
<b>400</b>	<b>D. OWNERS' EQUITY</b>		<b>9,737,952,620</b>	<b>10,675,882,597</b>
<b>410</b>	<b>I. Capital</b>		<b>9,737,952,620</b>	<b>10,675,882,597</b>
411	1. Share capital	24.1	11,085,538,950	8,868,438,950
411a	- Shares with voting rights		11,085,538,950	8,868,438,950
412	2. Share premium	24.1	1,170,127,000	1,064,550,810
413	3. Convertible bond-options	24.1	-	105,576,190
417	4. Foreign exchange differences reserve	24.1	(203,488,917)	505,361,803
421	5. (Accumulated loss)/ undistributed earnings	24.1	(2,323,758,949)	102,645,162
421a	- Undistributed earnings by the end of prior years		102,159,258	761,794,920
421b	- Losses of current year		(2,425,918,207)	(659,149,758)
429	6. Non-controlling interests	25	9,534,536	29,309,682
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>23,280,489,096</b>	<b>30,531,554,283</b>

Nguyen Van Tien  
Preparer

Pham Xuan Hoa  
Chief Accountant

Võ Thị Mỹ Hạnh  
General Director

9 April 2020

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2019

B02-DN/HN

VND'000

CODE	ITEMS	NOTES	CURRENT YEAR	PREVIOUS YEAR
10	1. Net revenue from sale of goods and rendering of services	27.1	1,810,775,030	3,688,345,377
11	2. Cost of goods sold and services rendered	28	(1,597,611,674)	(2,187,064,427)
20	3. Gross profit from sale of goods and rendering of services		213,163,356	1,501,280,950
21	4. Finance income	27.2	256,474,243	150,727,589
22	5. Finance expenses	29	(693,201,444)	(690,572,665)
23	- In which: Interest expenses		(571,255,746)	(638,937,501)
24	6. Share of profit/(loss) of associates	15.1	26,497,251	(11,458,148)
25	7. Selling expenses	30	(303,246,011)	(149,378,437)
26	8. General and administrative expenses	30	(466,928,330)	(684,976,628)
30	9. Operating (loss)/profit		(967,240,935)	115,622,661
31	10. Other income	31	229,852,274	20,710,867
32	11. Other expenses	31	(1,637,698,902)	(762,096,594)
40	12. Other loss	31	(1,407,846,628)	(741,385,727)
50	13. Accounting loss before tax		(2,375,087,563)	(625,763,066)
51	14. Current corporate income tax (expense)/income	32.1	(795,616)	4,147,599
52	15. Deferred tax expense	32.2	(68,518,150)	(34,499,060)
60	16. Net loss after tax		(2,444,401,329)	(656,114,527)
61	17. Net loss after tax attributable to shareholders of the parent		(2,425,918,207)	(659,149,758)
62	18. Net (loss)/profit after tax attributable to non-controlling interests	25	(18,483,122)	3,035,231
70	19. Basic losses per share (VND)	26	(2,521)	(761)
71	20. Diluted losses per share (VND)	26	(2,521)	(527)

Nguyen Van Tien  
Preparer

Pham Xuan Hoa  
Chief Accountant

Võ Thị Mỹ Hạnh  
General Director

9 April 2020

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2019

B03-DN/HN

VND'000

CODE	ITEMS	NOTES	CURRENT YEAR	PREVIOUS YEAR
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>				
01	<b>Accounting loss before tax</b>		<b>(2,375,087,563)</b>	<b>(625,763,066)</b>
<i>Adjustments for:</i>				
02	Depreciation and amortisation (include amortisation of goodwill)	11, 12, 17	1,093,161,166	969,016,977
03	Provisions		3,755,303	16,132,584
04	Foreign exchange losses arisen from revaluation of monetary accounts denominated in foreign currencies		35,408,481	12,034,349
05	Losses from investing activities		899,740,741	238,622,330
06	Interest expenses	29	571,255,746	638,937,501
08	<b>Operating profit before changes in working capital</b>		<b>228,233,874</b>	<b>1,248,980,675</b>
09	Decrease/(increase) in receivables		90,190,191	(631,488,764)
10	Increase in inventories		(1,141,092,565)	(705,973,160)
11	Decrease in payables		(635,830,855)	(597,517,270)
12	Decrease/(increase) in prepaid expenses		40,704,771	(474,472,323)
14	Interest paid		(474,180,409)	(498,858,220)
15	Corporate income tax paid	32.1	(11,069,339)	(3,881,946)
20	<b>Net cash flows used in operating activities</b>		<b>(1,903,044,332)</b>	<b>(1,663,211,008)</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>				
21	Purchase and construction of fixed assets		(2,925,449,697)	(1,725,402,752)
22	Proceeds from disposals of fixed assets		4,289,614	218,763,013
23	Loans to other entities		-	(96,265,018)
24	Collections from borrowers		73,000,000	260,397,662
25	Payments for investments in other entity		-	(7,783,830)
26	Proceeds from disposal of investments in other entities		521,389,220	73,000,000
26a	Proceeds from disposal of investments in subsidiaries	4.5	6,996,075,859	-
27	Interest received		6,165,794	21,309,714
30	<b>Net cash flows from/(used in) investing activities</b>		<b>4,675,470,790</b>	<b>(1,255,981,211)</b>

# CONSOLIDATED CASH FLOW STATEMENT (continued)

for the year ended 31 December 2019

B03-DN/HN

VND'000

CODE	ITEMS	NOTES	CURRENT YEAR	PREVIOUS YEAR
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
33	Drawdown of loans	23	5,150,859,206	6,409,622,237
34	Repayment of loans	23	(7,884,247,736)	(3,471,245,732)
40	<b>Net cash flows (used in)/from financing activities</b>		<b>(2,733,388,530)</b>	<b>2,938,376,505</b>
50	<b>Net increase in cash for the year</b>		<b>39,037,928</b>	<b>19,184,286</b>
60	<b>Cash at beginning of the year</b>		<b>72,447,272</b>	<b>53,262,986</b>
70	<b>Cash at end of the year</b>	5	<b>111,485,200</b>	<b>72,447,272</b>



Nguyen Van Tien  
Preparer



Pham Xuan Hoa  
Chief Accountant



Vo Thi My Hanh  
General Director

9 April 2020



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

B09-DN/HN

## 1. Corporate information

Hoang Anh Gia Lai Agricultural Joint Stock Company ("the Company") is a joint stock company incorporated under the Law on Enterprises of Vietnam pursuant to Business Registration Certificate ("BRC") No. 5900712753 issued by the Department of Planning and Investment ("DPI") of Gia Lai Province on 26 May 2010 and eighteenth (18) amended BRCs.

The Company's shares were listed on the Ho Chi Minh City Stock Exchange in accordance with the Decision No. 278/QD-SGDHCM issued by the Ho Chi Minh City Stock Exchange on 10 July 2015 with transaction code of "HNG".

As at 31 December 2019, the Company had eight (8) direct subsidiaries, five (5) indirect subsidiaries and one (1) associate.

Details of subsidiaries are as follows:

Name of subsidiaries	Business	Location	Status of operation	Holding interest and voting rights (%)
(1) Hoang Anh - Quang Minh Rubber Industrial and Agricultural Co., Ltd. ("Hoang Anh - Quang Minh")	Planting	Sekong, Laos	Operating	97.77
(2) Hoang Anh - Quang Minh Rubber Joint Stock Company	Planting	Gia Lai, Vietnam	Operating	97.77
(3) Hoang Anh Dak Lak Joint Stock Company ("Hoang Anh Dak Lak")	Planting	Dak Lak, Vietnam	Operating	99.53
(4) Hoang Anh Attapeu Agriculture Development Co., Ltd. ("Hoang Anh Attapeu")	Planting and constructing	Attapeu, Laos	Operating	100.00
(5) Hoang Anh Rattanakiri Co., Ltd.	Planting	Rattanakiri, Cambodia	Operating	100.00
(6) Heng Brothers Co., Ltd.	Planting	Rattanakiri, Cambodia	Operating	100.00
(7) Hoang Anh Oyadav Co., Ltd. ("Hoang Anh Oyadav")	Planting	Rattanakiri, Cambodia	Operating	100.00
(8) CRD Co., Ltd.	Planting	Rattanakiri, Cambodia	Operating	100.00
(9) Hoang Anh Andong Meas Co., Ltd.	Planting and breeding	Rattanakiri, Cambodia	Operating	97.77
(10) Hoang Anh Gia Lai Import - Export Trading One Member Co., Ltd.	Trading	Gia Lai, Vietnam	Operating	100.00
(11) Highland Dairy Cattle Joint Stock Company ("Highland Dairy Cattle")	Planting and breeding	Gia Lai, Vietnam	Operating	99.00

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

B09-DN/HN

Name of subsidiaries	Business	Location	Status of operation	Holding interest and voting rights (%)
(12) An Dong Mia Joint Stock Company ("An Dong Mia")	Planting	Gia Lai, Vietnam	Operating	99.90
(13) Hoang Anh Lum Phat Co., Ltd. ("Hoang Anh Lumphat")	Planting	Rattanakiri, Cambodia	Operating	99.90

Pre-operating status means the subsidiary is still under investment stage and have not yet started their commercial operations as at 31 December 2019.

The registered principal activities of the Company and its subsidiaries ("the Group") are breeding and trading dairy cows and cows for meat; planting and trading rubber latex, palm oil, fruits and plants; generating and trading seeding; afforesting and related materials; constructing houses; constructing industrial and civil projects.

The Company's head office is located at No. 15, Truong Chinh Street, Phu Dong Ward, Pleiku City, Gia Lai Province, Vietnam.

The number of the Group's employees as at 31 December 2019 is 2,452 (31 December 2018: 2,316).

## 2. Basis of preparation

### 2.1 Applied accounting standards and system

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

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

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

### 2.2 Applied accounting documentation system

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

## 2. Basis of preparation (continued)

### 2.3 Fiscal year

The Group's fiscal year applicable for the preparation of its consolidated financial statements starts on 1 January and ends on 31 December.

### 2.4 Accounting currency

The Company's accounting currency is VND.

The Group's consolidated financial statements are prepared in thousands of Vietnam Dong ("VND'000").

### 2.5 Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2019.

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

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

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

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

The subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continued to be consolidated until the date that such control ceases. Where there is a loss of control over the subsidiaries, the consolidated financial statements still include results for the year of the reporting year during which the Group has control.

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

## 2. Basis of preparation (continued)

### 2.6 Going concern assumption

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

As disclosed in the consolidated financial statements, the Group incurred a net loss after tax of VND'000 2,444,401,329 and on this date, the accumulated loss was VND'000 2,323,758,949. As at 31 December 2019, the Group's current liabilities exceeded its current assets by VND'000 4,040,524,817. In addition, as of that date, the Group was also in violation of certain loan contracts as mentioned in Note 23.4 of the consolidated financial statements. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

As at the date of these consolidated financial statements, the Group is still in progress to develop their projects in order to ensure operating cash flows of the Group, restructure debts and negotiate with lenders to amend some breached terms and conditions relating to loan and attached mortgage contracts. In addition, on 3 August 2018, the Group signed the Strategic Investment Cooperation Agreement with Truong Hai Auto Corporation ("THACO"), in which, THACO commits to assist the Group to restructure finance and raise capitals, which shall be used to finance to the Group's agricultural projects. In addition, on 1 June 2019, the Group signed the Sale Agreement with Thadi Agriculture Farming Processing & Distribution Joint Stock Company ("Thadi"), in which, Thadi supports to buy and distribute agricultural products of the Group. On this basis, the Group's management consider it is appropriate to prepare the Group's consolidated financial statements on the going concern basis.

Accordingly, the consolidated financial statements do not include any adjustments to assets and liabilities that may be necessary if the Group is unable to continue as a going concern.

## 3. Summary of significant accounting policies

### 3.1 Cash

Cash comprises cash on hand, cash in banks and cash in transit.

### 3.2 Receivables

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

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

**3. Summary of significant accounting policies** (continued)

**3.3 Inventories**

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

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

- Raw and construction materials, tools and supplies and merchandise goods - Cost of purchase on a weighted average basis.
- Finished goods and work-in-process - Cost of direct materials and labour plus attributable overheads based on the normal level of activities.

**By-products**

By-products resulted from livestock activities with nil in quantity and amount recorded into the accounting books as at the date of the consolidated financial statements.

**Construction work-in-process - Construction contract**

Construction work-in-process acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as construction work-in-process - Construction contract and is measured at the lower of cost and net realisable value.

Cost includes:

- Amounts paid to contractors for construction; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of construction work-in-process recognised in the consolidated income statement is determined with reference to the specific costs incurred on the construction work-in-process sold and an allocation of any non-specific costs based on the relative size of the construction work-in-process sold.

**Provision for obsolete inventories**

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

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

**3. Summary of significant accounting policies** (continued)

**3.4 Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation.

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

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

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

**3.5 Intangible fixed assets**

Intangible assets are stated at cost less accumulated amortisation.

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

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

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

**Land use rights**

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

**3.6 Depreciation and amortisation**

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

Buildings & structures	10 - 50 years
Machinery & equipment	3 - 20 years
Means of transportation & transmit instrument	6 - 20 years
Office equipment	3 - 10 years
Livestock	8 years
Perennial trees	3 - 20 years
Land use rights	20 years
Software system	5 - 8 years
Other assets	8 - 15 years

**3. Summary of significant accounting policies** (continued)

**3.6 Depreciation and amortisation** (continued)

Depreciation of perennial trees.

The details are as follows:

Year	Rate (%)				
	Rubber plantations (i)	Dragon fruit plantations (ii)	Pepper plantations (i)	Jack fruit plantations (iii)	Mango plantations (iv)
First year	2.50	1.00	4.60	0.80	0.30
Second year	2.80	3.40	8.50	1.80	1.00
Third year	3.50	5.00	8.50	4.10	2.20
Fourth year	4.40	6.70	8.50	5.80	4.30
Fifth year	4.80	8.40	8.50	5.80	5.80
Sixth year	5.40	8.40	8.50	5.80	5.80
Seventh year	5.40	8.40	6.20	5.80	5.80
Eighth year	5.10	8.40	6.20	5.80	5.80
Ninth year	5.10	8.40	6.20	5.80	5.80
Tenth year	5.00	8.40	3.80	5.80	5.80
Eleventh year	7.00	6.70	3.80	5.80	5.80
Twelfth year	6.60	6.70	3.80	5.80	5.80
Thirteenth year	6.20	6.70	3.80	5.80	5.80
Fourteenth year	5.90	6.70	3.80	5.80	5.80
Fifteenth year	5.50	Carrying amount	3.80	5.80	5.80
Sixteenth year	5.40		3.80	4.70	5.80
Seventeenth year	5.00		3.80	4.70	5.80
Eighteenth year	5.50		Carrying amount	4.70	5.80
Nineteenth year	5.20a		mount	4.70	5.80
Twentieth year	Carrying amount			Carrying amount	Carrying amount

**Rubber plantations**

Management estimated the condition to record plantations as fixed assets and starting depreciation when the suitable portion of plant for exploitation (trunk circumference at one meter from the ground reaches 45cm and the bark thickness at one meter from the ground reaches 6mm) are over 70 percent of the alive plantation.

**Fruit and pepper plantations**

Management estimated the condition to record plantations as fixed assets and starting depreciation when rate of producing has reached 50 percent of the plantation from harvesting processing period.

**Palm oil plantations**

According to the report on survey and evaluation of the Group's palm oil plantations, carried out by the Academy of Forest Science of South Central Coast and Central Highlands on August 2017, the management estimated to start harvesting the palm oil plantations after six (6) years, which were suitable to growing features of the Group's palm oil plantations in Cambodia and Laos.

Accordingly, the Group will transfer such construction in progress to fixed assets and starting depreciation after such mentioned years and harvesting criteria are satisfied.

**3. Summary of significant accounting policies** (continued)

**3.6 Depreciation and amortisation** (continued)

**Depreciation of plantations**

- (i) Depreciation of rubber plantations is calculated in accordance with Official Letter No.1937/BTC-TCDN on 9 February 2010 issued by Department of Business Finance - Ministry of Finance providing guidance on depreciation of rubber plantations and Decision No. 221/QD-CSVN issued on 27 April 2010 by Vietnam Rubber Group, providing guidance on the depreciation rates applicable to rubber plantations within twenty (20) years of exploitation cycle.  
  
Depreciation of pepper plantations is calculated in accordance with Decision No. 115/17/QD-HAGL Agrico on 8 August 2017 of Management, providing guidance on depreciation of pepper plantations over their exploitation cycle.
- (ii) Depreciation of dragon fruits plantations is calculated in accordance with Decision No. 115/17/QD-HAGL Agrico dated 8 August 2017 of Management, providing guidance on depreciation of dragon fruit plantations over their exploitation cycle.
- (iii) Depreciation of jack fruit plantations is calculated in accordance with Decision No.0111/18/QD-HAGL Agrico dated 1 November 2018 of Management, providing guidance on depreciation of jack fruit plantations over their exploitation cycle.
- (iv) Depreciation of mango plantations is calculated in accordance with Decision No. 0101/18/QD-HAGL Agrico dated 2 January 2018 of Management, providing guidance on depreciation of mango plantations over their exploitation cycle.
- (v) Depreciation of other plantations are appropriately calculated in accordance with other relevant decisions of the Management.

**3.7 Construction in progress**

Construction in progress represents accumulated costs attributable directly to the construction and development of the Group's buildings and structures, factories, rubber, palm oil, and other plantations which have yet been completed as at the balance sheet date.

**Factories, buildings and structures**

Costs include attributable costs related directly to the construction of the Group's factories, buildings and structures such as construction costs, survey and designing fees and other related costs.

**Plantations**

Plantation costs include costs directly attributable to the rubber, palm oil, pepper, fruits and other plantations such as survey, land compensation, land clearance, seeds, fertilizers, transportation of seeds and other materials, workers' wages, roads and fences, fire prevention and security guards, anti-botanic drugs and other related costs.

**3.8 Borrowing costs**

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are recorded as expense during the year in which they are incurred, except to the extent that they are capitalized as explained in the following paragraph.

Borrowing costs that are directly attributable to the acquisition, construction or production of a particular asset are capitalised as part of the cost of that asset. Capitalisation of borrowing costs is suspended during the year in which active development of the asset is interrupted unless such interruption is considered necessary. Capitalisation of borrowing costs is ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

## 3. Summary of significant accounting policies

 (continued)

### 3.9 Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the consolidated balance sheet which mainly include cost of tools and supplies, prepaid land rentals and short-term fruit plantations. They are amortised over the year for which the amounts are paid or the year in which economic benefits are generated in relation to these expenses.

- Prepaid land rental is amortised over the periods of land lease;
- Tools and supplies with large value issued into production and amortised no more than three (3) years and recognised in the consolidated income statement; and
- Short-term fruit plantations include: seeds, land preparation, planting and caring costs. The seeding costs are amortised over the lifetime of the trees. Land preparation, planting and caring costs are amortised over the year, in which economic benefits are generated in connection to the costs incurred.

### 3.10 Business combinations and goodwill

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

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortisation. Goodwill is amortised over ten (10) years on a straight-line basis. The parent company conducts the periodical review for impairment of goodwill of investment in subsidiaries. If there are indicators of impairment loss incurred is higher than the yearly allocated amount of goodwill on the straight-line basis, the higher amount will be recorded in the consolidated income statement.

### 3.11 Investments

#### *Investment in an associate*

The Group's investment in an associate is carried at cost and accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence, and which is neither subsidiaries nor joint ventures. The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, the investment is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill arising on acquisition of the associate is included in the carrying amount of the investment. Goodwill is not amortised and subject to annual review for impairment. The consolidated income statement reflects the share of the post-acquisition results of operation of the associate.

## 3. Summary of significant accounting policies

 (continued)

### 3.11 Investments

 (continued)

#### *Investment in an associate*

 (continued)

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

The financial statements of the associate are prepared for the same reporting year and use the same accounting policies as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

#### *Investment in another entity*

Investment in another entity is stated at its acquisition cost.

#### *Provision for diminution in value of investments*

Provision of the investment is made when there are reliable evidences of the diminution in value of those investments at the balance sheet date.

Increases or decreases to the provision balance are recorded as finance expenses in the consolidated income statement.

### 3.12 Payables and accruals

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

### 3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### 3.14 Losses per share

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

Diluted losses earnings per share amounts are calculated by dividing the net loss after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

## 3. Summary of significant accounting policies (continued)

### 3.15 Foreign currency transactions

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

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

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

- Monetary assets are translated at buying exchange rate of the commercial bank where the Group conducts transactions regularly; and
- Monetary liabilities are translated at selling exchange rate of the commercial bank where the Group conducts transactions regularly.
- All foreign exchange differences incurred are taken to the consolidated income statement.

#### *Conversion of the financial statements of foreign operations*

Conversion of the financial statements of foreign operations which maintains its accounting records in other currency rather than the Group's accounting currency of VND for the consolidation purpose is as follows:

- Assets and liabilities are converted into VND by using the buying and selling exchange rates, respectively, as announced by the commercial banks where the Group frequently conducts its transactions at the balance sheet date;
- Revenues, other income and expenses are converted into VND by using the actual transactional exchange rates; or the average exchange rates if the average exchange rates do not exceed +/- 2% the transactional exchange rates.
- All foreign exchange differences resulting from conversion of financial statements of the subsidiary for the consolidation purpose are taken to the "foreign exchange differences reserve" on the consolidated balance sheet and charged to the consolidated income statement upon the disposal of the investment.

## 3. Summary of significant accounting policies (continued)

### 3.16 Appropriation of net profits

Net profit after tax (excluding negative goodwill arising from a bargain purchase) is available for appropriation to shareholders after approval in the annual general meeting, and after making appropriation to reserve funds in accordance with the Company's Charter and Vietnam's regulatory requirements.

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

#### *Bonus and welfare fund*

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

### 3.17 Revenue recognition

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

#### *Sale of goods*

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

#### *Construction contracts*

Where the outcome of a construction contract can be estimated reliably and certified by customers, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable to be recoverable. Contract costs are recognised as expenses in the year in which they are incurred.

#### *Rendering of services*

Revenue from rendering of services is recognized when the services are rendered.

#### *Interest*

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

### 3. Summary of significant accounting policies (continued)

#### 3.18 Taxation

##### *Current income tax*

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

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

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

##### *Deferred tax*

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit (or loss); and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- where the deferred tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit (or loss); and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

### 3. Summary of significant accounting policies (continued)

#### 3.18 Taxation (continued)

##### *Deferred tax* (continued)

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Group to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity.

#### 3.19 Convertible bond

Bonds that are convertible by the holder into a fixed number of ordinary shares of the entity are separated into financial liability (a contractual arrangement to deliver cash or another financial asset) and equity instrument (a call option granting the holder the right, for a specified year of time) based on the terms of the contract.

On issuance of the convertible bond, the fair value of the liability component is determined by discounting the future payment (including principal and interest) to present value at the market rate for an equivalent non-convertible bond less issuance cost.

This component is recorded as financial liabilities and determined at amortised cost (less issuance cost) until it was terminated through conversion or payment.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity. The carrying amount of the conversion option is not re-measured in subsequent years.

Transaction costs are allocated during the lifetime of the bond following straight line basis. At initial recognition, issuance costs are deducted from the liability component of the bond.

#### 3.20 Related parties

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

#### 3.21 Segment information

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

The Group's business segment is derived mainly from sales of products (plantations, breeding, trading and services and others). Management defines the Group's geographical segments to be based on the location of the Group's assets.

#### 4. Significant events during the year

##### 4.1 Partial disposal of interests in An Dong Mia Joint Stock Company ("An Dong Mia")

On 1 March 2019, Highland Cattle Joint Stock Company, the Group's subsidiary disposed 20,000 shares, equivalent to 0.09% equity interest in An Dong Mia to individual investors for a total amount of VND'000 1,000,000. Accordingly, the Group decreased its ownership interest in An Dong Mia from 99.99% to 99.90%.

The difference between proceeds received and the value of net assets disposed in An Dong Mia as at the transaction date amounting to VND'000 952,203 was recorded as a deduction to accumulated losses in the Group's consolidated balance sheet (Note 24.1).

##### 4.2 Additional subscription of entire shares newly issued by Dong Penh Joint Stock Company ("Dong Penh")

On 18 April 2019, the Company additionally subscribed the entire 28,125,000 shares newly issued by Dong Penh. Accordingly, the Company increased its ownership interest in Dong Penh from 99.90% to 99.96%.

The difference between consideration transferred and the value of net assets acquired in Dong Penh as at the transaction date amounting to VND'000 122,893 was recorded as a deduction to accumulated losses in the Group's consolidated balance sheet (Note 24.1).

##### 4.3 Liquidation of Eastern Europe Investment Company Limited ("Eastern Europe")

On 2 May 2019, Eastern Europe completed necessary legal procedures to liquidate their operations. Accordingly, an amount of VND'000 993,568 was recognised as finance expenses in the consolidated income statement, as a loss from such liquidation (Note 29).

##### 4.4 Additional subscription of entire shares held by non-controlling interests in Trung Nguyen Rubber Joint Stock Company ("Trung Nguyen Rubber")

On 9 September 2019, the Company increased its investment in Trung Nguyen Rubber by additional capital contribution of VND'000 445,229,648. Accordingly, the Company increased its interest ownership in Trung Nguyen Rubber from 99.91% to 100.00%.

##### 4.5 Fully disposal of interests in Indochina Rubber Investment and Development Co., Ltd and its subsidiaries ("Indochina Rubber Group"); Dong Penh and its subsidiaries - ("Dong Penh Group") and Trung Nguyen Rubber

On 24 September 2019, the Group had completed to transfer all contributed share capital in Indochina Rubber Group and Dong Penh Group and Trung Nguyen Rubber to Thadi Agriculture Farming Processing & Distribution Joint Stock Company ("Thadi") in accordance with Promised Sale and Purchase of Share Agreement dated 4 April 2019, for a total consideration of VND'000 6,996,075,859. Such transactions were approved by the Board of Directors' Resolutions No. 1706/19/NQ-HDQT HAGL Agrico dated 17 June 2019, No. 1908/19/NQ-HDQT HAGL Agrico dated 19 August 2019 and No. 0909/19/NQ-HDQT HAGL Agrico dated 9 September 2019. Accordingly, a gain resulting from this disposal of VND'000 245,936,649 was recognised as finance income in the consolidated income statement (Note 27.2).

#### 5. Cash

VND'000

	Ending balance	Beginning balance
Cash on hand	7,424,567	11,309,966
Cash in banks	85,516,633	61,137,306
Cash in transit	18,544,000	-
<b>TOTAL</b>	<b>111,485,200</b>	<b>72,447,272</b>

#### 6. Short-term trade receivables

VND'000

	Ending balance	Beginning balance
Receivable from the Laos Government for construction of airports (*)	743,067,451	748,511,168
Receivables from sales of goods and rendering of services	466,531,166	1,053,891,938
- Tay Nguyen Agricultural Service Joint Stock Company ("Tay Nguyen Agricultural")	79,448,210	70,606,751
- Thanh An Commercial One member Co., Ltd.	57,517,134	62,850,287
- Canh Dong Vang Agriculture and Forestry Joint Stock Company ("Canh Dong Vang")	50,342,466	30,370,320
- Gia Lai Livestock Joint Stock Company	49,377,567	132,668,954
- Others	229,845,789	757,395,626
Receivable from disposal of investment	-	516,200,000
- Heygo Food Joint Stock Company ("JSC")	-	516,200,000
<b>TOTAL</b>	<b>1,209,598,617</b>	<b>2,318,603,106</b>
Provision for short-term doubtful receivables	(19,574,090)	(24,983,876)
<b>NET</b>	<b>1,190,024,527</b>	<b>2,293,619,230</b>
<i>In which:</i>		
Due from third parties	1,052,294,443	2,262,817,019
Due from related parties (Note 33)	137,730,084	30,802,211

Movements of provision for short-term doubtful receivables:

VND'000

	Current year	Previous year
<b>Beginning balance</b>	<b>24,983,876</b>	<b>13,042,811</b>
Add: Provision made during the year	17,824,851	18,590,676
Less: Utilisation and reversal of provision during the year	(23,234,637)	(6,649,611)
<b>Ending balance</b>	<b>19,574,090</b>	<b>24,983,876</b>

(\*) Receivable from Laos Government represents the construction cost of Attapeu International Airport and Nongkhang International Airport. This receivable will be offset with tax payable to the Laos Government in the future.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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## 7. Short-term advances to suppliers

VND'000

	Ending balance	Beginning balance
Advances to suppliers of goods and services	124,827,244	137,811,769
- Highland Rubber	28,257,752	-
- Viet Nam Technology Development Co., Ltd.	12,429,634	-
- Dai Thang Agricultural Development Co., Ltd. ("Dai Thang")	5,434,295	32,006,466
- Others	78,705,563	105,805,303
Advances to contractors of construction and suppliers of machineries	4,853,416	44,774,842
Advances to subcontractors of airport projects in Laos	507,662	1,188,097
<b>TOTAL</b>	<b>130,188,322</b>	<b>183,774,708</b>
<i>In which:</i>		
Due to third parties	90,510,912	149,155,439
Due to related parties (Note 33)	39,677,410	34,619,269

## 8. Short-term loan receivables

VND'000

	Ending balance	Beginning balance
Loan to a third party	-	73,000,000
- Mrs Le Thuy Duong	-	73,000,000
Loan to a related party (Note 33)	-	3,814,000
<b>TOTAL</b>	<b>-</b>	<b>76,814,000</b>

## 9. Other receivables

VND'000

	Ending balance	Beginning balance
<b>Short-term</b>		
Lending to other companies	134,861,168	5,777,694
Advances to employees	48,086,868	75,839,557
Others	47,485,492	130,587,102
	230,433,528	212,204,353
<b>Long-term</b>		
Others	10,372,877	6,556,215
<b>TOTAL</b>	<b>240,806,405</b>	<b>218,760,568</b>
<i>In which:</i>		
Due from third parties	177,121,747	209,273,580
Due from related parties (Note 33)		
- Short-term	56,409,401	9,486,988
- Long-term	7,275,257	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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## 10. Inventories

VND'000

	Ending balance	Beginning balance
Work in process	1,720,396,096	1,088,623,555
<i>In which:</i>		
Manufacturing and planting activities (i)	869,395,362	461,687,641
Construction contracts (ii)	851,000,734	609,273,069
Cows for meat	-	17,662,845
Raw materials	261,748,953	132,746,014
Finished goods	155,519,548	46,872,104
Merchandise goods	33,218,130	28,543,749
Tools and supplies	16,441,515	9,665,525
<b>TOTAL</b>	<b>2,187,324,242</b>	<b>1,306,450,947</b>
Provision for obsolete inventories	(20,727,970)	(11,562,881)
<b>NET</b>	<b>2,166,596,272</b>	<b>1,294,888,066</b>

(i) Parts of these work in progress (manufacturing and planting activities) were pledged for loans from banks (Note 23).

(ii) This mainly represented the on-going construction cost of Nongkhang International Airport in Houaphanh Province, Lao People's Democratic Republic under the Contract No. LAO - NKP01 on 15 June 2013 with the first acceptance value of USD 25,584,644 up to 31 December 2019 (31 December 2018: USD 25,584,644). According to the Minutes No. 16453/GTVT on 12 July 2019, Lao People's Democratic approved for the extension of construction period to 31 December 2019.

On 4 February 2020, the Group received Notification Letter No. 818/NACP issued by the Ministry of Transportation and Traffic of Lao People's Democratic Republic, requested the Group to send Official letter to ask for the extension to 30 November 2020 in order to complete the project. At the date of this report, the Group is in the process of preparing the Official letter.

Movements of provision for obsolete inventories:

VND'000

	Current year	Previous year
Beginning balance	11,562,881	4,060,240
Add: Provision made during the year	20,296,656	11,131,567
Less: Utilisation and reversal of provisions during the year	(11,131,567)	(3,628,926)
<b>Ending balance</b>	<b>20,727,970</b>	<b>11,562,881</b>

as at 31 December 2019 and for the year then ended

11. Tangible fixed assets

	Perennial trees	Means of transportation & transmit instruments	Buildings & structures	Machinery & equipment	Livestock	Office equipment	Other assets	Total
<b>Cost</b>								
Beginning balance	7,028,402,028	2,234,884,094	1,410,213,351	420,298,150	13,220,831	1,959,847	15,313,665	11,124,291,966
Transfer from construction in progress	2,152,352,731	291,943,520	422,934,307	23,335,932	-	-	4,065,627	2,894,632,117
New purchases	-	70,424,872	3,388,887	74,731,337	-	2,687,907	5,092,280	156,325,283
Disposals	-	-	(5,017,468)	(2,419,057)	-	-	-	(7,436,525)
Disposal of subsidiaries	(1,368,893,077)	(497,446,205)	(195,243,813)	(22,834,904)	-	(161,339)	(4,145,465)	(2,088,724,803)
Written-off	(1,045,748,566)	(5,524,776)	(162,532,265)	(21,736,952)	(13,220,831)	(173,614)	(42,209)	(1,248,979,213)
Foreign exchange differences	(242,948,800)	(61,623,783)	(38,067,945)	(10,058,501)	-	(46,372)	(437,575)	(353,182,976)
Ending balance	6,523,164,316	2,032,657,722	1,435,675,054	461,316,005	-	4,266,429	19,846,323	10,476,925,849
<i>In which:</i>								
Fully depreciated	-	88,614,885	137,162,696	38,457,453	-	826,412	2,293,477	267,354,923
<b>Accumulated depreciation</b>								
Beginning balance	(537,058,498)	(542,427,437)	(368,251,441)	(216,044,270)	(748,695)	(1,418,645)	(6,310,330)	(1,672,259,316)
Depreciation for the year	(464,756,772)	(179,650,104)	(103,832,265)	(50,471,047)	-	(301,831)	(2,107,618)	(801,119,637)
Disposals	-	-	3,168,431	434,972	-	-	-	3,603,403
Disposal of subsidiaries	109,666,597	72,524,956	61,109,636	3,471,064	-	161,129	1,052,947	247,986,329
Written-off	91,650,411	5,079,025	85,727,659	20,493,185	748,695	172,479	42,209	203,913,663
Foreign exchange differences	20,903,544	16,087,113	10,815,150	5,776,432	-	30,335	284,292	53,896,866
Ending balance	(779,594,718)	(628,386,447)	(311,262,830)	(236,339,664)	-	(1,356,533)	(7,038,500)	(1,963,978,692)
<b>Net carrying amount</b>								
Beginning balance	6,491,343,530	1,692,456,657	1,041,961,910	204,253,880	12,472,136	541,202	9,003,335	9,452,032,650
Ending balance	5,743,569,598	1,404,271,275	1,124,412,224	224,976,341	-	2,909,896	12,807,823	8,512,947,157
<i>In which:</i>								
Pledged as loans security (Note 23)	5,743,569,598	1,404,271,275	1,124,412,224	224,976,341	-	-	12,807,823	8,510,037,261

VND'000

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as at 31 December 2019 and for the year then ended

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12. Intangible fixed assets

	Software system	Land use rights	Total
<b>Cost</b>			
Beginning balance	48,197,185	6,648,075	54,845,260
Written off an asset	(47,863,975)	-	(47,863,975)
Written off fully amortised assets	(333,210)	-	(333,210)
Ending balance	-	6,648,075	6,648,075
<b>Accumulated amortisation</b>			
Beginning balance	(29,749,612)	(1,246,513)	(30,996,125)
Amortisation for the year	(5,982,996)	(332,405)	(6,315,401)
Written off an asset	35,399,398	-	35,399,398
Written off fully amortised assets	333,210	-	333,210
Ending balance	-	(1,578,918)	(1,578,918)
<b>Net carrying amount</b>			
Beginning balance	18,447,573	5,401,562	23,849,135
Ending balance	-	5,069,157	5,069,157

VND'000

13. Construction in progress

	Ending balance	Beginning balance
Fruit plantations (*)	3,713,729,509	2,920,344,527
Rubber plantations (*)	3,106,630,075	5,866,751,345
Oil palm plantations (*)	2,447,468,811	3,475,316,316
Palm oil manufacturing factories (*)	413,487,337	434,245,963
Buildings and structures (*)	229,478,367	481,190,254
Others	102,136,384	92,481,194
<b>TOTAL</b>	<b>10,012,930,483</b>	<b>13,270,329,599</b>

VND'000

(\*) These assets were mortgaged to secure for the loans of the Group (Note 23).

14. Capitalised borrowing costs

During the year, the Group has capitalised borrowing costs amounting to VND'000 522,276,485 into the value of construction in progress (for the year ended 31 December 2018: VND'000 613,834,029). These are costs incurred on the bank loans and bonds to finance the construction and development of buildings and structures, machinery and equipment, development of rubber, palm oil and fruit plantations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

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## 15. Long-term investments

VND'000

	Ending balance	Beginning balance
Investment in an associate (Note 15.1)	315,487,353	299,447,924
Investments in another entity (Note 15.2)	2,594,610	7,783,830
<b>TOTAL</b>	<b>318,081,963</b>	<b>307,231,754</b>

### 15.1 Investment in an associate

Associate	Business sector	Ending balance		Beginning balance	
		Ownership %	Carrying value VND'000	Ownership %	Carrying value VND'000
Bidiphar Rubber JSC ("Bidiphar")	Planting, harvesting rubber, and processing rubber products	49.14	315,487,353	49.14	299,447,924

Details of carrying value of the investment in an associate on 31 December 2019 were as follows:

VND'000

	BIDIPHAR
<b>Cost of investment</b>	
Beginning and ending balances	286,004,636
<b>Accumulated share of profit in post-acquisition</b>	
Beginning balance	13,443,288
Share of profits from an associate	26,497,251
Dividends received	(10,457,822)
Ending balance	29,482,717
<b>Carrying amount</b>	
Beginning balance	299,447,924
Ending balance	315,487,353

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

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## 15. Long-term investments (continued)

### 15.2 Investment in another entity

Company	Business sector	Ending balance		Beginning balance	
		Ownership %	Cost VND'000	Ownership %	Cost VND'000
Canh Dong Vang (*)	Fruit trading	15.00	2,594,610	45.00	7,783,830

(\*) On 25 January 2019, the Company transferred 57,000 shares, equivalent to 30% ownership interest in Canh Dong Vang to Tay Nguyen Agricultural, a third party, for a consideration of VND'000 5,189,220. Accordingly, the Company's ownership interest in Canh Dong Vang decreased from 45% to 15% as at that date.

Canh Dong Vang was acquired for the purpose of hold-ing less than 20%, according to the Resolution of the Board of Directors No. 1510/18/NQ-HDQT HAGL Agrico dated 15 October 2018.

## 16. Prepaid expenses

VND'000

	Ending balance	Beginning balance
<b>Short term</b>		
Tools and supplies	3,637,990	1,637,637
Short-term fruit plantations	-	12,548,563
Others	2,449,738	6,751,410
	6,087,728	20,937,610
<b>Long term</b>		
Land rental fees	58,958,582	65,526,788
Land clearance costs	46,589,626	52,379,067
Tools and supplies	10,376,864	18,622,267
Office rental	5,102,262	5,333,584
Others	5,661,865	12,494,163
	126,689,199	154,355,869
<b>TOTAL</b>	<b>132,776,927</b>	<b>175,293,479</b>

as at 31 December 2019 and for the year then ended

### 17. Goodwill

Goodwill arising from acquisition of subsidiaries:

	VND'000					Total
<b>Cost</b>						
Beginning balance	2,667,823,198	611,353,527	565,417,677	168,887,099	72,228,357	4,085,709,858
Disposals	(2,667,823,198)	(611,353,527)	-	(168,887,099)	-	(3,448,063,824)
Ending balance	-	-	565,417,677	-	72,228,357	637,646,034
<b>Accumulated amortisation</b>						
Beginning balance	(555,796,500)	(191,532,985)	(175,011,872)	(47,851,345)	(26,483,732)	(996,676,434)
Amortisation for the year	(177,854,880)	(35,662,289)	(56,541,768)	(8,444,355)	(7,222,836)	(285,726,128)
Disposals	733,651,380	227,195,274	-	56,295,700	-	1,017,142,354
Ending balance	-	-	(231,553,640)	-	(33,706,568)	(265,260,208)
<b>Net carrying amount</b>						
Beginning balance	2,112,026,698	419,820,542	390,405,805	121,035,754	45,744,625	3,089,033,424
Ending balance	-	-	333,864,037	-	38,521,789	372,385,826

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

### 18. Short-term trade payables

	VND'000	
	Ending balance	Beginning balance
Payables to suppliers of goods and services	910,462,831	377,901,730
- Thadi	207,569,778	-
- Daun Penh Agrico Co., Ltd ("Daun Penh")	91,845,863	-
- Binh Phuoc Kratie Rubber 2 Co Ltd ("Binh Phuoc Kratie")	73,677,590	-
- Iapacco JSC	42,273,048	17,788,694
- Others	495,096,552	360,113,036
Payables to suppliers of machineries and equipment	32,172,611	29,265,527
Payables to constructors	42,237,312	6,558,393
<b>TOTAL</b>	<b>984,872,754</b>	<b>413,725,650</b>
<i>In which:</i>		
Due to third parties	462,901,219	351,378,057
Due to related parties (Note 33)	521,971,535	62,347,593

### 19. Short-term advances from customers

	VND'000	
	Ending balance	Beginning balance
Sale of goods and services rendered	197,329,676	86,711,848
- Khamkauong Agricultural Development Co., Ltd	56,925,500	-
- Thanh Long Production and Trading Co., Ltd	27,500,000	-
- Thadi	18,021,828	-
- Others	94,882,348	86,711,848
<b>TOTAL</b>	<b>197,329,676</b>	<b>86,711,848</b>
<i>In which:</i>		
Due to third parties	179,307,848	86,711,848
Due to a related party (Note 33)	18,021,828	-

### 20. Statutory obligations

	VND'000			
	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Corporate income tax (Note 32.1)	30,335,388	480,804	(11,069,339)	19,746,853
Value-added tax	6,822,116	57,847,902	(64,670,018)	-
Personal income tax	6,082,410	4,594,482	(4,965,172)	5,711,720
Others	2,825,803	1,367,196	(4,192,999)	-
<b>TOTAL</b>	<b>46,065,717</b>	<b>64,290,384</b>	<b>(84,897,528)</b>	<b>25,458,573</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

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## 21. Accrued expenses

	VND'000	
	Ending balance	Beginning balance
<b>Short-term</b>		
Operating expenses	790,869,405	745,217,478
Interest expenses	649,247,074	577,022,877
Others	55,756,572	225,796,615
	<b>1,495,873,051</b>	<b>1,548,036,970</b>
<b>Long-term</b>		
Interest expenses	728,263,269	759,275,084
<b>TOTAL</b>	<b>2,224,136,320</b>	<b>2,307,312,054</b>
<i>In which:</i>		
<i>Due to third parties</i>	2,031,817,627	2,114,464,712
<i>Due to related parties (Note 33)</i>		
- Short-term	33,322,762	83,882,304
- Long-term	158,995,931	108,965,038

## 22. Other payables

	VND'000	
	Ending balance	Beginning balance
<b>Short-term</b>		
Borrowing payables to other companies and individuals	205,710,224	383,737,755
Land lease payables	68,603,644	77,030,840
Other payables	197,462,757	30,770,128
	<b>471,776,625</b>	<b>491,538,723</b>
<b>Long-term</b>		
Borrowing payables to other companies and individuals	127,926,968	326,733,232
Land lease payables	113,111,079	112,132,020
Business Cooperation Contract	-	550,000,000
	241,038,047	988,865,252
<b>TOTAL</b>	<b>712,814,672</b>	<b>1,480,403,975</b>
<i>In which:</i>		
<i>Due to third parties</i>	492,104,005	644,178,084
<i>Due to related parties (Note 33)</i>		
- Short-term	194,735,337	207,292,780
- Long-term	25,975,330	628,933,111

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

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## 23. Loans

	VND'000	
	Ending balance	Beginning balance
<b>Short-term</b>		
Short-term loans from related parties (Note 23.3 and 33)	2,825,972,081	1,729,600,000
Current portion of long-term bank loans (Note 23.4)	1,209,903,508	762,209,407
Short-term loans from banks (Note 23.2)	618,695,510	683,258,274
Short-term convertible bonds (Note 23.1)	-	2,153,212,703
Current portion of long-term bonds	-	484,897,155
Short-term loans from a company and individuals	-	60,729,000
Current portion of long-term loan from an individual	-	5,000,000
	<b>4,654,571,099</b>	<b>5,878,906,539</b>
<b>Long-term</b>		
Long-term loans from banks (Note 23.4)	3,095,659,565	4,318,640,316
Long-term loans from related parties (Note 23.5 and 33)	1,454,367,231	3,679,224,832
Long-term bonds	-	1,553,227,582
	<b>4,550,026,796</b>	<b>9,551,092,730</b>
<b>TOTAL</b>	<b>9,204,597,895</b>	<b>15,429,999,269</b>

Details of the movement of loans are as follows:

	VND'000		
	Short-term loans	Long-term loans	Total
Beginning balance	5,878,906,539	9,551,092,730	15,429,999,269
Drawdown of loans	3,997,189,408	1,153,669,798	5,150,859,206
Repayment of loans	(4,041,139,596)	(3,843,108,140)	(7,884,247,736)
Conversion of convertible bond to ordinary shares (Note 23.1)	(2,217,100,000)	-	(2,217,100,000)
Decrease due to disposal of subsidiaries	(141,310,000)	(463,590,000)	(604,900,000)
Current portion of long-term loans	1,107,320,286	(1,107,320,286)	-
Amortisation of discount value of convertible bonds	63,634,964	-	63,634,964
Bonds issuance costs	252,333	109,398	361,731
Offsetting with receivables	-	(715,195,559)	(715,195,559)
Foreign exchange differences	6,817,165	(25,631,145)	(18,813,980)
Ending balance	<b>4,654,571,099</b>	<b>4,550,026,796</b>	<b>9,204,597,895</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

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## 23. Loans (continued)

### 23.1 Short-term convertible bonds

On 9 August 2019, the Company issued additional 221,710,000 ordinary shares to convert 221,710 bonds to Truong Hai Auto Corporation and others bond holders amounting to VND'000 2,217,100,000 to share capital. The issuance was approved by the Shareholders' Resolution No. 0605/18/NQDHDCD-HAGL Agrico dated 6 May 2018, the Board of Directors' Resolution No. 0605-1/18/NQHDQT-HAGL Agrico dated 6 May 2018 and the Board of Directors' Resolution No. 3007/19/NQHDQT-HAGL Agrico dated 30 July 2019.

Accordingly, share capital of the Company increased from VND'000 8,868,438,950 to VND'000 11,085,538,950. On 26 August 2019, the Department of Planning and Investment of Gia Lai Province approved and issued the new Business Registration Certificate for increasing share capital as mentioned above.

Details of short-term convertible bonds were as follows:

	VND'000
	<b>Amount</b>
<b>For the year ended 31 December 2019</b>	
Value of convertible bonds	2,217,100,000
Equity component (Note 24.1)	(105,576,190)
<b>Liability component at initial recognition</b>	<b>2,111,523,810</b>
<b>Add: Accumulated amortisation of discount</b>	<b>105,576,190</b>
Beginning balance	41,941,226
Amortisation for the year	63,634,964
Ending balance	105,576,190
<b>Liability component before conversion</b>	<b>2,217,100,000</b>
Transfer convertible bonds to ordinary shares (Note 24.1)	(2,217,100,000)
<b>Value of convertible bonds at as year end</b>	<b>-</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

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## 23. Loans (continued)

### 23.2 Short-term loans from banks

Ngân hàng	Ending balance VND'000	Original amount USD	Maturity	Interest rate % p.a.	Collaterals (Notes 10, 11 and 13)
<b>Tien Phong Commercial Joint Stock Bank ("TPbank") - Hanoi Branch</b>					
Loan facility dated 21 April 2017	599,732,982	-	From 10 March 2020 to 30 September 2020	The basic interest rate of TPbank with maturity term 3-month + 3.20% p.a. for quarterly year (2019: 10.50)	Assets owned by Eastern Rubber (Cambodia) Co., Ltd. ("Eastern Rubber") formed in current and future on land lots in accordance to certificate of land ownership right at Cambodia No. Kor Ror 0185, area of 925 ha; 453.7 ha of fruit plantation land at Huoi Kong Village, Paksong District, Champasak Province, Laos owned by Dai Thang Agriculture Development Co., Ltd.; 32,829,686 HNG shares owned by HAG.
<b>Saigon Thuong Tin Commercial Joint Stock Bank ("Sacombank") - Cambodia Branch</b>					
Loan facility dated 30 August 2019	18,962,528	800,000	29 February 2020	9.00	Land use right and rubber plantations of 463.4 ha at Ratanakiri Province, Cambodia owned by Hoang Anh Oyadav.
<b>TOTAL</b>	<b>618,695,510</b>				

as at 31 December 2019 and for the year then ended

**23. Loans** (continued)

**23.3 Short-term loans from related parties**

Lenders	Ending balance VND'000	Maturity	Interest rate % p.a.	Purpose	Collateral
<b>Trung Hai Auto Corporation</b> Loan facility dated 11 December 2019 Loan facility dated 6 June 2019 Loan facility dated 17 June 2019	453,563,957 224,000,000 219,900,668	11 December 2020 12 July 2020 4 December 2020	9.50 8.00 8.00	To finance working capital needs Invest in planting 7,000ha capital needs in Laos and Cambodia Nong Khang Airport Project in Huaphan Province, Laos	Unsecured Unsecured Unsecured
	897,464,625				
<b>Hoang Anh Gia Lai Joint Stock Company</b> Loan facility dated 1 October 2018 (*) Loan facility dated 7 January 2019 (*) Loan facility dated 6 June 2019 (*) Loan facility dated 26 November 2018 (*) Loan facility dated 18 February 2019 (*) Loan facility dated 19 July 2019 Loan facility dated 1 November 2019	781,218,000 381,080,000 297,000,000 202,250,000 180,174,000 35,485,456 1,300,000	21 June 2020 29 January 2020 7 June 2020 5 December 2019 18 August 2020 19 July 2020 30 April 2020	6.00 - 8.00 6.50 - 8.00 8.00 6.50 - 8.00 7.00 - 8.00 10.00 11.50	To finance working capital requirements To finance working capital requirements To finance new banana plantations in an area of 7,000 ha To finance working capital requirements To finance working capital needs To finance working capital needs To finance working capital needs	Unsecured Unsecured Unsecured Unsecured Unsecured Unsecured Unsecured
	1,878,507,456				
<b>Mrs Kieu Ngoc Hoa, shareholder</b> Loan facility dated 4 November 2019	50,000,000	4 February 2020	14.00	To finance working capital needs	Unsecured
<b>TOTAL</b>	<b>2,825,972,081</b>				

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**23. Loans** (continued)

**23.3 Short-term loans from related parties** (continued)

(\*) Short-term loans from HAG, including principle and related interest as at 31 December 2019, was restructured to be new loan with maturity to 31 January 2023, in according to new Loan Contract No. 0102/2020/HDV/HAGL-NNQT dated 1 February 2020.

**23.4 Long-term loans from banks**

	Ending balance	Beginning balance	Purpose
Joint Stock Commercial Bank for Investment and Development of Vietnam ("BIDV")	1,877,239,318	1,888,233,421	To finance for the rubber, palm oil plantation projects and working capital
Ho Chi Minh City Development Joint Stock Bank ("HD Bank")	952,352,906	1,034,341,177	To finance for the rubber, palm oil and fruit plantation projects and working capital
Laos - Vietnam Joint Venture Bank ("Laos - Viet Bank")	822,882,246	903,442,605	To finance for the rubber, palm oil plantation and cow projects
Saigon Thuong Tin Commercial Joint Stock Bank ("Sacombank")	553,088,603	1,004,832,520	To finance for the rubber, palm oil plantation projects and working capital
Tien Phong Commercial Joint Stock Bank ("TPbank")	100,000,000	250,000,000	To finance for the rubber and fruit plantation projects
<b>TOTAL</b>	<b>4,305,563,073</b>	<b>5,080,849,723</b>	
<i>In which:</i>			
Non-current portion	3,095,659,565	4,318,640,316	
Current portion	1,209,903,508	762,209,407	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

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**23. Loans** (continued)**23.4 Long-term loans from banks** (continued)

VND'000

Banks	Ending balance VND'000	Original amount		Maturity	Interest rate % p.a	Collaterals (Notes 10, 11 and 13)
		VND'000	USD			
<b>BIDV, Gia Lai Branch</b>						
Loan facility dated 1 April 2010	734,611,164	-	31,623,382	From 31 December 2020 to 31 December 2026	Interest rate of 12 - month saving deposit in USD at BIDV paid in arrears + 4.70% p.a. (2019: 7.20) VND 11.60 USD 9.28	Land use right and rubber plantations of 9,996.9 ha at Saysetha and Phu Vong Districts, Attapeu Province, Laos owned by Hoang Anh Attapeu.
Loan facility dated 19 June 2015	576,965,337	289,818,146	12,361,050	28 December 2019	VND 11.60 USD 9.28	2 floors of shopping centres located at Bau Thac Gian Commercial - Residential Building, Da Nang City, Vietnam owned by HAG; 7 cars owned by HAG; 13,310,000 shares of HNG held by HAG; Office building of Group at 15 Truong Chinh St, Phu Dong Ward, Pleiku City; Land use right and harvesting right of 1,040.52 ha rubber plantations at La Pa District, Gia Lai Province, Vietnam owned by Trung Nguyen Rubber.

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as at 31 December 2019 and for the year then ended

**23. Loans** (continued)**23.4 Long-term loans from banks** (continued)

VND'000

Banks	Ending balance VND'000	Original amount USD		Maturity	Interest rate % p.a	Tài sản đảm bảo (TM số 10, 11 và 13)
		VND'000	USD			
<b>BIDV, Binh Dinh Branch</b>						
Loan facility dated 18 February 2013 (*)	565,662,817	24,777,920		From 25 March 2021 to 25 Decem- ber 2026	Interest rate of 12-month saving deposit in USD at BIDV paid in arrears + 5.00% p.a. (2019: 6.70 - 7.00)	Land use right of 37 luxury apartments in block A, B and C at No. 40, Hung Vuong Street, Buon Ma Thuot City, Dak Lak Province, Viet Nam owned by Hoang Anh Dak Lak; 119 apartments in HAGL's high class offices, and luxury apartments located at No. 6 Hoang Van Thu Street, Pleiku City, Gia Lai Province, Vietnam owned by HAG; HAGL Granite Stone factory located alongside of the highway No. 14, Ia Bang Commune, Dak Doa District, Gia Lai Province, Vietnam owned by HAG; Land use right of 6,993.2 m2 at Phu Dong Ward, Pleiku City, Gia Lai Province, Viet Nam owned by HAG; Land use right of 4,733.01 ha rubber and 3,155.79 ha palm oil in Attapeu Province, Laos owned by Hoang Anh Attapeu.
<b>TOTAL</b>	<b>1,877,239,318</b>					
In which:						
Non-current portion	1,289,714,877					
Current portion	587,524,441					

(\*) As at 31 December 2019, and up to the date of the consolidated financial statements, the actual rubber plantation area of the Group was 13,714 ha, which was lower than 17,950 ha as committed in the Loan contract. Additionally, the actual palm oil plantation area of the Hoang Anh Attapeu was 1,449.2 ha, which was lower than 3,155.79 ha as committed in the Loan contract.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

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as at 31 December 2019 and for the year then ended

**23. Loans** (continued)**23.4 Long-term loans from banks** (continued)

VND'000

Banks	Ending balance VND'000	Original amount		Maturity	Interest % p.a.	Collaterals (Notes 10, 11 and 13)
		VND'000	USD			
<b>HD Bank, Dong Nai Branch</b>						
Loan facility dated 25 April 2014 (*)	887,352,906	450,000,000	18,827,073	From 25 June 2020 to 25 December 2023	VND: 12.57 USD: 8.50	172,070,455 shares of HNG held by HAG; Land use right of 7,924 ha in Ratanakiri Province, Cambodia owned by Hoang Anh Lumphat; 20,000,000 shares of An Dong Mia held by HNG, Mrs. Le Thi Ngoc Bich and Mrs. Vo Thi Le Thu.
<b>HD Bank, Dak Lak Branch</b>						
Loan facility dated 30 March 2018	65,000,000	65,000,000	-	From 31 March 2020 to 31 December 2020	11.50 - 11.80	Land use right and future harvesting right of fruits, and herb projects at Ea H'Leo Commune, Ea H'Leo District, Dak Lak Province, Vietnam owned by Hoang Anh Dak Lak.
<b>TOTAL</b>	<b>952,352,906</b>					

In which:

Non-current portion 665,514,685  
Current portion 286,838,221

(\*) As at 31 December 2019, and up to the date of the consolidated financial statements, the actual palm oil plantation area of the Group was 4,074 ha, which was lower than 6,653 ha as committed in the Loan contract.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

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as at 31 December 2019 and for the year then ended

**23. Loans** (continued)**23.4 Long-term loans from banks** (continued)

VND'000

Banks	Ending balance VND'000	Original amount		Maturity	Interest % p.a.	Collaterals (Notes 10, 11 and 13)
		LAK'000	USD			
<b>Laos - Viet Bank, Attapeu Branch</b>						
Loan facility dated 5 August 2015 and 26 November 2015 (*)	310,331,827	-	13,593,570	From 25 November 2019 to 25 August 2022	10.00	Office building of Hoang Anh Attapeu at Km No.31, Hatxan Ward, Xaysettha District, Attapeu Province, Laos corresponding to the map No. 17 001 0008 with an area of 0.3 ha; Rubber latex production factory in Xaysettha District, Attapeu Province, Laos; All imported cows (14,219 cows) of Hoang Anh Attapeu.
Khoản vay ngày 15 tháng 3 năm 2013 (**)	272,699,137	38,155,000	7,649,850	From 25 December 2019 to 25 December 2026	LAK: 12.75 USD: 10.00	Land use right and harvest right of 4,733.01 ha rubber plantations, and 3,155.79 ha palm oil plantations at Attapeu Province, Laos owned by Hoang Anh Attapeu

(\*) As at 31 December 2019, and up to the date of the consolidated financial statements, Hoang Anh Attapeu disposed of all the cows of the company.

(\*\*) As at 31 December 2019, and up to the date of the consolidated financial statements, the actual palm oil plantations area of the Group was 1,449.2 ha, which was lower than 3,155.79 ha as committed in the Loan contract.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

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as at 31 December 2019 and for the year then ended

**23. Loans** (continued)**23.4 Long-term loans from banks** (continued)

VND'000

Banks	Ending balance VND'000	Original amount		Maturity	Interest % p.a.	Collaterals (Notes 10, 11 and 13)
		LAK'000	USD			
<b>Laos - Viet Bank, Attapeu Branch</b> (continued)						
Loan facility dated 9 July 2015 (*)	176,886,768	-	7,748,231	From 25 January 2020 to 25 October 2022	10.00	QLand use right of 3 land plots with total area of 1,001.78 ha at Laman District, Sekong Province, Laos; All related assets belonging to breeding cow, and import cow projects - value of 26,460,000 USD owned by Hoang Anh - Quang Minh; all assets attached on rubber plantation with area of 420.91 ha in Laman District, Sekong Province, Laos owned by Hoang Anh - Quang Minh Rubber Industrial and Agricultural Co., Ltd.
Loan facility dated 25 November 2015	62,964,514	-	2,758,056	From 25 February 2020 to 25 November 2020	10.00	All equipments, materials, and machineries for construction project of palm oil processing factory owned by Hoang Anh Attapeu.
<b>TOTAL</b>	<b>822,882,246</b>					

In which:

Non - current portion 564,430,731  
Current portion 258,451,515

(\*) As at 31 December 2019, and up to the date of the consolidated financial statements, the Group did not maintain the cows at value of 26,460,000 USD as required in the Loan contract.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

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**23. Loans** (continued)**23.4 Long-term loans from banks** (continued)

VND'000

Banks	Ending balance VND'000	Original amount		Maturity	Interest % p.a.	Collaterals (Notes 10, 11 and 13)
		VND'000	USD			
<b>Sacombank, Sai Gon Branch</b>						
Loan facility dated 3 January 2014 (**)	262,454,605	262,454,605	-	From 24 December 2021 to 24 December 2026	Interest rate of 13-month saving deposit paid in areas of Sacombank + 2.00% p.a. and be adjusted each of 3-month (2019: 9.80)	23.2 million shares of HAG owned by the Chairman; 14.5 million shares of Hoang Anh - Quang Minh owned by HNG.
<b>Sacombank, Chi nhánh Thủ Đức</b>						
Loan facility dated 3 January 2014 (**)	250,000,000	250,000,000	-	From 25 December 2021 to 6 December 2026	9.80	Land use right of 1,328.1 ha of rubber plantations, and attached assets in Chuprong District, Gia Lai Province, Vietnam owned by Trung Nguyen Rubber; Land use right of 479.2 ha at EaH'Leo Commune, EaH'Leo District, Dak Lak Province, Vietnam owned by Hoang Anh Dak Lak, and 683.33 ha at EaH'Leo Commune, EaH'Leo District, Dak Lak Province, Vietnam owned by Ban Me Rubber JSC.

(\*) As at 31 December 2019, and up to the date of the consolidated financial statements, the actual plantation area of the Group was 2,429 ha, which was lower than 9,000 ha as committed in the Loan contract.

(\*\*) As at 31 December 2019, and up to the date of the consolidated financial statements, the actual palm oil plantation area of the Group was 5,233 ha, which was lower than 9,470 ha as committed in the Loan contract.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

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as at 31 December 2019 and for the year then ended

**23. Loans** (continued)**23.4 Long-term loans from banks** (continued)

VND'000

Banks	Ending balance VND'000	Original amount		Maturity	Interest % p.a.	Collaterals (Notes 10, 11 and 13)
		VND'000	USD			
<b>Sacombank, Cambodia Branch</b>						
Loan facility dated 16 June 2016	40,633,998	-	1,714,286	From 22 June 2020 to 21 June 2021	9.00	Land use right: Land project No. 1 in Talao Commune, Ouchum District, Ratanakiri Province, Cambodia, and Land project No. 2 in Nhang Commune, Andong Meas District, Ratanakiri Province, Cambodia owned by Hoang Anh Oyadav.

**TOTAL** **553,088,603**

In which:

Non-current portion 525,999,272

Current portion 27,089,331

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

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**23. Loans** (continued)**23.4 Long-term loans from banks** (continued)

VND'000

Banks	Ending balance VND'000	Original amount		Maturity	Interest % p.a.	Collaterals (Notes 10, 11 and 13)
		VND'000	USD			
<b>TPbank, Head office</b>						
Loan facility dated 19 November 2018	100,000,000	100,000,000	-	From 25 May 2020 to 25 November 2021	11.40	Securities with income, dividends, rightand benefits arising from 15,000,000 shares of HNG held by HAG.

In which:

Non-current portion 50,000,000

Current portion 50,000,000

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

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**23. Loans** (continued)**23.5 Long-term loans from related parties**

Details of the loans from related parties are as follows:

Lenders	Ending balance VND'000	Maturity	Interest rate % p.a.	Purpose	Collateral
<b>HAG, Parent company</b> (Note 33) Loan facility dated 5 July 2015	300,000,000	5 July 2021	9.75	To finance for palm oil factory and thermal power plant in Cambodia	Unsecured
Loan facility dated 6 January 2014	259,900,868	6 January 2022	9.75	To finance working capital requirements	Unsecured
Loan facility dated 7 December 2016	89,205,529	1 January 2022	12.50	To finance working capital requirements	Unsecured
	649,106,397				
<b>THACO, The company with the same members of BOD</b> (Note 33) Loan facility dated 10 December 2019	805,260,834	10 June 2021	10.50	To finance working capital requirements	Unsecured
<b>TOTAL</b>	<b>1,454,367,231</b>				
<i>In which:</i>					
<i>Non-current portion</i>	1,454,367,231				

VND'000

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

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as at 31 December 2019 and for the year then ended

**24. Owners' equity****24.1 Increase and decrease in owners' equity**

	Share capital	Share premium	Equity component of convertible bond	Foreign exchange differences	Undistributed earnings /(accumulated losses)	Total
<b>Previous year</b>						
Beginning balance	7,671,438,950	1,064,550,810	-	454,592,390	911,299,891	10,101,882,041
Shares issuance	1,197,000,000	-	-	-	-	1,197,000,000
Net loss for the year	-	-	-	-	(659,149,758)	(659,149,758)
Equity transactions inside Group with non-controlling interests in subsidiaries without changing control	-	-	-	-	(148,694,971)	(148,694,971)
Convertible bonds issuance	-	-	105,576,190	-	-	105,576,190
Remuneration for BOD, BOS and BOD's Secretaries	-	-	-	-	(810,000)	(810,000)
Foreign exchange differences	-	-	-	50,769,413	-	50,769,413
Ending balance	8,868,438,950	1,064,550,810	105,576,190	505,361,803	102,645,162	10,646,572,915
<b>Current year</b>						
Beginning balance	8,868,438,950	1,064,550,810	105,576,190	505,361,803	102,645,162	10,646,572,915
Conversion of convertible bond to ordinary shares (Note 23.1)	2,217,100,000	105,576,190	(105,576,190)	-	-	2,217,100,000
Net loss for the year	-	-	-	-	(2,425,918,207)	(2,425,918,207)
Equity transactions inside Group with non-controlling interests in subsidiaries without changing control (Note 4.1 and 4.2)	-	-	-	-	1,075,096	1,075,096
Remuneration for BOD, BOS and BOD's Secretaries	-	-	-	-	(1,561,000)	(1,561,000)
Foreign exchange differences	-	-	-	(470,370,136)	-	(470,370,136)
Disposal of subsidiaries	-	-	-	(238,480,584)	-	(238,480,584)
Ending balance	11,085,538,950	1,170,127,000	-	(203,488,917)	(2,323,758,949)	9,728,418,084

VND'000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

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## 24. Owners' equity (continued)

### 24.2 Capital transactions with owners

VND'000

	Current year	Previous year
Beginning balance	8,868,438,950	7,671,438,950
Conversion of convertible bond to ordinary shares (Note 23.1)	2,217,100,000	-
Increase in the year	-	1,197,000,000
Ending balance	11,085,538,950	8,868,438,950

### 24.3 Shares

	Shares	
	Ending balance	Beginning balance
Shares authorised to be issued	1,108,553,895	886,843,895
Shares issued and fully paid Ordinary shares	1,108,553,895	886,843,895
Shares in circulation Ordinary shares	1,108,553,895	886,843,895

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

## 25. Non-controlling interests

VND'000

	Current year	Previous year
Beginning balance	29,309,682	50,886,343
Share of (loss)/profit during the year	(18,483,122)	3,035,231
Equity transactions with non-controlling interests in subsidiaries without changing control	(790,635)	(24,116,892)
Dividends paid to non-controlling interests	-	(495,000)
Disposal of subsidiaries	(501,389)	-
Ending balance	9,534,536	29,309,682

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

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## 26. Losses per share

The Group used the following information to calculate basic and diluted losses per share:

	Current year	Previous year
Net losses after tax attributable to ordinary shareholders (VND'000)	(2,425,918,207)	(659,149,758)
Weighted average number of ordinary shares for basic earnings per share (share)	962,467,537	866,183,347
Weighted average number of ordinary shares increased for the effect of convertible bonds	-	221,710,000
Weighted average number of ordinary shares increased for the effect of right to purchase additional shares	-	162,675,507
Weighted average number of ordinary shares adjusted for the effect of dilution	962,467,537	1,250,568,854
Basic losses per share (VND)	(2,521)	(761)
Diluted losses per share (VND)	(2,521)	(527)

There have been no potential dilutive ordinary shares during the year and up to the date of these consolidated financial statements.

## 27. Revenues

### 27.1 Revenues from sale of goods and rendering of services

VND'000

	Current year	Previous year
Sale of fruits	1,243,174,162	2,351,617,889
Sale of rubber latex	341,922,013	345,167,899
Sale of goods, merchandises and by-products	176,705,580	292,364,339
Sale of chilli	38,704,084	496,448,129
Revenue from rendering of services	10,269,191	10,917,384
Sale of cows	-	126,874,935
Sale of pepper	-	38,214,213
Sale of apartments	-	26,740,589
<b>TOTAL</b>	<b>1,810,775,030</b>	<b>3,688,345,377</b>
<i>In which:</i>		
Net revenue from related parties	1,019,035,719	584,274,041
Net revenue from third parties	791,739,311	3,104,071,336

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

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## 27. Revenues (continued)

### 27.2 Finance income

	VND'000	
	Current year	Previous year
Income from disposal of investments (Note 4.5)	245,936,649	73,082,312
Foreign exchange difference gains	8,202,737	10,487,492
Interest income	2,334,857	67,038,014
Others	-	119,771
<b>TOTAL</b>	<b>256,474,243</b>	<b>150,727,589</b>
<i>In which:</i>		
Interest income from loans to related parties	-	49,037,033

## 28. Cost of goods sold and services rendered

	VND'000	
	Current year	Previous year
Cost of fruits sold	963,666,625	1,247,147,011
Cost of rubber latex sold	437,352,727	361,367,131
Cost of goods sold	142,753,774	18,578,858
Cost of chilli sold	43,130,128	335,048,650
Cost of services rendered	10,708,420	24,121,237
Cost of cows sold	-	138,206,269
Cost of pepper sold	-	34,962,327
Cost of apartments sold	-	27,632,944
<b>TOTAL</b>	<b>1,597,611,674</b>	<b>2,187,064,427</b>

## 29. Finance expenses

	VND'000	
	Current year	Previous year
Interest expenses	571,255,746	638,937,501
Foreign exchange difference losses	73,063,454	16,313,294
Loss from liquidation of a subsidiary (Note 4.3)	993,568	-
Others	47,888,676	35,321,870
<b>TOTAL</b>	<b>693,201,444</b>	<b>690,572,665</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

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## 30. Selling and administrative expenses

	VND'000	
	Current year	Previous year
<b>Selling expenses</b>		
Transportation expenses	242,763,685	109,693,562
External service expenses	39,448,664	22,632,265
Salary expenses	14,617,287	10,211,387
Depreciation expenses	2,412,294	2,188,094
Others	4,004,081	4,653,129
	<b>303,246,011</b>	<b>149,378,437</b>
<b>General and administration expenses</b>		
Allocation of goodwill (Note 17)	285,726,128	408,570,987
Salary expenses	90,366,973	56,185,369
External service expenses	49,313,604	28,800,846
Provision for doubtful debts	15,532,723	11,647,070
Depreciation and amortisation expenses	13,713,037	14,120,863
Others	12,275,865	165,651,493
	<b>466,928,330</b>	<b>684,976,628</b>
<b>TOTAL</b>	<b>770,174,341</b>	<b>834,355,065</b>

## 31. Other income and expenses

	VND'000	
	Current year	Previous year
<b>Other income</b>		
Reversal of tax accrual under Decree 20 (*)	192,397,024	-
Written-off payables	20,152,510	-
Profits from disposals of fixed assets	456,492	-
Others	16,846,248	20,710,867
	<b>229,852,274</b>	<b>20,710,867</b>
<b>Other expenses</b>		
Costs for developing plantations	(1,340,360,552)	(541,841,519)
Depreciation of idle assets	(54,983,799)	(79,563,818)
Penalties	(10,144,168)	(29,728,088)
Loss from disposal of fixed assets	-	(26,972,709)
Others	(232,210,383)	(83,990,460)
	<b>(1,637,698,902)</b>	<b>(762,096,594)</b>
<b>OTHER LOSS</b>	<b>(1,407,846,628)</b>	<b>(741,385,727)</b>

## 31. Other income and expenses (continued)

(\*) This amount represented CIT expense accrued in prior years' consolidated financial statements accumulated up to 31 December 2018 which was fully reversed during the year ended 31 December 2019. In prior fiscal year-end, the Group temporarily accrued CIT expense according to Item 3, Article 8, Decree No. 20/2017/ND-CP, prescribing tax administration for enterprises engaged in transfer pricing, issued by the Government on 24 February 2017, and effectively applied from 1 May 2017 ("Decree 20") to determine taxable income including the total loan interest cost arising in tax period not qualified as a deduction from income which exceeded 20% of total net profit generated from business activities plus loan interest costs and amortisation costs during the year. During the year ended 31 December 2019, the Group researched all relevant information and reversed CIT expenses accrued in prior years' consolidated financial statements.

For the year ended 31 December 2019, the Board of Directors also decided not to recognise provision for CIT due to the Group's application of the draft amendments to Decree 20 issued by the Government in 2019. According to the amendments, the Group estimates the total net interest expenses incurred in the year (interest expenses are offset with interest income) shall not exceed 30% of the total net profit from operating activities plus (+) net interest expenses plus (+) depreciation expenses during the year.

As at the date of these consolidated financial statements, the official document to amend Decree 20 has not been officially issued. However, based on available information, the Group believes that Decree 20 will be amended in a positive way according to the draft amendments issued by the Government during the year.

Based on the management's assessment, the guidance at Item 3, Article 8 of Decree 20 has many ambiguous points, with various ways of interpretation that may cause variations in practical application and this guidance does not reflect the intention of transfer pricing regulations. The management is still in discussions and proposing their view points to the State Audit Office, General Department of Taxation ("GDT"), Office of the Government and Ministry of Finance ("MOF") to ask for their consideration in amending guidance of Decree 20.

As at the date of these consolidated financial statements, Decree 20 is not amended, and the Group's management is still in the process of discussing with the relevant local authorities.

## 32. Corporate income tax

The Company has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profit (2018: 20%).

The Company's subsidiaries located in Lao People's Democratic Republic have the obligations to pay CIT at the rates of 24% of their taxable profits and 2% of profit from disposal of projects. Subsidiaries located in Kingdom of Cambodia, have the obligations to pay CIT at the rates of 20% of their taxable profits. They are also entitled to CIT exemption and reduction in accordance with their respective BRCs, Investment Licences and applicable tax regulations.

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

### 32.1 Current CIT

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

## 32. Corporate income tax (continued)

### 32.1 Current CIT (continued)

	VND'000	
	Current year	Previous year
Current tax expense	636,624	499,451
Under/(over) accrual of CIT in previous years	158,992	(4,647,050)
Deferred tax expense	68,518,150	34,499,060
<b>TOTAL</b>	<b>69,313,766</b>	<b>30,351,461</b>

A reconciliation between the taxable profit and loss before tax is presented below:

	VND'000	
	Current year	Previous year
<b>Accounting loss before tax</b>	<b>(2,375,087,563)</b>	<b>(625,763,066)</b>
Adjustments:		
Non-deductible expenses	1,634,636,353	9,857,984
Losses of subsidiaries	1,295,381,210	842,321,736
Amortisation of goodwill	285,726,128	408,570,987
Difference in intercompany interest income and expenses in consolidation	129,099,274	76,088,699
Foreign exchange differences	35,408,481	(97,302,362)
Change in unrealised intra-group profits	11,021,368	(20,241,725)
Difference between actual interest rate and nominal interest rate on convertible bonds in the consolidated financial statements	7,679,836	-
Provision for investments into subsidiaries	(336,847,230)	(214,456,985)
Profits of activities which are exempted for CIT	(254,707,311)	(397,108,217)
Gain from disposal of investment in the consolidated financial statements	(245,936,649)	(73,082,312)
Change in accrual expenses	(192,397,024)	50,505,561
(Profit)/loss from associate shared	(26,497,251)	11,458,148
Others	35,703,497	31,648,807
<b>Estimated current taxable profit for the year</b>	<b>3,183,119</b>	<b>2,497,255</b>
Estimated current CIT expense	636,624	499,451
Adjustment for under/(over) accrual of CIT in previous years	158,992	(4,647,050)
<b>Estimated current CIT for the year</b>	<b>795,616</b>	<b>(4,147,599)</b>
CIT payable at beginning of the year	30,049,556	38,237,764
CIT paid during the year	(11,069,339)	(3,881,946)
Foreign exchange differences	(314,811)	(158,662)
<b>CIT payable at end of the year</b>	<b>19,461,022</b>	<b>30,049,557</b>
<i>In which:</i>		
CIT payable	19,746,853	30,335,388
CIT receivable	(285,831)	(285,831)

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

## 32. Corporate income tax (continued)

### 32.2 Deferred tax

The following comprises the Group's deferred tax asset and deferred tax liability movements thereon during the year:

VND'000

	Consolidated balance sheet		Consolidated income statement	
	Ending balance	Beginning balance	Current year	Previous year
<b>Deferred tax assets</b>				
Unrealised intra-group profits	49,589,730	50,738,434	(1,148,704)	(3,524,143)
<b>Deferred tax liabilities</b>				
Provision for investments	(110,260,843)	(42,891,397)	(67,369,446)	(30,974,917)
<b>Deferred tax expense</b>			<b>(68,518,150)</b>	<b>(34,499,060)</b>

## 33. Transactions with related parties

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

VND'000

Related parties	Relationship	Transactions	Current year	Previous year
Thadi	The company with the same members of BOD	Disposal of subsidiaries Sales of goods Purchase of materials and services	6,996,075,859 895,648,536 166,081,413	- - -
THACO	The company with the same members of BOD	Loans and borrowings Interest expenses	2,588,289,459 94,567,711	746,132,000 6,259,160
HAG	Parent company	Loans and borrowings Interest expenses Sales of goods and services Purchase of materials	1,243,488,420 313,654,152 47,356,218 41,547,567	1,566,296,280 366,866,926 10,194,902 101,513,023
Mrs Kieu Ngoc Hoa	Shareholder	Loans	130,000,000	-
Mr Nguyen Anh Hoa	Shareholder	Loans	100,000,000	-
Daun Penh	The subsidiary of the company with the same members of BOD	Purchases of goods Sale of materials	93,716,041 20,813,957	- -
Binh Phuoc Kratie	The subsidiary of the company with the same members of BOD	Purchase of goods Sale of materials	76,567,770 18,874,266	- -
Eastern Rubber	The subsidiary of the company with the same members of BOD	Purchase of goods Sale of materials	32,568,454 18,363,685	- -
Hoang Anh Gia Lai Furniture JSC	Related party	Purchase of materials	61,529,361	-
Thaco Chu Lai Mechanical Complex Co., Ltd. ("Thaco Chu Lai")	The subsidiary of the company with the same members of BOD	Purchase of goods and services Purchase of assets	34,871,617 2,466,176	- -
Chu Lai - Truong Hai Transportation Co., Ltd. ("Thaco Chu Lai Transportation")	The subsidiary of the company with the same members of BOD	Purchase of services	24,683,368 21,002,527	- -
Thaco Agricultural Machinery Manufacturing Co., Ltd. ("Thaco Agricultural Machinery")	The subsidiary of the company with the same members of BOD	Purchase of machineries		-



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

## 33. Transactions with related parties (continued)

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

VND'000				
Related parties	Relationship	Transactions	Ending balance	Beginning balance
<b>Short-term trade receivables (Note 6)</b>				
Daun Penh	The subsidiary of the company with the same members of BOD	Sales of materials	80,108,487	-
Binh Phuoc Kratie	The subsidiary of the company with the same members of BOD	Sales of materials	19,114,510	-
HAG	Parent company	Sales of goods and services	23,171,406	1,803
Highland Rubber	The subsidiary of the company with the same members of BOD	Sales of materials	9,435,130	-
Eastern Rubber	The subsidiary of the company with the same members of BOD	Sales of materials	4,948,622	-
Canh Dong Vang	Related party (until 25 January 2019)	Sales of goods	-	30,370,320
Others	Related party	Sales of goods	951,929	430,088
			<b>137,730,084</b>	<b>30,802,211</b>
<b>Short-term advances to suppliers (Note 7)</b>				
Highland Rubber	The subsidiary of the company with the same members of BOD	Advances for purchase of goods	28,257,752	-
Dai Thang	Affiliate	Advances for purchase of goods	5,434,295	32,006,466
Eastern Rubber	The subsidiary of the company with the same members of BOD	Advances for purchase of goods	3,351,521	-
HAG	Parent company	Advances for purchase of goods	-	2,612,803
Others	Related party	Advances for purchase of goods	2,633,842	-
			<b>39,677,410</b>	<b>34,619,269</b>
<b>Short-term loan receivables (Note 8)</b>				
HAG	Parent company	Non-interest-bearing loan	-	3,814,000

## 33. Transactions with related parties (continued)

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

VND'000				
Related parties	Relationship	Transactions	Ending balance	Beginning balance
<b>Other short-term receivables (Note 9)</b>				
Daun Penh	The subsidiary of the company with the same members of BOD	Lending materials	33,038,555	-
HAG	Parent company	Payment on behalf Temporary lending	11,941,830	3,917,872
			-	680,800
Binh Phuoc Kratie	The subsidiary of the company with the same members of BOD	Payment on behalf	6,577,232	-
Dai Thang	Affiliate	Payment on behalf	4,601,784	-
Others	Related party	Others	250,000	4,888,316
			<b>56,409,401</b>	<b>9,486,988</b>
<b>Other long-term receivable (Note 9)</b>				
Daun Penh	The subsidiary of the company with the same members of BOD	Lending	6,780,054	-
Binh Phuoc Kratie	The subsidiary of the company with the same members of BOD	Lending	495,203	-
			<b>7,275,257</b>	<b>-</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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## 33. Transactions with related parties (continued)

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

VND'000

Related parties	Relationship	Transactions	Ending balance	Beginning balance
<b>Short-term trade payables (Note 18)</b>				
Thadi	The company with the same members of BOD	Purchase of materials and services	(207,569,778)	-
Daun Penh	The subsidiary of the company with the same members of BOD	Purchase of goods	(91,845,863)	-
Binh Phuoc Kratie	The subsidiary of the company with the same members of BOD	Purchase of goods	(73,677,590)	-
HAG	Parent company	Purchase of goods and services	(64,288,041)	(62,246,015)
Hoang Anh Gia Lai Furniture JSC	Related party	Purchase of materials	(42,390,542)	-
Thaco Chu Lai	The subsidiary of the company with the same members of BOD	Purchase of goods	(18,934,507)	-
Thaco Chu Lai Transportation	The subsidiary of the company with the same members of BOD	Purchase of services	(14,561,396)	-
Thaco Agricultural Machinery Manufacturing Co., Ltd.	The subsidiary of the company with the same members of BOD	Purchase of machinery	(6,080,000)	-
Thaco Truck - Bus Distribution Co., Ltd.	The subsidiary of the company with the same members of BOD	Purchase of services	(1,994,000)	-
Others	Related party	Purchase of goods	(629,818)	(101,578)
			<b>(521,971,535)</b>	<b>(62,347,593)</b>

### Short-term advances from customer (Note 19)

Thadi	The company with the same members of BOD	Advance to purchase goods	18,021,828	-
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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## 33. Transactions with related parties (continued)

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

VND'000

Related parties	Relationship	Transactions	Ending balance	Beginning balance
<b>Short-term accrued expenses (Note 21)</b>				
HAG	Parent company	Interest expenses	(27,191,064)	(77,623,144)
THACO	The company with the same members of BOD	Interest expenses	(5,172,794)	(6,259,160)
Mrs. Kieu Ngoc Hoa	Shareholder	Interest expenses	(958,904)	-
			<b>(33,322,762)</b>	<b>(83,882,304)</b>
<b>Long-term accrued expenses (Note 21)</b>				
HAG	Parent company	Interest expenses	(154,362,922)	(108,965,038)
THACO	The company with the same members of BOD	Interest expenses	(4,633,009)	-
			<b>(158,995,931)</b>	<b>(108,965,038)</b>
<b>Other short-term payables (Note 22)</b>				
HAG	Parent company	Offsetting	(123,024,506)	(39,871,191)
Daun Penh	The subsidiary of the company with the same members of BOD	Borrowing materials	(58,541,505)	-
Le Me JSC	Related party	Borrowing	(11,685,000)	(11,685,000)
Mr Doan Nguyen Duc	Chairman	Borrowing	-	(136,000,000)
Dai Thang	Affiliate	Borrowing materials	-	(18,475,588)
Others	Related party	Others	(1,484,326)	(1,261,001)
			<b>(194,735,337)</b>	<b>(207,292,780)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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## 33. Transactions with related parties (continued)

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

VND'000

Related parties	Relationship	Transactions	Ending balance	Beginning balance
<b>Other long-term payables (Note 22)</b>				
Daun Penh	The subsidiary of the company with the same members of BOD	Borrowing materials	(20,975,330)	-
Hung Thang Loi Gia Lai JSC	Affiliate	Borrowing	(5,000,000)	-
An Tien Co., Ltd.	Related party	BCC	-	(550,000,000)
HAG	Parent company	Borrowing	-	(78,933,111)
			<b>(25,975,330)</b>	<b>(628,933,111)</b>

### Short-term loans (Note 23.1 and 23.3)

HAG	Parent company	Short-term loans	(1,878,507,456)	(983,468,000)
THACO	The company with the same members of BOD	Convertible bonds Loans	- (897,464,625)	(2,216,880,000) (746,132,000)
Mrs. Kieu Ngoc Hoa	Shareholder	Short-term loans	(50,000,000)	-
			<b>(2,825,972,081)</b>	<b>(3,946,480,000)</b>

### Long-term loans (Note 23.5)

HAG	Parent company	Long-term loans	(649,106,397)	(3,679,224,832)
THACO	The company with the same members of BOD	Long-term loans	(805,260,834)	-
			<b>(1,454,367,231)</b>	<b>(3,679,224,832)</b>

Remunerations for the members of the BOD, BOS and managements are as follows:

VND'000

	Current year	Previous year
Salaries, remunerations and bonus	4,804,960	5,619,873

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## 34. Operating lease commitments

The Group leases parcels of land in Vietnam, Laos and Cambodia to build factories, hotels, plant rubber and other plantations and office lease under the operating lease agreements. The future lease commitments are as follows:

VND'000

	Ending balance	Beginning balance
Less than 1 year	25,242,008	27,650,133
From 1 to 5 years	100,968,031	110,600,534
More than 5 years	906,550,484	1,007,761,374
<b>TOTAL</b>	<b>1,032,760,523</b>	<b>1,146,012,041</b>

## 35. Off balance sheet items

VND'000

	Ending balance	Beginning balance
<b>Foreign currencies:</b>		
- LAK	554,609,265	84,386,864
- Cambodia Riels (KHR)	161,524,156	34,050,002
- USD	1,864,493	1,750,585

## 36. Commitments and contingencies

### Important commitments

According to the capital contributed capital transfer contract dated on 22 May 2017, between the Group, Bien Hoa Sugar JSC and Thanh Thanh Cong Tay Ninh JSC and the agreement dated on 15 June 2017, the Group pledged unconditional and irrevocable liability for any debts, fines, indemnities, financial obligations and /or any guarantee commitment, debt, any other type of guarantees (whether existing or not yet reflected or potential) that the Group of Sugarcane companies is obliged to make to any third party (including the Government of Laos and/or the Vietnamese Government) arising on or before 31 August 2016 but not yet recorded to the consolidated financial statements as of 31 August 2016 of the Group of Sugarcane companies, included but not limited to payables related to:

- Taxes and fees regarding transfer of profits from the Group of Sugarcane Companies in Laos to the company located in Vietnam in accordance with the laws and regulation of Laos and Vietnam;
- Foreign contractor tax or other similar tax on constructing, land clearance related to the factory and working capital of the Group of Sugarcane Companies;
- Social insurance, health insurance and personal income tax of employees currently working at the Group of Sugarcane Companies;
- Value-added tax related to the transfer of assets regarding planting grass activities and raising cows of the Group of Sugarcane Companies; and
- Financial obligations, other tax obligations, liability and legal proceedings relating to the business of the Group of Sugarcane Companies before 31 August 2016.

As at 31 December 2019 and up to the date of these consolidated financial statements, the Group has been being in progress to work with local tax authorities to finalise related tax exposures, if any, which may occur in relation to such disposal of the Group of Sugarcane companies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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## 36. Commitments and contingencies (continued)

### Warranty provision for airport projects

As at 31 December 2019, the Group is in progress to construct and complete remaining works and sections of two airport projects namely the Attapeu Airport Construction Project in Attapeu Province and the Nongkhang Airport Construction Project in Huaphan Province, Lao People's Democratic Republic. The Group did not recognise any warranty provision for the two projects because these projects have not been completed and handed over to contractors.

As mentioned in Contract of the Attapeu Airport Construction Project and Contract of the Nongkhang Airport Construction Project, the guarantee period was one year after handing over the projects.

## 37. Segment information

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services provided. Secondary information is reported geographically. The Group's operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result of its operation include transfers between business segments. Those transfers are eliminated in preparation of the consolidated financial statements.

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

### 37.1 Business segment

For management purposes, the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

- Plantation: planting rubber, oil palm, sugarcane, harvesting, processing and trading of rubber latex, sugar, oil palm and other tree plantations;
- Breeding and trading cows for meat and dairy cows;
- Trading and services: construction service, purchasing and trading of goods; and
- Others: developing apartments for sale and office buildings for sale and lease and hotel service.

Management monitors the operating results of its business units separately for the purposes of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain aspects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Financing resources including finance costs and finance revenue and income taxes are managed on the Group basis and are not allocated to operating segments.

The following tables present revenue and loss and certain assets and liability information regarding the Group's business segment:

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### 37. Segment information (continued)

#### 37.1 Business segment (continued)

	Plantation	Breeding	Trading and services	Eliminations	Total
<b>For the year ended 31 December 2018</b>					
Revenue	3,231,448,130	126,874,935	330,022,312	-	3,688,345,377
External customers	857,907,005	-	430,289,798	(1,288,196,803)	-
Inter-segment elimination					
<b>Total</b>	<b>4,089,355,135</b>	<b>126,874,935</b>	<b>760,312,110</b>	<b>(1,288,196,803)</b>	<b>3,688,345,377</b>
Results					
Segment results	2,110,830,016	(11,331,334)	689,979,071	(1,288,196,803)	1,501,280,950
Unallocated expenses					(1,575,740,792)
Loss before income tax, finance income and finance expenses					(74,459,842)
Finance income					150,727,589
Finance expenses					(690,572,665)
Share of loss from associates					(11,458,148)
Loss before tax					(625,763,066)
Current income tax income					4,147,599
Deferred tax expense					(34,499,060)
<b>Net loss for the year</b>					<b>(656,114,527)</b>
<b>As at 31 December 2018</b>					
Assets and liabilities					
Segment assets	23,957,801,119	1,613,646,049	2,101,595,348	-	27,673,042,516
Cash					72,447,272
Investments in an associate					299,447,924
Unallocated assets					2,486,616,571
<b>Total assets</b>					<b>30,531,554,283</b>
Segment liabilities	(25,593,438,896)	(1,161,786,068)	(11,788,226,852)	-	(38,543,451,816)
Unallocated liabilities					18,687,780,130
<b>Total liabilities</b>					<b>(19,855,671,686)</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

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**37. Segment information** (continued)**37.1 Business segment** (continued)

VND'000

	Plantation	Breeding	Trading and services	Eliminations	Total
<b>For the year ended 31 December 2019</b>					
Revenue					
External customers	1,626,044,667	-	184,730,363	-	1,810,775,030
Inter-segment elimination	1,197,808,050	-	723,564,640	(1,921,372,690)	-
<b>Total</b>	<b>2,823,852,717</b>	<b>-</b>	<b>908,295,003</b>	<b>(1,921,372,690)</b>	<b>1,810,775,030</b>
<b>Results</b>					
Segment results					213,163,356
Unallocated expenses	1,375,634,748	-	758,901,298	(1,921,372,690)	(2,178,020,969)
Loss before tax, finance income and expenses					(1,964,857,613)
Finance income					256,474,243
Finance expenses					(693,201,444)
Share of profit from an associate					26,497,251
Loss before tax					(2,375,087,563)
Current income tax expense					(795,616)
Deferred tax expense					(68,518,150)
<b>Net loss for the year</b>					<b>(2,444,401,329)</b>
<b>As at 31 December 2019</b>					
Assets and liabilities					
Segment assets	19,831,247,887	-	2,109,795,519	-	21,941,043,406
Cash					111,485,200
Investments in an associate					315,487,353
Unallocated assets					912,473,137
<b>Total assets</b>					<b>23,280,489,096</b>
Segment liabilities	(15,170,288,266)	-	(7,246,306,632)	-	(22,416,594,898)
Unallocated liabilities					8,874,058,422
<b>Total liabilities</b>					<b>(13,542,536,476)</b>

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**37. Segment information** (continued)**37.2 Geographical segment**

The following tables present revenue, loss and certain assets information regarding the Group's geographical segments:

VND'000

	Vietnam	Laos	Cambodia	Total
<b>For the year ended 31 December 2018</b>				
Sales to external customers	2,913,105,285	487,301,078	287,939,014	3,688,345,377
Capital expenditure of fixed assets	328,077,063	607,531,429	637,999,662	1,573,608,154
<b>As at 31 December 2018</b>				
Other segment information				
Segment assets	5,025,138,438	12,201,406,693	10,446,497,385	27,673,042,516
Cash				72,447,272
Investment in an associate				299,447,924
Unallocated assets				2,486,616,571
<b>Total assets</b>				<b>30,531,554,283</b>
<b>For the year ended 31 December 2019</b>				
Sales to external customers	1,704,177,416	32,136,212	74,461,402	1,810,775,030
Capital expenditure of fixed assets	238,684,377	798,668,201	520,575,681	1,557,928,259
<b>As at 31 December 2019</b>				
Other segment information				
Segment assets	1,698,383,046	12,297,563,683	7,945,096,677	21,941,043,406
Cash				111,485,200
Investment in an associate				315,487,353
Unallocated assets				912,473,137
<b>Total assets</b>				<b>23,280,489,096</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

B09-DN/HN

as at 31 December 2019 and for the year then ended

## 38. Reclassification of corresponding figures

Certain corresponding figures on the Company's consolidated balance sheet for the year ended 31 December 2018 have been reclassified to reflect the presentation of the consolidated financial statements for the year ended 31 December 2019.

## 39. Events after the balance sheet date

### *Additional subscription of entire shares newly issued by Hoang Anh Dak Lak*

On 5 February 2020, the Company additionally acquired the entire 35,900,000 shares, which were newly issued by Hoang Anh Dak Lak, a subsidiary within the Group for a consideration of VND'000 359,000,000 in accordance with the Board of Directors' Resolutions No. 0901/20/NQ-HDQT HAGL Agrico dated 9 January 2020. Accordingly, the Company increased its interest ownership in Hoang Anh Dak Lak from 99.53% to 99.78% as at that date.

### *Acquisition of Ban Me Rubber Joint Stock Company ("Ban Me Rubber")*

On 13 February 2020, the Group completed the acquisition of 6,190,069 shares, equivalent to 100% ownership of Ban Me Rubber from related parties being Trung Nguyen Rubber's shareholder at the total consideration of VND'000 444,000,000 in accordance with the Board of Directors' Resolutions No. 18/NQ-HĐQT-HADL.20 dated 10 January 2020. Accordingly, Ban Me Rubber became the subsidiary of the Group as at that date.

Except for the above events, there have been no other significant events or circumstances occurring after the balance sheet date which would require adjustments or disclosures to be made in the accompanying consolidated financial statements of the Group.



Nguyen Van Tien  
Preparer



Pham Xuan Hoa  
Chief Accountant



Vo Thi My Hanh  
General Director

9 April 2020





**HOANG ANH GIA LAI AGRICULTURAL  
JOINT STOCK COMPANY**

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