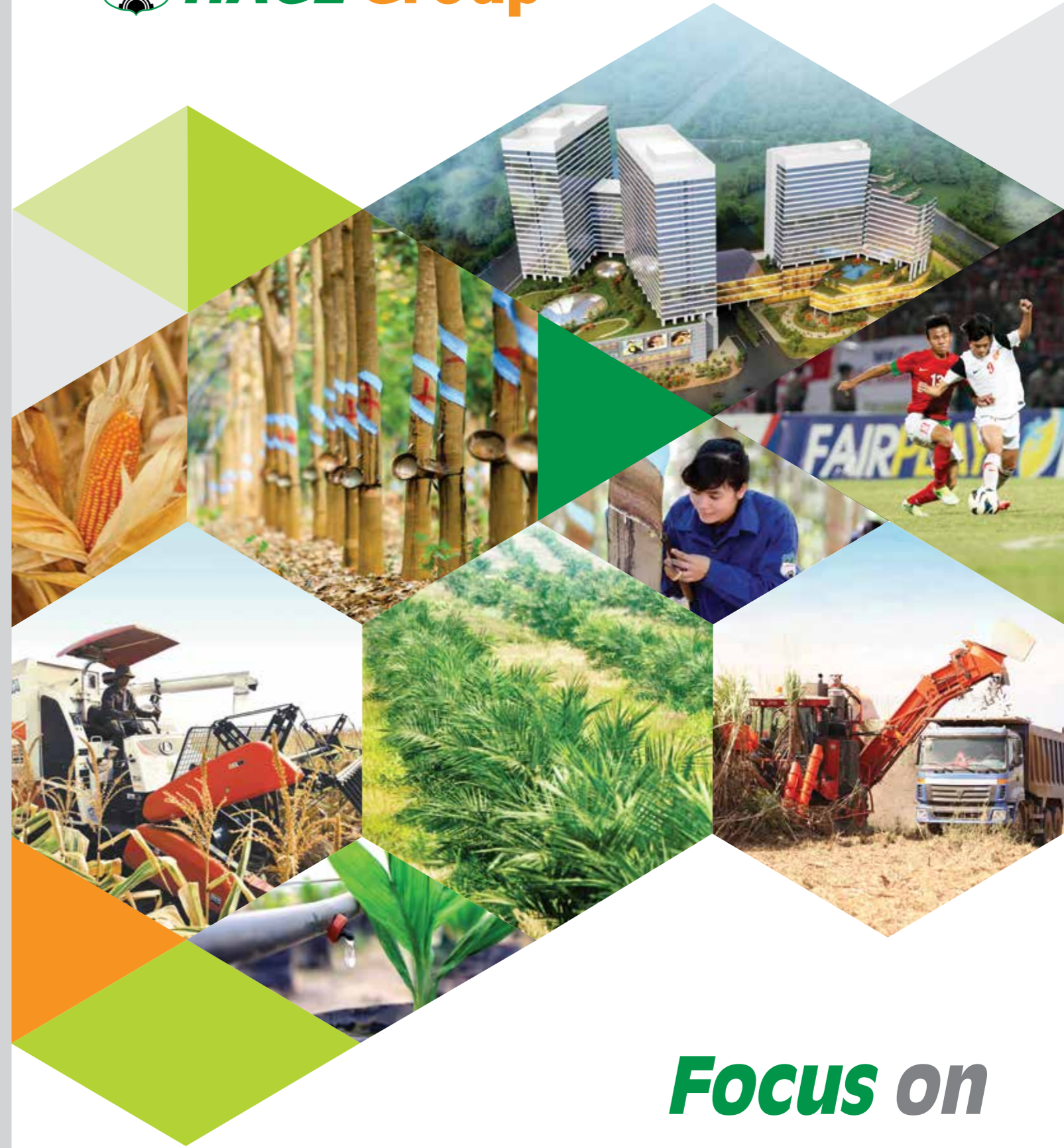


**HAGL Group**

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**Focus on  
core resources**

Annual Report 2013

# UNITY IS POWER



IN OUR NEW BUSINESS STRATEGY, **HAGL GROUP** FOCUSES ON OUR OWN CORE RESOURCES AND FULL EXPLOITATIONS OF COMPETITIVE ADVANTAGES IN AGRIBUSINESS TO CREATE A FOUNDATION FOR SUSTAINABLE DEVELOPMENTS.

## VISION

TO BECOME THE LEADING GROUP IN VIETNAM AND IN THE REGION IN AGRIBUSINESS.

## MISSION

TO MAINTAIN THE CONSTANT CREATIVITY AND STRIVE TO CONTINUE TO PRODUCE HIGH QUALITY PRODUCTS AND PROVIDE EXCEPTIONAL SERVICES AT COMPETITIVE COSTS. TO PROVIDE COMPETITIVE EMPLOYEE BENEFITS, BOTH IN TERMS OF MONETARY REMUNERATION AND SPIRITUAL DEVELOPMENT IN ORDER TO MOTIVATE EMPLOYEES TO CREATE VALUES FOR CUSTOMERS, SHAREHOLDERS AND THE SOCIETY IN GENERAL.

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# MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Message from the Chairman of  
the Board of Directors



Mr. Doan Nguyen Duc – Chairman of the BOD

## Dear shareholders and prospective investors!

The year 2013 marks a milestone of the 20<sup>th</sup> anniversary of Hoang Anh Gia Lai (“HAGL”) Group. Also in this year, HAGL uses the slogan of **“Focus on core resources”** as the guideline for the Group’s comprehensive restructuring campaign, forming the base for the stable and sustainable development in the future.

In 20 years of operation, HAGL has experienced 3 development stages with different strategies and targets, which derive from changes in business environment and macro-economic conditions.

### Stage 1 – from 1993 to 2002

This is a prosperity period of furniture production sector. With a profuse source of wood materials and a wide consumer market including the countries in Europe, Australia and US, HAGL quickly developed from a small furniture workshop to a big private enterprise with many factories in Gia Lai, Quy Nhon and Ho Chi Minh City. The increases in total assets and owner’s equity were the favorable conditions for HAGL to start acquiring land and investing in real estates, aiming at the market segment of apartments for sale.

### Stage 2 – from 2003 to 2012

This stage includes 2 periods: 2003 – 2008 and 2009 – 2012. In the period from 2003 to 2008, HAGL achieved many successes in real estate sector. Within a few months, all of the apartments of such projects as Le Van Luong, Tran Xuan Soan, New Saigon were sold under pre-sale contracts signed upon completion of the foundation, and the payments were made according to the construction progress. The furniture production sector continued its good performance, not only manufacturing products for external sale but also supplying interior furniture that helps reduce the cost of HAGL’s apartments. However, in late 2008, the macro-economic conditions started to become unfavourable. The crises of debt sub-prime and real estates in the US negatively affected to the world’s economy. In Vietnam, the signs of hot economic growth exposed more clearly, the inflation kept on rising, and the State Bank has begun to enforce the contractionary monetary policy in reality.

From the year 2007, HAGL has realized that despite the significant profitability, the real estate sector has contained lots of risks and has had cyclic nature. Therefore, HAGL has begun its multi-sector development strategy in order to diversify the risks. HAGL has decided to grow rubber trees, to exploit iron ore and to build hydropower plants. In the years 2007 and 2008, HAGL generated high cash flows from real estates sale and share issuance, so it had favourable conditions to invest in those new sectors.

In the year 2009, the State Bank began to enforce the contractionary monetary policy to control the inflation. The interest rate kept on increasing, even over 20%/p.a. As a result, the stock and real estate markets fell down simultaneously, the purchasing power rapidly went down, the real estate transactions during the year 2009 were so

weak. After the Lunar New Year of 2010, HAGL made a “revolution of apartment price” by bravely reducing the selling prices of apartments of Hoang Anh River View project from USD 2,400/m<sup>2</sup> down to USD 1,350/m<sup>2</sup> and of Phu Hoang Anh project – phase 1 from USD 1,800/m<sup>2</sup> down to USD 1,250/m<sup>2</sup>. This action helped HAGL sell out a large number of apartments, solve the liquidity issue and generate profit for the subsequent years. However, the overall market conditions have not improved, and the real estate sector has still encountered a lot of difficulties so far.

Although HAGL consistently pursued the strategy of investing in sectors which we had competitive advantages on the basis of land and natural resources, we were only successful in agribusiness. The hydro-power sector required a large amount of capital, while capital raising was getting more difficult, the interest rates and capital costs grew but the power charges were not increased, so this sector did not prove to be effective to HAGL. Mining sector encountered many strict regulations on environment, the barriers to exportation with quotas and duties, leading to the profitability of this sector becoming no longer attractive.

In this circumstance, HAGL started to re-assess its investment strategy and to prepare a comprehensive restructuring plan of the Group. In 2012, HAGL begun to grow sugarcane, to build up a sugar processing plant and to experiment to grow oil palm trees. These have shorter development phase as compared to rubber, so they could bring profit and cash flow sooner, helping HAGL carry out the plan of “using short-term goals to achieve long-term goals” to continue dealing with the imminent difficulties of the economy.

### Stage 3 – from 2013 onwards

After the success of sugarcane and oil palm crops, HAGL has continued increasing investments in these crops and has started to reduce investments in the sectors that have no longer high profitability. HAGL has sold the hydro-power projects in Vietnam, including 4 in operation and 2 in construction progress, has sold the shares of furniture company to its managers and employees and has spun off the apartment projects in Vietnam into a separate company and sold the shares of that company to HAGL’s shareholders and other investors.

After a series of big restructuring transactions, HAGL has only retained highly profitable assets and projects. The agribusiness includes the plantation of rubber trees, oil palm trees, sugarcanes and, in 2014, corns. Regarding real estate sector, HAGL has retained its key project – Hoang Anh Gia Lai Myanmar Center. This is the biggest and most beautifully located project in Yangon, Myanmar in the situation that the market seriously lacks real estate supply and real estate price is very high there.

Detailed information on each sector, the situation of investment and the contribution of each sector in the Group’s business results of 2013 is presented hereunder in this Annual Report.

The Management of HAGL believes that the comprehensive restructuring plan is judicious. The concentration on core resources with competitive advantages can help HAGL operate more effectively, providing the society with many products of high quality and low prices, making much profit to the shareholders, contributing to the State’s budget, giving more jobs to labourers, helping develop the local community and economy. HAGL is confident that our low-price products can compete against those of other competitors in the countries having wide land areas and ideal climates such as Malaysia, Indonesia, Thailand, Brazil. The profit growth target of HAGL from the year 2014 onwards is expected at least 50% per year until the whole plantation area reaches the top productivity.

On behalf of all the officers and employees of Hoang Anh Gia Lai Group, I would like to express my sincere thankfulness to the shareholders and investors for your believing and supporting our Hoang Anh Gia Lai Group.

Chairman of the BOD

DOAN NGUYEN DUC



# GENERAL INFORMATION

## Transaction name

Vietnamese name:

CÔNG TY CỔ PHẦN HOÀNG ANH GIA LAI

English name:

HOANG ANH GIA LAI JOINT STOCK COMPANY

Transaction name: HOANG ANH GIA LAI

Abbreviation name: HAGL

## Business registration certificate

- Business code: 5900377720
- Registered for the first time on 1<sup>st</sup> June 2006; Business registration certificate No. 3903000083 dated 1<sup>st</sup> June 2006 granted by the Department of Planning and Investment of Gia Lai Province (registered for the first time)
- The 22<sup>nd</sup> amended certificate dated 2<sup>nd</sup> July 2013

## Charter Capital (share capital)

# VND 7,181,546,930,000

*In words: Seven thousand one hundred and eighty one billion, five hundred and forty six million, nine hundred and thirty thousand dong*

- Security code: HAG
- Face value per share: VND 10,000
- Total number of shares: 718,154,693

📍 15 Trưng Chinh, Phu Dong Ward, Pleiku City, Gia Lai Province, Vietnam

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📠 84 – 59 – 222 2247

🌐 [www.hagl.com.vn](http://www.hagl.com.vn)





# PRELIMINARY FINANCIAL INFORMATION

Unit: VND billion

## As of 31 December

### STATEMENT OF INCOME

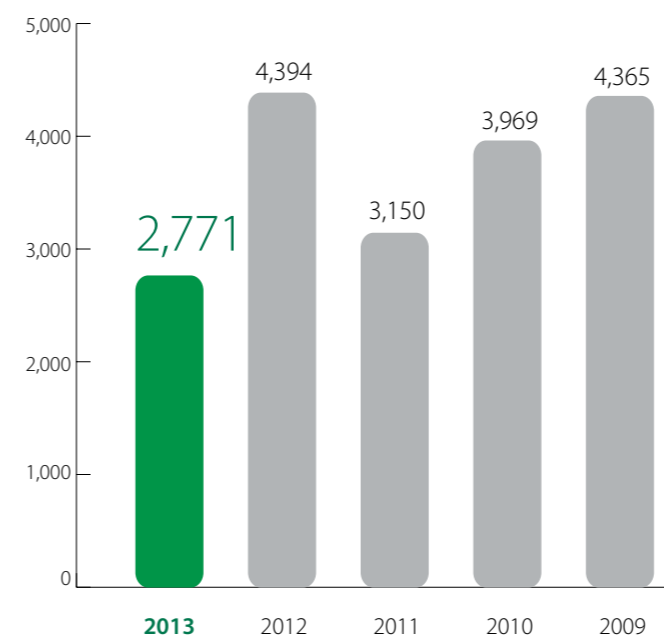
	2013	2012	2011	2010	2009
<b>Total revenue</b>	<b>2,773</b>	<b>4,400</b>	<b>3,152</b>	<b>3,971</b>	<b>4,370</b>
Net revenue	2,771	4,394	3,150	3,969	4,365
Gross profit	1,196	1,201	1,424	2,008	2,007
Gross margin	43.2%	27.3%	45.2%	50.6%	46.0%
Net operating profit	1,045	614	1,719	2,765	1,717
Results of other activities	(46)	(90)	(17)	1	22
Share of profit in associates	-	1	-	3	5
Profit before tax	999	525	1,702	2,769	1,744
<b>Profit after tax</b>	<b>972</b>	<b>365</b>	<b>1,325</b>	<b>2,081</b>	<b>1,287</b>
Net margin	35.1%	8.3%	42.1%	52.4%	29.5%
Earnings per share (VND)	1,315	651	2,174	4,239	2,955

### BALANCE SHEET

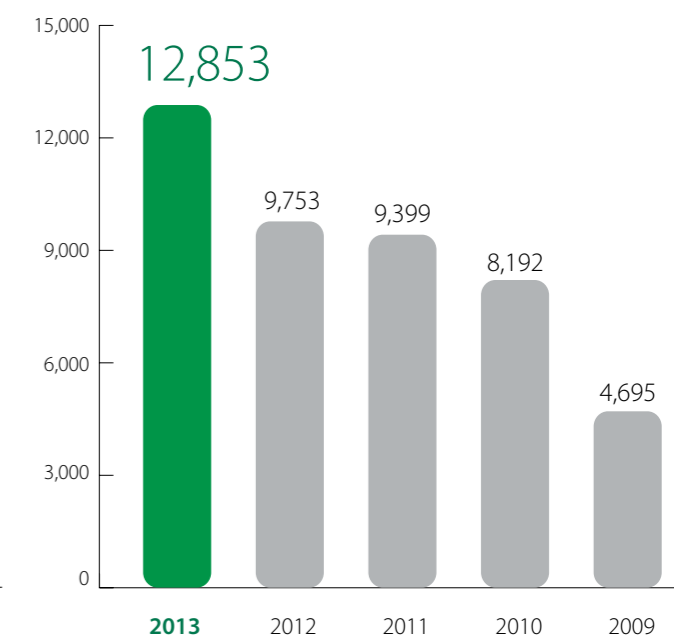
Current assets	9,740	14,309	13,309	11,450	7,403
Long-term assets	20,073	16,976	12,268	7,593	4,793
<b>Total assets</b>	<b>29,813</b>	<b>31,285</b>	<b>25,577</b>	<b>19,043</b>	<b>12,196</b>
Short-term loans and debts	3,129	2,860	3,202	3,093	2,992
Other short-term accounts payable	1,830	4,207	3,576	3,958	1,319
Long-term loans and debts	11,129	13,272	8,424	2,782	2,249
Other long-term accounts payable	205	123	291	429	525
<b>Total liabilities</b>	<b>16,293</b>	<b>20,462</b>	<b>15,493</b>	<b>10,262</b>	<b>7,085</b>
Owner's equity	12,853	9,753	9,399	8,192	4,695
Minority interest	667	1,070	685	589	416
<b>Total owner's equity</b>	<b>29,813</b>	<b>31,285</b>	<b>25,577</b>	<b>19,043</b>	<b>12,196</b>

### CASH FLOW STATEMENT

Profit before tax	999	525	1,702	2,769	1,744
Depreciation and amortisation	326	225	136	77	159
Operating profit before changes of working capital	961	936	1,154	1,785	1,915
Net cash flows from operating activities	(2,060)	940	(994)	294	1,083
Net cash flows from investing activities	(3,215)	(5,833)	(5,299)	(1,786)	(1,673)
Net cash flows from financing activities	5,205	4,515	6,183	2,554	2,003
<b>Ending cash and cash equivalents</b>	<b>2,448</b>	<b>2,518</b>	<b>2,896</b>	<b>3,006</b>	<b>1,944</b>



NET REVENUE (VND billion)

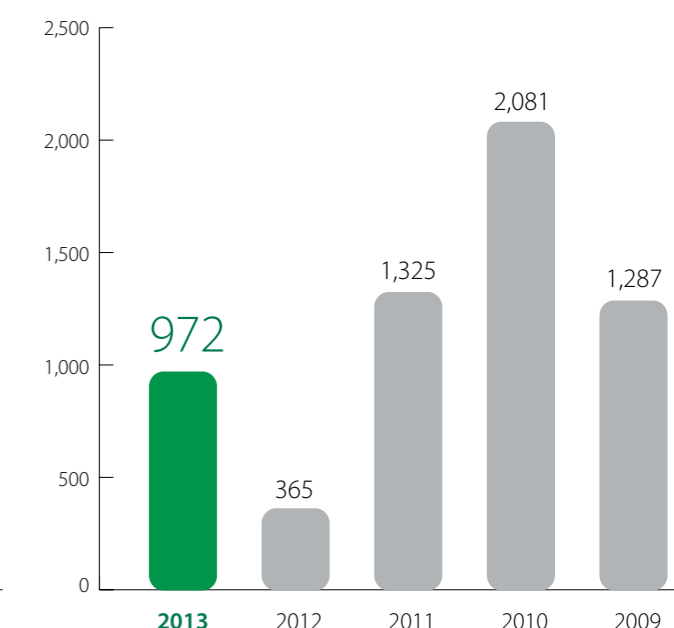


OWNER'S EQUITY (VND billion)



LIABILITIES AND  
OWNER'S EQUITY

Other liabilities Loans Owner's equity



PROFIT AFTER TAX (VND billion)

# KEY MILESTONES



**SOLE PROPRIETORSHIP ENTERPRISE**  
Furniture production

 **BEGINNING STAGE**  
1993

- Building the first furniture factory; Establishing Hoang Anh Gia Lai Enterprise
- A small furniture workshop



**PUBLIC COMPANY**  
Real estate was the key business while diversification strategies were being implemented

 **PUBLIC STAGE**  
2002–2007

- Transforming from a sole proprietorship enterprise to a joint stock company
- Dragon Capital and Jaccar became the company's strategic investors



- Listing on Ho Chi Minh City Stock Exchange (HOSE)
- Raising capital from the stock market to finance agriculture, hydropower and mining businesses for sustainable development.

2008–2010      2011–2012

- Raising capital from international equity markets by listing GDR on LSE
- Issuing international bonds of USD 90 million via Credit Suisse
- Issuing convertible bonds to Temasek



**FOCUSING ON: DEVELOPING 2 MAIN SECTORS: AGRIBUSINESS AND REAL ESTATE**

- Agriculture:** Rubber, sugarcane, oil palm, corn trees
- **Rubber:** At the end of 2013, planted 44,500 ha
  - **Oil palm:** Planted on 12,300 ha
  - **Sugarcane:** Planted on 10,000 ha
  - **Corn:** To be planted on 5,000 ha for the first crop

 **SUSTAINABLE DEVELOPMENT STAGE**  
2013      **2014**

**Real estate:** Splitting subsidiaries owning apartment projects in Vietnam from the Group, keeping some projects owned by Hoang Anh Housing Development JSC and Hoang Anh Gia Lai Myanmar Center - the key project.



## HOANG ANH GIA LAI GROUP



92.13%

### RUBBER

- 44,500 ha has been planted in Vietnam, Laos and Cambodia.
- Rubber has been tapped from 2012 and the rubber processing plant has been put into operation with the main product of SVR10.



92.12%

### SUGARCANE

- Planting 10,000 ha in Laos.
- Sugar Industrial Complex: including a sugar plant with a daily capacity of 7,000 tons of sugarcane, a thermal power plant of 30MW, and a micro-organism fertilizer plant of 50,000 tons/year.
- The sugar processing plant and thermal power plant have been put into operation.



92.13%

### OIL PALM

- HAGL has experimented to plant oil palm trees since 2012 with 4,000 ha, and up to now 12,300 ha has been planted. The planting area of oil palm is expected to reach 30,000 ha in 2015, mainly in Koun Mum District, Rattanakiri Province, Cambodia.



92.13%

### CORN

- In late 2013, HAGL successfully experimented to plant corn trees. In early 2014, the Group has planted corns on a large area of 5,000 ha in Laos and Cambodia.
- In 2015, the Group's target is to plant 10,000 ha of corn, and the output is expected to reach 280,000 tons/year, hoping to bring much profit to the Group.



98.18%

### REAL ESTATE

- Key revenue and profit driver from the Group's establishment until 2012.
- In addition to some projects located in Ho Chi Minh City, HAGL has focused on the construction of a multi-purpose complex in Yangon, Myanmar.
- Phase 1 of Hoang Anh Gia Lai Myanmar Center is expected to complete its 2 blocks of office for lease in the first quarter of 2015 and its 5-star hotel in the second quarter of 2015.







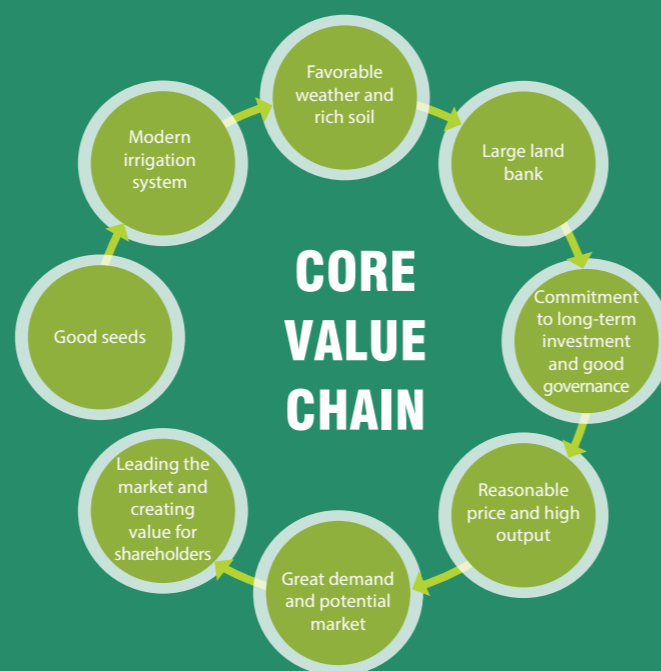
## AGRIBUSINESS

HAGL has performed the strategy of diversifying plantation including rubber, sugarcane, oil palm and corn accompanied with the protection of the clean and clear environment, maintaining the ecological balance in the project area.

Rubber trees have high economic value. Rubber latex is used in the manufacturing industry while rubber wood acts as feedstock for furniture business. This sector can generate high and stable earnings and cash flows in the yielding period.

The advantages of HAGL are to own a low-cost land bank and have a skillful and experienced workforce specializing in agriculture and forestry. These are critical factors to succeed in the rubber business.

HAGL consistently pursues the principles and disciplines in planting and nursing trees to ensure high productivity. HAGL always focuses on technique as well as technology: analyzing land and using suitable seeds, setting up and standardizing the nursing process, applying Israeli drip irrigation system in irrigation and fertilization.



With the efforts in planting and nursing rubber trees, HAGL's rubber area has increased year after year, and up to now the land area for rubber is entirely covered. The total planted rubber area is 44,500 ha. Details are as follows:



In 2013, HAGL reached the production and sold quantity of 3,925 tons of SVR10 rubber, remarkably increasing in comparison with that in 2012 (798 tons). Revenue from rubber in 2013 was VND 241 billion. The age profile of rubber trees of HAGL can help speed up the growth of the productivity in 2014 and the following years.

At present, HAGL is running a latex processing plant in Laos with the capacity of 25,000 tons/year.

To satisfy the processing demand when the rubber plantation areas in Vietnam and Cambodia begin the tapping period, HAGL will build up a latex processing plant in Gia Lai Province, Vietnam and another plant in Rattanakiri, Cambodia.

HAGL is implementing the strategy of diversifying the plantation by planting other crops such as sugarcane, oil palm and corn; and has not intended to expand the rubber plantation area in the following years.

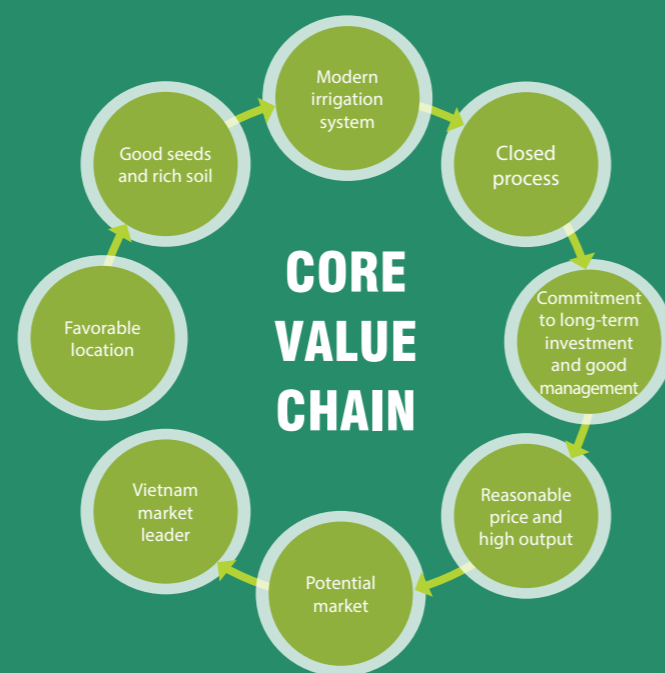


Latex processing factory





Sugarcane is the sector in which HAGL has many competitive advantages. Thanks to the large cultivated and contiguous area of 10,000 ha, HAGL may apply machinery and equipment in planting, nursing, and harvesting sugarcane. The Israeli drip irrigation system is set up at each row of sugarcane trees, continuously providing moisture to help HAGL plant sugarcane trees even in the dry season and the sugarcane trees can grow fast in these months due to the high photosynthesis efficiency. The preparation of land and the plantation of sugarcane are absolutely done by machines. The fertilization is also automatically done by the dissolution in water and the irrigation to each row of sugarcane trees with the irrigation system. In harvest, the machinery and equipment give much support to HAGL in saving time and cost. Thanks to the scientific and modern cultivation technology, the productivity of sugarcane is high and the cost per ton of sugarcane is much lower as compared to the industry benchmark. This is an important factor leading to the success of the sugarcane industry.



In the crop 2012 – 2013, HAGL harvested sugarcane on an area of 5,530 ha and planted more area for the crop 2013 – 2014, raising the total current area of sugarcane to 10,000 ha. The whole sugarcane area is located in Attapeu (Laos).

In February 2013, HAGL inaugurated and put into operation a sugar processing plant with a capacity of 7,000 tons of sugarcane per day and a thermo power plant with a capacity of 30MW using bagasse as the feedstock.

The year 2013 was the first year during which HAGL harvested sugarcane with the yield of 590,193 tons of 11 CCS. The sugar yields produced and consumed were 65,577 tons and 60,472 tons respectively, generating the revenue of VND 838 billion.

In early 2014, the Vietnamese Government has allowed Bien Hoa Sugar JSC to import 30,000 tons of raw sugar from Hoang Anh Attapeu Sugarcane Co., Ltd (Laos) for refining and exporting all products to China through Ban Vuoc secondary border gate, Bat Xat District, Lao Cai Province. The remaining output will be sold to the traders in Laos or exported to Europe.

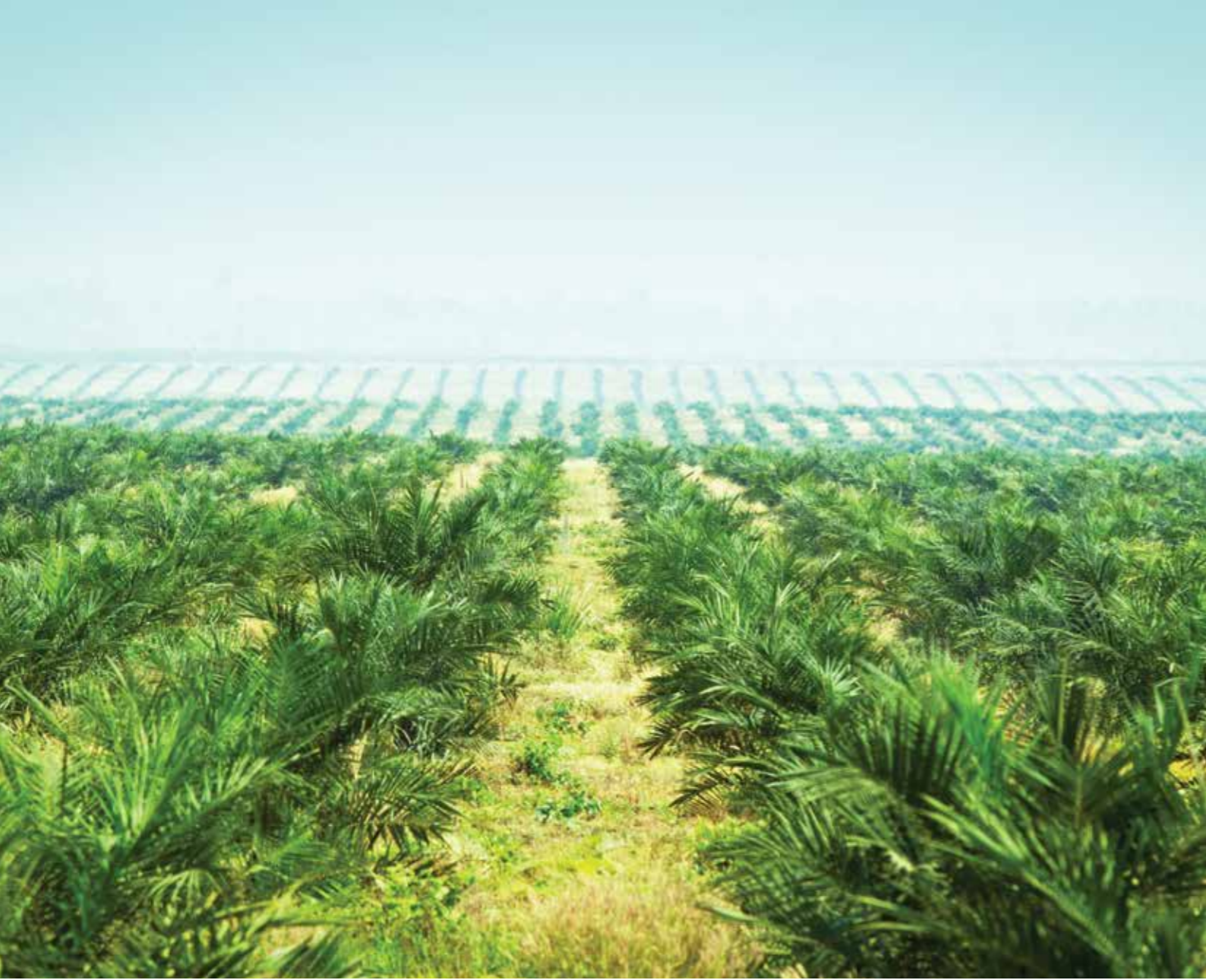
Capacity of factory  
**7,000**  
Tons of sugarcane/day

Sugarcane area



2012 – 2013: 5,530 ha  
2013 – 2014: 10,000 ha  
2014 – 2015: 8,000 ha





## PRODUCTS AND SERVICES OIL PALM

HAGL has experimented to plant oil palm trees since 2012 on the area of 4,000 ha, and up to now 12,300 ha has been planted.

To enhance the investment effectiveness, HAGL decided to apply the Israeli drip irrigation system in the whole oil palm planting area. It is the Israeli drip irrigation system that the irrigation and fertilization through pipe system can be flexibly adjusted, helping HAGL's oil palm trees grow better and faster. After nearly 2 years, the growth of HAGL's oil palm is considered higher than that of Malaysia, Indonesia and Thailand by the experts.

HAGL is now building an oil palm processing factory with the capacity of 45 tons of fruit/hour. This factory can process 270,000 tons of fruit/year, serving an area of 9,000 ha. In the future, once more oil palm area is exploited, HAGL will plan to upgrade this plant or build suitable additional processing plants.

For the purpose of shortening the investment period, generating cash flow quickly, oil palm is a new potential investment strategy of HAGL. In the coming years, in addition to nursing the rubber area already planted, oil palm will be the most invested sector of HAGL.



Capacity of factory  
**270,000**  
Tons of fruits /year

Oil palm planting area

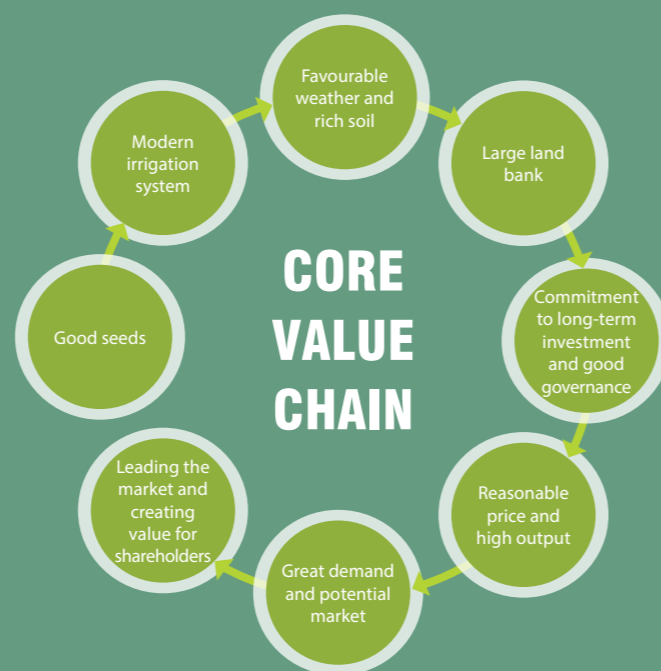
 2012: 4,000 ha  
2013: 12,300 ha



Oil palm trees and products made from oil palm have been widely known throughout the world for a long time. However, in Vietnam, Laos or Cambodia, the plantation and exploitation of oil palm are quite new. Indonesia and Malaysia are 2 countries having the largest planting areas of oil palm nowadays.

The development phase of oil palm tree is only a half of that of a rubber tree. After only 30 months from the planting date, oil palm trees begin to fruit and are put into exploitation. The capital expenditure per hectare of oil palm is equal to 60 – 70% in comparison with that of rubber tree.

Each hectare of oil palm is expected to reach the productivity of 30 tons of fruit and the oil content of 24%. With the average selling prices ranging from USD 750 – USD 950/ton of oil, one hectare of oil palm can bring more economic effectiveness in comparison with one hectare of rubber trees.

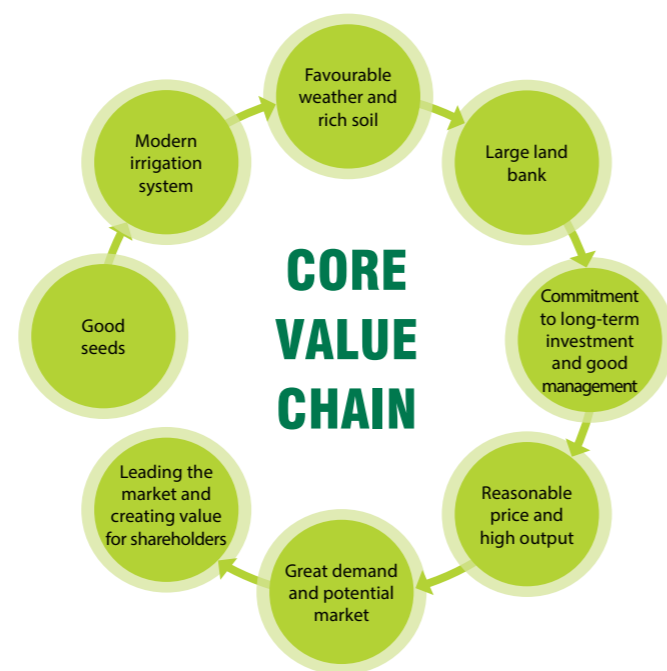




 **CORN PLANTING PROCESS**



Corn is a kind of feeding crops which have been selected to be the key crops in investment strategy in hi-tech agribusiness by the Group due to its short-term planting and harvesting period (100 days).



After the successful experiment on planting corns in late 2013, since early 2014, HAGL has planted corn trees on a large scale of 5,000 ha in Laos and Cambodia. The first crop has begun to be harvested in late March 2014 with the average productivity of approximately 10 tons/ha.

Thanks to the high nutrition value, corn can substitute rice in daily meals of people. In addition to the role of supplying food to people, corn is also an important material in processing livestock feed and biotechnology. Many countries are now using corn to process ethanol – clean energy for the future. At present, every year, Vietnam needs over 2 million tons of corn to use in processing livestock and poultry feed as well as aquatic products.

Previously, corns could only be planted in rainy season. Thanks to applying the Israeli drip irrigation system, HAGL can now solve the irrigation problem and plant corn even in the dry season. Once a corn tree is planted in the dry season, its growth can rise 30% due to the high photosynthesis efficiency, leading to a remarkable increase of productivity. In 2015, the Group's goal is to plant 10,000 ha of corns, then the estimated total yield of 280,000 tons/year is expected to bring the high revenue to the Group.





## REAL ESTATE

HAGL has restructured its real estate sector by splitting subsidiaries owning apartment projects in Vietnam from the Group



New Saigon project



Hoang Anh Gia Lai Myanmar Center

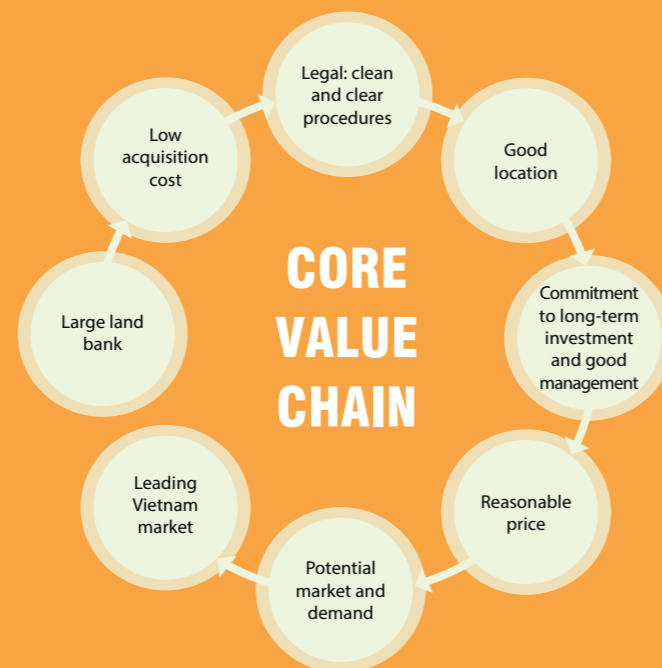


Hoang Anh Gia Lai Myanmar Center under construction



Hoang Anh River View project

In August 2013, in the context of long-lasting freeze of domestic real estate market and the actual demand of adapting to the new investment strategy, HAGL restructured its real estate sector by splitting subsidiaries owning apartment projects in Vietnam from the Group, only keeping Hoang Anh Gia Lai Myanmar Center and some potential projects to increase the attractiveness to the investors.

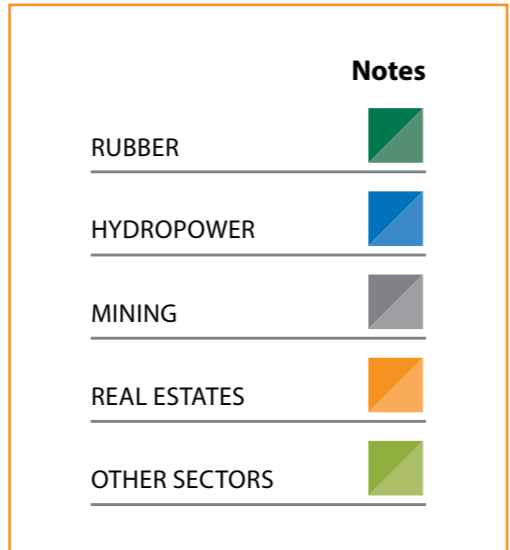
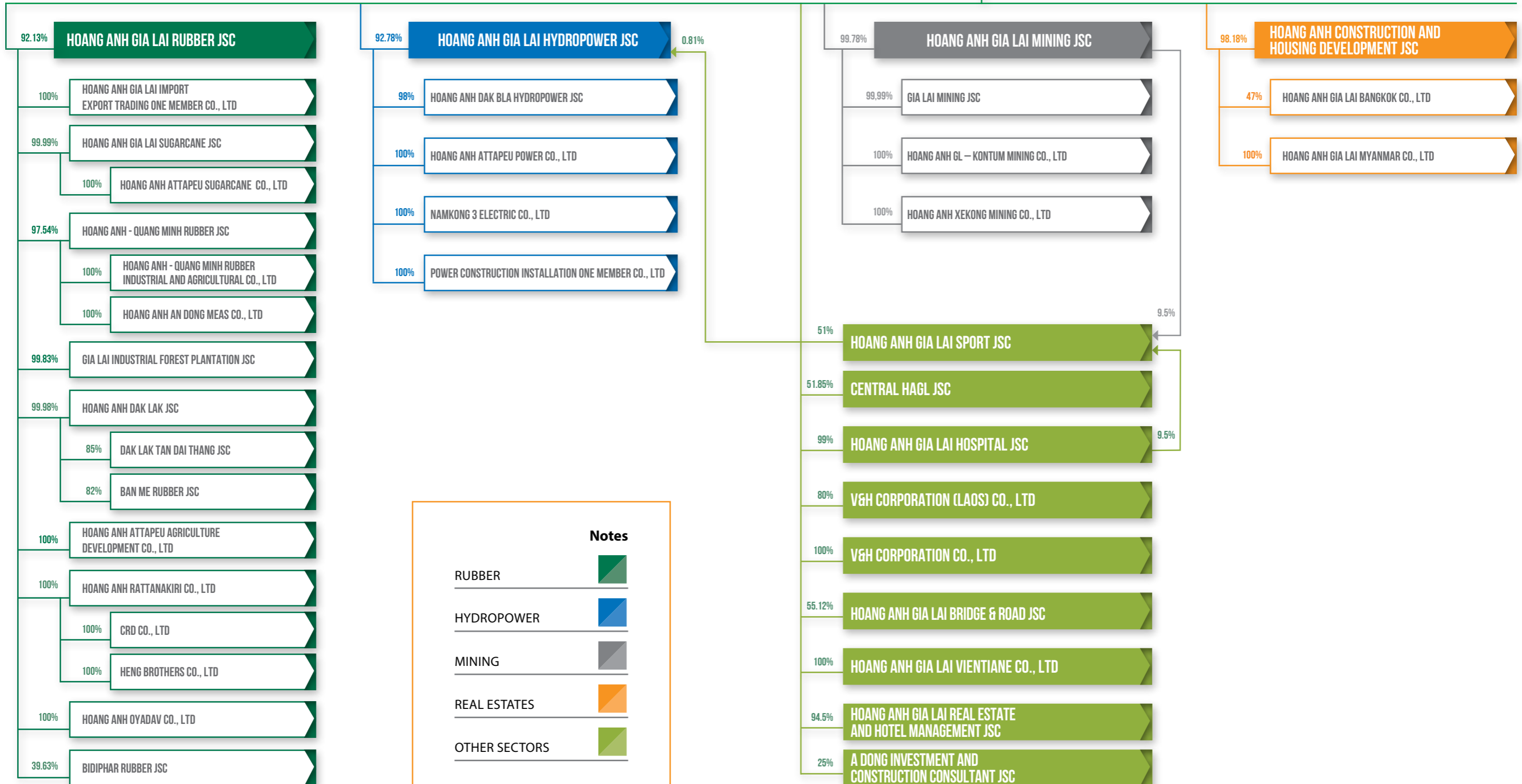
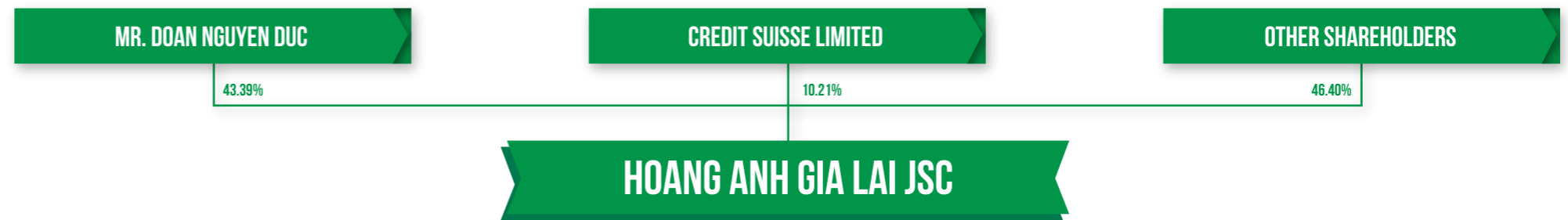


The reason HAGL boosts up investment in Hoang Anh Gia Lai Myanmar Center is because of its best location in Yangon. The economic prospect in Myanmar will quickly grow and the real estate market will bring high profit. Implementing the Resolution of the Board of Directors, all officials, engineers, workers of Vietnam and Myanmar have been putting great efforts with 3 shifts/day to speed up the construction progress due to the serious lack of supply of offices, high-grade hotels, apartments for lease. At present, the office rental in Yangon is over USD

80 /m<sup>2</sup>/month, and the average rate of hotel reaches USD 250 /room/night. Hoang Anh Gia Lai enjoys competitive advantages of a low-cost land bank acquired a long time ago, around USD 740/m<sup>2</sup> for 70 years, good management experience in construction costs, and vertical integration model with subsidiaries in construction, furniture and granite production with reasonable costs. These will also be competitive advantages once this project completes and comes into operation in the first quarter of 2015.



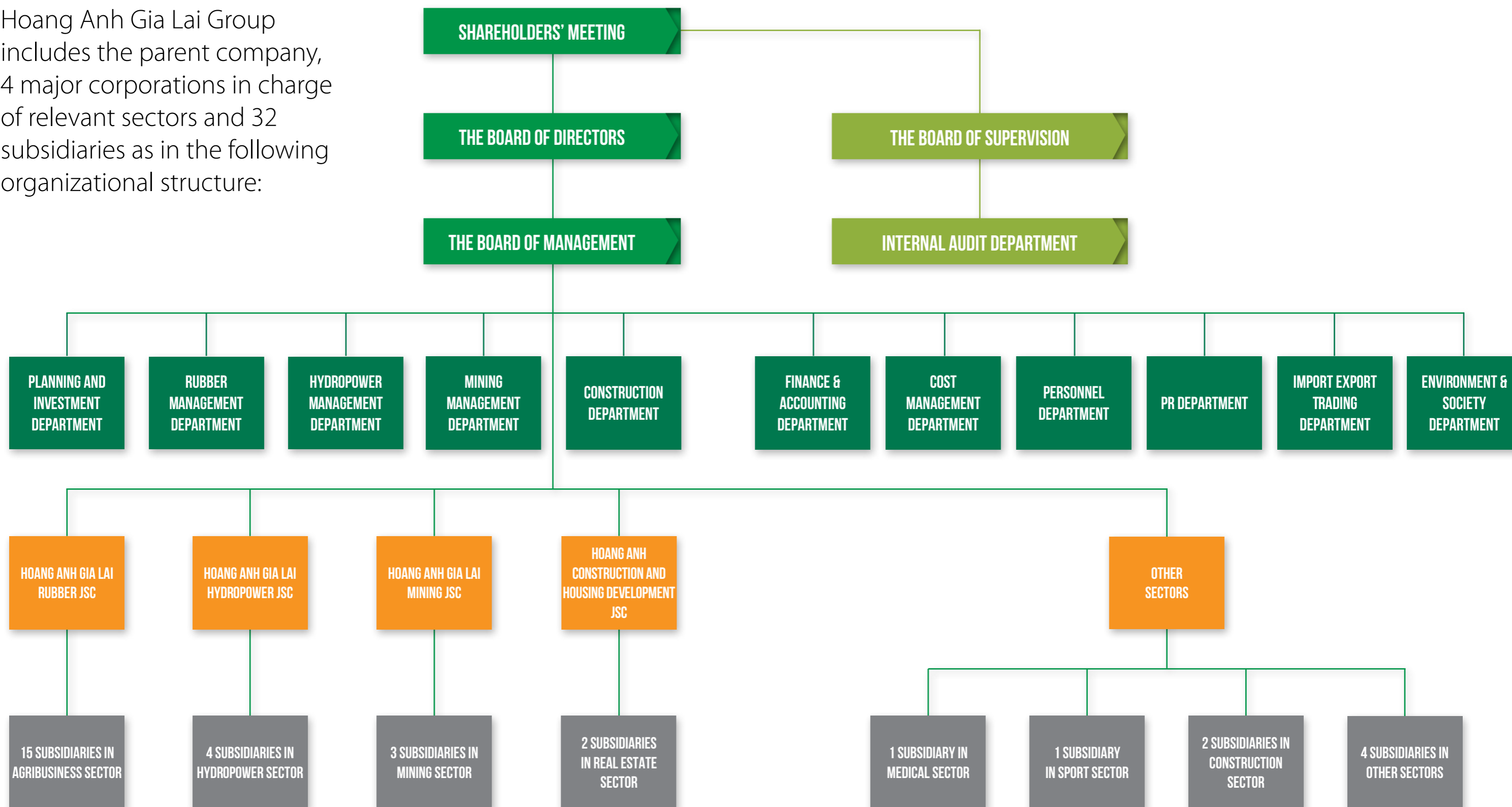
# ADMINISTRATION MODEL





# ADMINISTRATIVE ORGANIZATION

Hoang Anh Gia Lai Group includes the parent company, 4 major corporations in charge of relevant sectors and 32 subsidiaries as in the following organizational structure:





# INFORMATION ON RELATED COMPANIES

## REAL ESTATES

### HOANG ANH CONSTRUCTION AND HOUSING DEVELOPMENT JSC

783 Tran Xuan Soan, Tan Hung Ward, District 7, Ho Chi Minh City, Vietnam  
Rate: **98.18%**

### HOANG ANH GIA LAI – BANGKOK CO., LTD

Soi Sua Yai Uthit, Ratchada Phisek Street, Bangkok, Thailand  
Rate: **46.14%**

### HOANG ANH GIA LAI MYANMAR CO., LTD

192 Kaba Aye Pagoda, Bahan District, Yangon, Myanmar  
Rate: **98.18%**

## HYDROPOWER

### HOANG ANH GIA LAI HYDROPOWER JSC

15 Truong Chinh, Phu Dong Ward, Pleiku City, Gia Lai Province, Vietnam  
Rate: **93.35%**

### HOANG ANH DAK BLA HYDROPOWER JSC

71 Thi Sach Street, Thang Loi Ward, Kontum City, Kontum Province, Vietnam  
Rate: **91.48%**

### HOANG ANH ATTAPEU POWER CO., LTD

Phai Village, Saysettha District, Vientiane, Laos  
Rate: **93.35%**

### NAMKONG 3 ELECTRIC CO., LTD

Vatuong Village, Samackhixay District, Attapeu Province, Laos  
Rate: **93.35%**

### POWER CONSTRUCTION INSTALLATION ONE MEMBER CO., LTD

Truong Chinh, Phu Dong Ward, Pleiku City, Gia Lai Province, Vietnam  
Rate: **93.35%**

## AGRIBUSINESS

### HOANG ANH GIA LAI RUBBER JSC

15 Truong Chinh, Phu Dong Ward, Pleiku City, Gia Lai Province, Vietnam  
Rate: **92.13%**

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

15 Truong Chinh, Phu Dong Ward, Pleiku City, Gia Lai Province, Vietnam  
Rate: **92.13%**

### HOANG ANH GIA LAI SUGARCANE JSC

15 Truong Chinh, Phu Dong Ward, Pleiku City, Gia Lai Province, Vietnam  
Rate: **92.12%**

### HOANG ANH ATTAPEU SUGARCANE CO., LTD

Nasuak Village, Phouvong District, Attapeu Province, Laos  
Rate: **92.12%**

### HOANG ANH - QUANG MINH RUBBER JSC

15 Truong Chinh, Phu Dong Ward, Pleiku City, Gia Lai Province, Vietnam  
Rate: **89.86%**

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

18B Street, Khanmaccong Village, Saysettha District, Attapeu Province, Laos  
Rate: **89.86%**

### HOANG ANH AN DONG MEAS CO., LTD

Rattanakiri, Cambodia  
Rate: **89.86%**

### GIA LAI INDUSTRIAL FOREST PLANTATION JSC

15 Truong Chinh, Phu Dong Ward, Pleiku City, Gia Lai Province, Vietnam  
Rate: **91.97%**

### HOANG ANH DAK LAK JSC

40 Hung Vuong, Tu An Ward, Buon Ma Thuot City, Dak Lak Province, Vietnam  
Rate: **92.11%**

### DAK LAK TAN DAI THANG JSC

40 Hung Vuong, Tu An Ward, Buon Ma Thuot City, Dak Lak Province, Vietnam  
Rate: **78.29%**

### BAN ME RUBBER JSC

40 Hung Vuong, Tu An Ward, Buon Ma Thuot City, Dak Lak Province, Vietnam  
Rate: **75.53%**

### HOANG ANH ATTAPEU AGRICULTURE DEVELOPMENT CO., LTD

Km 30, 18B Street, Hatxan Village, Saysettha District, Attapeu Province, Laos  
Rate: **92.13%**

### HOANG ANH RATTANAKIRI CO., LTD

Village 3, Road 78, Labanseak Ward, Banlung City, Rattanakiri Province, Cambodia  
Rate: **92.13%**

### CRD CO., LTD

No. 1, Road 291, Boeung Kak 1 Ward, Khan Toul Kork District, Phnom Penh, Cambodia  
Rate: **92.13%**

### HENG BROTHERS CO., LTD

No. 8, Road 99, Boeung Trabek Ward, Chamkarmorn District, Phnom Penh, Cambodia  
Rate: **92.13%**

### HOANG ANH OYADAV CO., LTD

Village 3, Road 78, Labanseak Ward, Banlung City, Rattanakiri Province, Cambodia  
Rate: **92.13%**

### BIDIPHAR RUBBER JSC

498 Nguyen Thai Hoc, Quy Nhon City, Binh Dinh Province, Vietnam  
Rate: **39.63%**

## MINING

### HOANG ANH GIA LAI MINING JSC

15 Truong Chinh, Phu Dong Ward, Pleiku City, Gia Lai Province, Vietnam  
Rate: **99.78%**

### GIA LAI MINING JSC

15 Truong Chinh, Phu Dong Ward, Pleiku City, Gia Lai Province, Vietnam  
Rate: **99.77%**

### HOANG ANH GIA LAI – KONTUM MINING CO., LTD

394 Tran Phu, Quang Trung Ward, Kontum City, Kontum Province, Vietnam  
Rate: **99.78%**

### HOANG ANH XEKONG MINING CO., LTD

Khanmakong Village, Samackhixay District, Attapeu, Laos  
Rate: **99.78%**

## CONSTRUCTION, TRADING AND SERVICE

### HOANG ANH GIA LAI SPORT JSC

01 Phu Dong, Pleiku City, Gia Lai Province, Vietnam  
Rate: **69.88%**

### CENTRAL HAGL JSC

01 Nguyen Van Linh, Nam Duong Ward, Hai Chau District, Da Nang City, Vietnam  
Rate: **51.85%**

### HOANG ANH GIA LAI HOSPITAL JSC

Le Duan Street, Tra Ba Ward, Pleiku City, Gia Lai Province, Vietnam  
Rate: **99%**

### V&H CORPORATION (LAOS) CO., LTD

Vatnacnhay Village, Sisattanak District, Vientiane, Laos  
Rate: **80%**

### V&H CORPORATION CO., LTD

Vatnacnhay Village, Sisattanak District, Vientiane, Laos  
Rate: **100%**

### HOANG ANH GIA LAI BRIDGE & ROAD CONSTRUCTION JSC

15 Truong Chinh, Phu Dong Ward, Pleiku City, Gia Lai Province, Vietnam  
Rate: **55.12%**

### HOANG ANH GIA LAI VIENTIANE CO., LTD

Vatchan Village, Chanthabouly District, Vientiane, Laos  
Rate: **100%**

### HOANG ANH GIA LAI REAL ESTATE AND HOTEL MANAGEMENT JSC

01 Nguyen Van Linh, Nam Duong Ward, Hai Chau District, Da Nang City, Vietnam  
Rate: **94.5%**

### A DONG INVESTMENT AND CONSTRUCTION CONSULTANT JSC

7/1 Thanh Thai, District 10, Ho Chi Minh City, Vietnam  
Rate: **25%**



# DEVELOPMENT ORIENTATION



Harvesting corn at Hoang Anh Attapeu Plantation



HAGL's management has made a bold and timely decision: Restructuring the Group to overcome the difficulties and to stably develop in the future.

## DEVELOPMENT ORIENTATION OF THE GROUP

During the development period, Hoang Anh Gia Lai has supplemented, improved, and reinforced its development orientation, focusing on the sustainable development to create long-term value for shareholders and stakeholders based on the following values and business philosophies:

- **Renewable resources:** HAGL realizes that natural resources are limited, so investment and development in renewable resources are the foundation to grow sustainably. In our business strategy, HAGL identifies and prioritizes businesses based on renewable resources as the key business development in the future. Therefore, in recent years, HAGL has strongly invested in industrial and agricultural plantations in the poor forests in Indochina as allowed by the local governments. HAGL applies the Israeli drip irrigation system which helps to save a large amount of water and fertilizer.
- **Public Private Partnership – PPP:** The PPP model has been applied by Hoang Anh Gia Lai when expanding to agribusiness and investing in neighbor countries. The PPP model was successfully applied in Laos and considered a standard model by Laos Government when appealing FDI. Hoang Anh Gia Lai has sponsored non-interest bearing loan to Laos Government, built up the infrastructures to support the SEA Games held in Laos, as well as built up many public works for local community such as airport, bridges, roads, hospital, school, houses, administration centers, etc. HAGL has also successfully applied this model in Cambodia by helping Cambodia Football Federation establish the Bati National Football Academy in Takeo Province, build up schools, dispensaries, wells for the poor, etc. The success of PPP model is based on and reinforced from the friendly political and economic relationships between Vietnam and the neighbor countries as well as the developing countries in ASEAN.

- **In-depth investment and value chain:** To differentiate the competitive advantages in international markets, in addition to the economic scale, HAGL continuously researches and applies the newest and the most modern technology solutions in production process, especially in agribusiness. HAGL applies the intensive farming experience in rubber, oil palm, sugarcane and corn planting by making full use of a centuries-old motto – “first water, second fertilizer, third hard-working, and forth seed”. HAGL is the pioneer of Vietnam applying the Israeli drip irrigation system to increase the yield and to minimize the consumption of water to protect the environment. Since 2011, HAGL has set up our own Rubber Research Institute, which is the first private institute in Vietnam with professors from Vietnam and Thailand. The Rubber Research Institute has surveyed and assessed the soil quality of different rubber plantations to decide the suitable formula of fertilizers for different areas to ensure the rubber trees' growth, to avoid waste and to save cost. Since 2013, HAGL has upgraded the Rubber Research Institute to the Institute of Research and Application of Hi-tech in Agriculture and has invited experts from the countries having strong agriculture development such as Thailand (sugarcane, corn), Malaysia (oil palm), etc. Especially, HAGL has recruited a large group of agricultural engineers of up to 1,000 persons. Each sector has the participation of Vietnamese engineers, i.e. there are 8 Vietnamese engineers participating in land analysis, helping local engineers acquire and apply hi-tech from other countries, etc.

The sugar industrial complex in Attapeu (Laos) is an example of in-depth investment and value chain to produce the main product of sugar and to use its waste to produce other by-products like thermo-electricity and organic fertilizer. HAGL also applies the value chain management to the real estate business by linking furniture, granite, design and construction functions to produce cost-competitive apartments.



## DEVELOPMENT ORIENTATION (continued)



Rubber plantation in Attapeu, Laos

- **Development together:** HAGL understands that our Group's success is owing to the trust, sharing and cooperation of shareholders, investors, partners, customers, staffs, local communities, relevant bodies, communication agencies, etc. Therefore, the business philosophy of **"Development together"** has been successfully applied by Hoang Anh Gia Lai. As a result, HAGL is one of the few companies that is able to raise a huge capital from the local and global financial institutions; HAGL's capital demand is always satisfied and supported by the banks; strategic shareholders, local communities and government authorities zealously in time; HAGL also has an experienced and committed management team; and our staffs are always proud of working in a competitive and active environment.

### SHORT, MEDIUM AND LONG-TERM DEVELOPMENT STRATEGY

The year 2013 was still a year full of economic difficulties, and the real estate market kept on freezing. In this circumstance, HAGL's management has made a bold and timely decision: Restructuring the Group to overcome the difficulties and to stably develop in the future. This is considered a major operation, aiming at reducing and narrowing unprofitable sectors, transferring capital from low profitable or unprofitable properties to high profitable projects so that HAGL can reduce the loan balance and improve financial indicators. This restructuring plan orients 2 main sectors – agribusiness and real estates, in which agribusiness consists of rubber, oil palm, sugarcane and corn; real estate consists of the key project in Myanmar.

- **Agribusiness:** Agribusiness is considered the Group's top priority, based on the advantage of large land bank, which is suitable for the application of machinery and technology to increase the yield and reduce production costs. The PPP model has been cleverly applied through *"the investment in infrastructures in return for land to develop agriculture"*, helping HAGL expand the land bank to the neighbour countries. This sector has a high profit margin when reaching an expected yield, generating a large cash inflow and establishing stable growth, then HAGL can avoid negative effects from traditional businesses which are cyclic and volatile under unfavorable conditions of the economy. Since 2007, HAGL has focused on investing in rubber trees, and then other medium-term crops such as sugarcane and oil palm trees. In the year 2013, with the principle of **"using short-term goals to achieve long-term goals"**, HAGL has added corns in our investment portfolio by successfully experimenting with growing corns in Laos and Cambodia. In our calculation, the capital turnover of the corn trees is short, only 4 months. Thus, HAGL can grow 2 crops every year with the productivity of 14 tons/ha per crop. In the year 2014, HAGL has striven for growing and harvesting around 5,000 ha of corn in Laos and Cambodia.
- **Real estates:** Currently, the real estate market in Vietnam still faces a lot of difficulties without any signs of recovery. Therefore, Hoang Anh Gia Lai has splitted the apartment projects in Vietnam from the Group and only kept a few potential projects to develop. HAGL has pushed the investment in the key project in Yangon, Myanmar to take advantage of the serious lack of real estate supply in this emerging market after Myanmar opened the economy and issued the Foreign Direct Investment Law with more open regulations to attract foreign investors.



Building a strong human resource to form a foundation for the Group's sustainable development is considered the major task. With the spirit of "Unity is power", the management and all employees of HAGL has always teamed up on our effortful journey to the success.



## ***Focus on Powerful resources***





# THE BOARD OF DIRECTORS



1/ **Mr. Doan Nguyen Duc**  
*Chairman of the BOD*

Qualifications: high school graduate (12/12)

Overall management

Other managerial titles:

- Chairman – HAGL Rubber Joint Stock Company
- Chairman – Hoang Anh Construction and Housing Development JSC
- Chairman – HAGL Hydropower JSC

2/ **Mr. Nguyen Van Su**  
*Member of the BOD*

Qualifications: Bachelor of Economics

Working experience at HAGL: since 1994

Current position: BOD member cum General Director

Other managerial titles:

- BOD member – HAGL Mining JSC
- BOD member – HAGL Rubber Joint Stock Company
- BOD member – HAGL Hydropower JSC
- Chairman – Hoang Anh Daklak JSC
- Chairman – HAGL Mining JSC
- Chairman – HAGL Hospital JSC



3/ **Mr. Doan Nguyen Thu**  
*Member of the BOD*

Qualifications: Bachelor of Economics – Ho Chi Minh City

University of Economics, Master of Business Administration

Working experience at HAGL: since 1999

Current position: BOD member cum Deputy General Director

Professional responsibility: furniture

Other managerial titles:

- BOD Chairman – HAGL Furniture JSC
- BOD member – HAGL Hydropower JSC



4/ **Mr. Nguyen Van Minh**  
*BOD member*

Qualifications: Agro engineer

Working experience at HAGL: since 1993

Current position: BOD member cum Deputy General Director

Professional responsibility: agribusiness in Laos

Other managerial titles:

- BOD member – HAGL Rubber Joint Stock Company
- Chairman – HAGL Sugarcane JSC
- Chairman – Hoang Anh - Quang Minh Rubber JSC
- Director – Hoang Anh Rattanakiri Company Ltd.

5/ **Mr. Vu Huu Dien**  
*BOD member*

Qualifications: Master in Finance – Securities

Current position: BOD non-executive member

Positions in other organizations:

- Investment Director – Dragon Capital Group
- Member of VF2 representatives
- BOD Chairman cum Director of Blue Sky Education



6/ **Ms. Vo Thi Huyen Lan**  
*BOD member*

Qualifications: Bachelor of Economics –

Ho Chi Minh City University of Economics; HEC Paris

MBA; Master in Finance, L'Université Paris-Dauphine;

Current position: BOD non-executive member

Positions in other organizations:

- General Director – Jaccar Holdings
- BOD member – Long Hau JSC
- BOD member – Hiep Phuoc Industrial Park JSC
- BOD member – Agrex Saigon Foodstuffs JSC
- BOD member – Au Viet JSC

7/ **Mr. Pornchai Lueang-a-papong**  
*BOD member*

Qualifications: Doctor of agriculture

Current position: independent BOD member

Professional responsibility at HAGL: agribusiness

Positions in other organizations:

- Associate professor – Doctor, Faculty of Agriculture, Chiang Mai University, Thailand
- Director of the center of Biological Energy Research, Chiang Mai University, Thailand



## THE BOARD OF MANAGEMENT



1/ **Mr. Nguyen Van Su**  
*General Director*

For more information, please refer to page 34

2/ **Mr. Doan Nguyen Thu**  
*Deputy General Director*

For more information, please refer to page 34

3/ **Mr. Nguyen Van Minh**  
*Deputy General Director*

For more information, please refer to page 35

4/ **Mr. Vo Truong Son**  
*Deputy General Director*

Qualifications: Master of Finance, Bachelor of Law, Member of the Association of Chartered Certified Accountants (ACCA)

Working experience at HAGL: since 2008

Current position: Deputy General Director

Professional responsibility: Finance

Other managerial titles:

- General Director – Hoang Anh Construction and Housing Development JSC
- BOD member – HAGL Mining JSC

5/ **Mr. Le Van Ro**  
*Deputy General Director*

Qualifications: High school graduate (12/12)

Working experience at HAGL: since 1993

Current position: Deputy General Director

Professional responsibility at HAGL: Material supply

Other managerial titles: none

## THE BOARD OF SUPERVISION



1/ **Mr. Nguyen Xuan Thang**  
*Member of the Board of Supervision*

Qualifications: university graduate – corporate finance  
Working experience:

- 1999 – 2000: Coffee Company No.15, Corp No.15
- 2000 – 2003: Hung Binh Co., Ltd.
- 2003 – 2004: Trung Hieu Co., Ltd.
- 2004 – 2005: Military Telecommunication Company in Gia Lai
- 2005 – 2007: West Highland Forestry School
- 2007 – now: HAGL JSC

2/ **Mr. Lam Hoang Hai**  
*Member of the Board of Supervision*

Qualifications: Bachelor of economics – Ho Chi Minh City University of Economics

Working experience:

- 2000 – 2008 Auditing and Consulting Company Ltd.
- 2008 – now: HAGL JSC

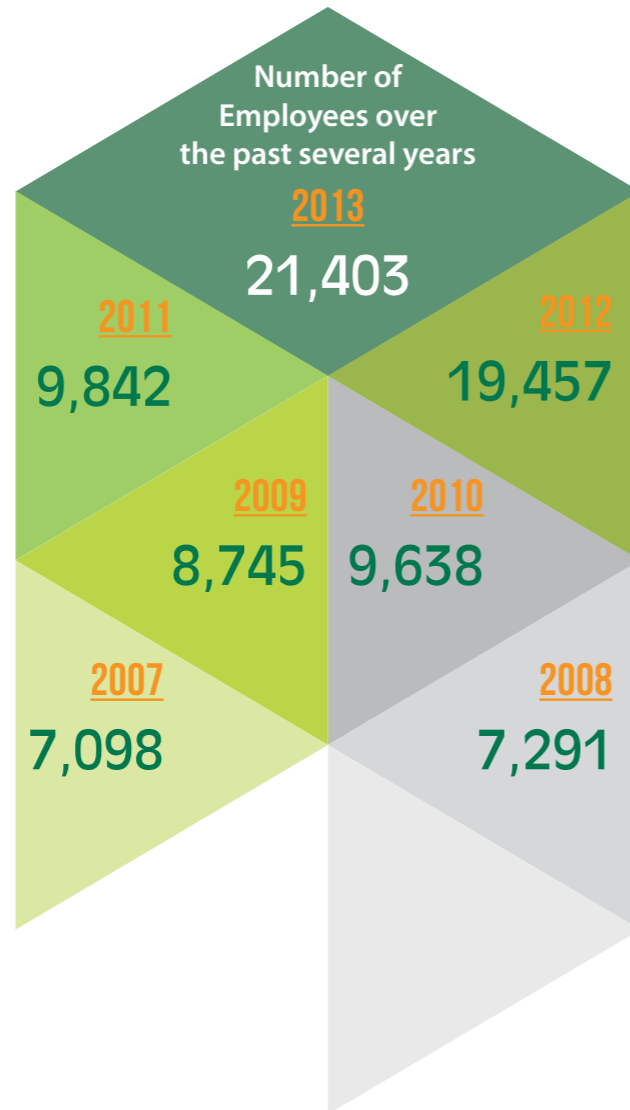


# ORGANIZATION AND PERSONNEL

## ORGANIZATIONAL STRUCTURE

Hoang Anh Gia Lai operates under the parent-and-subsiary model with the following organizational structure:

- The parent company with five branches and one representative office in Ho Chi Minh City.
- 32 subsidiaries, over which Hoang Anh Gia Lai JSC either holds majority share of more than 50% and/or has control.



## NUMBER OF EMPLOYEES AND HUMAN RESOURCE POLICY

### WORKING POLICY

- Employees of the Group work 5.5 to 6 days per week and 8 hours per day. The working time can be adjusted based on deliverables, but it should be remained within the standard working hours in accordance with the Group's policy. Overtime may be required from time to time to meet the deadline.
- Employees are entitled to 1 to 1.5 days off per week. Employees who have worked for 12 months are entitled to 12, 14 or 16 days of annual leave per year depending on working requirements. If an employee has worked less than 12 months, the annual leave entitlement

will be pro-rated according to the number of working months. The Group will increase the annual leave entitlement based on the number of years of service, e.g. 1 additional day of annual leave for every 5 additional years of service.

- Employees are entitled to all the public holidays per year as stipulated by the Labour Code and other related regulations.





## ORGANIZATION AND PERSONNEL (continued)



### RECRUITMENT AND TRAINING POLICIES

- The recruitment of new employees is in accordance with the Group's policies in order to ensure that new employees possess adequate qualifications, skills, experience for their positions and good work ethics and have long-term commitment. In the long-run, the Group prefers employing local personnel due to high commitment and qualification. The Group has a preferential policy for local employees with good qualifications and working ethics, who have worked in big cities and would like to work with the Group in Pleiku City and project locations.
- The Group ensures that all employees receive adequate supports and training to gain skills that enable them to optimize their performance. The training of skills and other necessary techniques is conducted both internally and externally, in accordance with the Group's training plans prepared at the beginning of each year.
- In order to implement effective training programs, the Group and its employees sign agreements to reinforce their commitments to duties and benefits of each party during the training period, and the number of working years required after the training.
- Labor safety is one of the most important policies of the Group. Hoang Anh Gia Lai focuses on working safety training before commencing employment, and provides adequate labor safety equipment such as shirts, helmets, shoes, glasses, depending on their working environment.
- The Group issues policies on labor safety and environmental sanitation, and conducts work safety inspections on a regular basis at construction sites. The Group has established the Labor Safety Committee to implement the Labor Safety System.

### SHARE OWNERSHIP OF THE MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

Total number of outstanding shares

**537,371,049** **718,154,693**  
At 1<sup>st</sup> Jan 2013 At 31<sup>st</sup> December 2013

#### Share ownership of the members of the Board of Directors

No. Names	1 <sup>st</sup> January 2013		31 <sup>st</sup> December 2013		Changes		Causes for changes
	Number	Ownership	Number	Ownership	Number	Ownership	
1 Doan Nguyen Duc – Chairman	259,670,859	48.322%	311,605,030	43.390%	51,934,171	-4.932%	Increase due to call option exercise at the rate of 5:1; Decrease in proportion due to private placement of shares to Credit Suisse.
2 Nguyen Van Su – Member	2,455,677	0.457%	3,046,812	0.424%	591,135	-0.033%	Increase due to call option exercise at the rate of 5:1; Decrease in proportion due to private placement of shares to Credit Suisse.
3 Doan Nguyen Thu – Member	5,225,347	0.972%	5,870,416	0.817%	645,069	-0.155%	Increase due to call option exercise at the rate of 5:1; Decrease in proportion due to private placement of shares to Credit Suisse.
4 Nguyen Van Minh – Member	3,057,001	0.569%	3,063,689	0.427%	6,688	-0.142%	Increase due to call option exercise at the rate of 5:1; Decrease in proportion due to private placement of shares to Credit Suisse.
5 Vu Huu Dien – Non executive Member	172,500	0.032%	207,000	0.029%	34,500	-0.003%	Increase due to call option exercise at the rate of 5:1; Decrease in proportion due to private placement of shares to Credit Suisse.
6 Vo Thi Huyen Lan – Non executive Member	–	0.000%	–	0.000%	–	0.000%	
7 Pornchai Lueang-a-papong – Independent Member	–	0.000%	–	0.000%	–	0.000%	

#### Share ownership of the members of the Board of Management

No. Names	1 <sup>st</sup> January 2013		31 <sup>st</sup> December 2013		Changes		Causes for changes
	Number	Ownership	Number	Ownership	Number	Ownership	
1 Le Van Ro – Deputy General Director	99,867	0.019%	119,840	0.017%	19,973	-0.002%	Increase due to call option exercise at the rate of 5:1; Decrease in proportion due to private placement of shares to Credit Suisse.
2 Vo Truong Son – Deputy General Director	373,981	0.070%	548,777	0.076%	174,796	0.006%	Increase due to call option exercise at the rate of 5:1 and further purchase of 100,000 shares for long-term investment.

#### Share ownership of the members of the Board of Supervision

No. Names	1 <sup>st</sup> January 2013		31 <sup>st</sup> December 2013		Changes		Causes for changes
	Number	Ownership	Number	Ownership	Number	Ownership	
1 Nguyen Xuan Thang – Member	15,605	0.003%	18,726	0.003%	3,121	0.000%	Increase due to call option exercise at the rate of 5:1; Decrease in proportion due to private placement of shares to Credit Suisse.
2 Lam Hoang Hai – Member	–	0.000%	–	0.000%	–	0.000%	

#### Share ownership of the Chief Accountant

No. Names	1 <sup>st</sup> January 2013		31 <sup>st</sup> December 2013		Changes		Causes for changes
	Number	Ownership	Number	Ownership	Number	Ownership	
1 Ho Thi Kim Chi	131,964	0.025%	131,964	0.018%	–	-0.007%	Decrease in proportion due to private placement of shares to Credit Suisse.



Striving to institute a transparent corporate governance, and making commitment to bring sustainable value to customers, shareholders and partners, HAGL's Leaders constantly acquire and improve their managerial competence to set up the Group's optimal corporate governance system.



## **Focus on** **Management Competences**





# OUTSTANDING EVENTS IN 2013



## 20<sup>th</sup> Anniversary milestone

The year 2013 marks HAGL's 20<sup>th</sup> anniversary of the founding and development. Despite facing serious economic challenges, with sheer determination and solidarity from the leadership and the whole staff, the support and trust from the customers, partners and shareholders, HAGL has achieved a substantial amount of success with the following key events:

### 25 February 2013

Inaugurating and putting into operation Hoang Anh Attapeu Sugarcane Industrial Group in Phouvong District, Attapeu Province, Laos. The total invested capital comes up to USD 87.8 million covering:

- Developing the sugarcane area of 10,000 ha
- Sugar processing factory with capacity of 7,000 tons of sugarcane/day
- Thermal power plant with capacity of 30 MW
- Fertilizer factory with capacity of 50,000 tons/year

Hoang Anh Attapeu Rubber Latex Processing Plant with the capacity of 25,000 tons/year officially came into operation, equipped with advanced technology, standardized equipment. The main product falls into SVR10 category.



Thermal Power Plant



### 12 April 2013

H.E. Nguyen Tan Dung, Prime Minister of Vietnam visited HAGL Medicine and Pharmacy University Hospital. He hailed and congratulated the professors, PhDs, MDs, nurses for their dedication to the treatment of hundreds of thousands of people, conducting over 1,000 high-tech operations, saving patients at high risk for death due to hindrance to traveling, and enhancing the medical staff's expertise in the Highlands and Central regions, thus alleviating the excessive workload in national hospitals.

### 5 June 2013

Embarking on construction of the project "Hoang Anh Gia Lai Myanmar Center" located in the most auspicious land lot and also the gateway welcoming tourists to Myanmar. The total invested capital of the projects comes up to USD 440 million, contributing, to some extent, to satisfaction of the feverish demand for hotels, housing, and offices in Yangon.



### 18 June 2013

At the inauguration ceremony of the National Football Center and Football Academy located at Bati district, Cambodia, funded by HAGL and FIFA, Cambodian Prime Minister Hun Sen awarded HAGL Chairman with a Medal of Merit for his considerable contribution to the cause of building and developing Cambodia.



### 17 July 2013

HAGL, in conjunction with Eximbank and Vietnam Football Federation, invited Arsenal, a world-leading football club, to make a tour of Vietnam and play friendly games against Vietnam team. This event, taking place on the occasion of the 40<sup>th</sup> anniversary of Vietnam - United Kingdom diplomatic relation, aroused intense interest among the fans.



### 19 August 2013

In Ho Chi Minh City, HAGL announced their business strategy for 2014-2015 and the plan for restructuring the Group. Accordingly, the focus would be on the two main sectors of agribusiness (rubber, sugarcane, oil palm, corn) and property. The restructuring serves the purpose of gathering the capital sources and manpower for the most essential and profitable sectors, thus reducing outstanding debts and improving the Group's financial indicators.

The success of U-19 men's national soccer team's in winning the silver medal in the U-19 ASEAN Football championship and staying at the top of Group B in Asian qualifying round with the impressive 5 - 1 win over U-19 Australia. The leading roles in the match were played by HAGL Arsenal JMG players, demonstrating HAGL's strategic vision for and proper long-term investment in youth football training.





# REPORT OF OPERATIONS IN 2013

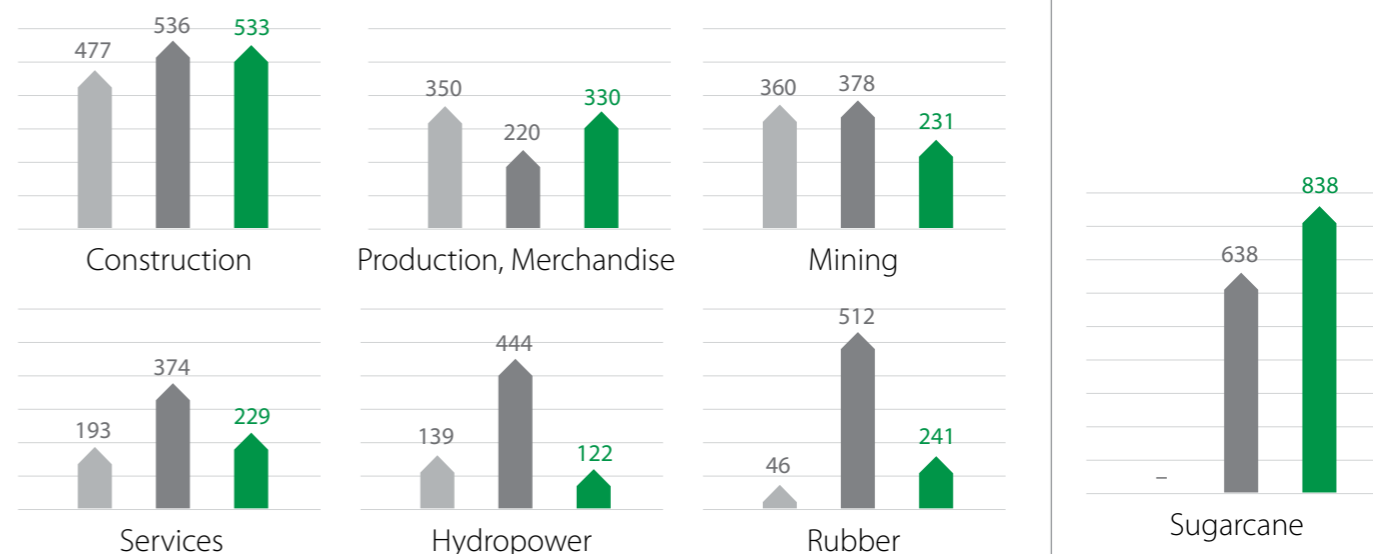


## Progress of revenue items by sector

Item	2013 achievement (VND billion)	2012 achievement (VND billion)	% against 2012 (%)	2013 target (VND billion)	% achievement (%)
Sugarcane	838	-	0%	638	131%
Real estate	247	2,829	9%	518	48%
Construction	533	477	112%	536	99%
Production, merchandise	330	350	94%	220	150%
Mining	231	360	64%	378	61%
Services	229	193	119%	374	61%
Hydropower	122	139	88%	444	27%
Rubber	241	46	524%	512	47%
<b>Total revenue</b>	<b>2,771</b>	<b>4,394</b>	<b>63%</b>	<b>3,620</b>	<b>77%</b>

## REVENUE BY SECTOR

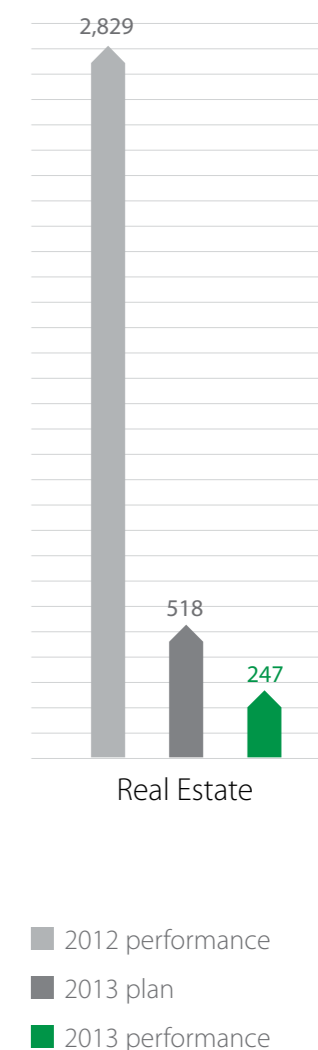
Unit: VND billion



In 2013, HAGL's total revenue reached VND 2,771 billion.

In which:

- **Revenue from sugarcane** reached VND 838 billion, increased by 131% as compared to the 2013 target and turned to be the largest contributor to the Group's total revenue. The achievement marks HAGL's great success in adoption of advanced technique in agriculture.
- **Revenue from real estate** reached VND 247 billion. Compared against 2012, the real estate sector saw a decline in the proportion as a result of the completion and revenue recognition in 2012 of Block No.5 of Phu Hoang Anh project in stage 1 (VND 536 billion revenue) and An Tien project (VND 2,124 billion revenue).
- **Revenue from construction** reached VND 533 billion, mainly from the revenue recognition of 60% of Attapeu airport construction work.
- **Revenue from sale of products and merchandises** reached VND 330 billion mainly from sales of such products as furniture, plastic pipes, drugs.
- **Revenue from mining** reached VND 231 billion. HAGL is scaling down the mining operation resulted in a substantial fall as compared with the previous years.
- **Revenue from services** reached VND 229 billion. The increase largely came from the contribution of HAGL Medicine and Pharmacy University Hospital.
- **Revenue from hydropower** reached VND 122 billion because HAGL's had sold 4 hydropower projects in operation in June 2013 and stopped consolidating the financial statements of these projects since then. That explains the lower revenue compared to 2012.
- **Revenue from rubber** reached VND 241 billion. In the long term, this sector will create a stable growth for HAGL and gradually increase the proportion in the revenue structure.





# REPORT OF OPERATIONS IN 2013 (continued)

## Organization and personnel

### 1. List of the members of the Board of Directors, the Board of Management and the Board of Supervision

No.	Names	Title
<b>Board of Directors</b>		
1	Mr. Doan Nguyen Duc	BOD Chairman
2	Mr. Nguyen Van Su	BOD Member
3	Mr. Doan Nguyen Thu	BOD Member
4	Mr. Nguyen Van Minh	BOD Member
5	Mr. Vu Huu Dien	BOD Member
6	Ms. Vo Thi Huyen Lan	BOD Member
7	Mr. Pornchai Lueang-a-papong	BOD Member
<b>Board of Management</b>		
1	Mr. Nguyen Van Su	General Director
2	Mr. Doan Nguyen Thu	Deputy General Director
3	Mr. Nguyen Van Minh	Deputy General Director
4	Mr. Le Van Ro	Deputy General Director
5	Mr. Vo Truong Son	Deputy General Director
<b>Board of Supervision</b>		
1	Mr. Nguyen Xuan Thang	BOS member
2	Mr. Lam Hoang Hai	BOS member

### 2. Changes in the Board of Directors, the Board of Management and the Board of Supervision

#### a. The Board of Directors

- Mr. Le Hung – BOD member resigned on 19 August 2013
- Mr. Pornchai Lueang-a-papong – assigned as BOD member on 23 April 2013

#### b. The Board of Management

- Only 5 members remain (while 6 in 2013) after the resignation of Mr. Tra Van Han, Deputy General Director

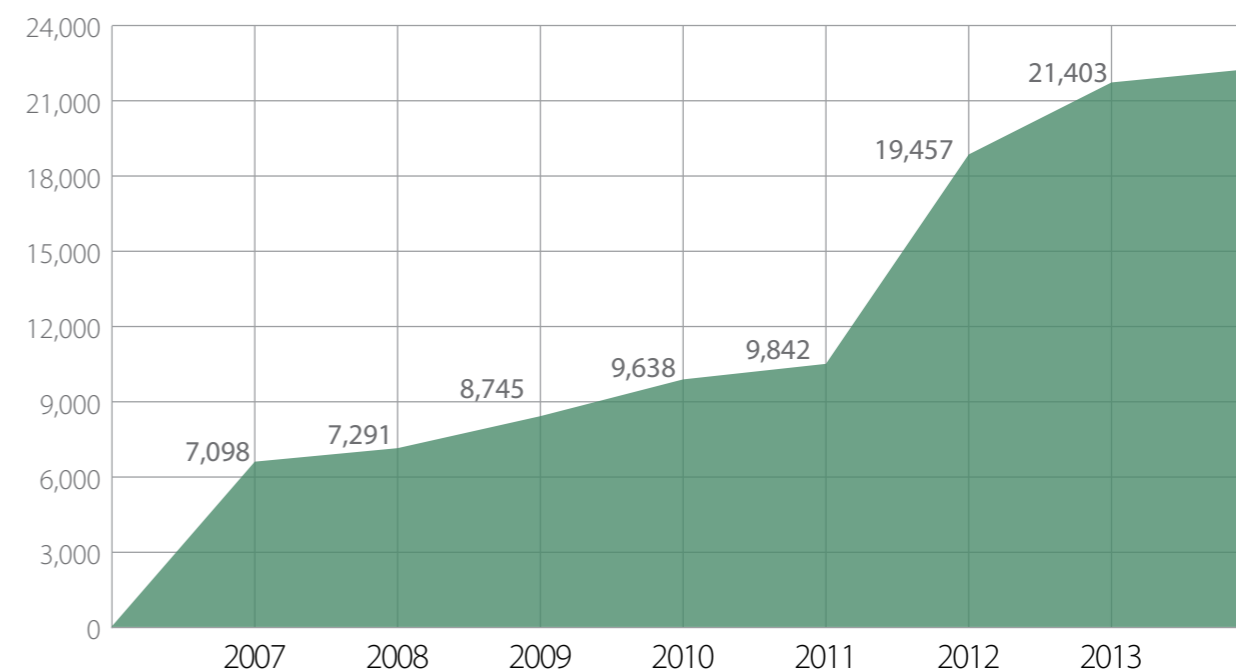
#### c. The Board of Supervision

- Mr. Nguyen Van Ton resigned on 19 August 2013

### 3. Employees

- The total number of the Group's employees (until 31 December 2013) was 21,403
- Through 20 years of founding and development, HAGL's work force has upsized not only in number but quality as well by constantly broadening experience and developing professional expertise.

## PERSONNEL OVER THE PAST YEARS



## Investment situation and project implementation

In 2013, HAGL has implemented many large-scale projects. Below are the developments and results of the project implementation:

- The palm oil processing plant:** HAGL is building a palm oil processing plant with a capacity of 45 tons of fresh fruit/hour or 270,000 tons/year, sufficient for an area of about 9,000 ha. In the future, when harvest of the oil palm area goes further, HAGL will map out a plan for upgrading the existing plant or setting up more processing plants to meet the demand.
- The latex processing plant project:** on entering upon the period of exploitation, HAGL will set up a new latex processing plant in Gia Lai province, Vietnam and another in Rattanakiri, Cambodia.
- Sugar mill project:** February 2013 witnessed HAGL inaugurate and put into normal operation, in the early stage, the sugar mill with a capacity of 7,000 tons of sugarcane/day and the 30-MW bagasse-run thermal power plant.
- Hoang Anh Gia Lai Myanmar Center:** viewed as a major project invested by the Group built on a parcel of 73,358 m<sup>2</sup>, located in the most auspicious area of Yangon. This is the largest-scale and most imposing investment project owned by HAGL currently. The project will serve as a Vietnam economic and cultural center in Myanmar, the major highlight of Vietnam – Myanmar friendly and long-standing cooperative relation. A total of USD 440 million has been invested in this 70-year BOT project undertaken in two stages of construction. Operation is expected to start in 1<sup>st</sup> quarter of 2015.



# REPORT OF OPERATIONS IN 2013 (continued)

## Financial Performance

### PROMINENT FEATURES IN HAGL'S 2013 BUSINESS

Doing business in a challenging economic environment, HAGL made substantial recoveries and significant growth in profit as against 2012, though. Profit after tax of 2013 reached VND 972 billion, a 2.66-fold as compared with 2012. The high profit margin agriculture sector made major contribution to such increased profit.

The year 2013 witnessed a remarkable turning point of the agriculture sector with revenue of VND 838 billion, accounting for 30.2% of the total revenue. The gross profit reached VND 537 billion, and gross margin reached 64.14%, quite an impressive figure.

Setting a target for restructuring business sectors, the "Thorough Surgery" has definitely resulted in a vigorous change in the revenue structure. Specifically, with the sale proportion of 30.2% and the gross margin of 64.14%, sugarcane has found itself a replacement for the real estate sector as a leading contributor to the Group's revenue and profit. The other plants and trees have also started to gradually raise their contribution to the structure of revenue and profit, thus enabling the Group to escape the dependency on the realty market in Vietnam.

The year 2013, likewise, saw HAGL's spectacular success in the finance practice through the issue of stocks to convert the international bonds worth USD 75 million, and issue of stocks at par value to the existing shareholders at the rate of 5:1. As a result, there was an increase of VND 1,808 billion in the charter capital reaching VND 7,182 billion and another increase of VND 663 billion in share premium reaching VND 3,544 billion. Thanks to the outcome of the two issues of stocks, HAGL was able to reduce the debt balance and improve the ratio of debt to owner equity, from 1.65 down to 1.11.

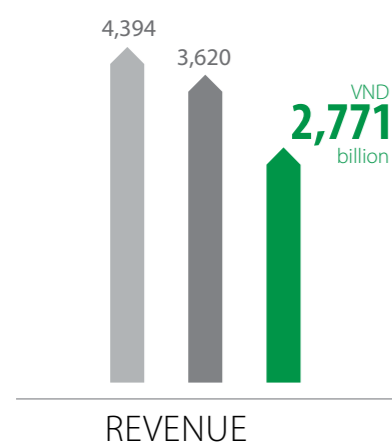
Success in the past, recovery and development in the most challenging time in parallel with the enormous fortune of agriculture have given HAGL confidence in attaining more success and maintaining sustainable development in the future.

### 1. FINANCIAL AND BUSINESS RESULTS

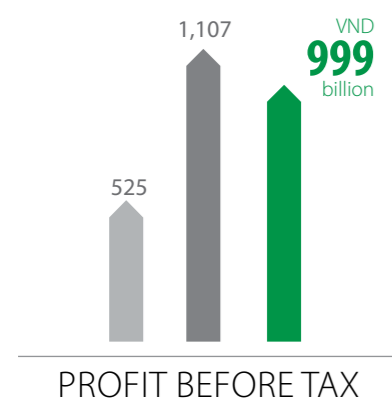
Unit: VND billion

Item	2013	2012	% against 2012
Total value of assets	29,813	31,285	95%
Net revenue	2,771	4,394	63%
Profit from business operation	1,045	614	170%
Other profits	(46)	(90)	51%
Profits shared from associates	-	1	-100%
Profit before tax	999	525	190%
Profit after tax	972	365	266%

### PERFORMANCE OF 2013 PLAN



### PERFORMANCE OF 2013 PLAN



■ 2012 Performance  
■ 2013 Plan  
■ 2013 Performance

Hoang Anh Gia Lai has conducted a "thorough surgery" targeted at shifting resources from less or non-profitable assets to the projects of higher profitability.

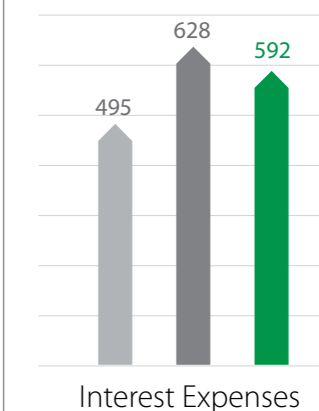
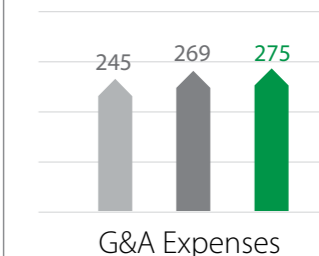
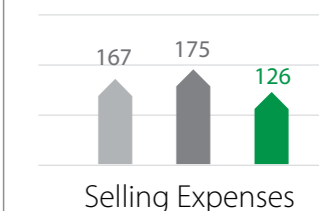
### 2. KEY FINANCIAL ITEMS

Item	2013	2012
<b>Liquidity</b>		
Current ratio:		
Current assets / Current liabilities	1.96	2.02
Quick ratio:		
(Current assets – Inventories) / Current liabilities	1.59	1.42
<b>Capital structure</b>		
Total loans and debts / Total assets	0.48	0.52
Total loans and debts / Owner's equity	1.11	1.65
<b>Operating Efficiency</b>		
Net revenue / Total assets	0.09	0.14
<b>Profitability</b>		
Profit after tax / Net revenue	35.07%	8.31%
Profit after tax / Owner's equity	7.56%	3.74%
Profit after tax / Total assets	3.26%	1.17%
Profit before tax / Net revenue	36.03%	11.94%

Operating expenses	Performed 2013 (VND billion)	Performed 2012 (VND billion)	% against 2012	2013 plan (VND billion)	% Performed against plan
Selling expenses	126	167	75%	175	72%
G&A expenses	275	245	112%	269	102%
Interest expenses	592	495	120%	628	94%

### PERFORMANCE OF 2013 EXPENSE BUDGET

Unit: VND billion



■ 2012 Performance  
■ 2013 Plan  
■ 2013 Performance



# REPORT OF OPERATIONS IN 2013 (continued)

## Changes in share capital

### Changes in share capital

**VND 5,373,710,490 THOUSAND**

Share capital as at 31 December 2012

**VND 1,074,742,100 THOUSAND**

Issuing ordinary shares to current shareholders in 2013

**VND 733,094,340 THOUSAND**

Issuing ordinary shares to convert the international bonds

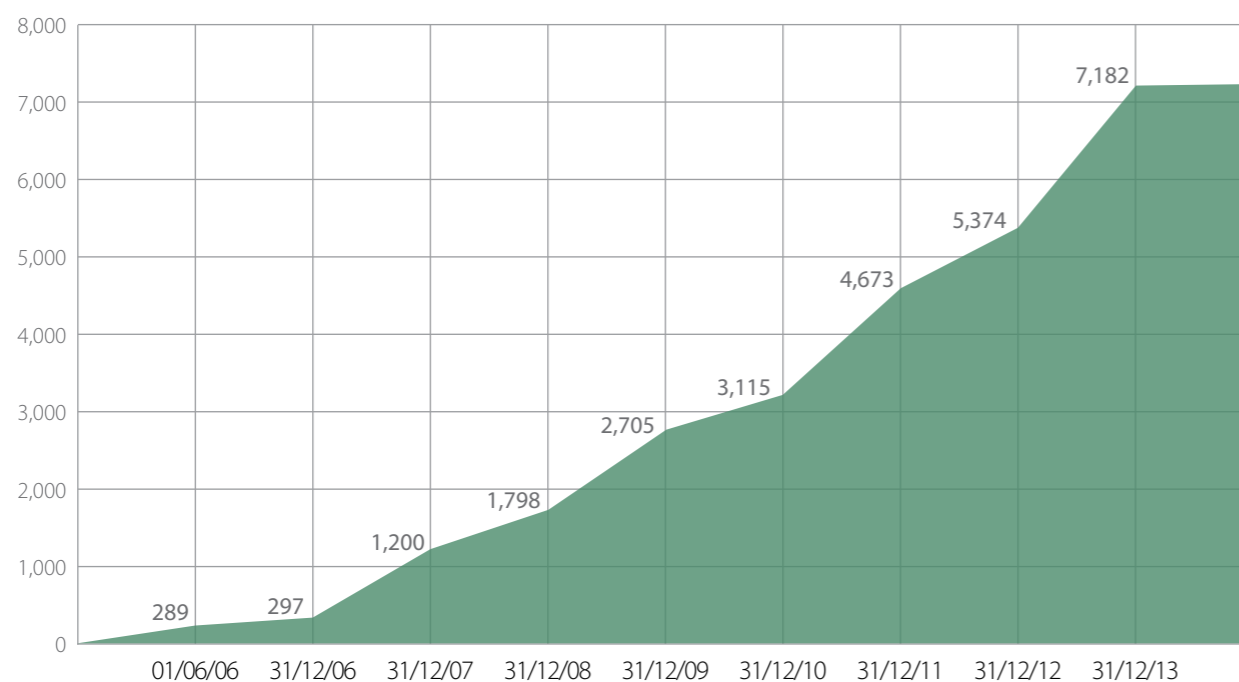
**VND 7,181,546,930 THOUSAND**

Share capital as at 31 December 2013

**28,900,000 SHARES**

Total number of shares on IPO

SHARE CAPITAL (VND Billion)



The Company offered 107,474,210 ordinary shares to the existing shareholders as at 8 April 2013 at the rate of 5:1 (any holder of 5 shares entitled to buy 1 (one) share priced at VND 10,000/share) according to the Resolution of the General Meeting of Shareholders No. 0401/13/NQDHDCD-HAGL dated 4 January 2013 and the certificate of Registration for public offering No. 6/GCN-UBCK dated 21 March 2013 by the State Securities Commission.

On 28 May 2013, the Company's carried out a private placement of 73,309,434 ordinary shares to convert the international bonds. This issue was conducted under the Resolution of the General Meeting of Shareholders

No. 0401/13/NQDHDCD-HAGL dated 4 January 2013, the letter No.1551/UBCK-QLPH dated 23 April 2013 by the State Securities Commission and the Conversion contract of 10 May 2013.

### Total number of shares

Number of shares authorized to issue	718,154,693
Shares issued and fully paid	718,154,693
Ordinary shares	718,154,693
Outstanding shares	718,154,693
Ordinary shares	718,154,693

### Shareholder structure in the list finalized on 10 February 2014:

#### Total share capital:

- Founding shareholders
- Major shareholders (holding more than 5% of voting shares)
- Shareholders holding 1 – 5 % of voting shares
- Shareholders holding less than 5 % of voting shares

#### Of which:

- Foreign shareholders:
  - Institutional shareholders
  - Individual shareholders

Number of shares	Percentage
718,154,693	100%
324,818,931	45.23%
73,309,446	10.21%
125,731,919	17.51%
194,294,397	27.05%
250,299,663	34.85%
244,648,083	34.07%
5,651,580	0.79%

### Details of major shareholders in the list finalized on 10 February 2014:

No.	Institution/individual	ID/Passport Business license	Address	Number of shares	Percentage
1	Doan Nguyen Duc	230046495	147 Tran Phu, Pleiku, Gia Lai	311,605,030	43.39%
2	Credit Suisse (Hong Kong) Limited	CS1947	45 <sup>th</sup> and 46 <sup>th</sup> floor, Two Exchange Square, Connaught Place, Central, Hong Kong	73,309,446	10.21%

During the year 2013, the Company did not have any transactions on treasury shares and other securities.



Major Project

# HOANG ANH GIA LAI MYANMAR CENTER



Hoang Anh Gia Lai Myanmar Center is the Group's largest-scale property project



1. Handover of the permit for project construction
2. Ground breaking ceremony of the project
3. Minister of Public Security Tran Dai Quang's visit to the project

The project "Hoang Anh Gia Lai Myanmar Center" is built on an area of 73,358m<sup>2</sup>, located at the most favourable position of Yangon, the biggest, most dynamic city and the economic, financial center of Myanmar. A total amount of USD 440 million has been invested in the project blending in stunning surroundings and enjoying full-fledged infrastructure. The Hoang Anh Gia Lai Myanmar Center is a BOT investment project with the period 70 years, including 2 building stages:

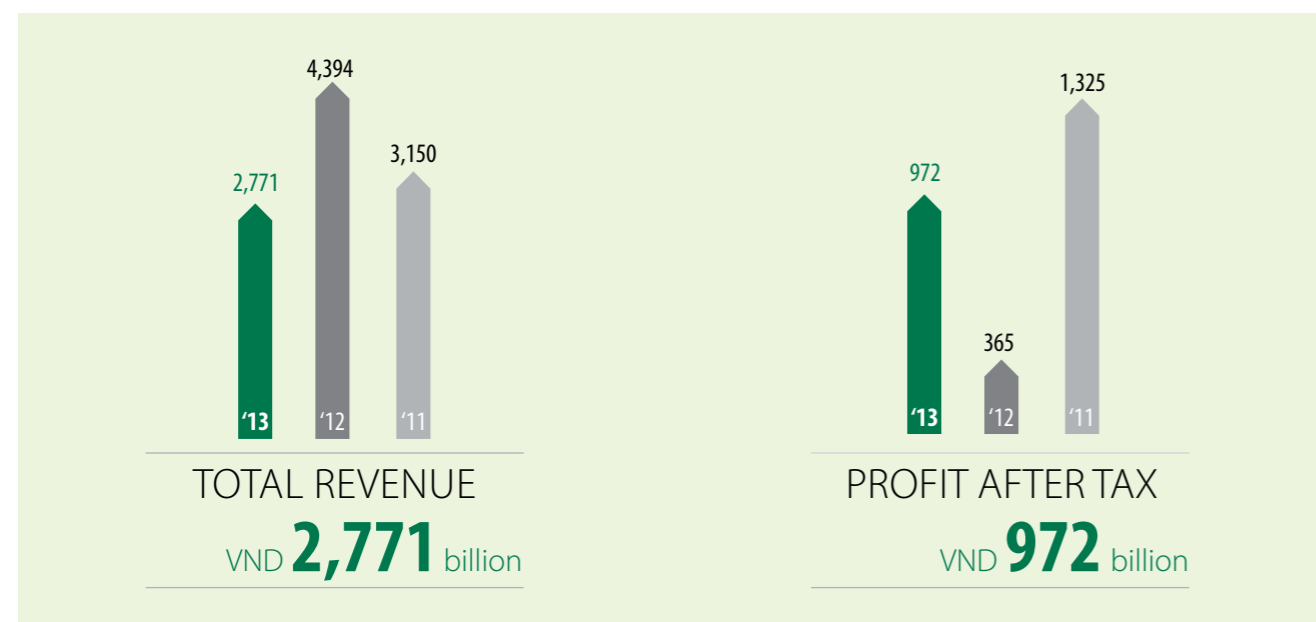
- **Phase 1:** from 2013 to the 1<sup>st</sup> quarter of 2015 completion of one commercial center and two Grade A 26-storey office buildings for lease with a total NLA of 124,000m<sup>2</sup>, and one international standard 24-storey 5-star hotel with a capacity of 400 rooms.
- **Phase 2:** from 2014 to 2016 including two office buildings for lease with a total NLA of 94,189m<sup>2</sup> and five (5) 28-storey blocks of over 1,000 apartments.

The Hoang Anh Gia Lai Myanmar Center is currently HAGL's most imposing and largest investment project. The project will also serve as Vietnamese cultural and economic center in Myanmar, a salient point in the solid long-lasting cooperative and friendly Vietnam-Myanmar relation.

On completing and putting it into operation, the project will serve the demand for hotel, housing and office, which has been undergoing a fever day by day in Yangon where, for the time being, the average rent for the segment of luxury offices amounts to USD 80/m<sup>2</sup>/month, hotel room up to USD 250/night, and serviced apartment USD 2,300 – 12,500/month.



# REPORT OF THE BOARD OF MANAGEMENT



## GENERAL EVALUATION OF THE RESULTS OF 2013 PRODUCTION AND BUSINESS OPERATIONS

Marking a critical milestone in the history of establishment and development, the year 2013 recorded strenuous efforts that the whole staff and leadership have expended in the comprehensive restructure of the Group. The year 2013 saw HAGL's focus of the entire core resources on the business sector, primarily agriculture (rubber, sugarcane, oil palm) and an awe-inspiring property project in Myanmar. The Group has divested from furniture, granite and virtually all domestic hydropower projects for the purpose of transferring capital from less or unprofitable assets to the projects of greater profitability. Concerning the real estate projects in Vietnam, HAGL had also carved out the subsidiaries holding apartment projects out of the Group in order to minimize its reliance on Vietnam real estate market in deep recession.

The restructure of the Group resulted in the decline in revenue from VND 4,394 billion in 2012 to VND 2,771 billion in 2013. However, increased business efficiency has resulted in an upturn in the profit after tax from VND 365 billion to VND 972 billion. This figure does not suggest a significance considering HAGL's large-scale assets and equity, which is quite encouraging, though, for the following reasons:

- HAGL just started commercial operation in the agriculture business with only about 20% of assets generating revenue. The rest paves the way for exponential growth in the coming years.

- Market forces and economic factors still proved challenging. In addition to weighty responsibilities for liquidity management, capital mobilization and investment boost, it was by no means an uncomplicated task to achieve a considerable income growth rate as compared to 2012.
- HAGL adopts Vietnamese Accounting System and Standard so any growth and increased value of agricultural assets are not recorded as profit. In case of adopting International Accounting Standards, the value of such assets would be properly reflected and the growth of value accounted for the profit.

The achievements in 2013 above were attributed to the favorable conditions that HAGL benefited from and the Group had to surmount these difficulties:

### 1. Advantages

- HAGL has substantial financial resources and highly experienced management personnel with great foresight and enthusiasm. Thus, HAGL was able to expand its investment and business abroad with ease, and attained a fair amount of success in Indochinese Region including Vietnam, Laos and Cambodia.

- Having an advantage of a large land bank, HAGL finds it an undemanding task to perform its strategy to develop hi-tech agriculture through fully exploiting "science and technology" to apply to agriculture and maximizing "mechanization" from caring to harvesting assisted by the experts from Israel, Thailand, Malaysia, etc., increasing the crop yield at low cost, thus increasing competitiveness in the market.
- Highly skilled and experienced agroforestry engineers and personnel constitute a vital element in HAGL's development of agriculture.
- The association and rapport with the shareholders have strengthened the Group's impregnable position and sustainable development.
- Apart from the favourable conditions above, particular attention and care and enthusiastic assistance are provided for HAGL by the governments of Vietnam, Laos, Cambodia and Myanmar, which resulted in facilitating the Group's performance of procedures for investment, capital transfer, Cooperative and friendly relations with these countries have also favoured HAGL's transport of materials, commodity, and product consumption.

### 2. Adversities

- Vietnam market has been experiencing a downturn, directly affecting the Group's production and business operations: interest rates staying high, diminishing purchasing power, the market depressed with psychological self-defense while the efforts to revive the market have proved fruitless.
- Intense competition in the property market with an excess of inventories has rendered this industry profitless. For sugarcane industry, due to high protectionist barrier erected by Vietnam, HAGL's products have been denied access to Vietnam as well as fair competition.
- The stock market has not reached a level of sustainable growth. Most of the investments and transactions are confined to short-term stock speculation only, rendering the new issue of shares for mobilizing long-term capital unsuccessful.
- Prevalent in the monetary market are short-term deposits, thus discouraging banks from financing long-term projects.

- Due to inadequate legal framework, new financial practices have proved impracticable like GDR. Besides, HAGL encountered impediment when issuing HAG call options to the Group's senior leaders in the absence of any definite guidelines from the law of Vietnam on such option accompanied by no other type of financial instrument. That practice functions as an effective lever for administration which has been in wide use around the world.
- HAGL's structure of organization and administration are in the course of perfection to suit the restructuring process and diverting the group's business.

### 3. Achievements in business and administrative work

The most significant achievement worth mentioning is the success in applying the model of mechanization and automation in the agribusiness from planting to caring and harvesting. HAGL's utilization of machinery in sugarcane cultivation has enabled the highly efficient and cost-saving combination of basal application, irrigation system installation and cutting sowing. The drip irrigation system sustains the tree growth all year round, saves water and manual labour in periodical fertilizations. Mechanization is also utilized in harvesting. A sugarcane harvester has a capacity of 400 workers' labour. Such factors have contributed to a substantial decrease in the cost of HAGL's sugar products compared to those of competitors.

Next, the decision on expanding investment to palm oil business. Oil palm is a short-term invested tree species taking 2.5 years from planting to harvesting. This determination has provided HAGL with an access to a cash inflow, thus relieving the pressure for liquidity in immediate future.

HAGL has recently prepared cultivation of corn on a large scale, a short-day plant which can produce 2crops/year. Application of mechanization and irrigation over a large area promise a high productivity and low cost. This crop can help HAGL quickly generate cash to cover short term expenses pending an increase in area and yield of rubber.

The shift toward real estate business in Myanmar is deemed to be a creativity. While the market in Vietnam was in the face of adversity, such shift in investment to a potential, buoyant new market has proved an absolutely prudent decision.



# REPORT OF THE BOARD OF MANAGEMENT (continued)

## Revenue

The total revenue of 2013 was VND 2,771 billion, meeting 77% of the target, a drop of 37% against 2012. The revenue structure by sector is displayed below:

Business Sector	2013		2012		2011	
	Revenue (VND Thousand)	Proportion (%)	Revenue (VND Thousand)	Proportion (%)	Revenue (VND Thousand)	Proportion (%)
Sugarcane	837,961,442	30.2%	-	-	-	-
Construction	533,463,622	19.3%	477,197,405	10.9%	334,208,008	10.6%
Production, Merchandise	329,840,007	11.9%	349,683,286	8.0%	481,715,062	15.3%
Real Estate	247,491,194	8.9%	2,829,431,254	64.4%	1,760,329,612	55.9%
Rubber	240,864,613	8.7%	46,400,000	1.1%	-	0.0%
Mining	231,187,463	8.3%	359,512,711	8.1%	339,659,089	10.8%
Services	228,908,201	8.3%	193,257,451	4.4%	132,405,070	4.2%
Hydropower	121,502,789	4.4%	138,995,540	3.1%	101,934,974	3.2%
<b>Total Revenue</b>	<b>2,771,219,331</b>		<b>4,394,477,647</b>		<b>3,150,251,815</b>	



**The revenue from sugarcane** reached VND 838 billion accounting for 30.2% of the total revenue. The gross profit reached VND 537 billion and the gross profit margin gained 64.14%. Sugarcane business, in place of the real estate, has become the leading contributor to the revenue. The results obtained have marked HAGL extraordinary success in the application of high technology to agriculture.

**The revenue from construction business** reached VND 533 billion, accounting for 19.3% of the total revenue. The gross profit reached VND 236 billion and the gross profit margin gained 44.25%, of which the construction and revenue recognition of 60% of Attapeu airport has contributed to the increased proportion of the revenue from construction business.

**The revenue from production and merchandise business** reached VND 330 billion, accounting for 11.9% of the total revenue. The gross profit reached VND 89 billion and the gross profit margin gained 27.06%.

**The revenue from real estate business** reached VND 247 billion, accounting for 8.9% of the total revenue. The gross profit reached VND 39 billion and the gross profit margin gained 15.67%. As compared against 2012, the real estate business went into a considerable decline in proportion because block 5 of Phu Hoang Anh project in stage 1 (revenue of VND 536 billion) and An Tien project (revenue of VND 2,124 billion) has been completed and fully recorded for 2012.

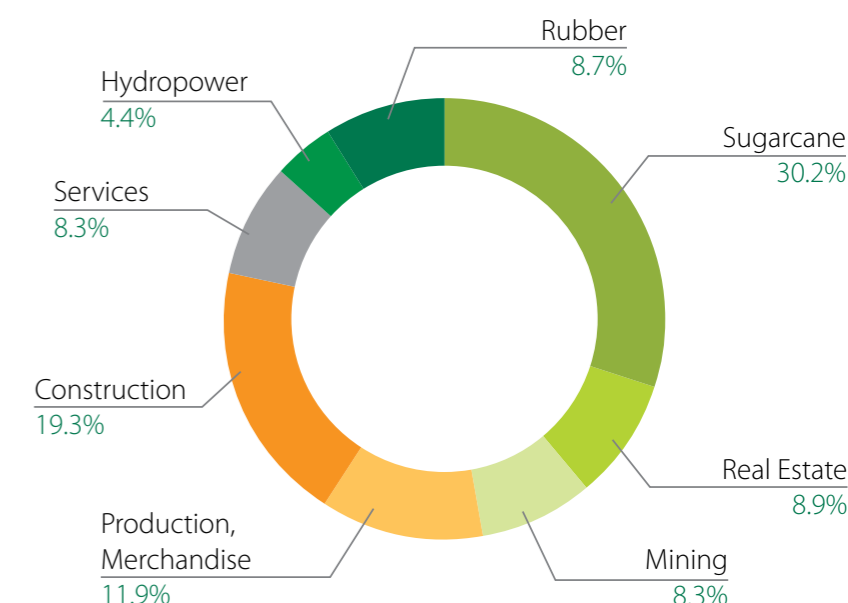
**The revenue from rubber** reached VND 241 billion, accounting for 8.7% of the total revenue. The gross profit reached VND 165 billion and the gross profit margin gained 68.55%. In the long term, this business sector will generate stable growth for HAGL and gradually raise the proportion in the revenue structure.

**The revenue from mining business** reached VND 231 billion, accounting for 8.3% of the total revenue. The gross profit of hydropower business was VND 53 billion and the gross profit margin gained 22.93%. HAGL has been scaling down the mining operations, causing a sharp fall in the 2013 revenue over the past years.

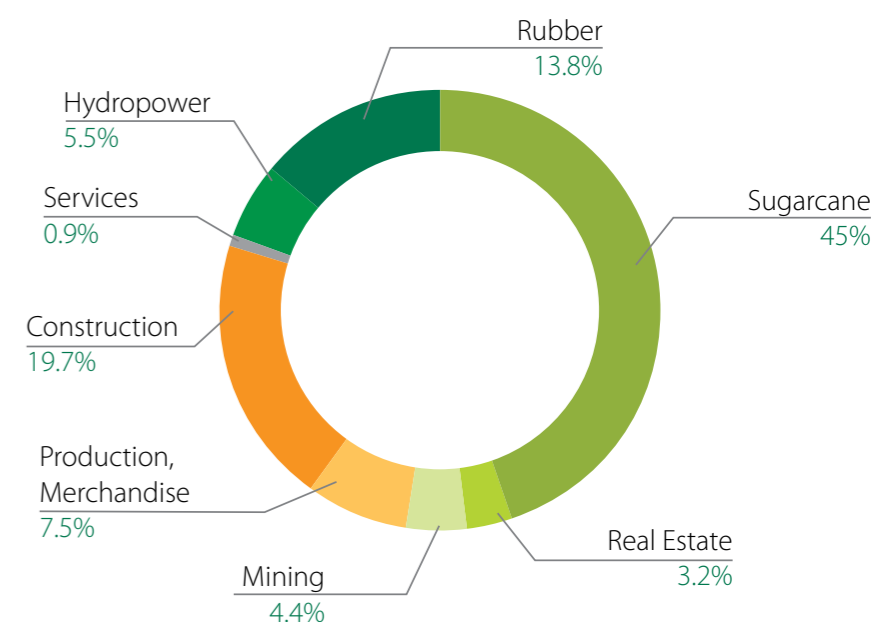
**The revenue from service business** reached VND 229 billion, accounting for 8.3% of the total revenue. The gross profit reached VND 11 billion and the gross profit margin gained 4.87%. The increased revenue is mainly attributed to Medical University - Hoang Anh Gia Lai Hospital.

**The revenue from hydropower business** reached VND 122 billion, accounting for 4.4% of the total revenue. The gross profit reached VND 65 billion and the gross profit margin gained 53.75%. HAGL sold 4 hydropower projects in operation in June 2013 and stopped consolidating the financial statements on these projects since then. That accounts for a lower revenue as compared to that of 2012.

### REVENUE OF 2013



### GROSS PROFIT OF 2013





# REPORT OF THE BOARD OF MANAGEMENT (continued)

VND Thousand

## Expenses

The selling expenses have decreased by 25% to VND 126 billion due to the completion of the real estate projects recorded in 2012.

Item	2013	2012	2011
Selling expense	125,639,028	166,818,625	163,985,523
G&A expense	274,660,179	244,769,554	230,515,584
Interest expense	591,863,715	494,957,341	464,848,591

The general and administrative expenses increased by 12% mainly because the Group expanded the operations and rewarded higher salaries for high performing employees to encourage their dedication to the Group.

The interest expenses recorded in the income statement comprised working capital loans, and medium and long-term loans for projects already in operation. The increase in interest expenses was mainly because the rubber and sugarcane plants have come into operation. Previously, in the stage of development, the interest was capitalised.

## Income from financial activities

Income from financial activities in 2013 was VND 1,003 billion, increasing by VND 501 billion as compared to 2012. Key changes are as follows:

- Income from transfer of share ownership in 2013 was VND 644 billion, accounting for an increase of 198% as compared to 2012. That is due to the incomes from financial activities from restructuring the hydropower, furniture, granite and real estate sectors.
- Interest income from loans to other companies gained VND 164 billion due to a rise in deposit balances, increasing by 67% as compared to 2012.
- Interest income from bank deposits reached VND 110 billion, accounting for a decline of 35% as compared to 2012. The reason was that the deposit balances and the deposit interest rates in 2013 dropped as compared to 2012.
- Income from other financial activities reached VND 85 billion, increasing by 386% as compared to 2012, due to the incomes from exchange differences and exchange of shares.

VND Thousand

Item	2013	2012	2011
Gain from transfer of share ownership	644,393,403	216,439,735	766,911,905
Interest income from loans to other companies	164,174,317	98,246,798	53,389,868
Interest income from deposits at banks	109,908,851	169,951,450	361,242,074
Others	84,626,118	17,412,065	45,446,155
<b>Total income from financial activities</b>	<b>1,003,102,689</b>	<b>502,050,048</b>	<b>1,226,990,002</b>

## Corporate income tax expense

The decrease in corporate income tax expense contributes to a sharp increase in profit after tax. That is because the profit generated from the investment project in Laos, a large source of profit over this period, is provided exemption from income tax, resulting in income tax for 2013 much lower than that for 2012.

## FINANCIAL PERFORMANCE

### Profitability

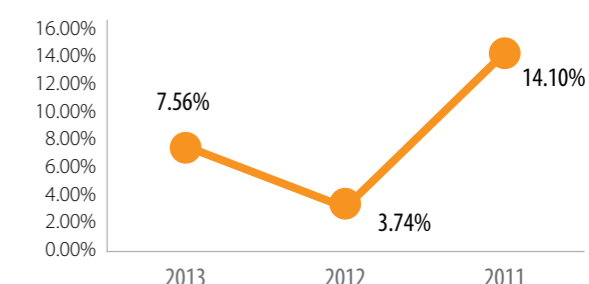
Item	2013	2012	2011
<b>Profitability</b>			
Profit after tax / Net revenue	35.07%	8.31%	42.07%
Profit after tax / Owner's equity	7.56%	3.74%	14.10%
Profit after tax / Total assets	3.26%	1.17%	5.18%
<b>Operating efficiency</b>			
Net revenue / Total assets	0.09	0.14	0.12

In 2013, the ratio of profit after tax over net revenue reached 35.07%, showing a robust recovery as compared to that of 2012. The major causes lie in:

- The gross profits of the sugarcane and rubber sectors are 64.14% and 68.55% respectively. Though such high gross profits account for only around 40% of the revenue, these two sectors contribute about 60% to the total gross profit.
- 2013 saw an upturn in the revenue from financial activities from VND 502 billion to VND 1,003 billion mainly coming from the disposal of the hydropower projects and withdrawal of capital from the real estate, furniture, and granite sectors for implementation of the restructuring.
- Profit from the projects in Laos, a large contribution to this year's profit, is undergoing the exemption from income tax. In 2012 and previous years, the profit from the projects in Vietnam making up a sizable proportion was subject to a tax rate of 25%.

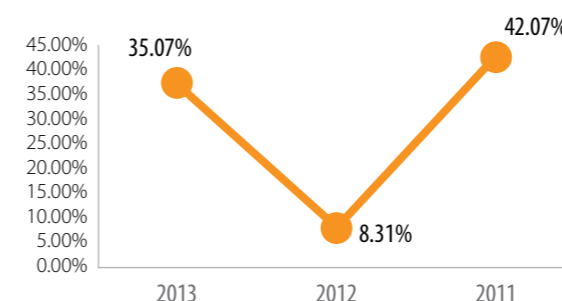
The ratio of profit over owner's equity reached 7.56%, a recovery from 2012 due to a growth in the profit after tax as analysed in the previous section.

### Profit after tax / Owner's equity (ROE)

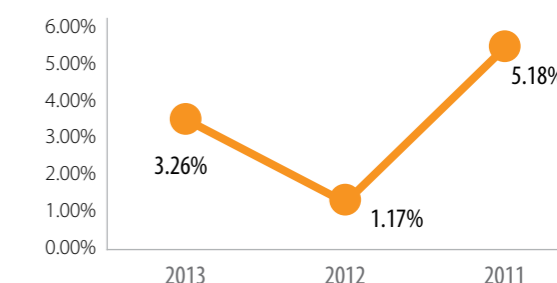


The ratio of profit after tax over total assets reached 3.26%, a recovery from 2012. Besides the increased profit after tax due to the factors mentioned above, it was the restructuring of the Group that caused a decline in the total assets.

### Profit after tax / Net revenue



### Profit after tax / Total assets (ROA)





# REPORT OF THE BOARD OF MANAGEMENT (continued)

HAGL's net revenue over total assets declined as compared with that of 2012 mainly because:

- HAGL's investments in oil palm and real estate in Myanmar are still in progress. Only a small part of rubber area has been exploited resulting in modest revenue.
- The real estate sector experienced a downturn in revenue as analysed in the previous section.

## Liquidity

### Item

#### Liquidity

"Current ratio:

Current assets / Current liabilities"

"Quick ratio:

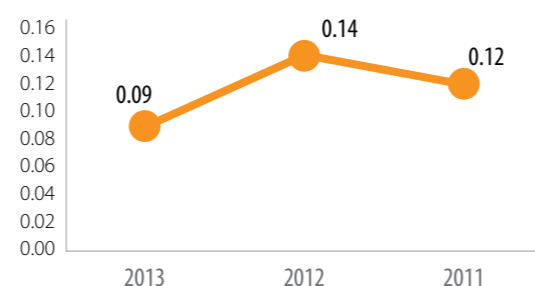
(Current assets – Inventories) / Current liabilities"

#### Capital structure

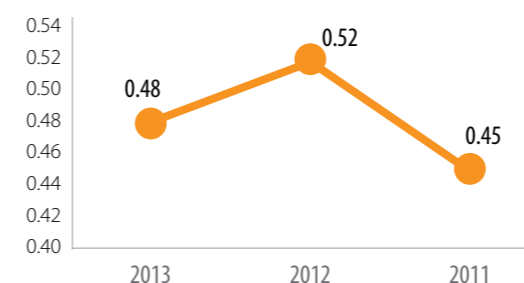
Total loans and debts / Total assets

Total loans and debts / Owner's equity

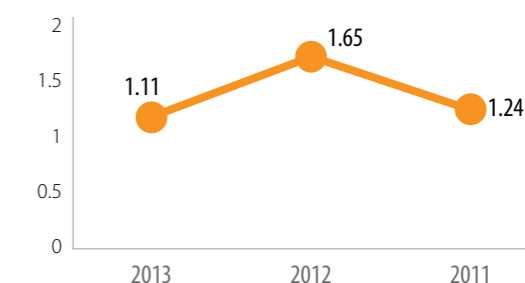
Net revenue / Total assets



Total loans and debts / Total assets



Total loans and debts / Owners' equity



	2013	2012	2011
Current ratio	1.96	2.02	1.96
Quick ratio	1.59	1.42	1.31
Total loans and debts / Total assets	0.48	0.52	0.45
Total loans and debts / Owner's equity	1.11	1.65	1.24

The ratio of total loans and debts over total assets decreased from 0.52 by the end of 2012 to 0.48 by the end of 2013. The major cause lies in the restructuring of the Group reducing the outstanding loans, thus leading to a decline in the assets as follows:

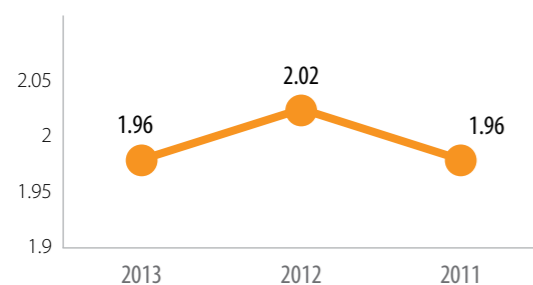
- Short-term loans increased by VND 269 billion, accounting for 9.43% to VND 3,129 billion and long-term loans dwindled by VND 2,143 billion, accounting for 16.15% to VND 11,129 billion. In total, the entire outstanding loans decreased by 1,873 billion, accounting for 11.61% to VND 14,258 billion.
- Total assets dropped by VND 1,472 billion, accounting for 4.7% to VND 29,813 billion.

The diminishing rate of loans and debts greater than that of total assets resulted in a decline in the ratio of total loans and debts over total assets.

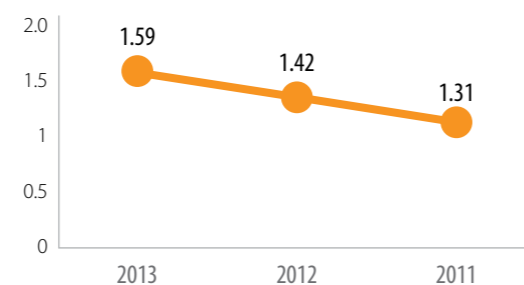
The ratio of total loans and debts over owners' equity decreased from 1.65 times by the end of 2012 to 1.11 times by the end of 2013 largely because:

- Total Short-term loans and long-term loans fell as mentioned above.
- Owners' equity increased by VND 3,100 billion accounting for 31.78% to VND 12,853 billion. That was due to the issue of shares to the current shareholders amounting to VND 1,052 billion and issue of ordinary shares for converting international bonds amounting to USD 75 million.

Current ratio:  
Current assets / Current liabilities



Quick ratio: (Current assets –  
Inventories) / Current liabilities



There is a drop in current ratio accounting for 1.96 as compared against that of 2012 mainly because:

- Current assets decreased by VND 4,569 billion accounting for 31.93%, down to VND 9,740 billion, as compared against those of 2012 as a result of the Group's restructuring, thus reducing inventories and receivables.
- There was a decline of VND 2,108 billion in current liabilities accounting for 29.82% to VND 4,959 billion after restructuring the Group.

Quick ratio reached 1.59, a slight increase as compared to that of 2012 mainly because:

- The cause for a decrease in current liabilities is explained above.
- Current assets excluding inventories fell by VND 2,141 billion, accounting for 21.32% to VND 7,903 billion.

## Changes in owner's equity

- 1 Owner's equity as at 31 December 2012
- 2 Issue of ordinary shares for converting international bonds
- 3 Issue of ordinary shares to existing shareholders
- 4 Owner's equity as at 31 December 2013
- 5 Total shares upon IPO

VND Thousand	5,373,710,490
VND Thousand	733,094,340
VND Thousand	1,074,742,100
VND Thousand	7,181,546,930
Share	28,900,000

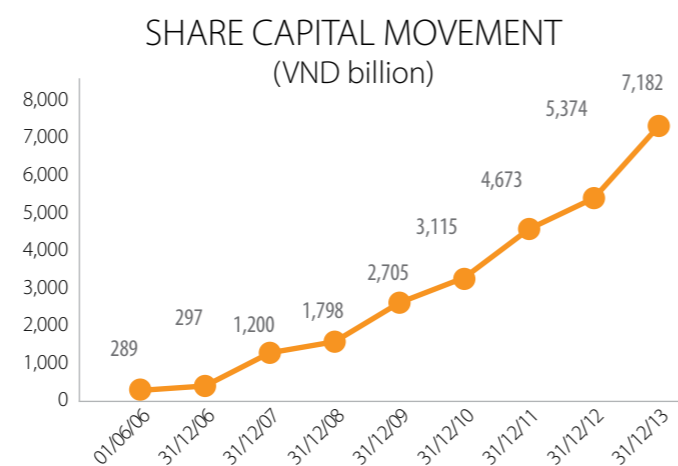


# REPORT OF THE BOARD OF MANAGEMENT (continued)

## Changes in owner's equity (continued)

The Company offered 107,474,210 ordinary shares to the existing shareholders as at 8 April 2013 at the rate of 5:1 (1 new share for every 5 shares held at par value of VND10,000) in accordance with the Resolution of the General Meeting of Shareholders No. 0401/13/NQĐHĐCĐ-HAGL dated 4 January 2013 and the certificate of registration for public offering No.06/GCN-UBCK dated 21 March 2013 issued by the State Securities Commission.

On 28 May 2013, the Company issued 73,309,434 ordinary shares for converting international bonds at the total value of USD 75 million. This private placement was conducted in accordance with the Resolution of the General Meeting of Shareholders No. 0401/13/NQĐHĐCĐ-HAGL dated 4 January 2013, the letter No. 1551/UBCK-QLPH dated 23 April 2013 issued by the State Securities Commission and the conversion agreement dated 10 May 2013.



### Total number of shares

Number of shares authorized to issue	718,154,693
Shares issued and fully paid	718,154,693
Ordinary shares	718,154,693
Outstanding shares	718,154,693
Ordinary shares	718,154,693

## Outstanding bonds

Bonds	Par Value	Number of outstanding bonds	Total book value (VND thousand)
Bonds with warrants for rubber corporation's shares	VND 100,000,000	20,000,000	2,000,000,000
Exchangeable bonds (Temasek)	VND 1,000,000	1,130,000	1,130,000,000
Convertible bonds (Temasek)	VND 1,000,000	1,100,000	1,100,000,000
2012 straight bonds (BIDV)	VND 1 billion	850	850,000,000
2011 straight bonds (BIDV)	VND 1 billion	500	500,000,000
2012 straight bonds -Tranche 1	VND 100,000	4,500,000	450,000,000
2012 straight bonds -Tranche 2	VND 100,000	4,500,000	450,000,000
2012 straight bonds -Tranche 3	VND 100,000	8,000,000	800,000,000
2013 straight bonds (OCB)	VND 100,000	1,460,730	146,073,000
2013 straight bonds (BIDV)	VND 1 billion	950	950,000,000
<b>Total</b>			<b>8,376,073,000</b>

The details of these outstanding bonds are disclosed in Note 20 and 27 of the Notes to the Audited Consolidated Financial Statements.

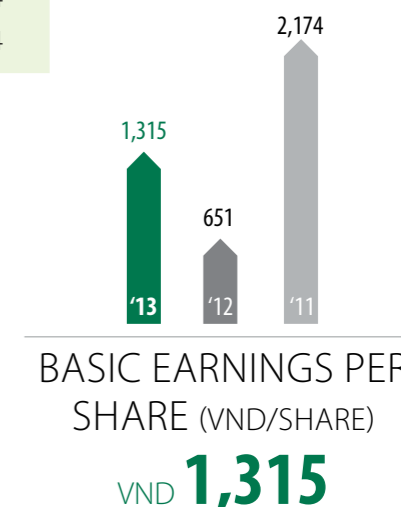
## Earnings per share

Item	2013	2012	2011
Basic earnings per share (VND/share)	1,315	651	2,174
Diluted earnings per share(VND/share)	1,290	651	2,174

## Dividend and profit distribution

Profit after tax of 2012 was distributed as follows:

- Financial reserve fund: 5%
- Welfare fund: 3%
- Remunerations of the BOD, Board of Supervision, and Secretarial Board: 0.5%
- Dividend: 5%/par value (VND 500 for 01 share held)
- Remaining balance: included in the account "retained earnings"



## DEVELOPMENT PLAN (2014 – 2015):

In 2014, Hoang Anh Gia Lai continues the development strategy mapped out for investing and developing the two key sectors, i.e. agribusiness and property in Myanmar giving a focus on maintaining sustainable growth, improving the efficiency of activities, especially highly profitable sectors such as agricultural production and Myanmar property project.

The Group always prioritizes investments in agribusiness. Gaining the advantages cultivated over the past years, HAGL is oriented toward transformation from a risky, volatile property enterprise into a "Agriculture business" with sustainable business operation in 2015.



# REPORT OF THE BOARD OF DIRECTORS



## ASSESSMENT OF THE BOARD OF DIRECTORS ON ACTIVITIES

Based on the actual situation of the economy and HAGL's activity progress in 2013, the Board of Directors would like to present some assessments as follows:

- **Result of business operations:** Profit after tax reached VND 972 billion, a 2.66 –fold as compared to that of 2012; though not significant as against the Group's assets and equity, it was quite encouraging in the context of economy downturn. While the property sector was becoming unprofitable, the agribusiness emerged as a lifesaver by contributing up to 58.7% of the Group's gross profit structure. That fully accorded with HAGL's new strategy to reduce dependence on Vietnam property market and intensify the solidity relying on the agribusiness of which HAGL has overwhelming advantage. The profit-growing trend in the agribusiness will continue in the coming years.

VND **972** BILLION

*the profit after tax, accounting for a 2.66 –fold as compared to that of 2012.*

VND **14,146** BILLION

*the growth of investments in the projects and fixed assets from VND 13,051 billion.*

VND **2,448** BILLION

*the cash balance maintained at a high level to ensure the Group's liquidity.*

- **Financial position:** After restructuring the Group, HAGL made substantial reduction in inventories from VND 4,265 billion to VND 1,838 billion by the end of the year, trade receivables down to VND 1,147 billion from VND 2,536 billion. Investments in the projects and fixed assets continued to rise from VND 13,051 billion to VND 14,146 billion mainly due to the increased investments in rubber, oil palm, and Myanmar project. There was a slight decline in the total assets from VND 31,285 billion down to VND 29,813 billion. The cash balance was maintained at a level of VND 2,448 billion to ensure the Group's liquidity. The owner's equity increased by 32% from VND 9,753 billion to VND 12,853 billion. There was a fall in the total loans and debts from VND 16,132 billion to VND 14,258 billion. Movement in the items above reflects stronger financial position and reduced financial risks thanks to the results of restructuring the Group.

- **Investment:** HAGL continued to implement well the project investments in 2013. By 31 December 2013, HAGL held 44,500 ha of rubber, 10,000 ha of sugarcane, 12,300 ha of oil palm. The trees at various stages were growing vigorously. Sugarcane crops produce a high yield of 120 tons of sugarcane per hectare. Rubber farms are in necessary and sufficient conditions for a promising yield of latex. The first oil palm crop, though a little over 1.5 years old, is going to bear fruit. The sugar refinery and latex processing plants have been in normal operation. HAGL also embarked on construction of a palm oil processing plant in Cambodia. The construction of the complex project in Myanmar was quickly started with 3 working shifts/day. In general, HAGL is highly experienced, adequately resourced with personnel, equipment, and finance. All these factors are major determinants of HAGL's success in making any investment.



# REPORT OF THE BOARD OF DIRECTORS (continued)

- **Human resources:** As analysed above, for HAGL, human resources play a vital role. HAGL has put in a wonderful performance in recruiting, training staff, caring about their livelihood and working conditions, especially those working in the new project areas in Laos, Cambodia and Myanmar. Preferential policies appropriately adopted have stimulated and motivated the people to travel to new far-off project locations. HAGL has recruited hundreds of newly-graduated engineers and continued to employ local people.
- **Adoption of technology and machinery in agribusiness:** HAGL has made an excellent performance in research on, acquisition, and adoption of advanced technology in planting, caring, and harvesting, which have proved a key factor in raising productivity, reducing product costs. HAGL recruits or employs consultants from countries with experience in agriculture like Israeli experts on the drip irrigation system, Thai specialists on sugarcane, and Malaysian professionals on oil palm. A workforce of Vietnamese experts and engineers are assigned to work with foreign experts for learning and acquiring technology transfer. This approach has enabled Vietnamese experts and engineers, within a short time span, to master the leading-edge technology and technique in cultivation and develop their manipulative skills. HAGL's agricultural projects in Laos and Cambodia are always hailed as a standard model which the governments of these countries encourage the other business enterprises to follow.
- **Market research and sales:** HAGL takes the initiative to monitor the movements for appropriate reactions; making an effort in applying to related authorities for quota on imports of sugar into Vietnam; striving for developing ties with partners, potential customers as a preparation for mass consumption of the Group's increasing products.
- **Financing activities:** HAGL effectively performed financing and debt restructuring activities, maintaining the liquidity for the Group. All the loan principal and interest are duly paid when becoming due. HAGL was successful in issuing 73.3 million shares to convert Credit Suisse bonds valued at

USD 75 million and offering new shares at par value to existing shareholders at the ratio of 5:1 (with proceeds of VND 1,074 billion from 107.4 million shares). Such activities brought about an increase in the owner's equity and a diminution of debts and loans for the Group.

- **Restructuring the Group:** HAGL promptly conducted the disposal of less profitable projects such as 6 hydropower projects, furniture sector, and apartment projects in Vietnam. These activities were all completed in 2013.
- **Risk management:** HAGL's assessment of risks involved in each business sector was effectively conducted and appropriate risk-minimizing measures or adequate risk insurance were employed. This year saw no severe incident adversely affecting the Group's operation and finance.

## ASSESSMENT OF THE RESULT AND COMPETENCE OF THE BOARD OF MANAGEMENT

It is the assessment by the Board of Directors that the Board of Management has made remarkable efforts and fulfilled the duties assigned. In the context of economic recession, the Group's large-scaled operation in multiple sector business, widespread investment locations, high rate of investment, the Board of Management has managed and directed every operation achieving satisfactory results as analysed above. The Board members are highly-experienced in and knowledgeable about the fields of business they are in charge of, with a sense of responsibility and collaboration. They constantly advance their professions, taking training courses, updating knowledge and management skills. The Board of Directors remarks that the members of the Board of Management are fully qualified for fulfilling their responsibilities assigned by the shareholders and the Board of Directors.

## DEVELOPMENT ORIENTATION FOR 2014

Based on the new strategies aimed at directing focus toward development of the agribusiness and Myanmar project. The Board of Directors work out the plan for 2014 as follows:

- **Rubber:** no more expansion of area for new cultivation, instead, remaining focus on caring for the cultivated 44,500 ha area; further recruitment and providing training to tapping workers to exploit the area of mature rubber trees expected to increase in 2014; carrying out the tapping work over the area of 12,600 ha; performing proper maintenance and efficient operation of the latex plant in Laos; embarking on construction of the latex plant in Gia Lai to support the latex exploitation in Vietnam.
- **Oil palm:** further cultivating 7,000 ha and preparing soil and seeds planting the rest to reach the target for 30,000 ha in 2015; building the palm oil plant in Cambodia for palm oil harvest and processing in 2015.
- **Sugarcane:** 8,000 ha of sugarcane to be planted in 2014, converting 2,000 ha of which into corn crop due to the yield in excess of the plant capacity, setting a target for minimal yield of 120 tons of sugarcanes/ha and at least 10% of sugar reserves; properly maintaining and efficiently operating the sugar processing plant and thermal power plant; putting into operation the microbiology workshop by the end of 2014; starting transport of sugar into Vietnam for sale to fill the quota for 30,000 tons allocated; preserving and developing trade relations with the merchants in Laos.
- **Corn:** in 2014, starting to plan 5,000 ha of corn in Laos and Cambodia for one crop only due to time-consuming land cultivation, setting a target of 10 tons/ha for the first crop; putting into use the irrigation system and machinery in planting, caring, harvesting work; by the turn of 2015 raising the current area to 8,000 ha, growing 2 crops/year and setting a target of 14 tons/ha/crop; building relationships with livestock food factories in Vietnam for export of corn from Laos and Cambodia to Vietnam in the 2<sup>nd</sup> quarter of 2014.

- **Hoang Anh Gia Lai Myanmar Center:** continuing the 3-shift/day construction work on the building items of stage 1 for completion and putting into operation 2 blocks of the office building with an area of 85,701m<sup>2</sup> and the 38,000 m<sup>2</sup> commercial center in the 1<sup>st</sup> quarter of 2015 and the 5-star hotel of 400 rooms in the 2<sup>nd</sup> quarter of 2015. Credit facility will be arranged for stage 2 and the construction started within the 2<sup>nd</sup> quarter of 2014 to shortly complete the project, taking full advantage of the opportunity in Myanmar market of severely falling short of property supply.
- **Financing activities:** continuing to take a proactive approach in raising capital to implement investment plan as already set out, restructuring existing debts by replacing short-term debts by longer-term debts, which is appropriate for investing time and cash flows plan for the projects.
- **Target for business operation results for 2014:** the Board of Directors strives to reach the minimal profit growth of 50% as compared to that of 2013.



HAGL has made an excellent performance in research on, acquisition and adoption of advanced technology in planting, caring, and harvesting, which have proved a key factor in raising productivity and reducing costs.





The core value of business direction of HAGL is to tend to sustainable development and to show its responsibility to the community. The year 2013 marked a period of 20 years of establishment and development, and HAGL has been proud of its transparent and effective corporate governance system and its efforts of giving contributions to the community in environmental protection, renewal of resources, investments in health services and sports, etc., contributing to build confidence in the process of accompanying with the communities of HAGL.



***Progress of  
sustainable development***



# CORPORATE GOVERNANCE



Leaders of HAGL exchanged information with investors

## Activities of the Board of Directors

### 1. Meetings of the Board of Directors

In 2013, the Board of Directors held 10 meetings:

- **The 1<sup>st</sup> meeting:** On 12 January 2013, the Company held a meeting of the Board of Directors with the content of "Approval on the documents of registration of share offering to existing shareholders".
- **The 2<sup>nd</sup> meeting:** On 30 January 2013, the Company held a meeting of the Board of Directors with the content of "Supplementing the contents of the plan to issue new shares to existing shareholders".
- **The 3<sup>rd</sup> meeting:** On 8 March 2013, the Company held a meeting of the Board of Directors with the content of "Approval on the report of operations in the year 2012".
- **The 4<sup>th</sup> meeting:** On 31 May 2013, the Company held a meeting of the Board of Directors with the content of "Handling fractional shares and unsold shares from the issuance of shares to existing shareholders".
- **The 5<sup>th</sup> meeting:** On 24 June 2013, the Company held a meeting of the Board of Directors with the content of "Restructuring the businesses working in hydropower and real estate sectors".
- **The 6<sup>th</sup> meeting:** On 4 September 2013, the Company held a meeting of the Board of Directors with the content of "Approval on the finalization of the list of shareholders to ask for shareholders' approval in writing on payment of dividend of the year 2012 in cash, and restructuring the businesses in the real estate sector by selling shares".
- **The 7<sup>th</sup> meeting:** On 18 September 2013, the Company held a meeting of the Board of Directors with the content of "Approval on the operation results, the financial position, the loans, the investments in the first 6 months of 2013, and other issues".
- **The 8<sup>th</sup> meeting:** On 30 September 2013, the Company held a meeting of the Board of Directors with the content of "Approval on the resignation of Mr. Tra Van Han, Deputy General Director, upon his aspiration".
- **The 9<sup>th</sup> meeting:** On 13 December 2013, the Company held a meeting of the Board of Directors with the content of "Approval on the operation results, the financial situation, the loans as at 30 September 2013, and the investment plan until the middle of December 2013".
- **The 10<sup>th</sup> meeting:** On 25 December 2013, the Company held a meeting of the Board of Directors with the content of "Handling fractional shares and unsold shares from the issuance of An Phu shares to the existing shareholders".

### 2. Supervision activities of the Board of Directors to the Board of Management

In 2013, the Board of Directors gave instructions and supervision on the following activities of the Board of Management:

- The Board of Directors directed the Board of Management to complete Audited Financial Statements and the 2012 Annual Report on time, as well as announced the business information in accordance with the law on securities and other laws and regulations.
- The Board of Directors actively directed the Board of Management and related departments to summon the General Shareholders' Meeting, to prepare the meeting agenda, and to inform about the Annual General Shareholders' Meeting for the year 2013. The related departments prepared the organization works to make the 2013 General Shareholders' Meeting Annual successful and legal on 23 April 2013 at Reunification Palace, Ho Chi Minh City.
- The Board of Directors directed the Board of Management and related departments to hold some key events, including:
  - The inaugurations of Sugarcane Industrial Group and Hoang Anh Attapeu Rubber Latex Processing Factory in Laos on 25 February 2013;
  - The ground-breaking ceremony of Hoang Anh Gia Lai Myanmar Center Complex in Myanmar on 5 June 2013.
- The Board of Directors directed the Board of Management and related departments to implement the Group's restructuring by selling hydropower projects, apartment projects or shares of its subsidiaries owning apartment projects. The Board of Management selected potential partners to enter into sale contracts to provide cash flows and profits for the Group, reducing loan balances on the consolidated financial statements. The restructuring of hydropower, granite and furniture businesses of the Group was completed before 30 September 2013. The restructuring of real estate businesses by carving out An Phu Real Estate Investment JSC was completed before 31 December 2013.
- The Board of Directors directed the Board of Management and related departments to successfully implement the issuance and offering of shares to the existing shareholders, and 107,474,210 shares were already listed and traded additionally. The effective date of listing was 25 June 2013 and the official date of trading of these shares was 1 July 2013.
- The Board of Directors directed the Board of Management and related departments to complete the issuance of 950 corporate bonds with the total value of VND 950 billion on 9 July 2013.
- The Board of Directors directed the Board of Management and related departments to complete the private placement of 73,309,434 ordinary shares to convert into international bonds to the investor, i.e. Credit Suisse (Hong Kong) Limited. These shares were already listed and the effective date of listing was 31 July 2013.
- The Board of Directors directed the Board of Management and related departments to implement environmental and social works for projects under construction in Vietnam, Laos and Cambodia. Details are as follows:
  - In November 2013, HAGL provided free medical examinations and medicine to all of 18 communities in the project areas in Cambodia. HAGL also provided free diagnoses, treatments and medicine to more than 1,872 people in Koun Mum, Lumphat, Ou Chum and Andong Meas Districts, Rattanakiri Province, Cambodia and selected 100 vision impairment cases to be taken to Vietnam for free treatment. In addition, HAGL gave each household of all villages 50kilos of rice, 2kilos of sugar and 2kilos of salt.
  - On 6 November 2013, the General Director of the Group visited the communities in Kam Village, Ou Chum District, Rattanakiri Province, Cambodia.
  - In December 2013, the Group completed the free ocular operation program for the people from Rattanakiri Province, Cambodia.
- The Board of Directors directed the Board of Management and related departments to support Ernst & Young Vietnam Limited to carry out the auditing work quickly, effectively and legally at the end of the year.



# CORPORATE GOVERNANCE (continued)

## Activities for updating management knowledge

### 1. The members of the Board of Directors, the Board of Management, the Board of Supervision, chief accountant and other officers attended the training course, and were granted the "Corporate Governance Certificates".

No.	Name	Position	Number of certificate	Date of issuing
1	Mr. Nguyen Van Su	Member of the BOD cum General Director	57QTCT245/Đ-TTNC	19 Sept 2013
2	Mr. Doan Nguyen Thu	Member of the BOD cum Deputy General Director	66QTCT245/Đ-TTNC	19 Sept 2013
3	Mr. Nguyen Van Minh	Member of the BOD cum Deputy General Director	45QTCT245/Đ-TTNC	19 Sept 2013
4	Mr. Vu Huu Dien	Member of the BOD	13QTCT245/Đ-TTNC	19 Sept 2013
5	Mr. Vo Truong Son	Deputy General Director	63QTCT248/Đ-TTNC	19 Sept 2013
6	Mr. Lam Hoang Hai	Member of the Board of Supervision	24QTCT248/Đ-TTNC	19 Sept 2013
7	Mr. Nguyen Xuan Thang	Member of the Board of Supervision	68QTCT248/Đ-TTNC	19 Sept 2013
8	Ms. Ho Thi Kim Chi	Secretary of the BOD	07QTCT248/Đ-TTNC	19 Sept 2013
9	Ms. Vo Thi My Hanh	Secretary of the BOD	26QTCT248/Đ-TTNC	19 Sept 2013

### 2. Courses of updating management knowledge and programs held by the State Securities Commission and Ho Chi Minh Stock Exchange

- On 13 and 14 November 2013, the Board of Directors appointed the following officers to participate in the program of "Sustainable Development Conference" organized by the SSC and HOSE in Ho Chi Minh City in order to raise awareness of listed Vietnamese enterprises on the principles of responsible investments and to support enterprises to prepare sustainable development reports.
  - Mr. Vo Truong Son – participating in a program for real estate sector
  - Mr. Nguyen Tan Anh – participating in a program for other sector
  - Mr. Nguyen Xuan Thang – participating in a program for other sector
  - Mr. Lam Hoang Hai – participating in a program for other sector
- On 5 August 2013, the Board of Directors appointed Mr. Lam Hoang Hai to participate in a program of "Training on using the information disclosure system (IDS)" held by the SSC in Da Nang.
  - On 20 May 2013, the Board of Directors appointed Mr. Vo Truong Son to participate in a seminar of "Responsibilities of auditors and audited businesses in the compliance with the regulations and guidelines of new Vietnam Auditing Standards" held in Ho Chi Minh City with the purpose of further improving the quality of the audited financial statements.
  - On 30 March 2013, the Board of Directors appointed Mr. Vo Truong Son to participate in the event "Invest ASEAN– Vietnam 2013" held by HOSE in Ho Chi Minh City.
  - On 9 January 2013, the Board of Directors appointed Ms. Vo Thi My Hanh to participate in the "Conference on tasks for developing stock market in 2013" held by the SSC in Ha Noi, to assess the activities of the stock market in 2012 and to specify the objectives and tasks on developing the stock market for the year 2013 and for the subsequent years.

During 2013, the sub-committees under the management of the Board of Directors had no specific activities.

## SHARE TRANSACTION OF INTERNAL SHAREHOLDERS AND RELATED INDIVIDUALS

No.	Organization/ Transactor	Relationship with internal shareholder / major shareholder	Transactions	Quantity (Share)	Execution time
1	Ms. Doan Thi Nguyen Dung	Individual related to Mr. Doan Nguyen Thu, member of the BOD cum Deputy General Director	Selling HAG shares	54,300	27 Feb 2013 to 25 Mar 2013
2	Mr. Nguyen Van Su	Member of the BOD cum General Director	Buying HAG shares	100,000	22 May 2013 to 17 Jun 2013
3	Mr. Vo Truong Son	Deputy General Director	Buying HAG shares	100,000	22 May 2013 to 21 Jun 2013
4	Ms. Doan Thi Nguyen Nguyen	Individual related to Mr. Doan Nguyen Thu, member of the BOD cum Deputy General Director	Transferring the right to buy HAG shares	22,900	5 Aug 2013
5	Ms. Nguyen Thi Thom	Individual related to Mr. Doan Nguyen Thu, member of the BOD cum Deputy General Director	Transferring the right to buy HAG shares	27,341	5 Aug 2013

**The implementation of regulations on corporate governance:** In 2013, the Company fully complied with the regulations on the corporate governance for listed companies and other relevant regulations.

**Transaction with internal shareholders:** In 2013, no member of the Board of Directors conducted material transaction with the Company and its Subsidiaries.



Investors visited Hoang Anh Attapeu Sugar Processing Plant, Laos.



# CORPORATE GOVERNANCE (continued)

## The Board of Supervision

### 1. Activities of the Board of Supervision

The activities of the Board of Supervision in 2013 focused on the supervision of business and financial operations of HAGL, as well as the activities of the Board of Directors and the Board of Management. The Board of Supervision:

- Fully participated in meetings of the Board of Directors as observers.
- Periodically or irregularly checked the compliance with regulations, charters and the rationality in the management of business operations.
- Checked quarterly, half-yearly and annual financial statements to assess the rationality and accuracy of financial data as well as co-ordinated with the independent auditors during the audit process in order to assess the impacts of key issues.
- Monitored the business planning, the implementation of projects with large investments.
- Monitored the implementation of Resolution of the 2013 General Shareholders' Meeting such as dividend payment, implementation of projects to ensure the publicity and transparency.
- By checking the operations of the parent company, its subsidiaries and branches, reported and recommended in a timely manner to the Board of Directors to adjust and to improve the shortcomings.

### 2. Supervising the business and financial operations

The Board of Supervision already reviewed the 2013 financial statements and agreed with the operation results and items in the financial statements audited by Ernst & Young Vietnam Limited. The statements were fully and clearly presented as well as could truly and fairly reflect the financial position and the operation results of the Group.

- The consolidated revenue reached VND 2,771 billion, equivalent to 77% as compared to the target as in the plan and 63% as compared to that of the year 2012. The Group's restructuring in 2013 made the revenue decrease for the sectors sold or splitted from the Group.

- The consolidated profit before tax reached VND 999 billion, increasing by 190% as compared to that of the year 2012. The profit increased mainly due to the contribution of agribusiness sector with high profit margin. The year 2013 marked a significant change of the agribusiness sector with the proportion of revenue of 38.9%, dramatically increasing as compared to the proportion of 1.1% in the year 2012.
- The total assets as at 31 December 2013 were VND 29,813 billion, decreasing by VND 1,472 billion as compared to those as at 31 December 2012. The Group's cash balance was always maintained at a safe level in the recent years, i.e. VND 2,448 billion as at 31 December 2013, which could ensure the liquidity needs for the Group. However, working capital still remained at a high level, especially the accounts receivable.

During the year 2013, HAGL complied with all regulations of the law and Charters of the Company. The Board of Supervision did not find any unusual issues in operations and financial activities of the Group.

### 3. Supervising the activities of the Board of Directors, the Board of Management and the management mechanism

- The Board of Directors has had 7 members. During the year, the Board of Directors was supplemented an additional member – Mr. Pornchai Lueang-a-papong. Mr. Le Hung resigned for his personal reasons.
- The Board of Management has had 5 members instead of 6 members in 2012. A Deputy General Director – Mr. Tra Van Han, resigned for his personal reasons.
- The Board of Supervision did not realize any unusual issues related to the activities of the members of the Board of Directors, the Board of Management and other departments of the Group.
- Implementing the works of reporting and disclosing information as prescribed.

The 2013 financial statements were fully and clearly presented as well as could truly and fairly reflect the financial position and the operation results of the Group.

- The Board of Supervision did not receive any recommendation or complaints from the shareholders about the mistakes of the members of the Board of Directors, the Board of Management and other departments in the implementation of their tasks.
- The Board of Supervision agreed with the report of the Board of Directors to be submitted to the 2013 Annual General Shareholders' Meeting.

### 4. Assessing the co-ordination among the Board of Supervision, the Board of Directors and the Board of Management

- During the year 2013, the Board of Supervision was given favorable conditions by the Board of Directors and the Board of Management in fully accessing the information on business activities and financial situation of the Group.
- The Board of Supervision was invited to participate in all the meetings of the Board of Directors and contributed opinions according to the functions and the duties of the Board of Supervision.
- The Board of Management arranged staffs and provided essential information to help the Board of Supervision during the process of checking at the parent company and its subsidiaries or branches.
- The Board of Supervision, the Board of Directors and the Board of Management closely coordinated to solve the problems timely during the process of checking and monitoring of the Board of Supervision.

### 5. Recommendations of the Board of Supervision

- Completing the internal control procedures to continuously improve the effectiveness of the works of inspection and supervision.
- Establishing the legal department directly under the management of the parent company to be in charge of all the legal matters and to control legal risks of HAGL. The specific characteristic of HAGL is

to invest in many large projects in Vietnam, Laos, Cambodia and Myanmar so HAGL needs to master the laws of these countries.

- Developing solutions for some assets which are no longer in use but have not been liquidated yet and are still depreciated.
- Receivables are still at high level, the Board of Management needs to have resolutions and schedule to recover these debts.
- Synchronizing the legal liabilities and the management works at subsidiaries to make high efficiency in work, especially in the project areas in Laos and Cambodia, avoiding the cases of staff holding certain legal position but not taking part in management in some projects areas and vice versa.





# CORPORATE GOVERNANCE (continued)

## Remunerations and benefits of the members of the Board of Directors (BOD), the Board of Management (BOM), the Secretary of the BOD and the Board of Supervision (BOS)

### Remunerations and benefits of the members of the BOD, the BOM and the Secretary of the BOD

Unit: VND

No.	Name	Position	Salary, remuneration and bonus of executive members	Remuneration of non-executive members	Notes
<b>The Board of Directors</b>					
1	Mr. Doan Nguyen Duc	Chairman of the BOD	4,182,204,215		
2	Mr. Nguyen Van Su	Member of the BOD and General Director	3,136,653,161		
3	Mr. Doan Nguyen Thu	Member of the BOD and Deputy General Director	2,781,152,108		
4	Mr. Nguyen Van Minh	Member of the BOD and Deputy General Director	2,091,102,108		
5	Ms. Vo Thi Huyen Lan	Non-executive member of the BOD		252,000,000	
6	Mr. Vu Huu Dien	Non-executive member of the BOD		252,000,000	
7	Mr. Pornchai Lueang-a-papong	Non-executive member of the BOD		168,000,000	
8	Mr. Le Hung	Member of the BOD	2,127,887,108		Resigned on 19 August 2013
<b>The Board of Management</b>					
1	Mr. Vo Truong Son	Deputy General Director	2,091,102,108		
2	Mr. Le Van Ro	Deputy General Director	1,408,079,475		
3	Mr. Tra Van Han	Deputy General Director	1,703,742,108		Resigned on 30 Sept 2013
<b>Secretary of the BOD</b>					
1	Ms. Ho Thi Kim Chi	Secretary of the BOD and Chief Accountant	1,082,643,948		
2	Ms. Vo Thi My Hanh	Secretary of the BOD	779,643,948		
<b>Total</b>			<b>21,384,210,287</b>	<b>672,000,000</b>	

### Remunerations and benefits of the members of the BOS

Unit: VND

No.	Name	Position	Compensation	Notes
1	Nguyen Van Ton	Head of the BOS	991,056,500	Resigned on 19 Aug 2013
2	Nguyen Xuan Thang	Member of the BOS and Head of Planning Department	997,800,000	
3	Lam Hoang Hai	Member of the BOS and Head of Internal Audit Department	660,800,000	
<b>Total</b>			<b>2,649,656,500</b>	

## RISK MANAGEMENT

Hoang Anh Gia Lai operates in multiple sectors and in different geographical areas. Therefore, there are potential risks associated with each sector, geographical area and economic condition. The Group has identified major risks and implemented the following risk management measures:

### FINANCIAL RISKS

#### Nature:

With a diversified portfolio in real estate, mining, rubber and hydropower businesses, the Group is always in need of significant capital resources for investment and development. In a certain period, the mismatch between cash inflows and outflows will cause risks to the Group's day-to-day operations. The investment and material procurement can be stopped in case of lack of capital. If the Group fails to pay salary or loans when they fall due, the Group's reputation and operations will be affected.

#### Risk management measures:

The Group always manages cash flows closely and builds an appropriate capital structure to satisfy long-term and short-term investments. For long-term projects, the Group has prepared necessary capital sources through long-term loans from banks, bond issuance, and share capital.

Furthermore, thanks to the sold apartment projects, the Group can collect customers' payments to cover daily operation expenses and repay short-term loans. The nature of the real estate business with pre-sale contracts and a fixed schedule of installments help the Group become proactive in the financial management.

### EXCHANGE RATE RISKS

#### Nature:

In recent years, the exchange rates between Vietnam Dong and foreign currencies (especially US Dollar) have been abnormally volatile and caused adverse effects on enterprises involving in import and export activities. The Group's operations include foreign currency payments to overseas partners, especially for the import of equipment and machinery, raw materials, construction materials, etc. The exchange rate fluctuation will have impact on the Group's financial income and expenses.

#### Risk management measures:

The Group's operations comprise both import and export transactions, so the exchange rate movements can be offset against each other to reduce the impact on the Group's profit and cash flows. Moreover, future export revenues will provide foreign-currency inflows to meet import payment needs.

The Group has carefully planned the timing and payment schedule for import and export activities with foreign partners to minimize exchange rate risks.



# CORPORATE GOVERNANCE (continued)

## RISK MANAGEMENT

(continued)

Hoang Anh Gia Lai has proactively set up a capital structure appropriate for each economic cycle and operation.



### INTEREST RATE RISKS

#### **Nature:**

The Group's operations require a huge investment capital source to invest in projects of apartments, rubber plantations, construction of hydropower plants, etc. A large proportion of the required capital has been raised by borrowing from banks and issuing corporate bonds at floating interest rate. If the interest rate gets increased, the borrowing costs become more burdensome and adversely affect the Group's businesses.

Moreover, the real estate demand is very sensitive to the interest rate fluctuation as buyers are reluctant to borrow at high rates. Apartment value is usually so considerable that many buyers cannot afford with their own money, so they have to rely on bank loans.

#### **Risk management measures:**

The Group has proactively set up a capital structure appropriate for each economic cycle and operation. Thanks to long-term relationships with major commercial banks, the Group can arrange credit facilities at reasonable costs.

Beside loans and straight bonds, the Group also raises capital from share issuance and convertible bonds at low coupon, from both domestic and international investors, and well utilizes the deposit payments and installments from apartment buyers. The costs of these funds are generally low, predetermined and mostly unaffected by interest rate movements.

### MARKET RISKS

#### **Nature:**

The real estate market is sensitive to the financial market and macro-economic conditions. Therefore, adverse economic fluctuations can lead to decrease the liquidity of the real estate market and negatively impact projects' selling prices. Additionally, fluctuations in costs of construction material inputs also have a significant impact on the profitability of each project. Overall, the payback period of the Group's property project will be prolonged, and the revenue and profitability may be squeezed.

#### **Risk management measures:**

Before making an investment decision for a real estate project, the Group conducts a detailed market research and only invests in feasible projects whose customer demands are strong to result in high profitability. With the advantage of self-supplied materials from subsidiaries under the vertically-integrated business model, Hoang Anh Gia Lai can well manage the apartment costs. During the property market downturn, the Group can lower apartment selling prices to more competitive levels.

### PROJECT IMPLEMENTATION RISKS

#### **Nature:**

Real estate projects usually have a long implementation phase, ranging from 3 to 5 years, including site clearance, legal procedures, design and construction. Problems arising during any phase can significantly affect the overall implementation progress, slow the capital turnover down, and negatively affect the set business plan.

#### **Risk management measures:**

With extensive experience in project management and close relationships with relevant authorities, the Group has strict control over the implementation of its real estate projects. Moreover, with many projects being undertaken simultaneously, the Group's business plans and capital turnover are not dependent on any single project. Most of real estate projects in the next 5-year business plan have completed the site clearance process and are ready to start construction.

### LEGAL RISKS

#### **Nature:**

As a listed company, the Group's operations are primarily governed by the Enterprise Law, Securities Law and other regulations of the stock exchange. However, law and under-law regulations are still under continuous improvement, so possible legal and policy changes will have certain impact on the management and operation activities of the Group.

Moreover, the real estate business is governed by the Land Law, Construction Law, and Real Estate Business Law, etc. Changes in these legal requirements may affect the liquidity of the real estate market, the time spent on administrative procedures and the capital mobilization method of the Group.

#### **Risk management measures:**

The Group has a legal department comprising qualified and experienced lawyers. The department will update legal changes and impacts on a regular and timely basis to advise the Board of Directors and the Board of Management. Besides, the legal department is responsible for reviewing the Group's business agreements to mitigate legal risks.

When necessary, the Group can seek for independent legal advices from both domestic and international professional law consulting firms on the complex transactions.

### OTHER UN-SYSTEMATIC RISKS

#### **Nature:**

Each business has one or more un-systematic risks. The real estate business, for example, is exposed to risks of fire or accidents during construction; the furniture production is very sensitive to fire risks; the rubber plantation is exposed to natural disaster risks; the hydropower sector is subject to drought risks, etc. Whether we like it or not, these risks always exist and potentially affect the Group's business activities.

#### **Risk management measures:**

The Group evaluates the possibility of risks materializing for each sector and the expected loss, and simultaneously identifies the suitable insurance policies for such risks and the associated premiums. On that basis, the Group will make decision to either accept and self-manage the risk or transfer the risk by purchasing the appropriate insurance policies.



# CORPORATE GOVERNANCE (continued)

## INVESTOR RELATION



The 2013 General Shareholders' Meeting

The Leaders of HAGL Group always attach much importance to the relations with investors and regularly update transparent and public information to its shareholders and investors. Currently, the relations with investors of HAGL are being developed through two official channels as follows:

- Providing information on business operation and financial position through annual report, financial statements, press releases, and website of the Company at [www.hagl.com.vn](http://www.hagl.com.vn), as well as on the website of Ho Chi Minh Stock Exchange (HOSE) and other media channels.
- The Leaders of the Group exchange information and receive comments of shareholders and investors through direct meetings, site visits, investor conferences, teleconferences and road shows in order to help the shareholders and investors have a comprehensive view of the Group to be able to make the best and timely decisions.

Holding site visits to investment projects of the Group in Vietnam, Laos, Cambodia and Myanmar has become a regular activity and can be considered as the strength of the Group in investor relations. During each visit to projects, the investors are "witnessed by their eyes and heard by their ears" the new and interesting things, and they are extremely surprised about the day-to-day changes at the project areas, the rapid development and the growth of plantations of rubber, sugarcane, oil palm and vast fields of corns. There have been many site visits with the participation of hundreds of representatives of investment funds, strategic shareholders, and potential investors. There have been also site visits for small groups of investors from 5 to 10 people, etc. In addition, the Company has held visits to projects combining with major events such as the inauguration ceremony of sugarcane industrial group and rubber processing plant in Attapeu, the groundbreaking ceremony for the complex of Hoang Anh Gia Lai Myanmar Center, etc. for the investors.

## TRANSPARENCY AND CONFIDENCE



Mr. Ngo Thanh Hai (black suit)'s visit to the projects of HAGL in Laos.

"We are really surprised. When actually visiting the projects of HAGL, we have witnessed by our eyes and understood what HAGL has been doing here. We have had very interesting experience in those days".

Mr. Ngo Thanh Hai  
Chairman of FPT Capital



"When investing in agricultural and forestry projects, HAGL has strictly complied with the laws of host countries with the close supervision of local authorities. From the beginning of projects, HAGL fully complied with all regulations, ensured progress of projects, and did not break the laws on land and environment. Conversely, poor areas have been benefited by HAGL's investment and the local people's lives have been improved in many aspects".

Ms. Ha Thi Thanh Binh  
General Secretary of the Association of Vietnam Businesses



Ms. Ha Thi Thanh Binh is exchanging information with the farmers in Cambodia.



Mr. Nguyen The An  
Director of Investment and Banking Services, Saigon Securities Inc.

"As an investor and also a consultant of HAGL for 5 years, I have had opportunities to follow up the Group from the initial days of implementing the strategy of diversifying business sectors and investments in agribusiness of the Group in Laos, i.e. planting rubber trees, sugarcane and oil palms. It can be said that HAGL has played an important role to change Attapeu from a poor rural area to the fastest growing area in the Southern of Laos in terms of infrastructure and economic conditions. Those fallowed land areas are now covered by plants with high economic effectiveness and many manufacturers creating thousands of jobs and many public facilities for the local people such as hospitals and hotels of HAGL, etc. Every year visiting Attapeu, I am surprised with its development, and my belief in HAGL's sustainable growth is more and more increasing. Each visit often lasts from 3 to 5 days, and the investors can take this opportunity to discuss with the employees of HAGL working at these projects to deeply understand about the operations of farms, plants and large and stable potentialities to be brought in the near future from the Group's investments in Laos".



# EFFECTIVE BUSINESS IN ASSOCIATION WITH SUSTAINABLE DEVELOPMENT



## EFFECTIVE BUSINESS IN ASSOCIATION WITH SUSTAINABLE DEVELOPMENT

During the course of operation, the Leaders of HAGL are always aware of making investment together with the responsibilities for environmental, social and corporate governance (ESG) aiming to create the sustainable development and to strengthen the confidence of shareholders and investors; simultaneously, consider the effective implementation of ESG programs as an essential part of HAGL's success.



Cambodian Prime Minister Hun Sen awarded the First-Grade Medal to Mr. Doan Nguyen Duc, the Chairman of HAGL, for his contribution to the construction and development of Cambodia.



Vietnamese Prime Minister Nguyen Tan Dung highly appreciated the model of public-private partnership at Medical University-Hoang Anh Gia Lai Hospital.

## OUTSTANDING NUMBERS

VND **673** BILLION  
tax payment

**21,403** PEOPLE  
the number of employees working for HAGL

USD **37.61** MILLION  
HAGL's investment to the communities in Vietnam and Laos until now

USD **10** MILLION  
the amount supporting the communities in Cambodia for 3 years. In 2013, HAGL already disbursed USD 2.2 million to support the communities.

VND **140** BILLION  
investment in the system of enterprise resource planning (SAP ERP) to help the Group integrate all the operations into a unique system, improving the efficiency of business and corporate governance.

## ECONOMIC DEVELOPMENT

In general, all the operations of an enterprise are always associated with and have direct or indirect influences on the issues of social security and national economy. Therefore, besides focusing on its business efficiency, HAGL has also concentrated on the economic developments at the areas where the Group has been operating with the following objectives:

- **Creating values for shareholders and developing the national economy:** aiming to generate profit, to contribute into local and national budgets, and to develop the national economy. Being a large Group with many advantages in financial potentiality and management systems, HAGL always has had suitable and timely business orientation in various stages of developments. Since 2013, the Group has restructured its business sectors, mainly focusing on two main sectors such as agribusiness (including rubber, sugarcane, palm oil, corn) and real estate for the purpose of concentrating capital and human resources in the most essential and profitable sectors, reducing loan balance and improving financial indicators of the Group.

- **Creating the background for local economic development:** The Group's investments in the project areas in the Central Highlands of Vietnam, Rattanakiri (Cambodia), Attapeu (Laos) have formed a very important foundation for the developments of the local economy and changed the living habits of shifting cultivation, hunting and gathering of the local people to an industrial and settled lifestyle. The Group has constructed a lot of infrastructures for the local communities such as hospital, schools, resettlement areas, wells, community houses, etc., making important contributions to the socio-economic development and the communities in and around the project areas.
- **Creating jobs and employing local people:** At the rubber and sugarcane plantations, processing plants, real estate projects, etc., thousands of local employees have been recruited and trained by foreign and Vietnamese experts, helping them be able to get high and stable incomes. The employees have labor contracts and are arranged accommodation at the houses built by HAGL in the project areas.



# EFFECTIVE BUSINESS IN ASSOCIATION WITH SUSTAINABLE DEVELOPMENT (continued)

## INVESTMENT IN COMMUNITY DEVELOPMENT – IMPROVEMENT OF SOCIAL LIFE

### 1. Objectives of the program

- Improving, step by step, the material and spiritual lives for the people in the project areas in the shortest time.
- Upgrading infrastructures, investing in education and health services, building sport movements with specific programs.
- The Board of Directors of HAGL decided to invest USD 10 million in building social and environmental programs in Cambodia for the period of 3 years from June 2013 to 2016.

### 2. Specific programs

#### IN CAMBODIA

#### The program of visiting and giving gifts to communities in and around the project areas of HAGL

In 2013, the General Director of HAGL directly visited 18 communities in and around the project areas of HAGL in Cambodia. The purpose of the visit is to find out the feedbacks from the local people on HAGL's projects. At the meeting, the Leaders of HAGL honestly listened to the people's opinions and straight forwardly replied their comments on compensation of land clearance and job provision, etc. Also at the meetings, the Leaders of HAGL decided to support finance for households not being compensated satisfactorily, and arranged jobs for unemployed people. In addition, HAGL announced the program of community support in Cambodia with a budget of USD10 million for building roads, community houses, wells, schools, health care services, etc. for the period of 3 years from June 2013 to 2016. On this occasion, HAGL made a donation of 50kgs of rice, 2kgs of sugar and 2kgs of salt to each household with the total value of USD 52,000 to help local people overcome immediate difficulties.

#### The free medical examinations and ocular operation programs for people

Last year, with the enthusiastic participation of members from the Party, the Youth Union, the Labor Union, the Group's subsidiaries along with doctors and nurses from 6 specialties (internal medicine, general surgery, obstetrics, pediatrics, ophthalmology and otorhinolaryngology) of the Medical University - HAGL Hospital, the Group has implemented the program of free medical examination for all 18 communities around the project areas of HAGL in Cambodia. The total number of people examined and distributed medicines was over 50,000, in which 100 cases of vision impairment and other severe cases were selected and taken to the Medical University- HAGL Hospital for treatment. The total value of this program including the cost of medicines, eye surgeries and other surgeries was about USD 70,000, which was totally financed by HAGL.

#### The program of job and house provision to the local people

HAGL's investment projects in Cambodia have helped create numerous jobs for the local people in the stage of planting and nurturing trees. It is estimated that HAGL projects will provide jobs for about 8,000 workers with the average monthly income of USD 250 per worker when these projects are stably harvested. According to the plan, within 3 coming years, HAGL will also build about 3,000 houses for workers (2 workers will be granted 1 house) with the total value of USD 3,500 for each house.

#### Infrastructure investment program for communities

The infrastructure investment program for the communities is implemented from 2013 to 2016. In immediate future, HAGL will execute the works as agreed with the communities during the direct meetings between the Leaders of HAGL and the local people, including essential works for the communities such as construction of roads, bridges, community houses,



Free medical examination and medicine distribution to people in Cambodia



Leaders of HAGL visited and talked to people around the project areas in Cambodia



Bati National Football Academy, Cambodia



Medical University - Hoang Anh Gia Lai Hospital

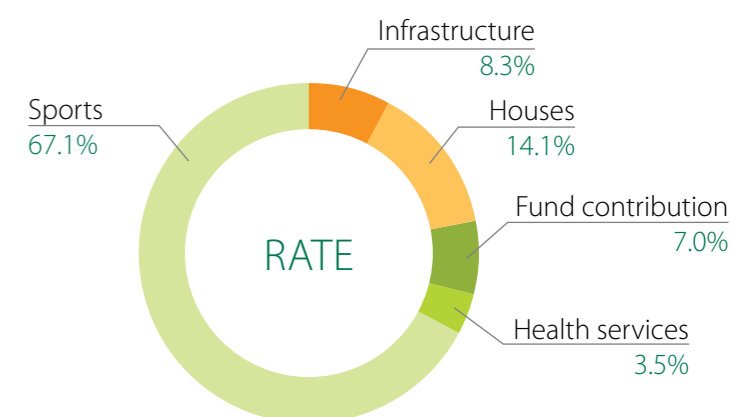
schools, wells, public toilets, and other financial supports with the total investment of up to USD 3 million. After the completion of the first stage, HAGL will continue to discuss with the communities about construction of other items for the next stage.

HAGL funded the Cambodian Football Federation to build up the Bati National Football Academy in Takeo Province. The total amount for this work was up to USD 4 million, which had been allocated for many items such as construction of academy, payment for coaches, recruitment, and training for the following years.

At the inauguration ceremony of Bati National Football Academy on 18 June 2013, after awarding the First-Grade Medal to HAGL's Board Chairman Doan Nguyen Duc, the Cambodia Prime Minister Hun Sen expressed: "I highly appreciated the fact that the investments of Vietnam businesses have helped contribute into the economic developments of Cambodia, especially Hoang Anh Gia Lai, a very responsible foreign investor with a methodical business strategy. HAGL Group has not only strictly complied with the local laws, respected local customs, protected the environment, created jobs and contributed to the national budget, but has also built many welfare facilities such as schools, medical centers, football academy, etc."

#### Results of the program for community development implemented in Cambodia in 2013

Sector	Amount (USD million)	Rate
Infrastructure	0.18	8.3%
Houses	0.30	14.1%
Fund contribution	0.15	7.0%
Health services	0.07	3.5%
Sports	1.50	67.1%
<b>Total</b>	<b>2.20</b>	<b>100%</b>





# EFFECTIVE BUSINESS IN ASSOCIATION WITH SUSTAINABLE DEVELOPMENT (continued)

## INVESTMENT IN COMMUNITY DEVELOPMENT – IMPROVEMENT OF SOCIAL LIFE (continued)



Vietnam President Truong Tan Sang, Secretary General cum President Choummaly Sayasone of Laos and Vietnam Deputy Prime Minister Nguyen Xuan Phuc attended the groundbreaking ceremony of HAGL project in Attapeu, Laos



The groundbreaking ceremony of Attapeu International Airport, Laos



Handover ceremony of a 200-bed-hospital in Attapeu, Laos

### IN LAOS

HAGL has implemented the community development program in Attapeu and Se Kong, Laos since 2008. Up to now, the Group has built up hundreds of kilometers of asphalted roads, gravel roads and electricity lines. HAGL is also developing two international airports in Attapeu and Hua Phan provinces. Up to the present time, HAGL has invested tens of million dollars to build up social works including a 200-bed-hospital, a primary school, 2,000 houses for the locality and a new administrative center in Phouvong district, Attapeu province. Previously, the Group financed Laos Government an amount of USD 19 million, including USD 4 million as a non-refundable grant and USD 15 million as a non-interest bearing loan which was gradually repaid over 3 years, to build the 25<sup>th</sup> SEA Games Athletes Village, and now this village has been changed to be used as dormitory for students of National University of Laos. The program of investing in infrastructures and improving the people's lives in Laos was basically completed. The orientation of community development programs in Laos of HAGL for the coming time is to tend to sustainable development, based on investment in health and education services, job provision, and raising people's incomes.



Mr. Somsavad Lengsavath  
Deputy Prime Minister of Laos

"I'm glad to see that Vietnam businesses have correctly implemented the agreements between the senior leaders of two parties and governments. Besides doing business, they have also the rare things, which are to contribute to build up schools and hospitals; hence, Laos government has highly appreciated the contributions of the Vietnam businesses. Some companies can be considered as the good examples such as HAGL, because they also built houses free of charge for people, or helped to build up bridges, hospitals and new towns. This has helped to improve the good relationships and showed the real solidarity between the two countries".

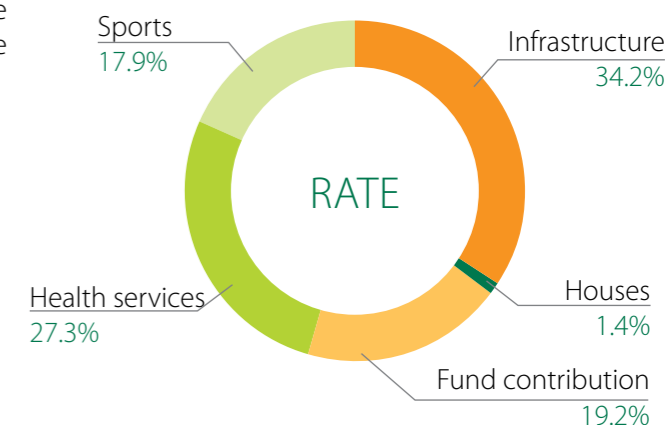


Mr. Khamphan Phommathath  
Secretary cum Governor of Attapeu province

"Since the time HAGL invested in Attapeu province, each of the Company's projects has made significant changes of traffic system, travelling system, and jobs for the local people. In this region, such changes in 2 or 3 years are remarkable. Before, we often joked by Lao word "át" - "át" means "close", "Áttapeu" means "an area closed and isolated". However, since there was a road connecting to Vietnam and many Vietnam businesses including HAGL made strong investments here, Attapeu has no longer "át", that means Attapeu has opened the door".

The community development program of the Group has been highly appreciated by Laos government, bringing practical benefits to the people, furthering the poverty alleviation movement, and contributing to the development of Attapeu province.

Sector	Amount (USD million)	Rate
Infrastructure	7.6	34.2%
Houses	0.3	1.4%
Fund contribution	4.3	19.2%
Health services	6.1	27.3%
Sports	4.0	17.9%
<b>Total</b>	<b>22.3</b>	<b>100%</b>





# EFFECTIVE BUSINESS IN ASSOCIATION WITH SUSTAINABLE DEVELOPMENT (continued)

## INVESTMENT IN COMMUNITY DEVELOPMENT – IMPROVEMENT OF SOCIAL LIFE (continued)

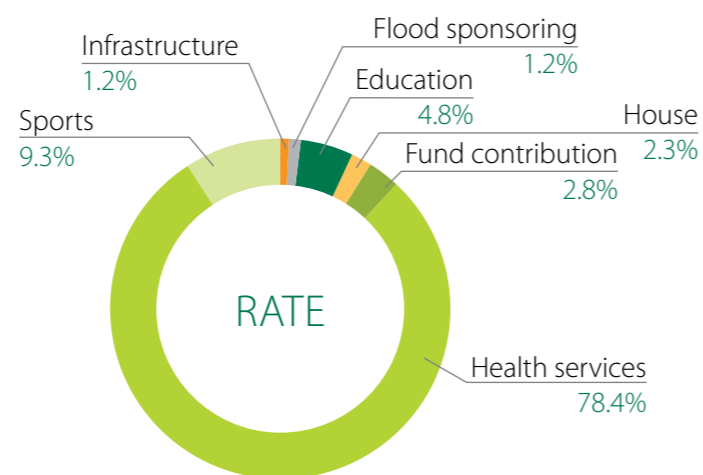
### IN VIETNAM

Up to now, the program of community development and social life improvement of HAGL in Vietnam has mainly focused on developing infrastructure, providing jobs for people, providing health care services, developing education services and supporting victims of floods, financing funds for poverty reduction and meeting many other practical needs, etc. with the total investment up to USD 15.31 million. In Gia Lai, HAGL has been building many cultural works, upgrading Pleiku stadium to become a modern entertainment and sport center. Especially, HAGL invested over VND 200 billion to build up a new 200-bed hospital with the technical and workforce supports of Ho Chi Minh City Medical University.

In September 2013, HAGL implemented program of giving free medical examination and medicine distribution to ethnic minority communities in Gia Lai province. Though this program, the doctors examined, selected and cured 55 cases of vision impairment with the total amount of about VND 200 million. In 2014, HAGL expects to perform the same program in the remaining communities.

With its long-term investment strategy, the first generation of football players of HAGL-Arsenal-JMG Football Academy, after 7 years of training, has become the key force of the U19 Vietnam Team. Right in the first time participating in competition, the U19 Vietnam Team won glorious victories such as winning the silver medal of Southeast Asia Championship, leading Group F in the qualification for AFC U19 Championship with a remarkable 5-1 victory against U19 Australia Team, which made millions of football fans in the country joyful and proud.

Sector	Amount (USD million)	Rate
Infrastructure	0.18	1.2%
Flood sponsoring	0.19	1.2%
Education	0.74	4.8%
House	0.35	2.3%
Fund contribution	0.42	2.8%
Health services	12.00	78.4%
Sports	1.43	9.3%
<b>Total</b>	<b>15.31</b>	<b>100%</b>



Free medical examination for Bana ethnic minority people



A victim of heart stabbing saved at Medical University – HAGL Hospital



Officers and staffs of HAGL visited and offered gifts to infant patients at Children's Hospital No.2



The program of eye examination and treatment for the poor



Giving scholarships to poor students at Bao Lam High School, Lam Dong province



A period of physical training at Le Anh Xuan Primary School – Dist.7 built by HAGL Group



# EFFECTIVE BUSINESS IN ASSOCIATION WITH SUSTAINABLE DEVELOPMENT (continued)

## Environment protection

As a business operating in two main sectors, i.e. agribusiness (rubber, sugarcane, oil palm, corn) and real estate, HAGL interacts directly with natural resources such as soil, water, etc. So, the Group is always aware of the importance of protecting the green and clean environment, and maintains the ecological equilibrium in the project areas.

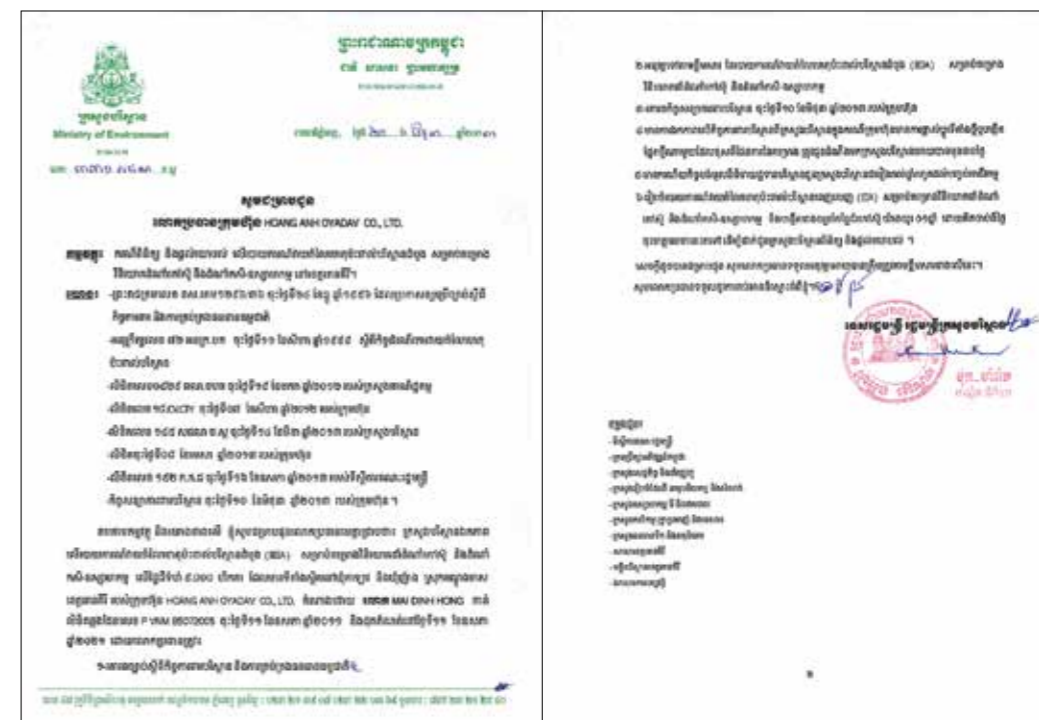
### Compliance with the laws on environment protection and natural resource management

- During the process of reclamation for planting industrial and agricultural trees, HAGL always requires its partners and subcontractors to comply with the project boundaries as granted by local governments, not to violate the buffer zone boundaries of the major rivers and streams in the project areas as well as wild animal and plant reservation areas as regulated. The legal bases include:
  - Land use right certificates/ lease or transfer contracts, and other accompanying documents
  - Approved maps with specific boundary outlines
  - Overlapped land use rights
  - Legal documents and maps
  - Advices from the competent state agencies
  - Exchanging information with local people
- Projects invested in by HAGL are mainly in the poor forests which were destroyed or were not able to grow well. The replacement of these poor forests with rubber trees, sugarcanes and oil palms help to make the bald hills green and to regenerate the green environment, to contribute in the improvement of environment, climate, water resource, and to prevent erosion.
- Actively leaving certain areas for wildlife preservation, Hoang Anh Attapeu Agriculture Development Co., Ltd. has built up a natural conservation area of about 50 ha with a lot of rare animals such as deers, wild boars, and many kinds of birds, etc.

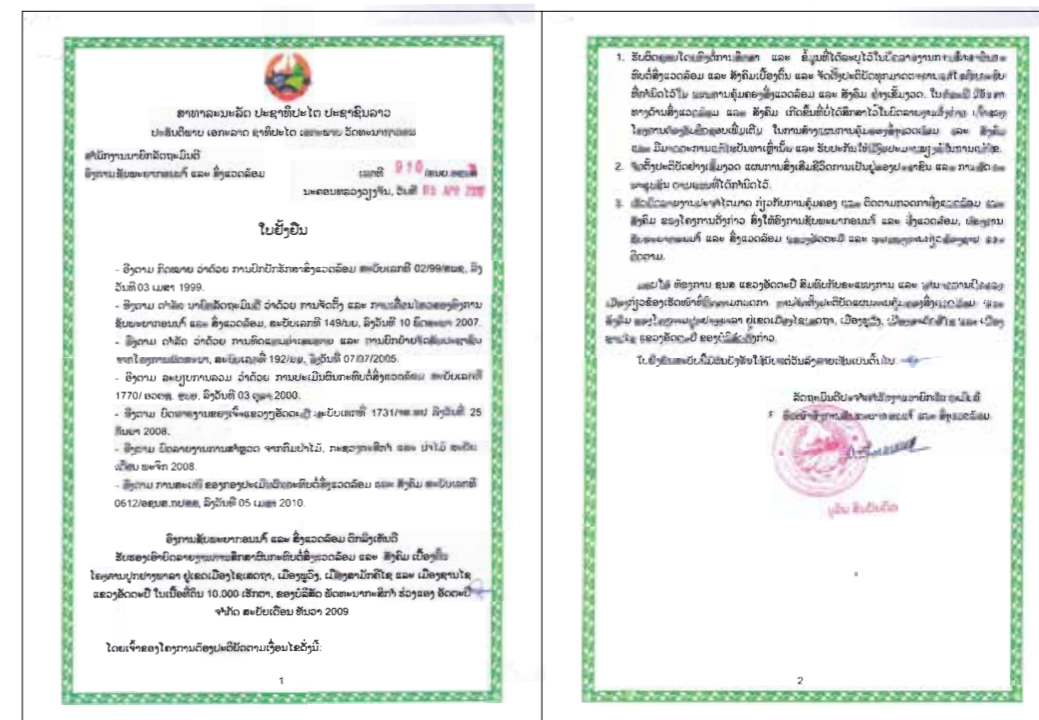
- HAGL's subsidiaries have not participated in any timber logging and processing activities. Timber is the property of Lao and Cambodian governments, not of the investors. And the reclamation for rubber tree planting must be based on the permission of the local governments.

However, after receiving a comment of a non-governmental organization on the negative impacts on the environment and society in Laos and Cambodia from HAGL's projects last year, the Leaders of HAGL Group have seriously developed the following programs:

- Actively stopping the reclamation from July 2013 to November 2013 in all the project areas until the assessments of environmental and social standard compliance were completed, and the legal requirements for environment impact assessments relating to the reclamation were clarified.
- Consulting social and environmental experts on land use and preservation planning for conservation areas and surrounding areas; identifying priority areas for conservations in HAGL's concessions; reviewing the reclamation plans in order to avoid causing affects on the top priority areas until obtaining the initial agreement on conservation management plan to create bio-diversity areas and conservation areas of high value.
- Discussing the selection of certificates of quality management, social and environmental management etc. and step by step applying these standards at HAGL's projects.



Environment Certificate of Cambodian Environment Department for HAGL's projects



Environment Certificate of Water Resource and Environment Agency of Laos for HAGL's projects



# EFFECTIVE BUSINESS IN ASSOCIATION WITH SUSTAINABLE DEVELOPMENT (continued)

## Environment protection (continued)

### Compliance with the laws on environment protection and natural resource management (continued)

Currently, HAGL is urgently focusing on applying the international standards in the period from 2014 to 2016 according to the specific certificate for each type of trees as follows:



- **ISO 9001:** Quality management system
- **SA 8000:** Social responsibility management system
- **ISO 14001:** Environmental management system
- **OHSAS:** Occupational health & safety for laborers
- **PEFC:** Sustainable rubber management

**RUBBER**

- **ISO 9001:** Quality management system
- **ISO 22000:** Food safety management system
- **RSPO:** Sustainable development of palm oil

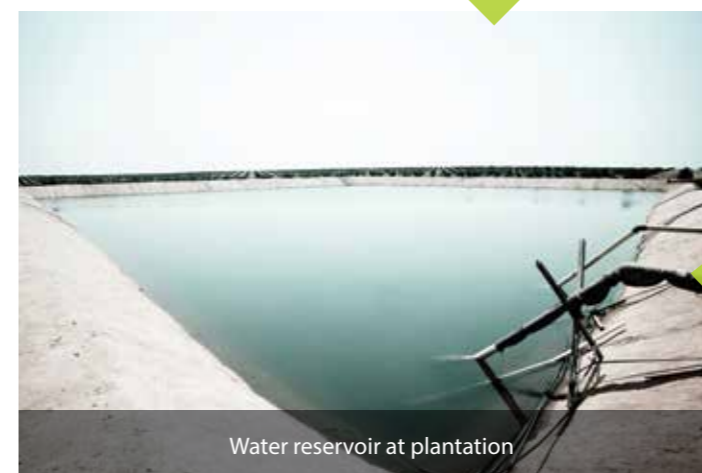
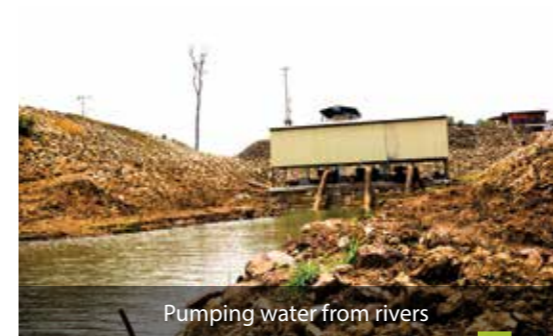
**OIL PALM**

- **ISO 9001:** Quality management system
- **ISO 14001:** Environmental management system
- **ISO 22000:** Food safety management system
- **Global GAP:** Management system of global good agricultural practices

**SUGARCANE**

### Application of modern technical and scientific advances to minimize environmental impacts

- The successful research and application of Israeli drip irrigation system combined with the suitable and scientific land fertilization in rubber, sugarcane, oil palm and corn projects have brought high economic benefits and minimized negative impacts on soil and water resources. This irrigation method is being encouraged to develop worldwide since the water demand is being an imperative issue in many areas.
- Hoang Anh Attapeu industrial sugarcane group not only produces sugar but also takes advantage of the by-products and the wastes during the manufacturing process to produce fertilizer to re-fertilize sugarcanes and rubber trees as well as to generate energy for factories and to connect to the national electric network. In addition, HAGL also re-uses the waste water from factories to water its rubber plantations. The creation of valuable chains in the sugarcane complex has brought high production efficiency and created products benefiting the environment.





# EFFECTIVE BUSINESS IN ASSOCIATION WITH SUSTAINABLE DEVELOPMENT (continued)

## Corporate administration

HAGL always complies with and applies the management standards related to its operations, and also commits to make all the Group's operations transparent. Since 2006, right after the equitization of the business, HAGL has separated the role of the Chairman and General Director into two independent positions held by two different persons. The Board of Directors (BOD) of the current term consists of seven members, including three non-executive members from foreign investment organizations, i.e. Jaccar and Dragon Capital, and a new independent member – Mr. Pornchai Lueang-a-pamong, a Thai Professor Doctor in Agribusiness, in accordance with the Circular 121 regarding corporate management. These independent members will have a neutral voice, protect minority shareholders and ensure the management of HAGL to be conducted in a fair and effective manner.

HAGL Group also focuses on the application of information technology in its management. In the past two years, HAGL has applied successfully the SAP enterprise resource planning system with the total investment of up to VND 140 billion. The SAP ERP system has helped the Group integrate all its business activities into a sole system and improve the economic and management efficiency. This has helped consolidate the reports effectively and ensure the compliance with the regulations on information disclosure on a sufficient and timely basis.

HAGL Group also focuses on the application of information technology in its management.



### 1. Corporate culture

During 21 years of establishment and development, the unity has created the strength of HAGL Group because HAGL has been aware that the human resource is the most important factor to contribute to the Group's success and sustainable development. The slogan "unity is power" is the unique corporate culture and also is the guideline for all of the Group's operations, which is shown vividly and specifically by:

**Behaviors between Leaders and employees:** HAGL's Leaders and employees regularly exchange information through meetings and friendly activities. HAGL's employees are encouraged to directly work, contribute opinions and make personal comments to their leaders. And HAGL's Leaders always listen and give appropriate guidelines to the employees in their works for the common goal of bringing success to the whole Group.

**Behaviors among employees:** to strengthen the spirit of co-operation among the employees of the company, HAGL regularly organizes courses of teambuilding and team-works in order to both improve the work efficiency and strengthen the solidarity among individuals.

**Behaviors between HAGL's employees and partners and customers:** HAGL organizes training courses on friendly and professional working methods in order to form a methodical and trusted working style of the employees towards customers and partners. Accordingly, this will increase the efficiency of transactions and negotiations of HAGL.



### 2. Working environment

To take full advantage of the strength of human resource, HAGL always concentrates on developing appropriate personnel policies and working environment in order to create the best conditions for employees to develop their capabilities.

#### Labor safety

- Providing material facilities, tools and labor safety equipment for workers on construction works, factories and plantations.
- Setting up health care sections at factories and construction works in order to timely provide first aids to staff and workers right at the workplace.
- Regularly inspecting, monitoring and publicizing labor safety works at construction works, factories and plantations.

#### Health care services

- Providing periodic medical examination for officers and employees 1 time per year.
- Providing periodic medical examination and treatment for officers and employees at Medical University - Hoang Anh Gia Lai Hospital: supporting 50% of medical examination costs for employees, 100% of treatment cost for the cases caused by occupational accidents.

#### Salary, bonus and welfare policies

In order to stimulate the working spirit as well as to promote the staffs' working creativity and efforts, HAGL has developed its salary and bonus policies based on such criteria as capacity, work performance, contribution to the Group's development and the value created by each position. The Group always ensures that the employees' income is higher than the common level as compared to that of the surrounding projects in order to help the employees have stable living standards and jobs, corresponding to their contributions to the Group.

The Group's Leaders always respect and treat equally to all the employees in the Group regardless of their sexes and homelands.

Besides salary, bonus and allowance policies, HAGL also implements other welfare regulations for officers and employees such as social insurance, health insurance, unemployment insurance as regulated by the Labor Code.

HAGL specially focuses on providing favorable working conditions to its officers and employees such as providing company buses, houses with special prices to employees having dedication and contribution to the Group for a certain time period but not having houses yet, building houses for workers at plantations and construction works, providing accommodations for employees working away from home, and providing essential equipment to create the most favorable conditions for the jobs.

### 3. Training policy

Currently, the main issue in of human resource of HAGL is the shortage of labor force with high professional knowledge to serve the rapid and sustainable development orientation of the Group. The reason of this problem arises from the general condition that the high technical capability and professional knowledge of the labor force in Vietnam and at the project areas is still limited. Being aware of this problem, HAGL has actively been looking for experienced and prestigious partners in consultancy and implementation of the assignments needing high professional skills. In addition, HAGL has appointed the key officers to participate in practical training programs. The most recent activity is the SAP Enterprise Resource Planning Solution Course, with the infrastructure provided by IBM and the consultancy and development by CSC (Computer Sciences Corporation), which is the clearest demonstration for the Group's decisions on investment in its key officers.

In addition, HAGL also encourages its staff to study by themselves to improve their own knowledge, organizes short-term internal training courses in order to develop the new technology and working processes as well as to share experiences, and regularly appoints staff to attend seminars or training courses held by other organizations.

With the long-term orientation of investment in foreign countries, HAGL has sent over 100 employees and students to the National Universities of Laos, Cambodia and Myanmar to study native languages and professional knowledges, and after graduating they will work directly at the projects of the Group.



## EFFECTIVE BUSINESS IN ASSOCIATION WITH SUSTAINABLE DEVELOPMENT (continued)

### **Compliance with and application of external standards and initiatives**

HAGL is one of a few large economic groups in Vietnam that has successfully mobilized a large amount of capital from domestic and international capital markets. The early approaching to the investors having strict requirements on Environment – Society – Governance (ESG) has raised the awareness of HAGL on how to achieve the ESG criteria.

One of the external initiatives applied by HAGL a long time ago is the environmental and social criteria of IFC and Dragon Capital.

During Dragon Capital's analysis for investment, HAGL was required by this partner to provide the documents and reports of social and environmental impact assessments of the projects and the approvals of the relevant state agencies to assess the compliance with IFC's regulations on environment and society. In addition, HAGL has organized field trips to the projects for the investors to assess the Group's compliance with the regulations of the host countries as well as the international requirements. Recently, to re-assert the compliance with the regulations on the environmental impacts during its operations in the project areas, HAGL invited two environmental organizations to assess the environmental impacts of HAGL's projects.

- On 2 July 2013, HAGL entered into a contract with Bureau Veritas Vietnam (BV), an organization providing diversified technical solutions and services including assessment, inspection, evaluation, registration and certification in the fields of quality management, safety, health, environment and social responsibility to carry out a model assessment on HAGL's 2 projects in Laos and Cambodia. The aim of this work is to clearly define the actual gaps between the current project status as compared to the requirements on sustainable forest management in compliance with the international standards about quality management, social responsibility, environment and employees' health, etc. such as SA 8000, ISO 14001, ISO 9001, OHSAS 18001, etc. for the rubber projects in Attapeu province, Laos and the palm oil projects in Cambodia.



Experts of Bureau Veritas Vietnam interviewed workers at Hoang Anh Attapeu Project, Laos.

- On 16 October 2013, HAGL and BirdLife International – the largest global partnership of conservation organization operating in 121 countries – formally entered into a co-operation contract. Accordingly, BirdLife International made investigations to specify the biodiversity in and nearby HAGL's project areas in Koun Mum district, Rattanakiri province, Cambodia to prepare a biodiversity management program for the project area. Following the outcome of the survey in April 2014, BirdLife International will set up a biodiversity management program for the project area, which comprises an action plan fulfilling the requirements resulting from the survey, a supervision plan with specific time and indicators for the matrices of habitats and the attributes of biodiversity in the setting of the project areas. Especially, this organization would conduct a survey on biodiversity in the remaining dipterocarp forests in the project areas and would give recommendations on sustainable development including forest corridors for the purpose of preserving the everlasting biodiversity values.



# Financial statements

Success  
Business

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## GENERAL INFORMATION

### COMPANY

Hoang Anh Gia Lai Joint Stock Company (“the Company”) was incorporated under the Law on Enterprise of Vietnam pursuant to Business Registration Certificate No. 3903000083 issued by the Department of Planning and Investment of Gia Lai Province on 1 June 2006 and twenty two (22) subsequent Amended Business Registration Certificates.

The current principal activities of the Company and its subsidiaries are developing apartments for sale and lease; construction; developing and operating rubber, sugarcane, palm oil and other plantations; developing and operating hydropower plants; mining; building and operating hotels and resorts; and sport and entertainment activities.

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

<i>Name</i>	<i>Position</i>	
Mr Doan Nguyen Duc	Chairman	
Mr Nguyen Van Su	Member	
Mr Doan Nguyen Thu	Member	
Mr Le Hung	Member	resigned on 19 August 2013
Mr Nguyen Van Minh	Member	
Ms Vo Thi Huyen Lan	Member	
Mr Vu Huu Dien	Member	
Mr Pornchai Lueang-a-papong	Member	appointed on 23 April 2013

## GENERAL INFORMATION (continued)

### BOARD OF SUPERVISORS

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

<i>Name</i>	<i>Position</i>	
Mr Nguyen Van Ton	Head	resigned on 19 August 2013
Mr Nguyen Xuan Thang	Member	
Mr Lam Hoang Hai	Member	

### MANAGEMENT

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

<i>Name</i>	<i>Position</i>	
Mr Nguyen Van Su	General Director	
Mr Doan Nguyen Thu	Deputy General Director	
Mr Le Van Ro	Deputy General Director	
Mr Tra Van Han	Deputy General Director	resigned on 30 September 2013
Mr Nguyen Van Minh	Deputy General Director	
Mr Vo Truong Son	Deputy General Director	

### LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr Nguyen Van Su.

### AUDITORS

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



## REPORT OF MANAGEMENT

Management of Hoang Anh Gia Lai Joint Stock Company (“the Company”) is pleased to present its report and the consolidated financial statements of the Company and its subsidiaries (collectively referred to as “the Group”) for the year ended 31 December 2013.

### MANAGEMENT’S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The management is responsible for the consolidated financial statements of each financial year of the Group which give a true and fair view of the consolidated state of affairs 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 for the year ended 31 December 2013.

### 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 2013 and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with the Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of consolidated financial statements.

For and on behalf of management:



Nguyen Van Su  
General Director

28 March 2014



Ernst & Young Vietnam Limited  
28th Floor, Bitexco Financial Tower  
2 Hai Trieu Street, District 1  
Ho Chi Minh City, S.R. of Vietnam

Tel: +84 8 3824 5252  
Fax: +84 8 3824 5250  
ey.com

Reference: 60752790/16353993/HN

## INDEPENDENT AUDITORS’ REPORT

To: **The Shareholders and the Board of Directors of Hoang Anh Gia Lai Joint Stock Company**

We have audited the accompanying consolidated financial statements of Hoang Anh Gia Lai Joint Stock Company (“the Company”) and its subsidiaries (collectively referred to as “the Group”) as prepared on 28 March 2014 and set out on pages 107 to 172, which comprise the consolidated balance sheet as at 31 December 2013, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

### Management’s Responsibility

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 preparation and presentation of consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation of 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 auditor considers internal control relevant to the entity’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 entity’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 audit opinion.



## INDEPENDENT AUDITORS' REPORT (continued)

### Opinion

In our opinion, 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 2013, 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 preparation and presentation of consolidated financial statements.

### Ernst & Young Vietnam Limited



Duong Le Anthony  
Deputy General Director  
Audit Practicing Registration Certificate  
No. 2223-2013-004-1

Ho Chi Minh City, Vietnam

28 March 2014



Le Vu Truong  
Auditor  
Audit Practicing Registration Certificate  
No. 1588-2013-004-1

B01-DN/HN

VND'000

Code	ASSETS	Notes	31 December 2013	31 December 2012
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>9,740,545,267</b>	<b>14,309,403,742</b>
<b>110</b>	<b>I. Cash and cash equivalents</b>	<b>5</b>	<b>2,448,256,022</b>	<b>2,518,419,171</b>
111	1. Cash		2,448,256,022	2,194,323,765
112	2. Cash equivalents		–	324,095,406
<b>120</b>	<b>II. Short-term investments</b>		<b>150,378,106</b>	<b>150,378,106</b>
121	1. Short-term investments		150,378,106	150,378,106
<b>130</b>	<b>III. Current accounts receivable</b>		<b>5,093,080,495</b>	<b>6,982,249,406</b>
131	1. Trade receivables	6	1,147,188,803	2,536,387,793
132	2. Advances to suppliers	7	1,470,759,027	3,093,883,253
135	3. Other receivables	8	2,475,449,720	1,354,726,410
139	4. Provision for doubtful debts		(317,055)	(2,748,050)
<b>140</b>	<b>IV. Inventories</b>		<b>1,838,005,832</b>	<b>4,265,374,475</b>
141	1. Inventories	9	1,838,005,832	4,265,427,959
149	2. Provision for obsolete inventories		–	(53,484)
<b>150</b>	<b>V. Other current assets</b>		<b>210,824,812</b>	<b>392,982,584</b>
151	1. Short-term prepaid expenses		30,704,885	79,458,594
152	2. Value-added tax deductible		41,154,924	79,079,104
154	3. Tax and other receivables from the State		8,236,685	1,948,988
158	4. Other current assets	10	130,728,318	232,495,898



## CONSOLIDATED BALANCE SHEET (continued)

as at 31 December 2013

B01-DN/HN

		VND'000		
Code	ASSETS	Notes	31 December 2013	31 December 2012
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>20,072,633,900</b>	<b>16,975,423,677</b>
<b>210</b>	<b>I. Long-term receivable</b>		<b>3,636,154,213</b>	<b>-</b>
218	1. Other long-term receivable	11	3,636,154,213	-
<b>220</b>	<b>II. Fixed assets</b>		<b>14,146,471,120</b>	<b>13,051,403,085</b>
221	1. Tangible fixed assets	12	3,623,079,264	2,907,046,483
222	Cost		4,074,652,762	3,331,218,473
223	Accumulated depreciation		(451,573,498)	(424,171,990)
224	2. Finance leases	13	-	13,652,261
225	Cost		-	21,273,991
226	Accumulated depreciation		-	(7,621,730)
227	3. Intangible fixed assets	14	90,772,161	180,126,133
228	Cost		94,484,888	185,518,415
229	Accumulated amortisation		(3,712,727)	(5,392,282)
230	4. Construction in progress	15	10,432,619,695	9,950,578,208
<b>240</b>	<b>III. Investment properties</b>		<b>14,751,160</b>	<b>-</b>
241	1. Cost		15,001,180	-
242	2. Accumulated depreciation		(250,020)	-
<b>250</b>	<b>IV. Long-term investments</b>		<b>814,896,380</b>	<b>3,054,499,013</b>
252	1. Investments in associates	17.2	203,448,669	211,930,887
258	2. Other long-term investments	18	611,447,711	2,842,568,126
<b>260</b>	<b>V. Other long-term assets</b>		<b>1,199,599,753</b>	<b>581,286,912</b>
261	1. Long-term prepaid expenses	19	1,048,001,738	371,294,803
262	2. Deferred tax assets	35.2	142,838,950	200,119,804
268	3. Other long-term assets		8,759,065	9,872,305
<b>269</b>	<b>VI. Goodwill</b>		<b>260,761,274</b>	<b>288,234,667</b>
<b>270</b>	<b>TOTAL ASSETS</b>		<b>29,813,179,167</b>	<b>31,284,827,419</b>

## CONSOLIDATED BALANCE SHEET (continued)

as at 31 December 2013

B01-DN/HN

		VND'000		
Code	RESOURCES	Notes	31 December 2013	31 December 2012
<b>300</b>	<b>A. LIABILITIES</b>		<b>16,293,243,365</b>	<b>20,461,252,831</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>4,959,270,788</b>	<b>7,066,899,905</b>
311	1. Short-term loans and borrowings	20	3,129,670,372	2,859,995,509
312	2. Trade payables	21	653,723,575	695,516,850
313	3. Advances from customers	22	218,383,350	1,766,346,329
314	4. Statutory obligations	23	165,941,406	557,797,665
315	5. Payables to employees		50,557,660	53,944,944
316	6. Accrued expenses	24	283,617,469	724,197,822
319	7. Other payables	25	457,376,956	375,964,407
320	8. Short-term provision		-	33,136,379
<b>330</b>	<b>II. Non-current liabilities</b>		<b>11,333,972,577</b>	<b>13,394,352,926</b>
333	1. Other long-term liabilities	26	152,606,314	10,450,410
334	2. Long-term loans and debts	27	11,128,674,385	13,271,515,733
335	3. Deferred tax liabilities	35.2	52,691,878	112,386,783
<b>400</b>	<b>B. OWNERS' EQUITY</b>	<b>28</b>	<b>12,852,649,118</b>	<b>9,753,290,246</b>
<b>410</b>	<b>I. Equity</b>		<b>12,852,649,118</b>	<b>9,753,290,246</b>
411	1. Share capital		7,181,546,930	5,373,710,490
412	2. Share premium		3,544,438,784	2,880,972,568
416	3. Foreign exchange differences		89,710,850	158,975,136
417	4. Investment and development fund		8,622,737	8,622,737
418	5. Financial reserve fund		230,027,423	223,672,692
420	6. Undistributed earnings		1,968,963,472	1,497,302,701
422	7. Consolidation reserve		(170,661,078)	(389,966,078)
<b>439</b>	<b>C. MINORITY INTEREST</b>	<b>29</b>	<b>667,286,684</b>	<b>1,070,284,342</b>
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>29,813,179,167</b>	<b>31,284,827,419</b>



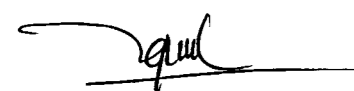
## CONSOLIDATED BALANCE SHEET (continued)

as at 31 December 2013

B01-DN/HN

### OFF BALANCE SHEET ITEM

ITEM	31 December 2013	31 December 2012
Foreign currencies		
- United States Dollar (USD)	39,226,812	3,319,155
- Laos KIP (LAK)	5,772,184,055	840,248,759
- Cambodia Riels (KHR)	118,953,569	8,905,161
- Euro (EUR)	1,458	1,106
- Thai Baht (THB)	2,586,556	11,572,623
- Myanmar Kyat (MMK)	565,967,201	-



Nguyen Thi Do Quyen  
Preparer

28 March 2014



Ho Thi Kim Chi  
Chief Accountant




Nguyen Van Su  
General Director

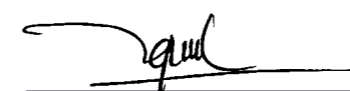
## CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2013

B02-DN/HN

VND'000

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenues from sale of goods and rendering of services	31.1	2,772,946,668	4,399,516,897
02	2. Deductions	31.1	(1,727,337)	(5,039,250)
10	3. Net revenues from sale of goods and rendering of services	31.1	2,771,219,331	4,394,477,647
11	4. Costs of goods sold and services rendered	32	(1,575,093,397)	(3,193,911,944)
20	5. Gross profit from sale of goods and rendering of services		1,196,125,934	1,200,565,703
21	6. Finance income	31.2	1,003,102,689	502,050,048
22	7. Finance expenses	33	(754,104,635)	(677,235,144)
23	- In which: Interest expenses		(591,863,715)	(494,957,341)
24	8. Selling expenses		(125,639,028)	(166,818,625)
25	9. General and administrative expenses		(274,660,179)	(244,769,554)
30	10. Operating profit		1,044,824,781	613,792,428
31	11. Other income	34	79,286,971	62,765,153
32	12. Other expenses	34	(125,608,111)	(152,663,685)
40	13. Other loss	34	(46,321,140)	(89,898,532)
45	14. Shares in profit of associates		-	994,870
50	15. Profit before tax		998,503,641	524,888,766
51	16. Current corporate income tax expense	35.1	(64,323,694)	(439,426,901)
52	17. Deferred income tax benefit	35.2	37,681,706	279,776,210
60	18. Net profit after tax		971,861,653	365,238,075
	Attributable to:			
61	18.1 Minority interests		125,789,457	15,273,829
62	18.2 Equity holders of the parent		846,072,196	349,964,246
70	19. Earnings per share			
	- Basic (VND)	30	1,315	651
	- Diluted (VND)	30	1,290	651



Nguyen Thi Do Quyen  
Preparer

28 March 2014



Ho Thi Kim Chi  
Chief Accountant




Nguyen Van Su  
General Director



## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2013

B03-DN/HN

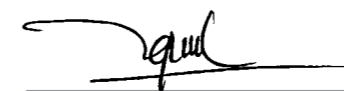
Code	ITEMS	Notes	VND'000	
			Current year	Previous year
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>				
01	<b>Profit before tax</b>		<b>998,503,641</b>	<b>524,888,766</b>
	<i>Adjustments for:</i>			
02	Depreciation and amortisation		326,449,089	224,663,248
03	Reversal of provision		(2,484,479)	(199,638)
04	Unrealised foreign exchange gains		(2,321,608)	(210,263)
05	Profits from investing activities		(951,063,355)	(308,336,257)
06	Interest expense	33	591,863,715	494,957,341
08	<b>Operating profit before changes in working capital</b>		<b>960,947,003</b>	<b>935,763,197</b>
09	Increase in receivables		(216,028,438)	(448,947,168)
10	(Increase) decrease in inventories		(816,730,490)	1,157,824,831
11	(Decrease) increase in payables		(835,358,508)	499,799,741
12	Increase in prepaid expenses		(109,973,491)	(198,883,059)
13	Interest paid		(738,861,795)	(335,461,063)
14	Corporate income tax paid	35.1	(286,002,969)	(623,468,952)
16	Other cash outflows from operating activities		(17,779,656)	(46,183,043)
20	<b>Net cash flows (used in) from operating activities</b>		<b>(2,059,788,344)</b>	<b>940,444,484</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>				
21	Purchases and construction of fixed assets		(4,743,278,710)	(5,897,608,163)
22	Proceeds from disposals of fixed assets		18,769,294	27,992,372
23	Loan to other entities		(635,277,950)	-
24	Collections from borrowers		84,480,000	-
25	Payments for investments in other entities		(2,245,973,876)	(608,540,291)
26	Proceeds from sale of investments in other entities		4,142,429,061	435,070,000
27	Interest and dividends received		163,664,903	209,888,825
30	<b>Net cash flows used in investing activities</b>		<b>(3,215,187,278)</b>	<b>(5,833,197,257)</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
31	Issuance of shares		1,052,599,770	-
31	Capital contribution from minority interest		178,200,000	23,683,717
33	Borrowings received		11,359,721,915	10,461,022,378
34	Borrowings repaid		(7,019,971,447)	(5,968,183,382)
36	Dividends paid to equity holders		(365,737,765)	(1,807,500)
40	<b>Net cash flows from financing activities</b>		<b>5,204,812,473</b>	<b>4,514,715,213</b>

## CONSOLIDATED CASH FLOW STATEMENT (continued)

for the year ended 31 December 2013

B03-DN/HN

Code	ITEMS	Notes	VND'000	
			Current year	Previous year
50	<b>Net decrease in cash and cash equivalents</b>		<b>(70,163,149)</b>	<b>(378,037,560)</b>
60	<b>Cash and cash equivalents at beginning of the year</b>		<b>2,518,419,171</b>	<b>2,896,456,731</b>
70	<b>Cash and cash equivalents at end of the year</b>	5	<b>2,448,256,022</b>	<b>2,518,419,171</b>



Nguyen Thi Do Quyen  
Preparer

28 March 2014



Ho Thi Kim Chi  
Chief Accountant




Nguyen Van Su  
General Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2013

B09-DN/HN

## 1. CORPORATE INFORMATION

Hoang Anh Gia Lai Joint Stock Company (“the Company”) is incorporated under the Law on Enterprise of Vietnam pursuant to Business Registration Certificate No. 3903000083 issued by the Department of Planning and Investment of Gia Lai Province on 1 June 2006 and twenty two (22) subsequent Amended Business Registration Certificates.

The current principal activities of the Group are developing apartments for sale and lease; construction; developing and operating rubber, sugarcane, oil palm and other plantations; developing and operating hydropower plants; mining; building and operating hotels and resorts; and sport and entertainment activities.

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

## 2. BASIS OF PREPARATION

### 2.1. Accounting standards and system

The consolidated financial statements of the Group expressed in thousands of Vietnam dong (“VND’000”), are prepared in accordance with the 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 balance sheet, consolidated income statement, consolidated cash flow statement and related notes, including their utilisation are not designed for those who are not informed about Vietnam’s accounting principles, procedures and practices and furthermore are not intended to present the consolidated financial position and consolidated results of operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

### 2.2 Applied accounting documentation system

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

### 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 consolidated financial statements are prepared in VND which is also the Company’s accounting currency.

### 2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries for the year ended 31 December 2013.

The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. Adjustments are made for any differences in accounting policies that may exist to ensure consistency between the subsidiaries and the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

B09-DN/HN

as at and for the year ended 31 December 2013

## 2. BASIS OF PREPARATION (continued)

### 2.5 Basis of consolidation (continued)

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

Minority 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 on which the Group obtains control and cease to be consolidated from the date on which the Group ceases to control. Where there is a loss of control over the subsidiaries, the consolidated financial statements still include results for the period of the reporting year during which the Group has control.

Except for subsidiaries acquired under common control which are accounted for under the pooling of interests method (*Note 3.12*), other subsidiaries have been included in the consolidated financial statements using the purchase method of accounting that measures the subsidiaries’ assets and liabilities at their fair value at the acquisition date.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

### 3.2 Receivables

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

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

### 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	– Actual cost 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

Apartments for sale under construction are carried at the lower of cost and net realisable value. Costs include all expenditures including borrowing costs, directly attributable to the development and construction of the apartments. Net realisable value represents current selling price less estimated cost to complete and estimated selling and marketing expenses.

Land held for development which is presented as part of “*Other long-term investments*” is carried at the lower of cost and net realisable value. Costs include all expenditures directly related to the acquisition, site clearance, and land compensation. Net realisable value represents estimated current selling price less anticipated cost of disposal.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Inventories (continued)**

*Provision for obsolete inventories*

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

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

**3.4 Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation.

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

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

When tangible fixed assets are sold or retired, their costs and accumulated depreciation are removed from the consolidated balance sheet and any gain or loss resulting from their disposal is included in the consolidated income statement.

**3.5 Intangible fixed assets**

Intangible fixed assets are stated at cost less accumulated amortisation.

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

Expenditures for additions, improvements are added to the carrying amount of the assets and

other expenditures are charged to the consolidated income statement as incurred.

When intangible fixed assets are sold or retired, their costs and accumulated amortisation are removed from the consolidated balance sheet and any gain or loss resulting from their disposal is included in the consolidated income statement.

*Land use rights*

The advance payment for land rental, of which the land lease contracts have effectiveness prior to 2003 and Land use right certificate being issued, are recorded as intangible asset according to Circular No. 45/2013/TT-BTC issued by the Ministry of Finance on 25 April 2013 guiding the management, use and depreciation of fixed assets ("Circular 45"). The costs of land use rights comprise all directly attributable costs of bringing the land to the condition available for use.

*Computer software*

Computer software which is not an integral part of hardware is recorded as intangible asset and amortised over the term of benefits.

**3.6 Depreciation**

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

Buildings and structures	10 – 50 years
Machinery and equipment	5 – 20 years
Motor vehicles	8 – 20 years
Office equipment	3 – 10 years
Land use rights	45 years
Computer software	5 years
Other assets	8 – 15 years

Land use right with indefinite useful life is not amortised.

Depreciation of rubber plantations is calculated in accordance with Official Letter 1937/BTC-TCDN issued on 9 February 2010 by Department of Business Finance – Ministry of Finance providing guidance on depreciation of rubber plantations and Decision 221/QD-CSVN issued on 27 April 2010 by Vietnam Rubber Group providing guidance on the depreciation rates applicable to rubber plantations within 20 years as follows:

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.6 Depreciation (continued)**

Year	Rate (%)
First year	2.50
Second year	2.80
Third year	3.50
Fourth year	4.40
Fifth year	4.80
Sixth year	5.40
Seventh year	5.40
Eighth year	5.10
Ninth year	5.10
Tenth year	5.00
Eleventh year	7.00
Twelfth year	6.60
Thirteenth year	6.20
Fourteenth year	5.90
Fifteenth year	5.50
Sixteenth year	5.40
Seventeenth year	5.00
Eighteenth year	5.50
Nineteenth year	5.20
Twentieth year	Remaining carrying value

**3.7 Investment properties**

Investment properties are stated at cost including transaction costs less accumulated depreciation.

Subsequent expenditure relating to an investment property that has already been recognized is added to the net book value of the investment property when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment property, will flow to the Group.

Depreciation of investment properties are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Buildings	50 years
-----------	----------

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the assets is recognised in the consolidated income statement in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. The transfer from investment property to owner-occupied property or inventories does not change the cost or the carrying value of the property for subsequent accounting at the date of change in use.

**3.8 Construction in progress**

Construction in progress represents costs attributable directly to the construction of the Group's buildings, offices for lease, plantations, hydropower, mining and software implementation which have not yet been completed as at the date of these consolidated financial statements.

*Plantation costs*

Plantation costs include attributable costs related directly to the rubber, sugarcane or palm oil plantations such as survey, land compensation, land clearance, nursery, rubber seeds, fertilizer, transportation of rubber seeds and other materials, workers' wages, building roads and fences, fire prevention and security guards, anti-biotic drugs and other related costs.

*Hydropower costs*

Costs include attributable costs related directly to the hydro power project such as land compensation, land clearance, dam construction, transmission line and other related cost.

*Mining costs*

Costs include attributable costs related directly to the minerals such as land compensation, land clearance to exploit the mine.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.8 Construction in progress (continued)**

*Software implementation*

Costs include attributable costs related directly to the software implementation such as software license, installation and training.

**3.9 Leased assets**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised in the consolidated balance sheet at the inception of the lease at the fair value of the leased assets or, if lower, at the net present value of the minimum lease payments. The principal amount included in future lease payments under finance leases are recorded as a liability. The interest amounts included in lease payments are charged to the consolidated income statement over the lease term to achieve a constant rate on interest on the remaining balance of the finance lease liability.

Capitalised financial leased assets are depreciated using straight-line basis over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Rentals under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the lease.

**3.10 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 capitalised 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.

**3.11 Prepaid expenses**

Prepaid expenses are reported as short-term or long-term prepaid expenses on the consolidated balance sheet which mainly include costs of bond issuance, prepaid rentals and cost of tools and supplies. 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.

- » Costs of bond issuance are amortised over the periods of bonds;
- » Prepaid land rental are amortised over the periods of land lease; and
- » Pre-operating expenses/start-up and preparation costs (including expenditures on training, advertising and promotional activities) and tools and supplies are amortised to the consolidated income statement over 3 to 5 years.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.12 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 a 10 year period on a straight-line basis.

When the Company acquires the minority interests of a subsidiary, the difference between the cost of acquisition and the carrying amount of the minority interest is reflected as goodwill in the consolidated balance sheet.

Where the acquisition of subsidiary which is not a business, instead of an asset acquisition, the individual identifiable assets acquired and liabilities assumed are identified and recognised. The cost of the acquisition shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

Where the business combinations involving entities or businesses under common control, the pooling of interest method is applied as follows:

- » The assets and liabilities of the combining entities are reflected at their carrying amounts;
- » No new goodwill is recognised as a result of the combination;
- » The consolidated income statement reflects the results of the combining entities for the full year, irrespective of when the combination took place; and
- » Comparatives are presented as if the entities had always been combined.

**3.13 Investments in associates**

The Group's investment in associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence that are 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 associates. Goodwill arising on acquisition of the associate is included in the carrying amount of the investment and is amortized over 10-year period. The consolidated income statement reflects the share of the post-acquisition results of operation of the associate.

The share of post-acquisition profit/(loss) of the associates is presented on face of the consolidated income statement and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2013

B09-DN/HN

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.14 Investments in securities and other investments

Investments in securities and other investments are stated at their acquisition costs. Provision is made for any diminution in value of the marketable investments at the balance sheet date representing the excess of the acquisition cost over the market value at that date in accordance with the guidance under Circular 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009.

Increases and decreases to the provision balance are recorded as finance expense in the consolidated income statement.

#### 3.15 Payable and accruals

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

#### 3.16 Accrual for severance allowance

The severance pay to employee is accrued at the end of each reporting year for all employees who have more than 12 months in service up to 31 December 2008 at the rate of one-half of the average monthly salary for each year of service up to 31 December 2008 in accordance with the Labour Code, the Law on Social Insurance and related implementing guidance. Commencing 1 January 2009, the average monthly salary used in this calculation will be revised at the end of each reporting year following the average monthly salary of the 6-month period up to the reporting date. Any increase to the accrued amount will be taken to the consolidated income statement.

This accrued severance pay is used to settle the severance allowance to be paid to employee upon severance of their labour contract following Article 48 of the Labour Code.

#### 3.17 Earnings per share

Basic earnings per share is computed by dividing net profit for the year attributable to ordinary equity holders of the Company before any appropriation of bonus and welfare fund by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit after tax attributable to ordinary shareholders of the Company (after adjusting for interest on the convertible bonds) 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.

#### 3.18 Foreign currency transactions

The Group follows the guidance under Vietnamese Accounting Standard No. 10 - Effects of Changes in Foreign Exchange Rates (the "VAS 10") and Circular No. 179/2012/TT-BTC providing guidance on recognition, measurement, treatment for foreign exchange differences issued by the Ministry of Finance on 24 October 2012 ("Circular 179") in relation to foreign currency transactions as applied consistently in prior year.

Transactions in currencies other than the Group's reporting currency of VND are recorded at the exchange rates ruling at the date of the transaction. At year-end, monetary assets and liabilities denominated in foreign currencies are revalued at buying exchange rate announced by the commercial bank where the Group maintains bank accounts at the balance sheet date. All realised and unrealised foreign exchange differences are taken to the consolidated income statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

B09-DN/HN

as at and for the year ended 31 December 2013

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.18 Foreign currency transactions (continued)

Realised and unrealised foreign exchange differences arising during the construction phase are recorded in the equity section of the consolidated balance sheet. Upon the completion of construction, all accumulated realised exchange differences arising during the construction period, and unrealised exchange differences arising upon translation of monetary items at the date of commencing operations, are transferred to prepaid expense in the consolidated balance sheet and amortised to finance income/expense over a period of 5 years.

The assets and liabilities of foreign entities are translated into VND at the rate of exchange ruling at the balance sheet date and their revenue, income and expense items are translated at the average exchange rate for the year. The exchange differences arising on the translation are taken directly to "Foreign exchange differences", a separate component of equity charge to the consolidated income statement upon the disposal of the investment.

#### 3.19 Appropriation of net profit

Net profit after tax is available for appropriation to shareholders after approval by the shareholders in the annual general meeting, and after making appropriation to reserve funds in accordance with the Group'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.

##### ► Financial reserve fund

Financial reserve fund is appropriated from the Group's net profit as proposed by the Board of Management and subject to shareholders' approval

at the Annual General Meeting. This fund is set aside to protect the Group's normal operations from business risks or losses, or to prepare for unforeseen losses or damages and force majeure, such as fire, economic and financial turmoil of the country or elsewhere.

##### ► Investment and development fund

Investment and development fund is appropriated from the Group's net profit as proposed by the Board of Management and subject to approval by shareholders at the Annual General Meeting. This fund is set aside for use in the Group's expansion of its operation or in-depth investments.

##### ► Bonus and welfare fund

Bonus and welfare fund is appropriated from the Group's net profit as proposed by the Board of Management and subject to shareholders' approval at the Annual General Meeting. This fund is set aside for the purpose of pecuniary rewarding and encouragement, common benefits and improvement of the employees' material and spiritual benefits and social activities.

#### 3.20 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.

For sale of apartments, revenue is recognized when all of the following criteria have been effectively met:

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.20 Revenue recognition (continued)**

- » The Group has transferred to the buyer the significant risks and rewards of ownership of the units;
- » The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the units sold;
- » The amount of revenue can be measured reliably;
- » It is probable that the economic benefits associated with the transaction will flow to the entity; and
- » The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**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 amount of work completed 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 and is stated net of discounts, allowances and non refundable taxes.

**Interest**

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

**Rental income**

Rental income arising from operating leases is accounted for on a straight line basis over the lease terms on ongoing leases.

**Dividend income**

Income is recognised when the Group's entitlement as an investor to receive the dividend is established.

**Sale of electricity**

Revenue is recognised based on the actual electricity sold and transferred to the grid at the pre-agreed tariff.

**Income from disposal of investments**

Income from disposal of investments is recognised when the investments transfer procedures are completed and the involving parties have fulfilled their respective contractual obligations.

**3.21 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 consolidated balance sheet date.

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

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.21 Taxation (continued)**

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the consolidated balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting 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 temporarily differences associated with investments in subsidiaries and associates, and interests in joint ventures 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 temporarily differences associated with investments in subsidiaries, associates, and interests in joint ventures, 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 income tax assets is reviewed at each consolidated 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 income tax asset to be utilised. Previously unrecognised deferred income tax assets are reassessed at each consolidated balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income 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 consolidated 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 set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority:

- » either the same taxable entity;
- » or when the Group intends either settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.22 Financial instruments**

*Initial recognition and presentation*

Financial assets

Financial assets within the scope of Circular No. 210/2009/TT-BTC issued by the Ministry of Finance on 6 November 2009 providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments ("Circular 210") are classified, for disclosures in the notes to the consolidated financial statements, as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at cost plus directly attributable transaction costs.

The Group's financial assets include cash and cash equivalents, trade and other receivables, loan receivables and unquoted financial instruments.

Financial liabilities

Financial liabilities within the scope of Circular 210 are classified, for disclosures in the notes to the consolidated financial statements, as financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at cost plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accruals, loans, borrowings and bonds.

**Financial instruments – subsequent re-measurement**

There is currently no guidance in Circular 210 in relation to subsequent re-measurement of financial instruments. Accordingly, the financial instruments are subsequently re-measured at cost.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**4. BUSINESS COMBINATIONS AND DISPOSAL OF EQUITY INTEREST**

**4.1 Additional acquisition of interest in Hoang Anh Me Kong Corporation and deemed disposal of partial interest in Hoang Anh Construction and Housing Development Joint Stock Company**

On 1 April 2013, the Company swapped 2,450,000 shares or approximately 1.225% of equity in Hoang Anh Construction and Housing Development Joint Stock Company ("HAH") held by the Company for the minority shareholders of Hoang Anh Me Kong Corporation ("HAMK") in exchange for 4,900,000 shares or approximately 49% of equity in HAMK held by these minority shareholders.

Accordingly, the Group gave up 1.225% of equity interest in HAH to the minority interest and gained further control of 49% in HAMK. The resulting difference of the exchange amounting to VND'000 37,683,107 has been recorded as financial income in the consolidated income statement. (Note 31.2).

**4.2 Disposal of all interest in Tay Nguyen Hydropower Company Limited**

On 24 May 2013, the Company and its subsidiary, Hoang Anh Gia Lai Hydropower Joint Stock Company ("HAHY"), incorporated and owned 98% interest in Tay Nguyen Hydropower Company Limited ("Tay Nguyen") pursuant to the Business Registration Certificate No. 5900963027 issued by the Department of Planning and Investment of Gia Lai Province.

**4. BUSINESS COMBINATIONS AND DISPOSAL OF EQUITY INTEREST (continued)**

**4.2 Disposal of all interest in Tay Nguyen Hydropower Company Limited (continued)**

HAHY sold all equity interest in Hoang Anh - Thanh Hoa Hydroelectric JSC and Hoang Anh Tona Hydropower JSC at par value VND 10,000 per share to Tay Nguyen on 31 May 2013 and 23 June 2013, respectively.

On 24 June 2013, the Company and HAHY sold all interest in Tay Nguyen to the minority shareholders of Tay Nguyen at the selling price of VND 2,099 billion. Accordingly, a gain resulting from this transaction amounting to VND'000 198,056,984 was recognised in the consolidated income statement. (Note 31.2).

**4.3 Disposal of all interest in Thanh Binh Construction Investment Consult Company Ltd**

On 24 June 2013, the Company purchased entire ownership of HAH, its subsidiary, in Thanh Binh Construction Investment Consult Company Ltd ("Thanh Binh") at the purchase price of VND'000 995,000,000. This amount was off-set with amount due from HAH.

On 26 June 2013, the Company sold all interest in Thanh Binh at the selling price of VND'000 1,105,000,000. Accordingly, a gain resulting from this transaction amounting to VND'000 150,094,604 was recognised in the consolidated income statement (Note 31.2). As at 31 December 2013, the Company already received VND'000 855,000,000 from this transaction (Note 8).

**4.4 Additional acquisition of interest in Gia Lai Mineral Joint Stock Company**

During the year, the Company's subsidiary, Hoang Anh Gia Lai Minerals Joint Stock Company, acquired additional 16.32% equity interest in its subsidiary, Gia Lai Mineral Joint Stock Company ("GLM") increasing its ownership from 83.5% to 99.77% for a total consideration of VND'000 28,546,000 and recognised a goodwill by VND'000 187,471.

**4.5 Additional acquisition of interest in Hoang Anh - Quang Minh Rubber Joint Stock Company**

On 10 August 2013, the Company's subsidiary, Hoang Anh Gia Lai Rubber Joint Stock Company, ("HACS") acquired additional 34.89% equity interest in its subsidiary, Hoang Anh - Quang Minh Rubber Joint Stock Company ("HAQM") increasing its ownership from 58.95% to 90.76% for a total consideration of VND'000 314,301,488.

Management assessed that the cost of acquisition represents the fair value of the rubber plantation owned by HAQM and the acquisition of additional interest in HAQM is primarily to increase its controlling stake in the rubber plantation owned by HAQM. As a result, the excess amounting to VND'000 221,161,519 of the purchase consideration over the net assets of HAQM on acquisition date was attributed to rubber plantation, and has been recognised in the consolidated balance sheet as part of the value of construction in progress.

**4.6 Disposal of equity interest in Hoang Anh Gia Lai Wooden Furniture JSC**

On 30 September 2013, the Company transferred its 69.76% equity interest in Hoang Anh Gia Lai Wooden Furniture JSC to Group's employees, Gia Bang Manufacturing-Construction and Services Joint Stock Company, Viet Dong Duong Joint Stock Company for a total proceeds of VND'000 191,027,500 and recognised a gain of VND'000 139,472,644 in the consolidated income statement. (Note 31.2).

**4.7 Disposal of all interest in Minh Thanh Company Ltd**

On 30 September 2013, the Company's subsidiary, HAH, disposed all of its equity interest in Minh Thanh Company Limited ("Minh Thanh") of 3% to Hoang Nguyen Investment Construction and Housing Development Joint Stock Company ("Hoang Nguyen"); Hoang Anh Me Kong Corporation ("HAMK") disposed all of its equity interest in Minh Thanh of 48.5% to Hoang Nguyen and 48.5% to Phu Hoang Anh Joint Stock Company ("Phu Hoang Anh") with total cash received was VND'000 129,000,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 4. BUSINESS COMBINATIONS AND DISPOSAL OF EQUITY INTEREST (continued)

#### 4.7 Disposal of all interest in Minh Thanh Company Ltd (continued)

On 30 September 2013, Phu Hoang Anh disposed all of its equity interest in Minh Thanh Company Limited of 48.5% to Mr Nguyen Anh Hoa and Hoang Nguyen disposed all of its equity interest in Minh Thanh Company Limited of 51.5% to Mr Duong Hoang Bac for a total proceeds of VND'000 201,000,000 and recognised a gain of VND'000 73,355,802 in the consolidated income statement. (Note 31.2).

#### 4.8 Additional acquisition of interest in Hoang Anh Gia Lai Rubber Joint Stock Company

On 1 October 2013, the Company's acquired additional 0.965% equity interest in its subsidiary, HACS increasing its ownership from 91.165% to 92.13% for a total consideration of VND'000 192,500,000.

Management assessed that the cost of acquisition represents the fair value of the rubber plantation owned by HACS and its subsidiaries and the acquisition of additional interest in HACS is primarily to increase its controlling stake in the rubber plantation owned by HACS and its subsidiaries. As a result, the excess amounting to VND'000 147,039,990 of the purchase consideration over the net assets of HACS and its subsidiaries on acquisition date was attributed to rubber plantation, and has been recognised in the consolidated balance sheet as part of the value of construction in progress.

#### 4.9 Additional acquisition of interest in Hoang Anh Gia Lai Cane Sugar Joint Stock Company

On 4 October 2013, the Company's subsidiary, HACS acquired additional 17.16% equity interest in its subsidiary, Hoang Anh Gia Lai Cane Sugar Joint Stock Company ("CSG") increasing its ownership from 76.3% to 92.12% for a total consideration of VND'000 700,149,450.

Management assessed that the cost of acquisition represents the fair value of the sugarcane plantation owned by CSG and its subsidiary and the acquisition of additional interest in CSG is primarily to increase

its controlling stake in the sugarcane plantation owned by CSG and its subsidiary. As a result, the excess amounting to VND'000 508,988,145 of the purchase consideration over the net assets of CSG and its subsidiary on acquisition date was attributed to sugarcane plantation, and has been recognised in the consolidated balance sheet as part of the value of sugarcane plantation.

#### 4.10 Initial public offering of An Phu Real Estate Investment Joint Stock Company

On 4 July 2013, the Company's subsidiary, HAH, transferred all its equity interest in An Phu Real Estate Investment Joint Stock Company ("An Phu") to the Company. On 20 September 2013, the Company additionally contributed VND'000 210,000,000 to An Phu. After that, HAH transferred all its ownership and equity interest in HAMK, Hoang Anh Far East Service Corporation, Phu Hoang Anh, An Tien Co., Ltd., Hoang Anh Real Estate Administrative Services Corporation, Hoang Anh Incomex Construction and Housing Development Co., Ltd., Phuc Bao Minh Trading Construction Services Corporation, Dong Nam Housing Business and Investment Corporation, Hoang Tho Materials Company Limited, Hoang Nguyen, Minh Tuan Trading and Services Co., Ltd. and Business Corporation Contract for development Phong Phu Village with Dai Loc Hung Thinh One Member Co., Ltd. and Tan Hai Travel Trading Services and Real Estate Trading and Investment Joint Stock Company to An Phu.

On 6 November 2013, the Company had an initial public offering of An Phu at par value to the existing shareholders in their proportion on 19 November 2013 according to Share Issuance Certificate No. 61/GCN-UBCK issued by State Securities Commission ("SSC"). In accordance with the decision of the Board of Director, the unsold share due to existing shareholders did not exercised their rights was offered to others. The initial public offering was approved by shareholders in writing as noted in the shareholders' resolution dated 9 October 2013. On 26 December 2013, this share issuance was completed and the Company submitted the result of the initial public offering to SSC in accordance with prevailing regulations. A total gain of VND'000 83,320,569 was recognised in the consolidated income statement. (Note 31.2)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 5. CASH AND CASH EQUIVALENTS

	VND'000	
	31 December 2013	31 December 2012
Cash in banks	2,435,619,548	2,183,888,168
Cash on hand	12,625,271	10,362,121
Cash in transit	11,203	73,476
Cash equivalents	–	324,095,406
<b>TOTAL</b>	<b>2,448,256,022</b>	<b>2,518,419,171</b>

The Group has also pledged portion of its cash in banks of VND'000 644,000,000 as security for the bank loans (Notes 20 and 27).

### 6. TRADE RECEIVABLES

	VND'000	
	31 December 2013	31 December 2012
Trade and service receivables	518,852,499	342,237,117
Construction receivables	341,234,465	788,038,634
Receivables from sale of apartments	287,101,839	1,406,112,042
<b>TOTAL</b>	<b>1,147,188,803</b>	<b>2,536,387,793</b>

Receivables from trade and service mainly represent amounts due from sale of sugar to Khamkuong Agricultural Development Limited Liability Company and Khansay Agricultural Development One Member Limited Liability Company amounting to VND'000 219,762,306 and VND'000 129,703,605, respectively. Trade receivable included amount due from related parties amounting to VND'000 13,667,419 (Note 36).

Construction receivable is mainly due from the Laos Government for construction of Attapeu International Airport amounting to VND'000 330,421,720.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 7. ADVANCES TO SUPPLIERS

	VND'000	
	31 December 2013	31 December 2012
Advances to contractors for construction of the Group's apartments and purchase of machinery and equipment (*)	923,600,419	2,431,241,163
Advances to subcontractors for two airport projects in Laos	343,822,272	–
Advances to suppliers of goods and services	186,531,336	229,748,263
Advances for acquisition of land and real estate projects	16,805,000	432,893,827
<b>TOTAL</b>	<b>1,470,759,027</b>	<b>3,093,883,253</b>

(\*) Advances to contractors were mainly due from related companies aggregating to VND'000 24,641,000 (Note 36) and HongKong Tongquing International Trading Limited Company VND'000 477,559,465 for hydropower projects in Attapeu.

### 8. OTHER RECEIVABLES

	VND'000	
	31 December 2013	31 December 2012
Receivables from other companies (i)	2,015,196,005	816,125,370
Receivables from disposal of investments (ii)	300,241,600	15,979,275
Receivables from employees (iii)	69,282,639	107,575,098
Short-term loans to the employees (iv)	36,200,000	82,975,489
Accrued interest on bank deposits	4,062,480	17,219,000
Receivables from Thanh Binh project	–	158,265,300
Others	50,466,996	156,586,878
<b>TOTAL</b>	<b>2,475,449,720</b>	<b>1,354,726,410</b>

(i) Receivables from other companies mainly represent the loans to Hoang Phuc Investment Construction and Housing Development JSC amounting to VND'000 637,651,066, advances for rubber plantation development costs amounting to VND'000 479,158,417 and loans to related parties aggregating to VND'000 118,354,567 (Note 36).

(ii) Receivables from disposal of investments mainly represent amounts due from the disposals of the total equity interest in Thanh Binh Construction Investment Consult Company Ltd, Hoang Anh Me Kong Corporation, Hoang Anh Gia Dinh Joint Stock Company, Hoang Anh Gia Lai Wooden Furniture JSC amounting to VND'000 250,000,000 (Note 4.3), VND'000 40,591,600, VND'000 7,500,000 and VND'000 2,150,000, respectively.

(iii) This represents advances to employees for business purpose.

(iv) These loans are unsecured, have term of repayments ranging from three to twelve months from the drawdown date and bear interest rates which are based on market and adjusted every six months.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 9. INVENTORIES

	VND'000	
	31 December 2013	31 December 2012
Apartments for sale under construction	957,001,711	2,903,942,225
Residential land lots of Minh Tuan project	–	583,076,481
Finished goods	40,230,451	91,035,980
Merchandise goods	5,133,256	27,049,012
Goods in transit	207,441	4,227
Goods on consignment	–	1,115,331
Work in process	270,092,870	231,468,300
Of which from:		
Manufacturing	227,831,981	117,642,312
Construction contract	41,041,408	110,435,703
Rendered services	1,219,481	3,390,285
Raw materials	327,951,382	397,288,182
Construction materials	133,836,649	13,400,320
Tools and supplies	103,552,072	17,047,901
<b>TOTAL</b>	<b>1,838,005,832</b>	<b>4,265,427,959</b>

All the apartments for sale under construction including the associated land have been mortgaged to secure the Group's outstanding borrowings (Note 27).

### 10. OTHER CURRENT ASSETS

	VND'000	
	31 December 2013	31 December 2012
Advances to employees for business purposes	129,085,477	230,089,464
Short-term deposits	1,642,841	2,406,434
<b>TOTAL</b>	<b>130,728,318</b>	<b>232,495,898</b>

### 11. OTHER LONG-TERM RECEIVABLES

Other long-term receivable represents a loan to An Phu Real Estate Investment Joint Stock Company ("An Phu") in accordance with loan agreement No. 01102013/HDV – HAGL dated 1 October 2013. This loan is guaranteed by Mr. Doan Nguyen Duc, Chairman of the Company. This loan has term of repayment of three years from drawdown date and bears an interest rate of 13% per annum. The purpose of this loan is to finance An Phu in buying real estate companies and projects from the Group following the Group's restructuring. In accordance with Agreement with An Phu No. 1510/2013/HDCC/HAGL – AP dated 15 October 2013, assets of An Phu have been used to secure this loan and the Company has the right to collect sale proceeds from disposal of assets, projects of An Phu.

12. TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Perennial trees	Other assets	Total
<b>Cost</b>							
Beginning balance	1,620,536,286	1,180,912,033	299,589,955	14,313,756	108,956,294	106,910,149	3,331,218,473
Additions	1,504,696,928	2,004,389,013	247,223,501	1,575,082	388,507,387	1,516,820	4,147,908,731
Transfer from construction in progress	1,494,471,407	1,910,914,588	-	-	388,105,993	-	3,793,491,988
Newly purchases	8,962,599	93,010,860	246,716,969	1,569,584	11,096	1,157,557	351,428,665
Foreign exchange differences	1,262,922	463,565	506,532	5,498	390,298	359,263	2,988,078
Decreases	(1,465,249,529)	(1,740,259,041)	(115,056,542)	(8,807,838)	(20,001)	(75,081,491)	(3,404,474,442)
Disposals	(407,289)	(17,200,575)	(17,566,483)	(2,509,624)	-	(214,125)	(37,898,096)
Disposals of subsidiaries	(1,455,718,979)	(1,712,564,377)	(135,590,992)	(1,828,034)	-	(7,232,861)	(3,312,935,243)
Reclassification	(7,594,687)	5,278,568	44,492,315	3,643,207	19,068	(65,386,112)	(19,547,641)
Other (*)	(1,528,574)	(15,772,657)	(6,391,382)	(8,113,387)	(39,069)	(2,248,393)	(34,093,462)
Ending balance	1,659,983,685	1,445,042,005	431,756,914	7,081,000	497,443,680	33,345,478	4,074,652,762
<b>Accumulated depreciation</b>							
Beginning balance	(118,298,932)	(200,594,667)	(81,187,225)	(7,837,048)	(3,970,328)	(12,283,790)	(424,171,990)
Charges for the year	(90,432,898)	(139,431,234)	(38,744,089)	(2,031,701)	(7,382,494)	(13,152,998)	(291,175,414)
Decreases	65,111,342	151,174,224	23,029,006	5,566,390	153,973	18,738,971	263,773,906
Disposals	1,597,826	10,997,177	5,943,969	1,312,446	-	334,587	20,186,005
Disposals of subsidiaries	64,114,134	114,920,162	19,145,281	1,514,481	-	4,185,939	203,879,997
Foreign exchange differences	14,063	(141,416)	(62,376)	(1,475)	(7,317)	(15,512)	(214,033)
Reclassification	(1,311,479)	18,968,476	(3,855,940)	(1,218,627)	139,132	13,468,828	26,190,390
Other (*)	696,798	6,429,825	1,858,072	3,959,565	22,158	765,129	13,731,547
Ending balance	(143,620,488)	(188,851,677)	(96,902,308)	(4,302,359)	(11,198,849)	(6,697,817)	(451,573,498)
<b>Net carrying amount</b>							
Beginning balance	1,502,237,354	980,317,366	218,402,730	6,476,708	104,985,966	94,626,359	2,907,046,483
Ending balance	1,516,363,197	1,256,190,328	334,854,606	2,778,641	486,244,831	26,647,661	3,623,079,264
In which:							
Pledged/mortgaged as loan security (Notes 20 and 27)	1,516,363,197	1,256,190,328	-	-	-	-	2,772,553,525

(\*) Reclassification in accordance with the requirements of Circular No. 45/2013/TT-BTC issued by the Ministry of Finance on 25 April 2013.

13. FINANCE LEASES

	Machinery & equipment	Motor vehicles	Total
<b>Cost</b>			
Beginning balance	5,970,000	15,303,991	21,273,991
Buy back	-	(7,890,355)	(7,890,355)
Disposals of subsidiaries	(5,970,000)	(7,413,636)	(13,383,636)
Ending balance	-	-	-
<b>Accumulated depreciation</b>			
Beginning balance	(2,035,415)	(5,586,315)	(7,621,730)
Charges for the year	(1,085,000)	(2,134,965)	(3,219,965)
Buy back	-	3,999,531	3,999,531
Disposals of subsidiaries	3,120,415	3,721,749	6,842,164
Ending balance	-	-	-
<b>Net carrying amount</b>			
Beginning balance	3,934,585	9,717,676	13,652,261
Ending balance	-	-	-

14. INTANGIBLE FIXED ASSETS

	Land use rights	Computer software	Total
<b>Cost</b>			
Beginning balance	176,422,887	9,095,528	185,518,415
Additions	26,029,659	175,490	26,205,149
Disposals	(52,681)	(411,160)	(463,841)
Disposals of subsidiaries	(19,849,656)	(140,807)	(19,990,463)
Reclassification (*)	(93,728,907)	(3,055,465)	(96,784,372)
Ending balance	88,821,302	5,663,586	94,484,888
<b>Accumulated amortisation</b>			
Beginning balance	(2,566,450)	(2,825,832)	(5,392,282)
Charges for the year	(2,313,311)	(786,676)	(3,099,987)
Disposals	6,867	379,946	386,813
Disposals of subsidiaries	1,178,175	75,740	1,253,915
Reclassification (*)	2,939,072	199,742	3,138,814
Ending balance	(755,647)	(2,957,080)	(3,712,727)
<b>Net carrying amount</b>			
Beginning balance	173,856,437	6,269,696	180,126,133
Ending balance	88,065,655	2,706,506	90,772,161
In which:			
Pledged/mortgaged as loan security (Notes 20 and 27)	88,065,655	-	88,065,655

(\*) Reclassification in accordance with the requirements of Circular No. 45/2013/TT-BTC issued by the Ministry of Finance on 25 April 2013.



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### 15. CONSTRUCTION IN PROGRESS

	VND'000	
	31 December 2013	31 December 2012
Rubber and palm oil plantations	6,505,562,684	4,537,710,906
Hoang Anh Gia Lai Myanmar Centre project	1,398,785,884	–
Hydro-power plants	997,413,700	2,408,631,295
Offices for lease	791,823,527	791,067,695
Mining facilities	247,371,197	219,154,090
Buildings, plants and factories	153,495,234	172,512,176
Computer hardware and SAP software under development	129,918,903	121,929,088
Sugarcane factory	–	1,409,276,938
Other construction works	208,248,566	290,296,020
<b>TOTAL</b>	<b>10,432,619,695</b>	<b>9,950,578,208</b>

Rubber and palm oil plantations, hydro-power plants and Hoang Anh Gia Lai Myanmar Centre project have been mortgaged to secure the Group's outstanding borrowings (Notes 20 and 27).

### 16. CAPITALISED BORROWING COSTS

During the year, the Group has capitalised borrowing costs amounting to VND'000 1,145,503,841 (year ended 31 December 2012: VND'000 1,067,138,917). These are costs incurred on the bank loans and bonds used to finance the construction and development of fixed assets, mining facilities, hydro power, rubber plantation and apartment projects.

### 17. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

#### 17.1 Investments in subsidiaries

Details of the Company's subsidiaries as at 31 December 2013 are as follows:

Name of subsidiaries	Location	Status of operation	Date of establishment or acquisition	% holding
<b>Real estate</b>				
(1) Hoang Anh Construction and Housing Development JSC	HCMC, Vietnam	Operating	4/6/2007	98.18
(2) Hoang Anh Gia Lai Myanmar Co., Ltd.	Yangon, Myanmar	Pre-operating	21/2/2013	98.18
(3) Hoang Anh Gia Lai (Bangkok) Co., Ltd.	Bangkok, Thai Lan	Pre-operating	2009	(i) 46.14

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### 17. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (continued)

#### 17.1 Investments in subsidiaries (continued)

Details of the Company's subsidiaries as at 31 December 2013 are as follows (continued):

Name of subsidiaries	Location	Status of operation	Date of establishment or acquisition	% holding
<b>Energy</b>				
(4) Hoang Anh Gia Lai Hydropower JSC	Gia Lai, Vietnam	Operating	5/6/2007	93.35
(5) Hoang Anh Dak Bla Hydropower JSC	Kontum, Viet Nam	Pre-operating	30/5/2007	91.48
(6) Hoang Anh Attapeu Power Co., Ltd.	Attapeu, Laos	Pre-operating	18/7/2011	93.35
(7) Nam Kong 3 Electric Co., Ltd.	Attapeu, Laos	Pre-operating	31/5/2013	93.35
(8) Power Construction Installation One Member Co., Ltd.	Gia Lai, Vietnam	Operating	25/7/2013	93.35
<b>Agriculture plantation</b>				
(9) Hoang Anh Gia Lai Rubber JSC	Gia Lai, Vietnam	Operating	26/5/2010	92.13
(10) Hoang Anh Gia Lai Import - Export Trading One member Co., Ltd.	Gia Lai, Vietnam	Operating	5/2/2013	92.13
(11) Hoang Anh Gia Lai Sugar Cane JSC	Gia Lai, Vietnam	Operating	26/1/2011	92.12
(12) Hoang Anh Attapeu Sugar Cane Co., Ltd	Attapeu, Laos	Operating	1/11/2011	92.12
(13) Hoang Anh - Quang Minh Rubber JSC	Gia Lai, Vietnam	Operating	1/2/2007	89.86
(14) Hoang Anh - Quang Minh Rubber Industrial and Agricultural Co., Ltd.	Attapeu, Laos	Operating	12/1/2007	89.86
(15) Gia Lai Industrial Forest Plantation JSC	Gia Lai, Vietnam	Pre-operating	9/9/2008	91.97
(16) Hoang Anh Dak Lak JSC	Dak Lak, Vietnam	Operating	12/9/2007	92.11
(17) Dak Lak Tan Dai Thang JSC	Dak Lak, Vietnam	Pre-operating	27/11/2010	78.29
(18) Ban Me Rubber JSC	Dak Lak, Vietnam	Pre-operating	15/1/2010	75.53
(19) Hoang Anh Attapeu Agriculture Development Co., Ltd.	Attapeu, Laos	Operating	22/5/2008	92.13
(20) Hoang Anh Andong Meas One Member Co., Ltd.	Rattanakiri, Cambodia	Pre-operating	17/2/2011	89.86
(21) Hoang Anh Oyadav Co., Ltd.	Rattanakiri, Cambodia	Pre-operating	16/7/2010	92.13
(22) Heng Brothers Co., Ltd.	Phnom Penh, Cambodia	Pre-operating	25/1/2010	92.13
(23) CRD Co., Ltd.	Phnom Penh, Cambodia	Pre-operating	15/12/2010	92.13
(24) Hoang Anh Rattanakiri Co., Ltd.	Rattanakiri, Cambodia	Pre-operating	18/11/2009	92.13

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### 17. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (continued)

#### 17.1 Investments in subsidiaries (continued)

Details of the Company's subsidiaries as at 31 December 2013 are as follows (continued):

Name of subsidiaries	Location	Status of operation	Date of establishment or acquisition	% holding
<b>Mining</b>				
(25) HAGL Mineral JSC	Gia Lai, Vietnam	Operating	8/12/2007	99.78
(26) Gia Lai Mineral JSC	Gia Lai, Vietnam	Operating	12/4/2007	99.77
(27) Hoang Anh GL – Kontum Mineral Co., Ltd.	Kontum, Vietnam	Operating	9/2/2010	99.78
(28) Hoang Anh Xekong Mineral Co., Ltd.	Attapeu, Laos	Pre-operating	15/10/2009	99.78
<b>Construction, trading and services</b>				
(29) Hoang Anh Gia Lai Sport JSC	Gia Lai, Vietnam	Operating	12/1/2009	69.88
(30) Central HAGL JSC	Da Nang, Vietnam	Operating	6/7/2007	51.85
(31) Hoang Anh Gia Lai Hospital JSC	Gia Lai, Vietnam	Operating	7/5/2008	99.00
(32) V&H Corporation (Lao) Co., Ltd.	Vientiane, Laos	Pre-operating	6/1/2009	80.00
(33) V&H Corporation Co., Ltd.	Vientiane, Laos	Pre-operating	27/3/2009	100.00
(34) Hoang Anh Gia Lai Bridge & Road JSC	Gia Lai, Vietnam	Operating	22/12/2009	55.12
(35) Hoang Anh Gia Lai Vientiane Co., Ltd.	Vientiane, Laos	Pre-operating	6/5/2010	100.00
(36) Hoang Anh Gia Lai Real Estate and Hotel Management JSC	Da Nang, Vietnam	Operating	27/7/2012	94.50

(i) The Group has more than 50% voting rights in this company

Pre-operating status means the subsidiary is still under investment stage and has not yet started its business operations as at 31 December 2013.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 17. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (continued)

#### 17.2 Investments in associates

Name of associates	Business activities	31 December 2013		31 December 2012	
		% holding	Carrying value VND'000	% holding	Carrying value VND'000
Bidiphar Rubber JSC	Rubber plantation	39.63	195,578,247	39.63	195,578,247
East Asia Investment and Construction Consultant JSC	Electric design and consultancy	25.00	7,870,422	25.00	7,870,422
Hoang Anh Gia Dinh JSC	Real estate	–	–	25.00	8,482,218
<b>TOTAL</b>			<b>203,448,669</b>		<b>211,930,887</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 18. OTHER LONG-TERM INVESTMENTS

	VND'000	
	31 December 2013	31 December 2012
Investments in Business Cooperation Contract ("BCC") for development of real estate projects (i)	189,857,250	1,199,857,250
Land held for development (ii)	133,012,372	1,426,399,155
Loan to Laos Government – Attapeu International Airport project (iii)	116,473,034	–
Loan to Laos Government – Seagame project (iv)	104,561,755	186,471,568
Investments in other companies	66,353,300	25,326,903
Others	1,190,000	4,513,250
<b>TOTAL</b>	<b>611,447,711</b>	<b>2,842,568,126</b>

(i) The ending balance of investment in BCC mainly represents BCC between Hoang Anh Construction and Housing Development Joint Stock Company, a subsidiary, and Tan Thuan Investment and Construction Co., Ltd. to develop an apartment building on an area of 28,127 square meters in District 7, Ho Chi Minh City. Under the BCC, the Group has 45% interest in the project.

(ii) The movement of land held for development during the current year follows:

	VND'000
Beginning balance	1,426,399,155
Disposals of subsidiaries	(1,293,386,783)
Ending balance	133,012,372

(iii) Loans to Laos Government – Attapeu International Airport project represents the interest-free loan in accordance with the Credit Contract signed with the Laos Government on 23 May 2013 to finance construction of Attapeu International Airport. This loan will be set off against with tax payable to the Laos Government in the future.

(iv) Loan to Laos Government – Seagame project represents the interest-free loan in accordance with the Memorandum of Understanding signed with the Laos Government on 4 April 2008. Details are as follows:

	US\$	
	Current year	Previous year
Beginning balance	8,958,949	14,055,426
Wood received during the year	–	(96,477)
Cash received during the year	(4,000,000)	(5,000,000)
<b>Ending balance</b>	<b>4,958,949</b>	<b>8,958,949</b>
<b>Ending balance (VND'000)</b>	<b>104,561,755</b>	<b>186,471,568</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 19. LONG-TERM PREPAID EXPENSES

	VND'000	
	31 December 2013	31 December 2012
Sugarcane plantation	745,483,127	109,065,107
Tools and supplies	64,127,739	61,125,655
Costs of bond issuance	31,004,520	147,062,464
Office rental fee	25,176,353	6,321,976
Selling expenses for apartments under construction	3,963,605	14,868,619
Others	178,246,394	32,850,982
<b>TOTAL</b>	<b>1,048,001,738</b>	<b>371,294,803</b>

### 20. SHORT-TERM LOANS AND BORROWINGS

	VND'000	
	31 December 2013	31 December 2012
Short-term loans from banks (Note 20.1)	1,284,739,129	1,449,340,439
Convertible bonds (Note 20.2)	1,100,000,000	–
Loans payable to other entities and individuals	10,011,601	32,100,000
	2,394,750,730	1,481,440,439
Current portion of long-term bank loans and bonds (Note 27)	734,919,642	1,378,555,070
<b>TOTAL</b>	<b>3,129,670,372</b>	<b>2,859,995,509</b>

#### 20.1 Short-term loans from banks

	VND'000	
	31 December 2013	31 December 2012
Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)	1,034,528,001	902,518,988
Bank for Investment and Development of Vietnam (BIDV)	148,500,000	261,291,969
Laos – Viet Bank	101,711,128	54,304,057
Vietnam Thuong Tin Commercial Bank (Vietbank)	–	161,275,000
Industrial and Commercial Bank of Vietnam (VietinBank)	–	47,583,035
Agriculture and Rural Development Bank of Vietnam (Agribank)	–	17,367,390
Saigon-Hanoi Commercial Joint Stock Bank (SHB)	–	5,000,000
<b>TOTAL</b>	<b>1,284,739,129</b>	<b>1,449,340,439</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 20. SHORT-TERM LOANS AND BORROWINGS (continued)

#### 20.1 Short-term loans from banks (continued)

The Group obtained these loans to finance its working capital requirements. These loans bear interest at floating rates and are secured by the Group's deposits, land use rights, plants, machinery and equipment and rubber plantations.

The terms and conditions of loans payable to banks are as follows:

Name of banks	31 December 2013	Term	Interest rate	Collateral (Notes 5, 12, 14 and 15)
	VND' 000			
<b>Vietcombank, Gia Lai branch</b>				
Loan contract No. 380/13/NHNT, 19/12/2013	300,000,000	1 month from the drawdown date	6.5% per annum	Term deposit of the company of VND'000 300,000,000
Loan contract No. 83/13/NHNT, 15/4/2013	249,308,616	8 months from the drawdown date	Floating rate	Unsecured
Loan contract No.217/13/NHNT, 03/9/2013	210,838,378	9 months from the drawdown date	Floating rate	Rubber plantations, land use right, building and structures at HAGL Hotel Da Nang Plaza
Loan contract No. 197/12/NHNT, 28/8/2012	176,766,860	9 months from the drawdown date	Floating rate	Rubber plantations, land use right, building and structures at HAGL Hotel Da Nang Plaza
Loan contract No. 161/13/NHNT, 26/6/2013	27,668,761	6 months from the drawdown date	Floating rate	Unsecured

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 20. SHORT-TERM LOANS AND BORROWINGS (continued)

#### 20.1 Short-term loans from banks (continued)

The terms and conditions of loans payable to banks are as follows (continued):

Name of banks	31 December 2013	Term	Interest rate	Collateral (Notes 5, 12, 14 and 15)
	VND' 000			
<b>Vietcombank, Kontum branch</b>				
Loan contract No. 139/13/NHNT, 16/10/2013	69,945,386	6 months from the drawdown date	Floating rate	Land use right and others assets.
<b>TOTAL Vietcombank</b>	<b>1,034,528,001</b>			
<b>BIDV, Gia Lai Branch</b>				
Loan contract No. 01/HD.HMTT-HAGL date 05/11/2013	148,500,000	From the drawdown date to 24 Jan 2014	7% per annum	Term deposit of the Company of VND'000 150,000,000
<b>Lao - Viet Bank, Attapeu Branch</b>				
Loan contract No. 028/LVB.NVKD/2012, 19/10/2012	101,711,128	9 months for each drawdown	11.25% per annum	A part of Hoang Anh Attapeu Hotel - owned by Hoang Anh Attapeu Agriculture Development Co., Ltd.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 20. SHORT-TERM LOANS AND BORROWINGS (continued)

#### 20.2 Convertible bonds

On 19 August 2010, the Board of Directors approved a detailed plan to execute the issuance of the convertible bonds amounting to VND 1,100 billion to Northbrooks Investments (Mauritius) Pte Ltd, an affiliate of Temasek Holdings Pte Ltd of Singapore in accordance with the terms and conditions stipulated in the shareholders' resolution dated 18 August 2010. On 31 August 2010, the Company issued VND 1,100 billion convertible bonds at par value of VND 1 million per unit. The bonds will be converted into equity at the bond holder's option upon maturity. Interest is waived if conversion option is exercised at a conversion price of VND 67,375 per share which is subject to dilutive events adjustments. Otherwise, interest is charged from the purchase date at the average 12-month saving deposit rate applicable to individuals of four local banks (Asia Commercial Bank, Sai Gon Thuong Tin Commercial Joint Stock Bank, Vietnam Technological and Commercial Joint Stock Bank, and Vietnam Export Import Commercial Joint Stock Bank) plus (+) 3% per annum determined at the issuance date (interest payable at maturity).

On 26 March 2013, the Company and Northbrooks Investments (Mauritius) Pte Ltd signed an amendment to the bond subscription agreement. Accordingly, the Terms and Conditions of the Convertible Bonds issued on 31 August 2010 were adjusted as follows:

- » Maturity: The maturity date is 31 August 2015.
- » Conversion Price: VND 25,000 per share and subject to adjustment.

- » Interest Rate: Deposit Rate plus 3% per annum; payable annually. "Deposit Rate" means the average of 1-year savings deposit rates for individuals quoted by Asia Commercial Bank, Sai Gon Thuong Tin Commercial Joint Stock Bank, Vietnam Technological and Commercial Joint Stock Bank, and Vietnam Export Import Commercial Joint Stock Bank on 19 August 2010, and will be adjusted annually.
- » Conversion and Anti-Dilution: The Convertible Bonds can be converted in whole or in part into the issued shares of the Company from 1 August 2013 until the Maturity Date. The conversion price may be adjusted to a lower price on the occurrence of any of the following: (i) issuance of bonus shares, (ii) share split, (iii) consolidation of shares, (iv) reclassification of shares, (v) declaration of any dividend, (vi) issue of new shares below the current market price per share and (vii) any other dilutive event.
- » Conversion Price as adjusted in accordance with the issuance of shares to existing shareholders at par value VND 10,000 per share at the ratio of 5:1, issuance of shares to convert international bond and dividend paid (*Note 28.1*) is VND 21,610 per share.
- » Right to request the Company to repurchase the Bonds: At any time from 31 August 2013 to Maturity Date, Convertible Bond holders have the right to request the Company to repurchase in part or in full the Convertible Bonds at an agreement price. Accordingly, these bonds were presented as short-term loan in the consolidated financial statements.
- » Purpose: to finance the Group's investment projects and its working capital requirements of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 21. TRADE PAYABLES

	VND'000	
	31 December 2013	31 December 2012
Payable for purchase of land use rights for Myanmar project	406,887,294	–
Payable for purchase of machinery, equipment and for plantation development	95,500,869	112,700,358
Payable for purchase of goods and services	78,341,349	328,252,060
Payable to construction contractors	36,104,500	223,089,594
Others	36,889,563	31,474,838
<b>TOTAL</b>	<b>653,723,575</b>	<b>695,516,850</b>

### 22. ADVANCES FROM CUSTOMERS

	VND'000	
	31 December 2013	31 December 2012
Advances from trade customers	122,618,815	246,113,638
Advances from customers for purchase of apartments	95,764,535	1,518,357,238
Others	–	1,875,453
<b>TOTAL</b>	<b>218,383,350</b>	<b>1,766,346,329</b>

### 23. STATUTORY OBLIGATIONS

	VND'000	
	31 December 2013	31 December 2012
Value-added tax payable	113,203,714	157,724,539
Corporate income tax ( <i>Note 35.1</i> )	41,272,980	375,700,758
Personal income tax	3,052,440	3,154,846
Natural resource tax	1,615,717	10,658,085
Others	6,796,555	10,559,437
<b>TOTAL</b>	<b>165,941,406</b>	<b>557,797,665</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 24. ACCRUED EXPENSES

	VND'000	
	31 December 2013	31 December 2012
Interest expenses	252,404,947	399,403,027
Operating costs	20,551,535	58,961,410
Construction costs for apartments	8,460,564	53,370,070
Land use right of Hoang Anh Golden House Project	–	160,000,000
Warranty and maintenance expenses	–	24,090,573
Others	2,200,423	28,372,742
<b>TOTAL</b>	<b>283,617,469</b>	<b>724,197,822</b>

### 25. OTHER PAYABLES

	VND'000	
	31 December 2013	31 December 2012
Payable to other companies	342,795,572	91,064,822
Payables to employees	32,301,225	26,236,036
Payable for apartments maintenance	9,120,312	85,024,791
Payable for land acquisition	–	42,964,000
Others	73,159,847	130,674,758
<b>TOTAL</b>	<b>457,376,956</b>	<b>375,964,407</b>

### 26. OTHER LONG-TERM LIABILITIES

	VND'000	
	31 December 2013	31 December 2012
Payable for land lease	142,992,536	–
Provision for severance allowance	6,810,112	7,156,661
Deposits received from tenants for office lease	2,803,666	3,235,249
Others	–	58,500
<b>TOTAL</b>	<b>152,606,314</b>	<b>10,450,410</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 27. LONG-TERM LOANS AND DEBTS

	VND'000	
	31 December 2013	31 December 2012
Long-term bank loans (Note 27.1)	4,538,856,810	4,918,082,340
Domestic straight bonds (Note 27.2)	4,146,073,000	3,930,000,000
Bonds with warrants to bond holders of Rubber (Note 27.3)	2,000,000,000	2,000,000,000
Exchangeable bonds (Note 27.4)	1,130,000,000	1,130,000,000
Convertible bonds (Note 20.2)	–	1,100,000,000
International straight bonds (Note 28.1)	–	1,520,711,335
Finance lease	–	10,351,691
Other loans	48,664,217	40,925,437
<b>TOTAL</b>	<b>11,863,594,027</b>	<b>14,650,070,803</b>
<i>In which:</i>		
Current portion of bank loans and bonds (Note 20)	734,919,642	1,378,555,070
Non-current portion	11,128,674,385	13,271,515,733

#### 27.1 Long-term bank loans

Details of the long-term bank loans are as follows:

	VND'000	
Name of banks	31 December 2013	31 December 2012
Bank for Investment and Development of Vietnam (BIDV)	1,736,952,598	2,835,303,206
Vietnam Export Import Commercial Joint Stock Bank (Eximbank)	1,480,598,700	–
Saigon Thuong Tin Commercial Bank (Sacombank)	678,828,433	1,109,300,465
Laos – Viet Bank	386,436,812	255,196,459
Asia Commercial Bank (ACB)	147,455,793	138,098,000
Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)	102,084,474	517,684,210
Industrial and Commercial Bank of Vietnam (VietinBank)	6,500,000	14,500,000
Agriculture and Rural Development Bank of Vietnam (Agribank)	–	48,000,000
<b>TOTAL</b>	<b>4,538,856,810</b>	<b>4,918,082,340</b>

The Group obtained these loans mainly to finance the construction and development of hydropower projects, rubber and sugarcane plantations, apartment projects, hotels and resorts and purchases of machinery and equipment.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 27. LONG-TERM LOANS AND DEBTS (continued)

#### 27.1 Long-term bank loans (continued)

Details of the long-term bank loans are as follows (continued):

Name of banks	31 December 2013	Term	Interest rate	Collateral (Notes 9, 12, 14 and 15)
VND'000				
<b>BIDV, Gia Lai branch</b>				
Loan Agreement No. 01/2010/HD-TD, 1/4/2010 (TK 62082370002035)	684,797,112	10.8 years from the first drawdown date	Reference rate plus 4.7% per annum	10,000 ha rubber at Attapeu province, Laos
<b>BIDV, Binh Dinh branch</b>				
Loan Agreement No. 01/2012/BIDV-HAGL_ Attapeu, 22/3/2012	670,773,983	72 months from the first drawdown date	12-month savings deposit interest rate of Vietcombank USD plus 3.5% per annum	Assets formed from the Loans and 18 million Company shares held by the Chairman
Loan Agreement No. 01/2013/BIDV-Attapeu, 18/2/2013	294,709,330	120 months from the first drawdown date	Reference rate plus 5% per annum	A part of 7,950 ha rubber and 2,000 ha Palm oil project at Attapeu province, Laos and all investment capital in Hoang Anh Attapeu Agriculture Development Co., Ltd.
Loan Contract No. 01/2013/ BIDV-Attapeu, 17/10/ 2013	73,733,359	132 months from the first drawdown date	Reference rate plus 5% per annum	Assets of Nam Kong 2 hydro- power project
Loan contract No. 01/2009/ HDTD 06/08/2009 (Account 63182000158703)	10,043,814	120 months from the first drawdown date	12-month savings deposit interest rate plus 4% per annum	All assets from Dak Psi 2B
Loan contract No 01/2009/ HDTD, 20/01/2009 (Account 63182000136338)	2,885,000	60 months from the first drawdown date	12-month savings deposit interest rate plus 4.5% per annum	All assets of concrete factory - period II
Loan contract No. 01/2007/ HDTD, 08/08/2007 (Account 63182000093530)	10,000	60 months from the first drawdown date	12-month savings deposit interest rate plus 4% per annum	All assets of concrete factory - period I
<b>TOTAL BIDV</b>	<b>1,736,952,598</b>			

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### 27. LONG-TERM LOANS AND DEBTS (continued)

#### 27.1 Long-term bank loans (continued)

Details of the long-term bank loans are as follows (continued):

Name of banks	31 December 2013	Term	Interest rate	Collateral (Notes 9, 12, 14 and 15)
VND'000				
<b>Eximbank - Exchange 1</b>				
Loan contract 2000-LAV-201302293, 18/4/2013	1,480,598,700	120 months from the first drawdown date	Three-month Libor rate in US\$ at the first drawdown date plus 7.8% per annum and adjusted every three months	Total value of future finished assets from the project "Hoang Anh Gia Lai Myanmar Commercial Centre project", right to collect receivable and other assets
<b>Sacombank, Da Nang branch</b>				
Loan Agreement No. LD1214500238, 24/5/2012	350,000,000	Repayment within 84 months from the drawdown date	Floating rate, 13% p.a for this year	Land use right and attached assets at Hai Chau District, Da Nang city
Loan Agreement No. 10270, 28/5/2009	97,404,676	Repayment within 72 months from the drawdown date	0.875%/month for the first six months; and will be determined at the 13 month deposit rate plus 0.36% per month for the following months, adjusted twice per annum	Land in Binh Hien, Binh Thuan, Da Nang; Land in Bau Thac Gian, Thac Gian, Da Nang; land in Hao Hai, Ngu Hanh Son, Da Nang
Loan Agreement No. LD 0931400065, 10/11/2009	33,750,000	120 months from the drawdown date	0.875%/month for the first month; and will be determined at the 13 month deposit rate plus 0.36%/month for the following months, adjusted once per month	Land in Phan Lang, An Khe, Thanh Khe, Da Nang
Loan Agreement No. 7683, 6/8/2007	19,000,000	120 months, repayable in 32 quarterly installments starting in December 2009	1.1% per month for the first six month; and will be determined at the 13 month saving deposit rate plus 0.45% per month, adjusted twice per annum	Land in Nguyen Van Linh, Hai Chau, Da Nang

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### 27. LONG-TERM LOANS AND DEBTS (continued)

#### 27.1 Long-term bank loans (continued)

Details of the long-term bank loans are as follows (continued):

Name of banks	31 December 2013	Term	Interest rate	Collateral (Notes 9, 12, 14 and 15)
	VND'000			
<b>Sacombank, Thu Duc branch</b>				
Loan contract No. LD1333200419, 29/11/2013	148,330,000	66 months from the drawdown date	Floating rate	Land use rights in Hoa Hai, Ngu Hanh Son, Da Nang; land in Nam Duong, Hai Chau, Da Nang
<b>Sacombank, Lao branch</b>				
Loan contract No. LD1314400007, 24/5/2013	30,343,757	120 months from the drawdown date	10%/year for the first year; and will be determined at the 13 month deposit rate plus 3% per year for the following year, adjusted twice per annum	Total value of assets from the project "Hoang Anh Gia Lai Vientiane hotel"
<b>TOTAL Sacombank</b>	<b>678,828,433</b>			
<b>Laos – Viet Bank</b>				
Loan Agreement No. 006/LVB.NVKD/2012, 20/3/2012	210,399,577	108 months from the last day of grace period (20 March 2015)	For US\$ loan: 9.5% per annum for the first year; and will be determined at medium loan, adjusted every six months For LAK loan: 13.5% per annum for the first twelve months; the interest rate of savings deposit with the term of 13 month plus 3% per annum for subsequent periods and adjusted every six months	Assets of Nam Kong 2 hydro- power project
Loan Agreement No. 025/LVB.NVKD/2012, 10/09/2012	95,682,318	48 months from the first drawdown date	13.5% per annum for the first year; and will be determined at the 12 month saving deposit rate plus 3% per annum, adjusted twice per annum	A part of Hoang Anh Attapeu Hotel and Rubber Latex Processing Factory - owned by Hoang Anh Attapeu Agriculture Development Co., Ltd
Loan Contract No. 056/2013/LVB-ATTAPEU, 19/9/2013	60,466,049	144 months from the first drawdown date	13.5%/year for the first year; and will be determined at the 13 month deposit rate plus 3% per year for the following year, adjusted twice per annum	Assets of Nam Kong 2 hydro power project

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 27. LONG-TERM LOANS AND DEBTS (continued)

#### 27.1 Long-term bank loans (continued)

Details of the long-term bank loans are as follows (continued):

Name of banks	31 December 2013	Term	Interest rate	Collateral (Notes 9, 12, 14 and 15)
	VND'000			
<b>Laos – Viet Bank (continued)</b>				
Loan Agreement No. 010/2013/LVB-ATTAPEU, 15/3/2013	19,888,868	120 months from the first drawdown date	12.5% per annum for the first twelve months; the interest rate of individual savings deposit with the term of 13 month plus 3% per annum for subsequent periods and adjusted every six months	A part of 7,950 ha rubber and 2,000 ha Palm oil project at Attapeu province, Laos
<b>TOTAL Laos – Viet bank</b>	<b>386,436,812</b>			
<b>ACB, Gia Lai branch</b>				
Loan Agreement No. GILDN02041110, 4/11/2010	147,455,793	120 months from the first drawdown date	Floating rate	19 million Hoang Anh Gia Lai Rubber JSC's shares and term deposit of the Company of VND'000 74,000,000
<b>Vietcombank, Gia Lai branch</b>				
Loan Agreement No. 183/11/NHNT, 9/9/2011	57,406,662	84 months from the first drawdown date	Floating rate	Assets on land, materials for the HAGL Hospital project and equipment
Loan Agreement No. 140/05A/NHNT, 27/6/2006	24,897,812	120 months from the first drawdown date	Floating rate	Land use rights and all assets of Da Nang Plaza project
Loan Agreement No. 116/11/NHNT, 14/11/2011	18,880,000	36 months from the first drawdown date, comprising a 6-month grace period and a 30-month repayment period	Floating rate	Machinery, equipment, transportation and others assets of mining project at Morai District, Sa Thay, Kontum



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### 27. LONG-TERM LOANS AND DEBTS (continued)

#### 27.1 Long-term bank loans (continued)

Details of the long-term bank loans are as follows (continued):

Name of banks	31 December 2013	Term	Interest rate	Collateral (Notes 9, 12, 14 and 15)
	VND'000			
<b>Vietcombank, Gia Lai branch (continued)</b>				
Loan Agreement No. 207/11/NHNT, 10/10/2011	900,000	36 months from the first drawdown date	Floating rate	Machinery and equipment
<b>TOTAL Vietcombank</b>	<b>102,084,474</b>			
<b>Vietinbank, Gia Lai branch</b>				
Loan Agreement No. 99/HDTD, 25/8/2006	6,500,000	96 months, repayable in 32 quarterly instalments starting on 25 March 2007	The 12-month deposit rate plus 3.00% per annum, and adjusted twice per annum on 1 February and 1 August	All assets at Hoang Anh Da Lat resort which were formed from and financed by the loan

#### 27.2 Domestic straight bonds

Outstanding domestic straight bonds aggregating to VND 4,146 billion comprised of bonds amounting to VND 500 billion, VND 1,700 billion, VND 850 billion, VND 146 billion and VND 950 billion as follows:

- (i) On 28 December 2011, the Company issued bonds aggregating to VND 500 billion (par value at 1 billion each unit). The bonds are payable after three (3) years from 28 December 2011 with interest rate of 18% for the first year and the interest rate for the subsequent years is average rate of 12-month saving interest rate paid in arrears quoted from four (4) commercial banks including Vietnam Bank for Agriculture and Rural Development - Gia Lai Province Branch, Vietnam Joint Stock Commercial Bank for Industry and Trade - Gia Lai Province Branch, Bank for Investment and Development of Vietnam - Gia Lai Province Branch, and Bank for Foreign Trade of Vietnam - Gia Lai Province Branch, plus a margin of 4% per annum. These bonds were issued to finance the working capital of the Company and finance its investments in projects including planting and cultivating the 10,000 ha rubber plantation in Rattanakiri province in Cambodia, planting and cultivating the 9,950 ha rubber and palm oil plantation in Attapeu province in Laos, construction of sugar factory with capacity of 7,000 tons of sugarcane per day, thermo-electric station with capacity of 30 MW and ethanol and microbial fertilizer production factory and construction of hydro power factory Nam Kong 2 with capacity of 66MW. The bonds are secured by land use right and 10,000 ha of rubber plantation of Hoang Anh Attapeu Agriculture Development Co., Ltd, the subsidiary, in Attapeu province of Laos.

These bonds were reclassified as current portion and presented in consolidated financial statements as short-term loan (Note 20).

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### 27. LONG-TERM LOANS AND DEBTS (continued)

#### 27.2 Domestic straight bonds (continued)

- (ii) On 25 April 2012, the Company announced the issuance of new bonds with a total value of VND 2,500 billion (the par value per bond is VND 100,000) which was arranged by ACB Securities Limited Company. These bonds will be repaid after five (5) years with an interest rate of 18.5% for the first year and the average of interest rate of individual savings deposit in Vietnam dong with the term of thirteen (13) months plus margin of 6.5% per annum for subsequent periods. The Company has issued the bonds to Vietnam Thuong Tin Commercial Joint Stock Bank, ACB Securities Limited Company and Vietnam Export Import Commercial Joint Stock Bank in accordance with the contract dated 26/04/2012, contract No. 01/HDMBTP.12 dated 14/05/2012 and contract number 1506/2012/HD/EIB-HAGL dated 18/06/2012 with total proceeds of VND 450 billion, VND 450 billion, and VND 800 billion, respectively. Accordingly, total proceeds from these bond issuances were VND 1,700 billion.

The proceeds from the bond issuance were used to finance investment projects of the Group including the project of planting 10,000 hectares of new rubber trees in Rattanakiri Province, Cambodia; projects of sugar cane, thermal power, ethanol and locate fertilizer plants in Attapeu, Lao People's Democratic Republic; Dak Srong 3A hydropower project, 10.2 MW capacity, in Krong Pa District, Gia Lai, Vietnam; Nam Kong 2 hydropower project, 66MW capacity, at Phou Vong District, Attapeu, Laos and to restructure existing debts of the Group. The bonds are secured by 72.7 million Company shares held by the Chairman.

- (iii) On 17 August 2012, the Company issued VND 850 billion straight bonds at par value of VND 1 billion per unit which will be redeemable at par value on 17 August 2015. The bonds bear interest rate of 16% per annum in the first interest payment period and by the average of 12-month VND individual savings deposit interest rate quoted by Gia Lai branches of four commercial banks, including Agribank Gia Lai Branch; Vietcombank Gia Lai Branch; BIDV Gia Lai Branch and Vietinbank Gia Lai Branch at each Interest Rate Determination Date plus a margin of 5% per annum. The interest is payable on semi-annual basis falling on 17 February and 17 August. The proceeds were used to finance the working capital requirements and to pay the debts of the Company. The bonds are secured by land lease right and related assets 4,897.54 hectares in Attapeu and Sekong, Lao People's Democratic Republic held by Hoang Anh - Quang Minh Rubber Industrial and Agricultural Co., Ltd.

- (iv) On 25 April 2013, the Company announced the issuance of new bonds with a total value of VND 450 billion (the par value per bond is VND 100,000) which was arranged by ACB Securities Limited Company. These bonds will be repaid after three (3) years with an interest rate of 15% for the first year and the average of interest rate of individual savings deposit in Vietnam dong with the term of thirteen (13) months announced by Orient Commercial Joint Stock Bank of latest three months plus margin of 6% per annum for subsequent periods. As at the balance sheet date, the Company has issued the bonds to Orient Commercial Joint Stock Bank in accordance with number 01/2013/HDMBTP/OCB-DT dated 25/04/2013 with total proceeds of VND 146 billion. The proceeds from the bond issuance were used to finance investment projects of the Group and to restructure existing debts of the Group. The bonds are secured by 13.34 million Company shares held by the Chairman.

**27. LONG-TERM LOANS AND DEBTS (continued)**

**27.2 Domestic straight bonds (continued)**

(v) On 9 July 2013, the Company announced the issuance of new bonds with a total value of VND 950 billion (the par value per bond is VND 1 billion) which was arranged by Joint Stock Commercial Bank for Investment and Development of Vietnam. These bonds will be repaid after three (3) years with an interest rate of 14% for the first year and the average of interest rate of individual saving deposit in Vietnam dong with the term of twelve (12) months announced by four commercial banks in Gia Lai Branch, including Vietnam Bank for Agriculture and Rural Development - Gia Lai Branch, Joint Stock Commercial Bank for Foreign Trade of Vietnam - Gia Lai Branch, Joint Stock Commercial Bank for Investment and Development of Vietnam - Gia Lai Branch, Vietnam Joint Stock Commercial Bank for Industry and Trade - Gia Lai Branch plus margin of 5% per annum for subsequent periods. As at 9 July 2013, the Company has issued the bonds to Joint Stock Commercial Bank for Investment and Development of Vietnam in accordance with the contract dated 9 July 2013 with total proceeds of VND 950 billion. The proceeds from the bond issuance were used to finance investment projects of the Group and to restructure existing debts of the Group. The bonds are secured by 72.66 million shares of the Company held by the Chairman and the term deposit of VND 120 billion at Joint Stock Commercial Bank for Investment and Development of Vietnam - Gia Lai Branch.

**27.3 Bonds with warrants to bond holders of Rubber**

On 5 December 2012, Hoang Anh Gia Lai Rubber Joint Stock Company ("HACS"), a subsidiary, announced the issuance of new bonds with a total value of VND 2,000 billion (the par value per bond is VND 100 million) which was arranged by Vietnam Prosperity Bank Securities Company Limited ("VPBS"). These bonds will be repaid after three (3)

years and one year grace period. Interest rate is paid for every quarter at the rate 11.37% per annum for the first three quarter and the ceiling interest rate of deposit of the State Bank of Vietnam ("SBV") in Vietnam dong with the term from one to twelve (12) month plus margin of 3% per annum for subsequent periods. Should SBV remove the ceiling interest rate of saving deposit in Vietnam dong with the term from one to twelve (12) month, the interest rate of individual saving deposit in Vietnam dong with the term of twelve (12) months announced by Vietnam Prosperity Bank plus margin of 3% per annum for subsequent periods will be applied. HACS has issued the bonds to EuroCapital Securities Company in accordance with the contract dated 7 December 2012, 25 December 2012 and 27 December 2012 with total proceeds of VND 750 billion, VND 450 billion and VND 800 billion, respectively. Accordingly, total proceeds from these bond issuances were VND 2,000 billion. The purpose of this bond issuance is to finance investment projects of HACS including the project of planting 28,173 hectares of new rubber trees in Rattanakiri Province, Cambodia; projects of planting 9,470 hectares palm oil in Rattanakiri Province, Cambodia; projects of planting 25,000 hectares rubber trees and palm oil in Attapeu and Sekong, Laos; projects of planting 5,000 hectares rubber trees in Attapeu and Sekong, Laos; projects of planting 3,000 hectares sugarcane trees in Attapeu and Sekong, Laos; to restructure existing debts of the Company and finance working capital and finance other investment projects of HACS. These bonds are secured by 143 million HACS shares held by the Company.

In addition, a warrant was granted for every bond issued and the warrants will be considered independent securities with bond after being granted. Each warrant grants the holder the right to purchase a number of shares of HACS equivalent to 0.000775% of actual contributed share capital of HACS right after all warrants are exercised. Should all warrants be exercised HACS committed that warrant holders will own at least 15.5% ownership in HACS. The exercisable period of the warrant is four (4) years from the date of issuance of the warrant.

**27. LONG-TERM LOANS AND DEBTS (continued)**

**27.4 Exchangeable bonds**

On 15 July 2011, the Group issued Exchangeable Bonds amounting to VND'000 1,130,000,000 to Northbrooks Investments (Mauritius) Pte Ltd, as follows:

- » Par value per bond: 1,000,000 VND.
- » Number of bonds: 1,130,000.
- » Maturity: 4 years from the Closing Date with the bondholder's rights to extend by two years in certain events.
- » Coupon: Coupon is payable annually based on the interest rate determined as follows:

**Interest rate = 5% x (1 + Changing in Exchange Rates)**

"Change in Exchange Rates" means the change in exchange rate of US\$ against VND quoted by HSBC on the Closing Date and on the date falling two Business Days prior to the Interest Payment Date.

If the calculation of interest rate as defined above is not permitted under the applicable regulations, the interest rate shall be calculated in accordance with the following formula:

**Interest = 5% x (1+y)<sup>n</sup>**

where "y" means (i) a rate to be agreed upon by the Investor and the Group at least five (5) Business Days prior to the first day of the Interest Payment Period, or (ii) in the event the Investor and the Group are unable to reach an agreement, ten percent (10%).

"n" means the number of Interest Payment Periods which have elapsed from the Closing Date up to and including such Interest Payment Period.

- » Exchange: The Bondholder has the right to exchange the Bonds in whole or in part into a number of Shares of Hoang Anh Gia Lai Rubber Joint Stock Company held by the Company at any time commencing on (i) the date of Listing of these Shares or (ii) the third anniversary of the Closing Date, whichever is later, and expiring on (i) the Maturity Date or (ii) the date immediately preceding the sixth anniversary of the Closing Date in the event the maturity of the Bonds is extended.
- » Purpose: To finance the Group's investment projects and its working capital requirements of Hoang Anh Gia Lai Rubber Joint Stock Company.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 28. OWNERS' EQUITY

#### 28.1 Increase and decrease in owners' equity

	Share capital	Share premium	Consolidation reserve	Foreign exchange difference	Investment and development fund	Financial reserve fund	Undistributed earnings	Total
Beginning balance as at 1 January 2012	4,672,805,900	2,880,972,568	(389,966,078)	139,176,056	8,622,737	219,861,914	1,867,109,891	9,398,582,988
Issuance of dividend shares for existing shareholders	700,904,590	-	-	-	-	-	(700,904,590)	-
Net profit for the year	-	-	-	-	-	-	349,964,246	349,964,246
Remuneration of the Board of Directors, Supervisors and Secretary	-	-	-	-	-	-	(1,663,799)	(1,663,799)
Foreign exchange differences	-	-	-	19,799,080	-	-	(5,445,459)	14,353,621
Appropriation to financial reserve fund	-	-	-	-	-	3,810,778	(3,810,778)	-
Appropriation to bonus and welfare fund	-	-	-	-	-	-	(7,946,810)	(7,946,810)
<b>Ending balance as at 31 December 2012</b>	<b>5,373,710,490</b>	<b>2,880,972,568</b>	<b>(389,966,078)</b>	<b>158,975,136</b>	<b>8,622,737</b>	<b>223,672,692</b>	<b>1,497,302,701</b>	<b>9,753,290,246</b>

VND'000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 28. OWNERS' EQUITY (continued)

#### 28.1 Increase and decrease in owners' equity (continued)

	Share capital	Share premium	Consolidation reserve	Foreign exchange difference	Investment and development fund	Financial reserve fund	Undistributed earnings	Total
Beginning balance as at 1 January 2013	5,373,710,490	2,880,972,568	(389,966,078)	158,975,136	8,622,737	223,672,692	1,497,302,701	9,753,290,246
Issuance of shares to existing shareholders (*)	1,074,742,100	(22,142,330)	-	-	-	-	-	1,052,599,770
Issuance of shares to convert international bond (**)	733,094,340	685,608,546	-	-	-	-	-	1,418,702,886
Net profit for the year	-	-	-	-	-	-	846,072,196	846,072,196
Remuneration of the Board of Directors, Supervisors and Secretary	-	-	-	-	-	-	(5,166,510)	(5,166,510)
Dividend paid (***)	-	-	-	-	-	-	(359,077,347)	(359,077,347)
Foreign exchange differences	-	-	-	(67,443,999)	-	-	-	(67,443,999)
Disposals of subsidiaries	-	-	219,305,000	(1,820,287)	-	-	-	217,484,713
Appropriation to financial reserve fund	-	-	-	-	-	6,354,731	(6,354,731)	-
Appropriation to bonus and welfare fund	-	-	-	-	-	-	(3,812,837)	(3,812,837)
<b>Ending balance as at 31 December 2013</b>	<b>7,181,546,930</b>	<b>3,544,438,784</b>	<b>(170,661,078)</b>	<b>89,710,850</b>	<b>8,622,737</b>	<b>230,027,423</b>	<b>1,968,963,472</b>	<b>12,852,649,118</b>

VND'000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 28. OWNERS' EQUITY(continued)

#### 28.1 Increase and decrease in owners' equity (continued)

(\*) The Company offered 107,474,210 shares to existing shareholders as at 8 April 2013 at a ratio of 5:1 (i.e. purchase 1 new share at par value VND 10,000 per share for every 5 shares held). The issuance was executed under the Resolution of Annual Shareholders Meeting No. 0401/13/NQDHDCD-HAGL dated 4 January 2013 and the share issuance certificate No. 06/GCN-UBCK dated 21 March 2013 issued by State Securities Commission. On 3 June 2013, the Company fully received VND'000 1,074,742,100 for this share issuance. Accordingly, the Company has recorded the additional share capital and the corresponding increase in cash by the same amount. Cost of this issuance amounting to VND'000 22,142,330 has been recorded as negative share premium.

(\*\*) On 28 May 2013, the Company issued 73,309,434 shares to convert US\$ 75 million international bonds. The issuance was executed under the Resolution of Annual Shareholders Meeting No. 0401/13/NQDHDCD-HAGL dated 4 January 2013, official letter No. 1551/UBCK-QLPH dated 23 April 2013 issued by State Securities Commission and share subscription agreement dated 10 May 2013. Accordingly, the Company has recorded the additional share capital of VND'000 733,094,340, increase share premium of VND'000 685,608,546 after deduction arrangement fee and other issuance costs and the corresponding decrease in international bond by VND'000 1,562,100,000.

(\*\*\*) During the year, the Company declared and paid a cash dividend at 500 VND per share aggregating to VND'000 359,077,347 from profit after tax of the year 2012. This dividend was approved by shareholders in writing as noted in the shareholders' resolution dated 9 October 2013. Accordingly, the Company has recorded the reduction in undistributed earnings of VND'000 359,077,347.

#### 28.2 Shares

	31 December 2013 Shares	31 December 2012 Shares
Shares authorised to be issued	718,154,693	537,371,049
Shares issued and fully paid	718,154,693	537,371,049
<i>Ordinary shares</i>	718,154,693	537,371,049
Outstanding shares	718,154,693	537,371,049
<i>Ordinary shares</i>	718,154,693	537,371,049

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 29. MINORITY INTERESTS

	VND'000	
	Current year	Previous year
Beginning balance	1,070,284,342	684,639,622
New capital contributions	178,200,000	23,683,717
Share of profit during the year	125,789,457	15,273,829
Purchase of shares in subsidiaries	(356,096,398)	(35,204,371)
Disposal of subsidiaries or partial interest in subsidiaries	(344,230,299)	200,751,358
Acquisition of interest in Thanh Binh	–	179,767,687
Others	(6,660,418)	1,372,500
<b>Ending balance</b>	<b>667,286,684</b>	<b>1,070,284,342</b>

### 30. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Basic earnings per share are calculated as follows:

	Current year	Previous year
Net profit attributable to ordinary shareholders of the parent (VND'000)	846,072,196	349,964,246
Weighted average number of ordinary shares during the year for basic earnings per share	643,579,238	537,371,049
<b>Basic earnings per share (VND)</b>	<b>1,315</b>	<b>651</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 30. EARNINGS PER SHARE (continued)

Diluted earnings per share amounts are calculated by dividing the net profit after tax attributable to ordinary shareholders of the Company (after adjusting for interest on the convertible bonds) 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. A diluted earnings per share is calculated as follows:

	Current year
Net profit attributable to ordinary equity holders of the parent (VND'000)	846,072,196
Interest after tax on convertible bonds (VND'000)	49,703,125
<b>Net profit attributable to ordinary equity holders adjusted for the effect of dilution (VND'000)</b>	<b>895,775,321</b>
Weighted average number of ordinary shares during the year for basic earnings per share	643,579,238
Adjusted weighted average number of potential shares from convertible bonds	50,902,360
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>694,481,598</b>
<b>Diluted earnings per share (VND)</b>	<b>1,290</b>

As disclosed in Note 20.2 to the consolidated financial statements, on 31 August 2010, the Company issued VND 1,100 billion convertible bonds at par value of VND 1 million per unit. The convertible bonds could potentially dilute basic earnings per share in the future as calculated for the year ended at 31 December 2013, but were not included in the calculation of diluted earnings per share for the year ended at 31 December 2012, because these are anti-dilutive for 2012.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 31. REVENUES

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

	VND'000	
	Current year	Previous year
<b>Gross revenues</b>	<b>2,772,946,668</b>	<b>4,399,516,897</b>
<i>Of which:</i>		
Sales of sugar	837,961,442	–
Revenue from construction contracts	533,453,472	477,247,523
Sale of goods	330,804,601	352,166,056
Sale of apartments	247,491,194	2,829,431,254
Sale of rubber latex	240,864,613	46,400,000
Sale of minerals	231,537,085	361,618,402
Rendering from services	229,331,472	193,658,122
Sale of electricity	121,502,789	138,995,540
<b>Less</b>	<b>(1,727,337)</b>	<b>(5,039,250)</b>
Sales returns	(964,595)	(4,588,461)
Special consumption tax	(413,120)	(400,671)
Sales discount	(349,622)	(50,118)
<b>Net revenues</b>	<b>2,771,219,331</b>	<b>4,394,477,647</b>
<i>Of which:</i>		
Sales of sugar	837,961,442	–
Revenue from construction contracts	533,453,472	477,197,405
Sale of goods	329,840,007	349,683,286
Sale of apartments	247,491,194	2,829,431,254
Sale of rubber latex	240,864,613	46,400,000
Sale of minerals	231,187,463	359,512,711
Rendering of services	228,918,351	193,257,451
Sale of electricity	121,502,789	138,995,540

#### 31.2 Finance income

	VND'000	
	Current year	Previous year
Gain on disposal of equity and other investments	644,393,403	216,439,735
Interest income from loans to other companies	164,174,317	98,246,798
Interest income from deposits with banks	109,908,851	169,951,450
Foreign exchange gains	45,838,762	11,354,362
Swap share income (Note 4.1)	37,683,107	–
Others	1,104,249	6,057,703
<b>TOTAL</b>	<b>1,003,102,689</b>	<b>502,050,048</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 31. REVENUES (continued)

#### 31.2 Finance income (continued)

Gain on disposal of equity and other investments pertain to the following disposals:

	VND'000
Gain on disposal of the Company's and HAHY's equity interest in Tay Nguyen (Note 4.2)	198,056,984
Gain on disposal of the Company's equity interest in Thanh Binh (Note 4.3)	150,094,604
Gain on disposal of the Company's equity interest in Hoang Anh Gia Lai Wooden Furniture JSC (Note 4.6)	139,472,644
Gain on disposal of the Company's equity interest in An Phu Construction JSC (Note 4.10)	83,320,569
Gain on disposal of the Company's equity interest in Minh Thanh Company Ltd (Note 4.7)	73,355,802
Other	92,800
<b>TOTAL</b>	<b>644,393,403</b>

### 32. COSTS OF GOODS SOLD AND SERVICES RENDERED

	VND'000	
	Current year	Previous year
Cost of sugar	300,525,071	–
Cost of construction contracts	297,383,655	357,620,421
Cost of goods sold	240,577,950	247,283,498
Cost of apartments sold	208,717,437	2,070,059,522
Cost of rubber latex	75,746,037	17,357,518
Cost of minerals	178,187,239	271,388,135
Cost of services rendered	217,765,238	177,853,599
Cost of electricity	56,190,770	52,349,251
<b>TOTAL</b>	<b>1,575,093,397</b>	<b>3,193,911,944</b>

### 33. FINANCIAL EXPENSES

	VND'000	
	Current year	Previous year
Interest expense on bank loans and bonds	591,863,715	494,957,341
Bond issuance expenses	51,075,365	57,306,871
Foreign exchange loss	42,267,160	11,185,120
Loss from shares swap	–	64,779,570
Others	68,898,395	49,006,242
<b>TOTAL</b>	<b>754,104,635</b>	<b>677,235,144</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 34. OTHER INCOME AND EXPENSES

	VND'000	
	Current year	Previous year
<b>Other income</b>	<b>79,286,971</b>	<b>62,765,153</b>
Proceeds from disposal of assets	18,769,294	27,992,372
Compensation received	9,760,133	–
Others	50,757,544	34,772,781
<b>Other expenses</b>	<b>(125,608,111)</b>	<b>(152,663,685)</b>
Penalty expenses	(40,595,266)	(57,181,079)
Net carrying amounts of disposed assets	(17,789,119)	(55,631,432)
Depreciation of idle assets	(12,735,644)	(15,702,048)
Others	(54,488,082)	(24,149,126)
<b>NET</b>	<b>(46,321,140)</b>	<b>(89,898,532)</b>

### 35. CORPORATE INCOME TAX

The Company has the obligation to pay corporate income tax ("CIT") at the rate of 25% of taxable profits.

The Group's subsidiaries located at Laos and Cambodia have the obligations to pay CIT at the rates of 24% and 20%, respectively, of their taxable profits. They are also entitled to CIT exemption and reduction in accordance with their respective business registration certificates, investment licences and applicable tax regulations.

The Group's 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 be changed at a later date upon final determination by the tax authorities.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit 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 never taxable or deductible. The Group's liability for current tax is calculated using applicable tax rates that have been enacted by the balance sheet date.

The CIT expense for the year comprised of:

	VND'000	
	Current year	Previous year
Current tax expense	64,323,694	439,426,901
Deferred tax income	(37,681,706)	(279,776,210)
<b>TOTAL</b>	<b>26,641,988</b>	<b>159,650,691</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 35. CORPORATE INCOME TAX (continued)

#### 35.1 Current tax

	VND'000	
	Current year	Previous year
<b>Profit before tax</b>	<b>998,503,641</b>	<b>524,888,766</b>
<b>Adjustments to increase (decrease) accounting profit</b>		
<i>Adjustments to increase</i>		
Cost of sale generated which is tax exempt	895,674,654	147,678,434
Loss from subsidiaries	340,190,246	706,563,904
Expenses without adequate supporting documents	12,428,132	52,669,994
Accrual expenses	8,495,023	65,312,205
Revenue from sale of apartments recognised in prior years and billed this year	–	1,719,446,856
Cost of investment exceeding net carrying value of Hoang Anh Golden House project and Phu Hoang Anh 1 project capitalised as land cost at acquisition of these projects at consolidation	–	286,936,593
The difference in the book values of the minority shares in HACS effectively swapped with equivalent HAH shares	–	64,779,570
Others	107,980,722	91,669,754
<i>Adjustments to decrease</i>		
Revenue from sale which is tax exempt	(1,692,966,105)	(138,995,540)
Deductible interest expenses at entities level but capitalised on consolidated financial statements	(214,269,639)	(523,574,950)
Reserve on disposal of subsidiaries	(141,023,535)	–
Gain on shares swap (Note 4.1)	(37,683,107)	–
Movement of intra-group unrealised profit	(10,207,457)	(34,755,244)
Last year accrued expenses paid in the current year	(4,593,581)	(36,921,121)
Cost from sale of apartments recognised in prior years and billed this year	–	(933,225,413)
Gain on deemed disposal of the Company's partial equity interest in HAHY	–	(201,825,429)
Others	1,169,261	(22,244,675)
<b>Adjusted net profit before loss carry forward</b>	<b>263,698,255</b>	<b>1,768,403,704</b>
Tax loss carried forward	(24,250,734)	(22,293,195)
<b>Estimated current taxable profit</b>	<b>239,447,521</b>	<b>1,746,110,509</b>
<b>Estimated current CIT</b>	<b>59,861,880</b>	<b>430,569,987</b>
Under provision of CIT in previous year	4,461,814	16,128,999
CIT reduction in accordance with Circular No. 140/2012/TT-BTC	–	(7,272,085)
<b>Estimated current CIT for the year</b>	<b>64,323,694</b>	<b>439,426,901</b>
Provision for CIT payable on progress payments from buyers (2%)	–	1,489,364
CIT payable at beginning of year	375,700,758	583,261,927
CIT payable offsetting against value-added tax deductible in accordance with tax notice of local tax authority	(35,310,664)	(25,008,482)
CIT payable of subsidiaries which were disposed	(82,033,987)	–
CIT paid during the year	(286,002,969)	(623,468,952)
<b>CIT payable at end of year</b>	<b>36,676,832</b>	<b>375,700,758</b>
<i>In which:</i>		
CIT payable (Note 23)	41,272,980	375,700,758
CIT receivable	(4,596,148)	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 35. CORPORATE INCOME TAX (continued)

#### 35.2 Deferred tax

The following comprise the Group's deferred tax assets and liabilities recognized by the Group and the movements thereon during the year:

	VND'000			
	Consolidated balance sheet		Credit (charge) to consolidated income statement	
	31 December 2013	31 December 2012	Current year	Previous year
<b>Deferred tax assets</b>				
Tax losses carried forward of subsidiaries	104,100,768	139,262,125	35,161,357	(130,020,485)
Unrealised intra-group profit	37,059,998	44,648,523	7,588,525	8,688,811
Subsidiaries disposal	–	–	(35,267,655)	–
Accrued expenses	–	16,209,156	16,209,156	(9,740,844)
Others	1,678,184	–	(1,678,184)	–
	<b>142,838,950</b>	<b>200,119,804</b>	<b>22,013,199</b>	<b>(131,072,518)</b>
<b>Deferred tax liabilities</b>				
Negative goodwill credited to the consolidated income statement	–	61,439,435	(61,439,435)	–
Profit from apartment sale recognised but not yet issued invoice	–	–	–	(200,761,464)
Gain on deemed disposal of the Company's partial equity interest in Hoang Anh Gia Lai Hydro Power JSC	44,401,594	50,456,357	(6,054,763)	50,456,357
Gain on shares swap	8,290,284	–	8,290,284	–
Others	–	490,991	(490,991)	1,601,415
	<b>52,691,878</b>	<b>112,386,783</b>	<b>(59,694,905)</b>	<b>(148,703,692)</b>
<b>Deferred income tax credit to consolidated income statement</b>			<b>(37,681,706)</b>	<b>(279,776,210)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 36. TRANSACTIONS WITH RELATED PARTIES

Significant transactions with related parties during the year ended 31 December 2013 were as follows:

Related parties	Relationship	Transactions	VND'000
			Amounts
Shareholders	Related parties	Initial public offering of An Phu	328,914,850
Huynh De Construction Corporation	Related company	Sales of goods	91,935,882
		Sales of service and construction	40,618,163
		Interest income	44,648,611
		Lease of machinery and equipment	32,192,366
		Purchase of tool and supply	13,634,830
A Dong Investment and Construction Consultant JSC	Associate	Construction consultancy	22,154,080
Truc Think Trading and Services Co., Ltd.	Related company	Interest income	7,809,967

Amounts due to and due from related parties at 31 December 2013 were as follows:

Related parties	Relationship	Transactions	VND'000
			Amounts
<b>Trade receivables</b>			
Truc Think Trading and Services Co., Ltd.	Related company	Sales of goods and services rendered	10,965,404
A Dong Investment and Construction Consultant JSC	Associate	Sales of goods and services rendered	2,702,015
<b>TOTAL</b>			<b>13,667,419</b>
<b>Advance to supplier</b>			
A Dong Investment and Construction Consultant JSC	Associate	Advance for survey and design works	24,641,000
<b>Other receivables</b>			
Truc Think Trading and Services Co., Ltd.	Related company	Borrowing	115,409,967
Others	Related parties	Others	2,944,600
<b>TOTAL</b>			<b>118,354,567</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 37. COMMITMENTS

#### Operating lease commitments

The Group leases parcels of land in Vietnam, Laos, Cambodia to build factories, football facilities, hotels and for rubber trees plantation, other plantations. The future minimum lease commitments under the operating lease agreements are as follows:

	VND'000	
	31 December 2013	31 December 2012
Less than one year	32,882,755	32,882,756
From one to five years	97,231,676	97,231,677
More than five years	2,126,153,663	2,127,119,259
<b>TOTAL</b>	<b>2,256,268,094</b>	<b>2,257,233,692</b>

#### Capital commitments

At 31 December 2013, the Group has contractual commitments for the construction work for its hydropower plant projects and real estate project as follows:

	VND'000		
	Contracted amount	Recognised amount	Remaining commitment
<b>Hydropower plants</b>			
Nam Kong 2 and 3	1,306,711,921	695,907,782	610,804,139
<b>Real estate project</b>			
Myanmar project	436,245,865	59,757,675	376,488,190
<b>TOTAL</b>	<b>1,742,957,786</b>	<b>755,665,457</b>	<b>987,292,329</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise bonds, loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loan and other receivables, trade and other receivables, and cash and cash equivalent that arise directly from its operations. The Group also hold available-for-sale investment. In addition, the Group issued convertible bonds to finance its investment activities.

The Group is exposed to market risk, credit risk, liquidity risk and commodity price risk.

Management reviews and agrees policies for managing each of these risks which are summarized below.

#### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices include interest rate risk, currency risk, real estate price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bonds, loans and borrowings, deposits and available-for-sale investments.

The sensitivity analyses in the following sections relate to the position as at 31 December 2013 and 31 December 2012

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rate relates primarily to the Group's cash and short-term deposits, loans and bonds.

The Group manages interest rate risk by looking at the competitive structure of the market to obtain rates which are favourable for its purposes within its risk management limits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Market risk (continued)

##### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings.

With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase/decrease basis point	Effect on profit before tax (VND'000)
<b>For the year ended 31 December 2013</b>		
VND	+300	(90,540,894)
VND	-300	90,540,894
<b>For the year ended 31 December 2012</b>		
VND	+300	(81,581,596)
VND	-300	81,581,596

The assumed movement in percentages for interest rate sensitivity analysis is based on the currently observable market environment.

##### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

##### Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Change in exchange rate (%)	Effect on profit before tax (VND'000)
<b>For the year ended 31 December 2013</b>		
US\$	+2	(7,323,918)
US\$	-2	7,323,918
<b>For the year ended 31 December 2012</b>		
US\$	+2	(18,437,228)
US\$	-2	18,437,228

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Market risk (continued)

##### Equity price risk

The Group's equity securities are susceptible to market price risk arising from uncertainty about future values of the investment securities. The Group manages equity price risk by placing a limit on equity investments. The Group's Board of Directors reviews and approves all equity investment decisions. The exposure to equity price risk is assessed as low.

##### Real estate price risk

The Group has identified the following risks associated with the real estate portfolio: (i) the cost of the development schemes may increase if there are delays in the planning process. The Group uses advisers who are experts in the specific planning requirements in the scheme's location in order to reduce the risks that may arise in the planning process; (ii) the exposure of the fair values of the portfolio to market and occupier fundamentals.

##### Commodity price risk

The Group is exposed to commodity price risk in relation to its rubber and sugar production. The Group manages its commodity price risk by keeping close watch on relevant information and situation of commodity market in order to properly manage timing of sales, production plans and inventories level. The Group does not employ any derivative financial instruments to hedge its commodity price risk.

#### Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and loan to a related party.

#### Trade receivables

Outstanding customer receivables are regularly monitored. The requirement for impairment is analyzed at each reporting date on an individual basis for major clients. The Group seeks to maintain strict control over its outstanding receivables and has a credit control personnel to minimize credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

#### Bank deposits

The Group's bank balances are mainly maintained with well-known banks in Vietnam. Credit risk from balances with banks is managed by the Group's treasury department in accordance with the Group's policy. The Group's maximum exposure to credit risk for the components of the balance sheet at each reporting dates are the carrying amounts as illustrated in Note 5. The Group's management evaluates the concentration of credit risk in respect to bank deposit as low.

#### Loans

The Group mainly loans to An Phu Real Estate Investment Joint Stock Company, Hoang Phuc Investment Construction and Housing Development JSC and Laos Government. The Group's management evaluates the risk in respect to these loans as low.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Liquidity risk

The liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligation due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities.

The Group monitors its liquidity risk by maintain a level of cash and cash equivalents and bank loans deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	VND'000		
	Less than 1 year	More than 1 year	Total
<b>31 December 2013</b>			
Loans and borrowings	2,029,670,372	9,998,674,385	12,028,344,757
Convertible bonds	1,100,000,000	1,130,000,000	2,230,000,000
Trade payables	653,723,575	–	653,723,575
Other payables and accrued expenses	740,994,425	–	740,994,425
Other long term payable	–	142,992,536	142,992,536
<b>Total</b>	<b>4,524,388,372</b>	<b>11,271,666,921</b>	<b>15,796,055,293</b>
<b>31 December 2012</b>			
Loans and borrowings	2,859,995,509	11,041,515,733	13,901,511,242
Convertible bonds	–	2,230,000,000	2,230,000,000
Trade payables	695,516,850	–	695,516,850
Other payables and accrued expenses	1,133,298,608	–	1,133,298,608
<b>TOTAL</b>	<b>4,688,810,967</b>	<b>13,271,515,733</b>	<b>17,960,326,700</b>

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.

#### Collateral

The Group has pledged cash, inventory, building, structure, machinery, land use right and its investment to fulfil the collateral requirements for the obtained loans and bonds (Notes 20 and 27).

As at 31 December 2013, the Group hold collateral of An Phu Real Estate Investment Joint Stock Company.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 39. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	VND'000			
	<i>Carrying amount</i>		<i>Fair value</i>	
	<i>31 December 2013</i>	<i>31 December 2012</i>	<i>31 December 2013</i>	<i>31 December 2012</i>
<b>Financial assets</b>				
Loans to others	221,034,789	186,471,568	221,034,789	186,471,568
Government bonds	20,000	20,000	20,000	20,000
Trade receivable	1,146,871,748	2,536,387,793	1,146,871,748	2,536,387,793
Other receivable	5,991,854,298	1,090,564,434	5,991,854,298	1,090,564,434
Short-term investment	150,378,106	150,378,106	150,378,106	150,378,106
Investments in other companies	67,523,300	29,820,153	67,523,300	29,820,153
Cash and cash equivalents	2,448,256,022	2,518,419,171	2,448,256,022	2,518,419,171
<b>TOTAL</b>	<b>10,025,938,263</b>	<b>6,512,061,225</b>	<b>10,025,938,263</b>	<b>6,512,061,225</b>
<b>Financial liabilities</b>				
Loans and borrowings	14,258,344,757	16,131,511,242	14,258,344,757	16,131,511,242
Trade payable	653,723,575	695,516,850	653,723,575	695,516,850
Other current liabilities	740,994,425	1,133,298,608	740,994,425	1,133,298,608
Other non-current liabilities	142,992,536	–	142,992,536	–
<b>TOTAL</b>	<b>15,796,055,293</b>	<b>17,960,326,700</b>	<b>15,796,055,293</b>	<b>17,960,326,700</b>

It is management's assessment that the fair values of these financial assets and liabilities are not materially different from their carrying amounts as at the balance sheet date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 40. SEGMENT INFORMATION

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

- » Real estate: developing apartments for sale and lease;
- » Production: producing and trading furniture and granite products;
- » Trading and services: managing properties and trading of goods;
- » Construction: building apartments;
- » Power: developing and operating hydropower plants;
- » Mining: exploiting and selling iron ore; and
- » Plantation: planting rubber, sugarcane and palm oil trees, processing and trading of rubber latex, rubber wood, sugar, palm oil.

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 include transfers between business segments. Those transfers are eliminated in preparation of the consolidated financial statements.

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. Group financing, including finance costs and finance revenue, and income taxes are managed on a Group basis and are not allocated to operating segments.

The segment information of the hospitality industry has been combined into the trading and services industry during the year as the hospitality industry is currently not the Group's core business.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 40. SEGMENT INFORMATION (continued)

	Real estate	Production	Trading and services	Construction	Plantation	Power	Mining	Eliminations	Total
<b>For the year ended 31 December 2012</b>									
<b>Revenue</b>									
External customers	2,829,431,254	349,683,286	193,257,451	477,197,405	46,400,000	138,995,540	359,512,711	–	4,394,477,647
Inter-segment elimination	–	2,002,082,361	62,129,679	488,053,999	–	–	–	(2,552,266,039)	–
<b>Total</b>	<b>2,829,431,254</b>	<b>2,351,765,647</b>	<b>255,387,130</b>	<b>965,251,404</b>	<b>46,400,000</b>	<b>138,995,540</b>	<b>359,512,711</b>	<b>(2,552,266,039)</b>	<b>4,394,477,647</b>
<b>Results</b>									
Segment results	759,371,732	102,399,788	15,403,852	119,576,984	29,042,482	86,646,289	88,124,576	–	1,200,565,703
Unallocated expenses									(501,486,711)
Profit before income tax, financial income and financial expense									699,078,992
Financial income									502,050,048
Financial expense									(677,235,144)
Share profit from associates									994,870
Profit before tax									524,888,766
Current corporate income tax									(439,426,901)
Deferred income tax credit									279,776,210
<b>Net profit for the year</b>									<b>365,238,075</b>
<b>As at 31 December 2012</b>									
<b>Assets and liabilities</b>									
Segment assets	7,455,762,059	729,377,271	613,125,371	1,473,896,270	7,761,555,881	4,481,390,364	593,734,870	–	23,108,842,086
Cash of the Group									2,518,419,171
Investments in associates									211,930,887
Unallocated assets									5,445,635,275
<b>Total assets</b>									<b>31,284,827,419</b>
Segment liabilities	(4,054,514,382)	(783,962,849)	(134,185,223)	(691,972,723)	(4,185,631,574)	(1,849,143,346)	(222,875,030)	–	(11,922,285,127)
Unallocated liabilities									(8,538,967,704)
<b>Total liabilities</b>									<b>(20,461,252,831)</b>

VND'000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 40. SEGMENT INFORMATION (continued)

	Real estate	Production	Trading and services	Construction	Plantation	Power	Mining	Eliminations	Total
<b>For the year ended 31 December 2013</b>									
<b>Revenue</b>									
External customers	247,491,194	329,840,007	228,918,351	533,453,472	1,078,826,055	121,502,789	231,187,463	–	2,771,219,331
Inter-segment elimination	–	672,133,396	351,680,012	271,607,671	–	–	–	(1,295,421,079)	–
<b>Total</b>	<b>247,491,194</b>	<b>1,001,973,403</b>	<b>580,598,363</b>	<b>805,061,143</b>	<b>1,078,826,055</b>	<b>121,502,789</b>	<b>231,187,463</b>	<b>(1,295,421,079)</b>	<b>2,771,219,331</b>
<b>Results</b>									
Segment results	38,773,757	89,262,057	11,153,113	236,069,817	702,554,947	65,312,019	53,000,224	–	1,196,125,934
Unallocated expenses									(446,620,347)
Profit before income tax, financial income and financial expense									749,505,587
Financial income									1,003,102,689
Financial expense									(754,104,635)
Profit before tax									998,503,641
Current corporate income tax									(64,323,694)
Deferred income tax credit									37,681,706
<b>Net profit for the year</b>									<b>971,861,653</b>
<b>As at 31 December 2013</b>									
<b>Assets and liabilities</b>									
Segment assets	3,748,381,734	211,311,425	553,116,132	83,257,262	11,731,046,865	1,502,231,669	426,016,258	–	18,255,361,345
Cash of the Group									2,448,256,022
Investments in associates									203,448,669
Unallocated assets									8,906,113,131
<b>Total assets</b>									<b>29,813,179,167</b>
Segment liabilities	(2,698,784,964)	(58,761,073)	(99,475,766)	(6,265,883)	(5,003,024,040)	(381,560,620)	(126,174,497)	–	(8,374,046,843)
Unallocated liabilities									(7,919,196,522)
<b>Total liabilities</b>									<b>(16,293,243,365)</b>

VND'000



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2013

B09-DN/HN

### 41. CORRESPONDING FIGURES

Certain accounts in the prior year's consolidated financial statements have been reclassified to conform to the presentation of current year's consolidated financial statements.

### 42. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE

On 3 March 2014, the Company announced the issuance of new bonds with a total value of VND 1,000 billion (the par value per bond is VND 1 billion) which was arranged by Joint Stock Commercial Bank for Investment and Development of Vietnam. These bonds will be repaid after five (5) years with an interest rate of 12% for the first year and the average of interest rate of individual saving deposit in Vietnam dong with the term of twelve (12) months announced by four commercial banks in Ho Chi Minh City, including Vietnam Bank for Agriculture and Rural Development – Ho Chi Minh Branch, Vietnam Joint Stock Commercial Bank for Industry and Trade – Ho Chi Minh Branch, Joint Stock Commercial Bank for Investment and Development of Vietnam – Exchange 2 and Joint Stock Commercial Bank for Foreign Trade of Vietnam – Ho Chi Minh Branch plus margin of 4% per annum for subsequent periods. The Company has issued the bonds to Joint Stock Commercial Bank for Investment and Development of Vietnam and VietinBank Insurance Company in accordance with the contracts dated 26 March 2014 with total proceeds of VND 1,000 billion. The proceeds from the bond issuance were used to finance investment projects of the Group and to finance the Group's working capital requirements. The bonds are secured by land lease right from the lease contract between Hoang Anh – Quang Minh Rubber Industrial and Agricultural Co., Ltd. and Laos Government and attached assets; land lease right from the lease contract between Hoang Anh Attapeu Agriculture Development Co., Ltd. and Laos Government and attached assets; land lease right from the lease contract and attached assets belong to Hoang Anh Attapeu Sugar Cane Co., Ltd.

Except for the above event, there has been no other significant event occurring after the consolidated balance sheet date which would require adjustments or disclosures to be made in the consolidated financial statements.

Nguyen Thi Do Quyen  
Preparer

Ho Thi Kim Chi  
Chief Accountant



Nguyen Van Su  
General Director

28 March 2014



UP-TO-DATE INFORMATION:

[http://hagl.com.vn/Group\\_Relations/ListCats/31](http://hagl.com.vn/Group_Relations/ListCats/31)

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