



LOU CPA VIETNAM

**HUDLAND REAL ESTATE INVESTMENT AND DEVELOPMENT
JOINT STOCK COMPANY**

**AUDITED FINANCIAL STATEMENTS
For the year ended 31 December 2018**

Hanoi – February 2019

CONTENTS

	Pages
STATEMENT OF BOARD OF DIRECTORS	1 - 2
INDEPENDENT AUDITORS' REPORT	3 - 4
AUDITED FINANCIAL STATEMENTS	
Balance sheet	5 - 6
Income statement	7
Cash flow statement	8
Notes to the Financial statements	9 - 35

HUDLAND REAL ESTATE INVESTMENT AND DEVELOPMENT JOINT STOCK COMPANY

STATEMENT OF BOARD OF DIRECTORS

The Board of Directors of HUDLAND Real Estate Investment and Development Joint Stock Company presents this report together with the Company's audited financial statements for the year ended 31 December 2018.

THE COMPANY

Hudland Real Estate Investment and Development Joint Stock Company ("the Company") is established under the Business Registration Certificate ("BRC") of Joint Stock Company No. 0102340326 issued by Ha Noi Department of Planning and Investment on 10 August 2007 and the sixth change was on 12 December 2018.

Business name: HUDLAND REAL ESTATE INVESTMENT AND DEVELOPMENT JOINT STOCK COMPANY

Abbreviated name: HUDLAND., JSC

Registered office at: 12th Floor, HUDLAND TOWER Building, ACC7 Lot, Linh Dam General Service, Hoang Liet Ward, Hoang Mai District, Hanoi, Vietnam.

Securities of the company are listed on Ho Chi Minh City Stock Exchange. Stock code: HLD

THE BOARDS OF MANAGEMENT AND DIRECTORS

Board of Management	Mr. Pham Cao Son	Chairman (Appointed by Resolution No. 251/NQ-HDQT dated 04/04/2018)
	Mr. Bui Duc Thinh	Chairman (Resigned by Resolution No. 251/NQ-HDQT dated 04/04/2018)
	Mr. Nguyen Thanh Tu	Member (Appointed by Resolution No. 251/NQ-HDQT dated 04/04/2018)
	Mrs. Dinh Thi Minh Hang	Member
	Mr. Le Anh Vu	Member (Resigned by Resolution of Annual General Meeting dated 28/03/2018)
	Mr. Pham Van An	Member (Appointed by Resolution No. 251/NQ-HDQT dated 04/04/2018)
	Mrs. Nguyen Thanh Huong	Member

Members of Board of Directors who held the Company during the period and at the date of this report are as follows:

Board of Directors	Mr. Nguyen Thanh Tu	Director (Appointed by Decision No. 252/QD-HDQT dated 04/04/2018)
	Mr. Pham Cao Son	Director (Resigned by Resolution No. 251/NQ-HDQT dated 04/04/2018)
	Mr. Vu Tuan Linh	Deputy Director
	Mr. Nguyen Nam Cuong	Deputy Director

SUBSEQUENT EVENTS

According to the Board of Directors, in all material respects, there have been no other significant events occurring after the balance sheet date that would require adjustments to or disclosures to be made in the financial statements for the year ended 31 December 2018.

STATEMENT OF BOARD OF DIRECTORS (CONTINUED)

AUDITORS

CPA VIETNAM Auditing Company Limited - An independent member firm of Moore Stephens International Limited, has audited the financial statements for the year ended 31 December 2018.

THE BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors of the Company is responsible for preparing the financial statements of each year, which give a true and fair view of the financial position of the Company and of its results and cash flows for the year. In preparing those financial statements, the Board of Directors is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been complied with, material differences are disclosed and explained in the financial statements; and
- Design, execute and maintain an effective internal control related to the appropriate preparation and presentation of financial statements so as to obtain reasonable assurance that the financial statements are free of material misstatements caused by even frauds and errors.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of Directors confirms that the Company has complied with the above requirements in preparing the financial statements.

The Board of Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the financial statements comply with Vietnamese Standards on Accounting, Vietnamese Accounting System and relevant legal regulations in preparing and financial statements. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

For and on behalf of the Board of Directors 



Nguyen Thanh Tu
Director
Hanoi, 25 February 2019

No. 102/2019/BCKT-BCTC/CPA VIETNAM

INDEPENDENT AUDITOR'S REPORT

About Financial Statements for the year ended 31 December 2018
of Hudland Real Estate Investment and Development Joint Stock Company

To: **The Boards of Management and Directors**
Hudland Real Estate Investment and Development Joint Stock Company

We have audited the accompanying financial statements of Hudland Real Estate Investment and Development Joint Stock Company as set out on pages 05 to pages 35, which prepared on 25 February 2019 comprise the Balance sheet as at 31 December 2018, and the Statement of income, and Statement of Cash flows for the year then ended, and Notes to the financial statements.

The Board of Directors' responsibility

The Board of Directors' are responsible for the preparation and presentation of these financial statements comply with Vietnamese Standards on Accounting, Vietnamese Accounting System and relevant legal regulations in preparing and financial statements and for such internal control as the Board of Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Vietnam 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's true and fair preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Auditor's Opinion

In our opinion, the accompanying financial statements gives a true and fair view of, all material respects, the financial position of the Company as at 31 December 2018 and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam.



A blue handwritten signature, likely belonging to the auditor, Nguyen Ngoc Khanh.

Dinh Van Thang
Deputy General Director
Audit Practising Registration Certificate
No. 1147-2018-137-1

Nguyen Ngoc Khanh
Auditor
Audit Practising Registration Certificate
No. 2999-2019-137-1

Letter of Authorization No.03/2019/UQ-CPA VIETNAM on 02 January 2019 of Chairman

For and on behalf of

CPA VIETNAM AUDITING COMPANY LIMITED

An independent member of Moore Stephens International Limited

Hanoi, 25 February 2019

BALANCE SHEET
 As at 31 December 2018

ASSETS	CO DE	NO TE	31/12/2018 VND	01/01/2018 VND
A. CURRENT ASSETS (100 = 110+120+130+140+150)	100		633,377,258,071	651,270,437,702
I. Cash and cash equivalents	110	5.1	76,451,169,467	91,083,031,362
1. Cash	111		9,451,169,467	15,483,031,362
2. Cash equivalents	112		67,000,000,000	75,600,000,000
II. Short-term financial investments	120		9,073,930,000	40,073,930,000
1. Investments held to maturity	123	5.2	9,073,930,000	40,073,930,000
III. Short-term receivables	130		449,917,293,247	482,925,837,101
1. Short-term trade accounts receivable	131	5.3	245,617,432,892	333,419,669,721
2. Short-term advances to suppliers	132	5.4	72,938,266,195	122,217,113,256
3. Short-term loan receivables	135	5.5	120,000,000,000	20,000,000,000
4. Other short-term receivables	136	5.6	11,361,594,160	7,289,054,124
IV. Inventories	140		97,934,865,357	35,826,515,853
1. Inventories	141	5.7	97,934,865,357	35,826,515,853
V. Other current assets	150		-	1,361,123,386
1. Short-term prepaid expenses	151	5.8	-	1,361,123,386
B. NON-CURRENT ASSETS (200 = 210+220+240+250+260)	200		141,282,544,479	151,660,796,560
I. Long - terms receivables	210		-	-
II. Fixed assets	220		57,852,646,214	66,074,104,916
1. Tangible fixed assets	221	5.9	57,751,503,741	65,999,629,110
- Cost	222		75,246,644,863	76,878,463,045
- Accumulated Depreciation	223		(17,495,141,122)	(10,878,833,935)
2. Intangible fixed assets	227	5.10	101,142,473	74,475,806
- Cost	228		200,000,000	140,000,000
- Accumulated Depreciation	229		(98,857,527)	(65,524,194)
III. Investment property	230	5.11	79,878,751,283	81,989,527,031
1. Cost	231		96,055,631,848	94,423,813,666
2. Accumulated Depreciation	232		(16,176,880,565)	(12,434,286,635)
IV. Long-term assets in progress	240		197,309,265	204,945,629
1. Construction in progress	242	5.12	197,309,265	204,945,629
V. Long-term financial investments	250		2,500,000,000	2,500,000,000
1. Investments in joint ventures and associates	252	5.13	2,500,000,000	2,500,000,000
VI. Other long-term assets	260		853,837,717	892,218,984
1. Long-term prepaid expenses	261	5.8	853,837,717	892,218,984
TOTAL ASSETS (270 = 100+200)	270		774,659,802,550	802,931,234,262

BALANCE SHEET (Cont.)
As at 31 December 2018

RESOURCES	CO DE	NO TE	31/12/2018 VND	01/01/2018 VND
C. LIABILITIES (300 = 310+330)	300		366,648,442,182	302,859,642,946
I. Current liabilities	310		315,442,297,787	228,766,413,873
1. Short-term trade accounts payable	311	5.14	22,833,081,882	8,578,421,167
2. Short-term advances from customers	312	5.15	1,160,081,576	3,147,028,280
3. Taxes and other payables to State	313	5.16	15,858,075,889	12,249,700,062
4. Short-term payables to employees	314		5,451,308,630	5,447,981,341
5. Short-term accrued expenses	315	5.17	103,329,062,515	16,472,288,803
6. Unrealized short-term revenue	318	5.18	-	1,874,315,712
7. Other current payables	319	5.19	10,739,195,618	4,470,810,519
8. Short-term loans and financial leases	320	5.20	144,407,830,134	166,408,080,180
9. Bonus and welfare funds	322		11,663,661,543	10,117,787,809
II. Long - term liabilities	330		51,206,144,395	74,093,229,073
1. Long-term loans and financial leases	338	5.20	51,206,144,395	74,093,229,073
D. EQUITY (400 = 410+430)	400		408,011,360,368	500,071,591,316
I. Owner's equity	410	5.21	408,011,360,368	500,071,591,316
1. Contributed chartered capital	411		200,000,000,000	200,000,000,000
- <i>Voting ordinary shares</i>	411a		200,000,000,000	200,000,000,000
2. Investment and development fund	418		80,832,092,113	210,832,092,113
3. Undistributed earnings	421		127,179,268,255	89,239,499,203
- <i>Undistributed earnings accumulated to prior year-end</i>	421a		53,775,054,927	28,647,165,001
- <i>Undistributed earnings of this period</i>	421b		73,404,213,328	60,592,334,202
TOTAL RESOURCES (440 = 300+400)	440		774,659,802,550	802,931,234,262

Hanoi, 25 February 2019

Preparer



Tran Thanh Thanh Huyen

Chief Accountant



Le Quoc Chung

Director



Nguyen Thanh Tu

INCOME STATEMENT
 For the year ended 31 December 2018

ITEMS	CO DE	NO TE	Year 2018	Year 2017
			VND	VND
1. Gross sales of merchandise and services	01	5.22	438,742,757,908	382,844,627,125
2. Deductions	02		-	-
3. Net sales of merchandise and services (10 = 01-02)	10	5.22	438,742,757,908	382,844,627,125
4. Cost of goods sold	11	5.23	312,599,045,064	255,390,156,500
5. Gross profit from sales of merchandise and services (20 = 10-11)	20		126,143,712,844	127,454,470,625
6. Financial income	21	5.24	12,476,463,479	6,915,383,580
7. Financial expenses	22	5.24	7,762,212,908	14,658,479,767
<i>In which: Interest expenses</i>	23		7,762,212,908	14,658,479,767
8. Selling expenses	24	5.25	10,011,662,261	11,085,880,995
9. General and administration expenses	25	5.25	29,096,770,079	32,055,791,283
10. Operating profit {30 = 20+(21-22)-(24+25)}	30		91,749,531,075	76,569,702,160
11. Other income	31	5.26	6,445,995	596,542,370
12. Other expenses	32	5.26	710,410	181,989,331
13. Profit (Loss) from other activities (40=31-32)	40		5,735,585	414,553,039
14. Accounting profit (loss) before tax (50=30+40)	50		91,755,266,660	76,984,255,199
15. Current tax expense	51	5.27	18,351,053,332	16,391,920,997
16. Deferred tax income/(expense)	52		-	-
17. Net profit (loss) after income tax (60=50-51-52)	60		73,404,213,328	60,592,334,202
18. Basic earnings per share	70	5.28	3,670	2,785

Hanoi, 25 February 2019

Preparer



Tran Thanh Thanh Huyen

Chief Accountant



Le Quoc Chung

Director



Nguyen Thanh Tu

CASH FLOW STATEMENT
(Direct method)
For the year ended 31 December 2018

ITEMS	CO	NO	Year 2018	Year 2017
	DE	DE	VND	VND
1	2	3	4	5
I. Cash flow from operating activities				
1. Sales and other revenue	01		553,185,467,062	253,732,151,931
2. Payments for suppliers	02		(317,593,564,321)	(220,956,986,597)
3. Payment for employees	03		(15,380,224,138)	(11,963,936,192)
4. Interest paid	04		(7,762,212,908)	(17,618,719,675)
5. Corporate income tax paid	05		(11,662,186,007)	(17,464,961,739)
6. Other receipts from operating activities	06		7,513,157,096	7,883,837,617
7. Payments for other activities	07		(32,183,547,626)	(36,870,592,303)
<i>Net cash flows from operating activities</i>	20		<i>176,116,889,158</i>	<i>(43,259,206,958)</i>
II. Cash flows from investing activities				
1. Payments for acquisition, construction of fixed assets and other long-term assets	21		-	(206,542,000)
3. Cash outflow for lending, buying debt instruments of other entities	23		(78,500,000,000)	(35,000,000,000)
4. Cash recovered from lending, selling debt instruments of other entities	24		81,000,000,000	23,553,866,567
7. Interest earned, dividends and profit received	27		8,059,885,671	4,462,367,086
<i>Net cash flows from (used in) investing activities</i>	30		<i>10,559,885,671</i>	<i>(7,190,308,347)</i>
III. Cash flows from financing activities:				
3. Proceeds from borrowings	33		286,038,919,316	199,394,498,834
4. Repayments of borrowings	34		(330,926,254,040)	(111,692,902,929)
6. Dividends and profits paid	36		(156,421,302,000)	(29,958,675,000)
<i>Net cash flows from financial activities</i>	40		<i>(201,308,636,724)</i>	<i>57,742,920,905</i>
Net cash flows in the year (50 = 20+30+40)	50		(14,631,861,895)	7,293,405,600
Cash and cash equivalents at beginning of year	60		91,083,031,362	83,789,625,762
Cash and cash equivalents at end of year (70 = 50+60+61)	70	6.1	76,451,169,467	91,083,031,362

Preparer



Tran Thanh Thanh Huyen

Chief Accountant



Le Quoc Chung

Hanoi, 25 February 2019

Director



Nguyen Thanh Tu

1. GENERAL INFORMATION

1.1. Structure of ownership

Hudland Real Estate Investment and Development Joint Stock Company (“the Company”) is established under the Business Registration Certificate (“BRC”) No. 0102340326 issued by Ha Noi Department of Planning and Investment on 10 August 2007 and the sixth change was on 12 December 2018.

Business name: HUDLAND REAL ESTATE INVESTMENT AND DEVELOPMENT JOINT STOCK COMPANY

Abbreviated name: HUDLAND., JSC

Registered office at: 12th Floor, HUDLAND TOWER Building, ACC7 Lot, Linh Dam General Service, Hoang Liet Ward, Hoang Mai District, Hanoi, Vietnam.

Total charter capital recorded in the BRC is of VND 200,000,000,000, which is divided into 20,000,000 shares with par value of VND 10,000/ share.

The Company’s securities are currently listed on Ho Chi Minh City Stock Exchange. Stock code: HLD

Number of employees as at 31/12/2018: 48 people (as at 31/12/2017: 46 people)

1.2. Operating industry and principal activities

- Construction of other civil: Construction and renovation house; construction of commercial centers, supermarkets, service, office, sports center, warehouses, factories, markets; construction of economic zones and industrial parks; construction and installation of civil, industrial, transport, irrigation, telecommunications, urban infrastructure works, industrial, transmission lines and power station under 35KV;
- Architectural engineering and consult: Investment consultancy in construction house and urban infrastructure;
- Business construction materials, interior and exterior decoration, construction machinery and equipment;
- Wholesale trade machinery, equipment and spare parts: Business specialized machinery construction;
- Agents, brokers, auction: Purchase agent, dealer, consignment;
- Business real estate, land use rights of the owner, the owner or lessee uses: Investment residential development, new urban areas;
- Export and import construction materials, interior and exterior decoration, construction machinery and equipment.

The principal activity of the Company is investment in residential development and new urban areas.

1.3 Structure of business

As at 31 December 2018, the Company has an associated company as follows:

	Main activities	Ownership rate	Voting right
Associates			
Hudland Trade and Service JSC	Supplying services	30.5%	30.5%

2. FINANCIAL YEAR AND MONETARY UNIT IN ACCOUNTING

Financial year

The Company's financial year begins on 1 January and ends on 31 December.

Monetary unit in accounting

The accompanying financial statements are expressed in Vietnam Dong (VND).

3. APPLIED ACCOUNTING STANDARDS AND ACCOUNTING SYSTEM

Applied accounting standards and accounting system

The Company applied Vietnamese Enterprise Accounting System promulgated under Circular No. 200/2014/TT-BTC dated 22 December 2014, and Vietnamese Accounting Standards issued by the Ministry of Finance. Circular No. 53/2016/TT-BTC on amending and supplementing some articles of Circular No. 200/2014/TT-BTC dated 22/12/2014.

Statements for the compliance with Accounting Standards and System

The Company's Board of Directors confirmed to completely comply with Vietnam Accounting Standards and System promulgated and taken effect relating to preparation and presentation of the financial statements for the year ended 31 December 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial statements

The accompanying financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with the prevailing Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and relevant legal regulations relating to preparation and presentation of the interim financial statements.

Cash and cash equivalents Recognition

Cash: Including cash, cash in bank (call deposits) and cash in transit.

Cash, bank deposits are recognized on the basics of actual transaction.

Cash in transit: Money transfer orders without Debit note and payment papers without Credit note.

Cash equivalents

Including short-term investments, time deposits whose recovery period or maturity not exceeding 3 months from the date of investment, deposits could be liquidated into particular amount and have no liquidation risk as at reporting time.

Financial investments

Held to maturity investments

Held to maturity investments includes: term deposits (including treasury bills, promissory notes), bonds, preference shares which the issuer is required to re-buy them in a certain time in the future and held to maturity loans to earn profits periodically and other held to maturity investments.

Held to maturity investments shall be stated at the historical cost and determined according to fair value upon recovery abilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Financial investments (Cont.)

All of held to maturity investments classified accounts derived from foreign currencies shall be revaluated according to actual transaction exchange rate at the date of the financial.

Investments in subsidiaries, joint ventures, associates and other investments

- Investments in joint ventures, associates: Investments in joint ventures, associates that the company obtains control right are stated at historical cost in the financial statements.

Distributions from profits that the Company received from the accumulated profits of the subsidiaries after the date the Company obtains control are recognized in income statement of the company. Other distributions are considered a recovery of investment and are deducted from the investment value.

Receivables

The receivables shall be kept records in details according to period receivables, entities receivables, kind of currency receivable and other factors according to requirements for management.

The amounts receivable includes trade receivables and other receivables following rules below:

- Trade receivables include commercial receivables generating from purchase-sale related transactions between enterprises and buyers (independent unit against buyers, including receivables between parent companies and subsidiary companies or joint-venture companies). The trade receivables are recognized in accordance with the standards of the time revenue recognition based on invoices.
- Other receivables includes of non-commercial receivables.
- Intra-company receivables include receivables between superior organizations and affiliated organizations having no legal status and dependent cost-accounting.

Accounts receivable are classified as short and long term on the balance sheet, the consolidated accounting basis for the remaining period of the accounts receivable at the date of the consolidated financial statements.

Provision for doubtful debts: is made for doubtful debts based on the time of overdue payment of principal under the original debt commitments (excluding debt extending between the parties), or expected losses that may occur under the guidance in Circular 228/2009/TT-BTC dated 07/12/2009.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Cost of inventories within the Company is calculated using the weighted average method and inventory recording method is specific identification method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations, which allow provisions to be made for obsolete, damaged, or sub-standard inventories which have a book value higher than net realisable value as at the balance sheet date.

Fixed assets and depreciation, amortization

The Company manages, uses and depreciates its fixed assets under the guidance of Circular No. 45/2013/TT-BTC dated 25 April 2013 and Circular 147/2016/TT-BTC dated 13 October 2016 on amending and supplementing a number of articles of Circular No.45/2013 / TT-BTC and Circular No. 28/2017/TT-BTC dated 12 April 2017 on amending and supplementing a number of articles of Circular No.45/2013/TT-BTC and Circular No. 147/2016/TT-BTC issued by the Ministry of Finance.

a. Rules for accounting

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The historical cost of the tangible fixed assets comprises its purchase price and all direct attributable costs of bringing the assets to its working condition and location for its intended use.

When fixed assets are sold or disposed, their cost and accumulated depreciation are eliminated and any gain or loss (if any) arising from the disposal are allocated in other income or other expenses in the period.

Intangible fixed assets

Intangible fixed assets: Computer software is initially recognized at buying cost and stated at cost less accumulated depreciation.

b. Method of depreciation

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Depreciation period (Years)
Buildings and structures	10 - 25
Machinery and equipment	05 - 07
Office equipment	05
Motor vehicles	07

Intangible asset is computer software that is amortised using the straight-line method over 3 years.

Investment real estate

Investment property includes land use rights and buildings held by the Company for the purpose of gaining from the lease or awaiting increase are stated at cost less accumulated amortization. The cost of purchased investment properties comprises its purchase price and any directly attributable costs, such as appropriate legal advice, tax and other transaction costs. The cost of a real estate investment is the value of the final settlement of the project or the direct costs of the investment property.

Investment properties are Office building and Hall on the 15th floor of office building at lot A - CC7; Depreciation is calculated according to real estate leasing time is 25 years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Prepaid expenses

This account is used to record expenses actually incurred but they are related to operation output of many accounting period and the transfer of these expenses to operating expenses of subsequent accounting periods.

Prepaid expenses: are stated at the historical cost and classified into short-term and long-term according to prepaid time of each contract.

Long-term prepaid expenses relating to tools and equipment are stated at the historical cost and allocated gradually for within 03 years in line method.

Construction in progress

Properties in progress are for production, leasing, administrative purposes, or for any other purposes recognized at the historical cost. This cost includes service fees, relevant interest fees in accordance with the Company's accounting policy. Depreciation of these assets is the same as the other assets commencing when these assets are ready for their intended use.

Payables

The payables are monitored in detail by maturity terms, subjects, kind of currency and other factors according to management demand of the Company.

The payables include payable to suppliers and other payables which are determined almost certainly about the recorded value and duration which are not less than the obligation payable, they are classified as follows:

- Trade payables include commercial payables arising from the purchase of goods, services and assets between the Company and the seller (the independent unit of the Company, including amounts between the Holding company and its subsidiaries, joint ventures, affiliate). These payables include amounts payable arising due to importing through trustees (in trust import transactions);
- Other payables include of non-commercial payables, non-related transactions of purchasing and selling of goods and services.

Loans and finance lease liabilities

Including loans, finance lease liabilities, except loans under the forms of issuance of bonds or preference shares with provisions requiring the issuer to repurchase at a certain time in the future.

The loans and finance lease liabilities are kept records in details according to entities, and classified into short-term receivables or long-term receivables according to their payment periods.

Borrowing expenses directly related to the loans shall be accounted for in financial expenses. Where these expenses arise from loans for purposes of investment, construction or production of assets in progress, they shall be capitalized according to "Borrowing cost" accounting standard.

Recognition and capitalization of borrowing cost

All borrowing costs should be recognized into Income Statement in the period in which they are incurred, unless they are capitalized according to provisions of "Borrowing cost" accounting standard.

During the year, interest expense was capitalized into assets in progress of the Company is VND 17,583,371,230.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Accrued expenses

Expenses that have not actually been incurred but are pre-recorded to operating expenses during the year to ensure that when these expenses actually occurs, they will not have a significant influence on operating expenses based on matching principle between income and expenses.

The Company records accrued expenses as following: Employee, materials expenses would be accrued according to quantity of finished work.

Owner's equity

Share capital is recognized as the actual capital contributed to the Company.

Share premium is recognised by the difference between the actual price and face value of the shares when firstly issued, additionally issued or when the Company reissue treasury share.

Treasury shares are shares issued by companies and bought-back by the companies which issued shares. Actual value of Treasury shares shall be recorded a decrease in owner's capital in Balance Sheet.

Undistributed profit shall be determined on the basis of income after tax and the distribution of profits or settlement of losses of the Company.

Profit after tax shall be distributed dividends to shareholders after being approved by the Board of Shareholders at the Annual General Meeting and after being allocated to the reserve fund in accordance with the Company's charter.

Dividends that would be paid depend on estimated profit. In the following year, dividends would be declared and paid officially from undistributed profit under agreement of Members' Council in Annual Meeting.

Revenue recognition

For trading company

Revenue from sale of goods shall be recognized if it simultaneously meets the following five (5) conditions:

- a/ The Company has transferred to the buyer the significant risks and reward of ownership of the goods;
- b/ The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c/ The amount of revenue can be measured reliably;
- d/ It is probable that the economic benefits associated with the transaction will flow to the Company; and ;
- e/ The cost incurred or to be incurred in respect of transaction can be measured reliably.

For services company

Sales of services are recognized by reference to the stage of completion of the service at the balance sheet date The outcome of a service provision transaction shall be determined only when it satisfies all the four (4) conditions below:

- a/ the amount of revenue can be measured reliably;
- b/ It is probable that the economic benefits associated with the transaction will flow to the Company;
- c/ The stage of completion of the transaction at the end of the reporting period can be measured reliably;
- d/ The costs incurred for the transaction and the costs to complete transaction can be measured reliably.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the interest rate applicable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Turnovers from properties

Revenue will be recognized if material risks and ownership had been transferred to the buyer, usually upon the unconditional transfer of contracts. For conditional transfer, revenue shall be recognized if all of material conditions are met.

Construction contract

Where a construction contract stipulates that the contractor is allowed to make payments according to the value of performed work volume, and when the contract performance result is reliably determined and certified by customers, the revenues and costs related to such contract shall be recognized by reference to the completed work volume certified by the customers in the period and reflected in the billed invoices.

When the outcome of a construction contract cannot be estimated reliably and the Corporation can recover the expenses of the contract, the revenue is recognized to the level of withdrawable expenses. Therefore, there is no profit that is recognized, even when the total expenses of contract may exceed the total revenue of the contract.

Cost of goods sold

Cost of goods sold including of cost of products, goods and services, real estate sold in the period (including depreciation, repair expenses, other expense for real estate leasing under the form of operating lease, real estate investment liquidation expense...) are recognized in accordance with revenue in the period.

For the cost of direct materials consumed exceeds normal levels, labour costs, fixed general administration expense which are not allocated to finished goods will be recognized in cost of sales (after minus the amount of compensation, if any) even if the goods have not been determined to be consumed.

Current corporate income tax and deferred tax expenses

Income tax expense (tax income): is the aggregate amount of current income tax expense (income) and deferred income tax expense (income) included in the determination of profit or loss for the period.

- Current income tax expenses are income tax payables computed on taxable income during year and current income tax rate.
Taxable income is different from accounting profit caused by the adjustment of the difference between accounting profit and taxable income under current tax policies.

Deferred income tax expenses are income taxes payables in the future, arising from: Recognising deferred income tax payables during the year; Reversing deferred tax assets which were recorded in previous years; Not recognising deferred tax assets or deferred tax liabilities arising from the transaction recorded directly in owner's equity.

Company is obliged to pay corporate income tax with rate of tax at 20% of taxable income.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Estimates

The preparation of interim financial statements in conformity with Vietnamese Standards on Accounting, Vietnamese Enterprise Accounting System and other prevailing accounting regulations in Vietnam requires The Board of Directors to make estimates and assumptions that affect the reported amounts of liabilities, assets and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Actual results could differ from those estimates and assumptions.

Financial instruments

Initial recognition

Financial assets

At the date of initial recognition, the financial assets are recognized under historical cost plus transaction cost directly relating to procuring those financial assets.

The Company's financial assets include cash on hand, short-term deposit, short-term receivables and other receivables, deposits.

Financial liabilities

At the date of initial recognition, financial liabilities are recognized under historical cost plus transaction cost directly relating to issuing those financial liabilities.

The Company's financial liabilities include trade accounts payable, other payables, debts.

Revaluation after initial recognition

At present, there are no regulations on revaluation of the financial instruments after initial recognition.

Earnings per share

Basic earnings per share shall be calculated by dividing profit or loss attributable to common stock holders by the weighted average number of common shares outstanding during the period. Diluted earnings per share shall be calculated by adjusting profit or loss attributable to common stock holders, and the weighted average number of shares outstanding due to the effects of common shares which are possible to dilute including convertible bonds and share option.

Related parties

Parties considered as related parties are enterprises that include the Holding Company - Housing and Urban Development Corporation, subsidiaries of the Holding Company, individuals owning, directly or indirectly through one or more intermediaries, control over the Company or under control with the Company. Associations, individuals possess directly or indirectly voting right of the Company that considerably influence the Company. Key management that include Directors, Officers of the Company and closed members of families of these individuals or associations or companies in association with these individuals are considered as related parties.

Segment report

Component parts that can distinguish the company engaged in providing related products or services (by business segment), or in providing products or services within a particular economic environment (geographical area) that this part of the economic risks and benefits different from other business segments. The Board of Directors confirms that the Company operates in the business area are the first and development any production of business, cost, and products, wait only single only for this activity ... operating in a segment according to the only geographic area that is Vietnam. Therefore, Segment reporting is not prepared.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

5. INFORMATION SUPPLEMENTING THE ITEMS IN BALANCE SHEET, INCOME STATEMENT

5.1 Cash and cash equivalents

	31/12/2018	01/01/2018
	VND	VND
Cash on hand	5,778,072,732	419,648,043
Cash in bank	3,673,096,735	15,063,383,319
Cash equivalents (*)	67,000,000,000	75,600,000,000
Total	<u>76,451,169,467</u>	<u>91,083,031,362</u>

(*) Deposits with maturity less than 3 months and deposits at Bank: BIDV – Hanoi Branch: VND 52.5 billion, PVCOMBANK - Hanoi Branch: VND 14.5 billion

5.2 Held to maturity investments

	31/12/2018		01/01/2018	
	VND		VND	
	Historical cost	Book value	Historical cost	Book value
Short-term	9,073,930,000	9,073,930,000	40,073,930,000	40,073,930,000
PVcomBank - Hanoi Branch	9,073,930,000	9,073,930,000	40,073,930,000	40,073,930,000
Total	<u>9,073,930,000</u>	<u>9,073,930,000</u>	<u>40,073,930,000</u>	<u>40,073,930,000</u>

Held to maturity investments are deposited with terms from 3 months to 1 year in banks.

5.3 Trade receivables

	31/12/2018	01/01/2018
	VND	VND
Short-term	245,617,432,892	333,419,669,721
Customers rent Office Building in Lot A CC7 -Linh Dam	1,743,535,923	1,003,680,040
Customers buy apartments of HH05 Project in Viet Hung New urban area	3,825,900,000	17,550,934,149
Customers buy houses of Bac Ninh Low-income Housing Project	15,589,397,115	-
Customers buy houses of CT17 Viet Hung Project	22,811,344,318	47,120,846,266
Customers buy houses of Zone B Project in Bac Ninh	197,006,316,734	263,868,813,171
Others	4,640,938,802	3,875,396,095
<i>In which, receivables of related parties (detailed in note 6.1)</i>	<i>3,644,582,453</i>	<i>2,014,422,093</i>
Total	<u>245,617,432,892</u>	<u>333,419,669,721</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

5.4 Advances to suppliers

	31/12/2018	01/01/2018
	VND	VND
Short-term	72,938,266,195	122,217,113,256
Housing and Urban Development Corporation	20,338,935,057	20,338,935,057
HUD10 Construction and Investment JSC	11,401,813,617	18,554,185,713
Construction and Investment JSC No 18.5	-	15,789,744,506
Hung Thinh Investment and Construction Consultant JSC	-	11,298,231,887
386 Thanh An Construction and Investment JSC	5,634,613,875	8,967,555,192
Thanh Binh Trade Development Construction JSC	4,023,292,435	12,385,867,648
Others	31,539,611,211	34,882,593,253
Total	72,938,266,195	122,217,113,256

5.5 Short-term loan receivables

	31/12/2018	01/01/2018
	VND	VND
Housing and Urban Development Corporation	120,000,000,000	20,000,000,000
Total	120,000,000,000	20,000,000,000

The loan of Housing and urban development Corporation amounted VND 120 billion under the Contract No. 298/2018/HDVV-HUD, with interest charged at 10%/year, the loan term is 12-months from 15 June 2018 to 15 June 2019.

5.6 Other receivables

	31/12/2018		01/01/2018	
	Book value	Provision	Book value	Provision
Short-term	11,361,594,160	-	7,289,054,124	-
Receivables to buy shares	2,000,000,000	-	2,000,000,000	-
Customer service fees	697,290,001	-	697,290,001	-
Red document payables	250,931,127	-	250,931,127	-
Maintenance costs	258,331,191	-	258,331,191	-
Advances	10,000,000	-	13,000,000	-
Accrued Interest of Bank	469,419,302	-	568,397,049	-
Accrued Interest of Corporation	6,400,000,000	-	1,884,444,445	-
Others	1,275,622,539	-	1,616,660,311	-
Total	11,361,594,160	-	7,289,054,124	-

5.7 Inventories

	31/12/2018 (VND)		01/01/2018 (VND)	
	Historical Cost	Provision	Historical Cost	Provision
Work in progress	97,854,952,361	-	35,768,192,598	-
Goods	79,912,996	-	58,323,255	-
Total	97,934,865,357	-	35,826,515,853	-

5.8 Prepaid expenses

	31/12/2018 VND	01/01/2018 VND
Short-term	-	1,361,123,386
Building costs awaiting allocation	-	1,361,123,386
Long-term	853,837,717	892,218,984
Tools and equipment awaiting allocation	853,837,717	892,218,984
Total	853,837,717	2,253,342,370

5.9 Tangible fixed assets

Year 2018	<i>Unit: VND</i>				
	Buildings and Structures	Machinery and Equipment	Motor Vehicles	Office equipment	Total
Cost					
As at 01/01	68,135,751,092	277,156,365	7,479,053,988	986,501,600	76,878,463,045
Increase	-	-	-	-	-
Decrease	1,631,818,182	-	-	-	1,631,818,182
Adjusting to investment properties	1,631,818,182	-	-	-	1,631,818,182
As at 31/12	66,503,932,910	277,156,365	7,479,053,988	986,501,600	75,246,644,863
Accumulated depreciation					
As at 01/01	6,555,266,150	260,094,263	3,633,410,437	430,063,085	10,878,833,935
Increase	7,025,952,263	17,062,102	906,175,844	191,422,183	8,140,612,392
Depreciation	7,025,952,263	17,062,102	906,175,844	191,422,183	8,140,612,392
Decrease	1,524,305,205	-	-	-	1,524,305,205
Adjusting to cost and investment properties	1,524,305,205	-	-	-	1,524,305,205
As at 31/12	12,056,913,208	277,156,365	4,539,586,281	621,485,268	17,495,141,122
Net book value					
As at 01/01	61,580,484,942	17,062,102	3,845,643,551	556,438,515	65,999,629,110
As at 31/12	54,447,019,702	-	2,939,467,707	365,016,332	57,751,503,741

Cost of fixed assets fully depreciated which are still in use as at 31/12/2018 is VND 3,271,398,443.

Net book value of the pledged property, mortgage guarantee loans as at 31/12/2018 is VND 137,327,424,930.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

5.10 Intangible fixed assets

Unit: VND

	Computer software	Total
<i>Cost</i>		
As at 01/01	140,000,000	140,000,000
Increase	60,000,000	60,000,000
Purchases	60,000,000	60,000,000
Decrease	-	-
As at 31/12	<u>200,000,000</u>	<u>200,000,000</u>
<i>Accumulated depreciation</i>		
As at 01/01	65,524,194	65,524,194
Increase	33,333,333	33,333,333
Depreciation	33,333,333	33,333,333
Decrease	-	-
As at 31/12	<u>98,857,527</u>	<u>98,857,527</u>
<i>Net book value</i>		
As at 01/01	74,475,806	74,475,806
As at 31/12	<u>101,142,473</u>	<u>101,142,473</u>

5.11 Investment property

Unit: VND

Items	Beginning balance	Increase	Decrease	Closing balance
I. Cost	94,423,813,666	1,631,818,182	-	96,055,631,848
Office Building in lot A-CC7 Linh Dam	94,423,813,666	1,631,818,182	-	96,055,631,848
II. Accumulated Depreciation	12,434,286,635	3,742,593,930	-	16,176,880,565
Office Building in lot A-CC7 Linh Dam	12,434,286,635	3,742,593,930	-	16,176,880,565
III. Net book value	81,989,527,031	-	-	79,878,751,283
Office Building in lot A-CC7 Linh Dam	81,989,527,031	-	-	79,878,751,283

The total value of the investment property used to pledge or mortgage the loans.

5.12 Construction in progress

	31/12/2018 (VND)	01/01/2018 (VND)
Construction in progress		
Construction: Office Building in Lot A - CC7	197,309,265	204,945,629
Total	<u>197,309,265</u>	<u>204,945,629</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

5.13 Investments in associates

Unit: VND

	Rate		31/12/2018			01/01/2018		
	Capital owned	Voting right	Historical Cost	Fair value	Provision	Historical Cost	Fair value	Provision
Investments in joint ventures or associates			2,500,000,000	-	-	2,500,000,000	-	-
Hudland Trade and Service JSC	30.50%	30.50%	2,500,000,000	-	-	2,500,000,000	-	-
Total			2,500,000,000	-	-	2,500,000,000	-	-

(*): At the reporting date, the Company has not determined the fair value of investments in associates for notes in the financial statements because there is no listed price on the market and Vietnam Accounting Standard, Vietnam Enterprise Accounting System does not yet have guidelines on the use of valuation techniques in determining the fair value of investments of associates.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

5.14 Trade payables

	31/12/2018		01/01/2018	
	VND		VND	
	Book value	Amount can be paid	Book value	Amount can be paid
Short-term	22,833,081,882	22,833,081,882	8,578,421,167	8,578,421,167
Housing and Urban development Co., Ltd	-	-	3,129,378,305	3,129,378,305
Construction Consultancy and Inspection Center	-	-	1,305,779,341	1,305,779,341
Hung Thinh Investment and Construction Consultant JSC	2,551,648,047	2,551,648,047	-	-
Bac Ninh Investment and Infrastructure Construction JST	6,207,021,454	6,207,021,454	-	-
Others	14,074,412,381	14,074,412,381	4,143,263,521	4,143,263,521
<i>In which, payables of related parties (detailed in note 6.1)</i>	<i>5,528,393,134</i>	<i>5,528,393,134</i>	<i>3,129,378,305</i>	<i>3,129,378,305</i>
Total	22,833,081,882	22,833,081,882	8,578,421,167	8,578,421,167

5.15 Advances from customers

	31/12/2018	01/01/2018
	VND	VND
Short-term	1,160,081,576	3,147,028,280
CT17 Viet Hung Project	148,035,110	797,758,624
Le Thai To Townhouse Project, Bac Ninh	562,325,000	603,279,001
Others	449,721,466	1,745,990,655
Total	1,160,081,576	3,147,028,280

5.16 Taxes and payables to the State

	Amount to be paid		Amount paid	
	01/01/2018	VND	VND	31/12/2018
Value added tax	7,865,920,333	11,814,611,512	14,895,802,953	4,784,728,892
Corporation income tax	4,351,840,567	18,351,053,332	11,662,186,005	11,040,707,894
Personal income tax	31,939,162	4,248,940,679	4,248,240,738	32,639,103
Housing tax, land rental charges	-	3,592,156,392	3,592,156,392	-
Other taxes	-	3,000,000	3,000,000	-
Total	12,249,700,062	38,009,761,915	34,401,386,088	15,858,075,889

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

5.17 Accrued expenses

	31/12/2018	01/01/2018
	VND	VND
Short-term	103,329,062,515	16,472,288,803
<i>Accrued expenses of projects</i>		-
Adjacent housing Project in Bac Ninh	663,964,611	2,156,210,749
Villa Project in Bac Ninh	327,023,543	374,623,945
CT17 Project in Viet Hung New urban area	651,061,560	226,447,200
Van Canh Project	204,226,355	204,226,355
HH05 Project	2,118,200,366	2,118,200,366
Zone B Project in Bac Ninh	98,510,316,459	-
Service of Office Building in lot A-CC7 Linh Dam	854,269,621	-
Others	-	11,392,580,188
Total	103,329,062,515	16,472,288,803

5.18 Unearned revenue

	31/12/2018	01/01/2018
	VND	VND
Short-term	-	1,874,315,712
Value of crude construction money received in advance	-	1,874,315,712
Total	-	1,874,315,712

5.19 Other payables

	31/12/2018	01/01/2018
	VND	VND
Short-term	10,739,195,618	4,470,810,519
Trade union fees	67,156,857	18,886,772
Social insurance, health insurance	63,584,381	58,087,215
Unemployment insurance	9,309,380	10,250,686
Dividend payables	221,587,500	136,942,500
Maintenance costs paid under the contract	891,556,997	698,446,542
Deposit to make the Red document, service fees, and deposits under contract	5,968,911,756	3,232,148,231
Customer service fees	3,252,239,262	2,147,262
Others	264,849,485	313,901,311
Total	10,739,195,618	4,470,810,519

HUDLAND REAL ESTATE INVESTMENT AND DEVELOPMENT JOINT STOCK COMPANY
Financial Statements for the year ended 31 December 2018

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

5.20 Loans and finance lease liabilities

Unit: VND

	31/12/2018		In year		01/01/2018	
	Value	Amount can be paid	Increase	Decrease	Value	Amount can be paid
Shor-term	144,407,830,134	144,407,830,134	286,038,919,316	308,039,169,362	166,408,080,180	166,408,080,180
BIDV - Hanoi Branch (1)	95,142,464,444	95,142,464,444	218,946,901,640	232,835,922,859	109,031,485,663	109,031,485,663
Pvcombank - Hanoi Branch (2)	49,265,365,690	49,265,365,690	67,092,017,676	75,203,246,503	57,376,594,517	57,376,594,517
Long-term	51,206,144,395	51,206,144,395	-	22,887,084,678	74,093,229,073	74,093,229,073
Pvcombank - Hanoi Branch (3)	46,025,000,000	46,025,000,000	-	12,352,800,000	58,377,800,000	58,377,800,000
Personal loans (4)	5,181,144,395	5,181,144,395	-	10,534,284,678	15,715,429,073	15,715,429,073
Total	195,613,974,529	195,613,974,529	286,038,919,316	330,926,254,040	240,501,309,253	240,501,309,253

(1) Credit limit contract No. 01/2018/1906164/HDTD dated 25/07/2018. Credit limit granted: VND 175,000,000,000; purpose of borrowing: temporarily support supplement working capital to projects: investment in construction of new urban area on Le Thai To Street, Bac Ninh (Villas and townhouses), investment in construction of condominiums CT17 - new Viet Hung urban area, Hanoi. Loan term: 12 months from the date contract signed. Interest rate and term are specified in each particular credit contract. Measures to ensure: Mortgage accounts receivable has been established and will shape in future that arises from home sales contracts and entire rights arising under home sales contracts of CT17 Project, new Viet Hung urban area, Hanoi; mortgage Toyota Camry car - License Plate of 31F-6178 under property mortgage contract No. 01/2014/HĐTCTS, notaries number: 271/2014/HĐTTC on 24/02/2014 and amended documents attached.



HUDLAND REAL ESTATE INVESTMENT AND DEVELOPMENT JOINT STOCK COMPANY

Financial Statements for the year ended 31 December 2018

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

5.20 Loans and finance lease liabilities (Cont.)

(2) Credit limit contract No. 308/2018/HDHMTD/PVB.HAN- HUDLAND dated 18/12/2018. Credit limit VND 100,000,000,000; purpose of borrowing: supplement capital to business activities of HUDLAND. Term of credit limit: 12 months; Loan term is not exceeding from the disbursement date and specified on each loan contract. Interest rate is specified in each loan contract. The bank only disburses for old projects, projects funded by the bank: Bac Ninh low-income housing project, CC7 project. Linh Dam and HH 05 project Viet Hung. Secured measures: Pledge collateral of group A. Guaranteed value to maintain at least 10% of short-term outstanding loans of the borrowing party at the Bank. Credit granting ratio/asset value of 98% guaranteed; Mortgaging the entire office building at Lot ACC7, Ho Linh Dam general service area, Hoang Liet ward, Hoang Mai district, Hanoi city according to the certificate of land use rights, house ownership and other assets attached to land No. CH001368, the number entered into the GCN register book: CT 06719 issued by Hanoi Department of Natural Resources and Environment on 9 March 2017. Credit/asset granting ratio 85% guaranteed; mortgage of property rights arising from investment projects on construction of low-income houses at the lot of land designated N28, new urban area of Le Thai To street, Vo Cuong ward, Bac Ninh city, Bac Ninh province. This asset ensures maximum guarantee obligation of VND 163 billion, the rest guarantees the short-term credit limit of the credit-granted party at the Bank, specifically guarantee for credit limit is 75 apartments (rental purpose).

(3) The credit contract No. 2906/2015/HDCVDA-DN.HN dated 26/06/2015: the maximum credit amount is of VND 83,000,000,000; the purpose: performing asset purchase agreement attached to the leased land use rights certificate number of 543/2015/SC , Vol 1/TP/CC/HDGD signed on 19/05/2015 at Ba Dinh District Notary Office between HUD2 Investment Development Joint Stock Company and HUDLAND Real Estate Investment and Development Joint Stock Company. The loan term is 8 years. The interest rate is investment credit interest rate of Viet Nam Public Bank - Ha Noi Branch provisions in each period. Measures to ensure : Mortgage entire project office building in Lot A - CC7 of general resort and housing Linh Dam Lake was formed in the future.

(4) Personal loans with a duration of 36 months and interest rate at 10%/year.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

5.21 Owner's equity

a. Reconciliation of movements in owners' equity

Unit: VND

	Owner's capital	Investment and Development fund	Retained earnings	Total
As at 01/01/2017	200,000,000,000	210,832,092,113	62,166,545,001	472,998,637,114
Increase	-	-	60,592,334,202	60,592,334,202
Profit after tax	-	-	60,592,334,202	60,592,334,202
Decrease	-	-	33,519,380,000	33,519,380,000
Remuneration to BOM, BOS	-	-	228,380,000	228,380,000
Allocation to funds	-	-	3,291,000,000	3,291,000,000
Dividend paid in 2015	-	-	30,000,000,000	30,000,000,000
As at 31/12/2017	200,000,000,000	210,832,092,113	89,239,499,203	500,071,591,316
As at 01/01/2018	200,000,000,000	210,832,092,113	89,239,499,203	500,071,591,316
Increase	-	-	203,404,213,328	203,404,213,328
Profit after tax	-	-	73,404,213,328	73,404,213,328
Transferring fund (*)	-	-	130,000,000,000	130,000,000,000
Decrease	-	130,000,000,000	165,464,444,276	295,464,444,276
Remuneration to BOM, BOS	-	-	226,040,000	226,040,000
Allocation to funds (*)	-	-	4,900,000,000	4,900,000,000
Dividend paid in 2017 (*)	-	-	160,000,000,000	160,000,000,000
Transferring fund (*)	-	130,000,000,000	-	130,000,000,000
Other decrease	-	-	338,404,276	338,404,276
As at 31/12/2018	200,000,000,000	80,832,092,113	127,179,268,255	408,011,360,368

(*): According to the Annual General Meeting of Shareholders' Resolution dated 28 March 2018, the plan of distributing profits and dividends is approved as follows:

- Transfer of development investment fund to undistributed profits:	130,000,000,000 (VND)
- Deduction for setting up the Bonus and welfare funds:	4,900,000,000 (VND)
- Payment of dividend 80%/share:	160,000,000,000 (VND)

b. Details of owner's equity

Shareholders	Capital recorded	
	31/12/2018	01/01/2018
	VND	VND
Housing and Urban Development Corporation	102,000,000,000	102,000,000,000
COTANA GROUP JSC (Before is: Thanh Nam Construction And Investment JSC)	6,294,000,000	6,294,000,000
Mrs.Nguyen Thanh Huong	2,480,000,000	2,480,000,000
Mr. Kenneth Ruby Kamon	12,503,000,000	12,503,000,000
Others	76,723,000,000	76,723,000,000
Total	200,000,000,000	200,000,000,000

5.21 Owner's equity (Cont.)

c. Capital transactions with owners and dividends distribution

	Year 2018 VND	Year 2017 VND
Owner's equity		
As at 01/01	200,000,000,000	200,000,000,000
Increase	-	-
Decrease	-	-
As at 31/12	200,000,000,000	200,000,000,000
Dividends, profit paid	295,464,444,276	33,519,380,000

d. Shares

	31/12/2018 Shares	01/01/2018 Shares
- Number of shares registered to sell	20.000.000	20.000.000
- Number of shares sold in public	20.000.000	20.000.000
+ Ordinary share	20.000.000	20.000.000
+ Preferred share	-	-
- Number of outstanding shares	20.000.000	20.000.000
Ordinary share	20.000.000	20.000.000

Par value of outstanding shares: VND 10.000 /Share

e. Funds

	31/12/2018 VND	01/01/2018 VND
Investment and Development fund	80,832,092,113	210,832,092,113
Total	80,832,092,113	210,832,092,113

5.22 Sales of merchandise and services

	Year 2018 VND	Year 2017 VND
Sales from real estate projects	422,628,828,326	379,123,996,788
Sales from renting premises and other services	16,113,929,582	3,720,630,337
Total	438,742,757,908	382,844,627,125
Deductions	-	-
Total	438,742,757,908	382,844,627,125

5.23 Cost of goods sold

	Year 2018 VND	Year 2017 VND
Cost of real estate projects	295,103,175,647	260,607,254,404
Cost of renting premises and other services	17,495,869,417	(5,217,097,904)
Total	312,599,045,064	255,390,156,500

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

5.24 Financial income/ expenses

	Year 2018 VND	Year 2017 VND
<i>Financial income</i>		
Bank interest	12,476,463,479	6,915,383,580
Total	12,476,463,479	6,915,383,580
<i>Financial expenses</i>		
Interest expenses	7,762,212,908	14,658,479,767
Total	7,762,212,908	14,658,479,767
Profit (Loss) from financial activities	4,714,250,571	(7,743,096,187)

5.25 Selling expenses/ General and administration expenses

	Year 2018 VND	Year 2017 VND
Selling expenses	10,011,662,261	11,085,880,995
Outsourcing expenses	10,011,662,261	11,085,880,995
General and administration expenses	29,096,770,079	32,055,791,283
Administrative staffs	16,916,833,540	16,728,612,504
Fixed assets depreciation expenses	7,116,524,254	5,996,688,025
Taxes, fees and charges	447,852,371	3,831,601,955
Outsourcing expenses	4,615,559,914	5,485,162,799
Other expenses in cash	-	13,726,000
Total	39,108,432,340	43,141,672,278

5.26 Other income/ expenses

	Year 2018 VND	Year 2017 VND
Other income		
Income from fines for breach of contract	-	568,189,584
Others	6,445,995	28,352,786
Total	6,445,995	596,542,370
Other expenses		
Loss of liquidation of fixed assets	-	79,815,605
Others	710,410	102,173,726
Total	710,410	181,989,331
Profit (Loss) from other activities	5,735,585	414,553,039

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

5.27 Current corporate income tax expenses

	Year 2018 VND	Year 2017 VND
Total accounting profit before tax	91,755,266,660	76,984,255,199
Adjustment increase	-	-
Adjustment decrease	-	-
Total taxable profit	91,755,266,660	76,984,255,199
<i>Taxable profit from service business</i>	<i>1,847,673,893</i>	<i>(3,203,227,418)</i>
<i>Taxable profit from real estate business</i>	<i>89,907,592,767</i>	<i>80,187,482,617</i>
Current tax rate	20%	20%
<i>CIT from service business</i>	<i>369,534,779</i>	-
<i>CIT from real estate business</i>	<i>17,981,518,553</i>	<i>16,037,496,523</i>
Current corporate income tax expense	18,351,053,332	16,037,496,523
Additional CIT due to abolished business invoices in 2015	-	354,424,473
Corporate income tax payable	18,351,053,332	16,391,920,997

5.28 Basic earning per share

	Year 2018 VND	Year 2017 VND
Accounting profit after tax	73,404,213,328	60,592,334,202
Amount deducted for bonus and welfare fund (*)	-	4,900,000,000
Net profit/ or loss attributable to ordinary equity holders for basic earning (VND)	73,404,213,328	55,692,334,202
Weighted average number of ordinary shares for basic earnings per share (share)	20,000,000	20,000,000
Earnings per share (VND/share)	3,670	2,785

(*): Basic earnings per share in 2017 are recalculated due to redefining adjustment according to the minutes of the Chief Inspector of the Ministry of Finance and deduction is based on the deduction level of bonus and welfare fund approved under the Resolution of the Annual General Meeting of Shareholders in 2018 dated 28 March 2018. This redefining makes basic earnings per share in 2017 fall from VND 2,890 to VND 2,785.

In 2018, the Company has not determined the level of bonus and welfare fund from the after-tax profit in 2018, the basic earnings per share will change according to the Resolution of the 2019 Annual General Meeting of Shareholders.

5.29 Business and production cost by factors

	Year 2018 VND	Year 2017 VND
Employee expenses	16,916,833,540	16,728,612,504
Fixed assets depreciation expenses	8,173,945,725	5,996,688,025
Accrued expenses	123,566,105,889	36,512,185,332
Outsourcing expenses	274,850,449,159	102,626,905,448
Others	-	13,726,000
Total	423,507,334,313	161,878,117,309

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

6. OTHER INFORMATION

6.1 Related party transactions and balances

Transactions with key personnel and shareholders

Related parties	Nature of transactions	Year 2018 VND	Year 2017 VND
Board of Managements and Board of Directors	Remuneration and income	3,586,235,003	3,338,656,418

Transactions with related parties

Related parties	Relationship	Nature of transactions	Year 2018 VND	Year 2017 VND
Purchasing transaction				
Housing and Urban Services Co., Ltd - HUDS	In same Corporation	Volume completed and Water charges	13,831,967,999	-
HUD1 Construction and Investment JSC	In same Corporation	Construct projects	-	5,183,382,727
HUD10 Construction and Investment JSC	In same Corporation	Construct projects	34,201,796,243	4,826,023,636
Thanh Nam Construction and Investment JSC	Capital contributors	Construct projects	-	16,509,819,622
HUDLANDTS JSC	Associated company	Services	6,891,351,560	7,929,846,396
HUDSE Urban and Housing Development Investment JSC	Capital contributors	Volume completed	16,338,651,850	5,444,087,286
Selling transaction				
Housing and Urban Services Co., Ltd - HUDS	In same Corporation	Electricity charges and services	22,991,632	9,402,782
HUD10 Construction and Investment JSC	In same Corporation	Electricity charges	68,492,229	47,458,563
HUDSE Urban and Housing Development Investment JSC	Capital contributors	Electricity charges	26,748,859	10,634,504
HUDLANDTS JSC	Associated company	Electricity charges	197,380,378	73,513,423
HUD1 Construction and Investment JSC	In same Corporation	Electricity charges	-	6,608,796

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

6.1 Related party transactions and balances (continued).

Balance with related parties at 31/12/2018 as follows:

Related parties	Relationship	Nature of transactions	31/12/2018 VND	01/01/2018 VND
Receivables				
Housing and Urban Development Corporation	Parents Corporation	Trade receivables	3,270,660,140	1,863,529,000
		Advances to suppliers	20,338,935,457	20,338,935,457
COTANA GROUP JSC (Before is: Thanh Nam Construction and Investment JSC)	Capital contributors	Advances to suppliers	-	500,001,495
HUDLANDTS JSC	Associated company	Advances to suppliers	404,635,731	2,428,235,232
		Trade receivables	297,983,182	80,864,765
HUD10 Construction and Investment JSC	In same Corporation	Trade receivables	46,156,768	52,204,419
		Advances to suppliers	11,401,813,617	18,554,185,713
Housing and Urban Services Company Ltd. - HUDS	In same Corporation	Advances to suppliers	1,275,185,314	-
		Trade receivables	20,765,095	7,406,010
HUD1 Construction and Investment JSC	In same Corporation	Trade receivables	9,017,268	7,269,676
		Advances to suppliers	1,952,161,786	1,952,161,786
HUDSE Urban and Housing Development Investment JSC	In same Corporation	Trade receivables	3,546,015	3,148,223
		Advances to suppliers	-	5,434,292,286
Related parties	Relationship	Nature of transactions	31/12/2018 VND	01/01/2018 VND
Payables				
COTANA GROUP JSC (Before is: Thanh Nam Construction and Investment JSC)	Capital contributors	Trade payables	1,876,589,806	-
Housing and urban services Co.,Ltd - HUDS	In same Corporation	Trade payables	-	3,129,378,305
HUDSE Urban and Housing Development Investment JSC	In same Corporation	Trade payables	3,651,803,328	-

6.2 Financial instruments - Risk management

Capital risk management

The Company managed capital resource to ensure that the Company can operate continuously and maximize benefits of shareholders under optimizing balances of capital resources and liabilities.

Capital structure of the Company includes liabilities (cash and cash equivalents) and owners' equity of shareholders of the Company including contribution capital, reserved funds and retained earnings.

Significant accounting policies

Details of significant accounting policies and methods are applied by the Company (including the criteria for recognition, the basis of valuation and the basis of recognition of income and expenses) for each type of financial assets, financial liabilities and equity instruments are detailed in Note No. 5.

Categories of financial instruments

	31/12/2018	01/01/2018
	VND	VND
Financial assets		
Cash and cash equivalents	76,451,169,467	91,083,031,362
Trade receivables and other receivables	256,979,027,052	340,708,723,845
Short-term investments	9,073,930,000	40,073,930,000
Long-term investments	2,500,000,000	2,500,000,000
Total	345,004,126,519	474,365,685,207
Financial liabilities		
Borrowings	195,613,974,529	240,501,309,253
Trade payables and other payables	33,572,277,500	13,049,231,686
Accrued expenses	103,329,062,515	16,472,288,803
Total	332,515,314,544	270,022,829,742

The Company has not yet evaluated fair-value of financial assets and financial liabilities as at the date ended accounting period because Circular No. 210 as well as prevailing regulations do not have detailed guidance on determination of fair-value of financial assets and financial liabilities. Circular No. 210 requires to apply International Financial Report Standards on presentation of the financial statements and Notes of information to financial instruments, but not provide equivalent guidance for information evaluation and recognition of financial instruments including fair-value application in accordance with International Financial Report Standards.

Objective of financial risk management

Financial risks include market risks (including exchange rate risks, interest rate risk and price risk) credit risk, liquidity risk and interest rate risk of cash flow. The Company does not implement prevention methods of these risks due to the shortage of markets purchasing financial instruments.

Market risks

The Company's business activities mainly suffer from risks when having changes in foreign exchange rate and interest rate. The Company does not implement prevention methods of these risks due to the shortage of markets purchasing financial instruments.

Management of interest rate risk

The Company suffers from material interest rate arising from signed borrowings with interest rate. These risks will be managed by maintaining borrowings at the reasonable level, under floating interest rate and fixed interest rate.

6.2 Financial instruments – Risk management (Cont.)

Credit risk

Credit risks accrued when a client or partner cannot meet obligations in contract leading to financial loss for the Company. The Company has suitable credit policy and regularly observe situation to evaluate whether the Company suffers from credit risks. The Company does not have any material credit risks with the clients or partners because receivables come from large number of clients who operate in different fields and allocates in different geography areas.

Management of liquidity risk

Purpose of liquidity risk management is to ensure adequate capital source to meet financial obligations at present and in the future. Liquidity is also managed by the Company to ensure addition level between liabilities due to date and assets due to date in the period at controllable level to capital believed to create in that period by the Company. The Company's policy is to observe regularly requirements on liquidity at present and in the future to ensure that the Company maintain adequate prevision for cash on hand, borrowings and capital source that shareholders commit to contribute to meet regulations on more short-term and long-term liquidity.

	Under 1 year VND	From 1- 5 years VND	Total VND
31/12/2018			
Borrowings	144,407,830,134	51,206,144,395	195,613,974,529
Trade payables and other payables	33,572,277,500	-	33,572,277,500
Accrued expenses	103,329,062,515	-	103,329,062,515
01/01/2018			
Borrowings	166,408,080,180	74,093,229,073	240,501,309,253
Trade payables and other payables	13,049,231,686	-	13,049,231,686
Accrued expenses	16,472,288,803	-	16,472,288,803

The Board of Directors believes to create money source to meet financial obligations due to date.

The following table presents in detail of maturity level of non-arising financial assets. The table is made on the basics of maturity level under contract that has not yet been discounted of financial assets including interest from these assets, if any. The presentation of non-arising financial assets information is necessary to understand liquidity risk management of the Company when liquidity is managed on the basics of liabilities and net assets.

	Under 1 year VND	From 1- 5 years VND	Total VND
31/12/2018			
Cash and cash equivalents	76,451,169,467	-	76,451,169,467
Trade receivables and other receivables	256,979,027,052	-	256,979,027,052
Short-term investments	9,073,930,000	-	9,073,930,000
Long-term investments	-	2,500,000,000	2,500,000,000
01/01/2018			
Cash and cash equivalents	91,083,031,362	-	91,083,031,362
Trade receivables and other receivables	340,708,723,845	-	340,708,723,845
Short-term investments	40,073,930,000	-	40,073,930,000
Long-term investments	-	2,500,000,000	2,500,000,000

6.3 Retrospective adjustment

The balance as at 1 January 2018 is adjusted in accordance with the Minutes of the Chief Inspector of the Ministry of Finance on 14 December 2018. After the adjustment, the balance as at 1 January 2018 on the Balance Sheet and the Income statement of Audit Report No. 78/2017/BCKT-BCTC / CPAVIETNAM issued on 31 January 2018 changes as follows:

Influence on the Balance Sheet:

ITEMS	As at 31/12/2017 Republish VND	As at 31/12/2017 Presented VND	Difference VND
Other short-term receivables	7,289,054,124	4,836,212,630	2,452,841,494
Inventory	35,826,515,853	60,768,537,251	(24,942,021,398)
Tangible fixed assets	65,999,629,110	37,473,741,772	28,525,887,338
Cost	76,878,463,045	45,246,811,783	31,631,651,262
Accumulated Depreciation	(10,878,833,935)	(7,773,070,011)	(3,105,763,924)
Investment property	81,989,527,031	118,371,288,739	(36,381,761,708)
Cost	94,423,813,666	126,055,464,928	(31,631,651,262)
Accumulated Depreciation	(12,434,286,635)	(7,684,176,189)	(4,750,110,446)
Total change of asset			(30,345,054,274)
Taxes and other payables to State	12,249,700,062	10,750,171,414	1,499,528,648
Short-term accrued expenses	16,472,288,803	51,111,758,903	(34,639,470,100)
Undistributed profits	89,239,499,203	86,444,612,025	2,794,887,178
Total change of equity			(30,345,054,274)

Influence on the Income statement in 2017

ITEMS	Year 2017 Republish VND	Year 2017 Presented VND	Difference VND
Cost of goods sold	255,390,156,500	260,337,494,222	(4,947,337,722)
Financial income	6,915,383,580	4,462,542,086	2,452,841,494
General and administration expenses	32,055,791,283	28,950,027,891	3,105,763,392
Current tax expense	16,391,920,997	14,892,392,349	1,499,528,648
Net profit (loss) after income tax	60,592,334,202	57,797,447,026	2,794,887,176
Basic earnings per share	2,785.00	2,890.00	(105.00)

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

6.4 Comparative figures

The figures are which in financial statements of the Company for the financial year ended 31 December 2017 have been audited by CPA VIETNAM Auditing Company Limited - An Independent Member Firm of Moore Stephens International Limited.

Preparer



Tran Thanh Thanh Huyen

Chief Accountant



Le Quoc Chung

Hanoi, 25 February 2019

Director



Nguyen Thanh Tu