

**HOA SEN GROUP**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2012**



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## HOA SEN GROUP

### CORPORATE INFORMATION

#### **Business Registration Certificate No.**

3700381324 dated 21 June 2012  
First issued on 8 August 2001

The Business Registration Certificate has been amended several times and the latest amendment was the Business Registration Certificate No. 3700381324 on 21 June 2012. The Business Registration Certificate was issued by the Department of Planning and Investment of Binh Duong Province.

#### **Board of Management**

Mr Le Phuoc Vu	Chairman
Mr Tran Ngoc Chu	Vice Chairman
Mr Le Phung Hao	Member
Mr Pham Gia Tuan	Member
Mr Nguyen Van Quy	Member (Resigned on 22 March 2012)
Mr Ly Duy Hoang	Member (Appointed on 22 March 2012)

#### **Board of Directors**

Mr Tran Ngoc Chu	General Director
Mr Hoang Duc Huy	Deputy General Director
Mr Vu Van Binh	Deputy General Director (Resigned on 1 June 2012)
Mr Tran Quoc Tri	Deputy General Director
Mr Vu Van Thanh	Deputy General Director
Mr Nguyen Minh Khoa	Acting Deputy General Director (Appointed on 1 October 2011)
Mr Ho Thanh Hieu	Acting Deputy General Director (Appointed on 15 June 2012)

#### **Legal representative**

Mr Le Phuoc Vu	Chairman
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#### **Registered office**

No. 9, Thong Nhat Boulevard, Song Than 2 Industrial Park,  
Di An Ward, Di An Town, Binh Duong Province, Vietnam

#### **Auditor**

PricewaterhouseCoopers (Vietnam) Limited

## HOA SEN GROUP

### STATEMENT OF THE RESPONSIBILITY OF GENERAL DIRECTOR OF THE COMPANY IN RESPECT OF THE FINANCIAL STATEMENTS

The legal representative of the Company authorized the General Director to be responsible for the separate financial statements which give a true and fair view of the financial position of Hoa Sen Group ("the Company") as at 30 September 2012 and the results of its operations and cash flows for the year then ended. In preparing these financial statements, the General Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The General Director 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 which enable separate financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the financial statements. The General Director is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

I hereby approve the accompanying separate financial statements as set out on pages 5 to 41 which give a true and fair view of the financial position of the Company as at 30 September 2012 and of the results of its operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.

Users of these separate financial statements should read them together with the consolidated financial statements of the Company and its subsidiaries ("the Group") as at and for the year ended 30 September 2012 in order to obtain full information of the financial information, results of operations and cash flows of the Group as a whole.



Tran Ngoc Chu  
General Director

Binh Duong Province, SR Vietnam  
3 December 2012



## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HOA SEN GROUP**

We have audited the accompanying separate financial statements of Hoa Sen Group ("the Company") which were approved by the General Director on 3 December 2012. The separate financial statements comprise the balance sheet as at 30 September 2012, the income statement and cash flow statement for the year then ended, and explanatory notes to the financial statements including significant accounting policies, as set out on pages 5 to 41.

### **The General Director's Responsibility for the Financial Statements**

The General Director of the Company is responsible for the preparation and fair presentation of these separate financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of separate financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these separate 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 in order to obtain reasonable assurance as to whether the separate 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 an assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the separate 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General Director, as well as evaluating the overall presentation of the separate financial statements.

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

## Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at 30 September 2012, and its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.



Quách Thanh Chau  
AC No. N.0875/KTV  
Deputy General Director  
Authorised signatory



Nguyen Cao Nguyen  
AC No. 1184/KTV

PricewaterhouseCoopers (Vietnam) Limited  
Ho Chi Minh City, SR Vietnam  
Audit report number HCM3380  
3 December 2012

As indicated in Note 2.1 to the separate financial statements, the accompanying separate financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam, and furthermore their utilisation is not designed for those who are not informed about SR Vietnam's accounting principles, procedures and practices.

## BALANCE SHEET

		As at 30 September		
Code	ASSETS	Note	2012 VND	2011 VND
<b>100</b>	<b>CURRENT ASSETS</b>		<b>2,687,785,701,677</b>	<b>3,250,279,967,093</b>
<b>110</b>	<b>Cash and cash equivalents</b>	3	<b>62,322,761,267</b>	<b>126,343,395,167</b>
111	Cash		62,322,761,267	126,343,395,167
<b>120</b>	<b>Short-term investments</b>		<b>3,975,059,008</b>	-
121	Short-term investments		3,975,059,008	-
<b>130</b>	<b>Accounts receivable</b>		<b>1,060,986,322,198</b>	<b>1,097,677,196,770</b>
131	Trade accounts receivable	4	851,514,345,464	735,136,576,406
132	Prepayments to suppliers	5	132,204,331,550	112,840,243,696
135	Other receivables	6	84,214,681,047	252,206,830,245
139	Provision for doubtful debts		(6,947,035,863)	(2,506,453,577)
<b>140</b>	<b>Inventories</b>	7	<b>1,346,471,979,331</b>	<b>1,765,275,223,172</b>
141	Inventories		1,348,257,580,603	1,765,275,223,172
149	Provision for decline in value of inventories		(1,785,601,272)	-
<b>150</b>	<b>Other current assets</b>		<b>214,029,579,873</b>	<b>260,984,151,984</b>
151	Short-term prepayments		24,941,573,704	25,348,615,065
152	Value Added Tax to be reclaimed		181,182,026,226	191,717,067,998
154	Other taxes receivable		836,185,561	-
158	Other current assets	8	7,069,794,382	43,918,468,921
<b>200</b>	<b>LONG-TERM ASSETS</b>		<b>2,618,397,191,638</b>	<b>2,686,882,002,143</b>
<b>220</b>	<b>Fixed assets</b>		<b>2,049,080,566,012</b>	<b>2,128,985,585,123</b>
221	Tangible fixed assets	9(a)	1,734,733,389,181	1,478,450,108,256
222	Cost		2,268,486,591,891	1,816,619,977,070
223	Accumulated depreciation		(533,753,202,710)	(338,169,868,814)
224	Finance lease assets	9(b)	78,249,367,215	-
225	Cost		84,032,961,457	-
226	Accumulated depreciation		(5,783,594,242)	-
227	Intangible fixed assets	9(c)	210,778,072,533	213,362,665,641
228	Cost		220,918,698,551	220,905,131,051
229	Accumulated amortisation		(10,140,626,018)	(7,542,465,410)
230	Construction in progress	9(d)	25,319,737,083	437,172,811,226
<b>250</b>	<b>Long-term investments</b>	10	<b>505,732,331,634</b>	<b>504,605,390,954</b>
251	Investments in subsidiaries		446,276,000,000	446,276,000,000
252	Investments in associates		44,456,331,634	44,456,331,634
258	Other long-term investments		15,000,000,000	15,000,000,000
259	Provision for diminution in value of long-term investments		-	(1,126,940,680)
<b>260</b>	<b>Other long-term assets</b>		<b>63,584,293,992</b>	<b>53,291,026,066</b>
261	Long-term prepayments	11	56,290,140,917	47,356,517,597
262	Deferred income tax assets	12	5,281,603,174	4,871,229,297
268	Other long-term assets		2,012,549,901	1,063,279,172
<b>270</b>	<b>TOTAL ASSETS</b>		<b>5,306,182,893,315</b>	<b>5,937,161,969,236</b>

The notes on pages 9 to 41 are an integral part of these financial statements.

BALANCE SHEET  
(continued)

Code	RESOURCES	Note	As at 30 September	
			2012 VND	2011 VND
<b>300</b>	<b>LIABILITIES</b>		<b>3,255,130,650,996</b>	<b>4,115,914,947,348</b>
<b>310</b>	<b>Current liabilities</b>		<b>2,649,950,276,006</b>	<b>3,485,549,491,223</b>
311	Short-term borrowings	13(a)	2,031,073,752,460	2,245,467,872,962
312	Trade accounts payable	14	470,105,482,411	1,124,806,259,547
313	Advances from customers		9,153,814,784	39,043,692,919
314	Taxes and other payables to the State Budget	15	71,348,792,426	16,758,743,314
315	Payable to employees		20,893,335,354	19,490,662,024
316	Accrued expenses	16	23,697,643,116	29,106,140,385
319	Other payables	17	18,452,204,256	2,929,661,962
323	Bonus and welfare fund	18	5,225,251,199	7,946,458,110
<b>330</b>	<b>Long-term liabilities</b>		<b>605,180,374,990</b>	<b>630,365,456,125</b>
334	Long-term borrowings	13(b)	601,196,647,490	629,061,213,625
336	Provision for severance allowances		3,983,727,500	1,304,242,500
<b>400</b>	<b>SHAREHOLDERS' EQUITY</b>		<b>2,051,052,242,319</b>	<b>1,821,247,021,888</b>
<b>410</b>	<b>Capital and reserves</b>		<b>2,051,052,242,319</b>	<b>1,821,247,021,888</b>
411	Share capital	19,20	1,007,907,900,000	1,007,907,900,000
412	Share premium	20	451,543,290,363	451,543,290,363
414	Treasury shares	20	(56,716,723,982)	(28,588,182,845)
416	Financial reserve funds	20	8,525,313,060	8,525,313,060
419	Other funds	20	2,148,326,909	-
420	Undistributed earnings	20	637,644,135,969	381,858,701,310
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>5,306,182,893,315</b>	<b>5,937,161,969,236</b>


## OFF BALANCE SHEET ITEMS

Cash and cash equivalents are balances held in foreign currencies of US\$134,082 (as at 30 September 2011: US\$13,337).



Nguyen Thi Ngoc Lan  
Chief Accountant



  
Tran Ngoc Chu  
General Director  
3 December 2012

The notes on pages 9 to 41 are an integral part of these financial statements.




## INCOME STATEMENT

Code	Note	Year ended 30 September	
		2012 VND	2011 VND
01	Sales	12,619,830,306,445	11,257,002,387,037
02	Less deductions	(14,325,992,176)	(14,808,935,014)
10	<b>Net sales</b>	<b>12,605,504,314,269</b>	<b>11,242,193,452,023</b>
11	<b>Cost of sales</b>	<b>(11,375,653,501,501)</b>	<b>(10,336,014,938,167)</b>
20	<b>Gross profit</b>	<b>1,229,850,812,768</b>	<b>906,178,513,856</b>
21	Financial income	113,585,114,098	274,270,850,819
22	Financial expenses	(404,065,310,249)	(450,899,292,903)
23	<i>In which: Interest expense</i>	(335,861,045,260)	(282,057,005,265)
24	Selling expenses	(337,646,105,793)	(273,241,648,901)
25	General and administration expenses	(218,616,359,161)	(158,043,749,817)
30	<b>Operating profit</b>	<b>383,108,151,663</b>	<b>298,264,673,054</b>
31	Other income	36,234,559,574	219,293,555,101
32	Other expenses	(30,083,781,517)	(187,412,642,636)
40	<b>Net other income</b>	<b>6,150,778,057</b>	<b>31,880,912,465</b>
50	<b>Net accounting profit before tax</b>	<b>389,258,929,720</b>	<b>330,145,585,519</b>
51	<b>Business income tax - current</b>	<b>(27,562,434,241)</b>	<b>(17,946,100,611)</b>
52	<b>Business income tax - deferred</b>	<b>410,373,877</b>	<b>2,240,695,095</b>
60	<b>Net profit after tax</b>	<b>362,106,869,356</b>	<b>314,440,180,003</b>
70	<b>Earnings per share</b>	<b>3,700</b>	<b>3,184</b>

  
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 Nguyen Thi Ngoc Lan  
 Chief Accountant



  
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 Tran Ngoc Chu  
 General Director  
 3 December 2012


**CASH FLOW STATEMENT**  
**(Indirect method)**

Code	Note	Year ended 30 September	
		2012 VND	2011 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01		<b>389,258,929,720</b>	<b>330,145,585,519</b>
	Net profit before tax		
	Adjustments for:		
02	Depreciation and amortisation	212,417,240,760	152,019,607,346
03	Provisions	5,099,242,878	340,135,671
04	Unrealised foreign exchange (gains)/losses	(4,232,103,846)	1,779,496,270
05	Gain from investing activities	(68,516,940,194)	(189,292,779,656)
06	Interest expense	335,861,045,260	282,057,005,265
07	Losses/(gains) from disposals of fixed assets	42,857,574	(14,489,903,987)
08	<b>Operating profit before changes in working capital</b>	<b>869,930,272,152</b>	<b>562,559,146,428</b>
09	Decrease/(increase) in receivables	139,461,328,873	(18,572,145,478)
10	Decrease/(increase) in inventories	417,017,642,569	(615,466,169,805)
11	(Decrease)/increase in payables	(617,120,711,077)	505,785,008,867
12	Increase in prepaid expenses	(3,602,928,727)	(34,649,997,478)
13	Interest paid	(341,746,932,318)	(274,755,496,246)
14	Business income tax paid	(21,453,868,690)	(10,188,701,745)
16	Other payments on operating activities	(9,336,896,699)	(4,551,499,841)
20	<b>Net cash inflow from operating activities</b>	<b>433,147,906,083</b>	<b>110,160,144,702</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchases of fixed assets	(57,038,858,220)	(823,899,538,759)
22	Proceeds from disposals of fixed assets	3,248,224,565	191,389,756,749
27	Interest received	3,675,541,465	3,167,104,832
30	<b>Net cash outflows from investing activities</b>	<b>(50,115,092,190)</b>	<b>(629,342,677,178)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
32	Purchase treasury shares	(28,128,541,137)	(28,016,088,845)
33	Proceeds from borrowings	6,583,550,959,039	5,971,137,263,295
34	Repayments of borrowings	(6,877,969,336,715)	(5,279,815,361,496)
35	Finance lease paid	(26,350,002,329)	-
36	Dividends paid	(96,593,160,025)	(49,875,641,450)
40	<b>Net cash (outflows)/inflows from financing activities</b>	<b>(445,490,081,167)</b>	<b>613,430,171,504</b>
50	<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(62,457,267,274)</b>	<b>94,247,639,028</b>
60	Cash and cash equivalents at beginning of year	126,343,395,167	34,385,502,402
61	Effect of foreign exchange differences	(1,563,366,626)	(2,289,746,263)
70	<b>Cash and cash equivalents at end of year</b>	<b>62,322,761,267</b>	<b>126,343,395,167</b>

Major non-cash transactions in the year were acquisition of finance lease assets with value of VND84,032,961,457 (year ended 30 September 2011: nil)

  
 Nguyen Thi Ngoc Lan  
 Chief Accountant



  
 Tran Ngoc Chu  
 General Director  
 3 December 2012

The notes on pages 9 to 41 are an integral part of these financial statements.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2012****1 GENERAL INFORMATION**

Hoa Sen Group – Vietnamese name is Cong ty Co phan Tap doan Hoa Sen - ("the Company") was established in SR Vietnam pursuant to Business Registration Certificate No. 3700381324, dated 8 August 2001 which was issued by the Department of Planning and Investment of Binh Duong Province. The latest amendment is on 21 June 2012.

On 5 December 2008, the Company's shares were listed and traded on the Ho Chi Minh City Stock Exchange pursuant to Decision No. 117/QD-SGDHCM dated 5 November 2008.

The principal activities of the Company are:

- Manufacture of roofing sheets by galvanized steel, zinc alloy, paint galvanized zinc plating and plating of other alloys
- Production of steel purlins, purlins galvanized
- Manufacture of black steel pipes, galvanized steel pipes, galvanized steel pipes and other alloys
- Manufacture of steel mesh, galvanized steel wire, steel wire
- Manufacture PVC ceiling
- Production of building materials
- Buy and sell building materials, capital goods and consumer goods
- Rent store and transport goods
- Industrial and civil construction
- Production of cold rolled steel coils

As at 30 September 2012, the Company had 2,432 employees (30 September 2011: 1,762 employees).

**2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES****2.1 Basis of preparation of financial statements**

The separate financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam. The separate financial statements have been prepared under the historical cost convention.

The accompanying separate financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam. The accounting principles and practices utilised in SR Vietnam may differ from those generally accepted in countries and jurisdictions other than SR Vietnam.

Users of these separate separate financial statements should read them together with the consolidated financial statements of the Company and its subsidiaries ("the Group") as at and for the year ended 30 September 2012 in order to obtain full information of the financial information, results of operations and cash flows of the Group as a whole.

**2.2 Fiscal year**

The Company's fiscal year is from 1 October to 30 September.

**2.3 Form of records applied**

The Company uses journal vouchers to record its transactions.

**2.4 Use of accounting estimate**

The preparation of the separate financial statements in conformity with Vietnamese Accounting Standards requires the General Director to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of financial statements and the amounts of revenues and expenses during the year. Although these estimates are based on the General Director best knowledge of current events and actions, actual results may differ from those estimates.

**2.5 Currency**

The separate financial statements are measured in Vietnamese Dong and presented using Vietnamese Dong.

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising from these translations are recognised in the income statement.

**2.6 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit, demand deposits and other short-term investments with an original maturity of three months or less.

**2.7 Trade receivables**

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review by the General Director of all outstanding amounts at the year end. Bad debts are written off when identified.

**2.8 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of operating activity. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. Provision is made, where necessary, for obsolete, slow-moving and defective inventory items.

**2.9 Investments****(a) Investments in subsidiaries**

Investments in subsidiaries are accounted for at cost less provision for diminution in value.

**(b) Investments in joint ventures and associates**

Investments in joint ventures and associates are accounted for at cost less provision for diminution in value.

**(c) Long-term investments**

Long-term investments comprise shareholding of less than 20% in listed and unlisted entities which are held with no intention to dispose with in 12 months from the balance sheet date. These investments are initially stated at cost of acquisition. Provision is made where there is a diminution in value of these investments.

**2.10 Fixed assets***Tangible and intangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

*Depreciation*

Fixed assets are depreciated using the straight-line method so as to write off the cost of the assets over their estimated useful lives. The principal annual rates used are:

Buildings	5 - 30 years
Machinery & equipment	3 - 10 years
Motor vehicles	6 - 10 years
Office equipment	6 - 8 years
Others	5 - 20 years

Land use rights which have definite term are amortised, using the straight-line method over number of years in accordance with the terms indicated in each land use right certificate. Land use rights which are granted for an indefinite term are carried at cost and not amortised.

*Disposals*

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in the income statement.

**2.11 Leased assets**

Leases of property, plant and equipment where the lessor has transferred the ownership at the end of the lease period, and transferred substantially risks and rewards, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charge, are included in long-term borrowings. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the shorter of the estimated useful life of the assets or the lease term. However, if there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, depreciation is calculated over the estimated useful life of the assets.

**2.12 Borrowing costs**

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the income statement when incurred.

**2.13 Revenue recognition****(a) Sales of goods**

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

**(c) Interest income**

Interest income is recognised on an earned basis.

**(d) Dividend income**

Dividend income is recognised in the period in which the dividends are declared by the investee entities.

**2.14 Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**2.15 Share capital and treasury shares**

Share capital consists of all issued shares. Incremental costs directly attributable to the issue of ordinary shares or options are recognised as a deduction from equity.

Treasury shares are shares that are issued and repurchased by the Company. The amount of the consideration paid, which includes directly attributable cost, net off any tax effects, is recognised and presented as a deduction from equity. Total amount received from the reissue or sales of treasury shares less directly attributable costs are recorded as equity.

**2.16 Other funds**

Other funds are appropriated from undistributed earnings and used upon the approval of General Meeting of Shareholders.

**2.17 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the General Assembly of Shareholders.

**2.18 Related parties**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

**2.19 Provisions**

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provisions will be measured at their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expenses.

**2.20 Provision for severance allowances**

In accordance with Vietnamese labour laws, employees of the Company are entitled to a severance allowance based on their years of service. This will be paid as a lump sum when the employee leaves the Company. A provision for severance allowance is made for the estimated liability for employment termination as a result of services rendered by employees.

Pursuant to Law on Social Insurance, effective from 1 January 2009, the Company is required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. With the implementation of the unemployment scheme, the Company is no longer required to provide for the service period after 1 January 2009. However, provision for severance allowance as of 30 September 2012 is determined based on the employees' number of years of service up to 31 December 2008 and their average salary for the six-month period prior to the balance sheet date.

**3 CASH AND CASH EQUIVALENTS**

	<b>30.9.2012</b> <b>VND</b>	<b>30.9.2011</b> <b>VND</b>
Cash on hand	23,231,700,912	9,162,563,690
Cash at bank	38,382,025,210	117,180,831,477
Cash in transit	709,035,145	-
	<u>62,322,761,267</u>	<u>126,343,395,167</u>

**4 TRADE ACCOUNTS RECEIVABLE**

	<b>30.9.2012</b> <b>VND</b>	<b>30.9.2011</b> <b>VND</b>
Third parties	561,878,374,848	439,415,357,110
Related parties (Note 33(b))	289,635,970,616	295,721,219,296
	<u>851,514,345,464</u>	<u>735,136,576,406</u>

**5 PREPAYMENTS TO SUPPLIERS**

	<b>30.9.2012</b> <b>VND</b>	<b>30.9.2011</b> <b>VND</b>
Third parties	42,020,148,804	22,657,016,696
Related parties (Note 33(b))	90,184,182,746	90,183,227,000
	<u>132,204,331,550</u>	<u>112,840,243,696</u>



**6 OTHER RECEIVABLES**

	<b>30.9.2012</b>	<b>30.9.2011</b>
	<b>VND</b>	<b>VND</b>
Third parties	19,028,419,661	49,945,117,800
Related parties (Note 33(b))	65,186,261,386	202,261,712,445
	<u>84,214,681,047</u>	<u>252,206,830,245</u>

Other receivables from third parties include an amount of VND13,279,135,464 (As at 30 September 2011: VND26,558,270,928) from liquidation contract of Pho Dong – Hoa Sen Building Project.

**7 INVENTORIES**

	<b>30.9.2012</b>	<b>30.9.2011</b>
	<b>VND</b>	<b>VND</b>
Goods in transit	340,678,259,856	328,583,285,799
Raw materials	147,022,796,976	352,116,157,982
Tools	128,830,080,317	90,498,457,943
Finished goods	654,483,300,362	875,480,750,474
Merchandises	77,243,143,092	118,596,570,974
	<u>(1,785,601,272)</u>	<u>-</u>
Provision for decline in value of inventories	(1,785,601,272)	-
	<u>1,346,471,979,331</u>	<u>1,765,275,223,172</u>

As at 30 September 2012, inventories with a carrying amount of VND1,070,169,056,955 (As at 30 September 2011: VND1,363,091,358,973) have been pledged as security for the bank loans.

**8 OTHER CURRENT ASSETS**

	<b>30.9.2012</b>	<b>30.9.2011</b>
	<b>VND</b>	<b>VND</b>
Short-term deposits	2,486,311,258	39,184,104,427
Advance to employees	4,583,483,124	4,542,839,658
Shortage of assets awaiting for disposal	-	191,524,836
	<u>7,069,794,382</u>	<u>43,918,468,921</u>

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## 9 FIXED ASSETS

## (a) Tangible fixed assets

	Buildings VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Other tangible fixed assets VND	Total VND
<b>Historical cost</b>						
As at 1 October 2011	394,067,482,016	1,357,724,079,386	48,294,843,912	3,043,939,190	13,489,632,566	1,816,619,977,070
New purchases	199,893,816	11,674,064,354	522,469,506	29,813,000	-	12,426,240,676
Transferred from construction in progress	115,101,139,418	336,366,355,037	-	60,976,500	-	451,528,470,955
Disposals	(1,226,500,000)	(10,338,042,378)	(147,807,001)	-	-	(11,712,349,379)
Other decrease	(344,862,657)	(30,884,774)	-	-	-	(375,747,431)
As at 30 September 2012	507,797,152,593	1,695,395,571,625	48,669,506,417	3,134,728,690	13,489,632,566	2,268,486,591,891
<b>Accumulated depreciation</b>						
As at 1 October 2011	52,540,919,662	264,643,728,725	18,289,466,337	1,632,021,576	1,063,712,514	338,169,868,814
Charge for the year	29,490,312,756	166,327,650,938	5,853,117,581	473,895,418	1,890,509,217	204,035,485,910
Disposals	(342,145,161)	(7,973,335,030)	(105,787,049)	-	-	(8,421,267,240)
Other	-	(30,884,774)	-	-	-	(30,884,774)
As at 30 September 2012	81,689,087,257	422,967,159,859	24,036,816,869	2,105,916,994	2,954,221,731	533,753,202,710
<b>Net book value</b>						
As at 1 October 2011	341,526,562,354	1,093,080,350,661	30,005,357,575	1,411,917,614	12,425,920,052	1,478,450,108,256
As at 30 September 2012	426,108,065,336	1,272,428,411,766	24,632,689,548	1,028,811,696	10,535,410,835	1,734,733,389,181

As at 30 September 2012, cost of fixed assets fully depreciated but still in use was VND45,143,822,732 (As at 30 September 2011: VND6,315,233,156).

As at 30 September 2012, tangible fixed assets with a carrying value of VND1,133,687,229,165 have been pledged as security for the Company's loans (As at 30 September 2011: VND937,725,317,496).

## 9 FIXED ASSETS (continued)

## (b) Finance lease assets

	Machinery and equipment VND
<b>Historical cost</b>	
As at 1 October 2011	-
New leases	84,032,961,457
	<u>84,032,961,457</u>
As at 30 September 2012	<u>84,032,961,457</u>
<b>Accumulated depreciation</b>	
As at 1 October 2011	-
Charge for the year	5,783,594,242
	<u>5,783,594,242</u>
As at 30 September 2012	<u>5,783,594,242</u>
<b>Net book value</b>	
As at 1 October 2011	-
As at 30 September 2012	<u><u>78,249,367,215</u></u>

## (c) Intangible fixed assets

	Land use rights VND	Computer software VND	Total VND
<b>Historical cost</b>			
As at 1 October 2011	219,514,657,317	1,390,473,734	220,905,131,051
New purchases	13,567,500	-	13,567,500
	<u>219,528,224,817</u>	<u>1,390,473,734</u>	<u>220,918,698,551</u>
As at 30 September 2012	<u>219,528,224,817</u>	<u>1,390,473,734</u>	<u>220,918,698,551</u>
<b>Accumulated amortisation</b>			
As at 1 October 2011	6,807,133,954	735,331,456	7,542,465,410
Charge for the year	2,367,994,751	230,165,857	2,598,160,608
	<u>9,175,128,705</u>	<u>965,497,313</u>	<u>10,140,626,018</u>
As at 30 September 2012	<u>9,175,128,705</u>	<u>965,497,313</u>	<u>10,140,626,018</u>
<b>Net book value</b>			
As at 1 October 2011	212,707,523,363	655,142,278	213,362,665,641
As at 30 September 2012	<u><u>210,353,096,112</u></u>	<u><u>424,976,421</u></u>	<u><u>210,778,072,533</u></u>

## 9 FIXED ASSETS (continued)

## (c) Intangible fixed assets (continued)

As at 30 September 2012 land use rights with a carrying value of VND134,832,214,689 (As at 30 September 2011: VND150,236,457,785) have been pledged with banks as security for the Company's loans.

## (d) Construction in progress

	30.9.2012 VND	30.9.2011 VND
Opening balance	437,172,811,226	540,353,255,533
Additions	44,599,050,044	719,067,469,396
Transferred to long-term prepayments	(4,923,653,232)	(3,449,823,999)
Transferred to tangible fixed assets	(451,528,470,955)	(818,798,089,704)
Closing balance	<u>25,319,737,083</u>	<u>437,172,811,226</u>

Major projects include:

	30.9.2012 VND	30.9.2011 VND
Machinery and equipment for		
Hoa Sen Phu My Steel Sheet Plant	18,569,355,451	344,399,711,468
Hoa Sen Phu My Steel Sheet Plant Project	<u>5,113,690,655</u>	<u>78,778,683,205</u>

Borrowing costs capitalised in fixed assets and cost in construction in progress for year ended 30 September 2012 was VND 8,715,760,598 (Year ended 30 September 2011: VND7,300,447,031).

## 10 LONG-TERM INVESTMENTS

Details of investments into subsidiaries, associates and other long-term investments is as follows:

Investee Subsidiaries:	Principal activities	Business License	% ownership and voting rights	Amount	
				30.9.2012 VND	30.9.2011 VND
Hoa Sen Steel Sheet One Member Co., Ltd.	Manufacture and trade in cold rolled steel products	Business Registration Certificate No. 4604000225 and No. 3700763651 issued by Department of Planning and Investment of Binh Duong Province on 24 December 2007 and 29 June 2011 respectively.	100	280,000,000,000	280,000,000,000
Hoa Sen Building Materials One Member Co., Ltd.	Manufacture and trade in plastic building materials and steel pipe products	Business Registration Certificate No. 4904000228 and 350078619 issued by Department of Planning and Investment of Ba Ria Vung Tau Province on 28 December 2007 and 18 July 2011 respectively.	100	150,000,000,000	150,000,000,000
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	Provide engineering, civil and industrial construction projects; transportation service; produce and process rolling mill; cutter and industrial machine, equipment	Business Registration Certificate No. 4603000325, 4604000224 and 3700785528 issued by Department of Planning and Investment of Binh Duong Province on 26 March 2007, 24 December 2007 and 29 June 2011, respectively.	100	16,276,000,000	16,276,000,000
				<u>446,276,000,000</u>	<u>446,276,000,000</u>

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10 LONG-TERM INVESTMENTS (continued)

Investee	Main activities	Business License	% ownership and voting rights	Amount	
				30.9.2012 VND	30.9.2011 VND
<b>Associates:</b>					
Hoa Sen-Gemadep Logistics and International Port Corporation	Provide sea cargo agency services	Business Registration Certificate No. 3500751828 issued by Department of Planning and Investment of Ba Ria-Vung Tau Province on 20 June 2006 and amended on 13 October 2009	45	44,456,331,634	44,456,331,634
<b>Other long-term investment:</b>					
Viet Capital Health Care Fund	Invest in listed and unlisted healthcare Vietnamese companies and projects in Vietnam	Decision No. 08/TB-UBCK issued by State Securities Commission of Vietnam on 15 January 2008	3	15,000,000,000	15,000,000,000
<b>SUB-TOTAL</b>				<b>59,456,331,634</b>	<b>59,456,331,634</b>
Provision for diminution in value of long-term investments				-	(1,126,940,680)
<b>TOTAL</b>				<b>59,456,331,634</b>	<b>58,329,390,954</b>

Investment in Hoa Sen – Gemadep Logistics and International Port Corporation is awaiting for disposal according to Resolution of The General Assembly of Shareholders No 02/NQ/DHDCD/HSG/2011 dated 16 June 2011.

**11 LONG-TERM PREPAYMENTS**

	<b>Year ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Opening balance	47,356,517,597	28,561,120,370
Additions	33,698,894,183	34,667,181,388
Transferred from construction in progress	4,923,653,232	3,449,823,999
Transferred from fixed assets	-	93,360,012
Amortisation	(29,688,924,095)	(18,428,901,167)
Transferred to tangible fixed assets	-	(143,091,058)
Transferred to inventories	-	(842,975,947)
Closing balance	<u>56,290,140,917</u>	<u>47,356,517,597</u>

Long-term prepayments mainly relate to fixed assets, overheads, computers and tools.

**12 DEFERRED INCOME TAX ASSETS**

The gross movement in the deferred income tax is as follows:

	<b>Year ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Opening balance	4,871,229,297	2,630,534,202
Credited to income statement	410,373,877	2,240,695,095
Closing balance	<u>5,281,603,174</u>	<u>4,871,229,297</u>

Deferred income tax assets arise mainly from the temporary differences relating to unrealised profits on sales to branches, accrued interest expense and accrued expenses.

**13 BORROWINGS****(a) Short-term borrowings**

	<b>30.9.2012</b>	<b>30.9.2011</b>
	<b>VND</b>	<b>VND</b>
Short-term bank loans (*)	1,874,783,164,492	2,058,178,693,714
Current portion of long-term loans (Note 13(b))	144,621,141,648	187,289,179,248
Finance lease liabilities (Note 13(b))	11,669,446,320	-
	<u>2,031,073,752,460</u>	<u>2,245,467,872,962</u>

## 13 BORROWINGS (continued)

## (a) Short-term borrowings (continued)

(\*) Detail of short-term borrowings is as follows:

Loan No	Currency	Annual interest	30.9.2012 VND	30.9.2011 VND
01	USD	5.5% - 7%	397,349,294,200	162,816,804,000
02	VND	11% - 18.5%	66,800,000,000	416,200,000,000
03	USD	3.6% - 7.7%	132,506,031,645	39,224,142,000
04	VND	12.5% - 17.3%	10,007,000,000	21,960,000,000
05	USD	3% - 8%	256,450,792,619	268,532,580,897
06	VND	9% - 17.5%	184,210,428,571	170,041,793,679
07	USD	5.8% - 8%	115,637,056,000	150,378,120,000
08	VND	17.5% - 20.4%	-	42,600,000,000
09	USD	3.6% - 8.6%	99,490,344,783	117,411,357,826
10	VND	11.2% - 17.8%	28,390,000,000	48,000,000,000
11	USD	5%	39,573,200,000	5,961,492,000
12	USD	6% - 8%	13,954,760,000	92,788,745,832
13	USD	5.8% - 6.8%	-	22,741,543,436
14	USD	6.5% - 8.2%	-	35,536,177,397
15	VND	13.2% - 19.8%	-	35,100,000,000
16	USD	7.5% - 8.5%	28,364,976,082	-
17	VND	20%	-	44,000,000,000
18	USD	6.5%	57,818,528,000	98,364,141,906
19	USD	6.5%	231,332,534,540	-
20	VND	12.7% - 19%	-	85,400,000,000
21	USD	4.5% - 5.3%	183,498,218,052	129,789,639,741
22	VND	11.2% - 18.5%	29,400,000,000	71,332,155,000
			<u>1,874,783,164,492</u>	<u>2,058,178,693,714</u>

All of the above short-term loans are secured by the Company's fixed assets and inventories.



## 13 BORROWINGS (continued)

## (b) Long-term borrowings

		30.9.2012 VND	30.9.2011 VND
Bank loans	(*)	638,262,330,949	734,218,920,873
Finance lease liabilities	(**)	54,457,416,509	-
Other loans	(***)	64,767,488,000	82,131,472,000
		<u>757,487,235,458</u>	<u>816,350,392,873</u>
Less: Current portion of long-term loans (Note 13(a))		(144,621,141,648)	(187,289,179,248)
Less: Finance lease liabilities (Note 13(a))		(11,669,446,320)	-
		<u>601,196,647,490</u>	<u>629,061,213,625</u>

(\*) Details of long-term bank loans as below:

Loan	Currency	Repayment	Annual interest	30.9.2012 VND	30.9.2011 VND
01	VND	25/09/2017	13% - 14%	155,288,986,000	188,753,256,000
02	VND	11/06/2016	14.1%	290,697,516,695	-
03	USD	15/09/2013	7.2%	1,564,516,048	3,098,985,696
04	VND	26/04/2015	14%	9,229,890,000	13,861,890,000
05	VND	24/10/2015	7.8% - 8.4%	35,500,000,000	49,720,000,000
06	USD	08/09/2018	1.7%	96,581,300,106	112,403,818,206
07	VND	17/07/2017	16%	49,400,122,100	-
08	VND	26/10/2016	15% - 18.5%	-	40,865,888,000
09	VND	29/03/2016	14.9% - 21%	-	297,075,482,971
10	VND	27/12/2012	23%	-	14,000,000,000
11	USD	02/05/2012	6.5%	-	14,439,600,000
				<u>638,262,330,949</u>	<u>734,218,920,873</u>

All long-term bank loans are secured by the assets financed by these loans.

**13 BORROWINGS (continued)****(b) Long-term borrowings (continued)**

(\*\*) Finance lease liabilities

		30.9.2012	
	Total finance lease liabilities VND	Interest VND	Principal VND
Within 1 year	18,834,143,228	7,164,696,908	11,669,446,320
Between 1 and 5 years	54,494,608,924	11,706,638,735	42,787,970,189
	<u>73,328,752,152</u>	<u>18,871,335,643</u>	<u>54,457,416,509</u>

Finance lease liabilities are secured by the Company's leased fixed assets and inventories as presented at Note 9(b).

(\*\*\*) Other long-term loans:

	30.9.2012 VND	30.9.2011 VND
Third parties (a)	58,267,488,000	77,131,472,000
Related parties (b)	6,500,000,000	5,000,000,000
	<u>64,767,488,000</u>	<u>82,131,472,000</u>

- (a) The loan balance of EUR2,144,000 which is equivalent to VND58,267,488,000 (30 September 2011: EUR2,728,000 which is equivalent to VND77,131,472,000) is from a Company's supplier for purchases of fixed assets, bearing interest at the rate of 5.8% p.a and to be repaid in 6-month instalments from March 2011 to May 2016.
- (b) The loan balance of VND6,500,000,000 (30 September 2011: VND5,000,000,000) is from a subsidiary, unsecured and interest free. In which, the balance of VND5,000,000,000 is due for repayment in September 2014 and the balance of VND1,500,000,000 is due for repayment in November 2014 (Note 33(b)).

**14 TRADE ACCOUNTS PAYABLE**

	30.9.2012 VND	30.9.2011 VND
Third parties	457,703,656,349	1,082,513,405,792
Related parties (Note 33(b))	12,401,826,062	42,292,853,755
	<u>470,105,482,411</u>	<u>1,124,806,259,547</u>

**15 TAXES AND OTHER PAYABLES TO THE STATE BUDGET**

	<b>30.9.2012</b>	<b>30.9.2011</b>
	<b>VND</b>	<b>VND</b>
VAT on importation	46,827,168,659	10,340,205,509
Business income tax	9,566,145,650	3,457,580,099
Output VAT	14,496,567,330	863,074,723
Import – Export duties	76,358,503	-
Other taxes	382,552,284	2,097,882,983
	<u>71,348,792,426</u>	<u>16,758,743,314</u>

**16 ACCRUED EXPENSES**

	<b>30.9.2012</b>	<b>30.9.2011</b>
	<b>VND</b>	<b>VND</b>
Electricity	3,733,871,837	-
Expenses for construction in progress	1,623,564,318	9,737,303,244
Transportation fee	-	5,637,891,191
Audit fee	400,000,000	459,800,000
13 <sup>th</sup> month salary	9,881,678,000	3,472,230,000
Loan interest	3,892,928,961	9,778,816,019
Other expenses	4,165,600,000	20,099,931
	<u>23,697,643,116</u>	<u>29,106,140,385</u>

**17 OTHER PAYABLES**

	<b>30.9.2012</b>	<b>30.9.2011</b>
	<b>VND</b>	<b>VND</b>
Dividends	2,213,857,525	1,249,599,550
Social insurance, health insurance, trade union fee	915,190,369	886,734,400
Other payables to related parties (Note 33(b))	-	109,723,758
Other payables (*)	15,323,156,362	683,604,254
	<u>18,452,204,256</u>	<u>2,929,661,962</u>

(\*) Other payables include unpaid tax and related penalty amounting to VND11,039,479,294 arising from the liquidation of a subsidiary as mentioned in Note 27.

**18 BONUS AND WELFARE FUND**

This fund is established by appropriating from retained profits as approved by shareholders at shareholder's meetings. This fund is used to pay bonus and welfare to the Company's and subsidiaries employees in accordance with the Company's bonus and welfare policies. Movements of bonus and welfare fund during this period were as below:

	<b>Year ended 30 September</b>	
	<b>2012 VND</b>	<b>2011 VND</b>
Opening balance	7,946,458,110	1,728,997,376
Addition	6,406,734,996	10,768,960,575
Appropriation to other funds	(707,980,636)	-
Reverse to undistributed earnings	(4,055,557,395)	-
Utilisation	(4,364,403,876)	(4,551,499,841)
Closing balance	<u>5,225,251,199</u>	<u>7,946,458,110</u>

**19 NUMBER OF SHARES**

Detailed registered and issued shares of the Company are as below:

	<b>30.9.2012</b>		<b>30.9.2011</b>	
	<b>Ordinary shares</b>	<b>Preference shares</b>	<b>Ordinary shares</b>	<b>Preference shares</b>
Number of shares capital authorised and issued	100,790,790	-	100,790,790	-
Treasury shares	(3,859,212)	-	(2,020,012)	-
Number of existing shares in issue	<u>96,931,578</u>	<u>-</u>	<u>98,770,778</u>	<u>-</u>

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at shareholders' meeting of the Company. Shareholders are entitled to received dividends as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets. In respect of shares repurchased by the Company, all rights are suspended until those shares are reissued.

## 20 MOVEMENTS IN OWNERS' EQUITY

	Shareholders' capital VND	Share premium VND	Undistributed earnings VND	Other funds VND	Treasury shares VND	Financial Reserves VND	Total VND
As at 1 October 2010	1,007,907,900,000	451,543,290,363	128,344,130,882	-	(572,094,000)	8,525,313,060	1,595,748,540,305
Profit for the year	-	-	314,440,180,003	-	-	-	314,440,180,003
Dividend payment	-	-	(50,156,649,000)	-	-	-	(50,156,649,000)
Appropriated to bonus and welfare funds	-	-	(10,768,960,575)	-	-	-	(10,768,960,575)
Repurchase of treasury shares	-	-	-	-	(28,016,088,845)	-	(28,016,088,845)
As at 30 September 2011	1,007,907,900,000	451,543,290,363	381,858,701,310	-	(28,588,182,845)	8,525,313,060	1,821,247,021,888
Profit for the year	-	-	362,106,869,356	-	-	-	362,106,869,356
Dividend payment (*)	-	-	(97,557,418,000)	-	-	-	(97,557,418,000)
Repurchase of treasury shares	-	-	-	-	(28,128,541,137)	-	(28,128,541,137)
Appropriated to bonus and welfare funds	-	-	(6,406,734,996)	-	-	-	(6,406,734,996)
Appropriated to other funds	-	-	(6,412,839,096)	6,412,839,096	-	-	-
Used of other funds during the year	-	-	-	(4,972,492,823)	-	-	(4,972,492,823)
Reversal of bonus and welfare funds	-	-	4,055,557,395	-	-	-	4,055,557,395
Transferred from bonus and welfare funds	-	-	-	707,980,636	-	-	707,980,636
As at 30 September 2012	1,007,907,900,000	451,543,290,363	637,644,135,969	2,148,326,909	(56,716,723,982)	8,525,313,060	2,051,052,242,319

(\*) Pursuant to Resolution No. 01/NQ/DHDCD/HSG/2012 dated 22 March 2012 issued by The General Assembly of Shareholders, the Board of Management issued Resolution No. 14/NQ/HDQT/2012 dated 26 March 2012 and Resolution No. 30/NQ/HDQT/2012 dated 15 June 2012 to declare the dividends.

**21 REVENUE****(a) Net sales**

	<b>Year ended 30 September</b>	
	<b>2012 VND</b>	<b>2011 VND</b>
<b>Sales</b>		
Finished goods	9,579,445,220,466	7,563,102,259,779
Merchandises	3,040,385,085,979	3,693,900,127,258
	<u>12,619,830,306,445</u>	<u>11,257,002,387,037</u>
<b>Sales deductions</b>		
Trade discounts	(109,570,991)	(771,748,862)
Sales returns	(13,825,512,110)	(13,707,656,265)
Sales allowances	(390,909,075)	(329,529,887)
	<u>(14,325,992,176)</u>	<u>(14,808,935,014)</u>

**(b) Financial income**

	<b>Year ended 30 September</b>	
	<b>2012 VND</b>	<b>2011 VND</b>
Interest income from deposits	3,675,541,465	3,167,104,832
Transfer of profit from liquidation of Hoa Sen Phu My Steel Sheet One Member Co., Ltd.	-	40,112,291,627
Dividends income from Hoa Sen Steel Sheet One Member Co., Ltd.	52,213,284,884	153,458,750,365
Dividends income from Hoa Sen Building Materials One Member Co., Ltd.	11,487,184,884	29,807,279,768
Dividends income from Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	1,485,791,618	2,946,706,691
Gain from foreign exchange differences	44,723,311,247	44,778,717,536
	<u>113,585,114,098</u>	<u>274,270,850,819</u>

**22 COST OF SALES**

	<b>Year ended 30 September</b>	
	<b>2012 VND</b>	<b>2011 VND</b>
Cost of finished goods sold	8,586,088,509,737	6,872,768,008,994
Cost of merchandises sold	2,789,564,991,764	3,463,246,929,173
	<u>11,375,653,501,501</u>	<u>10,336,014,938,167</u>

**23 FINANCIAL EXPENSES**

	<u>Year ended 30 September</u>	
	2012 VND	2011 VND
Interest expense	335,861,045,260	282,057,005,265
(Reversal)/provision for diminution in value of long-term investments	(1,126,940,680)	573,940,680
Realised foreign exchange losses	69,331,205,669	168,241,262,503
Loss from the liquidation of Hoa Sen Plastic Co. Ltd.	-	27,084,455
	<u>404,065,310,249</u>	<u>450,899,292,903</u>

**24 SELLING EXPENSES**

	<u>Year ended 30 September</u>	
	2012 VND	2011 VND
Staff costs	78,144,103,712	62,874,827,126
Depreciation expenses	17,794,064,368	18,138,581,723
Material expenses	1,907,889,808	2,224,576,875
Outside service expenses	233,023,749,707	181,916,330,204
Other expenses	6,776,298,198	8,087,332,973
	<u>337,646,105,793</u>	<u>273,241,648,901</u>

**25 GENERAL AND ADMINISTRATION EXPENSES**

	<u>Year ended 30 September</u>	
	2012 VND	2011 VND
Staff costs	103,044,831,180	72,514,684,163
Office supplies	4,616,984,264	4,427,382,792
Depreciation expenses	15,936,719,550	14,687,033,095
Outside service expenses	73,028,620,941	56,221,558,509
Other expenses	21,989,203,226	10,193,091,258
	<u>218,616,359,161</u>	<u>158,043,749,817</u>

**26 OTHER INCOME**

	<u>Year ended 30 September</u>	
	2012 VND	2011 VND
Sales of scraps	6,802,832,226	13,515,173,426
Proceeds from disposal of fixed assets	3,248,224,565	191,389,756,749
Others	26,183,502,783	14,388,624,926
	<u>36,234,559,574</u>	<u>219,293,555,101</u>

**27 OTHER EXPENSES**

	<u>Year ended 30 September</u>	
	2012 VND	2011 VND
Net book value of fixed assets disposed	3,291,082,139	176,899,852,762
Others (*)	26,792,699,378	10,512,789,874
	<u>30,083,781,517</u>	<u>187,412,642,636</u>

(\*) Including an unpaid tax and related penalty amounting to VND11,039,479,294 relating to Hoa Sen Phu My Steel Sheet Co., Ltd – a Company's former subsidiary. Since this subsidiary was liquidated according to Decision No 244/QD/HDQT/2010 dated 20 December 2010, the obligation to settle this amount has been transferred to the Company.

**28 TAXATION**

Under the terms of its Investment Incentives Certificate No.108/CN-UB issued by the People's Committee of Binh Duong Province on 29 October 2001, the Company has an obligation to pay income tax at the rate of 15% on taxable profit and of 25% for the following years from the year 2014. The provisions of the Company's Investment Incentive Certificate allow the Company to be exempt from business income tax for 3 years starting from the first year it generates a taxable profit (2004), and entitled to a 50% reduction in business income tax for the 7 thereafter years.

Trading activities are subject to 25% tax rate and are not exempted for business income tax.



**28 TAXATION (continued)**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of 15% as follows:

	<b>Year ended 30 September</b>	
	<b>2012 VND</b>	<b>2011 VND</b>
Net accounting profit before tax	389,258,929,720	330,145,585,519
Tax calculated at a rate of the Company	58,388,839,458	49,521,837,828
Effect of:		
Income not subject to tax	(13,755,469,574)	(35,741,850,123)
Expenses not deductible for tax purposes	15,362,727,895	11,461,659,678
Impact of tax reduction	(27,562,434,241)	(11,305,556,591)
Impact of increase in tax rate	(5,281,603,174)	(4,871,229,296)
Business income tax from transfer of land use rights	-	515,437,500
Under provision from previous years	-	6,125,106,520
Business income tax charge	<u>27,152,060,364</u>	<u>15,705,405,516</u>
In which:		
Business Income Tax - Current	(27,562,434,241)	(17,946,100,611)
Business Income Tax - Deferred	<u>410,373,877</u>	<u>2,240,695,095</u>

The business income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustment by the tax authorities.

**29 DIVIDENDS**

Dividends were declared at 10% par value (VND1,000 per share) and in cash.

**30 EARNINGS PER SHARE**

Basic earnings per share as at 30 September 2012 is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	<b>Year ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
Net profit attributable to shareholders (VND)	362,106,869,356	314,440,180,003
Weighted average number of ordinary shares in issue (shares)	97,872,861	98,770,778
Basic earnings per share (VND)	<u>3,700</u>	<u>3,184</u>

**31 COST OF GOODS MANUFACTURED BY FACTORS**

	Year ended 30 September	
	2012 VND	2011 VND
Raw materials	7,090,668,169,410	7,286,232,682,525
Labour costs	244,555,613,141	179,395,026,619
Depreciation expense	201,868,400,350	142,477,716,496
Outside service expenses	587,851,209,315	413,740,194,206
Other expenses	135,825,870,224	76,200,576,894
	8,260,769,262,440	8,098,046,196,740

**32 FINANCIAL RISK MANAGEMENT***Financial risk factors:*

The Company's activities expose it to market risk (including currency risk and interest rate risk), receivables risk and liquidity risk.

The Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board establishes policies to identify, measure, and strategy hedging.

Financial department measures actual level risk against defined limit and prepares statement regularly for review by the Board.

The following information is presented based on what the Board received.

**(a) Market risk***(i) Foreign exchange risk*

The Company's business is exposed to foreign exchange risk arising from United States Dollar ("USD") and Euro ("EUR") as certain purchases of raw materials and borrowings are denominated in these currencies. The Company manages this risk by promoting export sales to generate USD cash inflows to settle against USD-denominated creditors. In addition, from time to time, the Company reviews the market conditions to forecast the fluctuation of the interest rates in order to minimise the risk by appropriate actions.

## 32 FINANCIAL RISK MANAGEMENT (continued)

## (a) Market risk (continued)

## (i) Foreign exchange risk (continued)

The Company's foreign exchange exposure is as follows:

	30.9.2012		
	Denominated in USD Equivalent to VND	Denominated in EUR Equivalent to VND	Total VND
<b>Financial assets</b>			
Cash and bank deposits	2,792,663,980	6,021,880	2,798,685,860
Trade receivables	201,145,081,799	-	201,145,081,799
Prepayments to suppliers and deposits	32,684,495,210	-	32,684,495,210
	<u>236,622,240,989</u>	<u>6,021,880</u>	<u>236,628,262,869</u>
<b>Financial liabilities</b>			
Borrowings	(1,654,121,552,075)	(58,267,488,000)	(1,712,389,040,075)
Trade payables	(335,345,977,364)	-	(335,345,977,364)
Advances from customers	(2,605,798,786)	-	(2,605,798,786)
	<u>(1,992,073,328,225)</u>	<u>(58,267,488,000)</u>	<u>(2,050,340,816,225)</u>
<b>Foreign exchange exposure</b>	<u>(1,755,451,087,236)</u>	<u>(58,261,466,120)</u>	<u>(1,813,712,553,356)</u>
	30.9.2011		
	Denominated in USD Equivalent to VND	Denominated in EUR Equivalent to VND	Total VND
<b>Financial assets</b>			
Cash and bank deposits	275,189,185	6,201,902	281,391,087
Trade receivables	127,760,566,730	-	127,760,566,730
Prepayments to suppliers and deposits	47,077,345,333	-	47,077,345,333
	<u>175,113,101,248</u>	<u>6,201,902</u>	<u>175,119,303,150</u>
<b>Financial liabilities</b>			
Borrowings	(1,253,487,148,937)	(77,131,472,000)	(1,330,618,620,937)
Trade payables	(720,719,342,678)	-	(720,719,342,678)
Advances from customers	(18,151,632,809)	-	(18,151,632,809)
	<u>(1,992,358,124,424)</u>	<u>(77,131,472,000)</u>	<u>(2,069,489,596,424)</u>
<b>Foreign exchange exposure</b>	<u>(1,817,245,023,176)</u>	<u>(77,125,270,098)</u>	<u>(1,894,370,293,274)</u>

The foreign exchange exposure represents the total net amount of financial assets and financial liabilities denominated in foreign currencies. Its expected value would change when the exchange rates of VND/USD or VND/EUR fluctuates.

**32 FINANCIAL RISK MANAGEMENT (continued)****(a) Market risk (continued)***(i) Foreign exchange risk (continued)*

As at 30 September 2012, if VND/USD had increased/decreased by 1%, with all other variables held constant, the Company's profit after tax for the year would have been lower/higher by VND16,216,106,162/16,216,080,945 (year ended 30 September 2011: VND16,773,549,559/16,809,261,117).

As at 30 September 2012, if VND/EUR had increased/decreased by 1%, with all other variables held constant, the Company's profit after tax for the year would have been lower/higher by VND539,374,651/539,374,650 (year ended 30 September 2011: VND714,064,780/714,064,780).

*(ii) Price risk*

The Company is exposed to equity security price risk arising from the investments classified as available-for-sale.

*(iii) Interest rate risk*

The Company is exposed to interest rate risk on its borrowings. The Company maintains balances of raw material, finished goods and spare part at appropriate level in order to minimise the demand for short-term loans and balance the VND and USD short-term loan structure, conformity with the fluctuation of interest and foreign exchange rates to have reasonable interest expenses. Most of loans whose interest rate changes are in VND and USD.

As at 30 September 2012, if the VND interest rates had increased/decreased by 1% with all other variables being held constant, the Company's profit after tax the year would have been lower/higher by VND13,026,542,571/13,071,853,378 (year ended 30 September 2011: VND13,629,118,632/13,629,118,632).

As at 30 September 2012, if the USD interest rates had increased/decreased by 0.5% with all other variables being held constant, the Company's profit after tax the year would have been lower/higher by VND7,003,069,527/7,014,799,916 (year ended 30 September 2011: VND5,860,383,965/5,860,383,965).

**(b) Credit risk**

The Company manages credit risk by taking the following actions:

- Establish a credit limit for each customer and require daily reports of payment progress for re-assessing credit limits, categorising as well as forcing the collection;
- Charge interest on debtors and establish the monthly average outstanding debt amount for each business unit and retail-distribution branch;
- Refuse credit sales for customers with over-90-day overdue debtors, except special cases as approved by the Boards of Directors;
- Involve the authorities when necessary.

## 32 FINANCIAL RISK MANAGEMENT (continued)

## (b) Credit risk (continued)

(i) *Receivables not past due and not impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks which have high credit-ratings in Vietnam. Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track records with the Company.

The Company's trade and other receivables not past due include receivables amounting to VND781,577,125,040 (30 September 2011: VND885,936,578,211).

(ii) *Receivables past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

Trade receivables that are past due but not impaired are as follows:

	30.9.2012 VND	30.9.2011 VND
Past due 1 to 30 days	59,324,022,167	57,322,201,090
Past due 31 days to 60 days	16,915,170,002	23,232,551,468
Past due over 60 days	77,912,709,302	20,852,075,882
	<u>154,151,901,471</u>	<u>101,406,828,440</u>

The carrying amount of trade receivables determined to be impaired and the movement in the related allowance for impairment are as follows:

	30.9.2012 VND	30.9.2011 VND
Total receivables	851,514,345,464	735,136,576,406
Less: Provision for diminution	(6,947,035,863)	(2,506,453,577)
	<u>844,567,309,601</u>	<u>732,630,122,829</u>
Opening balance	2,506,453,577	1,064,804,194
Provision for diminution	4,440,582,286	1,441,649,383
Closing balance	<u>6,947,035,863</u>	<u>2,506,453,577</u>

**32 FINANCIAL RISK MANAGEMENT (continued)****(c) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities paid by cash or other financial assets.

The Company's policy is to ensure that the Company maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	30.9.2012			Total VND
	Within 1 year VND	Between 1 and 5 years VND	Over 5 years VND	
Trade payables	470,105,482,411	-	-	470,105,482,411
Short-term borrowings	1,874,783,164,492	-	-	1,874,783,164,492
Long-term borrowings and current portion of long-term loans	156,290,587,968	601,196,070,400	577,090	757,487,235,458
	<u>2,501,179,234,871</u>	<u>601,196,070,400</u>	<u>577,090</u>	<u>3,102,375,882,361</u>
	30.9.2011			Total VND
	Within 1 year VND	Between 1 and 5 years VND	Over 5 years VND	
Trade payables	1,124,806,259,547	-	-	1,124,806,259,547
Short-term borrowings	2,058,178,693,714	-	-	2,058,178,693,714
Long-term borrowings and current portion of long-term loans	187,289,179,248	622,927,960,836	6,133,252,789	816,350,392,873
	<u>3,370,274,132,509</u>	<u>622,927,960,836</u>	<u>6,133,252,789</u>	<u>3,999,335,346,134</u>

**(d) Fair value measurement**

The carrying value less provision of current receivables, short-term deposits, trade and other liabilities and loans approximate to their fair value.

**33 RELATED PARTY TRANSACTIONS**

Related parties transactions include subsidiaries, associates, shareholders, members of Board of Management, and key personnel.

**(a) Related party transactions**

During the year, the following transactions were carried out with related parties:

***i) Sales of goods and other services***

	Year ended 30 September	
	2012 VND	2011 VND
Hoa Sen Steel Sheet One Member Co., Ltd.	2,123,440,304,032	2,611,741,700,120
Hoa Sen Building Materials One Member Co., Ltd.	1,073,740,050,090	999,100,998,186
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	2,940,296,181	2,563,105,478
Hoa Sen Plastic One Member Co., Ltd.	-	43,209,452

***ii) Purchases of goods and other services***

	Year ended 30 September	
	2012 VND	2011 VND
Hoa Sen Steel Sheet One Member Co., Ltd.	2,280,366,978,072	2,837,619,414,872
Hoa Sen Building Materials One Member Co., Ltd.	757,690,547,533	872,234,049,897
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	10,298,596,751	15,847,220,659

***iii) Sales of fixed assets***

	Year ended 30 September	
	2012 VND	2011 VND
Hoa Sen Building Materials One Member Co., Ltd.	-	129,354,538,219

***iv) Purchases of fixed assets***

	Year ended 30 September	
	2012 VND	2011 VND
Hoa Sen Steel Sheet One Member Co., Ltd.	-	2,452,754,895
Hoa Sen Building Materials One Member Co., Ltd.	233,794,473	297,832,847

## 33 RELATED PARTY TRANSACTIONS (continued)

## (a) Related party transactions (continued)

## v) Others

	Year ended 30 September	
	2012 VND	2011 VND
<b>Hoa Sen Steel Sheet One Member Co., Ltd.</b>		
Other sales	127,831,144	99,913,643
<b>Hoa Sen Building Materials One Member Co., Ltd.</b>		
Sales returned	897,455,836	1,733,640,900
Other sales	6,313,662,432	6,276,298,544
Goods returned	4,010,927,659	13,337,154,162
Loan proceeds	55,190,000,000	-
<b>Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.</b>		
Loan proceeds	1,500,000,000	5,000,000,000

## vi) Compensation of key management

	Year ended 30 September	
	2012 VND	2011 VND
Compensation for Board of Management, Board of Advisors and Board of Supervisors	1,072,200,000	954,000,000
Gross salary of Board of Directors	6,358,681,967	4,293,126,682



## 33 RELATED PARTY TRANSACTIONS (continued)

## (b) Year end balances with related parties

	30.9.2012 VND	30.9.2011 VND
<b>Trade accounts receivable (Note 4)</b>		
Hoa Sen Steel Sheet One Member Co., Ltd.	-	8,800,000,000
Hoa Sen Building Materials One Member Co., Ltd.	289,635,970,616	286,921,219,296
	<u>289,635,970,616</u>	<u>295,721,219,296</u>
<b>Prepayments to suppliers (Note 5)</b>		
Mr Hoang Duc Huy (Deputy General Director)		
Advance for purchase of land use rights	90,183,227,000	90,183,227,000
Hoa Sen Building Materials One Member Co., Ltd.	955,746	-
	<u>90,184,182,746</u>	<u>90,183,227,000</u>
<b>Other receivables (Note 6)</b>		
<i>Dividends receivable from subsidiaries</i>		
Hoa Sen Steel Sheet One Member Co., Ltd.	52,213,284,884	153,458,750,365
Hoa Sen Building Materials One Member Co., Ltd.	11,487,184,884	29,807,279,768
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	1,485,791,618	2,946,706,691
<i>Other</i>		
Hoa Sen Building Materials One Member Co., Ltd.	-	16,048,975,621
	<u>65,186,261,386</u>	<u>202,261,712,445</u>
<b>Long term loans (Note 13(b))</b>		
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	6,500,000,000	5,000,000,000
	<u>6,500,000,000</u>	<u>5,000,000,000</u>

**33 RELATED PARTY TRANSACTIONS (continued)****(b) Year end balances with related parties (continued)**

	30.9.2012 VND	30.9.2011 VND
<b>Trade accounts payable (Note 14)</b>		
Hoa Sen Steel Sheet One Member Co., Ltd.	10,655,332,192	39,785,925,034
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	1,746,493,870	2,506,928,721
	<u>12,401,826,062</u>	<u>42,292,853,755</u>
<b>Other payables (Note 17)</b>		
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	-	109,723,758
	<u>-</u>	<u>109,723,758</u>

**34 SEGMENT REPORTING**

The General Director is of the opinion that the Company operates in one single business segment, which is the manufacture and sale of coated steel sheet, steel and building materials and one single geographical segment, which is Vietnam.

**35 COMMITMENTS UNDER OPERATING LEASES**

The future minimum lease payments under non-cancellable operating leases are as follows:

	30.9.2012 VND	30.9.2011 VND
Within 1 year	18,846,143,567	18,064,277,823
Between 1 and 5 years	50,657,547,840	53,726,255,649
Over 5 years	148,336,057,822	152,128,654,822
	<u>217,839,749,229</u>	<u>223,919,188,294</u>
Total minimum payments	<u>217,839,749,229</u>	<u>223,919,188,294</u>

**36 CAPITAL COMMITMENTS**

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	30.9.2012 VND	30.9.2011 VND
Buildings, machinery and equipment	186,444,843,145	28,575,744,556

The separate financial statements were approved by the General Director on 3 December 2012.



Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Ngoc Chu  
General Director