

HOA SEN GROUP

**SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 31 MARCH 2014**



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HOA SEN GROUP

CORPORATE INFORMATION

Business Registration Certificate

No. 3700381324 dated 28 March 2014.
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 28 March 2014. 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 Pham Gia Tuan	Member
Mr Ly Duy Hoang	Member (Resigned on 29 April 2014)
Mr Tran Quoc Tri	Member (Appointed on 29 April 2014)
Mr Jean Eric Jacquemin	Member

Board of Directors

Mr Tran Ngoc Chu	General Director
Mr Hoang Duc Huy	Deputy General Director
Mr Tran Quoc Tri	Deputy General Director
Mr Vu Van Thanh	Deputy General Director
Mr Nguyen Minh Khoa	Deputy General Director
Mr Ho Thanh Hieu	Deputy General Director
Mr Nguyen Van Quy	Deputy General Director

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 THE GENERAL DIRECTOR OF THE COMPANY IN RESPECT OF THE SEPARATE INTERIM FINANCIAL STATEMENTS

The legal representative of the Company authorized the General Director of the Company to be responsible for the separate interim financial statements which give a true and fair view of the financial position of Hoa Sen Group ("the Company") as at 31 March 2014 and the results of its operations and cash flows for the six-month period 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 INTERIM FINANCIAL STATEMENTS

I hereby approve the accompanying separate interim financial statements as set out on pages 4 to 42 which give a true and fair view of the financial position of the Company as at 31 March 2014 and of the results of its operations and cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements.

Users of these separate interim financial statements should read them together with the consolidated interim financial statements of the Company and its subsidiaries ("the Group") as at and for the six-month period then ended 31 March 2014 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
15 May 2014



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

We have reviewed the accompanying interim separate financial statements of Hoa Sen Group ("the Company") which were prepared on 31 March 2014 and approved by the General Director on 15 May 2014. These interim financial statements include the balance sheet as of 31 March 2014, the income statement, the cash flow statement for the six-month period then ended, and explanatory notes to the financial statements including significant accounting policies, as set out on pages 4 to 42. The General Director is responsible for the preparation and the true and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with Vietnamese Auditing Standard No. 910 - *Engagement to Review Financial Statements*. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim separate financial statements are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim separate financial statements are not presented fairly, in all material respects, in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.

PricewaterhouseCoopers (Vietnam) Ltd.



Ian S. Lydall
Audit Practising Licence:
No. 0559-2013-006-1



Dao Quang Huy
Audit Practising Licence:
No. 1895-2013-006-1

Review report number: HCM4245
Ho Chi Minh City, 15 May 2014

As indicated in Note 2.1 to the interim separate financial statements, the accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in jurisdictions other than SR Vietnam.

BALANCE SHEET

Code	ASSETS	Note	As at 31.3.2014 VND	As at 30.9.2013 VND
100	CURRENT ASSETS		5,563,029,445,324	4,288,691,574,352
110	Cash and cash equivalents	3	126,072,762,267	163,502,687,316
111	Cash		126,072,762,267	163,502,687,316
120	Short-term investments		3,600,000,000	-
121	Short-term investments		3,600,000,000	-
130	Accounts receivable		3,144,343,647,643	1,763,640,430,336
131	Trade accounts receivable	4	2,951,864,208,733	1,461,495,129,149
132	Prepayments to suppliers	5	112,445,645,556	173,493,643,718
135	Other receivables	6	81,681,613,928	130,299,478,043
139	Provision for doubtful debts		(1,647,820,574)	(1,647,820,574)
140	Inventories	7	1,947,927,431,712	2,125,679,208,524
141	Inventories		1,949,004,292,124	2,126,570,098,340
149	Provision for decline in value of inventories		(1,076,860,412)	(890,889,816)
150	Other current assets		341,085,603,702	235,869,248,176
151	Short-term prepayments	8	42,470,539,539	59,400,280,788
152	Value Added Tax to be reclaimed		293,988,043,025	156,371,440,445
154	Other taxes receivable		311,049,855	-
158	Other current assets	9	4,315,971,283	20,097,526,943
200	LONG-TERM ASSETS		3,392,751,708,406	2,825,726,447,003
220	Fixed assets		2,835,001,377,561	2,270,885,344,911
221	Tangible fixed assets	10(a)	2,050,704,016,806	1,799,842,639,303
222	Cost		2,906,952,781,814	2,539,216,612,080
223	Accumulated depreciation		(856,248,765,008)	(739,373,972,777)
224	Finance lease assets	10(b)	66,319,937,447	70,296,414,036
225	Cost		84,032,961,457	84,032,961,457
226	Accumulated depreciation		(17,713,024,010)	(13,736,547,421)
227	Intangible fixed assets	10(c)	207,016,897,193	205,946,044,163
228	Cost		221,181,249,450	218,814,965,473
229	Accumulated amortisation		(14,164,352,257)	(12,868,921,310)
230	Construction in progress	10(d)	510,960,526,115	194,800,247,409
250	Long-term investments	11	499,372,331,634	505,732,331,634
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		8,640,000,000	15,000,000,000
260	Other long-term assets		58,377,999,211	49,108,770,458
261	Long-term prepayments	12	47,916,991,879	38,647,763,126
262	Deferred income tax assets	13	8,448,457,431	8,448,457,431
268	Other long-term assets		2,012,549,901	2,012,549,901
270	TOTAL ASSETS		8,955,781,153,730	7,114,418,021,355

The notes on pages 9 to 42 are an integral part of these financial statements.

BALANCE SHEET
(continued)

Code	RESOURCES	Note	As at 31.3.2014 VND	As at 30.9.2013 VND
300	LIABILITIES		6,700,623,994,958	4,846,313,039,006
310	Current liabilities		5,938,105,358,651	4,275,999,268,615
311	Short-term borrowings	14(a)	4,339,486,073,471	2,813,966,562,869
312	Trade accounts payable	15	1,473,979,649,336	1,291,606,258,507
313	Advances from customers		57,130,960,341	68,781,306,096
314	Taxes and other payables to the State Budget	16	11,810,709,320	37,829,589,409
315	Payable to employees		19,541,477,200	29,728,804,427
316	Accrued expenses	17	15,170,879,721	19,435,294,206
319	Other payables	18	10,104,490,747	10,187,671,586
323	Bonus and welfare fund	19	10,881,118,515	4,463,781,515
330	Long-term liabilities		762,518,636,307	570,313,770,391
334	Long-term borrowings	14(b)	758,352,097,557	566,147,231,641
336	Provision for severance allowances		4,166,538,750	4,166,538,750
400	SHAREHOLDERS' EQUITY		2,255,157,158,772	2,268,104,982,349
410	Capital and reserves		2,255,157,158,772	2,268,104,982,349
411	Share capital	20,21	1,007,907,900,000	1,007,907,900,000
412	Share premium	21	451,543,290,363	451,543,290,363
414	Treasury shares	21	(81,037,192,944)	(81,035,546,498)
418	Financial reserve funds	21	8,525,313,060	8,525,313,060
419	Other funds	21	19,963,352,884	2,007,734,351
420	Undistributed earnings	21	848,254,495,409	879,156,291,073
440	TOTAL RESOURCES		8,955,781,153,730	7,114,418,021,355

The notes on pages 9 to 42 are an integral part of these financial statements.

BALANCE SHEET
(continued)


OFF BALANCE SHEET ITEMS

Cash and cash equivalents are balances held in foreign currencies including:

	As at 31.3.2014 VND	As at 30.9.2013 VND
USD	786,636.14	3,912,296.44
EUR	224.95	223.83
AUD	306.85	84.78
	<u> </u>	<u> </u>



 Nguyen Thi Ngoc Lan
Chief Accountant


 Tran Ngoc Chu
General Director
15 May 2014
 


INCOME STATEMENT

Code	Note	Six-month period ended	
		31.3.2014 VND	31.3.2013 VND
01	Sales	13,410,851,296,283	9,700,417,264,308
02	Less deductions	(4,322,567,140)	(4,177,838,912)
10	Net sales	22 13,406,528,729,143	9,696,239,425,396
11	Cost of sales	23 (12,730,466,423,021)	(8,949,530,458,148)
20	Gross profit	676,062,306,122	746,708,967,248
21	Financial income	24 15,639,249,044	11,810,993,114
22	Financial expenses	25 (117,538,938,365)	(115,923,798,730)
23	<i>Including: interest expense</i>	(95,632,101,803)	(101,804,536,848)
24	Selling expenses	26 (273,221,906,733)	(183,525,191,427)
25	General and administration expenses	27 (161,115,929,879)	(117,372,564,591)
30	Operating profit	139,824,780,189	341,698,405,614
31	Other income	54,503,213,981	107,288,299,560
32	Other expenses	(27,191,185,279)	(70,354,993,572)
40	Net other income	28 27,312,028,702	36,933,305,988
50	Net accounting profit before tax	167,136,808,891	378,631,711,602
51	Business income tax - current	29 (41,503,761,555)	(48,797,272,971)
52	Business income tax - deferred	13, 29 -	-
60	Net profit after tax	125,633,047,336	329,834,438,631
70	Earnings per share	30 1,304	3,370



 Nguyen Thi Ngoc Lan
 Chief Accountant






 Tran Ngoc Chu
 General Director
 15 May 2014

CASH FLOW STATEMENT
(Indirect method)

Code	Note	Six-month period ended	
		31.3.2014 VND	31.3.2013 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01	Net profit before tax	167,136,808,891	378,631,711,602
	Adjustments for:		
02	Depreciation and amortisation	125,778,827,309	109,670,404,532
03	Provisions	185,970,596	-
04	Unrealised foreign exchange gains	(646,400,039)	(2,333,007,220)
05	Gain from investing activities	(1,450,567,169)	(561,693,297)
06	Interest expense	106,149,415,903	101,804,536,848
07	Losses from disposals of assets	280,382,319	2,720,816,816
08	Operating profit before changes in working capital	397,434,437,810	589,932,569,281
09	Increase in receivables	(1,505,296,909,794)	(570,499,042,965)
10	Decrease/(increase) in inventories	177,565,806,216	(263,853,760,687)
11	Increase in payables	133,787,920,995	340,871,841,672
12	Decrease in prepaid expenses	9,945,293,931	16,225,830,423
13	Interest paid	(104,499,138,124)	(102,459,517,235)
14	Business income tax paid	(49,944,394,320)	(24,397,567,519)
16	Other payments on operating activities	(35,848,789,467)	(8,549,008,471)
20	Net cash outflows from operating activities	(976,855,772,753)	(22,728,655,501)
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets	(716,091,908,676)	(240,735,038,262)
22	Proceeds from disposals of fixed assets	23,631,884,963	4,597,955,259
26	Proceeds from divestment in other entities	6,360,000,000	-
27	Dividends and interest received	1,450,567,169	750,776,978
30	Net cash outflows from investing activities	(684,649,456,544)	(235,386,306,025)
CASH FLOWS FROM FINANCING ACTIVITIES			
32	Purchase of treasury shares	(1,646,446)	(9,708,659)
33	Proceeds from borrowings	6,064,457,246,845	4,469,955,879,279
34	Repayments of borrowings	(4,334,259,265,995)	(4,075,451,440,992)
35	Repayments of finance lease	(5,834,723,160)	(5,834,723,160)
36	Dividends paid	(96,384,149,200)	(96,045,667,800)
40	Net cash inflows from financing activities	1,627,977,462,044	292,614,338,668
50	Net (decrease)/increase in cash and cash equivalents	(33,527,767,253)	34,499,377,142
60	Cash and cash equivalents at beginning of period	3 163,502,687,316	62,322,761,267
61	Effect of foreign exchange differences	(3,902,157,796)	(3,332,369,497)
70	Cash and cash equivalents at end of period	126,072,762,267	93,489,768,912


 Nguyen Thi Ngoc Lan
 Chief Accountant


 Tran Ngoc Chu
 General Director
 15 May 2014

The notes on pages 9 to 42 are an integral part of these financial statements.

**NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 31 MARCH 2014****1 GENERAL INFORMATION**

Hoa Sen Group ("the Company") was established in SR Vietnam pursuant to Business Registration Certificate No. 3700381324, dated 8 August 2001 which was issued by Department of Planning and Investment of Binh Duong Province. The latest amendment is on 28 March 2014.

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/QĐ-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 of 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; and
- Rent machinery, equipment and other tangible assets.

As at 31 March 2014, the Company had 2,838 employees (30 September 2013: 2,765 employees).

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

The separate interim financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements. The financial statements have been prepared under the historical cost convention.

The accompanying separate interim 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 Vietnam. The accounting principles and practices utilised in Vietnam may differ from those generally accepted in countries and jurisdictions other than Vietnam.

Users of these separate interim financial statements should read them together with the consolidated interim financial statements of the Company and its subsidiaries ("the Group") as at and for the six-month period then ended 31 March 2014 in order to obtain full information of the financial information, results of operations and cash flows of the Group as a whole.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)**2.2 Fiscal year**

The Company's fiscal year is from 1 October to 30 September. The interim financial statements are prepared for six-month period ended 31 March.

2.3 Form of records applied

The Company uses journal ledgers to record its transactions.

2.4 Use of accounting estimates

The preparation of the separate interim 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 period. Although these estimates are based on the General Director's best knowledge of current events and actions, actual results may differ from those estimates.

2.5 Currency

The financial statements are measured presented in Vietnamese Dong ("VND").

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 all outstanding amounts at 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.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)**2.8 Inventories (continued)**

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) Other long-term investments

Other long-term investments comprise shareholding of less than 20% in listed and unlisted entities which are held with no intention to dispose within 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 or over the term of the project. 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 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 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)**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.

(b) Interest income

Interest income is recognised on an earned basis.

(c) Dividend income

Income from dividend is recognised when the Company has established the receiving right from investees.

(d) Income from operating lease

Income from operating leases is recognised by the straight line method over the entire lease term, regardless of the payment methods.

2.14 Current and deferred income tax

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries that the Socialist Republic of Vietnam has not signed any double tax relief agreement. Income tax expense comprises current tax expense and deferred tax expense.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)**2.14 Current and deferred income tax (continued)**

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profit and the current tax rates. Current and deferred tax should be recognized as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, directly in equity.

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. When share capital recognised as equity is purchased, the amount of the consideration paid, which includes directly attributable cost, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total 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 shareholders in general meetings.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)**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 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 31 March 2014 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

	31.3.2014	30.9.2013
	VND	VND
Cash on hand	25,410,945,019	14,274,631,095
Cash at bank	100,661,817,248	94,548,110,623
Cash in transit	-	54,679,945,598
	<u>126,072,762,267</u>	<u>163,502,687,316</u>

4 TRADE ACCOUNTS RECEIVABLE

	31.3.2014 VND	30.9.2013 VND
Third parties	629,779,525,554	507,280,860,674
Related parties (Note 33(b))	2,322,084,683,179	954,214,268,475
	<u>2,951,864,208,733</u>	<u>1,461,495,129,149</u>

5 PREPAYMENTS TO SUPPLIERS

	31.3.2014 VND	30.9.2013 VND
Third parties	22,262,418,556	83,310,416,718
Related parties (Note 33(b))	90,183,227,000	90,183,227,000
	<u>112,445,645,556</u>	<u>173,493,643,718</u>

6 OTHER RECEIVABLES

	31.3.2014 VND	30.9.2013 VND
Third parties	24,781,423,759	13,316,001,803
Related parties (Note 33(b))	56,900,190,169	116,983,476,240
	<u>81,681,613,928</u>	<u>130,299,478,043</u>

7 INVENTORIES

	31.3.2014 VND	30.9.2013 VND
Goods in transit	270,192,655,126	978,344,797,756
Raw materials	210,745,083,127	83,782,659,001
Tools	147,295,409,977	141,008,837,842
Finished goods	1,169,673,702,253	797,033,275,564
Merchandises (*)	151,097,441,641	126,400,528,177
	<u>1,949,004,292,124</u>	<u>2,126,570,098,340</u>
Provision for decline in value of inventories	(1,076,860,412)	(890,889,816)
	<u>1,947,927,431,712</u>	<u>2,125,679,208,524</u>

7 INVENTORIES (continued)

(*) Included in merchandises is an amount of VND17,268,969,715 representing 15 apartments the Company received as a part of settlement of other receivables from the liquidation contract of Pho Dong – Hoa Sen Building Project.

As at 31 March 2014, inventories with a carrying amount of VND1,232,821,601,423 (As at 30 September 2013: VND820,719,777,712) have been pledged as security for the bank loans.

8 SHORT-TERM PREPAYMENTS

	31.3.2014 VND	30.9.2013 VND
Opening balance	59,400,280,788	24,941,573,704
Additions	67,171,348,998	142,581,716,702
Transferred from fixed assets	-	1,525,072,582
Amortisation	(84,101,090,247)	(103,147,562,579)
Disposals	-	(6,500,519,621)
	<u>42,470,539,539</u>	<u>59,400,280,788</u>
Closing balance	<u>42,470,539,539</u>	<u>59,400,280,788</u>

Short-term prepayments mainly comprise advertising expenses, rental expenses and tools and equipment.

9 OTHER CURRENT ASSETS

	31.3.2014 VND	30.9.2013 VND
Short-term deposits (*)	297,261,786	15,962,822,128
Advance to employees	4,018,709,497	4,134,704,815
	<u>4,315,971,283</u>	<u>20,097,526,943</u>
	<u>4,315,971,283</u>	<u>20,097,526,943</u>

(*) Short-term deposits represent amounts deposited at commercial banks to guarantee for letters of credit for importing materials.

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10 FIXED ASSETS

(a) Tangible fixed assets

	Buildings VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Other Assets VND	Total VND
Historical cost						
As at 1 October 2013	533,332,098,725	1,911,189,274,354	73,165,058,065	2,795,650,943	18,734,529,993	2,539,216,612,080
New purchases	-	13,501,395,505	4,646,545,000	1,920,000,000	-	20,067,940,505
Transfers from construction in progress (Note 10(d))	7,579,949,754	363,128,504,585	4,458,453,691	-	-	375,166,908,030
Disposals	-	(23,691,002,163)	(1,430,877,110)	-	-	(25,121,879,273)
Other increases	(280,809,194)	(546,384,581)	(505,626,994)	(992,359,712)	(51,619,047)	(2,376,799,528)
As at 31 March 2014	540,631,239,285	2,263,581,787,700	80,333,552,652	3,723,291,231	18,682,910,946	2,906,952,781,814
Accumulated depreciation						
As at 1 October 2013	112,471,136,237	590,511,555,281	28,942,091,093	2,142,891,189	5,306,298,977	739,373,972,777
Charge for the period	15,992,759,248	98,801,847,336	4,135,430,513	152,961,214	1,378,205,439	120,461,203,750
Disposals	-	(534,388,428)	(675,223,563)	-	-	(1,209,611,991)
Other decreases	(280,809,194)	(546,384,581)	(505,626,994)	(992,359,712)	(51,619,047)	(2,376,799,528)
As at 31 March 2014	128,183,086,291	688,232,629,608	31,896,671,049	1,303,492,691	6,632,885,369	856,248,765,008
Net book value						
As at 1 October 2013	420,860,962,488	1,320,677,719,073	44,222,966,972	652,759,754	13,428,231,016	1,799,842,639,303
As at 31 March 2014	412,448,152,994	1,575,349,158,092	48,436,881,603	2,419,798,540	12,050,025,577	2,050,704,016,806

10 FIXED ASSETS (continued)**(a) Tangible fixed assets (continued)**

As at 31 March 2014, the cost of tangible fixed assets fully depreciated but still in use was VND71,118,159,358 (As at 30 September 2013: VND60,396,167,716).

As at 31 March 2014, tangible fixed assets with net book value of VND658,799,021,644 and VND13,882,307,818 have been leased to Hoa Sen Steel Sheet One Member Co., Ltd. and Hoa Sen Building Materials One Member Co., Ltd, respectively under operating lease agreements (As at 30 September 2013: VND683,123,759,502 and VND15,805,195,264).

As at 31 March 2014, tangible fixed assets with a carrying value of VND1,115,948,551,556 have been pledged as security for the bank loans (As at 30 September 2013: VND1,183,999,995,907).

(b) Finance lease assets

	Machinery and equipment VND
Historical cost	
As at 1 October 2013 and 31 March 2014	84,032,961,457
Accumulated depreciation	
As at 1 October 2013	13,736,547,421
Charge for the period	3,976,476,589
As at 31 March 2014	17,713,024,010
Net book value	
As at 1 October 2013	70,296,414,036
As at 31 March 2014	66,319,937,447

As at 31 March 2014 and 30 September 2013, all these finance lease assets have been leased to Hoa Sen Steel Sheet One Member Co., Ltd under an operating lease agreement.

10 FIXED ASSETS (continued)

(c) Intangible fixed assets

	Land use rights VND	Computer software VND	Total VND
Historical cost			
As at 1 October 2013	217,424,491,739	1,390,473,734	218,814,965,473
Additions	2,412,000,000	-	2,412,000,000
Other decrease	-	(45,716,023)	(45,716,023)
As at 31 March 2014	<u>219,836,491,739</u>	<u>1,344,757,711</u>	<u>221,181,249,450</u>
Accumulated amortisation			
As at 1 October 2013	11,681,401,473	1,187,519,837	12,868,921,310
Charge for the period	1,230,135,708	111,011,262	1,341,146,970
Other decrease	-	(45,716,023)	(45,716,023)
As at 31 March 2014	<u>12,911,537,181</u>	<u>1,252,815,076</u>	<u>14,164,352,257</u>
Net book value			
As at 1 October 2013	<u>205,743,090,266</u>	<u>202,953,897</u>	<u>205,946,044,163</u>
As at 31 March 2014	<u>206,924,954,558</u>	<u>91,942,635</u>	<u>207,016,897,193</u>

As at 31 March 2014, the cost of intangible fixed assets fully amortised but still in use was VND691,041,241 (As at 30 September 2013: VND280,361,120).

As at 31 March 2014, tangible fixed assets with net book value of VND13,407,360,350 have been leased to Hoa Sen Building Materials One Member Co., Ltd. under an operating lease agreement (As at 30 September 2013: VND13,618,499,882)

As at 31 March 2014, land use rights with net book value of VND156,991,145,065 (As at 30 September 2013: VND151,229,816,792) have been pledged as security for the bank loans.

10 FIXED ASSETS (continued)**(d) Construction in progress**

	Six months ended 31.3.2014 VND	Year ended 30.9.2013 VND
Opening balance	194,800,247,409	25,319,737,083
Additions	693,611,968,171	446,328,105,122
Transfers to long-term prepayments (Note 12)	(2,284,781,435)	(2,545,310,556)
Transfers to tangible fixed assets (Note 10(a))	(375,166,908,030)	(274,302,284,240)
Closing balance	<u>510,960,526,115</u>	<u>194,800,247,409</u>

Major projects include:

	31.3.2014 VND	30.9.2013 VND
Machinery and equipment for		
Hoa Sen Phu My Steel Sheet Plant	449,254,699,084	154,161,951,042
Hoa Sen Phu My Steel Sheet Plant Project	50,246,754,211	15,404,412,315
	<u>499,501,453,295</u>	<u>169,566,363,357</u>

Borrowing costs capitalised in fixed assets and construction in progress for the six months ended 31 March 2014 was VND8,406,478,101 (Year ended 30 September 2013: VND6,815,357,992).

11 LONG-TERM INVESTMENTS

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

Investee	Principal activities	Business License	% ownership and voting rights	31.3.2014 VND	30.9.2013 VND
Subsidiaries:					
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 27 December 2012 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 No. 3500786179 issued by the Board of Management of Ba Ria Vung Tau Industrial Park on 18 December 2007; and by Department of Planning and Investment of Ba Ria Vung Tau Province on 3 January 2014, respectively.	100	150,000,000,000	150,000,000,000
Hoa Sen Transportation and 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 25 April 2013 respectively.	100	16,276,000,000	16,276,000,000
				446,276,000,000	446,276,000,000

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11 LONG-TERM INVESTMENTS (continued)

Investee	Principal activities	Business Licence	% ownership and voting rights	31.3.2014 VND	30.9.2013 VND
Associates:					
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
Other long-term investment:					
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 February 2014	3	8,640,000,000	15,000,000,000
				53,096,331,634	59,456,331,634

(*) Investment in Hoa Sen – Gemadep Logistics and International Port Corporation is awaiting for disposal as per Annual General Meeting Resolution No. 02/NQ/ĐHĐCĐ/HSG/2011 dated 16 June 2011.

12 LONG-TERM PREPAYMENTS

	Six months ended 31.3.2014 VND	Year ended 30.9.2013 VND
Opening balance	38,647,763,126	56,290,140,917
Additions	26,368,312,664	22,729,276,802
Transferred from construction in progress (Note 10(d))	2,284,781,435	2,545,310,556
Transferred from fixed assets	-	2,381,415,087
Other increases	-	127,200,500
Amortisation	(19,383,865,346)	(32,641,637,997)
Disposals	-	(12,783,942,739)
Closing balance	<u>47,916,991,879</u>	<u>38,647,763,126</u>

Long-term prepayments mainly include overhaul expenses for fixed assets, computer, tools and supplies in use.

13 DEFERRED INCOME TAX ASSETS

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

	Six months ended 31.3.2014 VND	Year ended 30.9.2013 VND
Opening balance	8,448,457,431	5,281,603,174
Credited to income statement	-	3,166,854,257
Closing balance	<u>8,448,457,431</u>	<u>8,448,457,431</u>

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

14 BORROWINGS

(a) Short-term borrowings

	31.3.2014 VND	30.9.2013 VND
Short-term bank loans (*)	4,060,700,259,551	2,468,854,540,949
Current portion of long-term loans (Note 14(b))	255,716,367,600	298,642,575,600
Finance lease liabilities (Note 14(b))	11,669,446,320	11,669,446,320
Other short-term borrowings (**)	11,400,000,000	34,800,000,000
	<u>4,339,486,073,471</u>	<u>2,813,966,562,869</u>

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

Loan No	Currency	Annual interest	31.3.2014 VND	30.9.2013 VND
1	USD	2.5%-4%	400,968,614,800	211,410,740,800
2	USD	2.7%-3.6%	638,556,357,287	317,842,593,447
3	VND	6%-7%	223,561,481,062	130,280,111,484
4	USD	3%-4%	488,828,447,974	441,089,851,000
5	VND	6%-7.25%	292,538,621,876	158,246,647,827
6	USD	2%-3.5%	361,973,134,508	227,817,968,103
7	VND	5.85%-7.06%	-	150,360,360,683
8	USD	3%-3.8%	12,770,646,816	59,957,213,921
9	USD	3.7%-3.8%	-	56,013,170,601
10	USD	2.7%-3.4%	48,034,088,061	15,154,363,000
11	VND	6.00%	20,345,154,526	-
12	USD	3%-3.8%	217,420,007,589	25,443,265,372
13	USD	2.8%-3.3%	241,935,418,482	118,899,619,612
14	VND	5.8%-8.6%	-	28,700,000,000
15	USD	3.00%	7,484,602,775	-
16	USD	3.1%-3.8%	130,680,912,418	145,515,382,898
17	USD	2.98%-3.8%	289,240,928,009	184,507,457,516
18	VND	6%-7%	5,524,277,710	12,540,583,701
19	USD	3.5%-4%	-	34,004,044,702
20	USD	3.25%	-	48,722,541,665
21	USD	3%-3.8%	614,535,279,568	102,348,624,617
22	VND	6%-6.5%	66,302,286,090	-
			<u>4,060,700,259,551</u>	<u>2,468,854,540,949</u>

Short-term borrowings are secured by fixed assets and inventories of the Company.

14 BORROWINGS (continued)**(a) Short-term borrowings (continued)**

(**) Details of other short-term borrowings are as follows:

- (i) The loan balance of VND11,400,000,000 (As at 30 September 2013: VND8,500,000,000) from a subsidiary is unsecured and bears an interest rate of 6%p.a. (Note 33(b)).
- (ii) The loan balance of VND26,300,000,000 from an individual as at 30 September 2013 was fully repaid during the six-month period ended 31 March 2014.

(b) Long-term borrowings

		31.3.2014	30.9.2013
		VND	VND
Bank loans	(*)	952,207,936,448	789,545,123,372
Finance lease liabilities	(**)	36,953,247,029	42,787,970,189
Other loans	(***)	36,576,728,000	44,126,160,000
		<u>1,025,737,911,477</u>	<u>876,459,253,561</u>
Less: Current portion of long-term loans (Note 14(a))		(255,716,367,600)	(298,642,575,600)
Less: Current portion finance lease liabilities (Note 14(a))		(11,669,446,320)	(11,669,446,320)
		<u><u>758,352,097,557</u></u>	<u><u>566,147,231,641</u></u>

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

Loan	Currency	Repayment	Annual interest	31.3.2014	30.9.2013
				VND	VND
1	VND	25/9/2017	10.5%-11.5%	263,989,516,000	326,339,516,000
2	USD	16/7/2019	4.15%	218,103,307,833	58,081,311,390
3	VND	16/7/2019	10%-11.3%	134,483,006,950	52,220,357,395
4	USD	2/10/2018	4%-4.05%	38,280,356,236	-
5	VND	15/8/2019	9.7%-11.6%	175,530,421,695	212,001,916,695
6	USD	8/9/2018	1.7%	72,050,473,034	80,621,411,392
7	VND	24/10/2015	7.8%	15,970,000,000	21,280,000,000
8	VND	16/7/2017	10%-11%	33,800,854,700	39,000,610,500
				<u><u>952,207,936,448</u></u>	<u><u>789,545,123,372</u></u>

14 BORROWINGS (continued)

(b) Long-term borrowings (continued)

(**) Finance lease liabilities

The minimum lease payments relating to finance lease agreements are as follows:

Finance lease liabilities	31.3.2014		
	Total liabilities VND	Interest VND	Principal VND
Under 1 year	15,388,854,254	3,719,407,934	11,669,446,320
Between 1 – 5 years	28,638,189,560	3,354,388,851	25,283,800,709
	<u>44,027,043,814</u>	<u>7,073,796,785</u>	<u>36,953,247,029</u>
Finance lease liabilities	30.9.2013		
	Total liabilities VND	Interest VND	Principal VND
Under 1 year	15,902,131,774	4,232,685,454	11,669,446,320
Between 1 – 5 years	35,959,305,011	4,840,781,142	31,118,523,869
	<u>51,861,436,785</u>	<u>9,073,466,596</u>	<u>42,787,970,189</u>

(***) The long-term loan balance of EUR1,268,000, equivalent to VND36,576,728,000 (As at 30 September 2013: VND44,126,160,000) is from a supplier for purchase of fixed assets, bearing interest at the rate of 5.8% p.a and to be repaid in 6-month instalments to May 2016.

15 TRADE ACCOUNTS PAYABLE

	31.3.2014 VND	30.9.2013 VND
Third parties	1,460,306,664,786	1,281,112,190,653
Related parties (Note 33(b))	13,672,984,550	10,494,067,854
	<u>1,473,979,649,336</u>	<u>1,291,606,258,507</u>

16 TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	31.3.2014 VND	30.9.2013 VND
VAT on imported goods	-	11,189,715,893
Business income tax	9,323,484,730	17,764,117,495
Output VAT	1,416,273,253	3,520,815,664
Import – export duties	-	94,673
Other taxes	1,070,951,337	5,354,845,684
	<u>11,810,709,320</u>	<u>37,829,589,409</u>

17 ACCRUED EXPENSES

	31.3.2014 VND	30.9.2013 VND
Electricity	8,178,692,400	38,193,240
Payable relating to construction in progress	334,545,454	334,545,454
Transportation fee	508,073,812	582,558,457
Audit fee	210,000,000	420,000,000
13 th month salary	-	12,513,797,000
Loan interest	3,877,568,055	2,227,290,276
Other accrued expenses	2,062,000,000	3,318,909,779
	<u>15,170,879,721</u>	<u>19,435,294,206</u>

18 OTHER PAYABLES

	31.3.2014 VND	30.9.2013 VND
Dividends	3,282,896,000	3,353,947,200
Social insurance, health insurance, unemployment insurance, and trade union fee	1,675,541,900	1,294,753,800
Other payables to related parties (Note 33(b))	112,317,504	383,850
Tender deposits received	2,014,500,000	3,580,000,000
Other payables	3,019,235,343	1,958,586,736
	<u>10,104,490,747</u>	<u>10,187,671,586</u>

19 BONUS AND WELFARE FUND

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

	6 month period ended 31.3.2014 VND	Year ended 30.9.2013 VND
Opening balance	4,463,781,515	5,225,251,199
Appropriated from undistributed earnings	23,233,584,000	14,724,134,716
Utilisation	(16,816,247,000)	(15,485,604,400)
Closing balance	<u>10,881,118,515</u>	<u>4,463,781,515</u>

20 NUMBER OF SHARES

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

	31.3.2014		30.9.2013	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of shares capital authorised and issued	100,790,790	-	100,790,790	-
Treasury shares	(4,477,692)	-	(4,477,692)	-
Number of existing shares in issue	<u>96,313,098</u>	<u>-</u>	<u>96,313,098</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 receive 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.

21 MOVEMENTS IN OWNERS' EQUITY

	Share capital VND	Share premium VND	Treasury shares VND	Financial reserves VND	Others funds VND	Undistributed earnings VND	Total VND
As at 1 October 2012	1,007,907,900,000	451,543,290,363	(56,716,723,982)	8,525,313,060	2,148,326,909	637,644,135,969	2,051,052,242,319
Profit for the year	-	-	-	-	-	605,983,715,640	605,983,715,640
Dividend declared	-	-	-	-	-	(338,951,283,000)	(338,951,283,000)
Repurchase of treasury shares	-	-	(24,318,822,516)	-	-	-	(24,318,822,516)
Appropriated to bonus and welfare funds (Note 19)	-	-	-	-	-	(14,724,134,716)	(14,724,134,716)
Appropriated to other funds	-	-	-	-	10,796,142,820	(10,796,142,820)	-
Used of other funds during the year	-	-	-	-	(10,936,735,378)	-	(10,936,735,378)
As at 30 September 2013	1,007,907,900,000	451,543,290,363	(81,035,545,498)	8,525,313,060	2,007,734,351	879,156,291,073	2,268,104,982,349
Profit for the period	-	-	-	-	-	125,633,047,336	125,633,047,336
Dividend declared (*)	-	-	-	-	-	(96,313,098,000)	(96,313,098,000)
Repurchase of treasury shares	-	-	(1,646,446)	-	-	-	(1,646,446)
Appropriated to bonus and welfare funds (Note 19)	-	-	-	-	-	(23,233,584,000)	(23,233,584,000)
Appropriated to other funds	-	-	-	-	36,988,161,000	(36,988,161,000)	-
Uses of other funds during the Period (**)	-	-	-	-	(19,032,542,467)	-	(19,032,542,467)
As at 31 March 2014	1,007,907,900,000	451,543,290,363	(81,037,192,944)	8,525,313,060	19,963,352,884	848,254,495,409	2,255,157,158,772

(*) Pursuant to Resolution No. 01/NQ/ĐHĐCĐ/HSG/2014 dated 8 January 2014 issued by the General Assembly of Shareholders, Board of Directors issued Resolution No. 02/NQ/HĐQT/2014 dated 8 January 2014 to declare the dividends.

(**) The amount includes performance bonus of VND10,850,378,000 that the Company has made to members of Board of Directors and Board of Supervisors for over achievement of the Company's production target during the period 2013 pursuant to Resolution No. 01/NQ/ĐHĐCĐ/HSG/2014 dated 8 January 2014 and Resolution No. 01/NQ/ĐHĐCĐ/HSG/2013 dated 6 March 2013 issued by the General Assembly of Shareholders.

22 REVENUE

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Sales		
Finished goods	6,273,591,110,510	4,972,756,410,993
Merchandises	7,086,625,313,043	4,727,660,853,315
Revenue from lease of assets to subsidiaries	50,634,872,730	-
	<u>13,410,851,296,283</u>	<u>9,700,417,264,308</u>
Sales deductions		
Sales returns	(3,681,739,890)	(3,703,697,064)
Sales allowances	(640,827,250)	(474,141,848)
	<u>(4,322,567,140)</u>	<u>(4,177,838,912)</u>
Net sales	<u><u>13,406,528,729,143</u></u>	<u><u>9,696,239,425,396</u></u>

23 COST OF SALES

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Finished goods	5,786,488,734,357	4,365,490,097,982
Merchandises	6,892,593,985,770	4,584,040,360,166
Expenses for lease of assets to subsidiaries	51,383,702,894	-
	<u>12,730,466,423,021</u>	<u>8,949,530,458,148</u>

24 FINANCIAL INCOME

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Interest income from deposits	311,007,169	750,776,978
Income from financial investment	1,139,560,000	-
Realised foreign exchange gains	13,542,281,836	8,727,208,916
Gain from foreign currency translation at period-end	646,400,039	2,333,007,220
	<u>15,639,249,044</u>	<u>11,810,993,114</u>

25 FINANCIAL EXPENSES

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Interest expense	95,632,101,803	101,804,536,848
Realised foreign exchange losses	21,906,836,562	14,119,261,882
	<u>117,538,938,365</u>	<u>115,923,798,730</u>

26 SELLING EXPENSES

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Staff costs	57,952,684,937	41,470,313,714
Depreciation expenses	8,286,048,874	8,075,413,705
Material expenses	764,426,648	701,904,264
Outside service expenses	139,139,210,396	107,404,377,096
Other expenses	67,079,535,878	25,873,182,648
	<u>273,221,906,733</u>	<u>183,525,191,427</u>

27 GENERAL AND ADMINISTRATION EXPENSES

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Staff costs	75,229,044,231	53,726,360,499
Office supplies	3,212,257,527	1,990,518,729
Depreciation expenses	12,113,898,676	8,398,736,937
Outside service expenses	18,811,710,638	28,169,214,574
Other expenses	51,749,018,807	25,087,733,852
	<u>161,115,929,879</u>	<u>117,372,564,591</u>

28 OTHER INCOME/EXPENSES

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Other income		
Sales of scraps	25,183,000,738	2,581,234,555
Proceeds from sales of used tools and supplies to Hoa Sen Steel Sheet One Member Co., Ltd.	-	19,284,462,563
Proceeds from disposal of fixed assets	23,631,884,963	4,597,955,259
Income from fixed assets leased to a subsidiary	-	66,187,000,000
Others	5,688,328,280	14,637,647,183
	<u>54,503,213,981</u>	<u>107,288,299,560</u>
Other expenses		
Net book value of used tools and supplies disposed to Hoa Sen Steel Sheet One Member Co., Ltd.	-	(19,284,462,360)
Net book value of fixed assets disposed	(23,912,267,282)	(7,318,572,075)
Depreciation expenses of fixed assets leased to a subsidiary	-	(40,449,573,059)
Others	(3,278,917,997)	(3,302,386,078)
	<u>(27,191,185,279)</u>	<u>(70,354,993,572)</u>
Net other income	<u>27,312,028,702</u>	<u>36,933,305,988</u>

29 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 25% on taxable profit. 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.

According to Decree No. 218/2013/ND-CP dated 26 December 2013 providing details to the Law on CIT, standard tax rate is reduced from 25% to 22% in 2014, and further reduced to 20% from 2016.

29 TAXATION (continued)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of 25% (for the period from 1 October 2013 to 31 December 2013) and 22% (for the period from 1 January 2014 to 31 March 2014) as follows:

	6 month period ended	
	31.3.2014	31.3.2013
	VND	VND
Net accounting profit before tax	167,136,808,891	378,631,711,602
Tax calculated at tax rate of the Company	41,126,931,926	94,657,927,901
Effect of:		
Expenses not deductible for tax purposes	322,504,636	2,728,246,853
Tax reduction	-	(48,699,454,040)
Business income tax from transfer of land use rights	-	986,723
Under-provision in prior years	10,000,000	109,565,534
Other effects	44,324,993	-
Business income tax charge	<u>41,503,761,555</u>	<u>48,797,272,971</u>
Including:		
Business income tax - current	<u>41,503,761,555</u>	<u>48,797,272,971</u>

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

30 EARNINGS PER SHARE

Basic earnings per share as at 31 March 2014 are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period as follow:

	6 month period ended	
	31.3.2014	31.3.2013
	VND	VND
Net profit attributable to shareholders	125,633,047,336	329,834,438,631
Weighted average number of ordinary shares in issue	96,313,098	97,872,861
Basic earnings per share (VND)	1,304	3,370

31 COST OF GOODS MANUFACTURED BY FACTOR

	6 month period ended	
	31.3.2014	31.3.2013
	VND	VND
Raw materials	5,898,206,338,439	4,099,975,828,001
Labour costs	173,000,974,736	121,195,346,036
Depreciation expense	84,599,478,749	66,441,372,399
Outside service expenses	333,751,006,965	293,956,046,540
Other expenses	239,675,548,872	101,657,266,402
	<u>6,729,233,347,761</u>	<u>4,683,225,859,378</u>

32 FINANCIAL RISK MANAGEMENT*Financial risk factors*

The Company's activities expose it to market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Company. They establish the detailed policies such as risk identification, measurement of exposure and hedging strategies.

The finance department of the Company measures actual exposures against the limits set and prepare regular reports for the review of the Board of Directors.

The information presented below is based on information received by the Board of Directors.

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

The Company's business is exposed to foreign exchange risk arising from VND/USD and VND/EUR as certain purchases of raw materials (hot rolled steel coils, zinc bar, zinc alloy) and borrowings denominated in USD and EUR. 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:

	31.3.2014		
	Denominated in USD	Denominated in EUR	Total
	Equivalent to VND	Equivalent to VND	VND
Financial assets			
Cash and bank deposits	16,576,786,058	6,488,908	16,583,274,966
Trade receivables	413,114,125,593	-	413,114,125,593
Prepayments to suppliers and deposits	6,171,375,546	-	6,171,375,546
	<u>435,862,287,197</u>	<u>6,488,908</u>	<u>435,868,776,105</u>
Financial liabilities			
Borrowings	(3,780,862,575,390)	(36,576,728,000)	(3,817,439,303,390)
Trade payables	(1,201,910,384,119)	-	(1,201,910,384,119)
Advances from customers	(22,079,376,308)	-	(22,079,376,308)
	<u>(5,004,852,335,817)</u>	<u>(36,576,728,000)</u>	<u>(5,041,429,063,817)</u>
Foreign exchange exposure	<u>(4,568,990,048,620)</u>	<u>(36,570,239,092)</u>	<u>(4,605,560,287,712)</u>
	30.9.2013		
	Denominated in USD	Denominated in EUR	Total
	Equivalent to VND	Equivalent to VND	VND
Financial assets			
Cash and bank deposits	82,459,473,159	6,331,255	82,465,804,414
Trade receivables	230,532,796,358	-	230,532,796,358
Prepayments to suppliers and deposits	83,003,936,948	-	83,003,936,948
	<u>395,996,206,465</u>	<u>6,331,255</u>	<u>396,002,537,720</u>
Financial liabilities			
Borrowings	(2,127,429,560,036)	(44,126,160,000)	(2,171,555,720,036)
Trade payables	(1,081,691,062,033)	-	(1,081,691,062,033)
Advances from customers	(50,986,078,470)	-	(50,986,078,470)
	<u>(3,260,106,700,539)</u>	<u>(44,126,160,000)</u>	<u>(3,304,232,860,539)</u>
Foreign exchange exposure	<u>(2,864,110,494,074)</u>	<u>(44,119,828,745)</u>	<u>(2,908,230,322,819)</u>

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

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

As at 31 March 2014, if VND/USD had increased/decreased by 1%, with all other variables held constant, the Company's profit after tax for the period would have been lower/higher by VND35,638,122,379 (year ended 30 September 2013: VND25,060,966,823).

As at 31 March 2014, if VND/EUR had increased/decreased by 1%, with all other variables held constant, the Company's profit after tax for the period would have been lower/higher by VND285,247,865 (year ended 30 September 2013: VND386,048,502).

(ii) 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.

For six-month period ended 31 March 2014, if the VND interest rates had increased/decreased by 1% with all other variables being held constant, the Company's profit after tax the period would have been lower/higher by VND 5,472,886,198 (six-month period ended 31 March 2013: VND4,895,683,934).

For six-month period ended 31 March 2014, 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 period would have been lower/higher by VND4,939,106,140 (six-month period ended 31 March 2013: VND3,466,879,627).

(b) Receivable risk

The Company manages credit risk by taking the following actions:

- Establish a credit limit and maximum due days 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 debts 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 Board of Directors; and
- Involve the authorities when necessary.

32 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidation risk is the risk that the Company encounters difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

The table below analyses the Company's non-derivative 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.

	31.3.2014			Total VND
	Less than 1 year VND	Between 1 and 5 years VND	Over 5 years VND	
Trade payables	1,473,979,649,336	-	-	1,473,979,649,336
Short-term borrowings	4,072,100,259,551	-	-	4,072,100,259,551
Long-term borrowings and current portion of long-term loans	267,385,813,920	758,352,097,557	-	1,025,737,911,477
	<u>5,813,465,722,807</u>	<u>758,352,097,557</u>	<u>-</u>	<u>6,571,817,820,364</u>
	30.9.2013			Total VND
	Less than 1 year VND	Between 1 and 5 years VND	Over 5 years VND	
Trade payables	1,291,606,258,507	-	-	1,291,606,258,507
Short-term borrowings	2,503,654,540,949	-	-	2,503,654,540,949
Long-term borrowings and current portion of long-term loans	310,312,021,920	566,147,231,641	-	876,459,253,561
	<u>4,105,572,821,376</u>	<u>566,147,231,641</u>	<u>-</u>	<u>4,671,720,053,017</u>

33 RELATED PARTY TRANSACTIONS

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

(a) Related party transactions

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

i) Sales of goods and services

	<u>6 month period ended</u>	
	<u>31.3.2014</u>	<u>31.3.2013</u>
	VND	VND
Hoa Sen Steel Sheet One Member Co., Ltd.	6,055,121,606,532	4,169,266,242,564
Hoa Sen Building Materials One Member Co., Ltd.	1,100,283,506,989	628,292,526,337
Hoa Sen Transportation and Engineering One Member Co., Ltd.	-	1,101,750,036
	<u>7,155,405,113,521</u>	<u>4,798,660,518,937</u>

ii) Purchases of goods and other services

	<u>6 month period ended</u>	
	<u>31.3.2014</u>	<u>31.3.2013</u>
	VND	VND
Hoa Sen Steel Sheet One Member Co., Ltd.	5,227,773,808,153	3,587,906,172,397
Hoa Sen Building Materials One Member Co., Ltd.	874,095,098,854	425,392,601,319
Hoa Sen Transportation and Engineering One Member Co., Ltd.	212,214,017	106,406,556
	<u>6,102,081,121,024</u>	<u>4,013,405,180,272</u>

iii) Sales of fixed assets

	<u>6 month period ended</u>	
	<u>31.3.2014</u>	<u>31.3.2013</u>
	VND	VND
Hoa Sen Building Materials One Member Co., Ltd.	10,114,303,745	-
	<u>10,114,303,745</u>	<u>-</u>

iv) Purchases of fixed assets

	<u>6 month period ended</u>	
	<u>31.3.2014</u>	<u>31.3.2013</u>
	VND	VND
Hoa Sen Building Materials One Member Co., Ltd.	1,030,839,044	156,887,984
	<u>1,030,839,044</u>	<u>156,887,984</u>

33 RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

v) Others

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Hoa Sen Steel Sheet One Member Co., Ltd.		
Income from operating leases	48,807,600,000	64,219,000,000
Other purchases	4,151,910,832	3,267,457,537
Other sales	-	19,284,463,480
Hoa Sen Building Materials One Member Co., Ltd.		
Income from operating leases	1,827,272,730	1,968,000,000
Sales returned	535,228,326	1,547,976,083
Other purchases	216,206,767	338,429,141
Other sales	545,455	449,365
Returns of goods purchased	9,220,897	53,155,202
Hoa Sen Transportation and Engineering One Member Co., Ltd.		
Other purchases	4,702,180,739	3,930,415,164
Interest expenses	291,900,000	-
Repayment of a loan	1,300,000,000	-
Loan proceeds	4,200,000,000	-

vi) Compensation of key management

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Compensation for Board of Directors, Board of Advisors and Board of Supervisors	534,000,000	490,000,000
Bonus for Board of Directors, Board of Advisors and Board of Supervisors	10,850,378,000	5,700,000,000
Gross salary of Board of Management	4,335,663,000	3,751,334,000
Bonus for Board of Management	5,540,000,000	2,857,200,000
	21,260,041,000	12,798,534,000

33 RELATED PARTY TRANSACTIONS (continued)

(b) Period end balances with related parties

	31.3.2014 VND	30.9.2013 VND
Trade accounts receivable (Note 4)		
Hoa Sen Steel Sheet One Member Co., Ltd.	1,889,583,955,987	617,103,340,689
Hoa Sen Building Materials One Member Co., Ltd.	432,500,727,192	337,110,927,786
	<u>2,322,084,683,179</u>	<u>954,214,268,475</u>
Prepayments to suppliers (Note 5)		
Mr Hoang Duc Huy (Deputy General Director) - Advance for purchase of land use rights	<u>90,183,227,000</u>	<u>90,183,227,000</u>
Other receivables (Note 6)		
<i>Dividends receivable from subsidiaries</i>		
Hoa Sen Steel Sheet One Member Co., Ltd.	-	58,460,323,352
Hoa Sen Building Materials One Member Co., Ltd.	-	54,978,258,214
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	-	1,327,444,838
<i>Others</i>		
Hoa Sen Steel Sheet One Member Co., Ltd.	19,481,535	744,000
Hoa Sen Building Materials One Member Co., Ltd.	56,880,708,634	2,216,705,836
	<u>56,900,190,169</u>	<u>116,983,476,240</u>
Short-term loans (Note 14(a))		
Hoa Sen Transportation and Engineering One Member Co., Ltd.	<u>11,400,000,000</u>	<u>8,500,000,000</u>
Trade accounts payable (Note 15)		
Hoa Sen Steel Sheet One Member Co., Ltd.	12,200,000,000	6,000,000,000
Hoa Sen Transportation and Engineering One Member Co., Ltd.	1,472,894,550	4,494,067,854
	<u>13,672,984,550</u>	<u>10,494,067,854</u>

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

	31.3.2014 VND	30.9.2013 VND
Other payables (Note 18)		
Hoa Sen Steel Sheet One Member Co., Ltd.	110,900,000	383,850
Hoa Sen Building Materials One Member Co., Ltd.	417,504	-
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	1,000,000	-
	<u>112,317,504</u>	<u>383,850</u>

34 SEGMENT REPORTING

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

35 COMMITMENTS UNDER OPERATING LEASES**(a) The future minimum lease payments under non-cancellable operating leases are as follows:**

	31.3.2014 VND	30.9.2013 VND
Within 1 year	29,751,702,664	22,873,345,777
Between 1 and 5 years	87,896,346,014	52,321,739,337
Over 5 years	249,171,497,777	176,131,828,498
Total minimum payments	<u>366,819,546,455</u>	<u>251,326,913,612</u>

(b) The future minimum lease receipts under non-cancellable operating leases are as follows:

	31.3.2014 VND	30.9.2013 VND
Within 1 year	53,011,145,460	106,680,000,000
Between 1 and 5 years	9,027,272,730	423,120,000,000
Over 5 years	-	412,320,000,000
Total minimum receipts	<u>62,038,418,190</u>	<u>942,120,000,000</u>

35 CAPITAL COMMITMENTS

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


	31.3.2014 VND	30.9.2013 VND
Buildings, machinery and equipment	<u>240,980,656,220</u>	<u>615,558,105,177</u>

The separate interim financial statements were approved by the General Director on 15 May 2014.



Nguyen Thi Ngoc Lan
Chief Accountant





Tran Ngoc Chu
General Director