

# **Hoa Sen Group**

Separate financial statements

30 September 2015

# Hoa Sen Group

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# Hoa Sen Group

## GENERAL INFORMATION

### THE COMPANY

Hoa Sen Group ("the Company") is a shareholding company established in accordance with the Business Registration Certificate No. 3700381324 issued by the Department of Planning and Investment of Binh Duong Province on 8 August 2001, as amended.

The Company's current principal activities are manufacturing of roofing sheets by galvanized steel, zinc alloy, paint galvanized zinc plating and plating of other alloys; manufacturing of steel purlins, galvanized purlins; manufacturing of black steel pipes, galvanized steel pipes and other alloys; manufacturing of steel mesh, galvanized steel wire, steel wire; manufacturing of PVC ceiling; buy and sell building materials, capital goods and consumer goods; rent store and transport goods; industrial and civil construction and production of cold rolled steel coils and leasing of machinery and equipment and other tangible belongings.

The Company's shares were listed on the Ho Chi Minh City Stock Exchange in accordance with Decision No. 117/QĐ-SGDHCM dated 5 November 2008.

The Company's registered head office is located at No. 9, Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An Ward, Di An Town, Binh Duong Province, Vietnam. In addition, the Company also has one hundred and seventy six (176) branches located in various provinces in Vietnam.

### BOARD OF DIRECTORS

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

Mr Le Phuoc Vu	Chairman	
Mr Tran Ngoc Chu	Vice Chairman	
Mr Pham Gia Tuan	Member	
Mr Tran Quoc Tri	Member	
Mr Ly Van Xuan	Member	appointed on 31 July 2015
Mr Jean Eric Jacquemin	Member	resigned on 30 July 2015

### BOARD OF SUPERVISION

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

Mr Le Vu Nam	Head of the Board	
Mr Le Dinh Hanh	Member	
Mr Ly Van Xuan	Member	resigned on 31 July 2015

### MANAGEMENT

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

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	
Mr Phan Duy Quang	Acting Deputy General Director	appointed on 29 July 2015

### LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr Le Phuoc Vu.

Mr Tran Ngoc Chu is authorised by Mr Le Phuoc Vu to sign the accompanying separate financial statements for the year ended 30 September 2015 in accordance with the Letter of Authorisation No. 49/UQ/CT-HDQT/2013 dated 11 November 2013.

### AUDITORS

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

# Hoa Sen Group

## REPORT OF MANAGEMENT

The General Director of Hoa Sen Group ("the Company") is pleased to present his report and the Company's separate financial statements for the year ended 30 September 2015.

### **THE GENERAL DIRECTOR'S RESPONSIBILITY IN RESPECT OF THE SEPARATE FINANCIAL STATEMENTS**

The Company's General Director is responsible for the separate financial statements of each financial year which give a true and fair view of the separate financial position of the Company and of the separate results of its operations and its separate cash flows for the year. In preparing those separate financial statements, the General Director is required to:

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

The Company's General Director is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the separate financial position of the Company and to ensure that the accounting records comply with the applied accounting system. He 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.

The Company's General Director confirmed that he has complied with the above requirements in preparing the accompanying separate financial statements.

### **STATEMENTS BY THE GENERAL DIRECTOR**

The Company's General Director does hereby state that, in his opinion, the accompanying separate financial statements give a true and fair view of the separate financial position of the Company as at 30 September 2015 and of the separate results of its operations and its separate cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of separate financial statements.

The Company is a parent company with subsidiaries and it is in the process of completing its consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 30 September 2015 to meet the prevailing regulatory reporting requirements. Users of these separate financial statements should read them together with the said consolidated financial statements in order to obtain full information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Group as a whole.



Tran Ngoc Chu  
General Director

24 December 2015





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working world**

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Reference: 61183992/17620833-Separate

## **INDEPENDENT AUDITORS' REPORT**

**To: The Shareholders of Hoa Sen Group**

We have audited the accompanying separate financial statements of Hoa Sen Group ("the Company") as prepared on 24 December 2015 and set out on pages 5 to 46, which comprise the separate balance sheet as at 30 September 2015, and the separate income statement and separate cash flow statement for the year then ended and the notes thereto.

### ***The General Director's responsibility***

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

### ***Auditors' responsibility***

Our responsibility is to express an opinion on these 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 to obtain reasonable assurance about 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 separate financial statements. The procedures selected depend on the auditor's judgment, including the 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 control 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 control. 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.



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### **Opinion**

In our opinion, the accompanying separate financial statements give a true and fair view, in all material respects, of the separate financial position of the Company as at 30 September 2015, and of the separate results of its operations and its separate cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of separate financial statements.

### **Emphasis of matter**

Without qualifying our opinion, we draw attention to Note 2.1 of the separate financial statements. The Company is in the process of preparation of the consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 30 September 2015. Users of the accompanying separate financial statements should read them together with the said consolidated financial statements in order to obtain full information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Group as a whole.

### **Other matter**

The separate financial statements of the Company for the year ended 30 September 2014 were audited by another audit firm who expressed an unmodified opinion on those separate financial statements on 8 December 2014.

### **Ernst & Young Vietnam Limited**



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

Nguyen Thanh Sang  
Auditor  
Audit Practicing Registration Certificate  
No. 1541-2013-004-1

Ho Chi Minh City, Vietnam

24 December 2015



SEPARATE BALANCE SHEET  
as at 30 September 2015

VND

Code	ASSETS	Notes	Ending balance	Beginning balance
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>5,189,362,855,705</b>	<b>6,494,253,273,944</b>
<b>110</b>	<b>I. Cash and cash equivalents</b>	<b>4</b>	<b>233,828,787,007</b>	<b>138,001,647,603</b>
111	1. Cash		233,688,787,007	121,301,647,603
112	2. Cash equivalents		140,000,000	16,700,000,000
<b>130</b>	<b>II. Current account receivables</b>		<b>2,178,164,656,081</b>	<b>2,049,767,900,951</b>
131	1. Trade receivables	5	1,657,213,337,129	1,721,171,369,702
132	2. Advances to suppliers	6	25,367,450,024	63,663,399,940
135	3. Other receivables	7	498,630,282,005	266,216,185,092
139	4. Provision for doubtful debts		(3,046,413,077)	(1,283,053,783)
<b>140</b>	<b>III. Inventories</b>	<b>8</b>	<b>2,281,126,058,437</b>	<b>3,710,663,638,443</b>
141	1. Inventories		2,293,735,295,317	3,711,696,909,201
149	2. Provision for obsolete inventories		(12,609,236,880)	(1,033,270,758)
<b>150</b>	<b>IV. Other current assets</b>		<b>496,243,354,180</b>	<b>595,820,086,947</b>
151	1. Short-term prepaid expenses	9	55,062,184,992	49,779,479,489
152	2. Value-added tax deductible		430,850,361,115	541,948,513,679
154	3. Tax and other receivables from the State		-	85,557,805
158	4. Other current assets	10	10,330,808,073	4,006,535,974
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>3,758,038,912,478</b>	<b>3,597,395,807,319</b>
<b>210</b>	<b>I. Long-term receivable</b>		<b>25,000,000,000</b>	<b>-</b>
218	1. Other long-term receivable	11	25,000,000,000	-
<b>220</b>	<b>II. Fixed assets</b>		<b>2,977,177,327,038</b>	<b>3,006,737,368,454</b>
221	1. Tangible fixed assets	12	2,597,141,283,226	2,660,458,487,298
222	Cost		3,959,400,818,348	3,666,617,736,204
223	Accumulated depreciation		(1,362,259,535,122)	(1,006,159,248,906)
224	2. Finance leases	13	99,643,625,564	89,590,148,900
225	Cost		135,252,035,604	111,830,901,311
226	Accumulated depreciation		(35,608,410,040)	(22,240,752,411)
227	3. Intangible assets	14	268,045,806,871	205,560,432,449
228	Cost		286,043,112,706	221,029,378,600
229	Accumulated amortisation		(17,997,305,835)	(15,468,946,151)
230	4. Construction in progress	15	12,346,611,377	51,128,299,807
<b>250</b>	<b>III. Long-term investments</b>	<b>16</b>	<b>649,628,640,301</b>	<b>513,200,232,017</b>
251	1. Investment in subsidiaries	16.1	611,276,000,000	467,276,000,000
252	2. Investment in an associate	16.2	51,952,178,134	44,456,331,634
258	3. Other long-term investments	16.3	4,367,000,000	8,640,000,000
259	4. Provision for long-term investment	16.2	(17,966,537,833)	(7,172,099,617)
<b>260</b>	<b>IV. Other long-term assets</b>		<b>106,232,945,139</b>	<b>77,458,206,848</b>
261	1. Long-term prepaid expenses	17	64,337,078,607	55,134,596,953
262	2. Deferred tax assets	31.3	39,883,316,631	20,311,059,994
268	3. Other long-term assets		2,012,549,901	2,012,549,901
<b>270</b>	<b>TOTAL ASSETS</b>		<b>8,947,401,768,183</b>	<b>10,091,649,081,263</b>

SEPARATE BALANCE SHEET (continued)  
as at 30 September 2015


VND


Code	RESOURCES	Notes	Ending balance	Beginning balance
<b>300</b>	<b>A. LIABILITIES</b>		<b>5,958,058,900,796</b>	<b>7,669,014,734,697</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>5,302,767,036,632</b>	<b>6,761,688,243,129</b>
311	1. Short-term loans and debts	18	4,400,210,324,546	4,749,052,198,420
312	2. Trade payables	19	555,161,842,884	1,825,290,959,556
313	3. Advances from customers	20	132,056,212,298	58,831,484,853
314	4. Statutory obligations	21	54,523,520,743	33,584,282,621
315	5. Payable to employees		28,300,012,321	31,366,190,372
316	6. Accrued expenses	22	81,556,360,439	37,809,893,447
319	7. Other payables	23	42,596,139,795	16,505,717,402
323	8. Bonus and welfare fund		8,362,623,606	9,247,516,458
<b>330</b>	<b>II. Non-current liabilities</b>		<b>655,291,864,164</b>	<b>907,326,491,568</b>
334	1. Long-term loans and debts	24	651,348,629,164	902,755,730,318
336	2. Provision for severance allowance		3,943,235,000	4,570,761,250
<b>400</b>	<b>B. OWNERS' EQUITY</b>		<b>2,989,342,867,387</b>	<b>2,422,634,346,566</b>
<b>410</b>	<b>I. Capital</b>	<b>25.1</b>	<b>2,989,342,867,387</b>	<b>2,422,634,346,566</b>
411	1. Issued share capital		1,007,907,900,000	1,007,907,900,000
412	2. Share premium		487,290,470,363	451,543,290,363
414	3. Treasury shares		(52,113,695,510)	(81,038,848,436)
418	4. Financial reserve fund		8,525,313,060	8,525,313,060
419	5. Other funds belonging to owners' equity		6,605,155,369	13,278,012,117
420	6. Undistributed earnings		1,531,127,724,105	1,022,418,679,462
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>8,947,401,768,183</b>	<b>10,091,649,081,263</b>


OFF BALANCE SHEET ITEM

ITEM	Ending balance	Beginning balance
Foreign currencies:		
- United States dollar (USD)	3,128,657.09	1,887,802.73
- Euro (EUR)	228.42	226.09
- Australian Dollar (AUD)	306.85	306.85



  
Tran Cong Tien  
Preparer

  
Nguyen Thi Ngoc Lan  
Chief Accountant

  
Tran Ngoc Chu  
General Director


24 December 2015



SEPARATE INCOME STATEMENT  
for the year ended 30 September 2015

VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenues from sale of goods and rendering of services	26.1	31,133,878,040,825	27,965,738,124,852
02	2. Deductions	26.1	(36,219,065,104)	(15,606,362,602)
10	3. Net revenues from sale of goods and rendering of services	26.1	31,097,658,975,721	27,950,131,762,250
11	4. Costs of goods sold and services rendered	27	(29,074,021,762,754)	(26,543,957,391,845)
20	5. Gross profit from sale of goods and rendering of services		2,023,637,212,967	1,406,174,370,405
21	6. Finance income	26.2	304,851,891,320	189,955,101,097
22 23	7. Finance expenses <i>In which: Interest expense</i>	28	(379,883,551,601) (180,561,247,510)	(251,034,907,307) (178,732,189,603)
24	8. Selling expenses		(727,052,217,691)	(602,674,781,415)
25	9. General and administrative expenses		(417,829,755,541)	(329,681,909,965)
30	10. Operating profit		803,723,579,454	412,737,872,815
31	11. Other income	29	109,991,563,846	140,129,321,530
32	12. Other expenses	29	(87,953,216,935)	(76,960,835,550)
40	13. Other profit	29	22,038,346,911	63,168,485,980
50	14. Profit before tax		825,761,926,365	475,906,358,795
51	15. Current corporate income tax expense	31.2	(157,276,390,231)	(91,658,631,969)
52	16. Deferred income tax benefit	31.3	19,572,256,637	11,862,602,563
60	17. Net profit after tax		688,057,792,771	396,110,329,389

  
Tran Cong Tien  
Preparer

  
Nguyen Thi Ngoc Lan  
Chief Accountant

  
Tran Ngoc Chu  
General Director

24 December 2015

SEPARATE CASH FLOW STATEMENT  
for the year ended 30 September 2015

VND

Code	ITEMS	Notes	Current year	Previous year
	<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01	<b>Profit before tax</b>		<b>825,761,926,365</b>	<b>475,906,358,795</b>
	<i>Adjustments for:</i>			
02	Depreciation and amortisation	12,13,14	373,077,021,625	283,038,111,139
03	Provisions		24,133,763,632	6,949,713,768
04	Unrealised foreign exchange losses	28	38,895,143,213	8,427,796,677
05	Profits from investing activities		(275,290,397,527)	(158,164,478,164)
06	Interest expense		206,026,054,089	198,308,677,546
08	<b>Operating profit before changes in working capital</b>		<b>1,192,603,511,397</b>	<b>814,466,179,761</b>
09	Decrease (increase) in receivables		163,799,373,505	(495,765,754,652)
10	Decrease (increase) in inventories		1,417,961,613,884	(1,585,126,810,861)
11	(Decrease) increase in payables		(1,122,480,272,291)	531,113,193,354
12	Increase in prepaid expenses		(2,592,658,493)	(2,318,187,593)
13	Interest expense paid		(205,180,180,696)	(197,681,089,060)
14	Corporate income tax paid	31.2	(148,083,149,484)	(78,836,554,680)
16	Other cash outflows from operating activities		(42,436,850,728)	(44,167,732,291)
20	<b>Net cash flows from (used in) operating activities</b>		<b>1,253,591,387,094</b>	<b>(1,058,316,756,022)</b>
	<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchases of fixed assets		(344,821,955,435)	(1,064,209,108,441)
22	Proceeds from disposals of fixed assets		71,470,321,057	65,210,566,718
25	Investment in other entities		(151,495,846,500)	(21,000,000,000)
26	Proceeds from sales of investment in other entity		4,273,000,000	6,360,000,000
27	Interest received	26.2	3,792,978,396	1,864,144,549
30	<b>Net cash flows used in investing activities</b>		<b>(416,781,502,482)</b>	<b>(1,011,774,397,174)</b>
	<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
31	Issuance of shares		64,721,580,000	-
32	Capital redemption		(49,247,074)	(3,301,938)
33	Drawdown of borrowings		12,912,074,325,312	12,554,276,636,973
34	Repayment of borrowings		(13,530,135,977,447)	(10,296,325,989,274)
35	Finance lease payments		(33,306,639,607)	(18,039,524,067)
36	Dividends paid		(144,058,665,375)	(192,498,472,300)
40	<b>Net cash flows (used in) from financing activities</b>		<b>(730,754,624,191)</b>	<b>2,047,409,349,394</b>

SEPARATE CASH FLOW STATEMENT (continued)  
for the year ended 30 September 2015

VND


Code	ITEMS	Notes	Current year	Previous year
50	Net increase (decrease) in cash and cash equivalents		106,055,260,421	(22,681,803,802)
60	Cash and cash equivalents at beginning of year		138,001,647,603	163,502,687,316
61	Impact of exchange rate fluctuation		(10,228,121,017)	(2,819,235,911)
70	Cash and cash equivalents at end of year	4	233,828,787,007	138,001,647,603



Tran Cong Tien  
Preparer



Nguyen Thi Ngoc Lan  
Chief Accountant

Tran Ngoc Chu  
General Director

24 December 2015



NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
as at and for the year ended 30 September 2015

## 1. CORPORATE INFORMATION

Hoa Sen Group ("the Company") is a shareholding company established in accordance with the Business Registration Certificate No. 3700381324 issued by the Department of Planning and Investment of Binh Duong Province on 8 August 2001, as amended.

The Company's current principal activities are manufacturing of roofing sheets by galvanized steel, zinc alloy, paint galvanized zinc plating and plating of other alloys; manufacturing of steel purlins, galvanized purlins; manufacturing of black steel pipes, galvanized steel pipes and other alloys; manufacturing of steel mesh, galvanized steel wire, steel wire; manufacturing of PVC ceiling; buy and sell building materials, capital goods and consumer goods; rent store and transport goods; industrial and civil construction and production of cold rolled steel coils and leasing of machinery and equipment and other tangible belongings.

The Company's shares were listed on the Ho Chi Minh City Stock Exchange in accordance with Decision No. 117/QD-SGDHCM dated 5 November 2008.

The Company's registered head office is located at No. 9, Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An Ward, Di An Town, Binh Duong Province, Vietnam. In addition, the Company also has one hundred and seventy six (176) branches located in various provinces in Vietnam.

The number of the Company's employees as at 30 September 2015 was 3,966 (30 September 2014: 3,168).

## 2. BASIS OF PREPARATION

### 2.1 *Applied accounting standards and system*

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

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

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

The Company is a parent company with subsidiaries and it is in the process of completing the consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 30 September 2015 to meet the prevailing regulatory reporting requirements. Users of these separate financial statements should read them together with the said consolidated financial statements in order to obtain full information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Group as a whole.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**2. BASIS OF PREPARATION** (continued)

**2.2 Applied accounting documentation system**

The Company's applied accounting documentation system is the Voucher Journal system.

**2.3 Fiscal year**

The Company's fiscal year applicable for the preparation of its separate financial statements starts on 1 October and ends on 30 September.

**2.4 Accounting currency**

The separate financial statements are prepared in VND which is also the Company's accounting currency.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Cash and cash equivalents**

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

**3.2 Inventories**

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

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

Merchandises, raw materials, tools and supplies	- cost of purchase on a weighted average basis.
Finished goods and work-in-process	- cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity on a weighted average basis.

*Provision for obsolete inventories*

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

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

**3.3 Receivables**

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

The provision for doubtful debts represents the estimated loss due to non-payment arising on receivables that were outstanding at the balance sheet date. Increases and decreases to the provision balance are recorded as general and administrative expense in the separate income statement.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

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

**3.4 Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset comprises its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use. Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the separate income statement as incurred.

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

**3.5 Leased assets**

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

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

*Where the Company is the lessee*

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

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

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

*Where the Company is the lessor*

Assets subject to operating leases are included as the Company's fixed assets in the separate balance sheet. Initial direct costs incurred in negotiating an operating lease are added to the carrying value of the leased asset for amortisation to the separate income statement over the lease term.

Lease income is recognised in the separate income statement on a straight-line basis over the lease term.

**3.6 Intangible assets**

Intangible assets are stated at cost less accumulated amortisation.

The cost of an intangible asset comprises its purchase price and any directly attributable costs of preparing the intangible asset for its intended use. Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the separate income statement as incurred.

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



NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

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

#### 3.6 *Intangible assets* (continued)

##### *Land use rights*

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

#### 3.7 *Depreciation and amortisation*

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

Buildings and structures	10 - 40 years
Machinery and equipment	5 - 20 years
Means of transportation	7 - 10 years
Office equipment	3 - 5 years
Others	5 - 8 years
Land use rights	14 - 55 years
Computer software	3 - 10 years

#### 3.8 *Borrowing costs*

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

Borrowing costs are recorded as expense during the year in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset.

#### 3.9 *Prepaid expenses*

Prepaid expenses are reported as short-term or long-term prepaid expenses on the separate balance sheet and amortised over the period for which the amounts are paid or the period in which economic benefits are generated in relation to these expenses.

#### 3.10 *Investment*

##### *Investments in subsidiaries*

Investments in subsidiaries over which the Company has control are carried at cost. Distributions from accumulated net profits of the subsidiaries arising subsequent to the date of acquisition are recognised in the separate income statement. Distributions from sources other than from such profits are considered a recovery of investment and are deducted to the cost of the investment.

##### *Investment in associates*

Investments in associates over which the Company has significant influence are carried at cost. Distributions from accumulated net profits of the associates arising subsequent to the date of acquisition are recognised in the separate income statement. Distributions from sources other than from such profits are considered a recovery of investment and are deducted to the cost of the investment.

##### *Other investments*

Other investments are stated at their acquisition costs.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

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

#### **3.10 Investment (continued)**

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

Provision is made for any diminution in value of the investments at the balance sheet date in accordance with the guidance under Circular No. 228/2009/TT-BTC dated 7 December 2009 and Circular No. 89/2013/TT-BTC dated 28 June 2013 issued by the Ministry of Finance. Increases and decreases to the provision balance are recorded as finance expense in the separate income statement.

#### **3.11 Payables and accruals**

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

#### **3.12 Accrual for severance pay**

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

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

#### **3.13 Foreign currency transactions**

Transactions in currencies other than the Company's reporting currency of VND are recorded at the inter-bank exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued at the actual exchange rates announced by the commercial bank where the Company maintains bank accounts at the balance sheet date. All realised and unrealised foreign exchange differences are taken to the separate income statement.

#### **3.14 Treasury shares**

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss upon purchase, sale, issue or cancellation of the Company's own equity instruments.

#### **3.15 Appropriation of net profit**

Net profit after tax is available for appropriation to shareholders after approval in the annual general meeting, and after making appropriation to funds and reserve funds in accordance with the Company's Charter and Vietnam's regulatory requirements.

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

##### *Financial reserve fund*

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

##### *Bonus and welfare fund*

This fund is set aside for the purpose of pecuniary rewarding and encouraging, common benefits and improvement of the employees' benefits.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

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

#### 3.16 Revenue recognition

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

##### *Sale of goods*

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

##### *Rendering of services*

Revenue is recognised when the services have been performed and completed.

##### *Interest*

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

##### *Dividends*

Income is recognised when the Company is entitled to receive dividends.

##### *Rental income*

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

#### 3.17 Taxation

##### *Current income tax*

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

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

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

##### *Deferred tax*

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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



NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

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

#### 3.17 *Taxation* (continued)

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Company to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or when the Company intends either settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### 3.18 *Financial instruments*

##### *Initial recognition and presentation*

##### Financial assets

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

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

The Company's financial assets include cash and short-term deposits, trade and other receivables and other long-term investment.

##### Financial liabilities

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

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

The Company's financial liabilities include trade and other payables, loans and debts.

##### *Subsequent re-measurement*

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

##### *Offsetting of financial instruments*

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**4. CASH AND CASH EQUIVALENTS**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Cash on hand	12,462,200,677	18,919,893,997
Cash in banks	221,226,586,330	102,381,753,606
Cash equivalents	140,000,000	16,700,000,000
<b>TOTAL</b>	<b><u>233,828,787,007</u></b>	<b><u>138,001,647,603</u></b>

**5. TRADE RECEIVABLES**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Due from related parties (Note 32)	1,214,432,479,886	1,124,726,248,293
Due from other parties	442,780,857,243	596,445,121,409
<b>TOTAL</b>	<b><u>1,657,213,337,129</u></b>	<b><u>1,721,171,369,702</u></b>
Provision for doubtful debts	(2,306,413,077)	(1,283,053,783)
<b>NET</b>	<b><u>1,654,906,924,052</u></b>	<b><u>1,719,888,315,919</u></b>

Detail of movements of provision for doubtful debts:

	VND	
	<i>Current year</i>	<i>Previous year</i>
Beginning balance	(1,283,053,783)	(1,647,820,574)
Add: Provision provided during the year	(1,023,359,294)	-
Less: Utilisation and reversal of provision during the year	-	364,766,791
Ending balance	<u>(2,306,413,077)</u>	<u>(1,283,053,783)</u>

**6. ADVANCES TO SUPPLIERS**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Advance to other parties	18,908,589,088	59,717,511,940
Advance to a related party (Note 32)	6,458,860,936	3,945,888,000
<b>TOTAL</b>	<b><u>25,367,450,024</u></b>	<b><u>63,663,399,940</u></b>



NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

7. OTHER RECEIVABLES

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Due from related parties (Note 32)	464,880,867,523	253,691,581,754
Due from other parties	33,749,414,482	12,524,603,338
<b>TOTAL</b>	<b><u>498,630,282,005</u></b>	<b><u>266,216,185,092</u></b>

8. INVENTORIES

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Finished goods	1,209,216,110,982	1,617,607,372,114
Raw materials	346,651,367,414	207,712,164,971
Goods in transit	334,139,481,536	1,492,842,901,982
Merchandises	211,504,360,904	221,892,689,755
Tools and supplies	192,223,974,481	171,641,780,379
<b>TOTAL</b>	<b><u>2,293,735,295,317</u></b>	<b><u>3,711,696,909,201</u></b>
Provision for obsolete inventories	<u>(12,609,236,880)</u>	<u>(1,033,270,758)</u>
<b>NET</b>	<b><u>2,281,126,058,437</u></b>	<b><u>3,710,663,638,443</u></b>

As noted further in Note 18, the Company has pledged inventories with the carrying amount as at 30 September 2015 amounting to VND 1,402,715,774,241 to secure its bank loans.

Detail of movements of provision for obsolete inventories:

	VND	
	<i>Current year</i>	<i>Previous year</i>
Beginning balance	(1,033,270,758)	(890,889,816)
Add: Provision provided during the year	<u>(11,575,966,122)</u>	<u>(142,380,942)</u>
Ending balance	<u>(12,609,236,880)</u>	<u>(1,033,270,758)</u>

9. SHORT TERM PREPAID EXPENSES

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Advertising expenses	24,210,259,090	25,434,658,241
Tools and equipment	10,307,348,223	11,082,237,639
Rental expenses	8,372,683,765	6,061,440,131
Advisory expenses	1,408,729,769	1,602,791,960
Insurance expenses	1,310,876,033	679,821,306
Repair and maintenance expenses	1,665,640,996	546,477,585
Others	7,786,647,116	4,372,052,627
<b>TOTAL</b>	<b><u>55,062,184,992</u></b>	<b><u>49,779,479,489</u></b>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**10. OTHER CURRENT ASSETS**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Advances to employees	6,177,558,073	3,931,443,962
Short-term deposits	4,153,250,000	75,092,012
<b>TOTAL</b>	<b>10,330,808,073</b>	<b>4,006,535,974</b>
Provision for other current assets	(740,000,000)	-
<b>NET</b>	<b>9,590,808,073</b>	<b>4,006,535,974</b>

**11. OTHER LONG-TERM RECEIVABLE**

The balance of other long-term receivable as at 30 September 2015 represented the unsecured and non-interest bearing lending to the Finance Department of Nghe An Province for the purpose of compensating the clearance costs of the land located at Dong Hoi Industrial Park, Nghe An Province, Vietnam. This lending will be due on 25 June 2018.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

12. TANGIBLE FIXED ASSET

	Buildings and structures	Machinery and equipment	Means of transportation	Office equipment	Others	Total
<b>Cost:</b>						VND
Beginning balance	604,561,707,949	2,944,158,448,120	87,775,075,027	11,469,809,617	18,652,695,491	3,666,617,736,204
Additions	681,936,012	75,731,510,325	8,382,275,169	904,788,000	168,002,350	85,868,511,856
Transfer from construction in progress	16,417,175,177	116,857,426,429	146,056,141,089	-	-	279,330,742,695
Disposal	-	(72,416,172,407)	-	-	-	(72,416,172,407)
Ending balance	621,660,819,138	3,064,331,212,467	242,213,491,285	12,374,597,617	18,820,697,841	3,959,400,818,348
<i>In which:</i>						
Fully depreciated	657,546,419	106,640,644,448	17,749,446,819	1,170,977,398	179,918,238	126,398,533,322
<b>Accumulated depreciation:</b>						
Beginning balance	(145,279,994,340)	(815,486,703,367)	(35,731,449,549)	(1,665,562,545)	(7,995,539,105)	(1,006,159,248,906)
Depreciation for the year	(35,544,575,864)	(300,139,075,516)	(16,657,828,371)	(2,064,111,809)	(2,775,412,732)	(357,181,004,312)
Disposal	-	1,080,718,096	-	-	-	1,080,718,096
Ending balance	(180,824,570,224)	(1,114,545,060,787)	(52,389,277,920)	(3,729,674,354)	(10,770,951,837)	(1,362,259,535,122)
<b>Net carrying amount:</b>						
Beginning balance	459,281,713,609	2,128,671,744,753	52,043,625,478	9,804,247,072	10,657,156,386	2,660,458,487,298
Ending balance	440,836,248,914	1,949,786,151,680	189,824,213,365	8,644,923,263	8,049,746,004	2,597,141,283,226

As noted further in Notes 18 and 24, the Company has pledged its buildings and structures, machinery and equipment and means of transportation with their respective carrying amounts as at 30 September 2015 of VND 138,380,847,841, VND 1,655,268,829,910 and VND 116,756,876,513 to secure the bank loan facilities.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**13. FINANCE LEASES**

			VND
	<i>Machinery and equipment</i>	<i>Means of transportation</i>	<i>Total</i>
<b>Cost:</b>			
Beginning balance	101,664,537,676	10,166,363,635	111,830,901,311
Additions	13,254,770,658	10,166,363,635	23,421,134,293
Ending balance	<u>114,919,308,334</u>	<u>20,332,727,270</u>	<u>135,252,035,604</u>
<b>Accumulated depreciation:</b>			
Beginning balance	(22,141,910,569)	(98,841,842)	(22,240,752,411)
Depreciation for the year	(11,397,631,570)	(1,970,026,059)	(13,367,657,629)
Ending balance	<u>(33,539,542,139)</u>	<u>(2,068,867,901)</u>	<u>(35,608,410,040)</u>
<b>Net carrying amount:</b>			
Beginning balance	<u>79,522,627,107</u>	<u>10,067,521,793</u>	<u>89,590,148,900</u>
Ending balance	<u>81,379,766,195</u>	<u>18,263,859,369</u>	<u>99,643,625,564</u>

**14. INTANGIBLE ASSETS**

			VND
	<i>Land use rights</i>	<i>Computer software</i>	<i>Total</i>
<b>Cost:</b>			
Beginning balance	219,684,620,889	1,344,757,711	221,029,378,600
Additions	65,013,734,106	-	65,013,734,106
Ending balance	<u>284,698,354,995</u>	<u>1,344,757,711</u>	<u>286,043,112,706</u>
<i>In which:</i>			
<i>Fully amortised</i>	456,396,144	1,344,757,711	1,801,153,855
<b>Accumulated amortisation:</b>			
Beginning balance	(14,124,188,440)	(1,344,757,711)	(15,468,946,151)
Amortisation for the year	(2,528,359,684)	-	(2,528,359,684)
Ending balance	<u>(16,652,548,124)</u>	<u>(1,344,757,711)</u>	<u>(17,997,305,835)</u>
<b>Net carrying amount:</b>			
Beginning balance	<u>205,560,432,449</u>	<u>-</u>	<u>205,560,432,449</u>
Ending balance	<u>268,045,806,871</u>	<u>-</u>	<u>268,045,806,871</u>

As noted further in Notes 18 and 24, the Company has pledged its land use rights with their carrying amounts as at 30 September 2015 of VND 199,822,919,969 to secure the bank loan facilities.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**15. CONSTRUCTION IN PROGRESS**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Purchases of fixed assets	6,853,861,204	46,270,410,089
Major repair of fixed assets	4,036,803,273	2,373,686,871
Others	1,455,946,900	2,484,202,847
<b>TOTAL</b>	<b><u>12,346,611,377</u></b>	<b><u>51,128,299,807</u></b>

**16. LONG-TERM INVESTMENTS**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Investments in subsidiaries ( <i>Note 16.1</i> )	611,276,000,000	467,276,000,000
Investments in an associate ( <i>Note 16.2</i> )	51,952,178,134	44,456,331,634
Other long-term investments ( <i>Note 16.3</i> )	4,367,000,000	8,640,000,000
<b>TOTAL</b>	<b><u>667,595,178,134</u></b>	<b><u>520,372,331,634</u></b>
Provision for long-term investments	<u>(17,966,537,833)</u>	<u>(7,172,099,617)</u>
<b>NET</b>	<b><u>649,628,640,301</u></b>	<b><u>513,200,232,017</u></b>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

16. LONG-TERM INVESTMENTS (continued)

16.1 Investments in subsidiaries

Investments in subsidiaries as at the balance sheet date comprise the following:

Name of subsidiaries	Ending balance		Beginning balance		Location	Business activities
	% of interest	Cost of investment (VND)	% of interest	Cost of investment (VND)		
Hoa Sen Steel Sheet One Member Co., Ltd.	100	280,000,000,000	100	280,000,000,000	Binh Duong province, Vietnam	Manufacturing and trading in cold rolled steel products
Hoa Sen Building Materials One Member Co., Ltd.	100	150,000,000,000	100	150,000,000,000	Ba Ria – Vung Tau Province, Vietnam	Manufacturing and trading in plastic building materials and steel pipe products
Hoa Sen Nghe An One Member Co., Ltd.	100	80,000,000,000	-	-	Nghe An Province, Vietnam	Manufacturing and trading in roofing sheets by metals
Hoa Sen Binh Dinh One Member Co., Ltd.	100	55,000,000,000	100	21,000,000,000	Binh Dinh Province, Vietnam	Manufacturing and trading in plastic building materials and steel pipe products
Hoa Sen Nam Cam Nghe An One Member Co., Ltd.	100	30,000,000,000	-	-	Nghe An Province, Vietnam	Manufacturing and trading in steel pipe products
Hoa Sen Transportation and Engineering One Member Co., Ltd.	100	16,276,000,000	100	16,276,000,000	Binh Duong Province, Vietnam	Providing engineering, civil and industrial construction projects; transportation service
Hoa Sen Ha Nam One Member Co., Ltd.	100	-	-	-	Ha Nam Province, Vietnam	Manufacturing and trading in steel pipe products
<b>TOTAL</b>		<b>611,276,000,000</b>		<b>467,276,000,000</b>		

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**16. LONG-TERM INVESTMENTS (continued)**

**16.2 Investments in an associate**

Name of associate	Ending balance		Beginning balance		Location	Business activities
	% of interest	Cost of investment VND	% of interest	Cost of investment VND		
Hoa Sen-Gemadep Logistics and International Port Corporation	45	51,952,178,134	45	44,456,331,634	Ba Ria – Vung Tau Province, Vietnam	Provide sea cargo agency services
Provision for decline in value of investment		(17,966,537,833)		(7,172,099,617)		
<b>NET</b>		<b>33,985,640,301</b>		<b>37,284,232,017</b>		

**16.3 Other long-term investments**

	Ending balance		Beginning balance	
	Cost of investment VND	% of ownership	Cost of investment VND	% of ownership
Viet Capital Health Care Fund	4,367,000,000	3	8,640,000,000	3

**17. LONG-TERM PREPAID EXPENSES**

	VND	
	Ending balance	Beginning balance
Tools, supplies and spare parts	45,000,996,782	35,442,417,092
Repair and maintenance	12,505,051,016	14,136,510,311
Rental expense	5,895,995,809	3,597,639,959
Others	935,035,000	1,958,029,591
<b>TOTAL</b>	<b>64,337,078,607</b>	<b>55,134,596,953</b>



NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

### 18. SHORT-TERM LOANS AND DEBTS

	<i>Ending balance</i>	<i>Beginning balance</i>
		VND
Loans from banks (i)	4,056,943,675,919	4,545,014,751,312
Current portion of long-term loans (Note 24)	302,800,960,695	162,472,223,600
Current portion of finance leases (Note 24)	21,036,343,932	14,146,926,948
Current portion of other long-term debts (Note 24)	9,969,344,000	16,018,296,560
Loans from a related party (Note 32) (ii)	9,460,000,000	11,400,000,000
<b>TOTAL</b>	<b>4,400,210,324,546</b>	<b>4,749,052,198,420</b>

(i) Details of short-term loans from banks are as follows:

<i>Name of bank</i>	<i>Ending balance</i>	<i>Maturity date</i>	<i>Interest rate</i>	<i>Description of collateral</i>
	<i>(VND)</i>		<i>(% p.a.)</i>	
<b>Joint Stock Commercial Bank for Foreign Trade of Vietnam – South Binh Duong Branch</b>				
Loan in VND	1,112,257,168,458	From 11 November 2015 to 28 February 2016	4.30	Land use rights, and machinery and equipment
Loan in USD	19,880,237,511	Form 29 November 2015 to 14 December 2015	1.60	Land use rights, and machinery and equipment
<b>Vietnam Bank for Industry and Trade – Binh Duong Industrial Park Branch</b>				
Loan in VND	1,039,042,431,699	From 12 October 2015 to 28 February 2016	From 4.30 to 4.40	Land use rights, buildings and structures, and machinery and equipment
Loan in USD	221,235,957,923	From 17 November 2015 to 4 January 2016	From 1.55 to 1.60	Land use rights, buildings and structures, and machinery and equipment
<b>Military Commercial Joint Stock Bank – Binh Duong Branch</b>				
Loan in VND	35,287,334,785	12 February 2016	4.50	Land use rights
Loan in USD	47,137,019,580	31 January 2016	1.65	Land use rights

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

18. **SHORT-TERM LOANS** (continued)

(i) *Details of short-term loans from banks are as follows* (continued):

<i>Name of bank</i>	<i>Ending balance</i> (VND)	<i>Maturity date</i>	<i>Interest rate</i> (% p.a.)	<i>Description of collateral</i>
<b>Joint Stock Commercial Bank for Investment and Development of Vietnam – Ho Chi Minh Branch</b>				
Loan in VND	163,310,313,435	From 24 January 2016 to 1 February 2016	4.30	Inventories
Loan in USD	78,079,847,463	7 November 2015	1.40	Inventories
<b>Standard Chartered Bank (Vietnam) Limited – Ho Chi Minh Branch</b>				
Loan in VND	74,405,100,000	25 December 2015	4.70	Inventories, and machinery and equipment
Loan in USD	84,308,680,464	10 December 2015	1.50	Inventories, and machinery and equipment
<b>ANZ Bank (Vietnam) Limited</b>				
Loan in VND	8,210,000,000	2 October 2015	4.10	Land use rights
Loan in USD	164,542,994,571	From 25 October 2015 to 10 December 2015	From 1.40 to 1.50	Land use rights
<b>Joint Stock Commercial Bank for Foreign Trade of Vietnam – Ho Chi Minh Branch</b>				
Loan in VND	769,695,120,702	From 2 November 2015 to 21 February 2016	4.30	Unsecured
Loan in USD	53,904,505,890	20 November 2015	1.60	Unsecured
<b>Vietnam Bank for Agriculture and Rural Development – Saigon branch</b>				
Loan in VND	108,864,000,000	From 1 January 2016 to 22 January 2016	4.10	Unsecured
<b>HSBC Bank (Vietnam) Limited</b>				
Loan in USD	76,782,963,438	From 26 November 2015 to 9 December 2015	1.50	Inventories, land use rights, buildings and structures, and machinery and equipment
<b>TOTAL</b>	<b><u>4,056,943,675,919</u></b>			

The Company used these loans to finance its working capital requirements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**18. SHORT-TERM LOANS AND DEBTS** (continued)

(ii) Detail of the loan from a related party is as follows:

<i>Related party</i>	<i>Ending balance</i> (VND)	<i>Maturity date</i>	<i>Interest rate</i> (% p.a.)	<i>Description of collateral</i>
Hoa Sen Transportation and Engineering One Member Co., Ltd.	<u>9,460,000,000</u>	1 April 2016	6.00	Unsecured

The Company used this loan to finance its working capital requirements.

**19. TRADE PAYABLES**

	<i>Ending balance</i>	<i>Beginning balance</i>
Due to other parties	482,031,569,234	1,817,764,944,149
Due to related parties (Note 32)	<u>73,130,273,650</u>	<u>7,526,015,407</u>
<b>TOTAL</b>	<b><u>555,161,842,884</u></b>	<b><u>1,825,290,959,556</u></b>

**20. ADVANCES FROM CUSTOMERS**

	<i>Ending balance</i>	<i>Beginning balance</i>
Advance from other parties	130,555,900,033	58,827,634,876
Advance from a related party (Note 32)	<u>1,500,312,265</u>	<u>3,849,977</u>
<b>TOTAL</b>	<b><u>132,056,212,298</u></b>	<b><u>58,831,484,853</u></b>

**21. STATUTORY OBLIGATIONS**

	<i>Ending balance</i>	<i>Beginning balance</i>
Corporate income tax (Note 31.2)	39,779,435,531	30,586,194,784
Value-added tax	13,754,684,828	2,200,406,997
Personal income tax	987,443,384	796,784,040
Other taxes	<u>1,957,000</u>	<u>896,800</u>
<b>TOTAL</b>	<b><u>54,523,520,743</u></b>	<b><u>33,584,282,621</u></b>



NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**22. ACCRUED EXPENSES**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
13 <sup>th</sup> month salary	48,819,296,000	13,605,575,000
Electricity	11,090,213,768	8,669,896,200
Payable relating to construction in progress	7,597,518,971	10,317,543,485
Loan interest	3,700,752,155	2,854,878,762
Others	10,348,579,545	2,362,000,000
<b>TOTAL</b>	<b>81,556,360,439</b>	<b>37,809,893,447</b>

**23. OTHER PAYABLES**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Export bill negotiation	29,719,800,000	-
Dividends	3,892,652,525	3,481,670,900
Social insurance, health insurance, unemployment insurance, and trade union fee	2,853,893,928	1,703,448,900
Other payables to related parties (Note 32)	2,233,267,935	74,361,249
Tender deposits received	1,490,000,000	3,370,000,330
Others	2,406,525,407	7,876,236,023
<b>TOTAL</b>	<b>42,596,139,795</b>	<b>16,505,717,402</b>

**24. LONG-TERM LOANS AND DEBTS**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Loans from banks (i)	925,564,507,711	1,013,296,693,623
Finance leases (ii)	49,621,426,080	55,326,179,963
Other long-term debts	9,969,344,000	26,770,303,840
<b>TOTAL</b>	<b>985,155,277,791</b>	<b>1,095,393,177,426</b>

*In which:*

<i>Current portion of loans from banks (Note 18)</i>	302,800,960,695	162,472,223,600
<i>Current portion of finance leases (Note 18)</i>	21,036,343,932	14,146,926,948
<i>Current portion of other long-term debts (Note 18)</i>	9,969,344,000	16,018,296,560
<i>Non-current portion</i>	651,348,629,164	902,755,730,318

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

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

(i) Details of long-term loans from banks are as follow:

Name of bank	Ending balance (VND)	Maturity date	Interest rate (% p.a.)	Description of collateral
<b>Joint Stock Commercial Bank for Foreign Trade of Vietnam – South Binh Duong Branch</b>				
Loan in VND	89,601,636,695	From 16 November 2015 to 15 August 2016	8.50	Land use rights, and machinery and equipment
<b>Viet Capital Commercial Joint Stock Bank</b>				
Loan in VND	65,894,660,000	From 26 October 2015 to 26 November 2019	From 7.60 to 8.50	Means of transportation
<b>Asia Commercial Joint Stock Bank</b>				
Loan in VND	54,911,590,000	From 6 November 2015 to 17 June 2020	From 7.80 to 8.50	Means of transportation
<b>Vietnam Bank for Industry and Trade – Binh Duong Industrial Park Branch</b>				
Loan in VND	561,924,771,861	From 16 November 2015 to 16 July 2019	8.50	Land use rights, and buildings and structures
<b>Vietnam Development Bank</b>				
Loan in USD	48,181,849,155	From 20 December 2015 to 20 June 2018	1.70	Buildings and structures, and machinery and equipment
<b>Vietnam Bank for Agriculture and Rural Development – Binh Duong Branch</b>				
Loan in VND	105,050,000,000	From 31 March 2016 to 25 September 2017	8.00	Land use rights, and machinery and equipment
<b>TOTAL</b>	<b>925,564,507,711</b>			

The Company used these loans to finance its constructions and purchase of fixed assets.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

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

(ii) Details of finance leases are as follow:

The Company leases machinery and equipment and means of transportation under finance leases arrangements. Future obligations due under finance lease agreements as at the balance sheet date are as follows:

	Ending balance		Beginning balance		VND
	Total minimum lease payments	Finance charges	Total minimum lease payments	Finance charges	
<b>Current liabilities</b>					
Less than 1 year	24,477,641,416	3,441,297,484	17,997,474,657	3,850,547,709	14,146,926,948
<b>Non-current liabilities</b>					
From 1-5 years	31,093,925,619	2,508,843,471	47,621,513,354	6,442,260,339	41,179,253,015
<b>TOTAL</b>	<b>55,571,567,035</b>	<b>5,950,140,955</b>	<b>65,618,988,011</b>	<b>10,292,808,048</b>	<b>55,326,179,963</b>



NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**25. OWNERS' EQUITY**

**25.1 Movements in owners' equity**

	Issued share capital	Share premium	Treasury shares	Financial reserve fund	Other funds belonging to owners' equity	Undistributed earnings	Total
<b>VND</b>							
<b>Previous year:</b>							
Beginning balance	1,007,907,900,000	451,543,290,363	(81,035,546,498)	8,525,313,060	2,007,734,351	879,156,291,073	2,268,104,982,349
Net profit for the year	-	-	-	-	-	396,110,329,389	396,110,329,389
Dividends declared	-	-	-	-	-	(192,626,196,000)	(192,626,196,000)
Repurchase of treasury shares	-	-	(3,301,938)	-	-	-	(3,301,938)
Transferred to bonus and welfare fund	-	-	-	-	-	(23,233,584,000)	(23,233,584,000)
Appropriated to other funds	-	-	-	-	36,988,161,000	(36,988,161,000)	-
Use of funds	-	-	-	-	(25,717,883,234)	-	(25,717,883,234)
Ending balance	1,007,907,900,000	451,543,290,363	(81,038,848,436)	8,525,313,060	13,278,012,117	1,022,418,679,462	2,422,634,346,566
<b>Current year:</b>							
Beginning balance	1,007,907,900,000	451,543,290,363	(81,038,848,436)	8,525,313,060	13,278,012,117	1,022,418,679,462	2,422,634,346,566
Net profit for the year	-	-	-	-	-	688,057,792,771	688,057,792,771
Dividends declared	-	-	-	-	-	(144,469,647,000)	(144,469,647,000)
Repurchase of treasury shares	-	-	(49,247,074)	-	-	-	(49,247,074)
Reissuance of treasury shares (*)	-	35,747,180,000	28,974,400,000	-	-	-	64,721,580,000
Transferred to bonus and welfare fund	-	-	-	-	-	(16,413,694,648)	(16,413,694,648)
Appropriated to other funds	-	-	-	-	18,465,406,480	(18,465,406,480)	-
Use of funds	-	-	-	-	(25,138,263,228)	-	(25,138,263,228)
Ending balance	1,007,907,900,000	487,290,470,363	(52,113,695,510)	8,525,313,060	6,605,155,369	1,531,127,724,105	2,989,342,867,387

(\*) During the year, the Company has reissued 1,600,000 treasury shares to its existing shareholders at the price of VND 40,500 per share in accordance with the Resolution of Board of Directors No. 36/NQ/HĐQT/2015 dated 29 June 2015.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**25 OWNERS' EQUITY** (continued)

**25.2 Capital transactions with owners and distribution of dividends, profits**

	VND	
	Current year	Previous year
<b>Contributed capital</b>		
Beginning and ending balances	<u>1,007,907,900,000</u>	<u>1,007,907,900,000</u>
<b>Dividends</b>		
Dividends declared	144,469,647,000	192,626,196,000
Dividends paid by cash	144,058,665,375	192,498,472,300

**25.3 Share capital**

	Number of shares	
	Ending balance	Beginning balance
<b>Issued shares</b>		
Shares issued and paid-up shares		
<i>Ordinary shares</i>	100,790,790	100,790,790
<b>Treasury shares</b>		
<i>Ordinary shares</i>	(2,877,692)	(4,477,692)
<b>Shares in circulation</b>		
<i>Ordinary shares</i>	97,913,098	96,313,098

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

## 26. REVENUES

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

	VND	
	Current year	Previous year
<b>Gross revenues</b>	<b>31,133,878,040,825</b>	<b>27,965,738,124,852</b>
<i>Of which:</i>		
<i>Sale of finished goods</i>	16,293,231,194,980	14,273,844,186,822
<i>Sale of merchandises</i>	14,661,767,800,386	13,577,645,192,570
<i>Others</i>	178,879,045,459	114,248,745,460
<b>Less:</b>	<b>(36,219,065,104)</b>	<b>(15,606,362,602)</b>
<i>Of which:</i>		
<i>Sales returns</i>	(21,522,581,327)	(12,622,297,775)
<i>Sales allowances</i>	(5,924,601,756)	(1,914,216,114)
<i>Trade discounts</i>	(8,533,133,954)	(1,069,848,713)
<i>Export taxes</i>	(238,748,067)	-
<b>NET</b>	<b><u>31,097,658,975,721</u></b>	<b><u>27,950,131,762,250</u></b>

### 26.2 Finance income

	VND	
	Current year	Previous year
Profits shared from subsidiaries	273,424,302,385	159,658,835,575
Realised foreign exchange gains	27,634,610,539	28,432,120,973
Finance income from investments	2,104,398,889	1,139,560,000
Interest income	1,688,579,507	724,584,549
<b>TOTAL</b>	<b><u>304,851,891,320</u></b>	<b><u>189,955,101,097</u></b>

## 27. COSTS OF GOODS SOLD AND SERVICES RENDERED

	VND	
	Current year	Previous year
Costs of sale of finished goods	14,508,854,195,691	13,188,447,373,691
Costs of sale of merchandises	14,394,939,388,754	13,243,596,865,030
Others	170,228,178,309	111,913,153,124
<b>TOTAL</b>	<b><u>29,074,021,762,754</u></b>	<b><u>26,543,957,391,845</u></b>



NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**28. FINANCE EXPENSES**

	VND	
	<i>Current year</i>	<i>Previous year</i>
Loan interest	180,561,247,510	178,732,189,603
Realised foreign exchange losses	149,632,722,662	56,702,821,410
Unrealised foreign exchange losses	38,895,143,213	8,427,796,677
Provision for long-term investments	10,794,438,216	7,172,099,617
<b>TOTAL</b>	<b><u>379,883,551,601</u></b>	<b><u>251,034,907,307</u></b>

**29. OTHER INCOME AND EXPENSES**

	VND	
	<i>Current year</i>	<i>Previous year</i>
<b>Other income</b>	<b>109,991,563,846</b>	<b>140,129,321,530</b>
Proceeds from disposal of fixed assets	71,470,321,057	65,210,566,718
Sales of scrap	23,436,297,537	63,079,616,145
Compensation income	12,362,037,500	6,173,806,778
Others	2,722,907,752	5,665,331,889
<b>Other expenses</b>	<b>(87,953,216,935)</b>	<b>(76,960,835,550)</b>
Net book value of fixed assets disposed	(71,335,454,311)	(68,412,910,970)
Others	(16,617,762,624)	(8,547,924,580)
<b>NET OTHER PROFIT</b>	<b><u>22,038,346,911</u></b>	<b><u>63,168,485,980</u></b>

**30. PRODUCTION AND OPERATING COSTS**

	VND	
	<i>Current year</i>	<i>Previous year</i>
Raw materials	12,937,726,814,892	13,329,512,973,369
Labour costs	482,362,995,143	368,464,398,879
Depreciation and amortisation (Notes 12, 13 and 14)	373,077,021,625	184,537,661,805
Expenses for external services	884,644,942,196	771,146,234,367
Others	578,528,959,461	495,180,000,201
<b>TOTAL</b>	<b><u>15,256,340,733,317</u></b>	<b><u>15,148,841,268,621</u></b>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

### 31. CORPORATE INCOME TAX

The Company has the obligation to pay corporate income tax ("CIT") at the rate of 22% of taxable profits.

The Company's tax returns are subjected to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amounts reported in the separate financial statements could be changed at a later date upon final determination by the tax authorities.

#### 31.1 CIT expense

	VND	
	<i>Current year</i>	<i>Previous year</i>
Current CIT expense	157,276,375,729	91,648,631,969
Adjustment for under accrual of CIT from prior year	14,502	10,000,000
Deferred CIT benefit	<u>(19,572,256,637)</u>	<u>(11,862,602,563)</u>
<b>TOTAL</b>	<b><u>137,704,133,594</u></b>	<b><u>79,796,029,406</u></b>

#### 31.2 Current CIT

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

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

	VND	
	<i>Current year</i>	<i>Previous year</i>
<b>Accounting profit before tax</b>	<b>825,761,926,365</b>	<b>475,906,358,795</b>
<b>Adjustments</b>		
Profits shared from subsidiaries	(273,424,302,385)	(159,658,835,575)
Non-deductible expenses	56,088,999,786	61,464,043,283
Change in unrealised profits	32,542,601,776	11,725,557,952
Change in provisions	23,506,237,382	7,353,936,268
Change in accrued expenses	46,466,491,506	9,648,510,989
Change in unrealised foreign exchange differences	6,588,906,387	(950,262,055)
Others	<u>(2,638,243,869)</u>	<u>(2,638,180,123)</u>
<b>Estimated current taxable profit</b>	<b><u>714,892,616,948</u></b>	<b><u>402,851,129,534</u></b>
Estimated current CIT	157,276,375,729	91,648,631,969
Under-accrued CIT from previous years	14,502	10,000,000
<b>Total estimated current CIT</b>	<b>157,276,390,231</b>	<b>91,658,631,969</b>
CIT payables at beginning of year	30,586,194,784	17,764,117,495
CIT paid during the year	<u>(148,083,149,484)</u>	<u>(78,836,554,680)</u>
<b>CIT payables at end of year</b>	<b><u>39,779,435,531</u></b>	<b><u>30,586,194,784</u></b>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**31. CORPORATE INCOME TAX (continued)**

**31.3 Deferred CIT**

The following are major deferred tax assets recognized by the Company, and the movements thereon, during the current and previous years:

	Separate balance sheet		Separate income statement		VND
	Ending balance	Beginning balance	Current year	Previous year	
Unrealised profits	14,232,615,587	8,496,504,755	5,736,110,832	5,134,639,979	
Accrued expenses	14,379,368,294	5,594,676,992	8,784,691,302	3,621,947,120	
Provisions	6,724,437,558	2,087,453,315	4,636,984,243	1,770,114,516	
Unrealised foreign exchange differences	1,910,474,749	651,962,818	1,258,511,931	162,746,642	
Others	2,636,420,443	3,480,462,114	(844,041,671)	1,173,154,306	
<b>Deferred tax assets</b>	<b>39,883,316,631</b>	<b>20,311,059,994</b>			
<b>Deferred CIT benefit</b>			<b>19,572,256,637</b>	<b>11,862,602,563</b>	



NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**32. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Significant transactions with related parties during the year were as follows:

Related party	Relationship	Transaction	VND	
			Current year	Previous year
Hoa Sen Steel Sheet One Member Co., Ltd.	Subsidiary	Purchases of goods	11,234,332,056,248	11,831,109,338,240
		Sales of goods	10,844,160,516,428	10,993,429,364,000
		Leasing of assets	166,467,000,000	110,510,200,000
		Payment on behalf	159,806,750,565	122,719,057,015
		Purchases of gas	8,672,040,000	8,195,360,000
Hoa Sen Building Materials One Member Co., Ltd.	Subsidiary	Sales of goods	3,437,005,655,887	3,019,078,642,465
		Purchases of goods	3,222,009,427,842	2,251,208,073,031
		Sales of fixed assets	65,609,370,516	44,774,872,862
		Sales return	14,279,444,060	1,045,538,628
Hoa Sen Transportation and Engineering One Member Co., Ltd.	Subsidiary	Transportation expenses	72,580,671,496	10,852,504,423
		Leasing of assets	9,925,000,000	84,000,000
		Repayment of short-term loans	1,940,000,000	1,300,000,000
		Short-term loans	-	4,200,000,000
Hoa Sen Nam Cam Nghe An One Member Co., Ltd.	Subsidiary	Purchases of goods	183,215,681,661	-
		Sales of goods	114,496,402,408	-
		Capital contribution	30,000,000,000	-
		Short-term loans	19,500,000,000	-
		Repayment of short-term loans	19,500,000,000	-
		Lending of money	11,000,000,000	-
		Collection of lending	11,000,000,000	-

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**32. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

Significant transactions with related parties during the year were as follows (continued):

Related party	Relationship	Transaction	Current year	Previous year
				VND
Hoa Sen Binh Dinh One Member Co., Ltd.	Subsidiary	Purchases of goods	369,443,407,507	-
		Sales of goods	295,606,474,461	2,173,587,234
		Capital contribution	34,000,000,000	21,000,000,000
		Lending of money	6,000,000,000	-
		Collection of lending	6,000,000,000	-
Hoa Sen Nghe An One Member Co., Ltd.	Subsidiary	Lending of money	100,000,000,000	-
		Capital contribution	80,000,000,000	-
Hoa Sen Investment and Tourism Co., Ltd.	Related party	Sales of goods	1,161,329,951,726	268,778,547,419
		Purchases of goods	184,654,533,072	3,595,178,458
		Receiving of services	3,948,581,818	3,057,072,818
Hoa Sen-Gemadept Logistics and International Port Corporation	Associate	Capital contribution	7,495,846,500	-
Viet Capital Health Care Fund	Related party	Reclaim of investment	4,273,000,000	6,360,000,000
Huong Sen Real Estate	Related party	Land returned	60,000,000,000	-

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**32. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

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

<i>Related party</i>	<i>Relationship</i>	<i>Transaction</i>	<i>Ending balance</i>	<i>Beginning balance</i>	<i>VND</i>
<b>Trade receivables</b>					
Hoa Sen Steel Sheet One Member Co., Ltd.	Subsidiary	Sales of goods	741,762,003,581	413,269,247,273	
Hoa Sen Building Materials One Member Co., Ltd.	Subsidiary	Sales of goods	390,228,663,563	709,027,555,064	
Hoa Sen Nam Cam Nghe An One Member Co, Ltd.	Subsidiary	Sales of goods	63,828,794,580	-	
Hoa Sen Transportation and Engineering One Member Co., Ltd.	Subsidiary	Sales of goods	10,917,500,000	-	
Hoa Sen Binh Dinh One Member Co., Ltd.	Subsidiary	Sales of goods	7,523,066,192	2,390,945,956	
Hoa Sen Nghe An One Member Co., Ltd.	Subsidiary	Sales of goods	172,451,970	-	
Hoa Sen Investment and Tourism Co., Ltd.	Related party	Sales of goods	-	38,500,000	
			<b>1,214,432,479,886</b>	<b>1,124,726,248,293</b>	
<b>Advance to supplier</b>					
Hoa Sen Investment and Tourism Co., Ltd.	Related party	Advance	6,458,860,936	3,945,888,000	
<b>Other receivables</b>					
Hoa Sen Building Materials One Member Co., Ltd.	Subsidiary	Profit shared	166,481,143,413	46,126,688,336	
Hoa Sen Nghe An One Member Co., Ltd.	Subsidiary	Lending of money Payment on behalf	100,000,000,000 408,316,578	-	
Mr Hoang Duc Huy	Deputy General Director	Advance for purchase of lands	90,183,227,000	90,183,227,000	
Hoa Sen Steel Sheet One Member Co., Ltd.	Subsidiary	Profit shared Payment on behalf	86,686,768,532 864,322,260	111,590,513,050 3,849,519,179	
Hoa Sen Transportation and Engineering One Member Co., Ltd.	Subsidiary	Profit shared Payment on behalf	11,487,160,126 699,300	1,941,634,189 -	
Hoa Sen Binh Dinh One Member Co., Ltd.	Subsidiary	Profit shared	8,769,230,314	-	
			<b>464,880,867,523</b>	<b>253,691,581,754</b>	



NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**32. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

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

<i>Related party</i>	<i>Relationship</i>	<i>Transaction</i>	<i>Ending balance</i>	<i>Beginning balance</i>	<i>VND</i>
<b>Trade payables</b>					
Hoa Sen Transportation and Engineering One Member Co., Ltd.	Subsidiary	Purchases of goods	34,196,348,287	3,405,308,388	
Hoa Sen Binh Dinh One Member Co, Ltd.	Subsidiary	Purchases of goods	27,695,981,378	-	
Hoa Sen Steel Sheet One Member Co., Ltd.	Subsidiary	Purchases of goods	11,100,000,000	4,100,000,000	
Hoa Sen Investment and Tourism Co., Ltd.	Related party	Purchases of goods	137,943,985	20,707,019	
			<b>73,130,273,650</b>	<b>7,526,015,407</b>	
<b>Advance from customers</b>					
Hoa Sen Investment and Tourism Co., Ltd.	Related party	Advance	1,500,312,265	3,849,977	
<b>Other payables</b>					
Huong Sen Real Estate	Related party	Payable of advance	1,000,000,000	-	
Hoa Sen Building Materials One Member Co., Ltd.	Subsidiary	Payment on behalf	1,194,618,735	22,969,400	
Hoa Sen Steel Sheet One Member Co., Ltd.	Subsidiary	Payment on behalf	31,799,200	49,291,849	
Hoa Sen Nghe An One Member Co., Ltd.	Subsidiary	Payment on behalf	6,850,000	-	
Hoa Sen Transportation and Engineering One Member Co., Ltd.			-	2,100,000	
			<b>2,233,267,935</b>	<b>74,361,249</b>	
<b>Short-term loans</b>					
Hoa Sen Transportation and Engineering One Member Co., Ltd.	Subsidiary	Short-term loans	9,460,000,000	11,400,000,000	

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

### 32. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

#### *Transactions with other related parties*

Details of salaries and remuneration of the Boards of Directors, the Board of Supervision and the Management during the year are as set out below:

	VND	
	<i>Current year</i>	<i>Previous year</i>
Salaries of the Management	8,118,957,415	8,110,590,009
Bonuses of the Management	1,050,000,000	5,540,000,000
Remuneration of the Board of Directors and the Board of Supervision	1,054,000,000	1,145,000,000
Bonuses of the Board of Directors and the Board of Supervision	-	10,850,378,000
<b>TOTAL</b>	<b><u>10,222,957,415</u></b>	<b><u>25,645,968,009</u></b>

### 33. COMMITMENTS

#### *Operating lease commitment - the Company as lessee*

The Company leases land and factories under operating lease arrangements. The minimum lease commitment as at the separate balance sheet date under operating lease arrangements are as follows:

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Less than 1 year	34,785,802,868	28,345,347,738
From 1 to 5 years	102,023,130,333	80,415,983,201
More than 5 years	119,122,043,000	98,678,363,000
<b>TOTAL</b>	<b><u>255,930,976,201</u></b>	<b><u>207,439,693,939</u></b>

#### *Operating lease commitment - the Company as lessor*

The Company leases out buildings and structures, machinery and equipment, and means of transportation under operating lease arrangements. The future minimum rental receivable as at the balance sheet dates under the operating lease agreements are as follows:

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Less than 1 year	186,136,854,548	165,985,145,460
From 1 to 5 years	740,241,077,276	655,060,050,000
More than 5 years	754,538,300,000	794,889,300,000
<b>TOTAL</b>	<b><u>1,680,916,231,824</u></b>	<b><u>1,615,934,495,460</u></b>

#### *Capital commitments*

As at 30 September 2015, the Company has commitments of VND 18,302,951,124 (30 September 2014: VND 61,885,954,624) mainly related to the acquisition of new machinery for its operations.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities are trade payables, loans and borrowings and other payables. The main purpose of these financial liabilities is to finance the Company's working capital requirements. The Company has loan receivable, trade and other receivables, trade and other payable and cash and cash equivalents that arise directly from its operations. The Company does not hold or issue any derivative financial instruments.

In its normal course of operation, the Company may be exposed to market risk, credit risk and liquidity risk.

The General Director reviews and agrees policies for managing each of these risks which are summarised below:

#### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, foreign currency risk and commodity price risk. Financial instruments affected by market risk include bank deposits and loans.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rate relates primarily to the Company's cash and cash equivalents and loans with floating interest rates.

#### *Interest rate sensitivity*

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

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

	<i>Increase/decrease in basis points</i>	<i>VND Effect on profit before tax</i>
<b>Current year</b>		
USD	+50	(15,502,726,948)
VND	+100	(19,864,310,444)
USD	-50	15,502,726,948
VND	-100	19,864,310,444
<b>Previous year</b>		
USD	+50	(15,876,483,184)
VND	+100	(12,246,596,342)
USD	-50	15,876,483,184
VND	-100	12,246,596,342

#### *Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue and expense are denominated in a different currency from the Company's accounting currency).

The Company is exposed to foreign currency risk in relation to purchases of raw materials and sales of goods which are denominated in currencies other than its accounting currency as disclosed in Note 2.4. The Company manages its foreign currency exposure by considering the prevailing and expected market situation when it plans for future purchases and sales of goods denominated in foreign currencies.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

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

#### **Market risk** (continued)

##### *Foreign currency sensitivity*

The following table demonstrates the sensitivity to a reasonably possible change in the USD and EUR exchange rates, with all other variables held constant, of the Company's profit before tax (due to changes in fair value of monetary assets and liabilities). The Company's exposure to foreign currency changes for other currencies is not material.

	<i>Change in USD rate</i>	<i>Change in EUR rate</i>	<i>VND Effect on profit before tax</i>
<b>Current year</b>			
	+1%	+1%	(6,810,550,451)
	-1%	-1%	6,810,550,451
<b>Previous year</b>			
	+1%	+1%	(55,402,070,500)
	-1%	-1%	55,402,070,500

##### *Commodity price risk*

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

#### **Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company may be exposed to credit risk from its operating activities (primarily for trade and other receivables) and from its financing activities, including cash, bank deposit and loans.

##### *Trade receivables*

Customer credit risk is managed by the Company based on its established policy and procedures relating to customer credit risk management. Outstanding customer receivables are regularly monitored. In addition, the requirement for impairment is analyzed at each reporting date on an individual. The Company seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. In view of the aforementioned and the fact that the Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

##### *Bank deposits*

The Company's bank balances are mainly maintained with well-known banks in Vietnam. The Company's maximum exposure to credit risk for the components of the separate balance sheet at each reporting dates is the carrying amounts as disclosed in Note 4. The Company evaluates the concentration of credit risk in respect to bank deposit as low.

##### *Other financial instruments*

Except for the financial assets for which provision have been made, the Company's General Director evaluates that other financial assets are neither past due nor impaired.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

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

#### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligation due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities.

The Company monitors its liquidity risk and maintains a level of cash, cash equivalents and bank loans deemed adequate by the General Director to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The table below summarizes the maturity profile of the Company's financial liabilities:

	<i>Less than 1 year</i>	<i>Over 1 year</i>	<i>VND</i> <i>Total</i>
<b>Ending balance</b>			
Loans and borrowings	4,400,210,324,546	651,348,629,164	5,051,558,953,710
Trade payables	555,161,842,884	-	555,161,842,884
Other payables and accrued expenses	68,586,657,781	-	68,586,657,781
	<u>5,023,958,825,211</u>	<u>651,348,629,164</u>	<u>5,675,307,454,375</u>
<b>Beginning balance</b>			
Loans and borrowings	4,749,052,198,420	902,755,730,318	5,651,807,928,738
Trade payables	1,825,290,959,556	-	1,825,290,959,556
Other payables and accrued expenses	35,524,916,049	-	35,524,916,049
	<u>6,609,868,074,025</u>	<u>902,755,730,318</u>	<u>7,512,623,804,343</u>

#### *Collateral*

The Company has pledged inventories, fixed assets and land use rights in order to fulfil the collateral requirements for the short-term and long-term loan obtained from banks (*Notes 18 and 24*).

The Company did not hold collateral at the balance sheet date.





NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

### 35. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The fair value of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following method and assumption were used to estimate fair values:

- Cash and cash equivalents and short-term deposits, trade and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair values of the financial assets and liabilities had not yet been formally assessed and determined as at the balance sheet date. However, the General Director assessed that the fair values of these financial assets and liabilities were not materially different from their carrying values as at balance sheet date.

### 36. RECLASSIFICATION OF CORRESPONDING FIGURES

Certain corresponding figures on the separate financial statements for the year ended 30 September 2014 have been reclassified to reflect the presentation of the current year's separate financial statements. Details are as follows:

	<i>Beginning balance (previously presented)</i>	<i>Reclassification</i>	<i>Beginning balance (reclassified)</i>	VND
<b>SEPARATE BALANCE SHEET</b>				
Advance to suppliers	153,846,626,940	(90,183,227,000)	63,663,399,940	
Other receivables	176,032,958,092	90,183,227,000	266,216,185,092	

### 37. EVENTS AFTER THE BALANCE SHEET DATE

On 10 October 2015, the Company completed the reissuance of 2,877,692 treasury shares to its existing shareholders at the price of VND 40,500 per share in accordance with the Resolution of Board of Directors No. 36/NQ/HDQT/2015 dated 29 June 2015.

On 7 December 2015, the Company also completed the payments of stock dividends to its existing shareholders, which were appropriated from the undistributed earnings, at a ratio of 10:3 (i.e. issuing 3 new shares for every 10 shares holding by existing shareholders) in accordance with the Annual General Meeting Minute No. 01/NQ/DHDCD/2015 dated 19 January 2015 and the Resolution of Board of Directors No. 64/NQ/HDQT/2015 dated 16 October 2015. As the result, the Company issued 30,236,277 shares at par value of VND 10,000 per share.


Except for the events as disclosed above, there have been no other significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the separate financial statements.



Tran Cong Tien  
Preparer




Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Ngoc Chu  
General Director

24 December 2015