

BÁO CÁO TÀI CHÍNH HỢP NHẤT ĐÃ KIỂM TOÁN
Cho năm tài chính kết thúc vào ngày 31/12/2007

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2007

CÔNG TY CỔ PHẦN TẬP ĐOÀN HOA SEN

HOA SEN GROUP



BDO AFC
Certified Public Accountants

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HOA SEN GROUP

REPORT OF THE BOARD OF DIRECTORS

The Board of Management has the pleasure of presenting this report and the report on the audit of Hoa Sen Group (called the Company) for financial year ended 31/12/2007.

1. *Members of the Board of Management*

Members of the Board of Management list of the year 2007 and at the date of this report include:

<u>Full name</u>	<u>Position</u>
▪ Mr. Le Phuoc Vu	Chairman concurrently General Manager
▪ Mr. Hoang Duc Huy	Member concurrently Deputy Managing Director
▪ Mr. Tran Ngoc Chu	Member concurrently Deputy Managing Director
▪ Mr. Ho Van Hoang	Member
▪ Mr. Le Chi Nghia	Member

2. *Background of the Company*

Hoa Sen Joint Stock Company was established under the Business Registration Certificate No. 4603000028 issued on 08 August 2001 and registered to change "Hoa Sen Group" with the 14th Business Registration Certificate on 12 December 2007.

The Company's principal activities include:

- Manufacturing steel sheet coated with zinc aluminum alloy and others alloy.
- Manufacturing heatproof steel and heatproof steel coated with zinc.
- Manufacturing black steel pipes steel pipes coated with zinc and others alloy.
- Manufacturing grille steel wire coated with zinc and others steel wire.
- Manufacturing PVC ceiling materials.
- Manufacturing building materials.
- Buying and selling building materials and consumer goods.
- Renting for warehouse and transport of goods service.
- Building industry and civil engineering.
- Manufacturing cold rolled steel.

The Company's Head office and manufactory located at No. 9 Thong Nhat Boulevard Song Than II Industrial Park Di An District Binh Duong Province.

At 31 December 2007 the Company extended its activities in 78 branches 01 representative office and 3 subsidiaries.

Charter Capital formation:

Charter capital:	VND 570.385.000.000
The number of stocks:	57.038.500

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HOA SEN GROUP
REPORT OF THE BOARD OF DIRECTORS

3. Assessment of business operation

The Company's business operation results for the Year ended 31 December 2007 and financial position as at 31 December 2007 on its financial statements from page 04 to page 32.

	Year 2007	Year 2006
		Unit: VND
Net Revenues	2,015,691,051,181	1,111,196,540,225
Profit before Tax	167,518,164,194	108,891,581,406

4. Contingencies and other subsequent events

In the opinions of the Board of Management the Company's business operation results for the year ended 31 December 2007 reflected in this report are not materially influenced by any unusual items transactions or events of the period from 31 December 2007 to the date of this report.

In the opinions of the Board of Management there are no contingent liabilities or other liabilities that may substantially affect the Company's ability to settle the liabilities when they become due within 12 months from 31 December 2007.

At the date of this report members of the Board of Management consider that there were no situations that may mislead the figures in the Company's financial statements.

5. Auditors

The auditors Auditing and Accounting Financial Consulting Co. Ltd. (briefly called AFC formerly Auditing and Accounting Financial Consulting Joint Stock Co.) have been appointed to perform the audit of the Company's financial statements.

6. Events occurring after the balance sheet date

There have been no significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the financial statements.

7. The opinion of the Board of Management

In the opinions of the Board of Management the accompanying audited financial statements present fairly the Company's financial position for the year ended 31 December 2007.

At the date of this report there are reasonable evidences to prove that the Company has ability to pay due liabilities.

On behalf of the Board of Management

Signature: _____

Position: _____

Date: 18th Jan, 2008





BDO AFC
 Certified Public Accountants

Ho Chi Minh City Head Office
 Indochina Park Tower
 4 Nguyen Dinh Chieu Street, 2/F
 District 1, Ho Chi Minh City
 Tel: (08) 2200237
 Fax: (08) 2200265
 Email: bdoafc.hcmc@bdoafc.vn

Date: 18th, Jan., 2008,

No : 256 /BCKT-2007

INDEPENDENT AUDITORS' REPORT

To: **The Members of the Board of Management of Lotus Joint Stock Company**

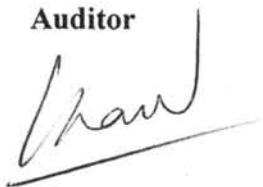
We Auditing and Accounting Financial Consulting Co. Ltd. (briefly called AFC formerly Auditing and Accounting Financial Consulting Joint Stock Co.) have audited the financial statements of Lotus Joint Stock Company (briefly called the Company) including the Balance Sheet as at 31 December 2007 the Income Statement Cash Flows Statement and Notes to the Financial Statements for the year ended 31 December 2007. The financial statements are the responsibility of the company's management in accordance with Vietnamese Accounting System. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was performed on the basis of the accounting policies that the Company has been applied and based on financial accounting regulations of Vietnam as applicable to enterprises operating on the Enterprise Law.

We conducted our audit in accordance with Vietnamese Standards on Auditing (VSA) and International Standards on Auditing (ISA) applicable in Vietnam. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion the accompanying financial statements have presented in all materiality respects a true and fair view of the Company's financial position as at 31 December 2007 the results of its operations and cash flows for the year ended 31 December 2007 in conformity with the Vietnamese Accounting Standards and Vietnamese Accounting System for the Business Entities and relevant statutory requirements.

Auditor



PHAN THI BICH CHAU

Audit Certificate No: D0081/KTV



General Director

VU THI THO

Audit Certificate No: D0065/KTV

HOA SEN GROUP

(CONSOLIDATED)

BALANCE SHEET

As of 31 December 2007

Form B 01 – DN

Issued per Decision 15/2006/QĐ-BTC of 20 March 2006
by the MoF.

Currency unit: VND

No.	Assets	Code	Notes	Closing balance	Opening balance
A	CURRENT ASSETS AND SHORT-TERM INVESTMENTS	100		844.499.381.279	407.846.946.772
I	Cash and cash equivalents	110	V.1	23.523.461.371	41.540.151.639
1	Cash on hand	111		23.523.461.371	41.540.151.639
2	Cash equivalents	112		-	-
II	Short-term investments	120		-	-
1	Short-term investments	121		-	-
2	Provision for short-term investments (*)	129		-	-
III	Accounts receivable	130		224.862.661.705	92.002.378.832
1	Trade receivables	131	V.2	113.905.205.155	70.716.830.628
2	Advances to suppliers	132	V.2	92.970.125.406	21.165.054.328
3	Inter-company receivables	133		-	-
4	Construction contractor receivables based on	134		-	-
5	Other receivables	135	V.3	18.731.254.038	120.493.876
6	Provision for doubtful debts (*)	139		(743.922.894)	-
IV	Inventory	140	V.4	527.923.322.508	251.903.267.973
1	Inventory	141		527.923.322.508	251.903.267.973
2	Provision for obsolete stock (*)	149		-	-
V	Other current assets	150		68.189.935.695	22.401.148.328
1	Prepaid expenses	151		28.611.597.219	2.109.032.134
2	VAT deductible	152		20.015.574.058	7.096.625.487
3	Taxes receivable	154		3.589.524	20.930.000
4	Other current assets	158	V.5	19.559.174.894	13.174.560.707
B	LONG-TERM ASSETS	200		853.868.780.015	410.723.843.406
I	Long-term receivables	210		-	-
1	Long-term trade receivables	211		-	-
2	Capital provided to sub-units	212		-	-
3	Long-term inter-company receivables	213		-	-
4	Other long-term receivables	218		-	-
5	Provision for doubtful long-term receivables(*)	219		-	-
II	Fixed assets	220		814.991.191.314	407.847.235.020
1	Tangible fixed assets	221	V.6	529.470.719.106	132.769.982.181
	- Cost	222		599.736.042.534	160.852.047.598
	- Accumulated depreciation (*)	223		(70.265.323.428)	(28.082.065.417)
2	Finance leases	224		-	-
	- Cost	225		-	-
	- Accumulated depreciation (*)	226		-	-
3	Intangible fixed assets	227	V.7	115.488.384.583	62.851.859.563
	- Cost	228		117.920.127.669	64.167.715.950
	- Accumulated amortisation (*)	229		(2.431.743.086)	(1.315.856.387)
4	Construction in progress	230	V.8	170.032.087.625	212.225.393.276

HOA SEN GROUP
(CONSOLIDATED)

Form B 01 – DN

Issued per Decision 15/2006/QĐ-BTC of 20 March 2006
by the MoF.

BALANCE SHEET

As of 31 December 2007

					<i>Currency unit: VND</i>	
No.	Assets	Code	Notes	Closing balance	Opening balance	
III	Investment property	240		-	-	
	- Cost	241		-	-	
	- Accumulated depreciation (*)	242		-	-	
IV	Long-term investments	250		25.941.826.958	-	
1	Investments in subsidiaries	251		-	-	
2	Investments in joint-ventures	252	V.9	10.941.826.958	-	
3	Other long-term investments	258	V.9	15.000.000.000	-	
4	Provision for long-term investments	259		-	-	
V	Other long-term assets	260		12.935.761.743	2.876.608.386	
1	Long-term deferred expenses	261	V.10	10.631.218.889	2.876.608.386	
2	Deferred income tax assets	262		2.304.542.854	-	
3	Other long-term assets	268		-	-	
				-	-	
	TOTAL ASSETS	270		1.698.368.161.294	818.570.790.178	

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HOA SEN GROUP
(CONSOLIDATED)

Form B 01 – DN

Issued per Decision 15/2006/QĐ-BTC of 20 March 2006
by the MoF.

BALANCE SHEET

As of 31 December 2007

Currency unit: VND

No.	RESOURCES	Code	Notes	Closing balance	Opening balance
A	LIABILITIES	300		975.013.415.195	557.154.725.412
I	Current liabilities	310		639.245.789.807	421.434.952.662
1	Short-term debts and loans	311	V.11	472.332.231.027	339.453.541.904
2	Trade payables	312	V.12	84.830.959.702	47.607.728.521
3	Advances from customers	313	V.12	11.218.371.999	2.423.350.520
4	Taxes and obligations to state budget	314	V.13	32.258.996.837	5.382.159.959
5	Payables to employees	315		7.015.722.404	2.982.374.967
6	Accruals	316	V.14	784.880.000	229.059.000
7	Inter-company payables	317		-	-
	Construction contractor payables based on			-	-
8	agreed progress billings	318		-	-
9	Other payables	319	V.15	30.804.627.838	23.356.737.791
10	Provision for short-term payables(*)	320		-	-
II	II. Long-term liabilities	330		335.767.625.388	135.719.772.750
1	Long-term trade payables	331		-	-
2	Inter-company long-term payables	332		-	-
3	Other long-term payables	333		-	-
4	Long-term loans	334	V.16	335.470.867.888	135.719.772.750
5	Deferred income tax payables	335		-	-
6	Reserved fund unemployment	336		296.757.500	-
7	Provision for long-term payable	337		-	-
B	SHAREHOLDER EQUITY	400		723.354.746.099	261.416.064.766
I	Capital sources and funds	410	V.17	723.354.746.099	261.416.064.766
1	Share capital	411		570.385.000.000	253.400.000.000
2	Capital surplus	412		88.222.712.000	-
3	Other capital belongings to owners' equity	413		-	-
4	Treasury shares	414		-	-
5	Asset revaluation surplus	415		21.447.090.156	14.051.258.156
6	Foreign exchange differences	416		-	-
7	Business development funds	417		-	-
8	Financial reserves funds	418		-	-
9	Other funds belongings to owners' equity	419		-	-
10	Retained earnings	420		43.299.943.943	(6.035.193.390)
11	Capital expenditure fund	421		-	-
II	Other funds	430		-	-
1	Bonus and welfare funds	431		-	-
2	Subsidy funds	432		-	-
3	Welfare funds that form fixed assets	433		-	-
	TOTAL RESOURCES	440		1.698.368.161.294	818.570.790.178

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HOA SEN GROUP

(CONSOLIDATED)

BALANCE SHEET

As of 31 December 2007

OFF BALANCE SHEET ITEMS

Form B 01 – DN

Issued per Decision 15/2006/QĐ-BTC of 20 March 2006
by the MoF.

Currency unit: VND

No.	Items	Notes	Closing balance	Opening balance
1	Operating lease assets			
2	Goods held under trust or for processing			
3	Consignment goods for sale			
4	Bad debts written off			
5	Foreign currencies (USD)			
6	Fund limits			

Chief accountant



Date: 18th, Jan, 2008

General Director



Lê Phước Vũ



HOA SEN GROUP

(CONSOLIDATED)

INCOME STATEMENT

Year 2007

Form B 02 – DN

Issued per Decision 15/2006/QĐ-BTC of 20 March 2006
by the MoF.

					<i>Currency unit: VND</i>	
No.	Items	Code	Notes	Current year	Previous year	
01.	Total revenue	01	VI.1	2.022.057.549.712	1.111.533.974.419	
02.	Deductions from gross revenues	02	VI.2	6.366.498.531	337.434.194	
03.	Net sales	10	VI.3	2.015.691.051.181	1.111.196.540.225	
04.	Cost of goods sold	11	VI.4	1.664.936.507.006	925.430.846.064	
05.	Gross profit	20		350.754.544.175	185.765.694.161	
06.	Financial income	21	VI.5	28.374.392.265	479.800.993	
07.	Financial expense	22	VI.6	72.498.324.256	23.102.631.911	
	<i>Include: Interest expense</i>	23		69.593.240.626	20.130.688.853	
08.	Selling expenses	24	VI.7	64.494.272.767	23.073.982.620	
09.	Administration expenses	25	VI.8	70.842.743.879	35.513.818.402	
10.	Net profit from operating activities	30		171.293.595.538	104.555.062.221	
11.	Other income	31		225.507.455.072	5.979.664.664	
12.	Other expenses	32	VI.9	229.282.886.416	1.643.145.479	
13.	Profit from other activities	40	VI.10	(3.775.431.344)	4.336.519.185	
14.	Gross profit before tax	50		167.518.164.194	108.891.581.406	
15.	Current income tax expense	51		16.395.308.664	4.309.946.211	
16.	Deferred income tax expense	52		-	-	
17.	Net profit after tax	60		151.122.855.530	104.581.635.195	
18.	Earning per share	70	VI.11	4.159	74.472	
				10.000	100.000	

Chief accountant



Date: 18th, Jan, 2008

General Director



Lê Phước Vũ

CASH FLOW STATEMENT

(Indirect method)

Year 2007

Currency unit: VND

ITEMS		Code	Notes	Current year	Previous year
I	CASH FLOWS FROM OPERATING ACTIVITIES				
1	Profit before tax	01		167.518.164.194	108.891.581.406
2	Adjustments for:				
	Depreciation and amortization	02		45.312.901.040	13.361.354.177
	Provisions	03		743.922.894	-
	Unrealized foreign exchange gains/losses	04		(13.069.776)	(633.902.284)
	Profits/losses from investing activities	05		(804.910.809)	322.422.119
	Interest expense	06		69.593.240.626	20.130.688.853
3	Operating profit before changes in working capital	08		282.350.248.169	142.072.144.271
	- (Increase)/Decrease in receivables	09		63.668.970.802	(130.752.260.108)
	- (Increase)/Decrease in inventories	10		(276.020.054.535)	(135.590.522.146)
	- Increase/(Decrease) in payables (other than interest, income	11		69.284.335.862	50.506.462.933
	- Increase/(Decrease) in prepaid expenses	12		(34.257.175.588)	(70.352.631)
	- Interest paid	13		(69.593.240.626)	(20.130.688.853)
	- Income tax paid	14		(16.395.308.664)	(4.309.946.211)
	- Other receipts from operating activities	15		529.132.282.793	-
	- Other payments on operating activities	16		(511.060.678.071)	-
	Net cash flows from operating activities	20		37.109.380.142	(98.275.162.745)
II	CASH FLOWS FROM INVESTING ACTIVITIES				
1	Additions to fixed assets and other long-term assets	21		(673.609.655.098)	(286.247.474.742)
2	Proceeds from disposals of fixed assets and other long-term assets	22		-	-
3	Payments for purchase of debt instruments of other entities	23		-	-
4	Proceeds from sales of debt instruments of other entities	24		-	-
5	Payments for investment in other entities	25		(25.941.826.958)	-
6	Collections on investment in other entities	26		-	-
7	Receipts of interest, dividends	27		342.162.146	(342.162.146)
	Net cash flows from investing activities	30		(699.209.319.910)	(286.589.636.888)
III	CASH FLOWS FROM FINANCING ACTIVITIES				
1	Proceeds from equity issue and owner's equity	31		412.603.544.000	220.256.700.000
2	Payments for shares returns and repurchase	32		-	-
3	Proceeds from short-term and long-term borrowings	33		2.050.090.401.998	991.763.638.854
4	Payments to settle debts (principal)	34		(1.716.836.048.077)	(722.898.499.300)
5	Payments to settle finance lease	35		-	-
6	Payments of interest, dividends	36		-	(124.510.231.176)
	Net cash flows from financing activities	40		644.070.179.724	364.611.608.378
	NET CASH FLOWS IN THE PERIOD (20+30+40)	50		(18.029.760.044)	(20.253.191.255)
	CASH AT BEGINNING OF YEAR	60		41.540.151.639	61.784.010.270
	Impacts of exchange rate fluctuations	61		13.069.776	9.332.624
	CASH AT END OF PERIOD	70		23.523.461.371	41.540.151.639

Chief accountant


Date: 12th Jan, 2008
General Director

Lê Phước Vũ

HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

These notes are an integral part of the financial statements and to be read together with the accompanying financial statements.

I. BUSINESS HIGHLIGHTS

1. Form of Owner's equity

The Company's Head office and factory located at No. 9 Thong Nhat Boulevard Song Than II Industrial Park Di An District Binh Duong Province.

At 31 December 2007 the Company extended its activities in 78 branches and 03 subsidiary companies .

Charter Capital formation:

Charter capital:	VND 570.385.000.000
The number of stocks:	57.038.500

2. Category

Trading and manufacturing.

3. Main activities

The Company's principal activities include:

- Manufacturing steel sheet coated with zinc aluminum alloy and others alloy.
- Manufacturing heatproof steel and heatproof steel coated with zinc.
- Manufacturing black steel pipes coated with zinc and others alloy.
- Manufacturing grille steel wire coated with zinc and others steel wire.
- Manufacturing PVC ceiling materials.
- Manufacturing building materials.
- Buying and selling building materials and consumer goods.
- Renting for warehouse and transport of goods service. Building industry and civil engineering.
- Manufacturing cold rolled steel.

II. ACCOUNTING SYSTEM AND CURRENCY UNIT

1. Financial year

The financial year starts on 01 January and ended 31 December annually.

2. Currency unit

Currency unit used in the records: Vietnam Dong (VND).

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HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

III. ACCOUNTING POLICIES ADOPTED AT THE COMPANY

1. Accounting policy

The Company's accounting books comply with the Vietnamese Accounting System on accounting records.

2. Disclosed compliance with Vietnamese Accounting Standards and Accounting System

The financial statements of the Company which are prepared in accordance with the Vietnamese Accounting System and Vietnamese Accounting Standards issued by the Ministry of Finance as per the:

- Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 3); and
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 4).
- Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of four Vietnamese Standards on Accounting (Series 5).
- Decision No. 15/2006/QD-BTC dated 20 March 2006 on the Issuance and Promulgation of Financial Accounting Policy.

3. Accounting book

Type of accounting book is Journal Voucher.

IV. APPLICABLE ACCOUNTING POLICIES

1. Principles for determining Cash and cash equivalent

- ▲ Cash and cash equivalents comprise cash on hand cash in banks demand deposits and short-term highly liquid investments with an original maturity of three months or less which are readily convertible into known amounts of cash without notice.
- ▲ Vietnam Dong (VND) is used for recording and preparing of the financial statements. All transactions in foreign currencies are translated into VND according to the average inter-bank exchange rate announced by the State Bank of Vietnam on the date of transactions.

2. Inventory accounting method

- ▲ Inventories are determined at cost. Where the net realizable value is lower than cost inventories should be measured at the net realizable value
- ▲ The cost of raw materials inventory is determined on the weighted average method.
- ▲ Inventory accounting basis is perpetual inventory method.

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HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

3. Principles for fixed assets

- ▲ The cost of an asset comprises of its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.
- ▲ To be recorded as tangible fixed assets assets must simultaneously meet the following four (4) criteria:
 - (a) Future economic benefits will surely be obtained;
 - (b) Their historical cost has been determined in a reliable way;
 - (c) Their useful life is estimated at more than one year;
 - (d) They meet all value criteria according to current regulations.
- ▲ To be recorded as intangible fixed asset an intangible asset must simultaneously satisfy:
 - The definition of an intangible fixed asset ;
 - Above four (4) recognition criteria to be recorded as tangible fixed assets.
- ▲ Depreciation and amortization (tangible & intangible fixed assets and finance lease assets)

Depreciation is calculated upon the straight-line method; estimated depreciation is in accordance with Decision No. 206/2003/QĐ-BTC issued on 12 December 2003 by the Ministry of Finance. Estimated useful life for some groups of assets as follows:

▪ Houses and architectural things	06 - 40 years
▪ Machinery and equipment	06 - 08 years
▪ Transportation and facilities	06 - 10 years
▪ Office equipment	03 - 05 years
▪ Other tangible fixed assets	03 - 05 years
▪ Land use rights	07 - 48 years
▪ Software	3 years

4. Principles for determining and capitalizing the other expense:

- ▲ Long-term prepaid expenses are capitalized allocated and recorded in the financial statement which included: renting factory building expenses for the fiscal year and period of business; services prepaid expenses; insurance expenses (fight a fire third-party insurance car insurance insurance against all risks...); and all fees paid in one year tools and instruments used once with high value and the use-full life of tool and instruments are over one year.
- ▲ Allocating method prepaid expenses is calculated upon the straight-line method.

5. Principles for recording accounts payable

Payables are presented in the financial statements which are the general operating expenses at a current period without the audit and board fees.

HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

6. Principles for determining the owner's equity

- ▲ The owner's equity is recorded at cost.
- ▲ Exchange rate difference from the translations and exchange rate difference on balance sheet date resulting from revaluation of balances denominated in foreign currencies are charged to financial income or financial expenses in the income statement.

7. Principles for recognizing revenues

▲ Principles for recognizing sales

Sale of goods and services shall be recognized if it simultaneously meets the following five (5) conditions:

- a. The Company has transferred the majority of risks and benefits associated with the right to own the products or goods to the buyer;
- b. The Company no longer holds the right to manage the goods as the goods owner or the right to control the goods;
- c. Turnover has been determined with relative certainty;
- d. The Company has gained or will gain economic benefits from the good sale transaction;
- e. It is possible to determine the costs related to the goods sale transaction.

▲ Principles for recognizing turnover arising from interests

Income from interests royalties distributed dividends and profits of the Company shall be recognized if they simultaneously satisfy the two (2) conditions below:

- (a) It is possible to obtain economic benefits from the concerned transactions;
- (b) Turnover is determined with relative certainty

▲ Principles for recognizing others income

Other incomes prescribed in this standard include revenues from irregular- activities other than turnover-generating activities including:

- Revenues from the asset liquidation and sale;
- Fines paid by customers for their contract breaches;
- Other revenues.

8. Principles for recording financial expenses

Interest expenses related to loans which invested to the business activities for the period are charged to financial expenses on the Income Statement except for the case that the interest expense are capitalized according to the Accounting Standard "Borrowing Cost".

Foreign exchange loss or translation of foreign currencies and foreign exchange difference resulted from retranslation of period end balances of monetary items (i.e. cash receivables and payables) at the regulated exchange rate shall be recorded as financial expense in the Income Statement



HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

9. Principles for recording accounts receivable-trade

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

10. Principles for recording accounts payable

Payables are presented in the financial statements at the carrying amounts due to suppliers and other creditors.

The Company provides social and health insurance as follows:

- Social insurance is equal to 20% payroll of which 15% is charged to costs and the other 5% is charged directly from employees' salaries.
- Health insurance is equal to 3% payroll of which 2% is credited to cost and the other 1% deducted from employees' salaries.

11 Taxation

The company's tax reports 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 interpretation, amounts reported in the financial statements may be different from the tax authority's data.

V. ADDITIONAL INFORMATION TO ITEMS IN FINANCIAL STATEMENTS

1. Cash and cash equivalents

	31/12/2007	01/01/2007
Cash on hand	9,361,032,351	30,028,688,101
- Head office	4,251,637,110	12,859,527,468
- Branches	4,417,232,354	13,791,651,133
- Hoa Sen Steel one member Co.Ltd	424,692,730	3,377,509,500
- Hoa Sen Building Materials Co.Ltd	233,201,213	
- Hoa Sen Engineering Construction I member Co.Ltd	34,268,944	
Cash in bank	14,121,849,084	11,511,463,538
- Head office	8,942,975,906 (1)	9,790,439,192
- Branches	814,394,029	1,721,024,346
- Hoa Sen Steel one member Co.Ltd	1,924,713,255	
- Hoa Sen Building Materials Co.Ltd	2,227,642,983	
- Hoa Sen Engineering Construction I member Co.Ltd	212,122,911	
Cash in transit	40,579,936	
- Head office	38,500,000	
- Branches	2,079,936	
Total	23,523,461,371	41,540,151,639

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HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

(1) Include:

Cash in bank (VND)	8,679,891,339		
- Agribank Song Than Industrial Park Branch	437,641,876		
- Agribank Binh Duong Branch	1,884,145,861		
- Incombank Binh Duong Branch	580,569,613		
- Vietcombank Binh Duong Branch	3,827,381,155		
- Sacombank Joint Stock Ho Chi Minh Branch	7,856,068		
- BIDV Binh Duong Branch	42,824,485		
- Sacombank Binh Duong Branch	1,892,930,135		
- HSBC bank	6,542,146		
Cash in bank (USD)	257,857,839	#	16,002.10 USD
- Agribank Song Than Industrial Park Branch	56,211,594	#	3488,37 USD
- Incombank Binh Duong Branch	8,438,096	#	523,65 USD
- Vietcombank Binh Duong Branch	7,173,147	#	445,15 USD
- Sacombank Joint Stock Ho Chi Minh Branch	1,418,515	#	88,03 USD
- Agribank Binh Duong Branch	184,616,487	#	11456,90 USD
Cash in bank (EUR)	4,108,824	#	173,20 EUR
- Agribank Binh Duong Branch	4,108,824	#	173,20 EUR

2. Accounts Receivable

	31/12/2007		01/01/2007
Account Receivable-trade	113,905,205,155		70,716,830,628
- Head office	20,199,058,699 (1)		29,560,114,676
- Branches	81,155,915,314 (2)		41,156,715,952
- Hoa Sen Steel one member Co.Ltd	12,478,046,468		
- Hoa Sen Building Materials Co.Ltd	72,184,674		
Prepayment to suppliers	92,970,125,406		21,165,054,328
- Head office	73,165,090,005 (3)		21,165,054,328
- Branches	160,360,397		
- Hoa Sen Steel one member Co.Ltd	3,229,241,556		
- Hoa Sen Building Materials Co.Ltd	14,865,968,569		
- Hoa Sen Engineering Construction 1 member Co.Ltd	1,549,464,879		
Total	206,875,330,561		91,881,884,956

(1) Major advances include:

- Kieu Hung Co. Ltd	1,469,754,269
- Cuu Long Development Construction Joint-stock Co.	1,258,865,546
- Construction & Production Aluminium Joint-stock Co	1,377,245,365

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HOA SEN GROUP**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the year ended 31 December 2007**(Expressed in VND, unless otherwise stated)*

- Van Phuc Co. Ltd		1,113,840,656
- Van Duc Co. Pte.		1,099,999,597
- Tien Che ATAD Co. Ltd		2,095,694,255
- Tien Tien Mechanical Construction Trading Co. Ltd		3,159,504,171
 (2) Major the amount receivable from Hoa Sen Branches :		
- Daklak Branch		2,548,688,894
- Dien Khanh Branch		3,012,676,998
- Da Nang Branch		2,831,010,117
- Ha Noi Branch		4,337,196,665
- Pleiku Branch		3,878,726,040
- Nghe An Branch		2,588,475,828
- Bien Hoa Branch		3,815,525,236
- Huong Thuy Branch		2,645,257,405
 (3) Major the amount prepayment to suppliers:		
- Ben Thanh Trading & Service Joint Stock Co.		1,015,182,000
- Mr. Cao Minh Tan		1,200,000,000
- Mr. Hoang Duc Huy		20,000,000,000
- Ha Noi – Dai Tu Infrastructure Construction and Trade Co.		4,733,648,640
- Investment Technology Infrastructure Joint Stock Dong Xuyen & Phu My I Industrial Park		1,078,928,984
- Mrs. Lai thi Kim Thoa		1,510,000,000
- Mr. Le Chi Nghia		1,300,000,000
- Mr. Le Nhat Truong		4,500,000,000
- Mr. Le Phuoc Vu		9,000,000,000
- Nguyen Minh Steel Production & Trading Co.Ltd		1,797,265,045
- Power Max Corporation		2,234,850,660
- Dai Nam Joint Stock Co		18,205,952,950
- Housing & City Investment Development Joint Stock Co. - IDICO		2,417,100,000
 3. Other receivable		
	31/12/2007	01/01/2007
Other receivable		
- Head office	16,340,241,009	91,995,351
- Branches	161,881,582	28,498,525
- Hoa Sen Steel one member Co.Ltd	8,458,000	
- Hoa Sen Building Materials Co.Ltd	2,220,668,447	
	5,000	
Total	18,731,254,038	120,493,876



HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

4. Inventory

	31/12/2007	01/01/2007
Goods in transit	3,142,278,599	2,623,712,309
- Branches	3,142,278,599	2,623,712,309
Raw Materials	287,768,176,835	167,725,033,362
- Head office	122,038,281,100	111,885,958,405
- Branches	128,055,561,942	55,839,074,957
- Hoa Sen Steel one member Co.Ltd	33,090,176,897	
- Hoa Sen Building Materials Co.Ltd	4,584,156,896	
Tools and supplies	34,335,403,572	10,266,056,831
- Head office	2,453,608,523	10,247,650,068
- Branches	78,844,763	18,406,763
- Hoa Sen Steel one member Co.Ltd	31,409,641,727	
- Hoa Sen Building Materials Co.Ltd	393,308,559	
Work in progress	16,838,360,701	706,991,503
- Head office	3,688,988,244	706,991,503
- Branches	3,312,206,321	
- Hoa Sen Engineering Construction 1 member Co.Ltd	9,837,166,136	
Finished goods	175,040,818,752	63,452,156,783
- Head office	127,799,451,738	62,996,717,327
- Branches	5,354,510,308	455,439,456
- Hoa Sen Steel one member Co.Ltd	35,298,260,407	
- Hoa Sen Building Materials Co.Ltd	6,588,596,299	
Merchandise inventory	5,830,110,620	7,129,317,185
- Head office	3,982,109,512	1,122,190,614
- Branches	1,833,664,409	6,007,126,571
- Hoa Sen Steel one member Co.Ltd	14,336,699	
Goods on consignment	4,968,173,429	
- Hoa Sen Building Materials Co.Ltd	4,968,173,429	
Total	<u>527,923,322,508</u>	<u>251,903,267,973</u>

The value of inventory is used to put up as a guarantee for short-term loan contracts at the banks in detail:

Vietcombank Binh Duong Industrial Park Branch	130,821,809,366
Sacombank Joint Stock Ho Chi Minh Branch	20,222,809,056
Agribank Binh Duong Province	237,534,555,867
Incombank Binh Duong Branch	3,343,556,502

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HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

5. Other shortage of assets

	31/12/2007	01/01/2007
Shortage of assets awaiting resolution		3,964,031,720
- Head office		3,964,031,720
Advances	13,839,784,086	689,533,457
- Head office	13,303,213,714	626,533,457
- Branches	402,186,034	63,000,000
- Hoa Sen Steel one member Co.Ltd	37,170,000	
- Hoa Sen Building Materials Co.Ltd	32,316,069	
- Hòa Sen Engineering Construction 1 member Co.Ltd	64,898,269	
Short-term deposits mortgages and collateral	5,719,390,808	8,520,995,530
- Head office	5,334,188,861 (\$)	8,520,995,530
- Branches	385,201,947	-
Total	19,559,174,894	13,174,560,707

(§) Major of deposits to buy raw materials.

6. Increase and Decrease in tangible fixed assets:

Items	Houses and architectural things	Machinery & equipment	Transportation & facilities	Office equipment	Other	Total
A. Cost of tangible fixed assets						
1 Opening balance	40,101,643,954	103,724,100,946	15,771,809,282	939,156,261	315,337,155	160,852,047,598
- Head office	39,973,805,192	103,711,600,946	14,591,415,816	925,792,451	315,337,155	159,517,951,560
- Branches	127,838,762	12,500,000	1,180,393,466	13,363,810	-	1,334,096,038
2. Increase for the year	163,003,455,517	600,831,427,508	31,192,898,697	1,292,120,324	246,597,546	796,566,499,592
+ Purchase in the year	69,116,353,286	320,178,790,648	31,192,898,697	1,292,120,324	246,597,546	422,026,760,501
- Head office	4,738,045,019	37,710,177,682	9,635,939,970	316,126,171	-	52,400,288,842
- Branches	-	363,101,438	962,505,627	-	-	1,325,607,065
- Hoa Sen Steel Co.Ltd	64,025,052,358	269,366,342,270	18,605,707,480	856,272,919	232,961,182	353,086,336,209
- HoaSen Building Materials	295,655,909	12,154,802,309	1,416,718,470	100,506,834	13,636,364	13,981,319,886
- HoaSen E.Construction	57,600,000	584,366,949	572,027,150	19,214,400	-	1,233,208,499
+ Finalizing investment capital						
- Head office	91,477,812,231	280,652,636,860	-	-	-	372,130,449,091
+ Other increases						
- Head office	2,409,290,000	-	-	-	-	2,409,290,000
3. Decrease for the year	66,072,006,998	285,868,551,901	5,508,149,843	223,068,641	10,727,273	357,682,504,656
+ Disposal						
- Head office	17,179,642,526	204,148,699,210	1,604,416,444	223,068,641	10,727,273	223,166,554,094
+ Other decreases						
- Head office	48,892,364,472	81,070,178,541	3,889,278,854	-	-	133,851,821,867

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HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

Items	Houses and architectural things	Machinery & equipment	Transportation & facilities	Office equipment	Other	Total
- Branches	-	-	14,454,545	-	-	14,454,545
- Hoa Sen Steel Co.Ltd	-	649,674,150	-	-	-	649,674,150
4. Closing balance	137,033,092,473	418,686,976,553	41,456,558,136	2,008,207,944	551,207,428	599,736,042,534
- Head office	72,526,945,444	136,855,537,737	18,733,660,488	1,018,849,981	304,609,882	229,439,603,532
- Branches	127,838,762	375,601,438	2,128,444,548	13,363,810	-	2,645,248,558
- Hoa Sen Steel Co.Ltd	64,025,052,358	268,716,668,120	18,605,707,480	856,272,919	232,961,182	352,436,662,059
- HoaSen Building Materials	295,655,909	12,154,802,309	1,416,718,470	100,506,834	13,636,364	13,981,319,886
- Hoa Sen E. Construction	57,600,000	584,366,949	572,027,150	19,214,400	-	1,233,208,499
B. Accumulated depreciation						
1. Opening balance	2,717,055,293	21,520,340,953	3,519,544,662	217,001,648	108,122,861	28,082,065,417
- Head office	2,688,267,606	21,517,702,071	3,266,521,265	216,834,601	108,122,861	27,797,448,404
- Branches	28,787,687	2,638,882	253,023,397	167,047	-	284,617,013
2. Increase for the year	5,006,829,060	35,130,366,413	3,782,899,010	276,508,410	86,264,402	44,282,867,294
+Depreciation for the year	5,006,829,060	35,130,366,413	3,782,899,010	276,508,410	86,264,402	44,282,867,294
- Head office	2,375,339,435	14,416,766,514	2,061,107,775	160,747,673	42,603,744	19,056,565,141
- Branches	17,077,020	12,241,189	212,430,413	1,670,472	-	243,419,094
- Hoa Sen Steel Co.Ltd	2,603,319,606	20,370,416,005	1,370,653,763	104,413,718	42,664,812	24,491,467,904
- Hoa Sen Building Materials	4,106,332	274,174,460	92,970,207	6,879,783	995,846	379,126,628
- Hoa Sen E.Construction	6,986,667	56,768,245	45,736,852	2,796,763	-	112,288,527
- Other increases						
3. Decrease for the year	-	1,704,643,571	394,965,712	-	-	2,099,609,283
+ Other decrease		79,404,622	6,448,331			85,852,953
- Branches		-	6,448,331			6,448,331
- Hoa Sen Steel Co.Ltd		79,404,622				79,404,622
+ Nhượng bán th.lý						
- Head office		1,625,238,949	388,517,381			2,013,756,330
4. Closing balance	7,723,884,353	54,946,063,795	6,907,477,960	493,510,057	194,387,263	70,265,323,428
- Head office	5,063,607,041	34,309,229,636	4,939,111,659	377,582,274	150,726,605	44,840,257,215
- Branches	45,864,707	14,880,071	459,005,479	1,837,519	-	521,587,776
- Hoa Sen Steel Co.Ltd	2,603,319,606	20,291,011,383	1,370,653,763	104,413,718	42,664,812	24,412,063,282
- HoaSen Building Materials	4,106,332	274,174,460	92,970,207	6,879,783	995,846	379,126,628
- HoaSen E. Construction	6,986,667	56,768,245	45,736,852	2,796,763	-	112,288,527
C. Residual value						
1. At 01/01/2007	37,384,588,661	82,203,759,993	12,252,264,620	722,154,613	207,214,294	132,769,982,181
- Head office	37,285,537,586	82,193,898,875	11,324,894,551	708,957,850	207,214,294	131,720,503,156
- Branches	99,051,075	9,861,118	927,370,069	13,196,763	-	1,049,479,025
2. At 31/12/2007	129,309,208,120	363,740,912,758	34,549,080,176	1,514,697,887	356,820,165	529,470,719,106
- Head office	67,463,338,403	102,546,308,101	13,794,548,829	641,267,707	153,883,277	184,599,346,317
- Branches	81,974,055	360,721,367	1,669,439,069	11,526,291	-	2,123,660,782
- Hoa Sen Steel Co.Ltd	61,421,732,752	248,425,656,737	17,235,053,717	751,859,201	190,296,370	328,024,598,777
- Hoa Sen Building Materials	291,549,577	11,880,627,849	1,323,748,262	93,627,051	12,640,518	13,602,193,257
- Hoa Sen E. Construction	50,613,333	527,598,704	526,290,298	16,417,637	-	1,120,919,972

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HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

The residual value of tangible fixed assets for the year end is used to put up as guarantee for the loan contracts at Agribank Vietnam – Binh Duong Province include:

- House architectural things	15,040,000,000
- Transportation and facilities	63,236,424,306
- Machinery and equipment	2,130,624,907
Total	80,407,049,213

7. Increase and decrease in intangible fixed assets:

Items	Land use rights	Royalties	Software	Total
Cost of intangible fixed assets				
Opening balance	63,929,354,830		238,361,120	64,167,715,950
- Head office	63,929,354,830		238,361,120	64,167,715,950
- Purchase in the year	66,359,617,493		179,704,070	66,539,321,563
- Head office	32,125,617,493		42,000,000	32,167,617,493
- Hoa Sen Steel one member Co.Ltd	34,234,000,000		137,704,070	34,371,704,070
- Disposal			-	-
- Other decrease	12,786,909,844		-	12,786,909,844
- Head office	12,786,909,844		-	12,786,909,844
Closing balance	117,502,062,479		418,065,190	117,920,127,669
- Head office	83,268,062,479		280,361,120	83,548,423,599
- Hoa Sen Steel one member Co.Ltd	34,234,000,000		137,704,070	34,371,704,070
Accumulated depreciation				
Opening balance	1,240,759,108		75,097,279	1,315,856,387
- Depreciation	1,023,431,878		92,454,821	1,115,886,699
- Head office	347,760,823		83,752,691	431,513,514
- Hoa Sen Steel one member Co.Ltd	675,671,055		8,702,130	684,373,185
- Other increase			-	-
- Disposal			-	-
- Other decrease			-	-
Closing balance	2,264,190,986		167,552,100	2,431,743,086
- Head office	1,588,519,931		158,849,970	1,747,369,901
- Hoa Sen Steel one member Co.Ltd	675,671,055		8,702,130	684,373,185
Residual value				
At 01/01/2007	62,688,595,722		163,263,841	62,851,859,563
- Head office	62,688,595,722		163,263,841	62,851,859,563
At 31/12/2007	115,237,871,493		250,513,090	115,488,384,583
- Head office	81,679,542,548		121,511,150	81,801,053,698
- Hoa Sen Steel one member Co.Ltd	33,558,328,945		129,001,940	33,687,330,885

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HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

The residual value of intangible fixed assets for the year end is used to put up as guarantee for the loan contracts at Agribank Vietnam – Binh Duong Province include:

- Land use rights 61,846,200,000

8. Construction in progress

	31/12/2007	01/01/2007
a Expense for purchasing of fixed assets	114,316,595,248	159,646,998,269
+ Head office	1,228,867,940	159,646,998,269
+ Zinc-Aluminium Alloy Coated Steel Line	113,087,727,308	
b) Working in process	55,715,492,377	52,578,395,007
+ Building factory for branches	2,390,683,175	3,628,680,704
+ Cold Rolling Mill project	21,544,617,566	48,948,159,303
+ Phu My plant extension	1,552,489,090	-
+ Colour Coating Line II	53,776,727	-
+ Building factory at branches	99,354,409	-
+ Building at Hoa Sen Steel Co.Ltd	228,289,057	1,555,000
+ Building at Hoa Sen Building Material Co.Ltd	29,846,282,353	
Total	170,032,087,625	212,225,393,276

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9. Long-term investments

	31/12/2007	01/01/2007
- Head Office		
Investments in joint-ventures	10,941,826,958 (μ)	
Other long term investments	15,000,000,000 (β)	
Total	25,941,826,958	

(μ) Purchasing stocks of Phuoc Hoa Port Service Company

(β) Contributing to Ban Viet Healthy Securities Investment Funds

10. Long term deposit

	31/12/2007	01/01/2007
- Head office	3,575,302,815	2,466,795,226
- Branches	933,661,620	409,813,160
- Hoa Sen Steel one member Co.Ltd	2,228,523,024	
- Hoa Sen Building Materials Co.Ltd	3,389,972,436	
- Hoa Sen Engineering Construction I member Co.Ltd	503,758,994	
Total	10,631,218,889	2,876,608,386

HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

11. Short term borrowings

	31/12/2007	01/01/2007
Short term borrowings (head office)	425,646,185,020 (1)	335,496,596,404
Short term borrowings (Hoa Sen Steel Co.)	24,468,154,800	
Current portion of long term debt	22,217,891,207	3,956,945,500
Total	<u>472,332,231,027</u>	<u>339,453,541,904</u>

(1) Borrowings from the banks include:

Loan contract	Date	Object of loan	Time loan	Outstanding balance	
				USD	# VND
Agribank Binh Duong Province					
22/HDTD	11/06/07	To buy raw material	6 months		52,700,000,000
17/HDTD	14/11/06	To buy raw material	12 months	8,902,430	143,453,757,020
24/HDTD	14/11/07	To buy raw material	12 months	5,102,500	82,221,685,000
				14,004,930	278,375,442,020
Vietcombank Binh Duong Industrial Park Branch					
010BA07	24/04/07	To buy raw material	6 months		9,729,000,000
002AA07	24/04/07	To buy raw material	6 months	4,299,650	69,284,560,100
				4,299,650	79,013,560,100
Incombank					
07.00039	30/01/07	To buy raw material	12 months	1,399,850	22,557,182,900
HSBC bank					
VNM CDT 070252	12/07/07	To increase current assets	90 days		20,000,000,000
Mr. Hoàng Đức Huy					
QĐ2031 /HDQT/07	14/12/07	To increase current assets	1 month		25,700,000,000



12. Account payable-trade and Prepayment to suppliers

	31/12/2007	01/01/2007
Account payable-trade	84,830,959,702	47,607,728,521
- Head office	73,555,998,607 (1)	47,362,199,839
- Branches	200,693,343	245,528,682
- Hoa Sen Steel one member Co.Ltd	944,771,790	
- Hoa Sen Building Materials Co.Ltd	8055000331	
- Hoa Sen Engineering Construction1 member Co.Ltd	2,074,495,631	

HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

Prepayment to suppliers	11,218,371,999	2,423,350,520
- Head office	8,325,671,509 (2)	2,011,160,335
- Branches	2,885,887,349	412,190,185
- Hoa Sen Steel one member Co.Ltd	6,813,141	
Total	96,049,331,701	50,031,079,041

(1) Major payable order include:

- AK Vina Co.Ltd.	11,188,859,840
- Bluescope Steel Việt Nam Co.Ltd	15,158,440,898
- Tan Tien Automatic Technology Joint Stock Co.	3,898,790,982
- Mr. Hoàng Duc Huy	25,700,000,000
- Jiangsu Huaxi International Trade Co.	15,910,284,717
- Long Duy Phat Co. Ltd	4,753,359,601
- Mtu ASIA PTE	3,383,940,000
- Petrolimex	1,331,556,560
- Techplas Machinery Co.Ltd	1,111,866,000
- Dong Tien Construct Co.Ltd	1,412,733,452

(2) Major advances include:

- Thanh Huyen PTE	1,817,856,500
- Trung Tu Industry Co.Ltd	1,155,000,000
- Ha Lan PTE	1,130,489,909

13. Taxes and Payable to State budget

	31/12/2007	01/01/2007
Sales tax (or VAT)	1,263,664,237	160,389,258
- Head office	580,835,828	160,389,258
- Hoa Sen Engineering Construction Co.Ltd	682,828,409	
VAT of Imported goods	4,441,956,493	1,011,909,240
- Head office	4,441,956,493	1,011,909,240
Import – Export duties	14,660,920,292	369,695,771
- Head office	14,660,920,292	369,695,771
Profit tax	11,701,949,850	3,791,946,211
- Head office	5,719,723,642	3,791,946,211
- Hoa Sen Steel one member Co.Ltd	279,580,795	
- Hoa Sen Building Materials Co.Ltd	4,465,273,582	
- Hoa Sen Engineering Construction 1 member Co.Ltd	1,237,371,831	

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HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

	31/12/2007	01/01/2007
Personal Income tax	190,505,965	48,219,479
- Head office	115,373,075	47,704,479
- Branches	37,380,770	515,000
- Hoa Sen Steel one member Co.Ltd	21,750,700	
- Hoa Sen Building Materials Co.Ltd	8,871,420	
- Hoa Sen Engineering Construction Co.Ltd	7,130,000	
Total	32,258,996,837	5,382,159,959
14. Expenses payable		
	31/12/2007	01/01/2007
Audit fee	784,880,000	160,000,000
December board fee		69,059,000
Total	784,880,000	229,059,000
15. Other payable		
	31/12/2007	01/01/2007
Trade union fees	16,240,000	29,290,000
Social insurance payable	206,151,000	148,350,000
Health insurance payable	30,775,500	22,354,500
Received in advance		-
Other obligations payable	30,551,461,338	23,156,743,291
- Head office	235,386,165	
- Branches	51,982,750	
- Hoa Sen Steel one member Co.Ltd	24,601,396,423	
- Hoa Sen Building Materials Co.Ltd	4,910,781,000	
- Hoa Sen Engineering Construction Co.Ltd	751,915,000	
Total	30,804,627,838	23,356,737,791
16. Long term borrowings		
	31/12/2007	01/01/2007
Long term borrowings	335,470,867,888 (1)	135,719,772,750
Other long term borrowings		-
Total	335,470,867,888	135,719,772,750



HOA SEN GROUP

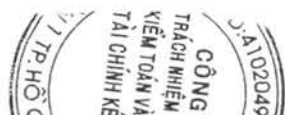
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

(2) Include:

Loan contract	Date	Objective of loan	Time loan	Outstanding balance		Include Current portion of long-term debt in 2008	
				USD	# VND	USD	# VND
a. Borrowing from Agribank Binh Duong				4,200,000	67,678,800,000		
21/HS/HDTD	22/05/07	Invest to build steel mill			13,335,000,000		
23/HDTD	10/09/07	To invest in branches			11,022,000,000		
b. Borrowing from Vietcombank – Binh Duong Industrial Branch					5,120,000,000		1,280,000,000
004DA06	24/11/06	To invest in tole production line			5,120,000,000		1,280,000,000
c. Borrowing from Development Bank – Binh Duong Province					219,115,067,888		10,620,000,000
02/2005-HDTD	26/09/2005	Invest to build steel mill			82,345,000,000		10,620,000,000
02/2005/ODA-TDNN	26/09/2005	Invest to build stell mill		7,991,192	128,770,067,888		
03/07/HDTD-TDDT	30/10/2007	To invest in tole production line 2			8,000,000,000		
		Total			<u>357,690,867,888</u>		<u>22,220,000,000</u>



HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

17. Owner's equity

- 17.1 Comparison with changing in owner's equity

Description	Capital base	Capital surplus	Stockholder's equity	Differences upon assets revaluation	Foreign exchange differences	Mutual Development Fund	Reserved Funds	Other funds from Onwen's equity	Undistributed Earnings
A	1	2	3	4	5	6	7	8	9
Opening balance (last year)	120,000,000,000	-	-	-	-	-	-	-	13,893,402,591
- Increase Capital	159,264,100,000	-	-	-	-	-	-	-	-
- Increase profit	-	-	-	-	-	-	-	-	104,581,635,195
- Dividends	-	-	-	-	-	-	-	-	115,725,602,473
- Other decrease	25,864,100,000	-	-	-	-	-	-	-	8,784,628,703
Closing balance (last year)	253,400,000,000	-	-	14,051,258,156	-	-	-	-	(6,035,193,390)
Opening balance (current year)	53,400,000,000	-	-	14,051,258,156	-	-	-	-	(6,035,193,390)
- Increase Capital	316,985,000,000	88,222,712,000	-	7,395,832,000	-	-	-	-	-
- Increase profit	-	-	-	-	-	-	-	-	151,122,855,530
- Deferred corporate income tax	-	-	-	-	-	-	-	-	2,304,542,854
- Dividends	-	-	-	-	-	-	-	-	102,537,519,331
- Other decrease	-	-	-	-	-	-	-	-	1,554,741,720
Closing balance (current year)	570,385,000,000	88,222,712,000	-	21,447,090,156	-	-	-	-	43,299,943,943

17.2 Owner's equity investment in detail:

	31/12/2007	01/01/2007
State capital	-	-
Shareholders' equity	570,385,000,000	253,400,000,000
Total	570,385,000,000	253,400,000,000



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HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

17.3 Transactions of capital with Owner's equity and dividend distribution

	Current year	Last year
Share capital investment in detail:		
+ At the beginning	253,400,000,000	120,000,000,000
+ Increase in the year	316,985,000,000	133,400,000,000
+ Decrease in the year		
+ For ending	570,385,000,000	253,400,000,000
Dividend distribution	137,120,366,331	115,725,602,473

17.4 Shares

Authorized shares	57,038,500
Shares issued and paid up	
+ Common share	57,038,500
Shares in buying back	-
+ Common share	-
Outstanding shares	57,038,500
+ Common share	57,038,500
* Common share par value (per share)	VND 10,000

VI. ADDITIONAL INFORMATION FOR ITEMS SHOWN IN THE INCOME STATEMENT

1. Sales revenue and services revenue

	Current year	Last year
Sales revenue	2,022,057,549,712	1,111,533,974,419
- Head office	536,240,290,402	428,619,422,767
- Branches	1,255,211,996,923	682,914,551,652
- Hoa Sen Steel one member Co.Ltd	229,317,756,635	
- Hoa Sen Building Materials Co.Ltd	1,183,134,842	
- Hoa Sen Engineering Construction 1 member Co.Ltd	104,370,910	
Services revenue		-
Total	2,022,057,549,712	1,111,533,974,419

2. Sales discounts

	Current year	Last year
Sales rebates	55,500,466	2,600,000
- Head office	16,666,964	2,600,000
- Branches	20,541,390	-
- Hoa Sen Steel one member Co.Ltd	18,292,112	
Sales returns	6,310,004,148	334,834,194
- Head office	3,734,392,238	86,784,592
- Branches	610,033,172	248,049,602
- Hoa Sen Steel one member Co.Ltd	1,965,578,738	

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HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

	Current year	Last year
Sales allowances	993,914	
- Hoa Sen Building Materials Co.Ltd	993,914	
Total	6,366,498,531	337,434,194
3. Net sales and services revenue		
	Current year	Last year
Net sales	2,015,691,051,181	1,111,196,540,225
- Head office	532,489,231,200	428,530,038,175
- Branches	1,254,581,422,361	682,666,502,050
- Hoa Sen Steel one member Co.Ltd	227,333,885,782	
- Hoa Sen Building Materials Co.Ltd	1,182,140,928	
- Hoa Sen Engineering Construction1 member Co.Ltd	104,370,910	
Net services revenue		
Total	2,015,691,051,181	1,111,196,540,225
4. Cost of Goods sold		
	Current year	Last year
Cost of Goods sold	1,664,936,507,006	925,430,846,064
5. Financial Income		
	Current year	Last year
Interest income	1,470,235,687	280,044,816
- Head office	1,334,909,917	263,205,626
- Branches	22,463,143	16,839,190
- Hoa Sen Steel one member Co.Ltd	24,759,596	
- Hoa Sen Building Materials Co.Ltd	68,286,619	
- Hoa Sen Engineering Construction1 member Co.Ltd	19,816,412	
Foreign exchange gains from settlement payment	5,139,294,963	137,638,847
- Head office	4,987,361,049	137,638,847
- Hoa Sen Steel one member Co.Ltd	151,933,914	
Foreign exchange gains from revaluation balance	161,283,336	
	161,283,336	
Other interest	61,075,620	
- Hoa Sen Steel one member Co.Ltd	60,746,676	
- Hoa Sen Building Materials Co.Ltd	328,944	
Interest income	17,689,902,659	
- Hoa Sen Steel one member Co.Ltd	486,991,659	
- Hoa Sen Building Materials Co.Ltd	17,202,911,000	

HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

Additional interest after investment		62,117,330
- Head office		62,117,330
Total	28,374,392,265	479,800,993
6. Financial Expense		
	Current year	Last year
Loan interest rate	69,378,856,086	20,130,688,853
- Head office	66,472,431,787	
- Hoa Sen Steel one member Co.Ltd	2,906,424,299	
Loss from foreign exchange differences from settlement payment	2,712,783,407	2,338,040,774
- Head office	2,710,098,552	
- Hoa Sen Steel one member Co.Ltd	2,684,855	
Loss from foreign exchange differences from revaluation balance	363,284,362	633,902,284
- Head office	363,284,362	
Other expense	43,400,401	
- Head office	43,400,401	
Total	72,498,324,256	23,102,631,911
7. Selling expenses		
	Current year	Last year
- Head office	38,292,974,765	21,364,762,103
- Branches	24,823,691,643	1,709,220,517
- Hoa Sen Steel one member Co.Ltd	1,148,678,318	
- Hoa Sen Building Materials Co.Ltd	228,928,041	
Total	64,494,272,767	23,073,982,620
8. General and administration expenses		
	Current year	Last year
- Head office	39,293,533,131	21,029,283,537
- Branches	19,546,992,531	14,484,534,865
- Hoa Sen Steel one member Co.Ltd	9,047,545,926	
- Hoa Sen Building Materials Co.Ltd	2,049,529,360	
- Hoa Sen Engineering Construction 1 member Co.Ltd	905,142,931	
Total	70,842,743,879	35,513,818,402
9. Extraordinary income		
	Current year	Last year
- Head office	224,587,660,916	5,949,939,661

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HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

	Current year	Last year
- Branches	17,890,587	29,725,003
- Hoa Sen Steel one member Co.Ltd	877,858,149	
- Hoa Sen Building Materials Co.Ltd	21,560,582	
- Hoa Sen Engineering Construction1 member Co.Ltd	2,484,838	
Total	225,507,455,072	5,979,664,664

10. Extraordinary expenses

	Current year	Last year
- Head office	225,994,691,775	1,632,441,390
- Branches	2,091,816,577	10,704,089
- Hoa Sen Steel one member Co.Ltd	1,045,805,668	
- Hoa Sen Building Materials Co.Ltd	23	
- Hoa Sen Engineering Construction1 member Co.Ltd	150,572,373	
Total	229,282,886,416	1,643,145,479

11. Earnings Per Share

	Current year	Last year
Profit after Tax(ation)	151,122,855,530	104,581,635,195
The amount used as the numerators in calculating basic and diluted earnings per share and a reconciliation of those amount to profit or loss attributable to the parent entity for the period.		(2,623,487,576)
+ Increase in adjustment		
+ Decrease in adjustment		2,623,487,576
Profit or loss attributable to common shareholders	151,122,855,530	101,958,147,619
The weighted average number of common shares outstanding during the period	36,334,938	1,369,075
Basic Earnings per share (VND/share)	4,159	74,472
	10,000	100.000

VII. OTHER INFORMATION

1. Adjustment by consolidated

The Company sells products to its branches and intercompany sales revenue will be arose therefore intercompany sales revenue and cost price will be excluded in the Company's consolidated financial statement.

Figures out in detail:

Items	Before adjustment	Adjustment	Adjusted
		By consolidated	
Income Statement			
Sales revenue	4,887,099,454,277	4,887,099,454,277	2,015,691,051,181
Cost of Goods sold	4,530,089,415,188	4,530,089,415,188	1,664,936,507,006
Profit before tax	207,502,877,448	39,984,713,254	167,518,164,194
Current profit taxes	16,395,308,664	16,395,308,664	16,395,308,664
Profit after tax	191,107,568,784	39,984,713,254	151,122,855,530

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HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

Items	Before adjustment	Adjustment	Adjusted
		By consolidated	
Balance Sheet			
Inventory			
<i>Opening balance</i>	258,872,263,056	(6,968,995,083)	251,903,267,973
<i>Closing balance</i>	538,129,118,968	(10,205,796,460)	527,923,322,508
Undistributed earnings			
<i>Opening balance</i>	933,801,693	(6,968,995,083)	(6,035,193,390)
<i>Closing balance</i>	54,219,891,086	(10,919,947,143)	43,299,943,943

2. Related party transactions

Parties are considered to be related if one party has the ability to control the other parties or exercise significant influence over the other parties in making financial and operating decisions.

At the end of the year the transactions are known with the related companies as bellows:

b. Hoa Sen Steel One member Co.Ltd

Company	Relationship	Description	Amount (VND)
Hoa Sen Group	Parent company	Trade payables	172.246.699.633
		Other payables (dividend)	16.755.377.000
Hoa Sen Engineering Construction Co.Ltd	In the same group	Trade receivables	87.011.232

b) Hoa Sen Building Materials Co.Ltd

Company	Relationship	Description	Amount (VND)
Hoa Sen Group	Parent company	Trade receivables	5.575.729.659
		Other receivables	94.196.588.000
		Other payables (dividend)	6.031.800.000
Hoa Sen Engineering Construction Co.Ltd	In the same group	Trade receivables	17.551.858
		Other receivables (dividend)	225.000.000
		Trade payables	9.215.735.616

c) Hoa Sen Engineering Construction One member Co.Ltd

Company	Relationship	Description	Amount (VND)
Hoa Sen Group	Parent company	Other receivables	1.500.000.000
		Trade payables	1.240.496.830
		Other payables (dividend)	1.275.000.000
		Advances from customers	5.568.837.300

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HOA SEN GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in VND, unless otherwise stated)

Company	Relationship	Description	Amount (VND)
Hoa Sen Group - Tan Thanh Branch		Trade payables	55.329.127
Hoa Sen Steel Co.Ltd	In the same group	Trade payables	87.011.232
		Other payables (dividend)	250.000.000
Hoa Sen Building Materials	In the same group	Trade receivables	9.215.735.616
		Trade payables	17.551.858
		Other payables (dividend)	225.000.000

3. Opening balance

The opening balance at 01/01/2007 includes the opening balance of Hoa Sen Steel One member Co.Ltd

Chief Accountant



Nguyen Thi Ngoc Lan



Dated 17th Jan, 2008

General Director

Le Phuoc Vu



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