



**Hoa Sen Group Corporation and its subsidiaries**

Consolidated Financial Statements for the year  
ended 30 September 2009

**Hoa Sen Group Corporation and its subsidiaries  
Corporate Information**

**Business Registration  
Certificate No**

4603000028

8 August 2001

The Business Registration Certificate and updates were issued by the Department of Planning and Investment of Binh Duong Province.

**Board of Management**

Mr Le Phuoc Vu	Chairman
Mr Tran Ngoc Chu	Vice chairman
Mr Pham Van Trung	Member
Mr Vu Van Binh	Member
Mr Pham Gia Tuan	Member
Mr Vo Huu Tuan	Member (until 3 October 2009)
Mr Nguyen Van Quy	Member (from 4 October 2009)
Mr Vu Bao Quoc	Member

**Board of Directors**

Mr Le Phuoc Vu	General Director
Mr Hoang Duc Huy	Deputy General Director
Mr Tran Ngoc Chu	Deputy General Director
Mr Pham Van Trung	Deputy General Director

**Registered Office**

9 Thong Nhat Boulevard  
Song Than II Industrial Park  
Di An District  
Binh Duong Province  
Vietnam

**Auditors**

KPMG Limited  
Vietnam



**KPMG Limited**  
10<sup>th</sup> Floor, Sun Wah Tower  
115 Nguyen Hue Street  
District 1, Ho Chi Minh City  
The Socialist Republic of Vietnam

Telephone +84 (8) 3821 9266  
Fax +84 (8) 3821 9267  
Internet www.kpmg.com.vn

## REPORT OF THE INDEPENDENT AUDITORS

**To the Shareholders  
Hoa Sen Group Corporation and its subsidiaries**

### Scope

We have audited the accompanying consolidated balance sheet of Hoa Sen Group Corporation ("the Company") and its subsidiaries (together referred to as "the Group") as of 30 September 2009 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

### Audit opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Hoa Sen Group Corporation and its subsidiaries as of 30 September 2009 and the results of their operations and their cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and accounting principles generally accepted in Vietnam.

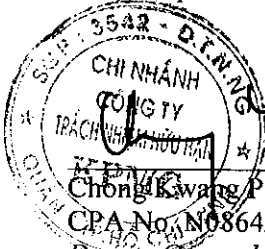
*KPMG Limited*

**KPMG Limited**

Vietnam

Investment Certificate No: 011043000345

Audit Report No: 09-01-115



*Chông Kwang Puay*  
Deputy General Director

*Thang Nghi*

Nguyen Thanh Nghi  
CPA No. 0304/KTV

Ho Chi Minh City, 10 December 2009



**Hoa Sen Group Corporation and its subsidiaries**  
**Consolidated balance sheet at 30 September 2009**


	Code	Note	30/9/2009 VND	30/9/2008 VND
<b>ASSETS</b>				
<b>Current assets</b>	<b>100</b>		<b>1,208,474,740,581</b>	<b>1,120,029,974,959</b>
<b>Cash</b>	<b>110</b>	<b>3</b>	<b>47,653,614,415</b>	<b>16,095,354,155</b>
<b>Accounts receivable</b>	<b>130</b>		<b>298,978,339,425</b>	<b>174,219,737,489</b>
Accounts receivable - trade	131	4	166,640,183,049	94,025,544,106
Prepayments to suppliers	132	5	133,695,332,531	83,084,471,924
Other receivables	135		231,899,264	218,662,545
Allowance for doubtful debts	139	6	(1,589,075,419)	(3,108,941,086)
<b>Inventories</b>	<b>140</b>	<b>7</b>	<b>747,124,150,310</b>	<b>883,587,071,270</b>
Inventories	141		748,874,572,944	934,409,717,439
Allowance for inventories	149		(1,750,422,634)	(50,822,646,169)
<b>Other current assets</b>	<b>150</b>		<b>114,718,636,431</b>	<b>46,127,812,045</b>
Short-term prepayments	151		5,991,033,516	11,499,836,777
Deductible value added tax	152		24,953,819,659	18,500,820,676
Taxes receivable from State Treasury	154		24,435,448	23,953,448
Other current assets	158	8	83,749,347,808	16,103,201,144
<b>Long-term assets</b>	<b>200</b>		<b>1,230,298,431,480</b>	<b>1,040,030,223,196</b>
<b>Fixed assets</b>	<b>220</b>		<b>1,158,228,495,053</b>	<b>981,876,332,709</b>
Tangible fixed assets	221	9	755,358,089,492	791,639,156,306
Cost	222		980,152,984,494	919,280,441,122
Accumulated depreciation	223		(224,794,895,002)	(127,641,284,816)
Finance lease tangible fixed asset	224	10	12,741,504,032	-
Cost	225		13,695,000,000	-
Accumulated depreciation	226		(953,495,968)	-
Intangible fixed assets	227	11	185,962,339,810	160,962,435,514
Cost	228		191,845,095,283	164,823,046,993
Accumulated amortisation	229		(5,882,755,473)	(3,860,611,479)
Construction in progress	230	12	204,166,561,719	29,274,740,889
<b>Long-term investments</b>	<b>250</b>	<b>13</b>	<b>58,414,544,958</b>	<b>42,704,360,958</b>
Investments in associates	252		43,414,544,958	27,704,360,958
Other long-term investments	258		15,000,000,000	15,000,000,000
<b>Other long-term assets</b>	<b>260</b>		<b>13,655,391,469</b>	<b>15,449,529,529</b>
Long-term prepayments	261	14	10,779,291,756	9,386,416,392
Deferred tax assets	262	30	2,476,099,713	6,063,113,137
Long-term deposits	268		400,000,000	-
<b>TOTAL ASSETS</b>	<b>270</b>		<b>2,438,773,172,061</b>	<b>2,160,060,198,155</b>

*The accompanying notes form an integral part of these consolidated financial statements*

**Hoa Sen Group Corporation and its subsidiaries**  
**Consolidated balance sheet at 30 September 2009 (continued)**

	Code	Note	30/9/2009 VND	30/9/2008 VND
<b>RESOURCES</b>				
<b>LIABILITIES</b>	<b>300</b>		<b>1,492,292,526,089</b>	<b>1,343,670,649,120</b>
<b>Current liabilities</b>	<b>310</b>		<b>1,155,085,741,286</b>	<b>1,037,256,782,028</b>
Short-term borrowings	311	15	759,969,415,865	805,297,322,000
Accounts payable – trade	312		274,357,767,275	142,845,940,822
Advances from customers	313		12,811,898,657	6,939,258,378
Taxes payable to State Treasury	314	16	20,117,823,780	7,901,646,549
Payables to employees	315		12,079,314,134	8,370,062,946
Accrued expenses	316	17	14,387,443,150	4,622,982,651
Other payables	319	18	61,362,078,425	61,279,568,682
<b>Long-term liabilities</b>	<b>330</b>		<b>337,206,784,803</b>	<b>306,413,867,092</b>
Long-term borrowings and liabilities	334	19	335,443,237,703	305,082,155,792
Provision for severance allowance	336	20	1,763,547,100	1,331,711,300
<b>EQUITY</b>	<b>400</b>		<b>946,480,645,972</b>	<b>816,389,549,035</b>
<b>Equity</b>	<b>410</b>		<b>946,480,645,972</b>	<b>816,389,549,035</b>
Share capital	411	21	570,385,000,000	570,385,000,000
Capital surplus	412		88,222,712,000	88,222,712,000
Treasury shares	414	21	(572,000,000)	(572,000,000)
Differences upon asset revaluation	415	22	21,447,090,156	21,447,090,156
Retained profits	420		259,845,916,955	133,239,647,898
Bonus and welfare fund	431	23	7,151,926,861	3,667,098,981
<b>TOTAL RESOURCES</b>	<b>440</b>		<b>2,438,773,172,061</b>	<b>2,160,060,198,155</b>

Prepared by:  Approved by: 

 **CÔNG TY CỔ PHẦN TẬP ĐOÀN HOA SEN**  
 AN.T. BINH DUONG

Nguyen Thi Ngoc Lan  
 Chief Accountant

Le Phuoc Vu  
 General Director


10 December 2009

*The accompanying notes form an integral part of these consolidated financial statements*

**Hoa Sen Group Corporation and its subsidiaries**  
**Consolidated statement of income for the year ended 30 September 2009**


	Code	Note	Year ended 30/9/2009 VND	Period from 1/1/2008 to 30/9/2008 VND
Total revenue	01	24	2,836,386,675,588	2,059,339,484,828
Less sales deductions	02	24	(4,967,409,587)	(4,294,165,040)
Net sales	10		2,831,419,266,001	2,055,045,319,788
Cost of sales	11	25	(2,276,099,635,609)	(1,553,515,439,407)
Gross profit	20		555,319,630,392	501,529,880,381
Financial income	21	26	14,227,334,928	6,316,251,344
Financial expenses	22	27	(166,403,032,123)	(115,573,280,485)
Selling expenses	24		(116,342,381,073)	(92,576,417,108)
General and administration expenses	25		(98,116,034,240)	(83,990,906,390)
Net operating profit	30		188,685,517,884	215,705,527,742
Results of other activities	40			
Other income	31	28	14,087,152,639	12,116,326,542
Other expenses	32	29	(2,383,051,288)	(15,392,907,571)
Profit before tax	50		200,389,619,235	212,428,946,713
Income tax expense – current	51	30	(7,351,204,479)	(17,816,097,391)
Income tax (expense)/benefit – deferred	52	30	(3,587,013,424)	3,758,570,283
Net profit	60		189,451,401,332	198,371,419,605
Earning per share				
Basic earning per share	70	31	3,323	3,478

Prepared by:

  
 Nguyen Thi Ngoc Lan  
 Chief Accountant



Approved by:

  
 Le Phuoc Vu  
 General Director


10 December 2009

*The accompanying notes form an integral part of these consolidated financial statements*


Hoa Sen Group Corporation and its subsidiaries  
 Consolidated statement of changes in equity for the year ended 30 September 2009

	Share capital VND	Capital surplus VND	Treasury shares VND	Differences upon asset revaluation VND	Retained profits VND	Bonus and welfare fund VND	Total VND
<b>Balance at 1 January 2008</b>	570,385,000,000	88,222,712,000	-	21,447,090,156	43,299,943,943	-	723,354,746,099
Net profit for the period	-	-	-	-	198,371,419,605	-	198,371,419,605
Dividends	-	-	-	-	(104,635,166,669)	-	(104,635,166,669)
Shares bought back	-	-	(572,000,000)	-	-	-	(572,000,000)
Transfer to bonus and welfare fund	-	-	-	-	(3,796,548,981)	3,796,548,981	-
Utilisation of bonus and welfare fund	-	-	-	-	-	(129,450,000)	(129,450,000)
<b>Balance at 1 October 2009</b>	570,385,000,000	88,222,712,000	(572,000,000)	21,447,090,156	133,239,647,898	3,667,098,981	816,389,549,035
Net profit for the year	-	-	-	-	189,451,401,332	-	189,451,401,332
Dividends (Note 32)	-	-	-	-	(57,018,500,000)	-	(57,018,500,000)
Transfer to bonus and welfare fund	-	-	-	-	(5,841,632,275)	5,841,632,275	-
Utilisation of bonus and welfare fund	-	-	-	-	-	(2,356,804,395)	(2,356,804,395)
Other receipts	-	-	-	-	15,000,000	-	15,000,000
<b>Balance at 30 September 2009</b>	570,385,000,000	88,222,712,000	(572,000,000)	21,447,090,156	259,845,916,955	7,151,926,861	946,480,645,972

Prepared by:

  
 Nguyen Thi Ngoc Lan  
 Chief Accountant

Approved by:

  
 Le Phuoc Vu  
 General Director

10 December 2009

The accompanying notes form an integral part of these consolidated financial statements

**Hoa Sen Group Corporation and its subsidiaries**  
**Consolidated statement of cash flows for the year ended 30 September 2009**




	Code	Note	Year ended 30/9/2009 VND	Period from 1/1/2008 to 30/9/2008 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Profit before tax</b>	<b>01</b>		<b>200,389,619,235</b>	<b>212,428,946,713</b>
<b>Adjustments for</b>				
Depreciation and amortisation	02		111,151,725,882	66,300,660,234
Allowances and provisions	03		(48,910,086,573)	55,280,487,055
Losses/(profits) from investing activities	04		473,342,868	(3,060,894,056)
Interest income	05		(987,618,445)	(340,063,481)
Interest expense	06		80,339,426,368	79,692,457,142
<b>Operating profit before changes in working capital</b>	<b>08</b>		<b>342,456,409,335</b>	<b>410,301,593,607</b>
Change in receivables and other current assets	09		(156,037,373,618)	69,620,060,228
Change in inventories	10		185,535,144,495	(416,323,561,067)
Change in payables and other liabilities	11		143,283,682,881	31,338,030,062
Change in prepayments	12		(2,632,644,762)	(3,620,406,197)
			<b>512,605,218,331</b>	<b>91,315,716,633</b>
Interest paid	13		(80,339,426,368)	(79,692,457,142)
Corporate income tax paid	14		(1,680,184,516)	(28,319,616,538)
Other receipts from operating activities			15,000,000	-
Other payments for operating activities	16		(2,356,804,395)	(129,450,000)
<b>Net cash generated from/(used in) operating activities</b>	<b>20</b>		<b>428,243,803,052</b>	<b>(16,825,807,047)</b>

*The accompanying notes form an integral part of these consolidated financial statements*



**Hoa Sen Group Corporation and its subsidiaries**  
**Consolidated statement of cash flows for the year ended 30 September 2009 (continued)**

	Code	Note	Year ended 30/9/2009 VND	Period from 1/1/2008 to 30/9/2008 VND
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for additions to fixed assets and other long-term assets	21		(316,296,569,376)	(225,906,378,637)
Proceeds from disposals of fixed assets and other long-term assets	22		16,877,394,363	11,109,756,802
Payments for investments in other entities	25		(15,710,184,000)	(16,762,534,000)
Receipts of interests	27		987,618,445	340,063,481
<b>Net cash used in investing activities</b>	<b>30</b>		<b>(314,141,740,568)</b>	<b>(231,219,092,354)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments for shares returns and repurchases	32		-	(572,000,000)
Proceeds from short-term and long-term borrowings	33		2,478,207,101,913	1,656,922,644,973
Payments to settle debts	34		(2,502,830,068,993)	(1,354,346,266,096)
Payments to settle finance lease liabilities	35		(1,609,357,144)	-
Payments of dividends	36		(56,311,478,000)	(61,387,586,692)
<b>Net cash (used in)/generated from financing activities</b>	<b>40</b>		<b>(82,543,802,224)</b>	<b>240,616,792,185</b>
<b>Net cash flows during the year/period</b>	<b>50</b>		<b>31,558,260,260</b>	<b>(7,428,107,216)</b>
<b>Cash at the beginning of the year/period</b>	<b>60</b>		<b>16,095,354,155</b>	<b>23,523,461,371</b>
<b>Cash at the end of the year/period</b>	<b>70</b>	<b>3</b>	<b>47,653,614,415</b>	<b>16,095,354,155</b>

Prepared by:   Approved by: 

Nguyen Thi Ngoc Lan  
Chief Accountant

Le Phuoc Vu  
General Director

10 December 2009

*The accompanying notes form an integral part of these consolidated financial statements*

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

**1. Reporting Entity**

Hoa Sen Group Corporation (“the Company”) is a joint stock company incorporated in Vietnam. The consolidated financial statements of the Company for the year ended 30 September 2009 comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interest in associate. The principal activities of the Group are to manufacture and trade galvanised steel products, plastic building materials and to provide engineering and civil, industrial construction projects, transportation service; produce and process rolling mill, cutter and industrial machine and equipment.

The charter capital of the Company as stipulated in the Business Registration Certificate is VND570,385,000,000.

As at 30 September 2009 the Group had 1,921 employees (2008: 2,026 employees).

**2. Summary of significant accounting policies**

The following significant accounting policies have been adopted by the Group in the preparation of these consolidated financial statements.

**(a) Basis of financial statement preparation**

**(i) General basis of accounting**

The consolidated financial statements, expressed in Vietnam Dong (“VND”), have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and accounting principles generally accepted in Vietnam.

The consolidated financial statements, except for the consolidated statement of cash flows, are prepared on the accrual basis using historical cost concept. The consolidated statement of cash flows is prepared using the indirect method.

**(ii) Basis of consolidation**

*Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

*Associates (equity accounted investees)*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

*Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

**(b) Fiscal year**

The fiscal year of the Company is from 1 October to 30 September.

**(c) Foreign currency transactions**

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at rates of exchange ruling at the balance sheet date. Transactions in currencies other than VND during the year have been translated into VND at rates approximating those ruling at the transaction dates. All realised and unrealised foreign exchange differences are recorded in the statement of income.

**(d) Cash and cash equivalents**

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amount of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**(e) Investments**

Investments in entities over which the Group does not have control or significant influence are stated at cost. Allowance is made for reductions in investment values which in the opinion of the management are not temporary. The allowance is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the allowance was recognised. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that has been determined if no allowance had been recognised.

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

**(f) Accounts receivable**

Trade and other receivables are stated at cost less allowance for doubtful debts.

**(g) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs incurred in bringing the inventories to their present location and condition. Cost in the case of finished goods and work in progress includes raw materials, direct labour and attributable manufacturing overheads. Net realisable value is the estimated selling price of inventory items, less the estimated costs of completion and selling expenses.

The Group applies the perpetual method of accounting for inventory.

**(h) Tangible fixed assets**

**(i) Cost**

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

**(ii) Depreciation**

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

▪ buildings	5 – 40 years
▪ machinery and equipment	3 – 10 years
▪ motor vehicles	4 – 10 years
▪ office equipment	3 – 5 years
▪ other tangible fixed assets	3 – 20 years

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

**(i) Intangible fixed assets**

**(i) Land use rights**

Land use rights are stated at cost/valuation less accumulated amortisation. The initial cost of a land use rights, except for land use rights used as capital contribution, comprises the value of the right as its purchase price and any directly attributable costs incurred in conjunction with securing the land use right. Land use rights used as a capital contribution is stated at the valuation at the time of capital contribution. Amortisation is computed on a straight-line basis ranging from 7 to 50 years.

**(ii) Software**

Cost of acquisition of new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software is amortised on a straight-line basis ranging from 3 to 8 years.

**(j) Construction in progress**

Construction in progress represents the cost of construction and machinery which have not been fully completed or installed. No depreciation is provided for construction in progress during the period of construction and installation.

**(k) Long-term prepayments**

**(i) Pre-operating expenses**

Pre-operating expenses are recorded in the statement of income, except for establishment costs and expenditures on training, advertising and promotional activities incurred from the incorporation date to the commercial operation date, being the date of commencement of trial production. These expenses are recognised as long-term prepayments, initially stated at cost, and are amortised on a straight line basis over three years starting from the date of commercial operation.

**(ii) Advertising expenses**

Advertising expenses are initially stated at cost and amortised on a straight line basis over the term of contracts.

**(iii) Tools and supplies**

Tools and supplies are initially stated at cost and amortised on a straight line basis over their useful lives ranging from 2 to 5 years.

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

**(l) Trade and other payables**

Trade and other payables are stated at their cost.

**(m) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**(n) Taxation**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(o) Share capital**

**(i) Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

**(ii) Treasury shares**

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

**(p) Revenue**

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

**(q) Operating lease payments**

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of income as an integral part of the total lease expense.

**(r) Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred, except where the borrowing costs relate to borrowings in respect of the construction of qualifying tangible fixed assets, in which case the borrowing costs incurred during the period of construction are capitalised as part of the cost of the fixed assets concerned.

**(s) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, which comprise convertible bonds and share options.

**(t) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Management is of the opinion that the Group operates in one single business segment, which is the manufacture and sale of steel and plastic construction materials and one single geographical segment, which is Vietnam.

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

**(u) Off balance sheet items**

Amounts which are defined as off balance sheet items under the Vietnamese Accounting System are disclosed in the relevant notes to these consolidated financial statements.

**3. Cash**

	<b>30/9/2009</b> <b>VND</b>	<b>30/9/2008</b> <b>VND</b>
Cash on hand	5,660,942,485	6,079,991,518
Cash in bank	41,990,271,930	9,913,956,637
Cash in transit	2,400,000	101,406,000
	47,653,614,415	16,095,354,155

Cash at 30 September 2009 included amounts denominated in currencies other than VND amounting to VND1,145,461,297 (2008: VND7,611,943,344).

**4. Accounts receivable – trade**

At 30 September 2009 accounts receivable with a carrying value of VND157,192,891,111 (2008: VND36,280,346,648) were pledged with banks as security for loans granted to the Group.

**5. Prepayments to suppliers**

Prepayments to suppliers at of 30 September 2009 included amounts prepaid for acquisition of construction services of VND91,996,477,272 (2008: VND56,033,209,928).

**6. Allowance for doubtful debts**

Movements in the allowance for doubtful debts during the year/period were as follows:

	<b>Year ended</b> <b>30/9/2009</b> <b>VND</b>	<b>Period from</b> <b>1/1/2008 to</b> <b>30/9/2008</b> <b>VND</b>
Opening balance	3,108,941,086	743,922,894
Increase in allowance during the year/period	-	3,108,941,086
Write off	(1,115,758,029)	-
Written back	(404,107,638)	(743,922,894)
	1,589,075,419	3,108,941,086



**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

**7. Inventories**

	<b>30/9/2009</b>	<b>30/9/2008</b>
	<b>VND</b>	<b>VND</b>
Goods in transit	216,883,822,941	85,496,988,072
Raw materials	224,722,769,891	153,126,767,560
Tools and supplies	80,640,027,924	59,534,065,978
Work in progress	1,778,229,350	24,262,477,054
Finished goods	181,335,400,190	562,088,392,229
Merchandise inventory	43,514,322,648	12,123,082,343
Goods on consignment	-	37,777,944,203
	<hr/>	<hr/>
	748,874,572,944	934,409,717,439
Allowance for inventories	(1,750,422,634)	(50,822,646,169)
	<hr/>	<hr/>
	747,124,150,310	883,587,071,270
	<hr/>	<hr/>

Movements in the allowance for inventories during the year/period were as follows:

	<b>Year ended</b>	<b>Period from</b>
	<b>30/9/2009</b>	<b>1/1/2008 to</b>
	<b>VND</b>	<b>30/9/2008</b>
		<b>VND</b>
Opening balance	50,822,646,169	-
Increase during the year/period	-	50,822,646,169
Written back	(49,072,223,535)	-
	<hr/>	<hr/>
Closing balance	1,750,422,634	50,822,646,169
	<hr/>	<hr/>

At 30 September 2009 inventories with a carrying value of VND615,999,281,150 (2008: VND760,864,465,874) were pledged with banks as security for loans granted to the Group.

Included in raw materials and finished goods at 30 September 2009 was VND23,383,615,645 (2008: VND314,769,857,239) of inventories carried at net realisable value.

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

**8. Other current assets**

	<b>30/9/2009</b>	<b>30/9/2008</b>
	<b>VND</b>	<b>VND</b>
Short-term deposits	81,496,879,827	14,654,809,524
Advances	1,751,559,061	1,319,218,645
Others	500,908,920	129,172,975
	<hr/>	<hr/>
	<b>83,749,347,808</b>	<b>16,103,201,144</b>
	<hr/>	<hr/>

Hoa Sen Group Corporation and its subsidiaries  
Notes to the consolidated financial statements for the year ended 30 September 2009 (continued)

9. Tangible fixed assets

	Buildings	Machinery and	Motor vehicles	Office	Other	Total
	VND	equipment VND	VND	equipment VND	tangible fixed assets VND	
<b>Cost</b>						
Opening balance	225,291,714,100	649,626,653,756	41,034,377,616	2,533,392,726	794,302,924	919,280,441,122
Additions	3,174,605,529	34,794,894,711	1,356,609,623	98,231,569	181,000,000	39,605,341,432
Transfers from construction in progress	14,613,537,712	26,591,311,912	-	-	-	41,204,849,624
Disposals	(35,200,000)	(16,001,451,172)	(3,900,996,512)	-	-	(19,937,647,684)
Closing balance	243,044,657,341	695,011,409,207	38,489,990,727	2,631,624,295	975,302,924	980,152,984,494
<b>Accumulated depreciation</b>						
Opening balance	15,984,565,054	101,335,161,306	9,205,057,403	816,139,132	300,361,921	127,641,284,816
Charge for the year	15,845,980,232	78,672,963,544	4,660,738,130	456,805,842	148,732,891	99,785,220,639
Disposals	(12,091,855)	(184,834,815)	(2,434,683,783)	-	-	(2,631,610,453)
Closing balance	31,818,453,431	179,823,290,035	11,431,111,750	1,272,944,974	449,094,812	224,794,895,002
<b>Net book value</b>						
Closing balance	211,226,203,910	515,188,119,172	27,058,878,977	1,358,679,321	526,208,112	755,358,089,492
Opening balance	209,307,149,046	548,291,492,450	31,829,320,213	1,717,253,594	493,941,003	791,639,156,306

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

Included in the cost of tangible fixed assets were assets costing VND815,969,320 which were fully depreciated as of 30 September 2009 (2008: VND404,152,638), but which are still in active use.

At 30 September 2009 tangible fixed assets with a carrying value of VND465,772,985,048 (2008: VND465,511,507,130) were pledged with banks as security for loans granted to the Group.

At 30 September 2009, the carrying amount of temporarily idle equipment in tangible fixed assets amounted to VND1,270,038,672 (2008: nil).

**10. Finance lease tangible fixed asset**

	<b>Machinery and equipment VND</b>
<b>Cost</b>	
Additions and closing balance	13,695,000,000
<b>Accumulated depreciation</b>	
Charge for the year and closing balance	953,495,968
<b>Net book value</b>	
Closing balance	12,741,504,032

At the end of the lease the Group has the option to purchase the equipment at a beneficial price. The leased equipment secures the lease obligations.

Hoa Sen Group Corporation and its subsidiaries  
Notes to the consolidated financial statements for the year ended 30 September 2009  
(continued)

11. Intangible fixed assets

	Land use rights VND	Software VND	Total VND
<b>Cost</b>			
Opening balance	164,227,908,803	595,138,190	164,823,046,993
Additions	25,924,135,676	1,142,612,614	27,066,748,290
Written off	(44,700,000)	-	(44,700,000)
Closing balance	190,107,344,479	1,737,750,804	191,845,095,283
<b>Accumulated amortisation</b>			
Opening balance	3,601,344,425	259,267,054	3,860,611,479
Charge for the year	1,919,601,974	102,542,020	2,022,143,994
Closing balance	5,520,946,399	361,809,074	5,882,755,473
<b>Net book value</b>			
Closing balance	184,586,398,080	1,375,941,730	185,962,339,810
Opening balance	160,626,564,378	335,871,136	160,962,435,514

At 30 September 2009 land use rights with a carrying value of VND75,123,910,504 (2008: VND79,350,035,076) were pledged with banks as security for loans granted to the Group.

12. Construction in progress

	Year ended 30/9/2009 VND	Period from 1/1/2008 to 30/9/2008 VND
Opening balance	29,274,740,889	179,869,253,761
Additions during the year/period	217,738,963,076	132,759,740,590
Transfers to tangible fixed assets	(41,204,849,624)	(283,354,253,462)
Transfer to long term prepayment	(1,642,292,622)	-
Closing balance	204,166,561,719	29,274,740,889

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009 (continued)**

**13. Long-term investments**

Details of the investments in associate and other long term investments are as follows:

Name	Principal activity	Business Registration Certificate	% of ownership	Amount	
				30/9/2009 VND	30/9/2008 VND
<b>Associate</b>					
Hoa Sen – Gemadept Logistics and International Port Corporation	Provide sea cargo agency services	Business Registration Certificate No. 4903000262 issued by the Department of Planning and Investment of Ba Ria – Vung Tau on 20 June 2006 and amended on 5 April 2008	45%	43,414,544,958	27,704,360,958
<b>Other long term investments</b>					
Viet Capital Healthcare Fund	Invest in listed and unlisted healthcare Vietnamese companies and projects in Vietnam	08/TB-UBCK issued by State Securities Commission of Vietnam on 15 January 2008	3%	15,000,000,000	15,000,000,000

Movements in investments in associate represented the additional capital contribution during the period.

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

**14. Long-term prepayments**

	<b>Pre-operating expenses VND</b>	<b>Advertising expense VND</b>	<b>Tools and supplies VND</b>	<b>Total VND</b>
Opening balance	2,178,632,569	842,605,943	6,365,177,880	9,386,416,392
Additions	-	-	8,141,448,023	8,141,448,023
Transfer from construction in progress	-	-	1,642,292,622	1,642,292,622
Amortisation for the year	(1,111,771,188)	(386,522,256)	(6,892,571,837)	(8,390,865,281)
<b>Closing balance</b>	<b>1,066,861,381</b>	<b>456,083,687</b>	<b>9,256,346,688</b>	<b>10,779,291,756</b>

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

**15. Short-term borrowings**

	<b>30/9/2009</b>	<b>30/9/2008</b>
	<b>VND</b>	<b>VND</b>
Short-term borrowings		
Loan 1 from Vietnam Bank for Agriculture and Rural Development	-	295,123,393,078
Loan 2 from Vietnam Bank for Agriculture and Rural Development (a)	10,000,000,000	-
Loan 3 from Vietnam Bank for Agriculture and Rural Development (b)	169,331,769,100	-
Loan 4 from Vietnam Bank for Agriculture and Rural Development (c)	133,119,838,000	-
Loan 5 from The Bank for Foreign Trade of Vietnam (d)	192,365,305,600	64,020,833,469
Loan 6 from The Bank for Foreign Trade of Vietnam (e)	33,323,750,000	125,958,000,000
Loan 7 from The Bank for Foreign Trade of Vietnam (f)	9,000,000,000	47,000,000,000
Loan 8 from Vietnam Bank for Industry and Trade	-	20,480,000,000
Loan 9 from Vietnam Bank for Industry and Trade (g)	26,483,871,700	-
Loan 10 from Vietnam Bank for Industry and Trade (h)	3,576,686,786	-
Loan 11 from The Hongkong and Shanghai Banking Corporation	-	36,280,346,648
Loan 12 from Far East National Bank (i)	57,940,948,782	83,761,918,835
Loan 13 from Far East National Bank (j)	4,494,047,225	-
Loan 14 from The Vietnam Development Bank	-	19,400,000,000
Loan 15 from Indovina Bank (k)	47,060,000,000	-
Loan 16 from Sacombank (l)	6,245,000,000	-
Mr. Hoang Duc Dung	-	1,500,000,000
Ms. Tran Hoang Trang	-	5,000,000,000
Ms. Vo Thi Hong Yen	-	15,000,000,000
Ms. Lai Thi Lan	-	35,000,000,000
	<hr/>	<hr/>
	692,941,217,193	748,524,492,030
Current portion of long-term borrowings	67,028,198,672	56,772,829,970
	<hr/>	<hr/>
	759,969,415,865	805,297,322,000
	<hr/>	<hr/>

- a. This loan is secured by the Group's inventories with carrying value of VND41,428,473,728 and tangible fixed assets with carrying value of VND5,319,983,572. The loan bore interest at rates ranging from 6% to 10% per annum during the year.



**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

- b. This loan, denominated in USD, is secured by the Group's land use rights, tangible fixed assets and inventories with carrying value of VND492,823,459,939 and shareholders' assets with value of VND244,616,200,000. The loan bore interest at rates ranging from 3% to 4% per annum during the year.
- c. This loan is secured by the Group's land use rights, tangible fixed assets and inventories with carrying value of VND635,424,954,001 and shareholders' assets with value of VND244,616,200,000. The loan bore interest at rate ranging from 6% to 6.5% per annum during the year.
- d. This loan, denominated in USD, is secured by the Group's land use rights, inventories with carrying value of VND252,555,308,000 (2008: VND252,555,308,000) and tangible fixed assets with carrying value of VND88,899,310,099 (2008: VND32,879,802,845). The loan bore interest at rates ranging from 3.3% to 5.5% (2008: 9% to 10%) per annum during the year.
- e. This loan is secured by the Group's land use rights and inventories with carrying value of VND252,555,308,000 (2008: VND252,555,308,000) and tangible fixed assets with carrying value of VND88,899,310,099 (2008: VND32,879,802,845). The loan bore interest at rates ranging from 6% to 6.5% (2008: from 15.6% to 17.76%) per annum during the year.
- f. This loan is secured by the Group's inventories with carrying value of VND62,500,000,000 (2008: VND120,143,610,000). The loan bore interest at rates ranging from 6.5% to 10.5% (2008 : from 10.32% to 21%) per annum during the year.
- g. This loan, denominated in USD, is secured by the Group's land use rights and inventories with carrying value of VND52,534,494,614. The loan bore interest at 3% per annum during the year.
- h. This loan is secured by the Group's land use rights and inventories with carrying value of VND52,534,494,614. The loan bore interest at rates ranging from 5.2% to 6.5% per annum during the year.
- i. This loan, denominated in USD, is secured by the Group's accounts receivable and inventories with carrying value of VND670,730,908,552 (2008: VND759,044,902,513). The loan bore interest at 5% (2008: 7.9% to 8.5%) per annum during the year.
- j. This loan is secured by the Group's accounts receivable and inventories with carrying value of VND860,395,121,680. The loan bore interest ranging from 6.5% to 10.5% per annum during the year.
- k. This loan is secured by the Group's land use rights and inventories with carrying value of VND71,247,275,000. The loan bore interest at 6.5% per annum during the year.
- l. This loan is secured by the Group's land use rights and inventories with carrying value of VND11,073,906,308. The loan bore interest at 6.5 % per annum during the year.

The same assets were used as security for more than one loan from the same bank.

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

**16. Taxes payable to State Treasury**

	<b>30/9/2009</b>	<b>30/9/2008</b>
	<b>VND</b>	<b>VND</b>
Value added tax	12,752,096,909	6,436,965,597
Corporate income tax	6,893,404,114	1,222,384,151
Import tax	225,995,754	28,864,736
Personal income tax	246,327,003	213,432,065
	<hr/>	<hr/>
	20,117,823,780	7,901,646,549
	<hr/>	<hr/>

**17. Accrued expenses**

	<b>30/9/2009</b>	<b>30/9/2008</b>
	<b>VND</b>	<b>VND</b>
13 <sup>th</sup> month salary	2,712,961,000	1,886,566,398
Construction in progress	8,546,829,336	1,639,578,570
Audit fee	604,560,000	594,612,000
Electricity expense	673,988,932	285,823,471
Board of Directors fees	-	59,000,000
Others	1,849,103,882	157,402,212
	<hr/>	<hr/>
	14,387,443,150	4,622,982,651
	<hr/>	<hr/>

**18. Other payables**

	<b>30/9/2009</b>	<b>30/9/2008</b>
	<b>VND</b>	<b>VND</b>
Union fees	67,154,000	49,562,400
Social insurance	243,192,600	235,740,500
Health insurance	899,000	10,500
Short-term deposits	1,752,240,000	2,180,700,000
Dividends payable	58,875,100,000	58,168,078,000
Others	423,492,825	645,477,282
	<hr/>	<hr/>
	61,362,078,425	61,279,568,682
	<hr/>	<hr/>

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

**19. Long term borrowings and liabilities**

	30/9/2009 VND	30/9/2008 VND
Long-term borrowings		
Loan 1 from Vietnam Bank for Agriculture and Rural Development (a)	23,360,000,000	33,680,000,000
Loan 2 from Vietnam Bank for Agriculture and Rural Development (b)	47,574,800,000	63,590,450,000
Loan 3 from Vietnam Bank for Agriculture and Rural Development (c)	9,275,000,000	12,755,000,000
Loan 4 from Vietnam Bank for Agriculture and Rural Development (d)	9,312,000,000	12,432,000,000
Loan 5 from Vietnam Bank for Agriculture and Rural Development (e)	2,944,000,000	-
Loan 6 from Vietnam Bank for Agriculture and Rural Development (f)	54,494,000,000	-
Loan 7 from Vietnam Bank for Agriculture and Rural Development (g)	579,930,000	-
Loan 8 from Vietnam Bank for Agriculture and Rural Development (h)	38,841,516,000	-
Loan 9 from The Bank for Foreign Trade of Vietnam (i)	5,105,183,824	4,855,998,000
Loan 10 from The Bank for Foreign Trade of Vietnam (j)	2,990,000,000	-
Loan 11 from The Bank for Foreign Trade of Vietnam	-	4,160,000,000
Loan 12 from The Vietnam Development Bank	-	7,763,514,491
Loan 13 from The Vietnam Development Bank (k)	120,178,863,695	130,238,023,271
Loan 14 from The Vietnam Development Bank (l)	63,760,000,000	74,380,000,000
Loan 15 from The Vietnam Development Bank (m)	14,400,000,000	18,000,000,000
	<hr/> 392,815,293,519	<hr/> 361,854,985,762
Finance lease liabilities (n)	9,656,142,856	-
	<hr/> 402,471,436,375	<hr/> 361,854,985,762
Repayable within twelve months	(67,028,198,672)	(56,772,829,970)
	<hr/> 335,443,237,703	<hr/> 305,082,155,792
Repayable after twelve months		

- a. This loan is secured by the Group's land use rights and buildings with carrying value of VND21,796,256,524 (2008: VND22,555,336,204) and shareholders' assets with value of VND13,049,045,236 (2008: VND13,049,045,236). The loan bore interest at rates ranging from 10.5% to 15% (2008: 12% to 21%) per annum during the year. The remaining balance at 30 September 2009 is repayable in 26 equal monthly instalments amounting to VND860,000,000 each and a final instalment of VND1,000,000,000.

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

- b. This loan, denominated in USD, is secured by the Group's tangible fixed assets with carrying value of VND111,469,227,314 (2008: VND128,625,434,414). The loan bore interest at rates ranging from 5.7% to 6.8% (2008: from 7.35% to 9.6%) per annum during the year and the remaining balance at 30 September 2009 is repayable in 32 equal monthly instalments amounting to VND1,486,712,500 each.
- c. This loan is secured by the Group's land use rights and buildings with carrying value of VND26,637,744,322 (2008: VND27,545,883,253). The loan bore interest at rates ranging from 10.5% to 15% (2008: from 12% to 21%) per annum during the year. The remaining balance at 30 September 2009 is repayable in 31 equal monthly instalments amounting to VND290,000,000 each and a final instalment of VND285,000,000.
- d. This loan is secured by the Group's land use rights and tangible fixed assets with carrying value of VND172,480,560,743 (2008: VND198,479,889,528) and shareholders' assets with value of VND244,616,200,000 (2008: VND257,010,600,000). The loan bore interest at rates ranging from 6.5% to 12.6% (2008: from 12% to 21%) per annum during the year. The remaining balance at 30 September 2009 is repayable in 35 equal monthly instalments amounting to VND260,000,000 each and a final instalment of VND212,000,000.
- e. This loan is secured by shareholders' assets with value of VND244,616,200,000. The loan bore interest at rates ranging from 6.5% to 10.5% per annum during the year. At 30 September 2009 the payment schedule was not determined.
- f. This loan is secured by the Group's land use rights, tangible fixed assets and inventories with carrying value of VND642,890,832,569 and shareholders' assets with value of VND244,616,200,000. The loan bore interest at rates ranging from 6.5% to 10.5% per annum during the year. At 30 September 2009 the payment schedule was not determined.
- g. This loan is secured by the Group's land user right, tangible fixed assets and inventories with carrying value of VND186,153,742,359 and shareholders' assets with value of VND243,026,200,000. The loan bore interest at rates ranging from 5.5% per annum during the year. At 30 September 2009 the payment schedule was not determined.
- h. This loan, denominated in USD, is secured by the Group's land use rights, tangible fixed assets and inventories with carrying value of VND642,890,832,569. The loan bore interest at rates ranging from 6.5% to 10.5% per annum during the year. At 30 September 2009 the payment schedule was not determined.
- i. This loan, denominated in USD, is secured by the Group's tangible fixed assets with carrying value of VND20,411,965,559 (2008: VND22,799,500,000). The loan bore interest at 5.5% (2008: 9.2%) per annum during the year. The remaining balance at 30 September 2009 is repayable in 16 equal quarterly instalments amounting to VND319,073,989 each.
- j. This loan is secured by the Group's tangible fixed assets with carrying value of VND20,411,965,559. The loan bore interest at 10.5% per annum during the year. The remaining balance at 30 September 2009 is repayable in 16 equal quarterly instalments amounting to VND186,875,000 each.

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

- k. This loan, denominated in USD, is secured by the Group's tangible fixed assets and land use rights with carrying value of VND299,969,634,464 (2008: VND332,749,433,512). The loan bore interest at 1.7% (2008: 1.7%) per annum during the year. The remaining balance at 30 September 2009 is repayable in 34 equal quarterly instalments amounting to VND3,449,173,000 each and a final instalment of VND2,906,981,695.
- l. This loan is secured by the Group's tangible fixed assets with carrying value of VND18,396,454,160 (2008: VND21,234,895,040). The loan bore interest at 7.8% (2008: 7.8%) per annum during the year. The remaining balance at 30 September 2009 is repayable in 71 equal monthly instalments amounting to VND885,000,000 each and a final instalment of VND925,000,000.
- m. This loan is secured by the Group's tangible fixed assets and land use rights with carrying value of VND299,969,634,464 (2008: VND332,749,533,512). The loan bore interest at 8.4% (2008: 8.4%) per annum during the year. The remaining balance at 30 September 2009 is repayable in 48 equal monthly instalments amounting to VND300,000,000 each.
- n. The future minimum lease payments under non-cancellable finance leases were:

	<b>30/9/2009</b>		
	<b>VND</b>		
	<b>Payments</b>	<b>Interest</b>	<b>Principal</b>
Within one year	3,311,755,247	897,719,531	2,414,035,716
Within two to five years	8,414,423,232	1,172,316,092	7,242,107,140
	<hr/> 11,726,178,479	<hr/> 2,070,035,623	<hr/> 9,656,142,856 <hr/>

## **20. Provision for severance allowance**

Movements of provision for severance allowance during the year as follows:

	<b>VND</b>
Opening balance	1,331,711,300
Provision made during the year	566,244,600
Provision used during the year	(134,408,800)
	<hr/>
Closing balance	1,763,547,100 <hr/>

Under the Vietnamese Labour Code, when employees who have worked for 12 months or more ("eligible employees") voluntarily terminates his/her labour contract, the employer is required to pay the eligible employees severance allowance calculated based on years of service and employees' compensation at termination. Provision for severance allowance has been provided based on employees' years of service and their current salary level.

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

Pursuant to Law on Social Insurance, effective from 1 January 2009, the Group and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. The contribution to be paid by each party is calculated at 1% of the lower of the employees' basic salary and 20 times the general minimum salary level as specified by the Government from time to time. With the implementation of the unemployment insurance scheme, the Group is no longer required to provide severance allowance for the service period after 1 January 2009. However, severance allowance to be paid to existing eligible employees as of 31 December 2008 will be determined based on the eligible employees' years of service as of 31 December 2008 and their average salary for the six-month period prior to the termination date.

## 21. Share capital

The Company's authorised and issued share capital are:

	30/9/2009		30/9/2008	
	Number of shares	VND	Number of shares	VND
Authorised and issued share capital	57,038,500	570,385,000,000	57,038,500	570,385,000,000
Treasury shares	(20,000)	(572,000,000)	(20,000)	(572,000,000)
	57,018,500	569,813,000,000	57,018,500	569,813,000,000

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

Movements in share capital during the year/period were as follows:

	Year ended 30/9/2009		Period from 1/1/2008 to 30/9/2008	
	Number of shares	VND	Number of shares	VND
Balance at the beginning of the year/period	57,018,500	569,813,000,000	57,038,500	570,385,000,000
Treasury shares purchased during the year/period	-	-	(20,000)	(572,000,000)
Balance at the beginning of the year/period	57,018,500	569,813,000,000	57,018,500	569,813,000,000

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
(continued)

**22. Differences upon asset revaluation**

This balance represented the revaluation of land use rights before the land use rights were used as a capital contribution to Hoa Sen Steel One Member Group Limited, a subsidiary.

**23. Bonus and welfare fund**

The fund is established by appropriating from retained profits at the discretion of shareholders at shareholder's meetings. The fund is used to pay bonus and welfare to the Group's employees in accordance with the Group's bonus and welfare policies.

**24. Total revenue**

Total revenue represents the gross invoiced value of goods sold exclusive of value added tax.

Net sales comprised:

	<b>Year ended 30/9/2009 VND</b>	<b>Period from 1/1/2008 to 30/9/2008 VND</b>
Total revenue		
▪ Finished goods sold	2,575,550,229,312	1,814,587,513,562
▪ Merchandise goods sold	260,106,765,803	244,751,971,266
▪ Services	729,680,473	-
	<hr/> 2,836,386,675,588	<hr/> 2,059,339,484,828
Less sales deductions		
▪ Sales allowances	(95,793,360)	(76,447,197)
▪ Sales returns	(4,392,659,879)	(4,136,884,488)
▪ Sales discount	(478,956,348)	(80,833,355)
	<hr/> (4,967,409,587)	<hr/> (4,294,165,040)
Net sales	<hr/> 2,831,419,266,001	<hr/> 2,055,045,319,788

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

**25. Cost of sales**

	<b>Year ended 30/9/2009 VND</b>	<b>Period from 1/1/2008 to 30/9/2008 VND</b>
Finished goods sold	2,130,064,029,466	1,334,289,211,605
Merchandise goods sold	195,107,829,678	168,403,581,633
Allowance for inventories	(49,072,223,535)	50,822,646,169
	<b>2,276,099,635,609</b>	<b>1,553,515,439,407</b>

**26. Financial income**

	<b>Year ended 30/9/2009 VND</b>	<b>Period from 1/1/2008 to 30/9/2008 VND</b>
Interest income from banks	987,618,445	340,063,481
Foreign exchange gains	13,239,716,483	5,765,296,917
Others	-	210,890,946
	<b>14,227,334,928</b>	<b>6,316,251,344</b>

**27. Financial expenses**

	<b>Year ended 30/9/2009 VND</b>	<b>Period from 1/1/2008 to 30/9/2008 VND</b>
Interest expenses payable to banks	80,339,426,368	79,692,457,142
Foreign exchange losses	86,063,605,755	35,880,823,343
	<b>166,403,032,123</b>	<b>115,573,280,485</b>



**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

**28. Other income**

	<b>Year ended 30/9/2009 VND</b>	<b>Period from 1/1/2008 to 30/9/2008 VND</b>
Sales of scraps	7,367,363,876	3,319,489,849
Gains on disposals of tangible and intangible fixed assets	579,130,131	4,374,364,713
Gains from physical stock count	2,304,793,492	2,522,658,366
Others	3,835,865,140	1,899,813,614
	<hr/> 14,087,152,639	<hr/> 12,116,326,542 <hr/>

**29. Other expenses**

	<b>Year ended 30/9/2009 VND</b>	<b>Period from 1/1/2008 to 30/9/2008 VND</b>
Loss on disposals of tangible and intangible fixed assets	1,052,472,999	1,313,470,657
Sponsorship and charity	-	3,631,552,246
Interest expenses	-	126,000,000
Electricity expense	-	1,262,984,500
Bonus	-	1,733,908,000
Welfare expenses	-	385,690,108
Board of Directors fees	-	234,000,000
Others	1,330,578,289	6,705,302,060
	<hr/> 2,383,051,288	<hr/> 15,392,907,571 <hr/>

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

**30. Income tax**

**(a) Recognised in the statement of income**

	<b>Year ended 30/9/2009 VND</b>	<b>Period from 1/1/2008 to 30/9/2008 VND</b>
<b>Current tax expense</b>		
Current year	7,351,204,479	16,887,313,122
Under provision in prior year	-	928,784,269
	<hr/> 7,351,204,479	<hr/> 17,816,097,391
<b>Deferred tax expense/(benefit)</b>		
Origination and reversal of temporary differences	3,587,013,424	(3,758,570,283)
	<hr/> 10,938,217,903	<hr/> 14,057,527,108

**(b) Reconciliation of effective tax rate**

	<b>Year ended 30/9/2009 VND</b>	<b>Period from 1/1/2008 to 30/9/2008 VND</b>
Profit before tax	200,389,619,235	212,428,946,713
Tax at the Company's tax rate	30,058,442,884	31,864,342,007
Non-deductible expenses	638,761,501	2,160,019,431
Tax losses utilised	-	(3,179,817,215)
Deferred tax assets not recognised in subsidiary	222,945,008	983,686,693
Effect of previously unrecognised temporary differences, for which deferred tax effects are now recognised	-	(111,588,434)
Effect of tax rate reduction (incentive)	(10,373,791,358)	(21,410,941,107)
Effect of higher tax rate in subsidiary	215,904,135	1,537,728,971
Correction of tax rate in computation of deferred tax	-	1,285,312,493
Effect of tax holiday in subsidiaries	(9,824,044,268)	-
Under provision in prior year	-	928,784,269
	<hr/> 10,938,217,903	<hr/> 14,057,527,108

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

Deferred tax assets have not been recognised in subsidiary because it is not probable that future taxable profit in subsidiary will be available against which the subsidiary can utilise the benefits therefrom.

**(c) Deferred tax assets**

Deferred tax assets are attributable to the following:

	30/9/2009 VND	30/9/2008 VND
Unrealised profits on internal sales	1,220,148,747	2,183,928,064
Allowances and provisions	274,761,898	3,395,435,576
Unrealised foreign exchange differences	815,800,061	456,355,886
Unearned revenue	165,389,007	-
Others	-	27,393,611
	2,476,099,713	6,063,113,137

**(d) Applicable tax rates**

***Hoa Sen Group Corporation***

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

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

***Hoa Sen Building Materials Company Limited***

Under the terms of its Investment Licence Hoa Sen Building Materials Company Limited has an obligation to pay the government income tax at the rate of 15% of taxable profits for the first 12 years starting from the first year of operation and 28% for the succeeding years. The provisions of Hoa Sen Building Materials Company Limited's Investment Licence allow Hoa Sen Building Materials Company Limited to be exempt from income tax for three years from the year it generates taxable profit (2007), and receive a 50% reduction in income tax for the seven succeeding years.

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

***Hoa Sen Steel One Member Company Limited***

Under the terms of its Investment Licence Hoa Sen Steel One Member Company Limited has an obligation to pay the government income tax at the rate of 15% of taxable profits for the first 12 years starting from the first year of operation, and 25% for the succeeding years. However, the provisions of Hoa Sen Steel One Member Company Limited's Investment Licence allow Hoa Sen Steel One Member Company Limited to be exempt from income tax for 3 years starting from the first year it generates a taxable profit (2007), and entitled to a 50% reduction in income tax for the 7 succeeding years.

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

***Hoa Sen Transportation and Mechanical Engineering One Member Company Limited***

Under the terms of its Business Licence Hoa Sen Transportation and Mechanical Engineering One Member Company Limited has an obligation to pay the government income tax at the rate of 25% of taxable profits.

**31. Earning per share**

The calculation of basic earnings per share at 30 September 2009 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

**(i) Net profit attributable to ordinary shareholders**

	<b>Year ended 30/9/2009 VND</b>	<b>Period from 1/1/2008 to 30/9/2008 VND</b>
Net profit attributable to ordinary shareholders	189,451,401,332	198,371,419,605

**(ii) Weighted average number of ordinary shares**

	<b>Year ended 30/9/2009 VND</b>	<b>Period from 1/1/2008 to 30/9/2008 VND</b>
Issued ordinary shares at the beginning of the period/year	57,018,500	57,038,500
Effect of treasury shares during the period	-	(6,011)
Weighted average number of ordinary shares as at 30 September 2009	57,018,500	57,032,489

As of 30 September 2009, the Group does not have potentially dilutive ordinary shares.

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

**32. Dividends**

The General Meeting of Board of Management of the Group on 14 September 2009 resolved to distribute dividends amounting to VND57,018 million (10% of par value of shares in circulation at 11 September 2009, which is the ex-dividend date).

**33. Significant transactions with related parties**

**Identity of related parties**

The Group has related parties' relationship with its shareholders, directors and executive officers.

<b>Subsidiaries Name</b>	<b>Principal activity</b>	<b>Investment licence</b>	<b>% of ownership</b>
Hoa Sen Steel One Member Company Limited	Manufacture and trade in cold rolled steel products	Business Registration Certificate No 4603000282 and No. 4604000225 issued by Department of Planning and Investment of Binh Duong on 9 November 2006 and 24 December 2007, respectively.	100%
Hoa Sen Building Materials Company Limited	Manufacture and trade in plastic building materials and steel pipe products	Business Registration Certificate No. 4903000343 and No 4904000228 issued by	100%
Hoa Sen Transportation and Mechanical Engineering One Member Company Limited (former known as Hoa Sen Engineering and Construction One Member Company Limited)	Provide engineering, civil and industrial construction projects; transportation service; produce and process rolling mill, cutter and industrial machine, equipment	Business Registration Certificate No. 4603000325, No. 4604000224 and No. 3700785528 issued by the Department of Planning and Investment of Binh Duong Province on 26 March 2007, 24 December 2007 and 18 March 2009, respectively	100%

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

**Significant transactions with key management personnel and shareholders:**

<b>Related Party</b>	<b>Relationship</b>	<b>Nature of transaction</b>	<b>Year ended 30/9/2009 VND</b>	<b>Period from 1/1/2008 to 30/9/2008 VND</b>
Le Phuoc Vu	Chairman and General Director	Prepayment for purchase of land use rights	-	9,000,000,000
Hoang Duc Huy	Deputy General Director	Prepayment for purchase of land use rights	21,353,612,000	39,367,390,000
Lai Thi Lan	Shareholder	Loan to the Group	-	35,000,000,000
Tran Hoang Trang	Shareholder	Loan to the Group	-	5,000,000,000
Vo Thi Hong Yen	Shareholder	Loan to the Group	-	15,000,000,000
Hoang Duc Dung	Shareholder	Loan to the Group	-	1,500,000,000
Board of Directors		Board of Directors fee	708,000,000	353,000,000
Directors and executive officers		Remunerations to directors and executive officers	1,921,600,000	2,533,367,000

### **34. Commitments**

#### **(a) Capital expenditure**

As at 30 September 2009 the Group had the following outstanding capital commitments approved but not provided for in the balance sheet:

	<b>30/9/2009 VND</b>	<b>30/9/2008 VND</b>
Approved but not contracted	322,049,155,252	2,351,652,649,609
Approved and contracted	3,288,239,333,712	4,337,006,824
	<b>3,610,288,488,964</b>	<b>2,355,989,656,433</b>

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the year ended 30 September 2009**  
**(continued)**

**(b) Leases**

The future minimum lease payments under non-cancellable operating leases were:



	<b>30/9/2009</b>	<b>30/9/2008</b>
	<b>VND</b>	<b>VND</b>
Within one year	8,982,904,746	5,391,452,909
Within two to five years	34,094,791,329	38,628,800,944
More than five years	215,712,935,153	211,883,716,943
	<hr/>	<hr/>
	258,790,631,228	255,903,970,796
	<hr/>	<hr/>

**35. Production and business costs by element**


	<b>Year ended</b>	<b>Period from</b>
	<b>30/9/2009</b>	<b>1/1/2008 to</b>
	<b>VND</b>	<b>30/9/2008</b>
	<b>VND</b>	<b>VND</b>
Raw material costs included in production costs	3,348,028,087,500	2,896,219,437,275
Labour costs and staff costs	98,742,282,815	80,434,522,152
Depreciation and amortisation	111,151,725,882	66,300,660,234
Outside services	150,300,723,830	99,874,779,874
Other expenses	36,563,905,153	93,291,221,034
	<hr/>	<hr/>

**36. Corresponding figures**

The prior period corresponding balances are for the period from 1 January 2008 to 30 September 2008, the corresponding balances of the statements of income, cash flows and certain notes are not entirely comparable.

Prepared by:  Approved by: 

Nguyen Thi Ngoc Lan  
Chief Accountant



Le Phuoc Vu  
General Director

10 December 2009

