



**Hoa Sen Group Corporation and its  
subsidiaries**

Consolidated Financial Statements for the  
nine month period ended 30 September 2008

**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
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  
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The Socialist Republic of Vietnam

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## 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 2008 and the related consolidated statements of income, changes in equity and cash flows for the nine month period then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Group for the year ended 31 December 2007 were audited by another firm of auditors whose report dated 18 January 2008 expressed an unqualified opinion on the consolidated financial statements.

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 2008 and the results of their operations and their cash flows for the nine month period 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: 08-01-157



*Chong Kwang Puay*

CPA No. N0864/KTV

Deputy General Director

*Nguyen Thanh Nghi*

Nguyen Thanh Nghi

CPA No. 0304/KTV

Ho Chi Minh City, 08 DEC 2008



**Hoa Sen Group Corporation and its subsidiaries**  
**Consolidated balance sheet at 30 September 2008**

	Code	Note	30/9/2008 VND	31/12/2007 VND
<b>ASSETS</b>				
<b>Current assets</b>	<b>100</b>		<b>1,120,029,974,959</b>	<b>834,662,215,143</b>
Cash	110	3	16,095,354,155	23,523,461,371
<b>Accounts receivable</b>	<b>130</b>	<b>4</b>	<b>174,219,737,489</b>	<b>224,862,661,705</b>
Accounts receivable - trade	131		94,025,544,106	113,905,205,155
Prepayments to suppliers	132		83,084,471,924	92,970,125,406
Other receivables	135		218,662,545	18,731,254,038
Allowance for doubtful debts	139		(3,108,941,086)	(743,922,894)
<b>Inventories</b>	<b>140</b>	<b>5</b>	<b>883,587,071,270</b>	<b>518,086,156,372</b>
Inventories	141		934,409,717,439	518,086,156,372
Allowance for inventories	149		(50,822,646,169)	-
<b>Other current assets</b>	<b>150</b>		<b>46,127,812,045</b>	<b>68,189,935,695</b>
Short-term prepayments	151		11,499,836,777	28,611,597,219
Deductible value added tax	152		18,500,820,676	20,015,574,058
Taxes receivable from State Treasury	154		23,953,448	3,589,524
Other current assets	158		16,103,201,144	19,559,174,894
<b>Long-term assets</b>	<b>200</b>		<b>1,040,030,223,196</b>	<b>863,705,946,151</b>
<b>Fixed assets</b>	<b>220</b>		<b>981,876,332,709</b>	<b>824,828,357,450</b>
Tangible fixed assets	221	6	791,639,156,306	529,470,719,106
Cost	222		919,280,441,122	599,736,042,534
Accumulated depreciation	223		(127,641,284,816)	(70,265,323,428)
Intangible fixed assets	227	7	160,962,435,514	115,488,384,583
Cost	228		164,823,046,993	117,920,127,669
Accumulated amortisation	229		(3,860,611,479)	(2,431,743,086)
Construction in progress	230	8	29,274,740,889	179,869,253,761
<b>Long-term investments</b>	<b>250</b>	<b>9</b>	<b>42,704,360,958</b>	<b>25,941,826,958</b>
Investments in associates	252		27,704,360,958	10,941,826,958
Other long-term investments	258		15,000,000,000	15,000,000,000
<b>Other long-term assets</b>	<b>260</b>		<b>15,449,529,529</b>	<b>12,935,761,743</b>
Long-term prepayments	261	10	9,386,416,392	10,631,218,889
Deferred tax assets	262	26	6,063,113,137	2,304,542,854
<b>TOTAL ASSETS</b>	<b>270</b>		<b>2,160,060,198,155</b>	<b>1,698,368,161,294</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 2008 (continued)**

	Code	Note	30/9/2008 VND	31/12/2007 VND
<b>RESOURCES</b>				
<b>LIABILITIES</b>	<b>300</b>		<b>1,343,670,649,120</b>	<b>975,013,415,195</b>
<b>Current liabilities</b>	<b>310</b>		<b>1,037,256,782,028</b>	<b>639,245,789,807</b>
Short-term borrowings	311	11	805,297,322,000	472,332,231,027
Accounts payable – trade	312		142,845,940,822	84,830,959,702
Advances from customers	313		6,939,258,378	11,218,371,999
Taxes payable to State Treasury	314	12	7,901,646,549	32,258,996,837
Payables to employees	315		8,370,062,946	7,015,722,404
Accrued expenses	316	13	4,622,982,651	784,880,000
Other payables	319	14	61,279,568,682	30,804,627,838
<b>Long-term liabilities</b>	<b>330</b>		<b>306,413,867,092</b>	<b>335,767,625,388</b>
Long-term borrowings	334	15	305,082,155,792	335,470,867,888
Provision for severance allowance	336	16	1,331,711,300	296,757,500
<b>EQUITY</b>	<b>400</b>		<b>816,389,549,035</b>	<b>723,354,746,099</b>
<b>Equity</b>	<b>410</b>		<b>816,389,549,035</b>	<b>723,354,746,099</b>
Share capital	411	17	570,385,000,000	570,385,000,000
Capital surplus	412	17	88,222,712,000	88,222,712,000
Treasury shares	414	17	(572,000,000)	-
Differences upon asset revaluation	415	18	21,447,090,156	21,447,090,156
Retained profits	420		133,239,647,898	43,299,943,943
Bonus and welfare fund	431	19	3,667,098,981	-
<b>TOTAL RESOURCES</b>	<b>440</b>		<b>2,160,060,198,155</b>	<b>1,698,368,161,294</b>

Prepared by:



Nguyen Thi Ngoc Lan  
Chief Accountant

Approved by:



Le Phuoc Vu  
General Director

08 DEC 2008

*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 nine month period ended 30 September 2008**

	Code	Note	Period from 1/1/2008 to 30/9/2008 VND	Year ended 31/12/2007 VND
Total revenue	01	20	2,059,339,484,828	2,022,057,549,712
Less sales deductions	02	20	(4,294,165,040)	(6,366,498,531)
Net sales	10		2,055,045,319,788	2,015,691,051,181
Cost of sales	11	21	(1,553,515,439,407)	(1,664,936,507,006)
Gross profit	20		501,529,880,381	350,754,544,175
Financial income	21	22	6,316,251,344	10,684,489,606
Financial expenses	22	23	(115,573,280,485)	(54,808,421,597)
Selling expenses	24		(92,576,417,108)	(64,494,272,767)
General and administration expenses	25		(83,990,906,390)	(70,842,743,879)
Net operating profit	30		215,705,527,742	171,293,595,538
Results of other activities	40			
Other income	31	24	12,116,326,542	225,507,455,072
Other expenses	32	25	(15,392,907,571)	(229,282,886,416)
Profit before tax	50		212,428,946,713	167,518,164,194
Corporate income tax – current	51	26	(17,816,097,391)	(16,395,308,664)
Corporate income tax – deferred	52	26	3,758,570,283	-
Net profit after tax	60		198,371,419,605	151,122,855,530
Earning per share				
Basic earning per share	70	27	3,478	4,253

Prepared by:

  
 Nguyen Thi Ngoc Lan  
 Chief Accountant

Approved by:

  
 Le Phuoc Vu  
 General Director

08 DEC 2008

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**Hoa Sen Group Corporation and its subsidiaries**  
**Consolidated statement of changes in equity for the nine month period ended 30 September 2008**

	Share capital VND	Capital surplus VND	Treasury shares VND	Differences upon asset revaluation VND	(Accumulated losses)/Retained profits VND	Bonus and welfare fund VND	Total VND
<b>Balance at 1 January 2007</b>	250,000,000,000	-	-	14,051,258,156	(6,035,193,390)	-	258,016,064,766
Shares issued	320,385,000,000	88,222,712,000	-	-	-	-	408,607,712,000
Net profit for the year	-	-	-	-	151,122,855,530	-	151,122,855,530
Dividends	-	-	-	-	(102,537,519,331)	-	(102,537,519,331)
Differences upon asset revaluation	-	-	-	7,395,832,000	-	-	7,395,832,000
Other increases	-	-	-	-	749,801,134	-	749,801,134
<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)
Appropriation 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 30 September 2008</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

Prepared by:



Nguyen Thi Ngoc Lan  
Chief Accountant

Approved by:



Le Phuoc Vu  
General Director

**08 DEC 2008**

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 nine month period ended 30 September 2008**

	Code	Note	Period from 1/1/2008 to 30/9/2008 VND	Year ended 31/12/2007 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Profit before tax</b>	<b>01</b>		<b>212,428,946,713</b>	<b>167,518,164,194</b>
<b>Adjustments for</b>				
Depreciation and amortisation	02		66,300,660,234	45,398,753,993
Allowances and provisions	03		55,280,487,055	743,922,894
(Profits)/losses from investing activities	04		(3,060,894,056)	3,354,770,593
Interest and dividend income	05		(340,063,481)	(1,470,235,687)
Interest expense	06		79,692,457,142	51,688,953,427
<b>Operating profit before changes in working capital</b>	<b>08</b>		<b>410,301,593,607</b>	<b>267,234,329,414</b>
Change in receivables and other current assets	09		69,620,060,228	(102,723,545,829)
Change in inventories	10		(416,323,561,067)	(135,724,570,393)
Change in payables and other liabilities	11		31,338,030,062	(22,372,173,525)
Change in prepayments	12		(3,620,406,197)	(7,754,610,503)
			<b>91,315,716,633</b>	<b>(1,340,570,836)</b>
Interest paid	13		(79,692,457,142)	(51,688,953,427)
Corporate income tax paid	14		(28,319,616,538)	(8,485,305,025)
Other payments for operating activities	16		(129,450,000)	(1,554,741,720)
<b>Net cash used in operating activities</b>	<b>20</b>		<b>(16,825,807,047)</b>	<b>(63,069,571,008)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for additions to fixed assets and other long-term assets	21		(225,906,378,637)	(637,755,731,816)
Proceeds from disposals of fixed assets and other long-term assets	22		11,109,756,802	365,015,034,624
Payments for investments in other entities	25		(16,762,534,000)	(25,941,826,958)
Receipts of interests and dividends	27		340,063,481	1,470,235,687
<b>Net cash used in investing activities</b>	<b>30</b>		<b>(231,219,092,354)</b>	<b>(297,212,288,463)</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 nine month period ended 30 September**  
**2008 (continued)**

	Code	Note	Period from 1/1/2008 to 30/9/2008 VND	Year ended 31/12/2007 VND
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from equity issued	31		-	150,100,000,000
Payments for shares returns and repurchases	32		(572,000,000)	-
Proceeds from short-term and long-term borrowings	33		1,656,922,644,973	1,997,242,808,248
Payments to settle debts	34		(1,354,346,266,096)	(1,717,460,617,737)
Payments of dividends	36		(61,387,586,692)	(87,617,021,308)
<b>Net cash generated from financing activities</b>	<b>40</b>		<b>240,616,792,185</b>	<b>342,265,169,203</b>
<b>Net cash flows during the period</b>	<b>50</b>		<b>(7,428,107,216)</b>	<b>(18,016,690,268)</b>
<b>Cash at the beginning of the period</b>	<b>60</b>		<b>23,523,461,371</b>	<b>41,540,151,639</b>
<b>Cash at the end of the period</b>	<b>70</b>	<b>3</b>	<b>16,095,354,155</b>	<b>23,523,461,371</b>

Prepared by:



Nguyen Thi Ngoc Lan  
Chief Accountant



Approved by:



Le Phuoc Vu  
General Director

08 DEC 2008

*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 nine month period ended 30**  
**September 2008**

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

**1. Principal activities**

Hoa Sen Group Corporation (the "Company") is a joint stock company incorporated in Vietnam. The consolidated financial statements of the Company for the nine month period ended 30 September 2008 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and jointly controlled entities. The principal activities of the Group are to manufacture and trade galvanised steel products, plastic building materials and to provide engineering and civil and industrial construction projects.

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

As at 30 September 2008 the Group had 2,026 employees (31 December 2007: 1,954 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 nine month period ended 30**  
**September 2008 (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**

During the period, the Group changed its fiscal year end from 31 December to 30 September. These consolidated financial statements were prepared for the period from 1 January to 30 September 2008. Succeeding fiscal year will be 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 nine month period ended 30**  
**September 2008 (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 nine month period ended 30**  
**September 2008 (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.

**(l) Trade and other payables**

Trade and other payables are stated at their cost.



**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

**(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.

**(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.



**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

**(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 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.

**(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.

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

**3. Cash**

	<b>30/9/2008</b>	<b>31/12/2007</b>
	<b>VND</b>	<b>VND</b>
Cash on hand	6,079,991,518	9,361,032,351
Cash in bank	9,913,956,637	14,121,849,084
Cash in transit	101,406,000	40,579,936
	<hr/>	<hr/>
	16,095,354,155	23,523,461,371
	<hr/>	<hr/>

Cash at 30 September 2008 included amounts denominated in currencies other than VND amounting to VND7,611,943,344 (31 December 2007: VND279,600,939).

**4. Accounts receivable**

Included in other receivables as at 31 December 2007 was an import tax payment made on behalf of Mr Le Phuoc Vu, the General Director, of VND15,295,068,348.

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

	<b>Period</b>	<b>Year ended</b>
	<b>from 1/1/2008</b>	<b>31/12/2007</b>
	<b>to 30/9/2008</b>	<b>VND</b>
	<b>VND</b>	<b>VND</b>
Opening balance	743,922,894	-
Increase in allowance during the period	3,108,941,086	743,922,894
Written back	(743,922,894)	-
	<hr/>	<hr/>
Closing balance	3,108,941,086	743,922,894
	<hr/>	<hr/>

At 30 September 2008 accounts receivable with a carrying value of VND36,280,346,648 (31 December 2007: VND20,142,500,000) were pledged with banks as security for loans granted to the Group.



**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

**5. Inventories**

	<b>30/9/2008</b>	<b>31/12/2007</b>
	<b>VND</b>	<b>VND</b>
Goods in transit	85,496,988,072	3,142,278,599
Raw materials	153,126,767,560	287,768,176,835
Tools and supplies	59,534,065,978	34,335,403,572
Work in progress	24,262,477,054	7,001,194,565
Finished goods	562,088,392,229	175,040,818,752
Merchandise inventory	12,123,082,343	5,830,110,620
Goods on consignment	37,777,944,203	4,968,173,429
	<hr/>	<hr/>
	934,409,717,439	518,086,156,372
Allowance for inventories	(50,822,646,169)	-
	<hr/>	<hr/>
	883,587,071,270	518,086,156,372
	<hr/>	<hr/>

Movements in the allowance for inventories represented the amount provided during the period.

At 30 September 2008 inventories with a carrying value of VND760,864,465,874 (31 December 2007: VND454,033,368,791) were pledged with banks as security for loans granted to the Group.

Included in raw materials and finished goods at 30 September 2008 was VND314,769,857,239 (31 December 2007: Nil) of inventories carried at net realisable value.

Hoa Sen Group Corporation and its subsidiaries  
Notes to the consolidated financial statements for the nine month period ended 30 September 2008 (continued)

6. Tangible fixed assets

	Buildings VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Other tangible fixed assets VND	Total VND
<b>Cost</b>						
Opening balance	137,033,092,473	418,686,976,553	41,456,558,136	2,008,207,944	551,207,428	599,736,042,534
Reclassification	-	13,322,936,616	(13,322,936,616)	-	-	-
Additions	758,090,000	39,222,554,459	5,136,827,265	525,184,782	199,523,125	45,842,179,631
Transfers from construction in progress	88,200,531,627	187,332,311,542	7,777,837,922	-	43,572,371	283,354,253,462
Disposals	(700,000,000)	(8,267,620,356)	-	-	-	(8,967,620,356)
Written off	-	(670,505,058)	(13,909,091)	-	-	(684,414,149)
Closing balance	225,291,714,100	649,626,653,756	41,034,377,616	2,533,392,726	794,302,924	919,280,441,122
<b>Accumulated depreciation</b>						
Opening balance	7,723,884,353	54,946,063,795	6,907,477,960	493,510,057	194,387,263	70,265,323,428
Reclassification	-	999,197,497	(999,197,497)	-	-	-
Charge for the period	8,333,126,946	47,945,755,528	3,299,096,940	322,629,075	105,974,658	60,006,583,147
Disposals	(72,446,245)	(2,348,575,730)	-	-	-	(2,421,021,975)
Written off	-	(207,279,784)	(2,320,000)	-	-	(209,599,784)
Closing balance	15,984,565,054	101,335,161,306	9,205,057,403	816,139,132	300,361,921	127,641,284,816
<b>Net book value</b>						
Closing balance	209,307,149,046	548,291,492,450	31,829,320,213	1,717,253,594	493,941,003	791,639,156,306
Opening balance	129,309,208,120	363,740,912,758	34,549,080,176	1,514,697,887	356,820,165	529,470,719,106



**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

Included in the cost of tangible fixed assets were assets costing VND404,152,638 which were fully amortised as of 30 September 2008 (31 December 2007: VND72,771,217), but which are still in use.

At 30 September 2008 tangible fixed assets with a carrying value of VND465,511,507,130 (31 December 2007: VND346,468,825,913) were pledged with banks as security for loans granted to the Group.

**7. Intangible fixed assets**

	<b>Land use rights VND</b>	<b>Software VND</b>	<b>Total VND</b>
<b>Cost</b>			
Opening balance	117,502,062,479	418,065,190	117,920,127,669
Additions	47,753,296,324	177,073,000	47,930,369,324
Written off	(1,027,450,000)	-	(1,027,450,000)
Closing balance	164,227,908,803	595,138,190	164,823,046,993
<b>Accumulated amortisation</b>			
Opening balance	2,264,190,986	167,552,100	2,431,743,086
Charge for the period	1,337,153,439	91,714,954	1,428,868,393
Closing balance	3,601,344,425	259,267,054	3,860,611,479
<b>Net book value</b>			
Closing balance	160,626,564,378	335,871,136	160,962,435,514
Opening balance	115,237,871,493	250,513,090	115,488,384,583

At 30 September 2008 land use rights with a carrying value of VND47,368,271,912 (31 December 2007: VND61,846,200,000) were pledged with banks as security for loans granted to the Group.

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

**8. Construction in progress**

	<b>30/9/2008</b> <b>VND</b>	<b>31/12/2007</b> <b>VND</b>
Opening balance	179,869,253,761	212,225,393,276
Additions during the period	132,759,740,590	341,689,960,761
Transfers to tangible fixed assets	(283,354,253,462)	(374,046,100,276)
	<hr/>	<hr/>
Closing balance	29,274,740,889	179,869,253,761

At 30 September 2008 there was no construction in progress pledged with banks as security for loans granted to the Group (31 December 2007: VND73,768,800,000).

During the period, borrowing costs capitalised into construction in progress amounted to VND1,106,568,800 (31 December 2007: VND6,187,190,911).

**9. Investments**

	<b>30/9/2008</b> <b>VND</b>	<b>31/12/2007</b> <b>VND</b>
Investment in associate	27,704,360,958	10,941,826,958
Other long term investments	15,000,000,000	15,000,000,000
	<hr/>	<hr/>
	42,704,360,958	25,941,826,958



**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

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

Name	Principal activity	Business Registration Certificate	% of ownership	Amount	
				30/9/2008 VND	31/12/2007 VND
<b>Associate</b>					
Hoa Sen – Gemadep 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%	27,704,360,958	10,941,826,958
<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
				42,704,360,958	25,941,826,958

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

As at 30 September 2008, the associate has not started any activities and has not recognised any profits or losses. The carrying amount of investment in the associate was equal its cost.

**10. Long-term prepayments**

	Pre-operating expenses VND	Advertising expense VND	Tools and supplies VND	Total VND
Opening balance	3,012,460,960	248,085,635	7,370,672,294	10,631,218,889
Additions	-	820,447,732	2,799,958,465	3,620,406,197
Amortisation for the period	(833,828,391)	(225,927,424)	(3,805,452,879)	(4,865,208,694)
Closing balance	2,178,632,569	842,605,943	6,365,177,880	9,386,416,392

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

**11. Short-term borrowings**

	30/9/2008 VND	31/12/2007 VND
Short-term borrowings		
Loan 1 from Vietnam Bank for Agriculture and Rural Development (a)	295,123,393,078	225,675,442,020
Loan 2 from Vietnam Bank for Agriculture and Rural Development	-	52,700,000,000
Loan 3 from The Bank for Foreign Trade of Vietnam	-	69,284,560,100
Loan 4 from The Bank for Foreign Trade of Vietnam (b)	64,020,833,469	-
Loan 5 from The Bank for Foreign Trade of Vietnam (c)	125,958,000,000	9,729,000,000
Loan 6 from The Bank for Foreign Trade of Vietnam (d)	47,000,000,000	24,468,154,800
Loan 7 from Vietnam Bank for Industry and Trade	-	22,557,182,900
Loan 8 from Vietnam Bank for Industry and Trade (e)	20,480,000,000	-
Loan 9 from The Hongkong and Shanghai Banking Corporation (f)	36,280,346,648	20,000,000,000
Loan 10 from Far East National Bank (g)	83,761,918,835	-
Loan 11 from The Vietnam Development Bank (h)	19,400,000,000	-
Mr. Hoang Duc Huy	-	25,700,000,000
Mr. Hoang Duc Dung (i)	1,500,000,000	-
Ms. Tran Hoang Trang (i)	5,000,000,000	-
Ms. Vo Thi Hong Yen (i)	15,000,000,000	-
Ms. Lai Thi Lan (i)	35,000,000,000	-
	<hr/>	<hr/>
	748,524,492,030	450,114,339,820
Current portion of long-term borrowings	56,772,829,970	22,217,891,207
	<hr/>	<hr/>
	805,297,322,000	472,332,231,027

- a. This loan is secured by the Group's land use rights, tangible fixed assets and inventories with carrying value at 30 September 2008 of VND750,395,992,282 (31 December 2007: VND315,343,932,485) and shareholders' assets with value of VND253,293,600,000 (31 December 2007: VND253,293,600,000). The loan bore interest at rates ranging from 8% to 8.5% (2007: 6.7%) per annum during the period.
- b. This loan is secured by the Group's land use rights and inventories with carrying value at 30 September 2008 of VND252,555,308,000. The loan bore interest at rate ranging from 9% to 10% per annum during the period.



**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

- c. This loan is secured by the Group's land use rights and inventories with carrying value at 30 September 2008 of VND252,555,308,000 (31 December 2007: VND252,555,308,000). The loan bore interest at rates ranging from 15.60% to 17.76% (2007: from 10.2% to 15.6%) per annum during the period.
- d. This loan is secured by the Group's inventories with carrying value of VND120,143,615,000 (31 December 2007: VND62,110,638,000) and bore interest at rates ranging from 10.32% to 21% (2007: 10.32% to 10.80%) per annum during the period.
- e. This loan is secured by the Group's land use rights, accounts receivable and inventories with carrying value at 30 September 2008 of VND101,509,657,853 (31 December 2007: VND76,541,500,000) pledged with the lender. The loan bore interest at rates ranging from 15.60% to 21% (2007: 8.5%) per annum during the period.
- f. This loan is secured by the Group's land use rights and tangible fixed assets with carrying value at 30 September 2008 of VND25,531,212,063. The loan bore interest at 8.4% per annum during the period.
- g. This loan is unsecured and bore interest at rates ranging from 7.9% to 8.5% per annum during the period.
- h. This loan is secured by the Group's land use rights with carrying value at 30 September 2008 of VND5,524,859,493. The loan bore interest at 16.8% per annum during the period.
- i. These loans are unsecured and bore interest at 18% per annum during the period.

The assets used as security for the above loans are also used as security for other loans from the same bank.

**12. Taxes payable to State Treasury**

	<b>30/9/2008</b>	<b>31/12/2007</b>
	<b>VND</b>	<b>VND</b>
Value added tax	6,436,965,597	5,705,620,730
Corporate income tax	1,222,384,151	11,701,949,850
Import tax	28,864,736	14,660,920,292
Personal income tax	213,432,065	190,505,965
	<hr/>	<hr/>
	7,901,646,549	32,258,996,837
	<hr/>	<hr/>

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

**13. Accrued expenses**

	<b>30/9/2008</b>	<b>31/12/2007</b>
	<b>VND</b>	<b>VND</b>
13 <sup>th</sup> month salary	1,886,566,398	-
Construction in progress	1,639,578,570	-
Audit fee	594,612,000	784,880,000
Electricity expense	285,823,471	-
Board of Directors fees	59,000,000	-
Others	157,402,212	-
	<hr/>	
	4,622,982,651	784,880,000
	<hr/>	

**14. Other payables**

	<b>30/9/2008</b>	<b>31/12/2007</b>
	<b>VND</b>	<b>VND</b>
Union fees	49,562,400	16,240,000
Social insurance	235,740,500	206,151,000
Health insurance	10,500	30,775,500
Short-term deposits	2,180,700,000	15,320,000,000
Dividends payables	58,168,078,000	14,920,498,023
Others	645,477,282	310,963,315
	<hr/>	
	61,279,568,682	30,804,627,838
	<hr/>	



**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

**15. Long term borrowings**

	30/9/2008 VND	31/12/2007 VND
<i>Long-term borrowings</i>		
Loan 1 from Vietnam Bank for Agriculture and Rural Development (a)	33,680,000,000	41,420,000,000
Loan 2 from Vietnam Bank for Agriculture and Rural Development (b)	63,590,450,000	67,678,800,000
Loan 3 from Vietnam Bank for Agriculture and Rural Development (c)	12,755,000,000	13,335,000,000
Loan 4 from Vietnam Bank for Agriculture and Rural Development (d)	12,432,000,000	11,022,000,000
Loan 5 from The Bank for Foreign Trade of Vietnam (e)	4,855,998,000	-
Loan 6 from The Bank for Foreign Trade of Vietnam (f)	4,160,000,000	5,120,000,000
Loan 7 from The Bank for Foreign Trade of Vietnam (g)	7,763,514,491	-
Loan 8 from Vietnam Development Bank (h)	130,238,023,271	128,767,959,095
Loan 9 from Vietnam Development Bank (i)	74,380,000,000	82,345,000,000
Loan 10 from Vietnam Development Bank (j)	18,000,000,000	8,000,000,000
	<hr/>	<hr/>
	361,854,985,762	357,688,759,095
Repayable within twelve months	(56,772,829,970)	(22,217,891,207)
	<hr/>	<hr/>
Repayable after twelve months	305,082,155,792	335,470,867,888
	<hr/>	<hr/>

- a. This loan is secured by the Group's land use rights and buildings with carrying value at 30 September 2008 of VND22,555,336,204 (31 December 2007: VND23,124,645,964) and shareholders' assets with value of VND13,049,045,236 (31 December 2007: VND13,049,045,236). The loan bore interest at rates ranging from 12% to 21% (2007: 12%) per annum during the period. The remaining balance at 30 September 2008 is repayable in 38 equal monthly installments amounting to VND860,000,000 each and a final instalment of VND1,000,000,000.
- b. This loan is secured by the Group's tangible fixed assets with net book value as at 30 September 2008 of VND128,625,434,414 (31 December 2007: VND96,684,000,000). The loan bore interest at rates ranging from 7.35% to 9.60% (2007: from 7.15% to 7.42%) per annum during the period and the remaining balance at 30 September 2008 is repayable in 44 equal monthly instalments amounting to VND1,445,237,500 each.
- c. This loan is secured by the Group's land use rights and buildings with carrying value at 30 September 2008 of VND27,545,883,253 (31 December 2007: VND28,133,207,215). The loan bore interest at rates ranging from 12% to 21% (2007: 12%) per annum during the period. The remaining balance at 30 September 2008 is repayable in 43 equal monthly installments amounting to VND290,000,000 each and a final instalment of VND285,000,000.



**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

- d. This loan is secured by the Group's land use rights and tangible assets with carrying value at 30 September 2008 of VND198,479,889,528 (31 December 2007: VND167,006,476,489) and shareholders' assets with value of VND257,010,600,000 (31 December 2007: VND257,010,600,000). The loan bore interest at rates ranging from 12% to 21% (2007: 12%) per annum during the period. The remaining balance at 30 September 2008 is repayable in 47 equal monthly installments amounting to VND260,000,000 each and a final instalment of VND212,000,000.
- e. This loan, denominated in USD, is secured by the Group's assets acquired from the borrowings with carrying value at 30 September 2008 of VND22,799,500,000. The loan bore interest at 9.2% per annum during the period. The loan is repayable in 19 quarterly instalments comprising a first quarterly instalment of USD31,500 or VND520,285,500 and 18 equal quarterly installments amounting to USD56,000 or VND924,952,000 each.
- f. This loan is secured by tangible fixed assets with net book value as at 30 September 2008 of VND8,688,103,669 (31 December 2007: VND9,282,909,888). The loan bore interest at rates ranging from 11.64% to 21% (2007: 11.64%) per annum during the period and the remaining balance at 30 September 2008 is repayable in 13 equal quarterly instalments amounting to VND320,000,000 each.
- g. This loan is secured by tangible fixed assets with carrying value as at 30 September 2008 of VND32,879,802,845. The loan bore interest at 21% per annum during the period and is repayable after 84 months starting from the first drawdown date.
- h. This loan, denominated in USD, is secured by tangible fixed assets and land use rights with net book value as at 30 September 2008 of VND246,534,277,249 (31 December 2007: VND266,061,776,700). The loan bore interest at 1.7% (2007: 1.7%) per annum during the period and the remaining balance at 30 September 2008 is repayable in 156 different monthly instalments.
- i. This loan is secured by tangible fixed assets and land use rights with net book value as at 30 September 2008 of VND246,534,277,249 (31 December 2007: VND266,061,776,700). The loan bore interest at 7.8% (2007: 7.8%) per annum during the period. The remaining balance at 30 September 2008 is repayable in 83 equal monthly instalments amounting to VND885,000,000 each and a final instalment of VND925,000,000.
- j. This loan is secured by tangible fixed assets with net book value as at 30 September 2008 of VND21,234,895,040 (31 December 2007: VND22,116,695,272). The loan bore interest at 8.4% (2007: 8.4%) per annum during the period and the remaining balance at 30 September 2008 is repayable in 60 equal monthly instalments amounting to VND300,000,000 each.



**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

**16. Provision for severance allowance**

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

	<b>VND</b>
Opening balance	296,757,500
Provision made during the period	1,348,899,800
Provision used during the period	(313,946,000)
	<hr/>
Closing balance	1,331,711,300
	<hr/>

Under the Vietnamese Labour Code, when an employee who has worked for his/her employer for 12 months or more voluntarily terminates his/her labour contract, the employer is required to pay the employee a severance allowance based on the number of years of service. Provision for severance allowance is calculated based on employees' current salary level and their service time.

**17. Share capital**

The Company's authorised and issued share capital are:

	<b>30/9/2008</b>		<b>31/12/2007</b>	
	<b>Number of shares</b>	<b>VND</b>	<b>Number of shares</b>	<b>VND</b>
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)	-	-
	<hr/>		<hr/>	
	57,018,500	569,813,000,000	57,038,500	570,385,000,000
	<hr/>		<hr/>	

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.

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

Movements in share capital during the period were as follows:

	Period from 1/1/2008 to 30/9/2008		Year ended 31/12/2007	
	Number of shares	VND	Number of shares	VND
Balance at the beginning of the period	57,038,500	570,385,000,000	25,000,000	250,000,000,000
Shares issued during the period	-	-	32,038,500	320,385,000,000
Treasury shares purchased during the period	(20,000)	(572,000,000)	-	-
Balance at the end of the period	57,018,500	569,813,000,000	57,038,500	570,385,000,000

Last year, the Company issued 32,038,500 shares at VND2,754 over the par value. The excess of proceeds from shares issued over the par value, amounting to VND88,222,712,000, was recorded as capital surplus in equity.

**18. 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.

**19. 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.



**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

**20. Total revenue**

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

Net sales comprised:

	<b>Period from 1/1/2008 to 30/9/2008 VND</b>	<b>Year ended 31/12/2007 VND</b>
Total revenue		
▪ Finished goods sold	1,814,587,513,562	1,899,847,309,623
▪ Merchandise goods sold	244,751,971,266	122,210,240,089
Less sales deductions		
▪ Sales allowances	(76,447,197)	(15,514,746)
▪ Sales returns	(4,136,884,488)	(6,350,983,785)
▪ Sales discount	(80,833,355)	-
Net sales	2,055,045,319,788	2,015,691,051,181

**21. Cost of sales**

	<b>Period from 1/1/2008 to 30/9/2008 VND</b>	<b>Year ended 31/12/2007 VND</b>
Total cost of sales		
▪ Finished goods sold	1,334,289,211,605	1,579,850,130,692
▪ Merchandise goods sold	168,403,581,633	85,086,376,314
▪ Allowance for inventories	50,822,646,169	-
	1,553,515,439,407	1,664,936,507,006

Hoa Sen Group Corporation and its subsidiaries  
Notes to the consolidated financial statements for the nine month period ended 30  
September 2008 (continued)

22. Financial income

	Period from 1/1/2008 to 30/9/2008 VND	Year ended 31/12/2007 VND
Interest income from banks	340,063,481	1,470,235,687
Foreign exchange gains	5,765,296,917	5,300,578,299
Dividend income	-	3,852,600,000
Others	210,890,946	61,075,620
	<hr/>	<hr/>
	6,316,251,344	10,684,489,606
	<hr/>	<hr/>

23. Financial expenses

	Period from 1/1/2008 to 30/9/2008 VND	Year ended 31/12/2007 VND
Interest expenses payable to banks	79,692,457,142	51,688,953,427
Foreign exchange losses	35,880,823,343	3,076,067,769
Others	-	43,400,401
	<hr/>	<hr/>
	115,573,280,485	54,808,421,597
	<hr/>	<hr/>

24. Other income

	Period from 1/1/2008 to 30/9/2008 VND	Year ended 31/12/2007 VND
Sales of scraps	3,319,489,849	3,124,519,256
Gains on disposals of tangible and intangible fixed assets	4,374,364,713	217,798,027,171
Interest income	-	2,090,430,803
Gains from physical stock count	2,522,658,366	-
Others	1,899,813,614	2,494,477,842
	<hr/>	<hr/>
	12,116,326,542	225,507,455,072
	<hr/>	<hr/>



**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

**25. Other expenses**

	<b>Period from 1/1/2008 to 30/9/2008 VND</b>	<b>Year ended 31/12/2007 VND</b>
Loss on disposals of tangible and intangible fixed assets	1,313,470,657	221,152,797,764
Sponsorship and charity	3,631,552,246	1,317,752,246
Interest expenses	126,000,000	-
Electricity expense	1,262,984,500	-
Bonus	1,733,908,000	1,357,282,000
Welfare expenses	385,690,108	721,233,640
Board of Directors fees	234,000,000	-
Others	6,705,302,060	4,733,820,766
	15,392,907,571	229,282,886,416

**26. Corporate income tax**

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

	<b>30/9/2008 VND</b>	<b>31/12/2007 VND</b>
<b>Current tax expense</b>		
Current year	16,887,313,122	16,395,308,664
Under provision in prior year	928,784,269	-
	17,816,097,391	16,395,308,664
<b>Deferred tax expense/(income)</b>		
Origination and reversal of temporary differences	(3,758,570,283)	-
	14,057,527,108	16,395,308,664

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

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

	<b>30/9/2008</b> <b>VND</b>	<b>31/12/2007</b> <b>VND</b>
Profit before tax	212,428,946,713	167,518,164,194
Tax at CIT rate applicable in Investment Licence	31,864,342,007	25,127,724,629
Non-deductible expenses	2,160,019,431	5,443,537,024
Tax losses utilised	(3,179,817,215)	-
Tax exempt income	-	(805,705,216)
Deferred tax assets credited to equity	-	1,755,548,771
Effect of previously unrecognised temporary differences, for which deferred tax effects are now recognised	(111,588,434)	-
Effect of tax rate reduction (incentive)	(21,410,941,107)	(11,133,158,607)
Effect of higher tax rate	1,537,728,971	2,807,140,804
Correction of tax rate in computation of deferred tax	1,285,312,493	-
Effect of tax holiday	-	(6,799,778,741)
Under provision in prior year	928,784,269	-
	<u>13,073,840,415</u>	<u>16,395,308,664</u>
Deferred tax asset not recognised	983,686,693	-
	<u>14,057,527,108</u>	<u>16,395,308,664</u>

Deferred tax asset on subsidiaries' tax losses has not been recognised as it is not probable that future taxable profits will be available against which the asset can be utilised.

**(c) Deferred tax assets**

Deferred tax assets are attributable to the following:

	<b>30/9/2008</b> <b>VND</b>	<b>31/12/2007</b> <b>VND</b>
Unrealised profits on sales to Branches	976,124,191	2,304,542,854
Allowances and provisions	3,395,435,576	-
Unrealised foreign exchange differences	456,355,886	-
Unrealised fixed asset depreciation	(64,431,770)	-
Unrealised profits on sales of fixed assets	1,272,235,643	-
Others	27,393,611	-
	<u>6,063,113,137</u>	<u>2,304,542,854</u>



**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

**(d) Applicable tax rates**

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, the Company has an obligation to pay the government CIT at the rate of 15% of taxable profits and 25% for the succeeding years from the year 2014. The provisions of the Company's Investment Incentive Certificate allow the Company to be exempt from CIT for 3 years starting from the first year it generates a taxable profit, and entitled to a 50% reduction in CIT for the 7 succeeding years.

Trading activities are subject to 28% tax rate and are not exempted for CIT.

**27. Earning per share**

The calculation of basic earnings per share at 30 September 2008 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>30/9/2008</b>	<b>31/12/2007</b>
	<b>VND</b>	<b>VND</b>
Net profit attributable to ordinary shareholders	198,371,419,605	151,122,855,530

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

	<b>30/9/2008</b>	<b>31/12/2007</b>
Issued ordinary shares at the beginning of the period/year	57,038,500	25,000,000
Effect of treasury shares during the period	(6,011)	-
Effect of shares issued during the year	-	10,534,247
Weighted average number of ordinary shares as at 30 September 2008	57,032,489	35,534,247

As of 30 September 2008, the Group does not have potentially dilutive ordinary shares.

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

**28. Significant transactions with related parties**

**Identity of related parties**

The Group is controlled by its majority shareholder, Mr. Le Phuoc Vu. It also has related parties' relationship with its shareholders, directors and executive officers.

Transactions with key management personnel and shareholders:

<b>Related Party</b>	<b>Relationship</b>	<b>Nature of transaction</b>	<b>Period from 1/1/2008 to 30/9/2008 VND</b>	<b>Year ended 31/12/2007 VND</b>
Le Phuoc Vu	Chairman and General Director	Prepayment for purchase of land use rights Import tax payment on behalf of Mr Le Phuoc Vu	9,000,000,000	9,000,000,000
			-	15,295,068,348
Hoang Duc Huy	Deputy General Director	Advance for purchase of land use rights Prepayment for purchase of land use rights Loan to the Group		-
			39,367,390,000	20,000,000,000
			-	25,700,000,000
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	353,000,000	132,000,000
Directors and executive officers		Remunerations to directors and executive officers	2,533,367,000	2,172,040,000



**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

**29. Commitments**

**(a) Capital expenditure**

As at 30 September 2008 the Group had the following outstanding capital commitments approved but not provided for in the balance sheet:

	<b>30/9/2008</b> <b>VND</b>	<b>31/12/2007</b> <b>VND</b>
Approved but not contracted	2,351,652,649,609	1,803,778,108,043
Approved and contracted	4,337,006,824	36,573,783,451
	<hr/> 2,355,989,656,433	<hr/> 1,840,351,891,494

**(b) Leases**

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

	<b>30/9/2008</b> <b>VND</b>	<b>31/12/2007</b> <b>VND</b>
Within one year	5,391,452,909	11,752,387,285
Within two to five years	38,628,800,944	49,201,775,345
More than five years	211,883,716,943	96,827,595,767
	<hr/> 255,903,970,796	<hr/> 157,781,758,397

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

	<b>Period from</b> <b>1/1/2008 to</b> <b>30/9/2008</b> <b>VND</b>	<b>Year ended</b> <b>31/12/2007</b> <b>VND</b>
Raw material costs included in production costs	2,896,219,437,275	2,187,214,560,549
Labour costs and staff costs	80,434,522,152	68,297,978,756
Depreciation and amortisation	66,300,660,234	45,398,753,993
Outside services	99,874,779,874	53,518,931,847
Other expenses	93,291,221,034	51,580,727,136
	<hr/>	<hr/>

**Hoa Sen Group Corporation and its subsidiaries**  
**Notes to the consolidated financial statements for the nine month period ended 30**  
**September 2008 (continued)**

**31. Foreign exchange contracts**

The Group had the following commitments under foreign exchange contracts to sell USD at 30 September 2008:

	30/9/2008 VND	31/12/2007 VND
Forward foreign exchange contract commitments	12,990,912,000	-

**32. Corresponding figures**

Certain corresponding figures have been reclassified to conform with the current period's presentation as follows:

	31/12/2007 (reclassified) VND	31/12/2007 (as previously reported) VND
Inventories	518,086,156,372	527,923,322,508
Construction in progress	179,869,253,761	170,032,087,625

Prepared by:



Nguyen Thi Ngoc Lan  
Chief Accountant

Approved by:



Le Phuoc Vu  
General Director

08 DEC 2008

