

HOA SEN GROUP

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012**



HOA SEN GROUP

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| TABLE OF CONTENTS | PAGE |
|--|-------------|
| Corporate information | 1 |
| Statement by the General Director | 2 |
| Auditor's report | 3 |
| Consolidated balance sheet (Form B 01 – DN/HN) | 5 |
| Consolidated income statement (Form B 02 – DN/HN) | 7 |
| Consolidated cash flow statement (Form B 03 – DN/HN) | 8 |
| Notes to the consolidated financial statements (Form B 09 – DN/HN) | 9 |

HOA SEN GROUP

CORPORATE INFORMATION

Business Registration Certificate

No. 3700381324 dated 21 June 2012
First issued on 8 August 2001

The Business Registration Certificate has been amended several times and the latest amendment was the Business Registration Certificate No. 3700381324 on 21 June 2012. The Business Registration Certificate was issued by the Department of Planning and Investment of Binh Duong Province.

Board of Management

| | |
|-------------------|-------------------------------------|
| Mr Le Phuoc Vu | Chairman |
| Mr Tran Ngoc Chu | Vice Chairman |
| Mr Le Phung Hao | Member |
| Mr Pham Gia Tuan | Member |
| Mr Nguyen Van Quy | Member (resigned on 22 March 2012) |
| Mr Ly Duy Hoang | Member (appointed on 22 March 2012) |

Board of Directors

| | |
|---------------------|---|
| Mr Tran Ngoc Chu | General Director |
| Mr Hoang Duc Huy | Deputy General Director |
| Mr Vu Van Binh | Deputy General Director (resigned on 1 June 2012) |
| Mr Vu Van Thanh | Deputy General Director |
| Mr Tran Quoc Tri | Deputy General Director |
| Mr Nguyen Minh Khoa | Acting Deputy General Director (appointed on 1 October 2011) |
| Mr Ho Thanh Hieu | Acting Deputy General Director (appointed on 15 June 2012) |

Legal representative

Mr Le Phuoc Vu Chairman

Registered office

No. 9, Thong Nhat Boulevard, Song Than 2 Industrial Park,
Di An Ward, Di An Town, Binh Duong Province, Vietnam

Auditor

PricewaterhouseCoopers (Vietnam) Limited

HOA SEN GROUP

STATEMENT OF THE RESPONSIBILITY OF THE GENERAL DIRECTOR IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The legal representative of Hoa Sen Group authorized the General Director to be responsible for the consolidated financial statements which give a true and fair view of the financial position of Hoa Sen Group ("the Company") and its subsidiaries (together "the Group") as at 30 September 2012 and the results of their operations and cash flows for the year then ended. In preparing these consolidated financial statements, the General Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Company and its subsidiaries will continue in business.

The General Director is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Group and which enable consolidated financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the consolidated financial statements. The General Director is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

I hereby approve the accompanying consolidated financial statements as set out on pages 5 to 39 which give a true and fair view of the financial position of the Group as at 30 September 2012 and of the results of its operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.



Tran Ngoc Chu
General Director

Binh Duong Province, SR Vietnam
18 December 2012



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

We have audited the accompanying consolidated financial statements of Hoa Sen Group ("the Company") and its subsidiaries (together "the Group") which were approved by the General Director on 18 December 2012. The consolidated financial statements comprise the consolidated balance sheet as at 30 September 2012, the consolidated income statement and consolidated cash flow statement for the year then ended, and explanatory notes to the consolidated financial statements including significant accounting policies, as set out on pages 5 to 39.

The General Director's Responsibility for the Consolidated Financial Statements

The General Director of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General Director, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 September 2012, and its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.



Quach Thanh Chau
AC No. N.0875/KTV
Deputy General Director
Authorised signatory



Nguyen Gao Nguyen
AC No. 1184/KTV

PricewaterhouseCoopers (Vietnam) Limited
Ho Chi Minh City, SR Vietnam
Audit report number HCM3386
18 December 2012

As indicated in Note 2.1 to the consolidated financial statements, the accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam, and furthermore their utilisation is not designed for those who are not informed about SR Vietnam's accounting principles, procedures and practices.

CONSOLIDATED BALANCE SHEET

| Code | ASSETS | Note | As at 30 September | |
|------------|--|-----------|--------------------------|--------------------------|
| | | | 2012 VND | 2011 VND |
| 100 | CURRENT ASSETS | | 2,606,071,890,530 | 3,070,651,036,971 |
| 110 | Cash and cash equivalents | 3 | 67,431,992,847 | 128,408,998,636 |
| 111 | Cash | | 67,431,992,847 | 128,408,998,636 |
| 120 | Short-term investments | | 3,975,059,008 | - |
| 121 | Short-term investment | | 3,975,059,008 | - |
| 130 | Accounts receivable | | 757,901,543,650 | 632,788,578,046 |
| 131 | Trade accounts receivable | | 607,105,628,000 | 464,096,658,842 |
| 132 | Prepayments to suppliers | 4 | 137,402,828,308 | 119,593,897,331 |
| 135 | Other receivables | 5 | 21,707,204,091 | 52,961,014,461 |
| 139 | Provision for doubtful debts | | (8,314,116,749) | (3,862,992,588) |
| 140 | Inventories | 6 | 1,539,822,107,871 | 2,015,660,254,333 |
| 141 | Inventories | | 1,541,607,709,143 | 2,015,660,254,333 |
| 149 | Provision for decline in value of inventories | | (1,785,601,272) | - |
| 150 | Other current assets | | 236,941,187,154 | 293,793,205,956 |
| 151 | Short-term prepayments | | 37,748,239,662 | 34,577,517,459 |
| 152 | Value Added Tax to be reclaimed | | 190,977,572,774 | 213,700,550,637 |
| 154 | Other taxes receivable | 7 | 856,983,479 | 8,374,590 |
| 158 | Other current assets | 8 | 7,358,391,239 | 45,506,763,270 |
| 200 | LONG-TERM ASSETS | | 2,716,867,560,343 | 2,845,099,689,574 |
| 220 | Fixed assets | | 2,585,419,833,744 | 2,720,787,750,583 |
| 221 | Tangible fixed assets | 9(a) | 2,199,542,140,363 | 1,961,530,503,848 |
| 222 | Cost | | 3,002,603,873,975 | 2,511,865,176,918 |
| 223 | Accumulated depreciation | | (803,061,733,612) | (550,334,673,070) |
| 224 | Financial lease assets | 9(b) | 119,589,366,865 | 44,582,403,790 |
| 225 | Cost | | 133,541,500,504 | 49,508,539,047 |
| 226 | Accumulated depreciation | | (13,952,133,639) | (4,926,135,257) |
| 227 | Intangible fixed assets | 9(c) | 240,284,444,612 | 243,757,899,911 |
| 228 | Cost | | 255,669,692,921 | 255,572,485,421 |
| 229 | Accumulated amortisation | | (15,385,248,309) | (11,814,585,510) |
| 230 | Construction in progress | 9(d) | 26,003,881,904 | 470,916,943,034 |
| 250 | Long-term investments | 10 | 59,456,331,634 | 58,329,390,954 |
| 252 | Investments in associates | | 44,456,331,634 | 44,456,331,634 |
| 258 | Other long-term investments | | 15,000,000,000 | 15,000,000,000 |
| 259 | Provision for diminution in value of long-term investments | | - | (1,126,940,680) |
| 260 | Other long-term assets | | 71,991,394,965 | 65,982,548,037 |
| 261 | Long-term prepayments | 11 | 61,094,031,932 | 55,981,627,029 |
| 262 | Deferred income tax assets | 12 | 7,539,813,132 | 7,615,641,836 |
| 268 | Other long-term assets | | 3,357,549,901 | 2,385,279,172 |
| 270 | TOTAL ASSETS | | 5,322,939,450,873 | 5,915,750,726,545 |

The notes on pages 9 to 39 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
 (continued)

| Code | RESOURCES | Note | As at 30 September | |
|------------|--|--------|--------------------------|--------------------------|
| | | | 2012 VND | 2011 VND |
| 300 | LIABILITIES | | 3,304,412,330,536 | 4,133,025,325,171 |
| 310 | Current liabilities | | 2,693,075,577,757 | 3,486,299,271,149 |
| 311 | Short-term borrowings | 13(a) | 2,039,925,750,068 | 2,254,114,037,158 |
| 312 | Trade accounts payable | | 484,411,293,421 | 1,098,014,470,240 |
| 313 | Advances from customers | | 10,597,895,943 | 44,418,201,611 |
| 314 | Taxes and other payables to the State Budget | 14 | 84,651,397,571 | 20,104,318,464 |
| 315 | Payable to employees | | 24,185,784,602 | 22,094,211,560 |
| 316 | Accrued expenses | 15 | 26,740,904,843 | 31,567,537,547 |
| 319 | Other payables | 16 | 17,337,300,110 | 8,040,036,459 |
| 323 | Bonus and welfare fund | 17 | 5,225,251,199 | 7,946,458,110 |
| 330 | Long-term liabilities | | 611,336,752,779 | 646,726,054,022 |
| 334 | Long-term borrowings | 13(b) | 606,309,432,779 | 644,525,996,522 |
| 336 | Provision for severance allowances | | 5,027,320,000 | 2,200,057,500 |
| 400 | SHAREHOLDERS' EQUITY | | 2,018,527,120,337 | 1,782,725,401,374 |
| 410 | Capital and reserves | | 2,018,527,120,337 | 1,782,725,401,374 |
| 411 | Shareholders' capital | 18, 19 | 1,007,907,900,000 | 1,007,907,900,000 |
| 412 | Share premium | 19 | 451,543,290,363 | 451,543,290,363 |
| 414 | Treasury shares | 19 | (56,716,723,982) | (28,588,182,845) |
| 418 | Financial reserve funds | 19 | 8,525,313,060 | 8,525,313,060 |
| 419 | Other funds | 19 | 2,148,326,909 | - |
| 420 | Undistributed earnings | 19 | 605,119,013,987 | 343,337,080,796 |
| 440 | TOTAL RESOURCES | | 5,322,939,450,873 | 5,915,750,726,545 |

OFF BALANCE SHEET ITEMS

Cash and cash equivalents are balances held in foreign currencies of US\$137,599 (as at 30 September 2011: US\$16,550).



Nguyen Thi Ngoc Lan
Chief Accountant



Tran Ngoc Chu
General Director
18 December 2012

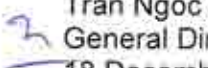
The notes on pages 9 to 39 are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

| Code | Note | Year ended 30 September | |
|------|-------------------------------------|--------------------------|---------------------|
| | | 2012 VND | 2011 VND |
| 01 | Sales | 10,110,988,306,667 | 8,179,487,707,829 |
| 02 | Less deductions | (23,032,075,122) | (13,501,096,775) |
| 10 | Net sales | 20(a) 10,087,956,231,545 | 8,165,986,611,054 |
| 11 | Cost of sales | 21 (8,682,822,005,970) | (7,110,055,086,800) |
| 20 | Gross profit | 1,405,134,225,575 | 1,055,931,524,254 |
| 21 | Financial income | 20(b) 48,591,843,754 | 48,951,041,047 |
| 22 | Financial expenses | 22 (409,241,900,486) | (457,975,718,659) |
| 23 | <i>Included: interest expense</i> | (340,390,787,401) | (288,078,153,510) |
| 24 | Selling expenses | 23 (386,396,571,842) | (308,909,934,516) |
| 25 | General and administration expenses | 24 (261,226,742,015) | (189,005,431,707) |
| 30 | Operating profit | 396,860,854,986 | 148,991,480,419 |
| 31 | Other income | 25 31,785,941,720 | 88,059,566,021 |
| 32 | Other expense | 26 (17,090,439,659) | (68,575,247,510) |
| 40 | Net other income | 14,695,502,061 | 19,484,318,511 |
| 50 | Net accounting profit before tax | 411,556,357,047 | 168,475,798,930 |
| 51 | Business income tax - current | 27 43,377,160,455 | (11,195,790,606) |
| 52 | Business income tax - deferred | 12 (75,828,704) | 2,888,366,577 |
| 60 | Net profit after tax | 368,103,367,888 | 160,168,374,901 |
| 70 | Earnings per share | 29 3,761 | 1,622 |


 Nguyen Thi Ngoc Lan
 Chief Accountant




 Tran Ngoc Chu
 General Director
 18 December 2012


The notes on pages 9 to 39 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

| Code | Note | Year ended 30 September | |
|---|--|--------------------------|--------------------------|
| | | 2012 VND | 2011 VND |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| 01 | | 411,556,357,047 | 168,475,798,930 |
| | Net profit before tax | | |
| | Adjustments for: | | |
| 02 | Depreciation and amortisation | 273,954,782,521 | 208,003,503,569 |
| 03 | Provisions | 5,109,784,753 | 1,500,052,536 |
| 04 | Unrealised foreign exchange (gains)/losses | (4,119,532,487) | 2,215,074,573 |
| 05 | Gain from investing activities | (3,402,049,696) | (3,664,797,659) |
| 06 | Interest expense | 340,390,787,401 | 288,078,153,510 |
| 07 | Loss/(gain) from disposals of fixed assets | - | (395,174,775) |
| 08 | Operating profit before changes in working capital | 1,023,490,129,539 | 664,212,610,684 |
| 09 | Increase in receivables | (74,065,954,408) | (103,477,956,957) |
| 10 | Decrease/(increase) in inventories | 474,052,545,190 | (568,627,969,724) |
| 11 | (Decrease)/increase in payables | (583,675,444,144) | 585,354,085,832 |
| 12 | Increase in prepaid expenses | (3,359,473,874) | (37,754,505,715) |
| 13 | Interest paid | (346,276,674,459) | (280,776,644,491) |
| 14 | Business income tax paid | (28,530,747,597) | (4,883,181,198) |
| 16 | Other payments on operating activities | (9,336,896,699) | (4,551,499,841) |
| 20 | Net cash inflows from operating activities | 452,297,483,548 | 249,494,938,590 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| 21 | Purchases of fixed assets | (63,186,091,525) | (841,373,598,312) |
| 22 | Proceeds from disposals of fixed assets | 3,248,224,565 | 62,548,208,722 |
| 27 | Interest received | 3,862,359,199 | 3,664,797,659 |
| 30 | Net cash outflows from investing activities | (56,075,507,761) | (775,160,591,931) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| 32 | Purchase of treasury shares | (28,128,541,137) | (28,016,088,845) |
| 33 | Proceeds from borrowings | 6,526,860,959,039 | 5,971,137,263,295 |
| 34 | Repayments of borrowings | (6,822,779,336,715) | (5,279,815,361,496) |
| 35 | Repayment of finance lease liabilities | (34,996,166,525) | (7,063,426,703) |
| 36 | Dividend paid | (96,593,160,025) | (50,029,215,450) |
| 40 | Net cash (outflows)/inflows from financing activities | (455,636,245,363) | 606,213,170,801 |
| 50 | Net (decrease)/increase in cash and cash equivalents | (59,414,269,576) | 80,547,517,460 |
| 60 | Cash and cash equivalents at beginning of year | 128,408,998,636 | 50,162,949,043 |
| 61 | Effect of foreign exchange differences | (1,562,736,213) | (2,301,467,867) |
| 70 | Cash and cash equivalents at end of year | 67,431,992,847 | 128,408,998,636 |

Major non-cash transaction in the year was acquisition of finance lease assets with value of VND84,032,961,457 (year ended 30 September 2011: nil)


 Nguyen Thi Ngoc Lan
 Chief Accountant


 Tran Ngoc Chu
 General Director
 18 December 2012

The notes on pages 9 to 39 are an integral part of these financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

1 GENERAL INFORMATION

Hoa Sen Group – Vietnamese name is Cong ty Co phan Tap doan Hoa Sen - ("the Company") was established in SR Vietnam pursuant to Business Registration Certificate No. 3700381324, dated 8 August 2001 which was issued by the Department of Planning and Investment of Binh Duong Province. The latest amendment is on 21 June 2012.

On 5 December 2008, the Company's shares were listed and traded on the Ho Chi Minh City Stock Exchange pursuant to Decision No. 117/QĐ-SGDHCM dated 5 November 2008.

The principal activities of the Company are:

- Manufacture of roofing sheets by galvanized steel, zinc alloy, paint galvanized zinc plating and plating of other alloys
- Production of steel purlins, purlins galvanized
- Manufacture of black steel pipes, galvanized steel pipes, galvanized steel pipes and other alloys
- Manufacture of steel mesh, galvanized steel wire, steel wire
- Manufacture PVC ceiling
- Production of building materials
- Buy and sell building materials, capital goods and consumer goods
- Rent store and transport goods
- Industrial and civil construction
- Production of cold rolled steel coils

As at 30 September 2012, the Company had the following subsidiaries:

| Subsidiary name | Location | Principal activities | % ownership and voting rights | |
|--|---|---|-------------------------------|-----------|
| | | | 30.9.2012 | 30.9.2011 |
| Hoa Sen Steel Sheet One Member Co., Ltd. | No. 9, Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An Ward, Di An Town, Binh Duong Province | Manufacture and trade in cold rolled steel products | 100 | 100 |
| Hoa Sen Building Materials One Member Co., Ltd. | Phu My Industrial Park I, Phu My Town, Tan Thanh District, Ba Ria – Vung Tau Province, Vietnam | Manufacture and trade in plastic building materials and steel pipe products | 100 | 100 |
| Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd. | No. 9 Thong Nhat Boulevard, Song Than II Industrial Park II, Di An Ward, Di An Town, Binh Duong Province, Vietnam | Provide engineering, civil and industrial construction projects; transportation service; produce and process rolling mill, cutter and industrial machine, equipment | 100 | 100 |

All subsidiaries are incorporated in Vietnam.

As at 30 September 2012, the Group had 2,949 employees (30 September 2011: 2,960 employees).

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES

2.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam. The consolidated financial statements have been prepared under the historical cost convention.

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam. The accounting principles and practices utilised in SR Vietnam may differ from those generally accepted in countries and jurisdictions other than SR Vietnam.

2.2 Fiscal year

The Company's fiscal year is from 1 October to 30 September.

2.3 Consolidation

The Company prepared its consolidated financial statements in accordance with the Vietnamese Accounting Standard 25 – *Consolidated Financial Statements and Accounting for Investments in Subsidiaries*.

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Consolidation (continued)***Joint ventures and associates***

Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity which is subject to joint control. Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in joint ventures and associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in joint ventures and associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its joint ventures' and associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture or associate equals or exceeds its interest in the joint venture or associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associate.

Unrealised gains and losses on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the joint ventures and associates. Accounting policies of joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Form of records applied

The Group uses journal vouchers to record its transactions.

2.5 Use of accounting estimate

The preparation of the consolidated financial statements in conformity with Vietnamese Accounting Standards requires the General Director to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of financial statements and the amounts of revenues and expenses during the year. Although these estimates are based on the General Director's best knowledge of current events and actions, actual results may differ from those estimates.

2.6 Currency

The consolidated financial statements are measured in Vietnamese Dong and presented using Vietnamese Dong.

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising from these translations are recognised in the income statement.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit, demand deposits and other short-term investments with an original maturity of three months or less.

2.8 Trade receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review by the General Director of all outstanding amounts at the year end. Bad debts are written off when identified.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of operating activity. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. Provision is made, where necessary, for obsolete, slow-moving and defective inventory items.

2.10 Investments**(a) Investments in joint-ventures and associates**

Investments in joint-ventures and associates are accounted using equity method.

(b) Long-term investments

Long-term investments comprise shareholding of less than 20% in listed and unlisted entities which are held with no intention to dispose with in 12 months from the balance sheet date. These investments are initially stated at cost of acquisition. Provision is made where there is a diminution in value of these investments.

2.11 Fixed assets*Tangible and intangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

Depreciation

Fixed assets are depreciated using the straight-line method so as to write off the cost of the assets over their estimated useful lives. The principal rates used are:

| | |
|-----------------------|--------------|
| Buildings | 5 - 30 years |
| Machinery & equipment | 3 - 10 years |
| Motor vehicles | 6 - 10 years |
| Office equipment | 6 - 8 years |
| Others | 5 - 20 years |

2.11 Fixed assets (continued)

Land use rights which have definite term are amortised, using the straight-line method over number of years in accordance with the terms indicated in each land use right certificate. Land use rights which are granted for an indefinite term are carried at cost and not amortised.

Disposals

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in the income statement.

2.12 Leased assets

Leases of property, plant and equipment where the lessor has transferred the ownership at the end of the lease period, and transferred substantially risks and rewards, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charge, are included in long-term borrowings. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the shorter of the estimated useful life of the assets or the lease term. However, if there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, depreciation is calculated over the estimated useful life of the assets.

2.13 Borrowing costs

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the year of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the income statement when incurred.

2.14 Long-term prepayments

Long-term prepayments represent the expenditure relating to periods more than one year but unqualified for being classified as fixed assets. These items are recognised at historical cost and amortised over their estimated useful life.

2.15 Revenue recognition**(a) Sales of goods**

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

2.15 Revenue recognition (continued)**(b) Sales of services**

Revenue from the sales of services is recognised in the income statement when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Interest income

Interest income is recognised on an earned basis.

(d) Dividend income

Dividend income is recognised in the period in which the dividends are declared by the investee entities.

2.16 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.17 Share capital and treasury shares

Share capital consists of all issued shares. Incremental costs directly attributable to the issue of ordinary shares or options are recognised as a deduction from equity.

Treasury shares are shares that are issued and repurchased by the Company. The amount of the consideration paid, which includes directly attributable cost, net off any tax effects, is recognised and presented as a deduction from equity. Total amount received from the reissue or sales of treasury shares less directly attributable costs are recorded as equity.

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by The General Assembly of Shareholders.

2.19 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provisions will be measured at their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expenses.

2.21 Provision for severance allowances

In accordance with Vietnamese labour laws, employees of the Group are entitled to a severance allowance based on their years of service. This will be paid as a lump sum when the employee leaves the Group. A provision for severance allowance is made for the estimated liability for employment termination as a result of services rendered by employees. Pursuant to Law on Social Insurance, effective from 1 January 2009, the Group is required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. With the implementation of the unemployment scheme, the Group is no longer required to provide for the service period after 1 January 2009. However, provision for severance allowance as of 30 September 2012 is determined based on the employees' number of years of service up to 31 December 2008 and their average salary for the six-month period prior to the balance sheet date.

3 CASH AND CASH EQUIVALENTS

| | 30.9.2012 VND | 30.9.2011 VND |
|-----------------|-----------------------|------------------------|
| Cash on hand | 23,431,416,059 | 9,386,304,571 |
| Cash at bank | 43,100,528,271 | 118,988,694,065 |
| Cash in transit | 900,048,517 | 34,000,000 |
| | <u>67,431,992,847</u> | <u>128,408,998,636</u> |

4 PREPAYMENTS TO SUPPLIERS

| | 30.9.2012 VND | 30.9.2011 VND |
|------------------------------|------------------------|------------------------|
| Third parties | 47,219,601,308 | 29,410,670,331 |
| Related parties (Note 32(b)) | 90,183,227,000 | 90,183,227,000 |
| | <u>137,402,828,308</u> | <u>119,593,897,331</u> |

5 OTHER RECEIVABLES

Other receivables include an amount of VND13,279,135,464 (as at 30 September 2011: VND26,558,270,928) from the liquidation of contract of Pho Dong – Hoa Sen Building Project.

6 INVENTORIES

| | 30.9.2012 VND | 30.9.2011 VND |
|---|--------------------------|--------------------------|
| Goods in transit | 340,678,259,856 | 328,588,358,524 |
| Raw materials | 190,622,980,418 | 424,301,598,775 |
| Tools | 221,482,551,071 | 181,491,551,424 |
| Work in progress | 56,468,240 | 10,095,839 |
| Finished goods | 710,083,474,030 | 960,731,017,901 |
| Merchandises | 78,683,975,528 | 120,537,631,870 |
| | <u>1,541,607,709,143</u> | <u>2,015,660,254,333</u> |
| Provision for decline in value of inventory | (1,785,601,272) | - |
| | <u>1,539,822,107,871</u> | <u>2,015,660,254,333</u> |

As at 30 September 2012, inventories with a carrying amount of VND1,070,169,056,955 (as at 30 September 2011: VND1,363,091,358,973) have been pledged as security for the bank loans.

7 TAX AND OTHER RECEIVABLE TO THE STATE BUDGET

| | 30.9.2012 VND | 30.9.2011 VND |
|----------------------------------|--------------------|------------------|
| Business income tax refundable | 20,797,918 | - |
| Other receivables from the State | 836,185,561 | 8,374,590 |
| | <u>856,983,479</u> | <u>8,374,590</u> |

8 OTHER CURRENT ASSETS

| | 30.9.2012 | 30.9.2011 |
|--|----------------------|-----------------------|
| | VND | VND |
| Short-term deposits | 2,486,311,258 | 39,207,131,927 |
| Advances to employees | 4,872,079,981 | 6,108,106,507 |
| Shortage of assets awaiting for resolution | - | 191,524,836 |
| | <u>7,358,391,239</u> | <u>45,506,763,270</u> |

9 FIXED ASSETS

(a) Tangible fixed assets

| | Buildings VND | Machinery and equipment VND | Motor vehicles VND | Office equipment VND | Other assets VND | Total VND |
|--|------------------|-----------------------------------|-----------------------|----------------------------|---------------------|-------------------|
| Historical cost | | | | | | |
| As at 1 October 2011 | 522,025,864,226 | 1,896,490,962,654 | 73,532,128,739 | 4,499,486,205 | 15,316,735,094 | 2,511,865,176,918 |
| New purchases | 222,151,816 | 13,262,891,086 | 522,469,506 | 131,534,636 | 94,114,400 | 14,233,161,444 |
| Transferred from construction in progress | 133,933,268,943 | 354,850,885,036 | - | 60,976,500 | - | 488,845,130,479 |
| Disposals | (1,226,500,000) | (10,338,042,378) | (147,807,001) | - | - | (11,712,349,379) |
| Other increases/decreases | 1,204,116,427 | (3,125,083,945) | (20,425,716) | 859,887,486 | 454,260,261 | (627,245,487) |
| As at 30 September 2012 | 656,158,901,412 | 2,251,141,612,453 | 73,886,365,528 | 5,551,884,827 | 15,865,109,755 | 3,002,603,873,975 |
| Accumulated depreciation | | | | | | |
| As at 1 October 2011 | 78,944,514,934 | 440,676,020,718 | 26,374,915,893 | 2,621,948,351 | 1,717,273,174 | 550,334,673,070 |
| Charge for the year | 35,627,915,126 | 214,366,534,387 | 8,478,549,269 | 644,799,557 | 2,240,323,001 | 261,358,121,340 |
| Disposals | (342,145,161) | (7,973,335,030) | (105,787,049) | - | - | (8,421,267,240) |
| Other increases/decreases | (182,203,238) | (271,621,232) | 47,105,333 | 327,084,692 | (130,159,113) | (209,793,558) |
| As at 30 September 2012 | 114,048,081,661 | 646,797,598,843 | 34,794,783,446 | 3,593,832,600 | 3,827,437,062 | 803,061,733,612 |
| Net book value | | | | | | |
| As at 1 October 2011 | 443,081,349,292 | 1,455,814,941,936 | 47,157,212,846 | 1,877,537,854 | 13,599,461,920 | 1,961,530,503,848 |
| As at 30 September 2012 | 542,110,819,751 | 1,604,344,013,610 | 39,091,582,082 | 1,958,052,227 | 12,037,672,693 | 2,199,542,140,363 |

Cost of fixed assets fully depreciated but are still in use as at 30 September 2012 was VND49,172,810,851 (as at 30 September 2011: VND6,617,650,581).

As at 30 September 2012 fixed assets with a carrying value of VND1,137,287,394,652 (as at 30 September 2011: VND937,725,317,496) have been pledged as security for the borrowings.

9 FIXED ASSETS (continued)

(b) Finance lease assets

| | Machinery and equipment VND |
|---------------------------------|--------------------------------|
| Historical cost | |
| As at 1 October 2011 | 49,508,539,047 |
| Additions | 84,032,961,457 |
| | <u>133,541,500,504</u> |
| As at 30 September 2012 | <u>133,541,500,504</u> |
| Accumulated depreciation | |
| As at 1 October 2011 | 4,926,135,257 |
| Charge for the year | 9,025,998,382 |
| | <u>13,952,133,639</u> |
| As at 30 September 2012 | <u>13,952,133,639</u> |
| Net book value | |
| As at 1 October 2011 | 44,582,403,790 |
| | <u>44,582,403,790</u> |
| As at 30 September 2012 | <u>119,589,366,865</u> |

(c) Intangible fixed assets

| | Land use rights VND | Computer software VND | Total VND |
|---------------------------------|------------------------|-----------------------------|------------------------|
| Historical cost | | | |
| As at 1 October 2011 | 253,748,657,317 | 1,823,828,104 | 255,572,485,421 |
| New purchases | 13,567,500 | 83,640,000 | 97,207,500 |
| | <u>253,762,224,817</u> | <u>1,907,468,104</u> | <u>255,669,692,921</u> |
| As at 30 September 2012 | <u>253,762,224,817</u> | <u>1,907,468,104</u> | <u>255,669,692,921</u> |
| Accumulated amortisation | | | |
| As at 1 October 2011 | 10,860,957,974 | 953,627,536 | 11,814,585,510 |
| Charge for the year | 3,268,889,483 | 301,773,316 | 3,570,662,799 |
| | <u>14,129,847,457</u> | <u>1,255,400,852</u> | <u>15,385,248,309</u> |
| As at 30 September 2012 | <u>14,129,847,457</u> | <u>1,255,400,852</u> | <u>15,385,248,309</u> |
| Net book value | | | |
| As at 1 October 2011 | 242,887,699,343 | 870,200,568 | 243,757,899,911 |
| | <u>242,887,699,343</u> | <u>870,200,568</u> | <u>243,757,899,911</u> |
| As at 30 September 2012 | <u>239,632,377,360</u> | <u>652,067,252</u> | <u>240,284,444,612</u> |

As at 30 September 2012 land use rights with a carrying value of VND164,111,293,657 (at 30 September 2011: VND150,236,457,785) have been pledged with banks as security for the borrowings granted to the Group.

9 FIXED ASSETS (continued)

(d) Construction in progress

| | Year ended 30 September | |
|--|-------------------------|-------------------|
| | 2012 VND | 2011 VND |
| Opening balance | 470,916,943,034 | 600,863,044,677 |
| Additions | 48,855,722,581 | 726,383,063,929 |
| Transferred to long-term prepayments | (4,923,653,232) | (4,138,662,022) |
| Transferred to tangible fixed assets | (488,845,130,479) | (852,139,924,642) |
| Disposals | - | (50,578,908) |
| Closing balance | 26,003,881,904 | 470,916,943,034 |
| Major projects include: | | |
| | 30.9.2012 VND | 30.9.2011 VND |
| Machinery and equipment for | | |
| Hoa Sen Phu My Steel Sheet Plant | 18,569,355,451 | 344,399,711,468 |
| Hoa Sen Phu My Steel Sheet Plant Project | 5,113,690,655 | 78,778,683,205 |

Borrowing costs capitalised in construction in progress for the year ended 30 September 2012 was VND8,715,760,598 (for the year ended 30 September 2011: VND7,300,447,031).

10 LONG-TERM INVESTMENTS

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

| Investees | Principal activities | Business License | % ownership and voting rights | 30.9.2012 VND | 30.9.2011 VND |
|--|---|---|--|------------------|------------------|
| Associates | | | | | |
| Hoa Sen-Gemadep Logistics and International Port Corporation | Provide sea cargo agency services | Business Registration Certificate No. 3500751828 issued by the Department of Planning and Investment of Ba Ria-Vung Tau Province on 20 June 2006 and amended on 13 October 2009 | 45 | 44,456,331,634 | 44,456,331,634 |
| Other long-term investments | | | | | |
| Viet Capital Health Care Fund | Invest in listed and unlisted healthcare Vietnamese companies and projects in Vietnam | Decision No. 08/TB-UBCK issued by the State Securities Commission of Vietnam on 15 January 2008 | 3 | 15,000,000,000 | 15,000,000,000 |
| | | | | 59,456,331,634 | 59,456,331,634 |
| Provision for diminution in value of long-term investments | | | | - | (1,126,940,680) |
| | | | | 59,456,331,634 | 58,329,390,954 |

11 LONG-TERM PREPAYMENTS

| | Year ended 30 September | |
|---|-------------------------|-----------------------|
| | 2012 VND | 2011 VND |
| Opening balance | 55,981,627,029 | 34,231,203,940 |
| Additions | 37,971,342,489 | 40,881,582,593 |
| Transferred from construction in progress | 4,923,653,232 | 4,138,662,022 |
| Transferred from tangible fixed assets | - | 93,360,012 |
| Amortisation | (37,782,590,818) | (22,377,114,533) |
| Transferred to fixed assets | - | (143,091,058) |
| Transferred to inventories | - | (842,975,947) |
| Closing balance | <u>61,094,031,932</u> | <u>55,981,627,029</u> |

Long-term prepayments mainly relate to fixed assets, overheads, computers and tools.

12 DEFERRED INCOME TAX ASSETS

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

| | Year ended 30 September | |
|--|-------------------------|----------------------|
| | 2012 VND | 2011 VND |
| Opening balance | 7,615,641,836 | 4,727,275,259 |
| (Debited)/credited to income statement | (75,828,704) | 2,888,366,577 |
| Closing balance | <u>7,539,813,132</u> | <u>7,615,641,836</u> |

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

13 BORROWINGS**(a) Short-term borrowings**

| | 30.9.2012 VND | 30.9.2011 VND |
|--|--------------------------|--------------------------|
| Bank loans (*) | 1,874,783,164,492 | 2,058,178,693,714 |
| Current portion of long-term loans (Note 13(b)) | 144,621,141,648 | 187,289,179,248 |
| Current portion of finance lease liabilities (Note 13(b)) | 20,521,443,928 | 8,646,164,196 |
| | <u>2,039,925,750,068</u> | <u>2,254,114,037,158</u> |

13 BORROWINGS (continued)

(a) Short-term borrowings (continued)

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

| No. | Currency | Annual interest | 30.9.2012 VND | 30.9.2011 VND |
|-----|----------|-----------------|--------------------------|--------------------------|
| 01 | USD | 4.5% - 7% | 397,349,294,200 | 162,816,804,000 |
| 02 | VND | 11% - 18.5% | 66,800,000,000 | 416,200,000,000 |
| 03 | USD | 3.6% - 7.7% | 132,506,031,645 | 39,224,142,000 |
| 04 | VND | 12.5% - 17.3% | 10,007,000,000 | 21,960,000,000 |
| 05 | USD | 3% - 8% | 256,450,792,619 | 268,532,580,897 |
| 06 | VND | 9% - 18.5% | 184,210,428,571 | 170,041,793,679 |
| 07 | USD | 5.8% - 8% | 115,637,056,000 | 150,378,120,000 |
| 08 | VND | 17.5% - 20.4% | - | 42,600,000,000 |
| 09 | USD | 3.6% - 8.6% | 99,490,344,783 | 117,411,357,826 |
| 10 | VND | 11.2% - 17.8% | 28,390,000,000 | 48,000,000,000 |
| 11 | USD | 5% | 39,573,200,000 | 5,961,492,000 |
| 12 | USD | 6% - 8% | 13,954,760,000 | 92,788,745,832 |
| 13 | USD | 5.8% - 6.8% | - | 22,741,543,436 |
| 14 | USD | 6.5% - 8.2% | - | 35,536,177,397 |
| 15 | VND | 13.2% - 19.8% | - | 35,100,000,000 |
| 16 | USD | 6% - 8.5% | 28,364,976,082 | - |
| 17 | VND | 20% | - | 44,000,000,000 |
| 18 | USD | 5.1% - 6.5% | 57,818,528,000 | 98,364,141,906 |
| 19 | USD | 4.8% - 6.8% | 231,332,534,540 | - |
| 20 | VND | 12.7% - 19% | - | 85,400,000,000 |
| 21 | USD | 4% - 5.3% | 183,498,218,052 | 129,789,639,741 |
| 22 | VND | 11.2% - 18.5% | 29,400,000,000 | 71,332,155,000 |
| | | | <u>1,874,783,164,492</u> | <u>2,058,178,693,714</u> |

All above short-term bank loans are secured by Group's fixed assets and inventories.

13 BORROWINGS (continued)

(b) Long-term borrowings

| | | 30.9.2012 VND | 30.9.2011 VND |
|---|-------|------------------------|------------------------|
| Bank loans | (*) | 638,262,330,949 | 734,218,920,873 |
| Finance lease liabilities | (**) | 74,922,199,406 | 29,110,947,093 |
| Other long-term debts | (***) | 58,267,488,000 | 77,131,472,000 |
| | | <u>771,452,018,355</u> | <u>840,461,339,966</u> |
| Less: Long-term loans due within one year (Note 13(a)) | | (144,621,141,648) | (187,289,179,248) |
| Less: Finance lease liabilities due within one year (Note 13(a)) | | (20,521,443,928) | (8,646,164,196) |
| | | <u>606,309,432,779</u> | <u>644,525,996,522</u> |

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

| No. | Currency | Repayment | Annual interest | 30.9.2012 VND | 30.9.2011 VND |
|-----|----------|------------|--------------------|------------------------|------------------------|
| 01 | VND | 25/09/2017 | 13% - 17.6% | 155,288,986,000 | 188,753,256,000 |
| 02 | VND | 11/06/2016 | 13% - 18% | 290,697,516,695 | - |
| 03 | USD | 15/09/2013 | 7.2% - 7.5% | 1,564,516,048 | 3,098,985,696 |
| 04 | VND | 26/04/2015 | 14% - 17.9% | 9,229,890,000 | 13,861,890,000 |
| 05 | VND | 24/10/2015 | 7.8% - 8.4% | 35,500,000,000 | 49,720,000,000 |
| 06 | USD | 08/09/2018 | 1.7% | 96,581,300,106 | 112,403,818,206 |
| 07 | VND | 17/07/2017 | 14% - 16.5% | 49,400,122,100 | - |
| 08 | VND | 26/10/2016 | 15% - 18.5% | - | 40,865,888,000 |
| 09 | VND | 29/03/2016 | 14.9% - 21% | - | 297,075,482,971 |
| 10 | VND | 27/12/2012 | 23% | - | 14,000,000,000 |
| 11 | USD | 02/05/2012 | 6.5% | - | 14,439,600,000 |
| | | | | <u>638,262,330,949</u> | <u>734,218,920,873</u> |

All long-term bank loans are secured by the assets financed by these loans.

15 ACCRUED EXPENSES

| | 30.9.2012 | 30.9.2011 |
|--|-----------------------|-----------------------|
| | VND | VND |
| Electricity | 3,855,747,726 | 235,804,437 |
| Payable relating to construction in progress | 1,623,564,318 | 9,737,303,244 |
| Transportation fee | 1,981,006,445 | 7,285,891,191 |
| Audit fee | 785,454,544 | 919,599,998 |
| 13 th month salary | 10,262,949,429 | 3,472,230,000 |
| Loan interest | 3,892,928,961 | 9,778,816,019 |
| Other accrued expenses | 4,339,253,420 | 137,892,658 |
| | <u>26,740,904,843</u> | <u>31,567,537,547</u> |

16 OTHER PAYABLES

| | 30.9.2012 | 30.9.2011 |
|---|-----------------------|----------------------|
| | VND | VND |
| Dividends | 2,494,771,525 | 1,397,909,550 |
| Social insurance, health insurance, trade union fee | 949,195,838 | 918,853,052 |
| Other payables | 13,893,332,747 | 5,723,273,857 |
| | <u>17,337,300,110</u> | <u>8,040,036,459</u> |

17 BONUS AND WELFARE FUND

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

| | Year ended 30 September | |
|------------------------------------|--------------------------------|----------------------|
| | 2012 | 2011 |
| | VND | VND |
| Opening balance | 7,946,458,110 | 1,728,997,376 |
| Appropriation | 6,406,734,996 | 10,768,960,575 |
| Utilisation | (4,364,403,876) | (4,551,499,841) |
| Reversed to undistributed earnings | (4,055,557,395) | - |
| Other decreases | (707,980,636) | - |
| | <u>5,225,251,199</u> | <u>7,946,458,110</u> |

18 NUMBER OF SHARES

| | 30.9.2012 | | 30.9.2011 | |
|--|-----------------|-------------------|-----------------|-------------------|
| | Ordinary shares | Preference shares | Ordinary shares | Preference shares |
| Number of shares capital authorised and issued | 100,790,790 | - | 100,790,790 | - |
| Treasury shares | (3,859,212) | - | (2,020,012) | - |
| Number of existing shares in issue | 96,931,578 | - | 98,770,778 | - |

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at shareholders' meeting of the Company. Shareholders are entitled to received dividends as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets. In respect of shares re-purchased by the Company, all rights are suspended until those shares are re-issued.

19 MOVEMENTS IN OWNERS' EQUITY

| | Shareholders' capital VND | Share premium VND | Other funds VND | Undistributed earnings VND | Treasury shares VND | Financial reserves VND | Total VND |
|---|---------------------------------|----------------------|-----------------------|----------------------------------|------------------------|---------------------------|-------------------|
| As at 1 October 2010 | 1,007,907,900,000 | 451,543,290,363 | - | 244,094,315,470 | (572,094,000) | 8,525,313,060 | 1,711,498,724,893 |
| Profit for the year | - | - | - | 160,168,374,901 | - | - | 160,168,374,901 |
| Dividends | - | - | - | (50,156,649,000) | - | - | (50,156,649,000) |
| Repurchase of treasury shares | - | - | - | - | (28,016,088,845) | - | (28,016,088,845) |
| Appropriated to bonus and welfare funds | - | - | - | (10,768,960,575) | - | - | (10,768,960,575) |
| As at 30 September 2011 | 1,007,907,900,000 | 451,543,290,363 | - | 343,337,080,796 | (28,588,182,845) | 8,525,313,060 | 1,782,725,401,374 |
| Profit for the year | - | - | - | 368,103,367,888 | - | - | 368,103,367,888 |
| Reversal bonus and welfare funds | - | - | - | 4,055,557,395 | - | - | 4,055,557,395 |
| Dividends | - | - | - | (97,557,418,000) | - | - | (97,557,418,000) |
| Repurchase of treasury shares | - | - | - | - | (28,128,541,137) | - | (28,128,541,137) |
| Appropriated to other funds | - | - | 6,412,839,096 | (6,412,839,096) | - | - | - |
| Appropriated to bonus and welfare funds | - | - | - | (6,406,734,996) | - | - | (6,406,734,996) |
| Transferred from welfare funds | - | - | 707,980,636 | - | - | - | 707,980,636 |
| Use of other funds | - | - | (4,972,492,823) | - | - | - | (4,972,492,823) |
| As at 30 September 2012 | 1,007,907,900,000 | 451,543,290,363 | 2,148,326,909 | 605,119,013,987 | (56,716,723,982) | 8,525,313,060 | 2,018,527,120,337 |

(*) Pursuant to Resolution No. 01/NQ/DHDCD/HSG/2012 dated 22 March 2012 issued by The General Assembly of Shareholders, the Board of Management issued Resolution No. 14/NQ/HDQT/2012 dated 26 March 2012 and Resolution No. 30/NQ/HDQT/2012 dated 15 June 2012 to declare the dividends.

20 REVENUE

(a) Net sales

| | Year ended 30 September | |
|-------------------------|---------------------------|--------------------------|
| | 2012 VND | 2011 VND |
| Sales | | |
| Finished goods | 9,246,014,302,100 | 7,036,652,233,437 |
| Merchandises | 859,638,108,267 | 1,142,374,278,626 |
| Services | 5,335,896,300 | 461,195,766 |
| | <u>10,110,988,306,667</u> | <u>8,179,487,707,829</u> |
| Sales deductions | | |
| Trade discounts | (109,570,991) | (771,748,862) |
| Sales returns | (22,531,595,056) | (12,399,818,026) |
| Sales allowances | (390,909,075) | (329,529,887) |
| | <u>(23,032,075,122)</u> | <u>(13,501,096,775)</u> |
| | <u>10,087,956,231,545</u> | <u>8,165,986,611,054</u> |

(b) Financial income

| | Year ended 30 September | |
|--|-------------------------|-----------------------|
| | 2012 VND | 2011 VND |
| Interest income from deposits | 3,862,359,199 | 3,664,797,659 |
| Gain from foreign exchange differences | 44,729,484,555 | 45,286,243,388 |
| | <u>48,591,843,754</u> | <u>48,951,041,047</u> |

21 COST OF SALES

| | Year ended 30 September | |
|---|--------------------------|--------------------------|
| | 2012 VND | 2011 VND |
| Cost of finished goods sold | 7,891,069,900,293 | 6,134,894,497,014 |
| Cost of merchandises sold | 787,245,656,610 | 974,686,899,800 |
| Cost of services provided | 2,720,847,795 | 473,689,986 |
| Provision for decline in value of inventories | 1,785,601,272 | - |
| | <u>8,682,822,005,970</u> | <u>7,110,055,086,800</u> |

22 FINANCIAL EXPENSES

| | Year ended 30 September | |
|---|--------------------------------|------------------------|
| | 2012 | 2011 |
| | VND | VND |
| Interest expense | 340,390,787,401 | 288,078,153,510 |
| Loss from foreign exchange differences | 69,978,053,765 | 169,323,624,469 |
| Provision for decline in value of long-term investments | (1,126,940,680) | 573,940,680 |
| | <u>409,241,900,486</u> | <u>457,975,718,659</u> |

23 SELLING EXPENSES

| | Year ended 30 September | |
|--------------------------|--------------------------------|------------------------|
| | 2012 | 2011 |
| | VND | VND |
| Staff costs | 96,577,676,057 | 74,294,554,728 |
| Depreciation expenses | 18,760,384,721 | 19,076,605,544 |
| Material expenses | 1,907,889,808 | 2,224,576,875 |
| Outside service expenses | 249,883,446,862 | 200,283,807,110 |
| Other expenses | 19,267,174,394 | 13,030,390,259 |
| | <u>386,396,571,842</u> | <u>308,909,934,516</u> |

24 GENERAL AND ADMINISTRATION EXPENSES

| | Year ended 30 September | |
|--------------------------|--------------------------------|------------------------|
| | 2012 | 2011 |
| | VND | VND |
| Staff costs | 122,823,603,993 | 85,402,603,087 |
| Office supplies | 4,632,842,779 | 6,897,187,132 |
| Depreciation | 20,634,879,798 | 15,456,525,191 |
| Outside service expenses | 75,909,659,257 | 58,734,562,479 |
| Other expenses | 37,225,756,188 | 22,514,553,818 |
| | <u>261,226,742,015</u> | <u>189,005,431,707</u> |

25 OTHER INCOME

| | Year ended 30 September | |
|--|-------------------------|-----------------------|
| | 2012 VND | 2011 VND |
| Other income | | |
| Sales of scraps | 6,803,832,226 | 13,889,373,722 |
| Proceeds from disposal of fixed assets | 3,248,224,565 | 62,548,208,722 |
| Others | 21,733,884,929 | 11,621,983,577 |
| | <u>31,785,941,720</u> | <u>88,059,566,021</u> |

26 OTHER EXPENSES

| | Year ended 30 September | |
|---|-------------------------|-----------------------|
| | 2012 VND | 2011 VND |
| Net book value of disposed fixed assets | 3,291,082,139 | 62,153,033,947 |
| Others (*) | 13,799,357,520 | 6,422,213,563 |
| | <u>17,090,439,659</u> | <u>68,575,247,510</u> |

(*) Including an unpaid tax and related penalty amounting to VND11,039,479,294 relating to Hoa Sen Phu My Steel Sheet Co., Ltd – a Company's former subsidiary. Since this subsidiary was liquidated according to Decision No 244/QD/HDQT/2010 dated 20 December 2010, the obligation to settle this amount has been transferred to the Company.

27 TAXATION

Hoa Sen Group

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

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

Hoa Sen Building Materials One Member Co., Ltd

Hoa Sen Building Materials One Member Co., Ltd has an obligation to pay income tax at the rate of 15% on taxable profit in 12 years since the first year of operation and of 25% for the following years. The provisions of the Business Registration Certificate allow this company to be exempt from business income tax for 3 years starting from the first year it generates a taxable profit (2007), and entitled to a 50% reduction in business income tax for the 5 thereafter years.

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

27 TAXATION (continued)

Hoa Sen Steel Sheet One Member Co., Ltd

Hoa Sen Steel Sheet One Member Co., Ltd has an obligation to pay income tax at the rate of 15% on taxable profit in 12 years since the first year of operation and of 25% for the following years. The provisions of its Business Registration Certificate allow this company to be exempt from business income tax for 3 years starting from the first year it generates a taxable profit (2007), and entitled to a 50% reduction in business income tax for the 5 thereafter years.

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

Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd

Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd have an obligation to pay income tax at the rate of 25% on taxable profit.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates of the Company and its subsidiaries as follows:

| | Year ended 30 September | |
|---|--------------------------------|----------------------|
| | 2012 VND | 2011 VND |
| Net accounting profit before tax | 411,556,357,047 | 168,475,798,930 |
| Tax calculated at a rate of the Group | 69,433,661,677 | 32,817,263,416 |
| Effect of: | | |
| Expenses not deductible for tax purposes | 17,560,066,771 | 11,733,495,715 |
| Impact of higher tax rate | 241,898,021 | 222,349,899 |
| Income not subject to tax | (13,755,469,574) | (7,834,555,531) |
| Tax losses for which no deferred tax assets were recognised | (4,379,706,492) | - |
| Impact of tax reductions | (29,408,100,515) | (16,706,325,506) |
| Tax underprovisioned for previous years | 8,556,039,864 | 7,174,128,628 |
| Impact of decrease in tax rate | (4,795,400,593) | (5,282,277,768) |
| Income tax on transfer of land use rights | - | 515,437,500 |
| Business income tax refunded (*) | - | (14,332,092,324) |
| Business income tax charge | <u>43,452,989,159</u> | <u>8,307,424,029</u> |

(*) Refunded business income tax represents the amount Hoa Sen Steel Sheet One Member Company Limited was refunded in year ended 30 September 2011 as the result of the tax inspection performed by the General Department of Taxation. Previously, this amount was recorded as business income tax expense for the year ended 30 September 2010 and paid to the local Tax Department. The refund was resulted from the different interpretation of tax regulations regarding the tax incentives between the General Department of Taxation and the local Tax Department.

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

28 DIVIDENDS

Dividends were declared at 10% par value (VND1,000 per share) and in cash.

29 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares:

| | <u>Year ended 30 September</u> | |
|--|--------------------------------|-----------------|
| | 2012 VND | 2011 VND |
| Net profit attributable to shareholders | 368,103,367,888 | 160,168,374,901 |
| Weighted average number of ordinary shares in issue (shares) | 97,872,861 | 98,770,778 |
| Basic earnings per share (VND) | <u>3,761</u> | <u>1,622</u> |

30 COST OF GOODS MANUFACTURED BY FACTORS

| | <u>Year ended 30 September</u> | |
|--------------------------|--------------------------------|---------------------------|
| | 2012 VND | 2011 VND |
| Raw materials | 10,177,050,899,778 | 11,051,234,931,496 |
| Labour costs | 310,562,325,023 | 211,527,664,606 |
| Depreciation expense | 260,224,527,337 | 194,945,656,330 |
| Outside service expenses | 644,786,710,718 | 456,919,316,405 |
| Other expenses | 185,034,803,092 | 107,380,837,177 |
| | <u>11,577,659,265,948</u> | <u>12,022,008,406,014</u> |

31 FINANCIAL RISK MANAGEMENT*Financial risk factors*

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

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

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

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

31 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk

(i) Foreign exchange risk

The Group's business is exposed to foreign exchange risk arising from United States Dollar ("USD") and Euro ("EUR") as certain purchases of raw materials and borrowings are denominated in these currencies. The Group manages this risk by promoting export sales to generate USD cash inflows to settle against USD-denominated creditors. In addition, from time to time, the Group reviews the market conditions to forecast the fluctuation of the interest rates in order to minimise the risk by appropriate actions.

The Group's foreign exchange exposure is as follows:

| | 30.9.2012 | | |
|---------------------------------------|-------------------------------------|-------------------------------------|----------------------------|
| | Balance in USD Equivalent to VND | Balance in EUR Equivalent to VND | Total VND |
| Financial assets | | | |
| Cash and bank deposits | 2,865,102,635 | 6,021,880 | 2,871,124,515 |
| Trade accounts receivable | 201,145,081,799 | - | 201,145,081,799 |
| Prepayments to suppliers and deposits | 37,532,010,178 | 39,699,997 | 37,571,710,175 |
| | <u>241,542,194,612</u> | <u>45,721,877</u> | <u>241,587,916,489</u> |
| Financial liabilities | | | |
| Borrowings | (1,654,121,552,075) | (58,267,488,000) | (1,712,389,040,075) |
| Trade accounts payable | (335,204,971,804) | - | (335,204,971,804) |
| Advances from customers | (2,054,807,729) | - | (2,054,807,729) |
| | <u>(1,991,381,331,608)</u> | <u>(58,267,488,000)</u> | <u>(2,049,648,819,608)</u> |
| Foreign exchange exposure | <u>(1,749,839,136,996)</u> | <u>(58,221,766,123)</u> | <u>(1,808,060,903,119)</u> |
| | | | |
| | 30.9.2011 | | |
| | Balance in USD Equivalent to VND | Balance in EUR Equivalent to VND | Total VND |
| Financial assets | | | |
| Cash and bank | 334,891,361 | 6,201,902 | 341,093,263 |
| Trade accounts receivable | 127,760,566,730 | - | 127,760,566,730 |
| Prepayments to suppliers and deposits | 48,685,493,899 | 1,596,180,660 | 50,281,674,559 |
| | <u>176,780,951,990</u> | <u>1,602,382,562</u> | <u>178,383,334,552</u> |
| Financial liabilities | | | |
| Borrowings | (1,253,487,148,937) | (77,131,472,000) | (1,330,618,620,937) |
| Trade accounts payable | (720,824,344,088) | - | (720,824,344,088) |
| Advances from customers | (18,151,632,809) | - | (18,151,632,809) |
| | <u>(1,992,463,125,834)</u> | <u>(77,131,472,000)</u> | <u>(2,069,594,597,834)</u> |
| Foreign exchange exposure | <u>(1,815,682,173,844)</u> | <u>(75,529,089,438)</u> | <u>(1,891,211,263,282)</u> |

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

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

As at 30 September 2012, if the USD had strengthened/weakened by 1% against the VND with all other variables including tax rate being held constant the Company's profit after tax for the financial year would have been lower/higher by VND16,164,238,728/16,164,265,894 (year ended 30 September 2011: VND16,759,170,150/16,794,867,690).

As at 30 September 2012, if the EUR had strengthened/weakened by 1% against the VND with all other variables including tax rate being held constant, the Company's profit after tax for the financial year would have been lower/higher by VND539,008,041/539,008,041 (year ended 30 September 2011: VND699,284,963/699,284,963).

(ii) Price risk

The Group is exposed to equity securities price risk arising from the investments classified as available-for-sale.

(iii) Interest rate risk

The Company is exposed to interest rate risk on its borrowings. The Company maintains balances of raw material, finished goods and spare part at appropriate level in order to minimise the demand for short-term loans and balance the VND and USD short-term loan structure, conformity with the fluctuation of interest and foreign exchange rates to have reasonable interest expenses. Most of loans whose interest rate are in VND and USD.

As at 30 September 2012, if the VND interest rates had increased/decreased by 1% with all other variables including tax rate being held constant, the profit after tax for the period would have been lower/higher by VND13,264,531,271/13,309,842,079 (year ended 30 September 2011: VND13,967,627,970/13,967,627,970).

As at 30 September 2012, if the USD interest rates had increased/decreased by 0.5% with all other variables including tax rate being held constant, the profit after tax for the year would have been lower/higher by VND7,003,069,527/7,014,799,916 (year ended 30 September 2011: VND5,860,383,965/5,860,383,965).

31 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

The Group manages credit risk by taking the following actions:

- Establish a credit limit for each customer and require daily reports of payment progress for re-assessing credit limits, categorising as well as forcing the collection;
- Charge interest on debtors and establish the monthly average outstanding debt amount for each business unit and retail-distribution branch;
- Refuse credit sales for customers with over-90-day overdue debtors, except special cases as approved by the Board of Directors;
- Involve the authorities when necessary.

Trade and other trade receivable include:

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks which have high credit-ratings as determined by international credit-rating agencies. Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track records with the Group.

The Group's trade and other receivables not past due include receivables amounting to VND410,116,200,783 (30 September 2011: VND341,220,827,915).

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

Trade receivables that are past due but not impaired are as follows:

| | 30.9.2012 VND | 30.9.2011 VND |
|-----------------------------|------------------------|------------------------|
| Past due 1 to 30 days | 67,502,933,962 | 58,019,004,033 |
| Past due 31 days to 60 days | 17,656,803,188 | 27,810,788,040 |
| Past due over 60 days | 80,994,592,700 | 26,756,921,845 |
| | <u>166,154,329,850</u> | <u>112,586,713,918</u> |

31 FINANCIAL RISK MANAGEMENT (continued)**(b) Credit risk (continued)***(iii) Financial assets that are past due and/or impaired*

The carrying amount of trade receivables determined to be impaired and the movement in the related allowance for impairment are as follows:

| | 30.9.2012 VND | 30.9.2011 VND |
|--------------------------------|------------------------|------------------------|
| Gross amount | 607,105,628,000 | 464,096,658,842 |
| Less: Allowance for impairment | (8,314,116,749) | (3,862,992,588) |
| | <u>598,791,511,251</u> | <u>460,233,666,254</u> |
| Beginning of year | 3,862,992,588 | 2,073,644,326 |
| Allowance made | 4,451,124,161 | 1,789,348,262 |
| End of year | <u>8,314,116,749</u> | <u>3,862,992,588</u> |

(c) Liquidity risk

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

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

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than 1 year VND | 30.9.2012 Between 1 and 5 years VND | Over 5 years VND | Total VND |
|--|----------------------------|--|------------------------|--------------------------|
| Trade accounts payable | 484,411,293,421 | - | - | 484,411,293,421 |
| Short-term borrowings | 1,874,783,164,492 | - | - | 1,874,783,164,492 |
| Long-term borrowings and debts, and current portions | 165,142,585,576 | 606,308,855,689 | 577,090 | 771,452,018,355 |
| | <u>2,524,337,043,489</u> | <u>606,308,855,689</u> | <u>577,090</u> | <u>3,130,646,476,268</u> |

31 FINANCIAL RISK MANAGEMENT (continued)**(c) Liquidity risk (continued)**

| | 30.9.2011 | | | Total VND |
|---|----------------------------|---------------------------------|----------------------|--------------------------|
| | Less than 1 year VND | Between 1 and 5 years VND | Over 5 years VND | |
| Trade accounts payable | 1,098,014,470,240 | - | - | 1,098,014,470,240 |
| Short-term borrowings | 2,058,178,693,714 | - | - | 2,058,178,693,714 |
| Long-term borrowings and debts, and current portions | 195,935,343,444 | 638,392,743,733 | 6,133,252,789 | 840,461,339,966 |
| | <u>3,352,128,507,398</u> | <u>638,392,743,733</u> | <u>6,133,252,789</u> | <u>3,996,654,503,920</u> |

(d) Fair value measurements

The carrying value less provision of trade and other receivables, deposits, trade and other payables and borrowing approximate to their fair values.

32 RELATED PARTY TRANSACTIONS

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

(a) Related party transactions

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

Compensation of key management

| | Year ended 30 September | |
|---|-------------------------|----------------------|
| | 2012 VND | 2011 VND |
| Compensation for Board of Management, Board of Advisors and Board of Supervisors | 1,072,200,000 | 954,000,000 |
| Gross salary for Board of Management | <u>6,358,681,967</u> | <u>4,293,126,682</u> |

(b) Year end balances with related parties

| | 30.9.2012 VND | 30.9.2011 VND |
|--|-----------------------|-----------------------|
| Prepayments to suppliers (Note 4) | | |
| Mr Hoang Duc Huy (Deputy General Director) advance for acquisition of land use rights | <u>90,183,227,000</u> | <u>90,183,227,000</u> |

33 SEGMENT REPORTING

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

34 COMMITMENTS UNDER OPERATING LEASES

The future minimum lease payments under non-cancellable operating leases are as follows:

| | Year ended 30 September | |
|------------------------|--------------------------------|------------------------|
| | 2012 | 2011 |
| | VND | VND |
| Within 1 year | 21,998,113,123 | 21,194,152,720 |
| Between 1 and 5 years | 66,417,395,619 | 69,375,630,134 |
| Over 5 years | 246,047,114,053 | 251,241,359,892 |
| Total minimum payments | <u>334,462,622,795</u> | <u>341,811,142,746</u> |

35 CAPITAL COMMITMENTS

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


| | Year ended 30 September | |
|------------------------------------|--------------------------------|-----------------------|
| | 2012 | 2011 |
| | VND | VND |
| Buildings, machinery and equipment | <u>186,444,843,145</u> | <u>28,575,744,556</u> |

The consolidated financial statements were approved by the General Director on 18 December 2012.



 Nguyen Thi Ngoc Lan
 Chief Accountant





 Tran Ngoc Chu
 General Director