

**HOA SEN GROUP**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 31 MARCH 2013**



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## HOA SEN GROUP

### CORPORATE INFORMATION

#### Business Registration Certificate

No. 3700381324 dated 21 June 2012  
Initially dated 8 August 2001

The Business Registration Certificate was amended, the latest amendment of Business Registration Certificate No. 3700381324 was 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 Pham Gia Tuan	Member
Mr Ly Duy Hoang	Member
Mr Le Phung Hao	Member (resigned on 6 March 2013)
Mr Jean Eric Jacquemin	Member (appointed on 6 March 2013)

#### Board of Directors

Mr Tran Ngoc Chu	General Director
Mr Hoang Duc Huy	Deputy General Director
Mr Tran Quoc Tri	Deputy General Director
Mr Vu Van Thanh	Deputy General Director
Mr Nguyen Minh Khoa	Deputy General Director (appointed on 21 January 2013)
Mr Ho Thanh Hieu	Deputy General Director (appointed on 21 January 2013)
Mr Nguyen Van Quy	Deputy General Director (appointed on 20 March 2013)

#### Legal representative

Mr Le Phuoc Vu	Chairman
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#### 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 INTERIM FINANCIAL STATEMENTS

The legal representative of the Company authorised the General Director to be responsible for the consolidated interim 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 31 March 2013 and the results of their operations and cash flows for the six-month period then ended. In preparing these consolidated interim 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 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 interim financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the 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 INTERIM FINANCIAL STATEMENTS

I hereby approve the accompanying consolidated interim financial statements as set out on pages 4 to 35 which give a true and fair view of the financial position of the Group as at 31 March 2013 and of the results of their operations and cash flows for the six-month period 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  
27 May 2013



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

We have reviewed the accompanying consolidated interim financial statements of Hoa Sen Group ("the Company") and its subsidiaries (together "the Group") which were approved by the General Director on 27 May 2013. These consolidated interim financial statements include the consolidated balance sheet as of 31 March 2013, the consolidated income statement and consolidated cash flow statement for the six-month period then ended, and notes to the consolidated interim financial statements as set out on pages 4 to 35. The General Director is responsible for the preparation and presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam. Our responsibility is to express a conclusion on these financial statements based on our review.

### Scope of Review.

We conducted our review in accordance with the Vietnamese Auditing Standard No. 910 - *Engagement to Review Financial Statements*. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated interim financial statements are free of material misstatements. A review is limited primarily to inquiries of personnel of the Group and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements are not presented fairly, in all material respects, in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.



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

Nguyen Cao Nguyen  
AC No. 1184/KTV

PricewaterhouseCoopers (Vietnam) Limited  
Ho Chi Minh City, SR Vietnam  
Review report number HCM3723  
27 May 2013

As indicated in Note 2.1 to the consolidated interim financial statements, the accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in jurisdictions other than SR Vietnam.

## CONSOLIDATED BALANCE SHEET

Code	ASSETS	Note	As at	
			31.3.2013 VND	30.9.2012 VND
<b>100</b>	<b>CURRENT ASSETS</b>		<b>3,524,258,790,159</b>	<b>2,606,071,890,530</b>
<b>110</b>	<b>Cash and cash equivalents</b>	3	<b>162,340,406,587</b>	<b>67,431,992,847</b>
111	Cash		162,340,406,587	67,431,992,847
<b>120</b>	<b>Short-term investments</b>		-	<b>3,975,059,008</b>
121	Short-term investments		-	3,975,059,008
<b>130</b>	<b>Accounts receivable</b>		<b>502,255,954,036</b>	<b>757,901,543,650</b>
131	Trade accounts receivable		375,470,195,327	607,105,628,000
132	Prepayments to suppliers	4	113,736,733,503	137,402,828,308
135	Other receivables	5	21,363,141,955	21,707,204,091
139	Provision for doubtful debts		(8,314,116,749)	(8,314,116,749)
<b>140</b>	<b>Inventories</b>	6	<b>2,564,574,598,805</b>	<b>1,539,822,107,871</b>
141	Inventories		2,566,360,200,077	1,541,607,709,143
149	Provision for decline in value of inventories		(1,785,601,272)	(1,785,601,272)
<b>150</b>	<b>Other current assets</b>		<b>295,087,830,731</b>	<b>236,941,187,154</b>
151	Short-term prepayments		42,870,317,275	37,748,239,662
152	Value Added Tax to be reclaimed		205,298,022,293	190,977,572,774
154	Other taxes receivable	7	315,642,291	856,983,479
158	Other current assets	8	46,603,848,872	7,358,391,239
<b>200</b>	<b>LONG-TERM ASSETS</b>		<b>2,806,976,288,866</b>	<b>2,716,867,560,343</b>
<b>220</b>	<b>Fixed assets</b>		<b>2,676,318,370,962</b>	<b>2,585,419,833,744</b>
221	Tangible fixed assets	9(a)	2,315,070,327,915	2,199,542,140,363
222	Cost		3,242,850,696,181	3,002,603,873,975
223	Accumulated depreciation		(927,780,368,266)	(803,061,733,612)
224	Financial lease assets	9(b)	113,991,688,205	119,589,366,865
225	Cost		133,541,500,504	133,541,500,504
226	Accumulated depreciation		(19,549,812,299)	(13,952,133,639)
227	Intangible fixed assets	9(c)	236,345,964,118	240,284,444,612
228	Cost		253,565,959,843	255,669,692,921
229	Accumulated amortisation		(17,219,995,725)	(15,385,248,309)
230	Construction in progress	9(d)	10,910,390,724	26,003,881,904
<b>250</b>	<b>Long-term investments</b>	10	<b>59,456,331,634</b>	<b>59,456,331,634</b>
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
<b>260</b>	<b>Other long-term assets</b>		<b>71,201,586,270</b>	<b>71,991,394,965</b>
261	Long-term prepayments	11	60,304,223,237	61,094,031,932
262	Deferred income tax assets	12	7,539,813,132	7,539,813,132
268	Other long-term assets		3,357,549,901	3,357,549,901
<b>270</b>	<b>TOTAL ASSETS</b>		<b>6,331,235,079,025</b>	<b>5,322,939,450,873</b>

The notes on pages 8 to 35 are an integral part of these financial statements.

**CONSOLIDATED BALANCE SHEET**  
 (continued)


Code	RESOURCES	Note	As at	
			31.3.2013 VND	30.9.2012 VND
<b>300</b>	<b>LIABILITIES</b>		<b>4,079,234,057,091</b>	<b>3,304,412,330,536</b>
<b>310</b>	<b>Current liabilities</b>		<b>3,401,085,409,022</b>	<b>2,693,075,577,757</b>
311	Short-term borrowings	13(a)	2,357,006,405,941	2,039,925,750,068
312	Trade accounts payable		779,277,749,543	484,411,293,421
313	Advances from customers		70,374,904,320	10,597,895,943
314	Taxes and other payables to the State Budget	14	127,901,173,581	84,651,397,571
315	Payable to employees		20,161,316,498	24,185,784,602
316	Accrued expenses	15	18,457,125,219	26,740,904,843
319	Other payables	16	15,046,971,005	17,337,300,110
323	Bonus and welfare fund	17	12,859,762,915	5,225,251,199
<b>330</b>	<b>Long-term liabilities</b>		<b>678,148,648,069</b>	<b>611,336,752,779</b>
334	Long-term borrowings	13(b)	673,425,120,869	606,309,432,779
336	Provision for severance allowances		4,723,527,200	5,027,320,000
<b>400</b>	<b>SHAREHOLDERS' EQUITY</b>		<b>2,252,001,021,934</b>	<b>2,018,527,120,337</b>
<b>410</b>	<b>Capital and reserves</b>		<b>2,252,001,021,934</b>	<b>2,018,527,120,337</b>
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	(56,726,432,641)	(56,716,723,982)
416	Financial reserve funds	19	8,525,313,060	8,525,313,060
419	Other funds		5,080,370,288	2,148,326,909
420	Undistributed earnings	19	835,670,580,864	605,119,013,987
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>6,331,235,079,025</b>	<b>5,322,939,450,873</b>

**OFF BALANCE SHEET ITEMS**

Cash and cash equivalents are balances held in foreign currencies of US\$2,070,524  
 (As at 30 September 2012: US\$137,559).

  
 \_\_\_\_\_  
 Nguyen Thi Ngoc Lan  
 Chief Accountant



  
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 Tran Ngoc Chu  
 General Director  
 27 May 2013


The notes on pages 8 to 35 are an integral part of these financial statements.

## CONSOLIDATED INCOME STATEMENT

Code		Note	Six-month period ended	
			31.3.2013 VND	31.3.2012 VND
01	Sales		5,301,937,290,417	5,071,617,350,764
02	Less deductions		(5,689,357,101)	(19,001,275,268)
10	<b>Net sales</b>	20(a)	<b>5,296,247,933,316</b>	<b>5,052,616,075,496</b>
11	<b>Cost of sales</b>	21	<b>(4,434,864,070,916)</b>	<b>(4,370,383,711,984)</b>
20	<b>Gross profit</b>		<b>861,383,862,400</b>	<b>682,232,363,512</b>
21	Financial income	20(b)	11,973,257,038	26,552,005,501
22	Financial expenses	22	(117,334,711,145)	(248,876,728,620)
23	<i>Including: interest expenses</i>		(103,189,923,051)	(201,785,705,361)
24	Selling expenses	23	(209,733,720,794)	(191,537,248,985)
25	General and administration expenses	24	(144,658,315,246)	(116,269,266,065)
30	<b>Operating profit</b>		<b>401,630,372,253</b>	<b>152,101,125,343</b>
31	Other income	25	16,232,022,566	21,381,054,254
32	Other expense	26	(13,152,432,857)	(7,371,951,552)
40	<b>Net other income</b>		<b>3,079,589,709</b>	<b>14,009,102,702</b>
50	<b>Net accounting profit before tax</b>		<b>404,709,961,962</b>	<b>166,110,228,045</b>
51	<b>Business income tax - current</b>	27	<b>(51,706,539,549)</b>	<b>(13,521,745,363)</b>
52	<b>Business income tax - deferred</b>	12	<b>-</b>	<b>947,736,509</b>
60	<b>Net profit after tax</b>		<b>353,003,422,413</b>	<b>153,536,219,191</b>
70	<b>Earnings per share</b>	28	<b>3,642</b>	<b>1,564</b>

  
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 Nguyen Thi Ngoc Lan  
 Chief Accountant



  
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 Tran Ngoc Chu  
 General Director  
 27 May 2013




**CONSOLIDATED CASH FLOW STATEMENT**  
**(Indirect method)**

Code	Note	Six-month period ended	
		31.3.2013 VND	31.3.2012 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01	Net profit before tax	<b>404,709,961,962</b>	<b>166,110,228,045</b>
	Adjustments for:		
02	Depreciation and amortisation	141,692,624,093	135,579,278,486
03	Provisions	-	(1,017,652,424)
04	Unrealised foreign exchange gains	(2,398,094,447)	(1,634,746,769)
05	Gain from investing activities	(646,495,937)	(2,661,153,353)
06	Interest expense	103,189,923,051	201,785,705,361
07	Loss from disposals of fixed assets	3,874,816,148	163,161,356
08	Operating profit before changes in working capital	<b>650,422,734,870</b>	<b>498,324,820,702</b>
09	Decrease in receivables	207,079,818,786	41,205,377,444
10	Increase in inventories	(1,024,752,490,934)	(253,944,566,082)
11	Increase/(decrease) in payables	358,012,396,602	(433,760,711,915)
12	(Increase)/decrease in prepaid expenses	(3,004,638,305)	11,322,938,639
13	Interest paid	(103,844,903,438)	(204,239,031,438)
14	Business income tax paid	(33,999,341,823)	(9,863,970,022)
16	Other payments on operating activities	(8,389,306,057)	(3,025,607,595)
20	Net cash inflows/(outflows) from operating activities	<b>41,524,269,701</b>	<b>(353,980,750,267)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchases of fixed assets	(244,081,646,947)	(23,603,509,499)
22	Proceeds from disposals of fixed assets	6,098,955,194	1,991,151,838
27	Interest received	835,579,618	2,962,040,879
30	Net cash outflows from investing activities	<b>(237,147,112,135)</b>	<b>(18,650,316,782)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
32	Purchase treasury shares	(9,708,659)	(6,310,165,072)
33	Proceeds from borrowings	4,469,955,879,279	3,605,155,647,611
34	Repayments of borrowings	(4,068,951,440,992)	(3,268,283,366,727)
35	Dividends paid	(96,931,578,000)	(36,598,200)
36	Repayments of finance lease	(10,260,721,968)	(24,918,030,758)
40	Net cash inflows from financing activities	<b>293,802,429,660</b>	<b>305,607,486,854</b>
50	Net (decrease)/increase in cash and cash equivalents	<b>98,179,587,226</b>	<b>(67,023,580,195)</b>
60	Cash and cash equivalents at beginning of period	3 67,431,992,847	128,408,998,636
61	Effect of foreign exchange differences	(3,271,173,486)	213,268,612
70	Cash and cash equivalents at end of period	<b>162,340,406,587</b>	<b>61,598,687,053</b>

  
 Nguyen Thi Ngoc Lan  
 Chief Accountant



  
 Tran Ngoc Chu  
 General Director  
 27 May 2013

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 31 MARCH 2013**

**1 GENERAL INFORMATION**

Hoa Sen Group ("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 31 March 2013, the Company had the following subsidiaries:

Company name	Address	Principal activity	% ownership and voting rights	
			31.3.2013	30.9.2012
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, Vietnam	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 2 Industrial Park, 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 were incorporated in Vietnam.

As at 31 March 2013, the Group had 3,091 employees (30 September 2012: 2,949 employees)

## 2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES

### 2.1 Basis of preparation of consolidated interim financial statements

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

The accompanying consolidated interim 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. The consolidated interim financial statements are prepared for the six-month period ended 31 March.

### 2.3 Consolidation

The Company prepared its consolidated interim financial statements in accordance with 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.

#### ***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 off any accumulated impairment loss.

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

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 associates.

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 ledgers to record its transactions.

**2.5 Use of accounting estimate**

The preparation of the consolidated interim 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 period. 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 interim 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**

Investment in joint ventures and associates are accounted for under equity method. When the investments in joint ventures and associates are acquired and held exclusively with a view to its disposal in the near future, they will be accounted for in the consolidated financial statements of the Group under the cost 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 within 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 annual 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

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 not amortised.

**2.11 Fixed assets (continued)***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 period 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 Revenue recognition****(a) Sales of goods**

Revenue from the sales 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.

**(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.

**2.15 Current and deferred income tax**

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries that the Socialist Republic of Vietnam has not signed any double tax relief agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profit and the current tax rates. Current and deferred tax should be recognized as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, directly in equity.

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.

**2.16 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. 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. Total amount received from the reissue or sales of treasury shares less directly attributable costs are recorded as equity.

**2.17 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 shareholders in general meetings.

**2.18 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.

**2.19 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.

**2.20 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 31 March 2013 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**

	<b>31.3.2013</b>	<b>30.9.2012</b>
	<b>VND</b>	<b>VND</b>
Cash on hand	22,715,457,906	23,431,416,059
Cash at bank	139,445,240,181	43,100,528,271
Cash in transit	179,708,500	900,048,517
	<u>162,340,406,587</u>	<u>67,431,992,847</u>

**4 PREPAYMENTS TO SUPPLIERS**

	<b>31.3.2013</b>	<b>30.9.2012</b>
	<b>VND</b>	<b>VND</b>
Third parties	23,553,506,503	47,219,601,308
Related parties (Note 31(b))	90,183,227,000	90,183,227,000
	<u>113,736,733,503</u>	<u>137,402,828,308</u>



**5 OTHER RECEIVABLES**

Other receivables from third parties include an amount of VND13,279,135,464 (as at 30.9.2012: VND13,279,135,464) from divestment of Pho Dong – Hoa Sen Apartment Building Project.

**6 INVENTORIES**

	<b>31.3.2013</b> <b>VND</b>	<b>30.9.2012</b> <b>VND</b>
Goods in transit	791,932,438,886	340,678,259,856
Raw materials	712,914,338,833	190,622,980,418
Tools	213,679,524,673	221,482,551,071
Work in progress	19,704,045,529	56,468,240
Finished goods	748,085,828,402	710,083,474,030
Merchandises	80,044,023,754	78,683,975,528
	<u>2,566,360,200,077</u>	<u>1,541,607,709,143</u>
Provision for decline in value of inventories	(1,785,601,272)	(1,785,601,272)
	<u><u>2,564,574,598,805</u></u>	<u><u>1,539,822,107,871</u></u>

As at 31 March 2013, inventories with a carrying amount of VND651,487,006,821 (as at 30 September 2012: VND1,070,169,056,955) have been pledged as security for the loans.

**7 OTHER TAXES RECEIVABLE**

	<b>31.3.2013</b> <b>VND</b>	<b>30.9.2012</b> <b>VND</b>
Business income tax refundable	-	20,797,918
Other receivables from the State	315,642,291	836,185,561
	<u>315,642,291</u>	<u>856,983,479</u>

**8 OTHER CURRENT ASSETS**

	<b>31.3.2013</b> <b>VND</b>	<b>30.9.2012</b> <b>VND</b>
Short-term deposits	35,745,848,834	2,486,311,258
Advance to employees	10,858,000,038	4,872,079,981
	<u>46,603,848,872</u>	<u>7,358,391,239</u>

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## 9 FIXED ASSETS

## (a) Tangible fixed assets

	Buildings VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Other assets VND	Total VND
<b>Historical cost</b>						
As at 1 October 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
New purchases	97,171,324	10,585,886,766	5,630,393,177	236,733,272	5,287,754,569	21,837,939,108
Transfers from construction in progress	26,408,281,656	208,979,790,540	-	-	-	235,388,072,196
Disposals	(500,000,000)	(15,966,529,230)	(140,211,131)	(10,999,100)	(42,857,142)	(16,660,596,603)
Other decrease	-	(303,342,950)	(15,249,545)	-	-	(318,592,495)
As at 31 March 2013	682,164,354,392	2,454,437,417,579	79,361,298,029	5,777,618,999	21,110,007,182	3,242,850,696,181
<b>Accumulated depreciation</b>						
As at 1 October 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
Charge for the period	19,137,537,004	109,294,809,909	4,258,213,977	335,983,244	1,186,667,933	134,213,212,067
Disposals	(165,322,554)	(9,144,305,144)	(123,141,311)	(10,265,808)	(42,857,142)	(9,485,891,959)
Other decrease	-	-	(8,685,454)	-	-	(8,685,454)
As at 31 March 2013	133,020,296,111	746,948,103,608	38,921,170,658	3,919,550,036	4,971,247,853	927,780,368,266
<b>Net book value</b>						
As at 1 October 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
As at 31 March 2013	549,144,058,281	1,707,489,313,971	40,440,127,371	1,858,068,963	16,138,759,329	2,315,070,327,915

Cost of fixed assets fully depreciated but are still in use as at 31 March 2013 was VND61,008,400,095 (As at 30 September 2012: VND49,172,810,851)

As at 31 March 2013 fixed assets with a carrying value of VND1,537,857,002,944 (As at 30 September 2012: VND1,137,287,394,652) have been pledged as security for the borrowings granted to the Group.

## 9 FIXED ASSETS (continued)

## (b) Finance lease assets

Machinery and equipment  
VND**Historical cost**As at 1 October 2012 and as at 31 March 2013 133,541,500,504**Accumulated depreciation**

As at 1 October 2012 13,952,133,639

Charge for the period 5,597,678,660

As at 31 March 2013 19,549,812,299**Net book value**As at 1 October 2012 119,589,366,865As at 31 March 2013 113,991,688,205

## (c) Intangible fixed assets

	Land use rights VND	Computer software VND	Total VND
<b>Historical cost</b>			
As at 1 October 2012	253,762,224,817	1,907,468,104	255,669,692,921
Increase during the period	748,696,710	-	748,696,710
Disposal	(2,846,052,648)	-	(2,846,052,648)
Other decrease	(6,377,140)	-	(6,377,140)
As at 31 March 2013	<u>251,658,491,739</u>	<u>1,907,468,104</u>	<u>253,565,959,843</u>
<b>Accumulated amortisation</b>			
As at 1 October 2012	14,129,847,457	1,255,400,852	15,385,248,309
Charge for the period	1,726,826,346	154,907,020	1,881,733,366
Disposals	(46,985,950)	-	(46,985,950)
As at 31 March 2013	<u>15,809,687,853</u>	<u>1,410,307,872</u>	<u>17,219,995,725</u>
<b>Net book value</b>			
As at 1 October 2012	<u>239,632,377,360</u>	<u>652,067,252</u>	<u>240,284,444,612</u>
As at 31 March 2013	<u>235,848,803,886</u>	<u>497,160,232</u>	<u>236,345,964,118</u>

As at 31 March 2013 land use rights with a carrying value of VND170,563,897,698 (As at 30 September 2012: VND164,111,293,657) have been pledged with banks as security for the borrowings granted to the Group.

**9 FIXED ASSETS (continued)****(d) Construction in progress**

	<b>6 month period ended 31.3.2013 VND</b>	<b>Year ended 30.9.2012 VND</b>
Opening balance	26,003,881,904	470,916,943,034
Additions	221,495,011,129	48,855,722,581
Transfers to tangible fixed assets	(235,388,072,196)	(4,923,653,232)
Transfers to long-term prepayments	(1,200,430,113)	(488,845,130,479)
Closing balance	<u>10,910,390,724</u>	<u>26,003,881,904</u>
Major projects:		
	<b>31.3.2013 VND</b>	<b>30.9.2012 VND</b>
Machinery and equipment for		
Hoa Sen Phu My Steel Sheet Plant	5,308,074,226	18,569,355,451
Hoa Sen Phu My Steel Sheet Plant Project	-	5,113,690,655
	<u>                    </u>	<u>                    </u>

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10 LONG-TERM INVESTMENTS

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

Investees	Principal activities	Business Licence	% ownership and voting rights	31.3.2013 VND	30.9.2012 VND
<b>Associates</b>					
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
<b>Other long-term investments</b>					
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
				<u>59,456,331,634</u>	<u>59,456,331,634</u>

(\*) Investment in Hoa Sen – Gemadep Logistics and International Port Corporation is awaiting for disposal as per Annual General Meeting Resolution No. 02/NQ/DHDCD/HSG/2011 dated 16 June 2011 and therefore accounted for in the consolidated interim financial statements under the cost method.

**11 LONG-TERM PREPAYMENTS**

	<b>6 month period ended 31.3.2013 VND</b>	<b>Year ended 30.9.2012 VND</b>
Opening balance	61,094,031,932	55,981,627,029
Additions	32,710,187,310	37,971,342,489
Transferred from construction in progress	1,200,430,113	4,923,653,232
Transferred from fixed assets	127,200,500	-
Amortisation	(34,827,626,618)	(37,782,590,818)
Closing balance	<u>60,304,223,237</u>	<u>61,094,031,932</u>

Long-term prepayments mainly include tools and supplies in use.

**12 DEFERRED INCOME TAX ASSETS**

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

	<b>6 month period ended 31.3.2013 VND</b>	<b>Year ended 30.9.2012 VND</b>
Opening balance	7,539,813,132	7,615,641,836
Credited to income statement	-	(75,828,704)
Closing balance	<u>7,539,813,132</u>	<u>7,539,813,132</u>

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

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

	<b>31.3.2013 VND</b>	<b>30.9.2012 VND</b>
Short-term bank loan (*)	2,197,576,484,271	1,874,783,164,492
Current portion of long-term loans (Note 13(b))	140,115,495,600	144,621,141,648
Current portion of finance lease liabilities (Note 13(b))	19,314,426,070	20,521,443,928
	<u>2,357,006,405,941</u>	<u>2,039,925,750,068</u>

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

(\*) Detail of short-term borrowings is as follows:

Loan No	Currency	Annual interest	31.3.2013 VND	30.9.2012 VND
01	USD	4.5% - 7%	471,620,484,240	397,349,294,200
02	VND	11% - 11.5%	-	66,800,000,000
03	USD	3.6% - 5.5%	113,128,176,771	132,506,031,645
04	VND	9% - 12.5%	28,124,891,908	10,007,000,000
05	USD	3.8% - 6%	219,007,409,955	256,450,792,619
06	VND	8.2% - 12%	293,521,866,240	184,210,428,571
07	USD	5% - 6.5%	114,762,280,000	115,637,056,000
08	USD	3.5% - 4%	68,698,014,430	99,490,344,783
09	VND	9.5% - 10%	4,702,097,228	28,390,000,000
10	USD	4.5% - 5%	59,161,393,930	39,573,200,000
11	USD	5% - 6%	75,327,041,964	13,954,760,000
12	USD	3.8%	118,889,566,894	-
13	USD	4.2%	82,119,311,656	-
14	USD	6%	28,475,609,627	28,364,976,082
15	USD	4.5% - 5.1%	179,666,085,579	57,818,528,000
16	USD	4.5% - 6.3%	143,547,999,386	231,332,534,540
17	USD	3.75% - 5.02%	196,824,254,463	183,498,218,052
18	VND	8.66% - 11.2%	-	29,400,000,000
			<u>2,197,576,484,271</u>	<u>1,874,783,164,492</u>

**(b) Long-term borrowings**

		31.3.2013 VND	30.9.2012 VND
Bank loans	(i)	718,241,421,101	638,262,330,949
Finance lease liabilities	(ii)	64,661,477,438	74,922,199,406
Other debts	(iii)	49,952,144,000	58,267,488,000
		<u>832,855,042,539</u>	<u>771,452,018,355</u>
Less: Current portion of long-term loans (Note 13(a))		(140,115,495,600)	(144,621,141,648)
Less: Current portion of finance lease liabilities (Note 13(a))		(19,314,426,070)	(20,521,443,928)
		<u>673,425,120,869</u>	<u>606,309,432,779</u>

**13 BORROWINGS (continued)****(b) Long-term borrowings (continued)**

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

Loan	Currency	Repayment	Annual interest	31.3.2013 VND	30.9.2012 VND
01	VND	25/09/2017	13% - 15%	299,914,516,000	155,288,986,000
02	VND	11/06/2016	12.3% - 15%	250,697,516,695	290,697,516,695
03	USD	15/09/2013	7.2%	-	1,564,516,048
04	VND	26/04/2015	13% - 14%	6,913,890,000	9,229,890,000
05	VND	24/10/2015	7.8% - 8.4%	28,390,000,000	35,500,000,000
06	USD	08/09/2018	1.7%	88,125,132,106	96,581,300,106
07	VND	16/07/2017	13.5% - 16%	44,200,366,300	49,400,122,100
				<u>718,241,421,101</u>	<u>638,262,330,949</u>

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

(ii) Finance lease liabilities

The minimum lease payments relating to non-cancellable finance lease agreements are as follows:

	31.3.2013		
	Total liabilities VND	Interest VND	Principal VND
Less than 1 year	27,444,399,226	8,129,973,156	19,314,426,070
From 1 to 5 years	55,008,354,925	9,661,303,557	45,347,051,368
	<u>82,452,754,151</u>	<u>17,791,276,713</u>	<u>64,661,477,438</u>
	30.9.2012		
	Total liabilities VND	Interest VND	Principal VND
Less than 1 year	30,258,852,744	9,737,408,816	20,521,443,928
From 1 to 5 years	67,908,490,149	13,507,734,671	54,400,755,478
	<u>98,167,342,893</u>	<u>23,245,143,487</u>	<u>74,922,199,406</u>



**13 BORROWINGS (continued)****(b) Long-term borrowings (continued)**

(iii) Other long-term debts:

Long-term loan balance of EUR1,852,000 equivalent to VND49,952,144,000 (30 September 2012: EUR2,144,000, equivalent to VND58,267,488,000) is from a supplier for purchase of fixed assets, bearing interest at the rate of 5,8% p.a and to be repaid in 6-month instalments until May 2016.

**14 TAXES AND OTHER PAYABLES TO THE STATE BUDGET**

	<b>31.3.2013</b>	<b>30.9.2012</b>
	<b>VND</b>	<b>VND</b>
VAT on importation	77,154,634,395	46,827,168,659
Value added tax	11,621,563,615	17,603,888,915
Import – Export duties	529,141,947	76,358,503
Business income tax	37,386,173,289	19,678,975,563
Other taxes	1,209,660,335	465,005,931
	<u>127,901,173,581</u>	<u>84,651,397,571</u>

**15 ACCRUED EXPENSES**

	<b>31.3.2013</b>	<b>30.9.2012</b>
	<b>VND</b>	<b>VND</b>
Electricity	6,192,095,500	3,855,747,726
Accrued expenses for construction in progress	3,669,285,518	1,623,564,318
Transportation fee	-	1,981,006,445
Audit fee	210,000,000	785,454,544
13 <sup>th</sup> month salary	-	10,262,949,429
Loan interest	3,237,948,574	3,892,928,961
Other accrued expenses	5,147,795,627	4,339,253,420
	<u>18,457,125,219</u>	<u>26,740,904,843</u>

**16 OTHER PAYABLES**

	<b>31.3.2013</b>	<b>30.9.2012</b>
	<b>VND</b>	<b>VND</b>
Dividends	3,380,681,725	2,494,771,525
Social insurance, health insurance and trade union fee	1,287,774,964	949,195,838
Others	10,378,514,316	13,893,332,747
	<u>15,046,971,005</u>	<u>17,337,300,110</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 period were as below:

	<b>6 months ended 31.3.2013 VND</b>	<b>Year ended 30.9.2012 VND</b>
Opening balance	5,225,251,199	7,946,458,110
Addition (Note 19)	14,724,134,716	6,406,734,996
Utilisation	(7,089,623,000)	(4,364,403,876)
Transferred to undistributed earnings	-	(4,055,557,395)
Other decrease	-	(707,980,636)
Closing balance	<u>12,859,762,915</u>	<u>5,225,251,199</u>

**18 NUMBER OF SHARES**

	<b>31.3.2013</b>		<b>30.9.2012</b>	
	<b>Ordinary shares</b>	<b>Preference shares</b>	<b>Ordinary shares</b>	<b>Preference shares</b>
Number of shares capital authorised and issued	100,790,790	-	100,790,790	-
Treasury shares	(3,859,212)	-	(3,859,212)	-
Number of existing shares in issue	<u>96,931,578</u>	<u>-</u>	<u>96,931,578</u>	<u>-</u>

All ordinary shares have a par value of VND10,000 per share. Each share is entitled to one vote at shareholders' meeting of the Company. Shareholders are entitled to receive 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 repurchased by the Company, all rights are suspended until those shares are reissued.

## 19 MOVEMENTS IN OWNERS' EQUITY

	Shareholders' capital	Share premium	Other funds	Undistributed earnings	Treasury shares	Financial reserves	Total
	VND	VND	VND	VND	VND	VND	VND
As at 1 October 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
Transferred from bonus and welfare funds	-	-	-	-	-	-	-
2011	-	-	-	4,055,557,395	-	-	4,055,557,395
Dividend payment	-	-	-	(97,557,418,000)	-	-	(97,557,418,000)
Repurchase of treasury shares	-	-	-	-	(28,128,541,137)	-	(28,128,541,137)
Appropriated to other funds	-	-	-	-	-	-	-
Appropriated to bonus and welfare funds	-	-	6,412,839,096	(6,412,839,096)	-	-	-
Transferred from bonus and welfare funds	-	-	-	(6,406,734,996)	-	-	(6,406,734,996)
Uses of other funds of shareholders' capital	-	-	707,980,636	-	-	-	707,980,636
	-	-	(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
Profit for the period	-	-	-	353,003,422,413	-	-	353,003,422,413
Dividend payment	-	-	-	(96,931,578,000)	-	-	(96,931,578,000)
Repurchase of treasury shares	-	-	-	-	(9,708,659)	-	(9,708,659)
Appropriated to bonus and welfare funds	-	-	-	-	-	-	-
Appropriated to other funds	-	-	-	(14,724,134,716)	-	-	(14,724,134,716)
Appropriated to bonus for accomplishment of business plan	-	-	10,796,142,820	(10,796,142,820)	-	-	-
Uses of other funds of shareholders' capital	-	-	(6,404,713,970)	-	-	-	(6,404,713,970)
	-	-	(1,459,385,471)	-	-	-	(1,459,385,471)
As at 31 March 2013	1,007,907,900,000	451,543,290,363	5,080,370,288	835,670,580,864	(56,726,432,641)	8,525,313,060	2,252,001,021,934

## 20 REVENUE

## (a) Net sales

	6 month period ended	
	31.3.2013 VND	31.3.2012 VND
<b>Sales</b>		
Finished goods	4,713,833,622,108	4,540,233,056,793
Merchandise	587,563,054,809	531,169,893,970
Services	540,613,500	214,400,001
	<u>5,301,937,290,417</u>	<u>5,071,617,350,764</u>
<b>Sales deductions</b>		
Trade discounts	-	(112,570,959)
Sales returns	(5,215,215,253)	(18,660,271,490)
Sales deductions	(474,141,848)	(228,432,819)
	<u>(5,689,357,101)</u>	<u>(19,001,275,268)</u>
	<u>5,296,247,933,316</u>	<u>5,052,616,075,496</u>

## (b) Financial income

	6 month period ended	
	31.3.2013 VND	31.3.2012 VND
Interest income from deposits	835,579,618	2,962,040,879
Gain from foreign exchange differences	8,739,582,973	21,955,217,853
Gain from foreign currency translation at period-end	2,398,094,447	1,634,746,769
	<u>11,973,257,038</u>	<u>26,552,005,501</u>

## 21 COST OF SALES

	6 month period ended	
	31.3.2013 VND	31.3.2012 VND
Cost of finished goods sold	4,042,403,080,882	4,011,880,697,825
Cost of merchandises sold	391,777,029,433	358,323,269,102
Cost of services provided	683,960,601	179,745,057
	<u>4,434,864,070,916</u>	<u>4,370,383,711,984</u>

**22 FINANCIAL EXPENSES**

	<b>6 month period ended</b>	
	<b>31.3.2013</b>	<b>31.3.2012</b>
	<b>VND</b>	<b>VND</b>
Interest expense	103,189,923,051	201,785,705,361
Loss from foreign exchange differences	14,144,788,094	48,217,963,939
Reversal of provision for long-term investments	-	(1,126,940,680)
	<u>117,334,711,145</u>	<u>248,876,728,620</u>

**23 SELLING EXPENSES**

	<b>6 month period ended</b>	
	<b>31.3.2013</b>	<b>31.3.2012</b>
	<b>VND</b>	<b>VND</b>
Staff costs	49,978,674,486	44,547,027,498
Depreciation expenses	8,706,540,153	9,711,136,138
Material expenses	777,860,453	2,378,874,730
Outside service expenses	145,948,926,666	124,054,090,553
Other expenses	4,321,719,036	10,846,120,066
	<u>209,733,720,794</u>	<u>191,537,248,985</u>

**24 GENERAL AND ADMINISTRATION EXPENSES**

	<b>6 month period ended</b>	
	<b>31.3.2013</b>	<b>31.3.2012</b>
	<b>VND</b>	<b>VND</b>
Staff costs	66,427,691,230	53,523,518,580
Office equipment expenses	2,291,524,100	3,179,243,579
Depreciation expenses	10,106,968,799	10,506,905,073
Outside service expenses	45,396,257,502	40,792,468,251
Other expenses	20,435,873,615	8,267,130,582
	<u>144,658,315,246</u>	<u>116,269,266,065</u>

## 25 OTHER INCOME

	6 month period ended	
	31.3.2013 VND	31.3.2012 VND
Sales of scraps	2,601,736,904	4,117,539,155
Proceeds from disposal of fixed assets	6,098,955,194	1,991,151,838
Others (*)	7,531,330,468	15,272,363,261
	<u>16,232,022,566</u>	<u>21,381,054,254</u>

(\*) Other income mainly includes receipts fines due to contract breaches, collection of written-off debts and resolution of asset surplus.

## 26 OTHER EXPENSES

	6 month period ended	
	31.3.2013 VND	31.3.2012 VND
Net book value of fixed assets disposed	9,973,771,342	2,154,313,194
Others	3,178,661,515	5,217,638,358
	<u>13,152,432,857</u>	<u>7,371,951,552</u>

## 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 25% on taxable profit. 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 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.

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

Hoa Sen Transportation and Engineering One Member Co., Ltd has 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 tax rate regulated in Investment Incentives Certificate of the Group as follows:

	6 month period ended	
	31.3.2013 VND	31.3.2012 VND
Net accounting profit before tax	404,709,961,962	166,110,228,045
Tax calculated at the rate of the Group	103,109,520,582	24,911,674,664
Effect of:		
Expenses not deductible for tax purposes	10,056,221,489	-
Impact of higher tax rate	-	-
Income not subject to tax	(68,136,295)	-
Impact of tax reductions	(54,814,684,671)	(12,337,665,810)
Tax overprovisioned for previous years	(7,728,120,364)	-
Tax underprovisioned for previous years	1,150,752,085	-
Business income tax from real estate investment	986,723	-
Business income tax charge	<u>51,706,539,549</u>	<u>12,574,008,854</u>

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

**28 EARNINGS PER SHARE**

Basic earnings per share as at 31 March 2013 is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares:

	<b>6 month period ended</b>	
	<b>31.3.2013</b>	<b>31.3.2012</b>
	<b>VND</b>	<b>VND</b>
Net profit attributable to shareholders	353,003,422,413	153,536,219,191
Weighted average number of ordinary shares in issue	96,931,578	98,152,058
Basic earnings per share (VND)	<u>3,642</u>	<u>1,564</u>

**29 COST OF GOODS MANUFACTURED BY FACTORS**

	<b>6 month period ended</b>	
	<b>31.3.2013</b>	<b>31.3.2012</b>
	<b>VND</b>	<b>VND</b>
Raw materials	4,009,776,535,717	4,011,556,656,500
Labour costs	167,154,534,773	144,785,778,073
Depreciation and amortisation expense	93,137,806,482	124,500,426,922
Outside service expenses	440,803,729,205	318,447,697,606
Other expenses	159,366,120,947	86,361,648,152
	<u>4,870,238,727,124</u>	<u>4,685,652,207,253</u>

**30 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 of the Group 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.



## 30 FINANCIAL RISK MANAGEMENT (continued)

## (a) Market risk (continued)

## (i) Foreign exchange risk

The Company's business is exposed to foreign exchange risk arising from VND/USD and VND/EUR as certain purchases of raw materials (hot rolled steel coils, zinc bar, zinc alloy) and borrowings denominated in USD and EUR. 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 foreign exchange rates in order to minimise the risk by appropriate actions.

The Group's foreign exchange exposure is as follows:

	As at 31.3.2013		
	Denominated in USD Equivalent VND	Denominated in EUR Equivalent VND	Total VND
<b>Financial assets</b>			
Cash and cash at bank	43,127,627,040	6,006,395	43,133,633,435
Trade accounts receivable	172,027,847,717	-	172,027,847,717
Prepayments to suppliers and deposits	38,534,571,998	-	38,534,571,998
	<u>253,690,046,755</u>	<u>6,006,395</u>	<u>253,696,053,150</u>
<b>Financial liabilities</b>			
Borrowings	(1,959,352,761,001)	(49,952,144,000)	(2,009,304,905,001)
Trade accounts receivable	(410,814,340,745)	-	(410,814,340,745)
Other payables	(43,314,234,550)	-	(43,314,234,550)
	<u>(2,413,481,336,296)</u>	<u>(49,952,144,000)</u>	<u>(2,463,433,480,296)</u>
<b>Foreign exchange exposure</b>	<u>(2,159,791,289,541)</u>	<u>(49,946,137,605)</u>	<u>(2,209,737,427,146)</u>
	As at 30.9.2012		
	Denominated in USD Equivalent VND	Denominated in EUR Equivalent VND	Total VND
<b>Financial assets</b>			
Cash and cash at bank	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>
<b>Financial liabilities</b>			
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)
Other payables	(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>
<b>Foreign exchange exposure</b>	<u>(1,749,839,136,996)</u>	<u>(58,221,766,123)</u>	<u>(1,808,060,903,119)</u>

**30 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 USD and EUR. Its expected value would change when the exchange rates of VND/USD or VND/EUR fluctuate.

As at 31 March 2013, if VND/USD had increased/decreased by 1%, with all other variables held constant, the Group's profit after tax for the period would have been lower/higher by VND18,898,180,281 (year ended 30 September 2012: VND16,164,238,728).

As at 31 March 2013, if VND/EUR had increased/decreased by 1%, with all other variables held constant, the Group's profit after tax for the period would have been lower/higher by VND437,028,704 (year ended 30 September 2012: VND539,008,041).

*(ii) Interest rate risk*

The Group is exposed to interest rate risk on its borrowings. The Group 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 changes are in VND and USD.

For six-month period ended 31 March 2013, if the VND interest rates had increased/decreased by 1% with all other variables being held constant, the profit after tax for the period would have been lower/higher by VND4,978,108,089 (six-month period ended 31 March 2012: VND7,688,486,811).

For six-month period ended 31 March 2013, if the USD interest rates had increased/decreased by 0.5% with all other variables being held constant, the profit after tax for the period would have been lower/higher by VND3,466,879,626 (six-month period ended 31 March 2012: VND3,227,989,557).

**(b) Credit risk**

The Group manages credit risk by taking the following actions:

- Establish a credit limit and maximum due days 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 debts 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; and
- Involve the authorities when necessary.

## 30 FINANCIAL RISK MANAGEMENT (continued)

## (c) Liquidity risk

Liquidity 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 asset.

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.

	31.3.2013			
	Less than 1 year VND	Between 1 and 5 years VND	Over 5 years VND	Total VND
Trade payables	779,277,749,543	-	-	779,277,749,543
Short-term borrowings	2,197,576,484,271	-	-	2,197,576,484,271
Long-term borrowings and debts, and current portion of long-term loans	159,429,921,670	669,861,668,763	3,563,452,106	832,855,042,539
	<u>3,136,284,155,484</u>	<u>669,861,668,763</u>	<u>3,563,452,106</u>	<u>3,809,709,276,353</u>
	30.9.2012			
	Less than 1 year VND	Between 1 and 5 years VND	Over 5 years VND	Total VND
Trade payables	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 portion of long-term loans	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 RELATED PARTY TRANSACTIONS**

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

**(a) Related party transactions**

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

***Compensation of key management***

	<b>6 month period ended</b>	
	<b>31.3.2013</b>	<b>31.3.2012</b>
	<b>VND</b>	<b>VND</b>
Compensation for Board of Management, Board of Advisors and Board of Supervisors	7,000,000,000	396,000,000
Gross salary and bonus of Board of Directors	5,083,534,000	3,181,991,901
	<u>                    </u>	<u>                    </u>

**(b) Period end balances with related parties**

	<b>31.3.2013</b>	<b>30.9.2012</b>
	<b>VND</b>	<b>VND</b>
<b>Prepayments to suppliers (Note 5)</b>		
Mr Hoang Duc Huy (Deputy General Director) advance for purchase of land use rights	90,183,227,000	90,183,227,000
	<u>                    </u>	<u>                    </u>

**32 SEGMENT REPORTING**

The General Director is of the opinion that the Group mainly 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.

**33 COMMITMENTS UNDER OPERATING LEASES**

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

	<b>31.3.2013</b>	<b>30.9.2012</b>
	<b>VND</b>	<b>VND</b>
Within 1 year	28,386,255,416	21,998,113,123
Between 1 and 5 years	78,394,162,851	66,417,395,619
Over 5 years	285,254,516,684	246,047,114,053
	<u>                    </u>	<u>                    </u>
Total minimum payments	392,034,934,951	334,462,622,795
	<u>                    </u>	<u>                    </u>

**34 CAPITAL COMMITMENTS**

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

	31.3.2013 VND	30.9.2012 VND
Buildings, machinery and equipment	<u>492,000,000</u>	<u>186,444,843,145</u>

The consolidated interim financial statements were approved by the General Director on 27 May 2013.



Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Ngoc Chu  
General Director

