

HOA SEN GROUP

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 31 MARCH 2014**

HOA SEN GROUP

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 31 MARCH 2014

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HOA SEN GROUP

CORPORATE INFORMATION

Business Registration Certificate

No. 3700381324 dated 28 March 2014
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 28 March 2014. 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
	(Resigned on 29 April 2014)
Mr Tran Quoc Tri	Member
	(Appointed on 29 April 2014)
Mr Jean Eric Jacquemin	Member

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
Mr Ho Thanh Hieu	Deputy General Director
Mr Nguyen Van Quy	Deputy General Director

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 OF THE COMPANY IN RESPECT OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The legal representative of the Company authorized 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 as "the Group") as at 31 March 2014 and the results of its operations and cash flows for the six-month period 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 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 INTERIM FINANCIAL STATEMENTS

I, hereby approve the accompanying consolidated interim financial statements as set out on pages 4 to 38 which give a true and fair view of the financial position of the Group as at 31 March 2014 and of the results of its operations and cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements in Vietnam.



Tran Ngoc Chu 
General Director

Binh Duong Province, SR Vietnam
30 May 2014



INDEPENDENT AUDITOR'S REVIEW REPORT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS 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 ("the Group") which were approved by the General Director on 30 May 2014. These consolidated interim financial statements include the consolidated balance sheet as of 31 March 2014, the consolidated income statement and consolidated cash flow statement for the six-month period then ended, and notes to the consolidated financial statements as set out on pages 4 to 38. The General Director is responsible for the preparation and presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements in 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 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 company personnel and analytical procedures applied to financial data and thus provides 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 Corporate Accounting System and applicable regulations on preparation and presentation of financial statements in Vietnam.

PricewaterhouseCoopers (Vietnam) Ltd.



Ian S. Lydall

Audit Practising Licence No.

0559-2013-006-1

Report reference number: HCM4253

Ho Chi Minh City, 30 May 2014

Dap Quang Huy

Audit Practising Licence No.

1895-2013-006-1

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 31.3.2014 VND	As at 30.9.2013 VND
100	CURRENT ASSETS		5,511,863,628,944	4,214,832,811,102
110	Cash and cash equivalents	3	145,228,453,794	177,312,594,189
111	Cash		145,228,453,794	177,312,594,189
120	Short-term investments		3,600,000,000	-
121	Short-term investments		3,600,000,000	-
130	Accounts receivable		815,014,748,431	748,158,629,178
131	Trade accounts receivable		670,637,893,731	548,362,562,681
132	Prepayments to suppliers	4	120,713,887,177	187,574,760,737
135	Other receivables		26,667,093,003	15,225,431,240
139	Provision for doubtful debts		(3,004,125,480)	(3,004,125,480)
140	Inventories	5	4,061,764,785,108	3,019,573,646,607
141	Inventories		4,062,841,645,520	3,020,464,536,423
149	Provision for decline in value of inventories		(1,076,860,412)	(890,889,816)
150	Other current assets		486,255,641,611	269,787,941,128
151	Short-term prepayments	6	60,788,626,536	79,882,282,268
152	Value Added Tax to be reclaimed		420,343,247,397	169,583,730,029
154	Other taxes receivable	7	653,243,483	3,821,219
158	Other current assets	8	4,470,524,195	20,318,107,612
200	LONG-TERM ASSETS		3,554,793,428,414	2,927,338,171,070
220	Fixed assets		3,420,048,938,466	2,789,679,562,937
221	Tangible fixed assets	9(a)	2,487,874,497,174	2,235,719,440,684
222	Cost		3,706,434,869,380	3,304,809,510,491
223	Accumulated depreciation		(1,218,560,372,206)	(1,069,090,069,807)
224	Finance lease assets	9(b)	128,506,113,142	122,416,298,653
225	Cost		153,845,166,147	141,197,532,904
226	Accumulated depreciation		(25,339,053,005)	(18,781,234,251)
227	Intangible fixed assets	9(c)	235,049,665,126	234,454,547,464
228	Cost		255,888,716,520	253,522,432,543
229	Accumulated amortisation		(20,839,051,394)	(19,067,885,079)
230	Construction in progress	10(d)	568,618,663,024	197,089,276,136
250	Long-term investments	10	53,096,331,634	59,456,331,634
252	Investments in associates		44,456,331,634	44,456,331,634
258	Other long-term investments		8,640,000,000	15,000,000,000
260	Other long-term assets		81,648,158,314	78,202,276,499
261	Long-term prepayments	11	61,213,390,713	57,767,508,898
262	Deferred income tax assets	12	16,019,217,700	16,019,217,700
268	Other long-term assets		4,415,549,901	4,415,549,901
270	TOTAL ASSETS		9,066,657,057,358	7,142,170,982,172

The notes on pages 8 to 38 are an integral part of these financial statements.

**CONSOLIDATED BALANCE SHEET
(continued)**

Code	RESOURCES	Note	As at 31.3.2014 VND	As at 30.9.2013 VND
300	LIABILITIES		6,824,190,589,373	4,931,735,187,568
310	Current liabilities		6,021,452,744,520	4,338,668,254,238
311	Short-term borrowings	13(a)	4,340,389,529,663	2,814,413,724,769
312	Trade accounts payable		1,524,170,444,782	1,317,685,051,025
313	Advances from customers		65,867,849,571	73,221,290,326
314	Taxes and other payables to the State Budget	14	18,462,387,234	51,640,398,454
315	Payable to employees		27,457,525,978	38,337,483,577
316	Accrued expenses	15	16,751,675,279	22,392,802,462
319	Other payables	16	17,472,213,498	16,513,722,110
323	Bonus and welfare fund	17	10,881,118,515	4,463,781,515
330	Long-term liabilities		802,737,844,853	593,066,933,330
334	Long-term borrowings	13(b)	797,717,030,771	588,026,924,580
336	Provision for severance allowances		5,020,814,082	5,040,008,750
400	SHAREHOLDERS' EQUITY		2,242,466,467,985	2,210,435,794,604
410	Capital and reserves		2,242,466,467,985	2,210,435,794,604
411	Share 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	(81,037,192,944)	(81,035,546,498)
418	Financial reserve funds	19	8,525,313,060	8,525,313,060
419	Other funds		19,963,352,884	2,007,734,351
420	Undistributed earnings	19	835,563,804,622	821,487,103,328
440	TOTAL RESOURCES		9,066,657,057,358	7,142,170,982,172

OFF BALANCE SHEET ITEMS


Cash and cash equivalents are balances held in foreign currencies including:

	As at 31.3.2014 VND	As at 30.9.2013 VND
USD	789,162.68	3,915,198.11
EUR	224.95	223.83
AUD	306.85	84.78



 Nguyen Thi Ngoc Lan
 Chief Accountant






 Tran Ngoc Chu
 General Director
 30 May 2014


The notes on pages 8 to 38 are an integral part of these financial statements

CONSOLIDATED INCOME STATEMENT

Code		Note	Six-month period ended	
			31.3.2014 VND	31.3.2013 VND
01	Sales		6,644,428,375,356	5,301,937,290,417
02	Less deductions		(3,788,194,438)	(5,689,357,101)
10	Net sales	20(a)	6,640,640,180,918	5,296,247,933,316
11	Cost of sales	21	(5,847,943,828,166)	(4,434,864,070,916)
20	Gross profit		792,696,352,752	861,383,862,400
21	Financial income	20(b)	15,734,327,264	11,973,257,038
22	Financial expenses	22	(120,001,669,184)	(117,334,711,145)
23	<i>Including: interest expenses</i>		(97,771,277,719)	(103,189,923,051)
24	Selling expenses	23	(299,423,311,065)	(209,733,720,794)
25	General and administration expenses	24	(190,889,316,908)	(144,658,315,246)
30	Operating profit		198,116,382,859	401,630,372,253
31	Other income	25	46,093,718,819	16,232,022,566
32	Other expense	26	(18,805,115,071)	(13,152,432,857)
40	Net other income		27,288,603,748	3,079,589,709
50	Net accounting profit before tax		225,404,986,607	404,709,961,962
51	Business income tax - current	27	(54,793,442,313)	(51,706,539,549)
52	Business income tax - deferred	12	-	-
60	Net profit after tax		170,611,544,294	353,003,422,413
70	Basic earnings per share	28	1,771	3,642


 Nguyen Thi Ngoc Lan
 Chief Accountant




 Tran Ngoc Chu
 General Director
 30 May 2014

The notes on pages 8 to 38 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

		Six-month period ended	
Code	Note	31.3.2014 VND	31.3.2013 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01	Net profit before tax	225,404,986,607	404,709,961,962
	Adjustments for:		
02	Depreciation and amortisation	161,375,152,146	141,692,624,093
03	Provisions	185,970,596	-
04	Unrealised foreign exchange gains	(447,706,103)	(2,398,094,447)
05	Gain from investing activities	(1,511,914,531)	(646,495,937)
06	Interest expense	97,771,277,719	103,189,923,051
07	Losses from disposals of assets	1,072,950,822	3,874,816,148
08	Operating profit before changes in working capital	483,850,717,256	650,422,734,870
09	(Decrease)/increase in receivables	(304,685,259,009)	207,079,818,786
10	Increase in inventories	(1,042,377,109,097)	(1,024,752,490,934)
11	Increase in payables	154,393,821,492	358,012,396,602
12	Decrease/(increase) in prepaid expenses	19,457,640,830	(3,004,638,305)
13	Interest paid	(96,120,999,940)	(103,844,903,438)
14	Business income tax paid	(64,108,630,957)	(33,999,341,823)
16	Other payments on operating activities	(35,848,789,467)	(8,389,306,057)
20	Net cash outflows from operating activities	(885,618,608,892)	41,524,269,701
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets	(797,678,390,167)	(244,081,646,947)
22	Proceeds from disposals of fixed assets	13,698,678,000	6,098,955,194
23	Loans granted, purchases of debt instruments of other entities	6,360,000,000	-
27	Interest received	1,511,914,531	835,579,618
30	Net cash outflows from investing activities	(776,107,797,636)	(237,147,112,135)
CASH FLOWS FROM FINANCING ACTIVITIES			
32	Purchase of treasury shares	(1,646,446)	(9,708,659)
33	Proceeds from borrowings	6,077,458,095,876	4,469,955,879,279
34	Repayments of borrowings	(4,332,959,265,995)	(4,068,951,440,992)
35	Finance lease principal payments	(14,568,627,933)	(10,260,721,968)
36	Dividends paid	(96,384,149,200)	(96,931,578,000)
40	Net cash inflows from financing activities	1,633,544,406,302	293,802,429,660
50	Net (decrease)/increase in cash and cash equivalents	(28,182,000,226)	98,179,587,226
60	Cash and cash equivalents at beginning of period	177,312,594,189	67,431,992,847
61	Effect of foreign exchange differences	(8,902,140,169)	(3,271,173,486)
70	Cash and cash equivalents at end of period	145,228,453,794	162,340,406,587


 Nguyen Thi Ngoc Lan
 Chief Accountant



 Tran Ngoc Chu
 General Director
 30 May 2014

The notes on pages 8 to 38 are an integral part of these financial statements.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 31 MARCH 2014**

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 Department of Planning and Investment of Binh Duong Province. The latest amendment is on 28 March 2014.

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 Group 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 of 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; and
- Production of cold rolled steel coils and
- Rent machinery, equipment and other tangible assets.

As at 31 March 2013, the Company has subsidiaries as listed below:

Name	Address	Principal activities	% of ownership and voting rights	
			31.3.2014	30.9.2013
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 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 were established in SR Vietnam.

As at 31 March 2014, the Group had 3,855 employees (30 September 2013: 3,731 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 Corporate Accounting System and applicable regulations on preparation and presentation of financial statements in 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 Group's fiscal year is from 1 October to 30 September. The interim financial statements are prepared for six months 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.

Associates

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 associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)**2.3 Consolidation (continued)*****Associates (continued)***

The Group's share of its 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 an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

2.4 Form of records applied

The Company 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 Directors 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 Directors' best knowledge of current events and actions, actual results may differ from those estimates.

2.6 Currency

The 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 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)**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 all outstanding amounts at 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) Short-term investments**

Short-term investments are those maturing less than 12 months from the balance sheet date.

(b) Investments in joint ventures and associates

Investments in joint ventures and associates are accounted for at cost less provision for diminution in value.

(c) 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 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

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)**2.11 Fixed assets (continued)***Depreciation (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 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 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.

(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.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)**2.14 Revenue recognition (continued)****(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 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)**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 2014 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

	31.3.2014 VND	30.9.2013 VND
Cash on hand	25,585,011,684	14,705,019,494
Cash at bank	119,643,442,110	107,927,629,097
Cash in transit	-	54,679,945,598
	<u>145,228,453,794</u>	<u>177,312,594,189</u>

4 PREPAYMENTS TO SUPPLIERS

	31.3.2014 VND	30.9.2013 VND
Third parties	30,530,660,177	97,391,533,737
Related parties (Note 31(b))	90,183,227,000	90,183,227,000
	<u>120,713,887,177</u>	<u>187,574,760,737</u>

5 INVENTORIES

	31.3.2014 VND	30.9.2013 VND
Goods in transit	264,177,776,109	999,031,492,810
Raw materials	1,943,884,841,667	658,962,090,300
Tools	221,331,168,428	219,682,548,931
Work in progress	25,964,651,809	-
Finished goods	1,455,590,877,320	1,023,718,161,252
Merchandises (*)	151,892,330,187	119,070,243,130
	<u>4,062,841,645,520</u>	<u>3,020,464,536,423</u>
Provision for decline in value of inventories	(1,076,860,412)	(890,889,816)
	<u>4,061,764,785,108</u>	<u>3,019,573,646,607</u>

(*) Included in merchandises is an amount of VND17,268,969,715 representing 15 apartments the Company received as a part of settlement of other receivables from the contract liquidation of Pho Dong – Hoa Sen Building Project.

As at 31 March 2014, inventories with a carrying amount of VND1,232,821,601,423 (as at 30 September 2013: VND820,719,777,712) have been pledged as security for the loans.

6 SHORT-TERM PREPAYMENTS

	31.3.2014 VND	30.9.2013 VND
Opening balance	79,882,282,268	37,748,239,662
Additions	91,085,922,122	192,998,954,765
Transferred from tangible fixed assets	-	2,590,784,552
Amortisation	(110,179,577,854)	(153,455,696,711)
Closing balance	<u>60,788,626,536</u>	<u>79,882,282,268</u>

Short-term prepayments mainly comprise advertising expenses, rental expenses and tools and equipment.

7 TAXES AND OTHER RECEIVABLE TO THE STATE BUDGET

	31.3.2014 VND	30.9.2013 VND
Taxes and other receivable to the state budget	<u>653,243,483</u>	<u>3,821,219</u>

8 OTHER CURRENT ASSETS

	31.3.2014 VND	30.9.2013 VND
Short-term deposits (*)	297,261,786	15,962,822,128
Advances to employees	4,173,262,409	4,355,285,484
	<u>4,470,524,195</u>	<u>20,318,107,612</u>

(*) Short-term deposits represent amounts deposited at commercial banks to guarantee for letters of credit for importing materials.

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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
Historical cost						
As at 1 October 2013	684,546,510,581	2,491,012,327,096	103,078,965,662	5,109,009,537	21,062,697,615	3,304,809,510,491
New purchases	129,218,500	14,645,922,778	5,331,532,331	1,920,000,000	-	22,026,673,609
Transfers from construction progress	7,579,949,754	383,956,504,585	6,364,008,418	-	-	397,900,462,757
Disposals	(1,126,147,302)	(14,477,008,140)	(321,822,507)	-	-	(15,924,977,949)
Other decrease	(280,809,194)	(546,384,581)	(505,626,994)	(992,359,712)	(51,619,047)	(2,376,799,528)
As at 31 March 2014	690,848,722,339	2,874,591,361,738	113,947,056,910	6,036,649,825	21,011,078,568	3,706,434,869,380
Accumulated depreciation						
As at 1 October 2013	151,402,386,130	865,275,677,919	42,339,352,045	3,659,546,155	6,413,107,558	1,069,090,069,807
Charge for the period	20,140,665,689	125,206,674,793	5,900,361,040	239,725,636	1,513,023,896	153,000,451,054
Disposals	(325,361,970)	(573,074,326)	(254,912,831)	-	-	(1,153,349,127)
Other decrease	(280,809,194)	(546,384,581)	(505,626,994)	(992,359,712)	(51,619,047)	(2,376,799,528)
As at 31 March 2014	170,936,880,655	989,362,893,805	47,479,173,260	2,906,912,079	7,874,512,407	1,218,560,372,206
Net book value						
As at 1 October 2013	533,144,124,451	1,625,736,649,177	60,739,613,617	1,449,463,382	14,649,590,057	2,235,719,440,684
As at 31 March 2014	519,911,841,684	1,885,228,467,933	66,467,883,650	3,129,737,746	13,136,566,161	2,487,874,497,174

Cost of fixed assets fully depreciated but still in use as at 31 March 2014 was VND76,115,987,785 (as at 30 September 2013: VND65,035,423,772).

As at 31 March 2014 fixed assets with a carrying value of VND1,326,774,107,798 (as at 30 September 2013: VND1,415,732,334,554) have been pledged as security for short-term and long-term borrowings.

9 FIXED ASSETS (continued)

(b) Finance leases assets

Machinery and
equipment
VND

Historical cost

As at 1 October 2013

141,197,532,904

Finance leases assets

12,647,633,243

As at 31 March 2014

153,845,166,147

Accumulated depreciation

As at 1 October 2013

18,781,234,251

Charge for the period

6,557,818,754

As at 31 March 2014

25,339,053,005

Net book value

As at 1 October 2013

122,416,298,653

As at 31 March 2014

128,506,113,142

(c) Intangible fixed assets

Land use rights
VNDComputer software
VNDTotal
VND

Historical cost

As at 1 October 2013

251,658,491,739

1,863,940,804

253,522,432,543

Additions

2,412,000,000

-

2,412,000,000

Other decrease

-

(45,716,023)

(45,716,023)

As at 31 March 2014

254,070,491,739

1,818,224,781

255,888,716,520

Accumulated amortisation

As at 1 October 2013

17,537,217,237

1,530,667,842

19,067,885,079

Charge for the period

1,680,583,074

136,299,264

1,816,882,338

Disposal

-

(45,716,023)

(45,716,023)

As at 31 March 2014

19,217,800,311

1,621,251,083

20,839,051,394

Net book value

As at 1 October 2013

234,121,274,502

333,272,962

234,454,547,464

As at 31 March 2014

234,852,691,428

196,973,698

235,049,665,126

9 FIXED ASSETS (continued)

As at 31 March 2014 land use rights with a carrying value of VND184,918,881,935 (at 30 September 2013: VND179,608,001,028) have been pledged with banks as security for short-term and long-term borrowings granted to the Group.

As at 31 March 2014, the cost of intangible fixed assets fully amortised but still in use was VND835,614,241 (As at 30 September 2013: VND424,934,120).

(d) Construction in progress

	Six months ended 31.3.2014 VND	Year ended 30.9.2013 VND
Opening balance	197,089,276,136	26,003,881,904
Additions	773,239,716,558	448,796,039,075
Transfers to tangible fixed assets (Note 9(a))	(397,900,462,757)	(274,610,048,676)
Transfers to long-term prepayments (Note 11)	(3,809,866,913)	(3,100,596,167)
Closing balance	568,618,663,024	197,089,276,136

Major projects include:

	31.3.2014 VND	30.9.2013 VND
Purchase of machinery and equipment for Hoa Sen Phu My Steel Sheet Plant	449,254,699,084	154,161,951,042
Hoa Sen Phu My Steel Sheet Plant Project	50,246,754,211	15,404,412,315
Purchase of machinery and equipment for Hoa Sen Building Materials Plant	13,292,537,775	-
Hoa Sen Building Materials Plant Project	52,979,259,301	-

Borrowing costs capitalised in construction in progress for the period ended 31 March 2014 was VND8,851,728,101 (for the year ended 30 September 2013: VND6,815,357,992).

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10 LONG-TERM INVESTMENTS

Details of investments into subsidiaries, associates and other long-term investments is as follows:

Company	Main activities	Business Licence	% ownership and voting rights	31.3.2014 VND	30.9.2013 VND
Associates:					
Hoa Sen-Gemadep Logistics and International Port Corporation (*)	Provide sea cargo agency services	Business Registration Certificate No. 3500751828 issued by 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 investment					
Viet Capital Health Care Fund	Invest in listed and unlisted healthcare Vietnamese companies and projects in Vietnam	Decision No. 08/TB-UBCK issued by State Securities Commission of Vietnam on 25 February 2014	3	8,640,000,000	15,000,000,000
				<u>53,096,331,634</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/DHĐCĐ/HSG/2011 dated 16 June 2011 and therefore presented on the consolidated interim financial statements using cost method.

11 LONG-TERM PREPAYMENTS

	Six months ended 31.3.2014 VND	Year ended 30.9.2013 VND
Opening balance	57,767,508,898	61,094,031,932
Additions	28,443,060,457	38,681,223,302
Transferred from construction in progress (Note 9(d))	3,809,866,913	3,100,596,167
Transferred from tangible fixed assets	-	2,553,338,709
Other increase	-	127,200,500
Amortisation	(28,807,045,555)	(47,788,881,712)
Closing balance	61,213,390,713	57,767,508,898

Long-term prepayments mainly include repair expenses for tools and supplies, fixed assets and computer in use.

12 DEFERRED INCOME TAX ASSETS

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

	Six months ended 31.3.2014 VND	Year ended 30.9.2013 VND
Opening balance	16,019,217,700	7,539,813,132
Credited to income statement	-	8,479,404,568
Closing balance	16,019,217,700	16,019,217,700

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

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

	31.3.2014	30.9.2013
	VND	VND
Short-term bank loans (*)	4,060,700,259,551	2,468,854,540,949
Current portion of long-term loans (Note 14(b))	255,716,367,600	298,642,575,600
Current portion finance lease liabilities (Note 14(b))	23,972,902,512	20,616,608,220
Other short-term borrowings (**)	-	26,300,000,000
	<u>4,340,389,529,663</u>	<u>2,814,413,724,769</u>

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

Loan No	Currency	Annual interest	31.3.2014	30.9.2013
			VND	VND
1	USD	2.5% - 4%	400,968,614,800	211,410,740,800
2	USD	2.7% - 3.6%	638,556,357,287	317,842,593,447
3	VND	6% - 7%	223,561,481,062	130,280,111,484
4	USD	3% - 4%	488,828,447,974	441,089,851,000
5	VND	6% - 7.25%	292,538,621,876	158,246,647,827
6	USD	2% - 3.5%	361,973,134,508	227,817,968,103
7	VND	5.85% - 7.06%	-	150,360,360,683
8	USD	3% - 3.8%	12,770,646,816	59,957,213,921
9	USD	3.7% - 3.8%	-	56,013,170,601
10	USD	2.7% - 3.4%	48,034,088,061	15,154,363,000
11	VND	6.00%	20,345,154,526	-
12	USD	3% - 3.8%	217,420,007,589	25,443,265,372
13	USD	2.8% - 3.3%	241,935,418,482	118,899,619,612
14	VND	5.8% - 8.6%	-	28,700,000,000
15	USD	3.00%	7,484,602,775	-
16	USD	3.1% - 3.8%	130,680,912,418	145,515,382,898
17	USD	2.98% - 3.8%	289,240,928,009	184,507,457,516
18	VND	6% - 7%	5,524,277,710	12,540,583,701
19	USD	3.5% - 4%	-	34,004,044,702
20	USD	3.25%	-	48,722,541,665
21	USD	3% - 3.80%	614,535,279,568	102,348,624,617
22	VND	6% - 6.5%	66,302,286,090	-
			<u>4,060,700,259,551</u>	<u>2,468,854,540,949</u>

(**) The loan 26,300,000,000 from an individual as at 30 September 2013 was fully paid in 6-month period ended 31 March 2014.

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

		31.3.2014	30.9.2013
		VND	VND
Bank loans	(*)	968,107,936,448	789,545,123,372
Finance lease liabilities	(**)	72,721,636,435	73,614,825,028
Other loans	(***)	36,576,728,000	44,126,160,000
		<u>1,077,406,300,883</u>	<u>907,286,108,400</u>
Less: Current portion of long-term loans			
(Note 14(a))		(255,716,367,600)	(298,642,575,600)
Less: Finance lease liabilities (Note 14(a))		(23,972,902,512)	(20,616,608,220)
		<u>797,717,030,771</u>	<u>588,026,924,580</u>

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

Loan	Currency	Repayment	Annual interest	31.3.2014	30.9.2013
				VND	VND
1	VND	25/9/2017	10.5% - 15%	263,989,516,000	326,339,516,000
2	USD	16/7/2019	4.15%	218,103,307,833	58,081,311,390
3	VND	16/7/2019	10% - 11.3%	134,483,006,950	52,220,357,395
4	USD	2/10/2018	4% - 4.05%	38,280,356,236	-
5	VND	15/8/2019	9.7% - 11.6%	175,530,421,695	212,001,916,695
6	USD	8/9/2018	1.7%	72,050,473,034	80,621,411,392
7	VND	24/10/2015	7.8%	15,970,000,000	21,280,000,000
8	VND	16/7/2017	10% - 11%	33,800,854,700	39,000,610,500
9	VND	31/07/2018	10%	15,900,000,000	-
				<u>968,107,936,448</u>	<u>789,545,123,372</u>

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

13 BORROWINGS (continued)**(b) Long-term borrowings (continued)****(**) Finance lease liabilities**

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

Finance lease liabilities	31.3.2014		
	Total liabilities VND	Interest VND	Principal VND
Under 1 year	30,901,133,190	6,928,230,678	23,972,902,512
Between 1 – 5 years	56,304,487,128	7,555,753,205	48,748,733,923
	<u>87,205,620,318</u>	<u>14,483,983,883</u>	<u>72,721,636,435</u>
Finance lease liabilities	30.9.2013		
	Total liabilities VND	Interest VND	Principal VND
Under 1 year	27,224,643,135	6,608,034,915	20,616,608,220
Between 1 – 5 years	60,316,844,271	7,318,627,463	52,998,216,808
	<u>87,541,487,406</u>	<u>13,926,662,378</u>	<u>73,614,825,028</u>

(*) Other long-term loans:**

Other long-term loans of EUR1,268,000, equivalent to VND36,576,728,000 (30.9.2013: EUR1,560,000 equivalent to VND44,126,160,000) 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 to May 2016.

14 TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	31.3.2014 VND	30.9.2013 VND
VAT on importation	-	11,189,715,893
Value Added Tax	1,593,676,049	9,823,141,547
Import – Export duties	-	94,673
Business income tax	15,789,735,525	25,104,924,169
Other taxes	1,078,975,660	5,522,522,172
	<u>18,462,387,234</u>	<u>51,640,398,454</u>

15 ACCRUED EXPENSES

	31.3.2014 VND	30.9.2013 VND
Electricity	8,350,546,950	117,193,240
Construction in progress	334,545,454	334,545,454
Transportation	508,073,812	582,558,457
Audit fee	393,200,000	711,496,656
13 th month salary	370,000,000	14,993,297,000
Loan interest	3,877,568,055	2,227,290,276
Other accrued expenses	2,917,741,008	3,426,421,379
	<u>16,751,675,279</u>	<u>22,392,802,462</u>

16 OTHER PAYABLES

	31.3.2014 VND	30.9.2013 VND
Dividends	3,563,810,000	3,634,861,200
Social insurance, health insurance, unemployment insurance and trade union fee	2,245,179,002	1,436,549,180
Tender deposits received	2,014,500,000	3,580,000,000
Other payables	9,648,724,496	7,862,311,730
	<u>17,472,213,498</u>	<u>16,513,722,110</u>

17 BONUS AND WELFARE FUND

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

	6 month period ended 31.3.2014 VND	Year ended 30.9.2013 VND
Opening balance	4,463,781,515	5,225,251,199
Appropriation to other funds	23,233,584,000	14,724,134,716
Utilisation	(16,816,247,000)	(15,485,604,400)
Closing balance	<u>10,881,118,515</u>	<u>4,463,781,515</u>

18 NUMBER OF SHARES

	31.3.2014		30.9.2013	
	No. of shares	Preference shares	No. of shares	Preference shares
Number of shares capital authorised and issued	100,790,790	-	100,790,790	-
Treasury shares	(4,477,692)	-	(4,477,692)	-
Number of existing shares in issue	96,313,098	-	96,313,098	-

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

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19 MOVEMENTS IN OWNERS' EQUITY

	Share capital VND	Share premium VND	Other funds VND	Undistributed earnings VND	Treasury shares VND	Financial reserves VND	Total VND
As at 1 October 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
Net profit for the year	-	-	-	580,839,649,877	-	-	580,839,649,877
Dividend by shares issued	-	-	-	(338,951,283,000)	-	-	(338,951,283,000)
Repurchase of treasury shares	-	-	-	-	(24,318,822,516)	-	(24,318,822,516)
Appropriated to bonus and welfare funds (Note 17)	-	-	-	(14,724,134,716)	-	-	(14,724,134,716)
Appropriated to other funds	-	-	10,796,142,820	(10,796,142,820)	-	-	-
Used of other funds during the year	-	-	(10,936,735,378)	-	-	-	(10,936,735,378)
As at 30 September 2013	1,007,907,900,000	451,543,290,363	2,007,734,351	821,487,103,328	(81,035,546,498)	8,525,313,060	2,210,435,794,604
Profit for the period	-	-	-	170,611,544,294	-	-	170,611,544,294
Dividend by shares issued (*)	-	-	-	(96,313,098,000)	-	-	(96,313,098,000)
Repurchase of treasury shares	-	-	-	-	(1,646,446)	-	(1,646,446)
Appropriated to bonus and welfare funds	-	-	-	(23,233,584,000)	-	-	(23,233,584,000)
Appropriated to other funds	-	-	36,988,161,000	(36,988,161,000)	-	-	-
Used of other funds during the period	-	-	(19,032,542,467)	-	-	-	(19,032,542,467)
(**)	-	-	-	-	-	-	-
As at 31 March 2014	1,007,907,900,000	451,543,290,363	19,963,352,884	835,563,804,622	(81,037,192,944)	8,525,313,060	2,242,466,467,985

(*) Pursuant to Resolution No. 01/NQ/ĐHĐCĐ/HSG/2014 dated 8 January 2014 issued by the General Assembly of Shareholders, Board of Directors issued Resolution No. 02/NQ/HĐQT/2014 dated 8 January 2014 to declare the dividends.

(**) The amount includes performance bonus of VND10,850,378,000 that the Company has made to members of Board of Directors and Board of Supervisors for over achievement of the Company's production target during the period 2013 pursuant to Resolution No. 01/NQ/ĐHĐCĐ/HSG/2014 dated 8 January 2014 and Resolution No. 01/NQ/ĐHĐCĐ/HSG/2013 dated 6 March 2013 issued by the General Assembly of Shareholders.

20 REVENUE**(a) Net sales**

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Sales		
Finished goods	5,610,640,239,087	4,713,833,622,108
Merchandise	1,032,849,632,371	587,563,054,809
Sales of services	938,503,898	540,613,500
	<u>6,644,428,375,356</u>	<u>5,301,937,290,417</u>
Sales deductions		
Sales returns	(3,147,367,188)	(5,215,215,253)
Trade discounts	(640,827,250)	(474,141,848)
	<u>(3,788,194,438)</u>	<u>(5,689,357,101)</u>
	<u>6,640,640,180,918</u>	<u>5,296,247,933,316</u>

(b) Financial income

	6 month period ended	
	31.3.2014 VND	31.03.2013 VND
Interest income from deposits	372,354,531	835,579,618
Finance lease interest	1,139,560,000	-
Net realised foreign exchange gains	13,576,012,694	8,739,582,973
Net gain from foreign currency translation at period-end	646,400,039	2,398,094,447
	<u>15,734,327,264</u>	<u>11,973,257,038</u>

21 COST OF SALES

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Finished goods	5,009,061,552,303	4,042,403,080,882
Merchandise	838,702,292,534	391,777,029,433
Services	179,983,329	683,960,601
	<u>5,847,943,828,166</u>	<u>4,434,864,070,916</u>

22 FINANCIAL EXPENSES

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Interest expense	97,771,277,719	103,189,923,051
Realised foreign exchange losses	22,031,697,529	14,144,788,094
Net loss from foreign currency translation at period-end	198,693,936	-
	<u>120,001,669,184</u>	<u>117,334,711,145</u>

23 SELLING EXPENSES

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Staff costs	64,818,722,805	49,978,674,486
Depreciation expenses	9,135,474,102	8,706,540,153
Material expenses	1,112,219,077	777,860,453
Outside service expenses	154,734,936,636	145,948,926,666
Other expenses	69,621,958,445	4,321,719,036
	<u>299,423,311,065</u>	<u>209,733,720,794</u>

24 GENERAL AND ADMINISTRATION EXPENSES

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Staff costs	88,374,632,412	66,427,691,230
Office supplies	3,864,951,138	2,291,524,100
Depreciation expenses	14,150,599,451	10,106,968,799
Outside service expenses	24,614,893,131	45,396,257,502
Other expenses	59,884,240,776	20,435,873,615
	<u>190,889,316,908</u>	<u>144,658,315,246</u>

25 OTHER INCOME

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Sales of scraps	25,307,876,690	2,601,736,904
Proceeds from disposal of fixed assets	13,698,678,000	6,098,955,194
Others (*)	7,087,164,129	7,531,330,468
	<u>46,093,718,819</u>	<u>16,232,022,566</u>

(*) Others mainly include breach of contract penalties, recovery of written-off bad debts and solution to surplus assets

26 OTHER EXPENSES

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Net book value of fixed assets disposed	14,771,628,822	9,973,771,342
Others	4,033,486,249	3,178,661,515
	<u>18,805,115,071</u>	<u>13,152,432,857</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 the 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.

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. has an obligation to pay income tax at the rate of 20% on taxable profit.

27 TAXATION (continued)

According to Decree No. 218/2013/ND-CP dated 26 December 2013 providing details to the Law on CIT, standard tax rate is reduced from 25% to 22% in 2014, and further reduced to 20% from 2016.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of 25% (for the period from 1 October 2013 to 31 December 2013) and 22% (for the period from 1 January 2014 to 31 March 2014) as follows:

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Net accounting profit before tax	225,404,986,607	404,709,961,962
Tax calculated at tax rate of the Group	55,037,695,411	103,109,520,582
Effect of:		
Expenses not deductible for tax purposes	3,605,836,393	10,056,221,489
Income not subject to tax	-	(68,136,295)
Tax reduction	(4,269,355,174)	(54,814,684,671)
Over-provision in prior years	-	(7,728,120,364)
Under-provision in prior years	372,425,475	1,150,752,085
Business income tax from transfer of land use rights	-	986,723
Others	46,840,208	-
Business income tax charge	54,793,442,313	51,706,539,549

The business income tax charge for the 6 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 2014 is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue as follows:

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Net profit attributable to shareholders	170,611,544,294	353,003,422,413
Weighted average number of ordinary shares in issue	96,313,098	96,931,578
Basic earnings per share (VND)	1,771	3,642

29 COST OF GOODS MANUFACTURED BY FACTORS

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Raw materials	5,797,779,575,041	4,009,776,535,717
Labour costs	231,389,069,469	167,154,534,773
Depreciation expense	118,830,950,140	93,137,806,482
Outside service expenses	486,481,527,482	440,803,729,205
Other expenses	337,505,158,484	159,366,120,947
	<u>6,971,986,280,616</u>	<u>4,870,238,727,124</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, measurement of exposure 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.

(a) Market risk*(i) Foreign exchange risk*

The Group'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 Company 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.

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

The Group's foreign exchange exposure is as follows:

	31.3.2014		
	Denominated in USD	Denominated in EUR	Total
	Equivalent to VND	Equivalent to VND	VND
Financial assets			
Cash and bank deposits	16,629,798,700	6,488,908	16,636,287,608
Trade receivables	413,114,125,593	-	413,114,125,593
Prepayments to suppliers and deposits	6,171,375,546	-	6,171,375,546
	<u>435,915,299,839</u>	<u>6,488,908</u>	<u>435,921,788,747</u>
Financial liabilities			
Borrowings	(3,780,862,575,390)	(36,576,728,000)	(3,817,439,303,390)
Trade payables	(1,219,207,812,219)	-	(1,219,207,812,219)
Advances to customers	(22,167,471,478)	-	(22,167,471,478)
	<u>(5,022,237,859,087)</u>	<u>(36,576,728,000)</u>	<u>(5,058,814,587,087)</u>
Foreign exchange exposure	<u>(4,586,322,559,248)</u>	<u>(36,570,239,092)</u>	<u>(4,622,892,798,340)</u>
	30.9.2013		
	Denominated in USD	Denominated in EUR	Total
	Equivalent to VND	Equivalent to VND	VND
Financial assets			
Cash and bank deposits	82,515,498,837	6,331,255	82,521,830,092
Trade receivables	235,670,832,907	-	235,670,832,907
Prepayments to suppliers and deposits	87,218,736,948	-	87,218,736,948
	<u>405,405,068,692</u>	<u>6,331,255</u>	<u>405,411,399,947</u>
Financial liabilities			
Borrowings	(2,130,651,394,693)	(44,126,160,000)	(2,174,777,554,693)
Trade payables	(1,081,691,062,033)	-	(1,081,691,062,033)
Advances from customers	(50,986,078,470)	-	(50,986,078,470)
	<u>(3,263,328,535,196)</u>	<u>(44,126,160,000)</u>	<u>(3,307,454,695,196)</u>
Foreign exchange exposure	<u>(2,857,923,466,504)</u>	<u>(44,119,828,745)</u>	<u>(2,902,043,295,249)</u>

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.

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

As at 31 March 2014, 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 VND35,792,386,216 (year ended 30 September 2013: VND25,006,830,332).

As at 31 March 2014, 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 VND285,247,865 (year ended 30 September 2013: VND 386,048,502).

(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 2014, if the VND interest rates had increased/decreased by 1% with all other variables being held constant, the Group's profit after tax the period would have been lower/higher by VND5,656,105,758 (six-month period ended 31 March 2013: VND4,978,108,089).

For six-month period ended 31 March 2014, if the USD interest rates had increased/decreased by 0.5% with all other variables being held constant, the Group's profit after tax the period would have been lower/higher by VND 4,939,106,140 (six-month period ended 31 March 2013: VND3,466,879,626).

(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 Boards of Directors; and
- Involve the authorities when necessary.

30 FINANCIAL RISK MANAGEMENT (continued)**(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.

	31.3.2014			
	Within 1 year	Between		Total
		1 and 5 years	Over 5 years	
	VND	VND	VND	VND
Trade payables	1,524,170,444,782	-	-	1,524,170,444,782
Short-term borrowings	4,060,700,259,551	-	-	4,060,700,259,551
Long-term borrowings and current portion of long-term loans	279,689,270,112	797,717,030,771	-	1,077,406,300,883
	<u>5,864,559,974,445</u>	<u>797,717,030,771</u>	<u>-</u>	<u>6,662,277,005,216</u>
30.9.2013				
	Within 1 year	Between		Total
		1 and 5 years	Over 5 years	
	VND	VND	VND	VND
Trade payables	1,317,685,051,025	-	-	1,317,685,051,025
Short-term borrowings	2,495,154,540,949	-	-	2,495,154,540,949
Long-term borrowings and current portion of long-term loans	319,259,183,820	588,026,924,580	-	907,286,108,400
	<u>4,132,098,775,794</u>	<u>588,026,924,580</u>	<u>-</u>	<u>4,720,125,700,374</u>

31 RELATED PARTY TRANSACTIONS

Related parties transactions 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

	6 month period ended	
	31.3.2014 VND	31.3.2013 VND
Compensation for Board of Directors, Board of Advisors and Board of Supervisors	534,000,000	490,000,000
Bonus for Board of Directors, Board of Advisors and Board of Supervisors	10,850,378,000	5,700,000,000
Gross salary of Board of Management	4,335,663,000	3,751,334,000
Bonus for Board of Management	5,540,000,000	2,857,200,000
	<u>21,260,041,000</u>	<u>12,798,534,000</u>

(b) Period end balances with related parties

	31.3.2014 VND	30.9.2013 VND
Prepayments to suppliers (Note 4)		
Mr Hoang Duc Huy (Deputy General Director) - Advance for purchase of land use rights	<u>90,183,227,000</u>	<u>90,183,227,000</u>

32 SEGMENT REPORTING

The General Director is of the opinion that the Group operates mainly 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:


	31.3.2014 VND	30.9.2013 VND
Within 1 year	36,729,771,335	30,199,614,448
Between 1 and 5 years	112,829,020,699	78,858,214,022
Over 5 years	358,515,089,242	285,475,419,963
Total minimum payments	<u>508,073,881,276</u>	<u>394,533,248,433</u>

34 CAPITAL COMMITMENTS

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


	31.3.2014 VND	30.9.2013 VND
Buildings, machinery and equipment	<u>277,852,908,829</u>	<u>615,558,105,177</u>

The consolidated interim financial statements were approved by the General Director on 30 May 2014.



Nguyen Thi Ngoc Lan
Chief Accountant





Tran Ngoc Chu
General Director