

HOA SEN GROUP

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



HOA SEN GROUP

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HOA SEN GROUP

CORPORATE INFORMATION

Business Registration Certificate

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

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

Board of Management

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

Board of Directors

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

Legal representative

Mr Le Phuoc Vu	Chairman
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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 FINANCIAL STATEMENTS

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

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

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

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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



Tran Ngoc Chu
General Director

Binh Duong Province, SR Vietnam
18 December 2012

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

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

The General Director's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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



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



Nguyen Gao Nguyen
AC No. 1184/KTV

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

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

CONSOLIDATED BALANCE SHEET

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

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

CONSOLIDATED BALANCE SHEET
(continued)

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

OFF BALANCE SHEET ITEMS

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



Nguyen Thi Ngoc Lan
Chief Accountant



Tran Ngoc Chu
General Director
18 December 2012

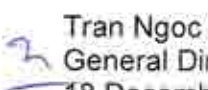
The notes on pages 9 to 39 are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

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


 Nguyen Thi Ngoc Lan
 Chief Accountant




 Tran Ngoc Chu
 General Director
 18 December 2012

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

CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

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

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

 Nguyen Thi Ngoc Lan
 Chief Accountant



 Tran Ngoc Chu
 General Director
 18 December 2012

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

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

1 GENERAL INFORMATION

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

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

The principal activities of the Company are:

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

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

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

All subsidiaries are incorporated in Vietnam.

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

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES**2.1 Basis of preparation of consolidated financial statements**

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

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

2.2 Fiscal year

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

2.3 Consolidation

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

Subsidiaries

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

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

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

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

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

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

2.4 Form of records applied

The Group uses journal vouchers to record its transactions.

2.5 Use of accounting estimate

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

2.6 Currency

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

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

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

2.7 Cash and cash equivalents

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

2.8 Trade receivables

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

2.9 Inventories

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

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

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

(b) Long-term investments

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

2.11 Fixed assets*Tangible and intangible fixed assets*

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

Depreciation

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

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

2.11 Fixed assets (continued)

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

Disposals

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

2.12 Leased assets

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

2.13 Borrowing costs

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

2.14 Long-term prepayments

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

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

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

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

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

(c) Interest income

Interest income is recognised on an earned basis.

(d) Dividend income

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

2.16 Deferred income tax

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

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

2.17 Share capital and treasury shares

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

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

2.18 Dividend distribution

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

2.19 Related parties

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

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

2.20 Provisions

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

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

2.21 Provision for severance allowances

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

3 CASH AND CASH EQUIVALENTS

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

4 PREPAYMENTS TO SUPPLIERS

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

5 OTHER RECEIVABLES

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

6 INVENTORIES

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

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

7 TAX AND OTHER RECEIVABLE TO THE STATE BUDGET

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

8 OTHER CURRENT ASSETS

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

9 FIXED ASSETS

(a) Tangible fixed assets

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

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

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

9 FIXED ASSETS (continued)**(b) Finance lease assets**

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

(c) Intangible fixed assets

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

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

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

	Year ended 30 September	
	2012 VND	2011 VND
Opening balance	470,916,943,034	600,863,044,677
Additions	48,855,722,581	726,383,063,929
Transferred to long-term prepayments	(4,923,653,232)	(4,138,662,022)
Transferred to tangible fixed assets	(488,845,130,479)	(852,139,924,642)
Disposals	-	(50,578,908)
Closing balance	26,003,881,904	470,916,943,034

Major projects include:

	30.9.2012 VND	30.9.2011 VND
Machinery and equipment for		
Hoa Sen Phu My Steel Sheet Plant	18,569,355,451	344,399,711,468
Hoa Sen Phu My Steel Sheet Plant Project	5,113,690,655	78,778,683,205

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

10 LONG-TERM INVESTMENTS

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

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

11 LONG-TERM PREPAYMENTS

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

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

12 DEFERRED INCOME TAX ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

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

Finance lease liabilities	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>
	30.9.2011		
	Total liabilities VND	Interest VND	Principal VND
Less than 1 year	12,912,102,101	4,265,937,905	8,646,164,196
From 1 to 5 years	25,157,688,888	4,692,905,991	20,464,782,897
	<u>38,069,790,989</u>	<u>8,958,843,896</u>	<u>29,110,947,093</u>

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

(***) Other long-term debt of EUR2,144,000 Euro equivalent to VND58,267,488,000 (as at 30 September 2011: EUR2,728,000 equivalent to VND77,131,472,000) is from a supplier for purchase of fixed assets, bearing interest at the rate 5.8% p.a and to be paid in 6-month instalments from March 2011 to May 2016.

14 TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	30.9.2012 VND	30.9.2011 VND
VAT on imported goods	46,827,168,659	10,340,205,509
Value Added Tax	17,603,888,915	2,804,260,421
Import – Export duties	76,358,503	-
Business income tax	19,678,975,563	4,811,764,787
Other taxes	465,005,931	2,148,087,747
	<u>84,651,397,571</u>	<u>20,104,318,464</u>

15 ACCRUED EXPENSES

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

16 OTHER PAYABLES

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

17 BONUS AND WELFARE FUND

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

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

18 NUMBER OF SHARES

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

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

19 MOVEMENTS IN OWNERS' EQUITY

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

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

20 REVENUE**(a) Net sales**

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

(b) Financial income

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

21 COST OF SALES

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

22 FINANCIAL EXPENSES

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

23 SELLING EXPENSES

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

24 GENERAL AND ADMINISTRATION EXPENSES

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

25 OTHER INCOME

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

26 OTHER EXPENSES

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

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

27 TAXATION

Hoa Sen Group

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

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

Hoa Sen Building Materials One Member Co., Ltd

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

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

27 TAXATION (continued)

Hoa Sen Steel Sheet One Member Co., Ltd

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

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

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

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

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

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

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

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

28 DIVIDENDS

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

29 EARNINGS PER SHARE

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

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

30 COST OF GOODS MANUFACTURED BY FACTORS

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

31 FINANCIAL RISK MANAGEMENT*Financial risk factors*

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

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

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

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

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

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

The Group's foreign exchange exposure is as follows:

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

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

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

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

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

(ii) Price risk

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

(iii) Interest rate risk

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

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

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

31 FINANCIAL RISK MANAGEMENT (continued)**(b) Credit risk**

The Group manages credit risk by taking the following actions:

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

Trade and other trade receivable include:

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

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

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

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

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

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

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

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

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

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

(c) Liquidity risk

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

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

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

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

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

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

(d) Fair value measurements

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

32 RELATED PARTY TRANSACTIONS

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

(a) Related party transactions

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

Compensation of key management

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

(b) Year end balances with related parties

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

33 SEGMENT REPORTING

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

34 COMMITMENTS UNDER OPERATING LEASES

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

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

35 CAPITAL COMMITMENTS

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


	Year ended 30 September	
	2012 VND	2011 VND
Buildings, machinery and equipment	186,444,843,145	28,575,744,556

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



Nguyen Thi Ngoc Lan
Chief Accountant





Tran Ngoc Chu
General Director