



Hoa Sen Group Corporation and its subsidiaries

Consolidated Financial Statements for the six
months ended 31 March 2010

Hoa Sen Group Corporation and its subsidiaries

Corporate Information

Business Registration Certificate No

4603000028
3700381324

8 August 2001
30 April 2010

The Business Registration Certificate and updates were issued by the Department of Planning and Investment of Binh Duong Province.

Board of Management

Mr Le Phuoc Vu	Chairman
Mr Tran Ngoc Chu	Vice chairman
Mr Pham Van Trung	Member
Mr Le Phung Hao	Member
Mr Pham Gia Tuan	Member
Mr Nguyen Van Quy	Member (from 4 October 2009)
Mr Vu Bao Quoc	Member (until 27 March 2010)
Mr Ly Hoang Duy	Member (from 27 March 2010)

Board of Directors

Mr Le Phuoc Vu	General Director
Mr Tran Ngoc Chu	Deputy General Director
Mr Pham Van Trung	Deputy General Director
Mr Hoang Duc Huy	Deputy General Director
Mr Vu Van Binh	Deputy General Director

Registered Office

9 Thong Nhat Boulevard
Song Than II Industrial Park
Di An District
Binh Duong Province
Vietnam

Auditors

KPMG Limited
Vietnam

**KPMG Limited**

10th Floor, Sun Wah Tower
115 Nguyen Hue Street
District 1, Ho Chi Minh City
The Socialist Republic of Vietnam

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REPORT OF THE INDEPENDENT AUDITORS ON REVIEW OF INTERIM FINANCIAL STATEMENTS

**To the Shareholders
Hoa Sen Group Corporation and its subsidiaries**

Scope

We have reviewed the accompanying consolidated balance sheet of Hoa Sen Group Corporation ("the Company") and its subsidiaries (together referred to as "the Group") as of 31 March 2010 and the related consolidated statements of income, changes in equity and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

We conducted our review in accordance with Vietnamese Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited to primarily 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 consolidated financial statements do not give a true and fair view of the consolidated financial position of Hoa Sen Group Corporation and its subsidiaries as of 31 March 2010 and the results of their operations and their cash flows for the six months then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and accounting principles generally accepted in Vietnam.

KPMG Limited
Vietnam

Investment Certificate No: 011043000345
Audit Report No: 10-01-167




Chang Hung Chun
CPA No. N0863/KTV
Deputy General Director


Nguyen Thanh Nghi
CPA No. 0304/KTV

Ho Chi Minh City, 24 May 2010

Hoa Sen Group Corporation and its subsidiaries
Consolidated balance sheet at 31 March 2010

	Code	Note	31/3/2010 VND	30/9/2009 VND
ASSETS				
Current assets	100		2,180,224,337,702	1,208,474,740,581
Cash	110	3	99,574,354,078	47,653,614,415
Accounts receivable	130		505,833,386,500	298,978,339,425
Accounts receivable – trade	131	4	231,692,345,036	166,640,183,049
Prepayments to suppliers	132	5	275,260,040,456	133,695,332,531
Other receivables	135		470,076,427	231,899,264
Allowance for doubtful debts	139		(1,589,075,419)	(1,589,075,419)
Inventories	140	6	1,360,422,885,415	747,124,150,310
Inventories	141		1,360,706,098,030	748,874,572,944
Allowance for inventories	149		(283,212,615)	(1,750,422,634)
Other current assets	150		214,393,711,709	114,718,636,431
Short-term prepayments	151		15,638,108,556	5,991,033,516
Deductible value added tax	152		144,780,907,621	24,953,819,659
Taxes receivable from State Treasury	154		27,457,337	24,435,448
Other current assets	158	7	53,947,238,195	83,749,347,808
Long-term assets	200		1,743,153,958,802	1,230,298,431,480
Fixed assets	220		1,667,858,745,285	1,158,228,495,053
Tangible fixed assets	221	8	1,156,167,371,611	755,358,089,492
Cost	222		1,435,965,813,299	980,152,984,494
Accumulated depreciation	223		(279,798,441,688)	(224,794,895,002)
Finance lease tangible fixed asset	224	9	12,056,754,032	12,741,504,032
Cost	225		13,695,000,000	13,695,000,000
Accumulated depreciation	226		(1,638,245,968)	(953,495,968)
Intangible fixed assets	227	10	200,496,404,189	185,962,339,810
Cost	228		207,517,471,633	191,845,095,283
Accumulated amortisation	229		(7,021,067,444)	(5,882,755,473)
Construction in progress	230	11	299,138,215,453	204,166,561,719
Long-term investments	250	12	58,414,544,958	58,414,544,958
Investments in associates	252		43,414,544,958	43,414,544,958
Other long-term investments	258		15,000,000,000	15,000,000,000
Other long-term assets	260		16,880,668,559	13,655,391,469
Long-term prepayments	261	13	15,453,258,714	10,779,291,756
Deferred tax assets	262	28	1,027,409,845	2,476,099,713
Long-term deposits	268		400,000,000	400,000,000
TOTAL ASSETS	270		3,923,378,296,504	2,438,773,172,061

The accompanying notes form an integral part of these consolidated financial statements

Hoa Sen Group Corporation and its subsidiaries
Consolidated balance sheet at 31 March 2010 (continued)

	Code	Note	31/3/2010 VND	30/9/2009 VND
RESOURCES				
LIABILITIES	300		2,214,207,755,861	1,499,444,452,950
Current liabilities	310		1,765,011,776,809	1,162,237,668,147
Short-term borrowings	311	14	1,447,780,272,736	759,969,415,865
Accounts payable – trade	312		176,707,799,277	274,357,767,275
Advances from customers	313		30,843,156,900	12,811,898,657
Taxes payable to State Treasury	314	15	80,381,865,929	20,117,823,780
Payables to employees	315		14,782,795,093	12,079,314,134
Accrued expenses	316		1,129,000,817	14,387,443,150
Other payables	319	16	6,133,717,767	61,362,078,425
Bonus and welfare fund	323	17	7,253,168,290	7,151,926,861
Long-term liabilities	330		449,195,979,052	337,206,784,803
Long-term borrowings and liabilities	334	18	447,518,429,952	335,443,237,703
Provision for severance allowance	336	19	1,677,549,100	1,763,547,100
EQUITY	400		1,709,170,540,643	939,328,719,111
Equity	410		1,709,170,540,643	939,328,719,111
Share capital	411	20	700,000,000,000	570,385,000,000
Capital surplus	412	20	521,546,926,727	88,222,712,000
Treasury shares	414	20	(572,000,000)	(572,000,000)
Differences upon asset revaluation	415	21	21,447,090,156	21,447,090,156
Financial reserves	418		8,525,313,060	-
Retained profits	420		458,223,210,700	259,845,916,955
TOTAL RESOURCES	440		3,923,378,296,504	2,438,773,172,061

Prepared by:

Nguyen Thi Ngoc Lan
Chief Accountant

24 May 2010

Approved by:

Le Phuoc Vu
General Director

The accompanying notes form an integral part of these consolidated financial statements

Hoa Sen Group Corporation and its subsidiaries
Consolidated statement of income for the six months ended 31 March 2010

	Code	Note	Six months ended 31/3/2010 VND	Six months ended 31/3/2009 VND
Total revenue	01	22	2,130,232,176,871	1,151,806,332,262
Less sales deductions	02	22	(12,579,819,471)	(11,852,773,528)
Net sales	10	22	2,117,652,357,400	1,139,953,558,734
Cost of sales	11	23	(1,584,838,995,302)	(1,072,474,161,476)
Gross profit	20		532,813,362,098	67,479,397,258
Financial income	21	24	16,188,930,186	1,076,478,225
Financial expenses	22	25	(172,992,958,671)	(92,074,920,552)
Selling expenses	24		(82,683,032,146)	(53,142,233,640)
General and administration expenses	25		(69,754,575,459)	(41,897,166,182)
Net operating profit/(loss)	30		223,571,726,008	(118,558,444,891)
Results of other activities	40			
Other income	31	26	14,271,020,143	20,448,630,865
Other expenses	32	27	(1,554,032,210)	(16,023,141,046)
Profit before tax/(loss)	50		236,288,713,941	(114,132,955,072)
Income tax expense – current	51	28	(21,815,819,174)	(119,090,000)
Income tax expense – deferred	52	28	(1,448,689,868)	-
Net profit/(loss)	60		213,024,204,899	(114,252,045,072)
Basic earning/(loss) per share	70	29	3,681	(2,004)

Prepared by:

Approved by:

Nguyen Thi Ngoc Lan
Chief Accountant

Le Phuoc Vu
General Director

24 May 2010

The accompanying notes form an integral part of these consolidated financial statements

Hoa Sen Group Corporation and its subsidiaries

Consolidated statement of changes in equity for the six months ended 31 March 2010

	Share capital VND	Capital surplus VND	Treasury shares VND	Differences upon asset revaluation VND	Financial reserves VND	Retained profits VND	Total VND
Balance at 1 April 2009	570,385,000,000	88,222,712,000	(572,000,000)	21,447,090,156	-	18,860,970,551	698,343,772,707
Net profit for the period	-	-	-	-	-	303,703,446,404	303,703,446,404
Dividends	-	-	-	-	-	(57,018,500,000)	(57,018,500,000)
Transfer to bonus and welfare fund	-	-	-	-	-	(5,700,000,000)	(5,700,000,000)
Balance at 30 September 2009	570,385,000,000	88,222,712,000	(572,000,000)	21,447,090,156	-	259,845,916,955	939,328,719,111
Shares capital issued	129,615,000,000	433,324,214,727	-	-	-	-	562,939,214,727
Net profit for the period	-	-	-	-	-	213,024,204,899	213,024,204,899
Allocate to equity funds	-	-	-	-	8,525,313,060	(8,525,313,060)	-
Transfer to bonus and welfare fund	-	-	-	-	-	(6,121,598,094)	(6,121,598,094)
Balance at 31 March 2010	700,000,000,000	521,546,926,727	(572,000,000)	21,447,090,156	8,525,313,060	458,223,210,700	1,709,170,540,643

Prepared by:

Nguyễn Thị Ngọc Lan
Chief Accountant



24 May 2010

Approved by:

Le Phuoc Vu
General Director

The accompanying notes form an integral part of these consolidated financial statements

Hoa Sen Group Corporation and its subsidiaries
Consolidated statement of cash flows for the six months ended 31 March 2010

	Code	Note	Six months ended 31/3/2010 VND	Six months ended 31/3/2009 VND
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		236,288,713,941	(114,132,955,072)
Adjustments for				
Depreciation and amortisation	02		62,008,409,248	49,596,751,476
Allowances and provisions	03		(1,467,210,019)	(47,286,346,331)
Losses from investing activities	04		796,582,853	-
Interest income	05		(7,282,908,071)	(1,076,274,225)
Interest expense	06		54,925,324,278	50,565,985,833
Operating profit before changes in working capital	08		345,268,912,230	(62,332,838,319)
Change in receivables and other current assets	09		(177,052,937,462)	31,166,784,068
Change in inventories	10		(611,831,525,086)	464,510,538,014
Change in payables and other liabilities	11		(139,142,576,709)	(85,783,117,263)
Change in prepayments	12		(9,647,075,040)	3,240,474,883
			(592,405,202,067)	350,801,841,383
Interest paid	13		(54,925,324,278)	(50,565,985,833)
Corporate income tax paid	14		(21,760,896,618)	(1,013,083,140)
Payments from bonus and welfare fund			(6,020,356,665)	-
Net cash (used in)/generated from operating activities	20		(675,111,779,628)	299,222,772,410

The accompanying notes form an integral part of these consolidated financial statements

Hoa Sen Group Corporation and its subsidiaries

Consolidated statement of cash flows for the six months ended 31 March 2010 (continued)

	Code	Note	Six months ended 31/3/2010 VND	Six months ended 31/3/2009 VND
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(585,766,493,172)	(53,091,174,988)
Proceeds from disposals of fixed assets and other long-term assets	22		110,454,545	-
Payments for investments in other entities	25		-	(15,125,040,000)
Receipts of interests	27		7,282,908,071	1,076,274,225
Net cash used in investing activities	30		(578,373,130,556)	(67,139,940,763)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from equity issued			562,939,214,727	-
Proceeds from short-term and long-term borrowings	33		2,205,397,748,224	1,149,849,575,703
Payments to settle debts	34		(1,404,304,681,246)	(1,293,964,684,482)
Payments to settle finance lease liabilities	35		(1,207,017,858)	(13,695,000,000)
Payments of dividends	36		(57,419,614,000)	(56,657,277,286)
Net cash generated from/(used in) financing activities	40		1,305,405,649,847	(214,467,386,065)
Net cash flows during the period	50		51,920,739,663	17,615,445,582
Cash at the beginning of the period	60		47,653,614,415	16,095,354,155
Cash at the end of the period	70	3	99,574,354,078	33,710,799,737

Prepared by:

Approved by:

Nguyen Thi Ngoc Lan
Chief Accountant

Le Phuoc Vu
General Director

24 May 2010

The accompanying notes form an integral part of these consolidated financial statements

Hoa Sen Group Corporation and its subsidiaries

Notes to the consolidated financial statements for the six months ended 31 March 2010

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

1. Reporting Entity

Hoa Sen Group Corporation ("the Company") is a joint stock company incorporated in Vietnam. The consolidated financial statements of the Company for the six months ended 30 March 2010 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associate. The principal activities of the Group are to manufacture and trade galvanised steel products, plastic building materials and to provide engineering and civil, industrial construction projects, transportation service; produce and process rolling mill, cutter and industrial machine and equipment.

The charter capital of the Company as stipulated in the Business Registration Certificate is VND700,000,000,000.

As at 31 March 2010 the Group had 2,810 employees (30/9/2009: 1,921 employees).

2. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Group in the preparation of these consolidated financial statements.

(a) Basis of financial statement preparation

(i) General basis of accounting

The consolidated financial statements, expressed in Vietnam Dong ("VND"), have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and accounting principles generally accepted in Vietnam.

The consolidated financial statements, except for the consolidated statement of cash flows, are prepared on the accrual basis using historical cost concept. The consolidated statement of cash flows is prepared using the indirect method.

(ii) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Hoa Sen Group Corporation and its subsidiaries

Notes to the consolidated financial statements for the six months ended 31 March 2010 (continued)

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate.

(b) Fiscal year

The fiscal year of the Company is from 1 October to 30 September.

(c) Foreign currency transactions

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at rates of exchange ruling at the balance sheet date. Transactions in currencies other than VND during the period have been translated into VND at rates approximating those ruling at the transaction dates.

All foreign exchange differences are recorded in the statement of income in accordance with Vietnamese Accounting Standard No. 10 ("VAS 10") – *The Effects of Changes in Foreign Exchange Rates*.

On 15 October 2009, the Ministry of Finance issued Circular No. 201/2009/TT-BTC providing guidance on recognition of foreign exchange differences. This Circular requires that foreign exchange differences arising from period end translation of current monetary assets and liabilities denominated in currencies other than VND be recorded in the Foreign Exchange Difference Account in equity; and that such exchange differences be subsequently reversed at the beginning of the following period.

The Company chose to continue applying VAS 10 for recognition of foreign exchange differences.

(d) Cash and cash equivalents

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amount of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Hoa Sen Group Corporation and its subsidiaries

Notes to the consolidated financial statements for the six months ended 31 March 2010 (continued)

(e) Investments

Investments in entities over which the Group does not have control or significant influence are stated at cost. Allowance is made for reductions in investment values which in the opinion of the management are not temporary. The allowance is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the allowance was recognised. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that has been determined if no allowance had been recognised.

(f) Accounts receivable

Trade and other receivables are stated at cost less allowance for doubtful debts.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs incurred in bringing the inventories to their present location and condition. Cost in the case of finished goods and work in progress includes raw materials, direct labour and attributable manufacturing overheads. Net realisable value is the estimated selling price of inventory items, less the estimated costs of completion and selling expenses.

The Group applies the perpetual method of accounting for inventory.

(h) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

Hoa Sen Group Corporation and its subsidiaries

**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)**

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

▪ buildings	5 – 40 years
▪ machinery and equipment	3 – 10 years
▪ motor vehicles	4 – 10 years
▪ office equipment	3 – 5 years
▪ other tangible fixed assets	3 – 20 years

(i) Intangible fixed assets

(i) Land use rights

Land use rights are stated at cost/valuation less accumulated amortisation. The initial cost of a land use rights, except for land use rights used as capital contribution, comprises the value of the right as its purchase price and any directly attributable costs incurred in conjunction with securing the land use right. Land use rights used as a capital contribution is stated at the valuation at the time of capital contribution. Amortisation is computed on a straight-line basis ranging from 7 to 50 years.

(ii) Software

Cost of acquisition of new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software is amortised on a straight-line basis ranging from 3 to 8 years.

(j) Construction in progress

Construction in progress represents the cost of construction and machinery which have not been fully completed or installed. No depreciation is provided for construction in progress during the period of construction and installation.

(k) Long-term prepayments

(i) Pre-operating expenses

Pre-operating expenses are recorded in the statement of income, except for establishment costs and expenditures on training, advertising and promotional activities incurred from the incorporation date to the commercial operation date, being the date of commencement of trial production. These expenses are recognised as long-term prepayments, initially stated at cost, and are amortised on a straight line basis over three years starting from the date of commercial operation.

Hoa Sen Group Corporation and its subsidiaries

**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)**

(ii) Advertising expenses

Advertising expenses are initially stated at cost and amortised on a straight line basis over the term of contracts.

(iii) Tools and supplies

Tools and supplies are initially stated at cost and amortised on a straight line basis over their useful lives ranging from 2 to 5 years.

(l) Trade and other payables

Trade and other payables are stated at their cost.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(n) Taxation

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Hoa Sen Group Corporation and its subsidiaries

**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)**

(o) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(ii) Treasury shares

When share capital recognised as equity is purchased, the amount of the consideration paid, which includes directly attributable cost, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

(p) Revenue

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

(q) Operating lease payments

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of income as an integral part of the total lease expense.

(r) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except where the borrowing costs relate to borrowings in respect of the construction of qualifying tangible fixed assets, in which case the borrowing costs incurred during the period of construction are capitalised as part of the cost of the fixed assets concerned.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, which comprise convertible bonds and share options.

Hoa Sen Group Corporation and its subsidiaries**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)****(t) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Management is of the opinion that the Group operates in one single business segment, which is the manufacture and sale of steel and plastic construction materials and one single geographical segment, which is Vietnam.

(u) Off balance sheet items

Amounts which are defined as off balance sheet items under the Vietnamese Accounting System are disclosed in the relevant notes to these consolidated financial statements.

3. Cash

	31/3/2010 VND	30/9/2009 VND
Cash on hand	12,865,176,944	5,660,942,485
Cash in bank	84,908,533,547	41,990,271,930
Cash in transit	1,800,643,587	2,400,000
	<hr/>	<hr/>
	99,574,354,078	47,653,614,415

Cash at 31 March 2010 included amounts denominated in currencies other than VND amounting to VND4,400,878,085 (30/9/2009: VND1,145,461,297).

4. Accounts receivable – trade

At 31 March 2010 accounts receivable with a carrying value of VND212,921,022,827 (30/9/2009: VND157,192,891,111) were pledged with banks as security for loans granted to the Group.

5. Prepayments to suppliers

Prepayments to suppliers at of 31 March 2010 included amounts prepaid for acquisition of construction services of VND75,918,659,471 (30/9/2009: VND91,996,477,272).

Hoa Sen Group Corporation and its subsidiaries**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)****6. Inventories**

	31/3/2010 VND	30/9/2009 VND
Goods in transit	14,141,942,220	216,883,822,941
Raw materials	681,573,234,282	224,722,769,891
Tools and supplies	110,971,972,153	80,640,027,924
Work in progress	13,103,552,481	1,778,229,350
Finished goods	476,546,439,343	181,335,400,190
Merchandise inventory	64,368,957,551	43,514,322,648
	<hr/>	<hr/>
	1,360,706,098,030	748,874,572,944
Allowance for inventories	(283,212,615)	(1,750,422,634)
	<hr/>	<hr/>
	1,360,422,885,415	747,124,150,310

Movements in the allowance for inventories during the period were as follows:

	Six months ended 31/3/2010 VND	Six months ended 30/9/2009 VND
Opening balance	1,750,422,634	50,822,646,169
Written back	(1,467,210,019)	(49,072,223,535)
	<hr/>	<hr/>
Closing balance	283,212,615	1,750,422,634

At 31 March 2010 inventories with a carrying value of VND852,651,717,924 (30/9/2009: VND615,999,281,150) were pledged with banks as security for loans granted to the Group.

7. Other current assets

	31/3/2010 VND	30/9/2009 VND
Short-term deposits	50,440,101,800	81,496,879,827
Advances	3,406,154,395	1,751,559,061
Others	100,982,000	500,908,920
	<hr/>	<hr/>
	53,947,238,195	83,749,347,808

Hoa Sen Group Corporation and its subsidiaries

Notes to the consolidated financial statements for the six months ended 31 March 2010 (continued)

8. Tangible fixed assets

	Buildings VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Other tangible fixed assets VND	Total VND
Cost						
Opening balance	243,044,657,341	695,011,409,207	38,489,990,727	2,631,624,295	975,302,924	980,152,984,494
Additions	-	26,777,215,730	12,595,772,558	-	277,272,727	39,650,261,015
Transfers from construction in progress	96,438,489,541	315,002,478,861	5,445,258,442	466,547,448	-	417,352,774,292
Disposals	(635,327,714)	(371,000,000)	(183,878,788)	-	-	(1,190,206,502)
Closing balance	338,847,819,168	1,036,420,103,798	56,347,142,939	3,098,171,743	1,252,575,651	1,435,965,813,299
Accumulated depreciation						
Opening balance	31,818,453,431	179,823,290,035	11,431,111,750	1,272,944,974	449,094,812	224,794,895,002
Charge for the period	8,757,544,385	43,389,982,580	2,818,988,240	236,870,157	83,330,428	55,286,715,790
Disposals	(104,262,194)	(100,226,753)	(78,680,157)	-	-	(283,169,104)
Closing balance	40,471,735,622	223,113,045,862	14,171,419,833	1,509,815,131	532,425,240	279,798,441,688
Net book value						
Closing balance	298,376,083,546	813,307,057,936	42,175,723,106	1,588,356,612	720,150,411	1,156,167,371,611
Opening balance	211,226,203,910	515,188,119,172	27,058,878,977	1,358,679,321	526,208,112	755,358,089,492

Hoa Sen Group Corporation and its subsidiaries**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)**

Included in the cost of tangible fixed assets were assets costing VND1,179,496,919 which were fully depreciated as of 31 March 2010 (30/9/2009: VND815,969,320), but which are still in active use.

At 31 March 2010 tangible fixed assets with a carrying value of VND756,319,417,333 (30/9/2009: VND465,772,985,048) were pledged with banks as security for loans granted to the Group.

9. Finance lease tangible fixed asset

	Machinery and equipment VND
Cost	
Opening and closing balance	13,695,000,000
Accumulated depreciation	
Opening balance	953,495,968
Charge for the period	684,750,000
Closing balance	1,638,245,968
Net book value	
Closing balance	12,056,754,032
Opening balance	12,741,504,032

At the end of the lease the Group has the option to purchase the equipment at a beneficial price. The leased equipment secures the lease obligations.

Hoa Sen Group Corporation and its subsidiaries
Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)

10. Intangible fixed assets

	Land use rights VND	Software VND	Total VND
Cost			
Opening balance	190,107,344,479	1,737,750,804	191,845,095,283
Additions	15,646,710,000	25,666,350	15,672,376,350
Closing balance	205,754,054,479	1,763,417,154	207,517,471,633
Accumulated amortisation			
Opening balance	5,520,946,399	361,809,074	5,882,755,473
Charge for the period	994,884,280	143,427,691	1,138,311,971
Closing balance	6,515,830,679	505,236,765	7,021,067,444
Net book value			
Closing balance	199,238,223,800	1,258,180,389	200,496,404,189
Opening balance	184,586,398,080	1,375,941,730	185,962,339,810

At 31 March 2010 land use rights with a carrying value of VND78,336,328,291 (30/9/2009: VND75,123,910,504) were pledged with banks as security for loans granted to the Group.

11. Construction in progress

	Six months ended 31/3/2010 VND	Six months ended 31/3/2010 VND
Opening balance	204,166,561,719	29,274,740,889
Additions during the period	512,710,141,226	17,265,921,342
Transfers to tangible fixed assets	(417,352,774,292)	(28,103,575,570)
Transfer to long-term prepayment	(385,713,200)	-
Closing balance	299,138,215,453	18,437,086,661

Hoa Sen Group Corporation and its subsidiaries

Notes to the consolidated financial statements for the six months ended 31 March 2010 (continued)

12. Long-term investments

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

Name	Principal activity	Business Registration Certificate	% of ownership	Amount 31/3/2010 VND	Amount 30/9/2009 VND
Associate					
Hoa Sen – Gemadept Logistics and International Port Corporation	Provide sea cargo agency services	Business Registration Certificate No. 4903000262 issued by the Department of Planning and Investment of Ba Ria – Vung Tau on 20 June 2006 and amended on 5 April 2008	45%	43,414,544,958	43,414,544,958
<hr/>					
Other long term investments					
Viet Capital Healthcare Fund	Invest in listed and unlisted healthcare Vietnamese companies and projects in Vietnam	08/TB-UBCK issued by State Securities Commission of Vietnam on 15 January 2008	3%	15,000,000,000	15,000,000,000
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Hoa Sen Group Corporation and its subsidiaries

Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)

13. Long-term prepayments

	Pre-operating expenses VND	Advertising expense VND	Tools and supplies VND	Total VND
Opening balance	1,066,861,381	456,083,687	9,256,346,688	10,779,291,756
Additions	728,724,012	479,421,650	7,978,739,583	9,186,885,245
Transfer from construction in progress	-	-	385,713,200	385,713,200
Amortisation for the period	(587,118,303)	(300,283,767)	(4,011,229,417)	(4,898,631,487)
Closing balance	1,208,467,090	635,221,570	13,609,570,054	15,453,258,714

Hoa Sen Group Corporation and its subsidiaries

Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)

14. Short-term borrowings

	31/3/2010 VND	30/9/2009 VND
Short-term borrowings		
Loan 1 from Vietnam Bank for Agriculture and Rural Development (a)	28,000,000,000	10,000,000,000
Loan 2 from Vietnam Bank for Agriculture and Rural Development (b)	193,143,301,600	169,331,769,100
Loan 3 from Vietnam Bank for Agriculture and Rural Development (c)	60,642,838,000	133,119,838,000
Loan 4 from The Bank for Foreign Trade of Vietnam (d)	169,925,510,701	192,365,305,600
Loan 5 from The Bank for Foreign Trade of Vietnam (e)	180,832,300,000	33,323,750,000
Loan 6 from The Bank for Foreign Trade of Vietnam (f)	48,000,000,000	9,000,000,000
Loan 7 from Vietnam Bank for Industry and Trade (g)	35,676,559,779	26,483,871,700
Loan 8 from Vietnam Bank for Industry and Trade	-	3,576,686,786
Loan 9 from The Hongkong and Shanghai Banking Corporation (h)	95,500,000,000	-
Loan 10 from The Hongkong and Shanghai Banking Corporation (i)	67,250,600,000	-
Loan 11 from Far East National Bank (j)	77,904,925,459	57,940,948,782
Loan 12 from Far East National Bank	-	4,494,047,225
Loan 13 from The Vietnam Development Bank (k)	89,553,441,382	-
Loan 14 from Indovina Bank (l)	65,441,325,000	47,060,000,000
Loan 15 from Sacombank (m)	47,921,900,000	6,245,000,000
Loan 16 from Bank of Technology and Commercial (n)	44,796,800,000	-
Loan 17 from Asia Commercial Bank (o)	77,945,745,695	-
Loan 18 from Bao Viet Bank (p)	25,569,450,906	-
Loan 19 from Bao Viet Bank (q)	44,158,542,174	-
	1,352,263,240,696	692,941,217,193
Current portion of long-term borrowings (Note 18)	95,517,032,040	67,028,198,672
	1,447,780,272,736	759,969,415,865

- a. This loan is secured by the Group's inventories with carrying value of VND41,475,010,412 (2009: VND41,428,473,728) and tangible fixed assets with carrying value of VND5,029,165,882 (2009: VND5,319,983,572). The loan bore interest 12% (2009: from 6% to 10%) per annum during the period.

Hoa Sen Group Corporation and its subsidiaries

**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)**

- b. This loan, denominated in USD, is secured by the Group's land use rights, tangible fixed assets and inventories with carrying value of VND301,634,761,990 (2009: VND492,823,459,939) and shareholders' assets with value of VND244,616,200,000. The loan bore interest at rates ranging from 5% to 5.5% (2009: from 3% to 4%) per annum during the period.
- c. This loan is secured by the Group's land use rights, tangible fixed assets and inventories with carrying value of VND301,393,623,671 (2009: VND635,424,954,001) and shareholders' assets with value of VND244,616,200,000. The loan bore interest at rate ranging from 6% to 12% (2009: from 6% to 6.5%) per annum during the period.
- d. This loan, denominated in USD, is secured by the Group's land use rights, inventories with carrying value of VND145,220,958,857 (2009: VND252,555,308,000) and tangible fixed assets with carrying value of VND83,801,606,360 (2009: VND88,899,310,099). The loan bore interest at rates ranging from 5.5% to 6.5% (2009: from 3.3% to 5.5%) per annum during the period.
- e. This loan is secured by the Group's land use rights and inventories with carrying value of VND145,220,958,857 (2009: VND252,555,308,000) and tangible fixed assets with carrying value of VND83,801,606,360 (2009: VND88,899,310,099). The loan bore interest at rates ranging from 6% to 12% (2009: from 6% to 6.5%) per annum during the period.
- f. This loan is secured by the Group's inventories with carrying value of VND62,500,000,000 (2009: VND62,500,000,000). The loan bore interest at 12% (2009: from 6.5% to 10.5%) per annum during the period.
- g. This loan, denominated in USD, is secured by the Group's land use rights and inventories with carrying value of VND23,713,763,958 (2009: VND52,534,494,614). The loan bore interest at rates ranging from 6.3% to 6.8% (2009: 3%) per annum during the period.
- h. This loan is secured by the Group's tangible fixed assets and inventories with carrying value of VND15,674,974,617 and VND83,293,954,426, respectively. The loan bore interest at rates ranging from 6.2% to 8.2% per annum during the period.
- i. This loan is secured by the Group's tangible fixed assets and inventories with carrying value of VND15,674,974,617 and VND83,293,954,426, respectively. The loan bore interest at rates ranging from 6% to 12% per annum during the period.
- j. This loan, denominated in USD, is secured by the Group's accounts receivable and inventories with carrying value of VND240,449,963,559 (2009: VND670,730,908,552). The loan bore interest at rates ranging from 6.8% to 7% (2009: 5%) per annum during the period.
- k. This loan, denominated in USD, is secured by the Group's land use rights and inventories with carrying value of VND3,951,475,000 and VND221,642,515,926, respectively. The loan bore interest at rates ranging from 5% to 7% per annum during the period.
- l. This loan is secured by the Group's land use rights and inventories with carrying value of VND3,951,475,000 and VND221,642,515,926, respectively. The loan bore interest at rates ranging from 6% to 12% (2009: 6.5%) per annum during the period.

Hoa Sen Group Corporation and its subsidiaries**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)**

- m. This loan, denominated in USD, is secured by the Group's land use rights and inventories with carrying value of VND28,669,580,431 (2009: VND11,073,906,308). The loan bore interest at rates ranging from 5% to 7% (2009: 6.5 %) per annum during the period.
- n. This loan, denominated in USD, is secured by the Group's inventories with carrying value of VND27,551,746,370. The loan bore interest at rates ranging from 5% to 7% per annum during the period.
- o. This loan, denominated in USD, is secured by the Group's inventories with carrying value of VND35,090,273,965. The loan bore interest at rates ranging from 5% to 7% per annum during the period.
- p. This loan is secured by the Group's inventories with carrying value of VND25,739,216,403. The loan bore interest at rates ranging from 6% to 12% per annum during the period.
- q. This loan, denominated in USD, is secured by the Group's inventories with carrying value of VND25,739,216,403. The loan bore interest at rates ranging from 5% to 5.5% per annum during the period.

The same assets were used as security for more than one loan from the same bank.

15. Taxes payable to State Treasury

	31/3/2010 VND	30/9/2009 VND
Value added tax	69,279,228,043	12,752,096,909
Corporate income tax	6,948,326,670	6,893,404,114
Import tax	1,659,458,566	225,995,754
Personal income tax	603,402,707	246,327,003
Other	1,891,449,943	-
	80,381,865,929	20,117,823,780

16. Other payables

	31/3/2010 VND	30/9/2009 VND
Union fees	118,929,200	67,154,000
Social insurance	533,406,400	243,192,600
Health insurance	14,308,300	899,000
Short-term deposits	1,615,000,000	1,752,240,000
Dividends payable	1,455,486,000	58,875,100,000
Unemployment insurance	1,339,000	-
Others	2,395,248,867	423,492,825
	6,133,717,767	61,362,078,425

Hoa Sen Group Corporation and its subsidiaries

**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)**

17. Bonus and welfare fund

The fund is established by appropriating from retained profits at the discretion of shareholders at shareholder's meetings. The fund is used to pay bonus and welfare to the Group's employees in accordance with the Group's bonus and welfare policies.

Movements of bonus and welfare fund during the period were as follows:

	VND
Opening balance	7,151,926,861
Allocation to bonus and welfare fund	6,121,598,094
Utilisation of bonus and welfare fund	(6,020,356,665)
	<hr/>
Closing balance	7,253,168,290
	<hr/>

Hoa Sen Group Corporation and its subsidiaries

**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)**

18. Long-term borrowings and liabilities

	31/3/2010 VND	30/9/2009 VND
Long-term borrowings		
Loan 1 from Vietnam Bank for Agriculture and Rural Development	-	23,360,000,000
Loan 2 from Vietnam Bank for Agriculture and Rural Development (a)	39,719,005,154	47,574,800,000
Loan 3 from Vietnam Bank for Agriculture and Rural Development	-	9,275,000,000
Loan 4 from Vietnam Bank for Agriculture and Rural Development	-	9,312,000,000
Loan 5 from Vietnam Bank for Agriculture and Rural Development (b)	3,853,000,000	2,944,000,000
Loan 6 from Vietnam Bank for Agriculture and Rural Development (c)	119,556,000,000	54,494,000,000
Loan 7 from Vietnam Bank for Agriculture and Rural Development (d)	6,129,000,000	579,930,000
Loan 8 from Vietnam Bank for Agriculture and Rural Development (e)	143,758,516,000	38,841,516,000
Loan 9 from The Bank for Foreign Trade of Vietnam (f)	4,637,216,509	5,105,183,824
Loan 10 from The Bank for Foreign Trade of Vietnam (g)	5,240,000,000	2,990,000,000
Loan 11 from The Bank for Foreign Trade of Vietnam (h)	21,544,227,954	-
Loan 12 from The Vietnam Development Bank (i)	119,099,371,377	120,178,863,695
Loan 13 from The Vietnam Development Bank (j)	58,450,000,000	63,760,000,000
Loan 14 from The Vietnam Development Bank (k)	12,600,000,000	14,400,000,000
	534,586,336,994	392,815,293,519
Finance lease liabilities (n)	8,449,124,998	9,656,142,856
	543,035,461,992	402,471,436,375
Repayable within twelve months (note 14)	(95,517,032,040)	(67,028,198,672)
Repayable after twelve months	447,518,429,952	335,443,237,703

Hoa Sen Group Corporation and its subsidiaries

**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)**

- a. This loan, denominated in USD, is secured by tangible fixed assets with carrying value of VND104,227,646,198 (2009: VND111,469,227,314). The loan bore interest at rates ranging from 5.5% to 5.7% (2009: from 5.7% to 6.8%) per annum during the period. The remaining balance at 31 March 2010 is repayable in 26 equal monthly instalments amounting to VND1,472,417,096 each.
- b. This loan is secured by shareholders' assets with value of VND244,616,200,000. The loan bore interest at rates ranging from 8% to 12% (2009: from 6.5% to 10.5%) per annum during the period. The remaining balance as at 31 March 2010 is repayable in 44 equal monthly instalments amounting to VND87,570,000, commencing from April 2010.
- c. This loan is secured by land use rights, tangible fixed assets with carrying value of VND175,248,541,295 (2009: VND186,153,742,359) and shareholders' assets with value of VND244,616,200,000. The loan bore interest rates ranging from 8% to 12% (2009: from 6.5% to 10.5%) per annum during the period. The remaining balance as at 31 March 2010 is repayable in 17 equal quarterly instalments amounting to VND7 billion, commencing from August 2010.
- d. This loan, denominated in USD, is secured by land user right, tangible fixed assets with carrying value of VND175,248,541,295 (2009: VND186,153,742,359) and shareholders' assets with value of VND243,026,200,000. The loan bore interest rates ranging from 5.5% to 5.7% (2009: 5.5%) per annum during the period. At 31 March 2010 the payment schedule was not yet determined.
- e. This loan is secured by the Group's land use rights and tangible fixed assets with carrying value of VND348,098,016,552 (2009: VND186,153,742,359). The loan bore interest at rates ranging from 8% to 12% (2009: from 6.5% to 10.5%) per annum during the period. The remaining balance at 31 March 2010 is repayable in 17 equal quarterly instalments amounting to VND8.4 billion each and a final instalment of VND958,516,000, commencing from August 2010.
- f. This loan, denominated in USD, is secured by the Group's tangible fixed assets of with carrying value of VND19,315,018,751 (2009: VND20,411,965,559). The loan bore interest at rates ranging from 6.8% to 7% (2009: 5.5%) per annum during the period. The remaining balance at 31 March 2010 is repayable in 14 equal quarterly instalments amounting to VND314,249,127 each.
- g. This loan is secured by tangible fixed assets of the Group's tangible fixed assets with carrying value of VND30,249,541,224 (2009: VND20,411,965,559). The loan bore interest at rates ranging from 8% to 12.5% (2009: 10.5%) per annum during the period. The remaining balance at 31 March 2010 is repayable in 13 equal quarterly instalments amounting to VND375,000,000 each and a final instalments amounting to VND365,000,000.
- h. This loan is secured by the Group's tangible fixed assets with carrying value of VND34,822,176,186. The loan bore interest rates ranging from 8% to 12.5% per annum during the period. At 31 March 2010 the payment schedule was not yet determined.
- i. This loan, denominated in USD, is secured by the Group's tangible fixed assets and land use rights with carrying value of VND231,012,937,626 (2009: VND299,969,634,464). The loan bore interest at 1.7% (2009: 1.7%) per annum during the period. The remaining balance at 31 March 2010 is repayable in 32 equal quarterly instalments amounting to VND3,654,000,000 each and a final instalment of VND2,171,371,377.

Hoa Sen Group Corporation and its subsidiaries**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)**

- j. This loan is secured by the Group's tangible fixed assets with carrying value of VND16,977,233,720 (2009: VND18,396,454,160). The loan bore interest at 7.8% (2009: 7.8%) per annum during the period. The remaining balance at 31 March 2010 is repayable in 65 equal monthly instalments amounting to VND885,000,000 each and the final instalment of VND925,000,000.
- k. This loan is secured by the Group's tangible fixed assets and land use rights with carrying value of VND231,012,973,626 (2009: VND299,969,634,464). The loan bore interest at 8.4% (2009: 8.4%) per annum during the period. The remaining balance at 31 March 2010 is repayable in 42 equal monthly instalments amounting to VND300,000,000 each.
- l. The future minimum lease payments under non-cancellable finance leases were:

	31/3/2010 VND		
	Lease payments	Interest	Principal
Within one year	1,624,193,405	417,175,547	1,207,017,858
Within two to five years	8,541,160,107	1,299,052,967	7,242,107,140
	<hr/>	<hr/>	<hr/>
	10,165,353,512	1,716,228,514	8,449,124,998

	30/9/2009 VND		
	Lease payments	Interest	Principal
Within one year	3,311,755,247	897,719,531	2,414,035,716
Within two to five years	8,414,423,232	1,172,316,092	7,242,107,140
	<hr/>	<hr/>	<hr/>
	11,726,178,479	2,070,035,623	9,656,142,856

Hoa Sen Group Corporation and its subsidiaries

**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)**

19. Provision for severance allowance

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

	VND
Opening balance	1,763,547,100
Provision used during the period	(85,998,000)
	<hr/>
Closing balance	1,677,549,100
	<hr/>

Under the Vietnamese Labour Code, when employees who have worked for 12 months or more ("eligible employees") voluntarily terminates his/her labour contract, the employer is required to pay the eligible employees severance allowance calculated based on years of service and employees' compensation at termination. Provision for severance allowance has been provided based on employees' years of service and their current salary level.

Pursuant to Law on Social Insurance, effective from 1 January 2009, the Group and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. The contribution to be paid by each party is calculated at 1% of the lower of the employees' basic salary and 20 times the general minimum salary level as specified by the Government from time to time. With the implementation of the unemployment insurance scheme, the Group is no longer required to provide severance allowance for the service period after 1 January 2009. However, severance allowance to be paid to existing eligible employees as of 31 December 2008 will be determined based on the eligible employees' years of service as of 31 December 2008 and their average salary for the six-month period prior to the termination date.

Hoa Sen Group Corporation and its subsidiaries**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)****20. Share capital**

The Company's authorised and issued share capital are:

	31/3/2010		30/9/2009	
	Number of shares	VND	Number of shares	VND
Authorised and issued share capital	70,000,000	700,000,000,000	57,038,500	570,385,000,000
Treasury shares	(20,000)	(572,000,000)	(20,000)	(572,000,000)
Share in circulation	69,980,000	699,428,000,000	57,018,500	569,813,000,000

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at meetings of the Company. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

Movements in share capital during the period were as follows:

	Six months ended 31/3/2010		Six months ended 31/3/2009	
	Number of shares	VND	Number of shares	VND
Balance at the beginning of the period	57,018,500	569,813,000,000	57,018,500	569,813,000,000
Shares issued during the period	12,961,500	129,615,000,000	-	-
Balance at the beginning of the period	69,980,000	699,428,000,000	57,018,500	569,813,000,000

On 11 February 2010, the Company issued 12,961,500 new shares at average price of VND43,843 per share. Amount of issuance price in exceed the par value, net of issuance cost, was recorded as capital surplus.

21. Differences upon asset revaluation

This balance represented the revaluation of land use rights before the land use rights were used as a capital contribution to Hoa Sen Steel One Member Group Limited, a subsidiary.

Hoa Sen Group Corporation and its subsidiaries**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)****22. Total revenue**

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

Net sales comprised:

	Six months ended 31/3/2010 VND	Six months ended 31/3/2009 VND
Total revenue		
▪ Finished goods sold	2,014,556,350,309	1,020,868,070,394
▪ Merchandise goods sold	114,003,049,852	126,421,083,121
▪ Services	1,672,776,710	4,517,178,747
	<hr/>	<hr/>
	2,130,232,176,871	1,151,806,332,262
Less sales deductions		
▪ Sales allowances	(845,683,370)	(3,009,224,330)
▪ Sales returns	(11,734,136,101)	(8,823,636,289)
▪ Sales discount	-	(19,912,909)
	<hr/>	<hr/>
	(12,579,819,471)	(11,852,773,528)
Net sales	<hr/>	<hr/>
	2,117,652,357,400	1,139,953,558,734

23. Cost of sales

	Six months ended 31/3/2010 VND	Six months ended 31/3/2009 VND
Finished goods sold	1,512,699,268,527	1,010,082,775,812
Merchandise goods sold	70,530,760,108	62,067,554,012
Seervices	1,608,966,667	4,122,741,796
Allowance for inventories	-	(3,798,910,144)
	<hr/>	<hr/>
	1,584,838,995,302	1,072,474,161,476

Hoa Sen Group Corporation and its subsidiaries**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)****24. Financial income**

	Six months ended 31/3/2010 VND	Six months ended 31/3/2009 VND
Interest income	7,282,908,071	1,076,274,225
Foreign exchange gains	8,006,022,115	204,000
Investment income	900,000,000	-
	<hr/>	<hr/>
	16,188,930,186	1,076,478,225

25. Financial expenses

	Six months ended 31/3/2010 VND	Six months ended 31/3/2009 VND
Interest expenses	54,925,324,278	50,565,985,833
Foreign exchange losses	118,067,634,393	41,508,934,719
	<hr/>	<hr/>
	172,992,958,671	92,074,920,552

26. Other income

	Six months ended 31/3/2010 VND	Six months ended 31/3/2009 VND
Sales of scraps	9,178,242,557	733,530,032
Proceeds from disposals of tangible fixed assets	110,454,545	16,750,673,734
Gains from physical stock count	1,602,554,832	127,358,322
Others	3,379,768,209	2,837,068,777
	<hr/>	<hr/>
	14,271,020,143	20,448,630,865

Hoa Sen Group Corporation and its subsidiaries**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)****27. Other expenses**

	Six months ended 31/3/2010 VND	Six months ended 31/3/2009 VND
Net book value of tangible fixed assets disposed	907,037,398	14,833,188,471
Others	646,994,812	1,189,952,575
	<hr/> 1,554,032,210	<hr/> 16,023,141,046

28. Income tax**(a) Recognised in the statement of income**

	Six months ended 31/3/2010 VND	Six months ended 31/3/2009 VND
Current tax expense		
Current period	16,303,370,089	119,090,000
Under provision in prior periods	5,512,449,085	-
Deferred tax expense		
Origination and reversal of temporary differences	1,448,689,868	-
	<hr/> 23,264,509,042	<hr/> 119,090,000

(b) Reconciliation of effective tax rate

	Six months ended 31/3/2010 VND	Six months ended 31/3/2009 VND
Profit/(loss) before tax	236,288,713,941	(114,132,955,072)
Tax at the Company's tax rate	35,443,307,091	(17,119,943,261)
Non-deductible expenses	557,675,009	119,090,000
Effect of higher tax rate	210,211,990	-
Tax exempt income	(3,200,419,190)	-
Effect of tax incentives	(15,258,714,943)	-
Under provision in prior periods	5,512,449,085	-
Deferred tax assets not recognised	-	17,119,943,261
	<hr/> 23,264,509,042	<hr/> 119,090,000

Hoa Sen Group Corporation and its subsidiaries**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)**

Deferred tax assets have not been recognised in a subsidiary because it is not probable that future taxable profit in subsidiary will be available against which the subsidiary can utilise the benefits therefrom.

(c) Deferred tax assets

Deferred tax assets are attributable to the following:

	31/3/2010 VND	30/9/2009 VND
Unrealised profits on internal sales	210,395,666	1,220,148,747
Allowances and provisions	119,180,656	274,761,898
Unrealised foreign exchange differences	620,703,905	815,800,061
Unearned revenue	77,129,618	165,389,007
	<hr/> 1,027,409,845	<hr/> 2,476,099,713 <hr/>

(d) Applicable tax rates***Hoa Sen Group Corporation***

Under the terms of its Investment Incentive Certificate No. 108/CN-UB issued by the People's Committee of Binh Duong Province on 29 October 2001, Hoa Sen Group Corporation has an obligation to pay the government income tax at the rate of 15% of taxable profits and 25% for the succeeding years from the year 2014. The provisions of the Hoa Sen Group Corporation's Investment Incentive Certificate allow Hoa Sen Group Corporation to be exempt from income tax for 3 years starting from the first year it generates a taxable profit (2004), and entitled to a 50% reduction in income tax for the 7 succeeding years.

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

Hoa Sen Building Materials Company Limited

Under the terms of its Investment Licence Hoa Sen Building Materials Company Limited has an obligation to pay the government income tax at the rate of 15% of taxable profits for the first 12 years starting from the first year of operation and 28% for the succeeding years. The provisions of Hoa Sen Building Materials Company Limited's Investment Licence allow Hoa Sen Building Materials Company Limited to be exempt from income tax for three years from the year it generates taxable profit (2007), and receive a 50% reduction in income tax for the seven succeeding years.

Hoa Sen Group Corporation and its subsidiaries

Notes to the consolidated financial statements for the six months ended 31 March 2010 (continued)

Hoa Sen Steel One Member Company Limited

Under the terms of its Investment Licence Hoa Sen Steel One Member Company Limited has an obligation to pay the government income tax at the rate of 15% of taxable profits for the first 12 years starting from the first year of operation and 25% for the succeeding years. However, the provisions of Hoa Sen Steel One Member Company Limited's Investment Licence allow Hoa Sen Steel One Member Company Limited to be exempt from income tax for 3 years starting from the first year it generates a taxable profit (2007), and entitled to a 50% reduction in income tax for the 7 succeeding years.

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

Hoa Sen Transportation and Mechanical Engineering One Member Company Limited

Under the terms of its Business Licence Hoa Sen Transportation and Mechanical Engineering One Member Company Limited has an obligation to pay the government income tax at the rate of 25% of taxable profits.

Hoa Sen Phu My Steel One Member Company Limited

Under the terms of its Investment Certificate, Hoa Sen Phu My Steel One Member Company Limited has an obligation to pay the government income tax at the rate of 15% of taxable profits for the first 12 years starting from the first year of operation and 28% for the succeeding years. The Investment Certificate of Hoa Sen Phu my Steel One Member Company Limited allow it to be exempt from income tax for 3 years from the first year of taxable profit (2010) and receive a 50% reduction in income tax for the 7 succeeding years.

29. Basis earning/(loss) per share

The calculation of basic earning/(loss) per share at 31 March 2010 was based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

(i) *Net profit/(loss) attributable to ordinary shareholders*

	Six months ended 31/3/2010 VND	Six months ended 31/3/2009 VND
Net profit/(loss) attributable to ordinary shareholders	213,024,204,899	(114,252,045,072)

Hoa Sen Group Corporation and its subsidiaries**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)****(ii) Weighted average number of ordinary shares**

	Six months ended 31/3/2010	Six months ended 31/3/2009
Issued ordinary shares at the beginning of the period	57,018,500	57,018,500
Effect of shares issued during the period	852,263	-
Weighted average number of ordinary shares at the end of the period	57,870,763	57,018,500

As of 31 March 2010, the Group does not have potentially dilutive ordinary shares.

30. Significant transactions with related parties**Identity of related parties**

The Group has related parties' relationship with its shareholders, directors and executive officers.

Subsidiaries Name	Principal activity	Investment licence	% of ownership
Hoa Sen Steel One Member Company Limited	Manufacture and trade in cold rolled steel products	Business Registration Certificate No 4603000282 and No. 4604000225 issued by Department of Planning and Investment of Binh Duong on 9 November 2006 and 24 December 2007, respectively.	100%
Hoa Sen Building Materials Company Limited	Manufacture and trade in plastic building materials and steel pipe products	Business Registration Certificate No. 4903000343 and No 4904000228 issued by	100%
Hoa Sen Transportation and Mechanical Engineering One Member Company Limited	Provide engineering, civil and industrial construction projects; transportation service; produce and process rolling mill, cutter and industrial machine, equipment	Business Registration Certificate No. 4603000325, No. 4604000224 and No. 3700785528 issued by the Department of Planning and Investment of Binh Duong Province on 26 March 2007, 24 December 2007 and 18 March 2009, respectively	100%

Hoa Sen Group Corporation and its subsidiaries

Notes to the consolidated financial statements for the six months ended 31 March 2010 (continued)

Subsidiaries Name	Principal activity	Investment licence	% of ownership
Hoa Sen Phu My Steel One Member Company Limited	Manufacture rolling-mill, corrugated iron cutter, industrial machine and equipment; manufacture lifting and loading equipment; casting metal, manufacture iron, steel and pig-iron; manufacture and sale aluminium product for building material and consumption.	Business Registration Certificate No. 3501504130 issued by the Department of Planning and Investment of Ba Ria-Vung Tau Province on 04 December 2009.	100%

Significant transactions with key management personnel and shareholders:

Related Party	Relationship	Nature of transaction	Six months ended 31/3/2010 VND	Six months ended 31/3/2009 VND
Le Phuoc Vu	Chairman and General Director	Prepayment for purchase of land use rights	-	9,000,000,000
Hoang Duc Huy	Deputy General Director	Prepayment for purchase of land use rights	21,353,612,000	39,367,390,000
Lai Thi Lan	Shareholder	Loan to the Group	-	35,000,000,000
Board of Management and Supervisory		Fees	377,000,000	118,000,000
Board of Directors		Remunerations	2,210,000,000	-

Hoa Sen Group Corporation and its subsidiaries**Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)****31. Commitments****(a) Capital expenditure**

As at 31 March 2010 the Group had the following outstanding capital commitments approved but not provided for in the balance sheet:

	31/3/2010 VND	30/9/2009 VND
Approved but not contracted	521,001,186,986	322,049,155,252
Approved and contracted	3,000,244,786,429	3,288,239,333,712
	<hr/>	<hr/>
	3,521,245,973,415	3,610,288,488,964

(b) Leases

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

	31/3/2010 VND	30/9/2009 VND
Within one year	13,332,701,130	8,982,904,746
Within two to five years	45,532,596,478	34,094,791,329
More than five years	230,666,240,159	215,712,935,153
	<hr/>	<hr/>
	289,531,537,767	258,790,631,228

32. Production and business costs by element

	Six months ended 31/3/2010 VND	Six months ended 31/3/2009 VND
Raw material costs included in production costs	1,023,430,129,774	387,239,736,740
Labour costs and staff costs	78,347,344,525	48,786,561,001
Depreciation and amortisation	62,008,409,248	49,596,751,476
Outside services	106,808,535,735	96,793,766,709
Other expenses	33,730,592,771	27,465,180,395

Hoa Sen Group Corporation and its subsidiaries

Notes to the consolidated financial statements for the six months ended 31 March 2010
(continued)

33. Corresponding figures

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

	30/9/2009 (Reclassified) VND	30/9/2009 (as previously reported) VND
Bonus and welfare fund (Equity)	-	7,151,926,861
Bonus and welfare (Liability)	7,151,926,861	-

Prepared by:



Nguyen Thi Ngoc Lan
Chief Accountant



Approved by:



Le Phuoc Vu
General Director

24 May 2010

