



# HOA SEN GROUP

HOA SEN

**Step**  
*today...*

**Success**  
*tomorrow*

With consecutive progress on our way of development, Hoa Sen Group has emphasized its position of the top enterprise specializing in manufacturing and trading coated steel sheet in Vietnam.

With obtained achievements in the past, Hoa Sen Group is unself-satisfied but considers them as solid foundation to continue the development and bring better achievements for shareholders, employees, and society.

**HOA SEN GROUP**

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ANNUAL REPORT  
OF FISCAL YEAR 2009 - 2010

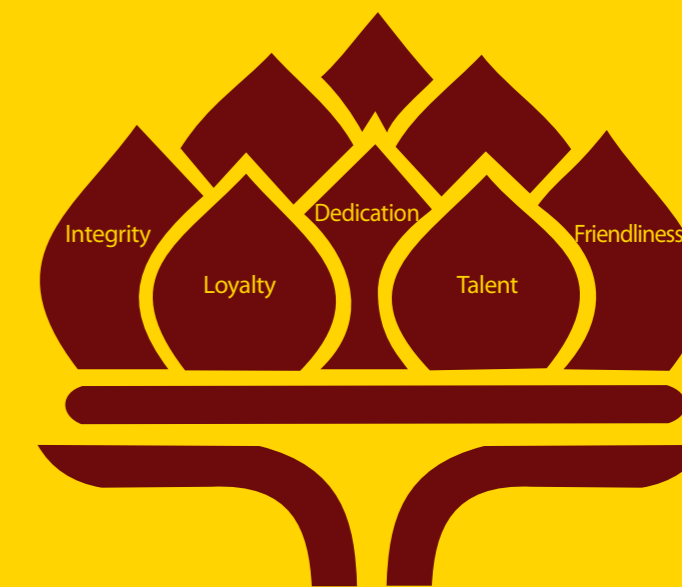
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After ten years of development, from an initial capital of VND 30 billion, revenue of VND 3 billion during its first year in 2001, Hoa Sen Group grew to VND 1,008 billion of charter capital and VND 4,899 billion of revenue in fiscal year 2009-2010. This is the result of the sound business strategy in the past and is the motivation for Hoa Sen Group to continue to develop on the way to future ahead.

Series of projects which were invested by Hoa Sen Group during the past time have brought initial achievements. On March 15th 2010, the first product of Hoa Sen Phu My Steel Sheet Plant was produced after only 10 months since the day of project's breaking-ground. Project of Hoa Sen steel pipe, plastic pipe and building materials plant Phase 2 has come into stable operation and introduced positive results. This is presented through the number of 8% of market share for Hoa Sen steel pipe, and Hoa Sen Group has become one of the top six enterprises manufacturing and consuming steel pipe throughout the country. The first real estate project, Pho Dong – Hoa Sen Premium Apartments Building, has completed the foundation base and implemented the first apartment-offering ceremony on July 2nd 2010.

These are the first achievements for the investment process of Hoa Sen Group. It shows the relentless effort of the Board of Management as well as the Group's staff with aim to bring added benefit for shareholders, who put their trust and support on Hoa Sen Group.



## CULTURE 10 "T" LETTER



### VISION

To become a leading, diversified group in Vietnam and the region, driven by a sustainable development strategy that focuses on manufacturing and trading of steel sheet, steel products, and building materials, built upon the platform and synergies of our core competitive advantages, namely: vertically integrated value-chain; extensive branch network; strong and community-oriented brand; unique corporate governance and culture; and pioneering in new technology investment to maximize value for shareholders, employees, and society.



### MISSION

Providing international-standard quality, reasonably priced and wide range of products under the Hoa Sen brand to meet customers' needs, contributing to changing the nation's architectural landscape, and the development of the community.



### CORE VALUES

- Integrity
- Community
- Development

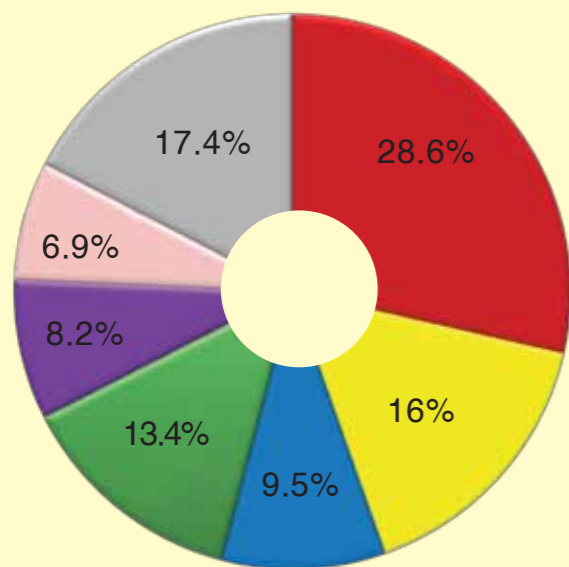
# FACTS AND FIGURES FOR FISCAL YEAR 2009-2010

## NUMBER 1

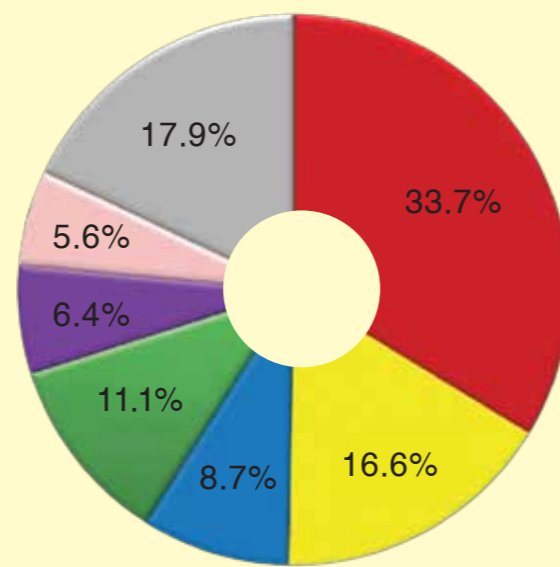
### AFFIRM THE LEADING MARKET SHARE

Established clear leadership in Vietnam coated steel sheet market with 33.7% market share in 2010, a sharp increase from 28.6% in 2009.

Coated steel sheet market share  
2009



Coated steel sheet market share  
2010



- Hoa Sen Group
- Sun Steel
- Blue Scope Steel
- Phuong Nam
- Posvina
- Nam Kim
- Others

Source: Vietnam Steel Association in 2009 and 2010.  
Excluding the output of Perstima Vietnam as their Tin-coated steel sheet products are not used in construction industry.

### OVERCOME DIFFICULTIES – GROW PROFITABILITY

In spite of downturn demand for the domestic steel market and fluctuation of macroeconomic factors such as foreign exchange rate, interest rate, and etc., Hoa Sen Group achieved VND 215 billion net profit for fiscal year 2009-2010.



### EXPAND BUSINESS – INCREASE CAPACITY

The alternatively operating of production lines of Hoa Sen Phu My Steel Sheet Plant has pushed up the Group's production capacity. Especially, the first hot dip galvanizing line in NOF technology in South-East Asia has introduced the first commercial product into the market after the record time of 10 months since the day of breaking-ground.



### COMMUNITY-ORIENTED BRAND - PENETRATE INTO THE WORLD

In direction to orient to the community, Hoa Sen brand is more and more friendly and closed to Vietnamese consumers. In addition, strong development of export activities, sponsorship, and public relations programs bring Hoa Sen brand to the world.



### GROW CAPITAL - DIVERSIFY OWNERSHIP

In fiscal year 2009-2010, Hoa Sen Group's charter capital increased to VND 1,008 billion from VND 570 billion. Besides, the joint of foreign organizations into the Board of Directors marked necessary preparations for the new development phase of the Group.





“ Our projects have brought the first fruits. This is an obvious proof of our sound investment decisions and flexible management in the turmoil economy ”

## Dear esteemed shareholders,

In 2010, the Vietnam and the world economy continued to face with difficulties due to the impact of the global financial crisis and economic downturn in 2008 and 2009. The domestic economy has also experienced many ups and downs, and companies need to be more flexible and steady to overcome this period.

In front of the turbulent market, Hoa Sen Group recorded sales output of 264,320 tons and revenue of VND 4,899 billion for fiscal year 2009-2010, equivalent to 92% and 98% of planned figures. Although the results almost reached the targets, net profit of VND 215 billion was far away from the plan of VND 520 billion, approved by the General Assembly of Shareholders. Even though we have tried our best and applied many of flexible sale policies to push up sale volume, because of many of subject reasons, we could only complete 41% of planned net profit.

The year 2010 continued to be a stormy year for steel companies. Vietnam steel market is strongly affected by the world steel price, so the decrease of world steel price during the period of May, June and July 2010, due to the sovereign debt crisis in Europe, right inside the domestic high season, caused Vietnam steel companies to face with many unexpected disruptions.

With changes in monetary policy, in which both interest rate and exchange rate raised significantly, companies had to cope with the increase in financial expenses. As for steel companies, this situation was even more serious since they leaned on a large scale of bank loans to import materials. Therefore, Hoa Sen Group has faced with a considerable increase in interest expense and foreign exchange losses. Although the increase in export revenue partially reduced the effect of exchange rate losses, the continuous and significant changes of exchange rate strongly affected our achievements.

Other difficulty which should be mentioned was the power cut situation all over the country from April to June. With the power cut frequency of 6 to 8 days per month, the situation strongly reduced our production and sales output, resulting in the increase in inventory level and inventory expense.

Coping with continuous difficulties, we earned certain achievements with the sales output, revenue and net profit increased 59%, 73% and 14% respectively in comparison to previous fiscal year. These were to thank for the increase in charter capital from VND 570 billion to nearly VND 1,008 billion, the first fruits from Hoa Sen Phu My Steel Sheet Plant and the benefits from Distribution Network Expansion project.

The last fiscal year marked big events for Hoa Sen Group, one of which was the increase in our charter capital. We completed three stages of increasing charter capital from VND 570 billion to nearly VND 1,008 billion, in which the first stage to VND 700 billion had the participation of foreign strategic investors. This is an additional resource for Hoa Sen Group to continue to drive accelerated growth.

Along with the increase in charter capital, we took efforts to

implement Hoa Sen Phu My Steel Sheet Plant project and officially introduced the first commercial product on 15th March 2010 after only ten months from the breaking-ground date. This was considered the first fruits of the largest steel investment project throughout the country, and insisted upon the sound decision of shareholders, who put trust and support to Hoa Sen Group during the past time.

With efforts of the Board of Management and staff, we reaffirmed our leading position in Vietnam coated steel sheet market with 33.7% market share. Moreover, Hoa Sen brand extended over the national frontier and been accepted in the international market through increasing exports volume in comparison with the previous fiscal years.

Together with extending into new markets, we opened 11 more branches, increasing the total number of branches to 93 in fiscal year 2009-2010, and took full advantages of the distribution network across the country to affirm our leading position.

In the next fiscal year, facing with new challenges of the internal and external economic situation, we will make our concerted effort to obtain the best achievements for the shareholders. Besides, we keep focusing our resources to promote the advantages in the core business.

Firstly, completing Phase 1 of Hoa Sen Phu My Steel Sheet Plant project will be on top priority. We will gradually increase the outputs from new production lines and speed up the installation progress of the following ones to reduce the effect of power cut in coming time.

Besides, we continue to study the investment plan of Hoa Sen Hot Strip Mill Project while waiting for the investment license from authority.

The last challenges are all precious lessons on the development path of Hoa Sen Group. We believe that with the support from shareholders, partners, customers and employees, we will together obtain great achievements in coming time to maintain our brand name and leadership position.

On behalf of Hoa Sen Group, I would like to extend my sincerely thank to shareholders, partners, customers and employees for your unwavering partnership with Hoa Sen Group. We will relentlessly make efforts to gain better accomplishments to satisfy your expectations on Hoa Sen Group.

I wish all of you health, happiness and success.

**Sincerely thanks**  
Chairman, General Director

**Le Phuoc Vu**

# 10 YEARS OF BUILDING AND DEVELOPING



## CORPORATE PROFILE

**Vietnamese :** CÔNG TY CỔ PHẦN TẬP ĐOÀN HOA SEN  
**English name :** Hoa Sen Group  
**Headquarters :** No. 9, Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An District, Binh Duong Province, Vietnam  
**Representative office :** 215-217 Ly Tu Trong, Ben Thanh Ward, District 1, Ho Chi Minh City, Vietnam  
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**Website :** www.hoasengroup.vn

### 2001 - 2003

On August 8th 2001: Hoa Sen Joint Stock Company (Hoa Sen JSC) was established with an initial charter capital of VND 30 billion, 22 employees, and 03 retail - distribution branches.

During 2002 and 2003, the Group set up 31 retail - distribution branches, increased the total number to 34 branches, mainly located in Mekong Delta, South-East and Central Vietnam regions. Hoa Sen JSC delivered strong performances since 2002 with increased revenue and market share.

### 2004

Hoa Sen JSC increased the number of retail - distribution branches to 49.

On August 8th 2004: Hoa Sen JSC put the first color coating line into operation with a capacity of 45,000 tons/year. Hoa Sen JSC inaugurated its headquarters at No. 9, Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An District, Binh Duong Province.

On October 16th 2004: Hoa Sen JSC called for official tender for a 180,000 tons/year cold rolling mill, with investment capital of nearly USD 30 million financed by the Indian Official Development Assistance (ODA), Fund of Vietnam and reciprocal capital.

### 2005

Hoa Sen JSC opened 7 additional retail - distribution branches.

14 February 2005: the first galvanizing steel line with a capacity of 50,000 tons/year was put into operations in Song Than 2 Industrial Park, Di An District, Binh Duong Province.

### 2006

Hoa Sen JSC set up 3 more retail - distribution branches.

16 February 2006: Hoa Sen JSC began construction of cold rolling mill with a capacity of 180,000 tons/year on a 24,000 m2 site, adjacent to the headquarters in Song Than 2 Industrial Park, Di An District, Binh Duong Province.

09 November 2006: Set up the first subsidiary of Hoa Sen JSC - Hoa Sen Steel Sheet Joint Stock Company with a charter capital of VND 320 billion.

### 2007

Hoa Sen JSC opened 16 additional retail - distribution branches.

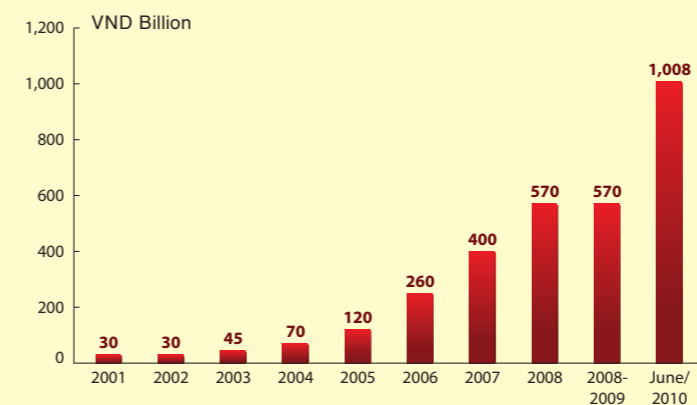
03 January 2007: Hoa Sen JSC inaugurated and put the second galvanizing steel line with a capacity of 50,000 tons/year into operation, which increased the total capacity to 100,000 tons/year.

26 March 2007: Hoa Sen JSC set up two more subsidiaries: Hoa Sen Building Materials Joint Stock Company and Hoa Sen Engineering - Construction Joint Stock Company with charter capital of VND 150 billion and VND 10 billion respectively.

6 April 2007: Hoa Sen JSC inaugurated Hoa Sen cold rolling mill with 180,000 tons/year capacity and started construction of the continuous zinc aluminum alloy coating line in the NOF (non-oxidizing Furnace) technology with 150,000 tons/year capacity.

21 April 2007: Hoa Sen Building Materials Joint Stock Company started construction of Hoa Sen steel pipe, plastic pipe and building materials plant project phase 1 with total investment capital of VND 700 billion.

### CHARTER CAPITAL GROWTH



In December 2007: Hoa Sen JSC was renamed as Hoa Sen Group. Hoa Sen Group then merged with its 3 subsidiaries.

### 2008

Hoa Sen Group opened 4 more retail - distribution branches.

16 January 2008: Hoa Sen Group signed an agreement with Gemadept Joint Stock Company on the establishment of Hoa Sen - Gemadept International Port & Logistics Joint Stock Company with a charter capital of VND 39 billion, in which Hoa Sen Group owns 45%.

6 March 2008: Hoa Sen Group inaugurated the first phase and followed by the second phase Hoa Sen Steel pipe, Plastic pipe and Building materials Plant Projects located in Phu My I Industrial Park, Ba Ria - Vung Tau Province.

19 March 2008: Hoa Sen Group opened the continuous zinc aluminum alloy coating line using the NOF technology with designed capacity of 150,000 tons/year and the second color coating line with a capacity of 45,000 tons/year.

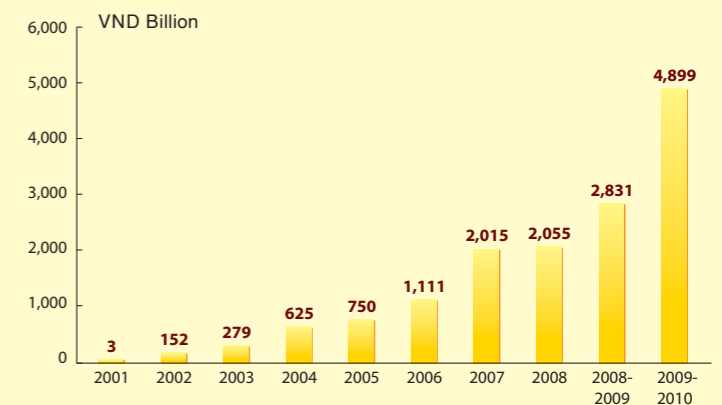
### 2008 - 2009

Set up 3 more retail - distribution branches.

On December 5th 2008: listing 57,038,500 Hoa Sen Group shares (code HSG) on Ho Chi Minh City Stock Exchange

May 13th 2009: Hoa Sen Group commenced construction of Hoa Sen Phu My Steel Sheet plant on a 16.6 hectare site in Phu My I Industrial Park, Ba Ria - Vung Tau Province.

### NET REVENUE GROWTH



## 2009 - 2010

Hoa Sen Group opened 11 more retail - distribution branches, increased the total number of retail - distribution branches to 93.

On February 11th 2010: Issuing 11,961,500 shares to institutional investors and 1,000,000 shares to Hoa Sen Group's staff. Charter capital was up to VND 700 billion from VND 570 billion.

On March 4th 2010: Signing strategic cooperation agreements with leading domestic and foreign partners in fields of capital investment, long term credit supply, training and human resources supply, and scientific - technical study and application.

On March 15th 2010: Operating NOF technology hot dip galvanizing line with capacity of 450,000 tons/year and 180,000 tons/year color coating line of Hoa Sen-Phu My Steel Sheet Plant, pushing up the Group's production capability.

On March 23rd 2010: listing 12,961,500 additional shares on Ho Chi Minh Stock Exchange.

On March 31st 2010: Issuing bonus shares from capital surplus (ratio of 10% charter capital) and shares to pay the third tranche dividend of fiscal year 2008 (ratio of 10% charter capital) to existing shareholders. Charter capital was up to VND 839.960 billion.

On April 25th 2010: listing 13,996,000 additional shares on Ho Chi Minh Stock Exchange.

On June 30th 2010: Issuing shares to pay dividend of fiscal year 2008-2009 (ratio of 20%) to existing shareholders, and then increasing its charter capital up to VND 1,007.907 billion.

On August 27th 2010: Listing 16,794,790 additional shares on Ho Chi Minh City Stock Exchange.



NOF technology coating line



Galvanizing Steel line



Cold Rolling mill



Color Coating line

## Steel sheet and iron production

- Six high single-stand reversing cold rolling mill with a capacity of 180,000 tons/year.
- 450,000 tons/year hot dip galvanizing line in NOF technology.
- Advanced NOF technology coating line (both galvanized and aluzinc) with a capacity of 150,000 tons/year.
- Two galvanizing steel lines with total capacity of 100,000 tons/year
- Three color coating lines with total capacity of 270,000 tons/year

## BECOMING A DIVERSIFIED GROUP

### Building materials

- Seventeen production lines of black steel pipe, zinc coated steel pipe with total capacity of 173,000 tons/ year;
- Manufacture purlin and zinc coated purlin;
- Twelve production lines of uPVC plastic pipe with total capacity of 30,000 tons/year.



### Real estate

Driven by the aim to become a diversified group, Hoa Sen Group expanded its business into real estate field. The first 3 real estate projects, among which one had begun construction in early December 2009 and made the first apartment offer to the public in July 2010, are key drivers of the Group's future revenue and profit growth.



### Ports and logistics

Hoa Sen Group has co-operated with Gemadep Joint Stock Company to implement Hoa Sen – Gemadep International Port & Logistics J.V. project. Located in the Southern key economic region and adjacent to new projects of Hoa Sen Group, this project will create favorable advantages for the expansion of the Group's core business.



## PRODUCT CATEGORIES

The modern technology yields various types of internationally - standardized products



### Cold rolled coil

The cold rolled coil is manufactured under the modern 6 high single-stand reversing cold mill.



### Zinc-aluminium alloy coated steel sheet (aluzinc)

Manufactured by the advanced NOF technology, Hoa Sen Aluzinc meets the U.S standard of ASTM A792/A792M, Australian standard of AS 1397 (G550) - AS 1365 (G300) and Japanese standard of JIS G3321.

Thanks to state-of-the-art technology, the products are glossy and reflective in silvery surface, which are highly anti-erosion, effectively heat-resistant and designed with 4 time higher durability than other common kinds of steel sheet.



### Pre-painted aluzinc steel sheet (aluzinc Plus)

The application of the most advanced coating technology on aluzinc alloy surface makes products of exceptional durability.



### Galvanized steel sheet

Equipped with the hot dipping coating technology, strictly following production process and quality control, the galvanized steel sheets successfully passed Japanese standard requirements (JIS G3302).

Effective anti-erosion and the smooth coated surface have made Hoa Sen galvanized steel sheet the first choice in the market.

## PRODUCT CATEGORIES



### Pre-painted galvanized steel sheet (Zinc Plus)

Hoa Sen pre-painted galvanized steel sheet will enhance the long-lasting beauty for buildings with modern paint system plating on the galvanized steel surface. The variety in color and specification of this product satisfy the demands of every customer.



### Steel pipes

The modern production line and strict quality control from input materials to output products create highly durable and resistant steel pipes.



### Purlin

Hoa Sen galvanized purlin is cold-rolled from hot dipped galvanized steel in compliance with JIS G3302 standard of Japan.



### Plastic pipes

Equipped with Europe technology, Hoa Sen Building Materials Company succeeded in producing high quality plastic pipes, in a variety of designs and specifications that satisfy civil and industrial demands.

# 5 CORE COMPETITIVE ADVANTAGES



▲ VERTICALLY INTEGRATED  
VALUE CHAIN



▲ 93 HOA SEN GROUP OWNED  
RETAIL – DISTRIBUTION  
BRANCHES



▲ UNIQUE CORPORATE  
GOVERNANCE AND  
CULTURE



▲ COMMUNITY-ORIENTED  
BRAND

▲ PIONEER IN INVESTING IN  
ADVANCED TECHNOLOGY

## SOLID FOUNDATION FOR SUSTAINABLE DEVELOPMENT



# [ 5 core competitive advantages ]

VERTICALLY INTEGRATED VALUE CHAIN



Implementing manufacturing cost-leadership strategy

## SOLID FOUNDATION FOR SUSTAINABLE DEVELOPMENT

### VERTICALLY INTEGRATED VALUE CHAIN



Hoa Sen Group's steel sheet - iron production process begins from cold rolling mill. Imported hot rolled coils put through this line will create cold rolled steel sheet in coils. Cold rolled coils are the input materials for coating lines, which produce coated steel sheets.



At each stage of the production process, the products of the Group meet the international quality standards of the U.S., Australia and Japan. Therefore, these products can meet the diverse needs of the market for cold rolled coils and galvanized steel sheets.



Through 93 Hoa Sen owned retail – distribution branches nationwide, high quality products of Hoa Sen Group are delivered to end-consumers.

With the vertically integrated value-chain, Hoa Sen Group takes the initiative to carry out inspection at every stage of the production process.

This helps the Group minimize costs and achieve economies of scope. This is the foundation for Hoa Sen Group to implement the manufacturing cost-leadership strategy.



# [ 5 core competitive advantages ]

93 HOA SEN GROUP OWNED RETAIL – DISTRIBUTION BRANCHES



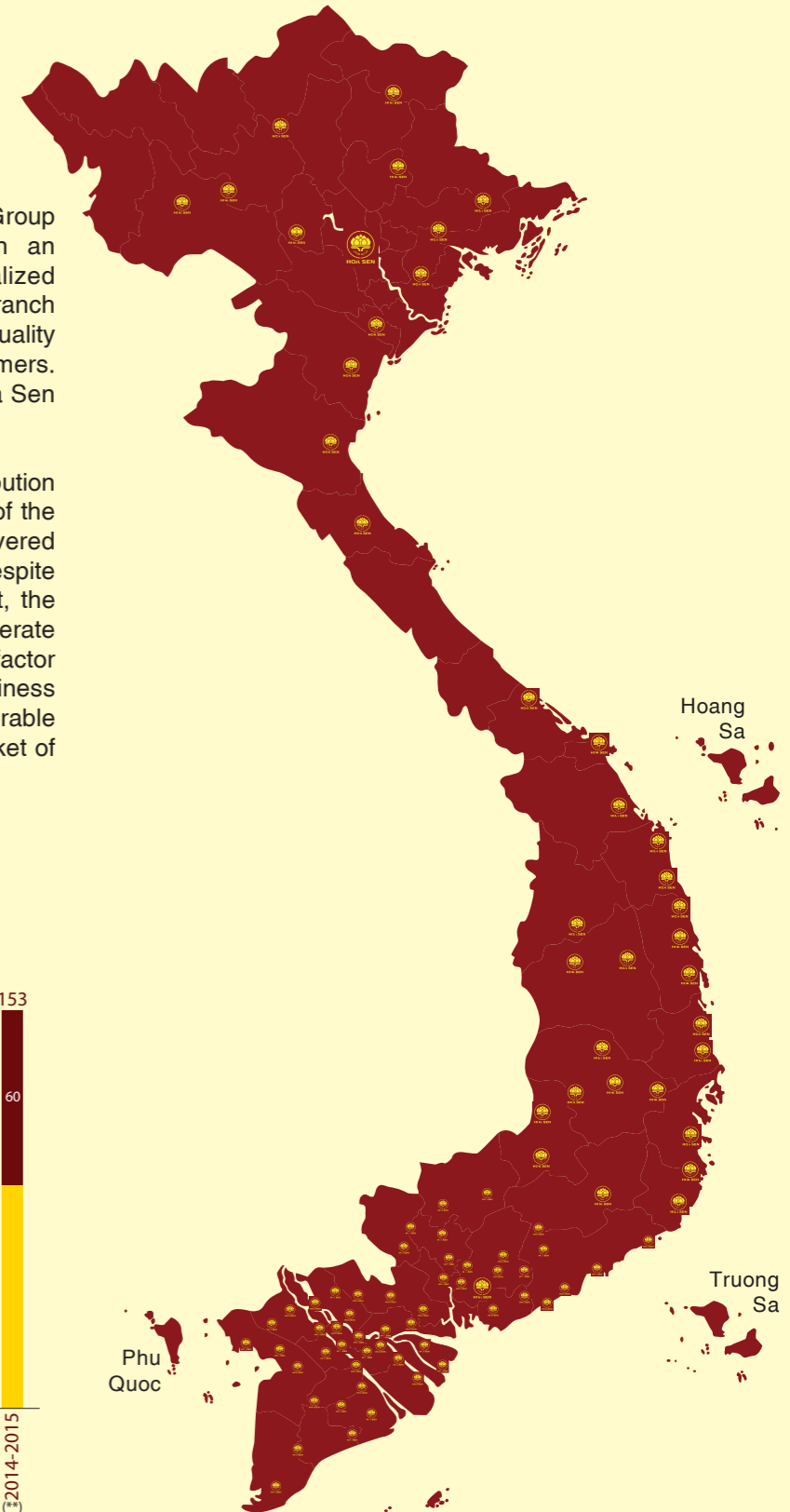
Relentless expansion and market domination

## SOLID FOUNDATION FOR SUSTAINABLE DEVELOPMENT

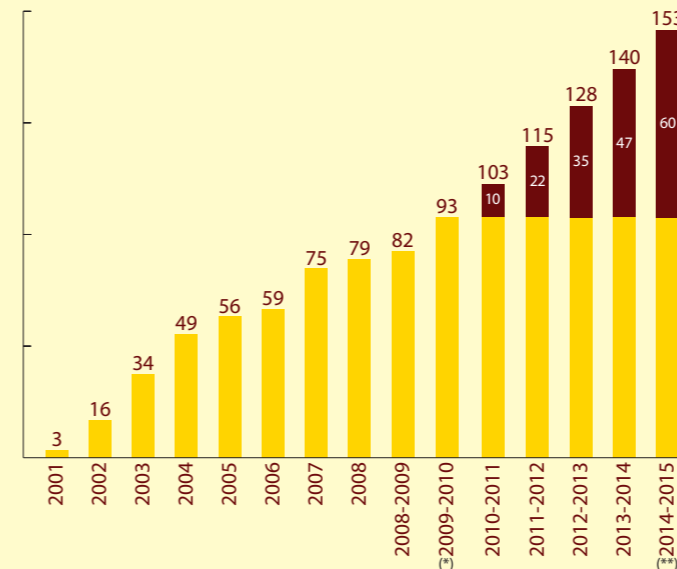
### 93 HOA SEN GROUP OWNED RETAIL – DISTRIBUTION BRANCHES

From the initial days of establishment, Hoa Sen Group implemented a development strategy based on an extensive distribution system. With centralized management, standardized policy and through the branch network, Hoa Sen Group implements stringent quality control until final delivery of the products to end-consumers. This has helped us establish consumers' trust in Hoa Sen Group's products.

Over the past ten years, our nationwide retail – distribution network was an outstanding competitive advantage of the Group, in connecting to end-users and promptly delivered new products to the market. Thank to the network, despite doing business in fluctuating economic environment, the Group was able to apply flexible sale policies to generate liquidity and stable cash flow. This is a key success factor that enables the Group to quickly settle the business operations when the economy becomes more favorable and keep affirming a leading player in the Steel market of Vietnam.



Development plan of branch network to 2014-2015



\*90 branches and 03 base depots (as of December 31st 2010)  
 \*\*150 branches and 03 base depots

# [ 5 core competitive advantages ]

## COMMUNITY-ORIENTED BRAND



**Excellent brand building strategy**

## SOLID FOUNDATION FOR SUSTAINABLE DEVELOPMENT



Overcome Ourselves Program



Ceremony of the major sponsor of National Football Cup



Award Ceremony of Futsal Football Championship

## COMMUNITY-ORIENTED BRAND

Realizing corporate social responsibility to the community, Hoa Sen Group not only focuses on key business activities but also actively attends diversified and practical social activities for the community.

Through charity programs and social activities that share our success with the community, the Hoa Sen brand not only stays on consumers' top-of-mind but also penetrates deeply into their hearts.

# [ 5 core competitive advantages ]

UNIQUE CORPORATE GOVERNANCE AND CULTURE



Development for the community

## SOLID FOUNDATION FOR SUSTAINABLE DEVELOPMENT



### INTEGRITY

Honesty and transparency epitomized across all.

### COMMUNITY

Sharing the Group's achievements and contributing to the community.



### DEVELOPMENT

Commitment to bring Hoa Sen brand to the next level of success.

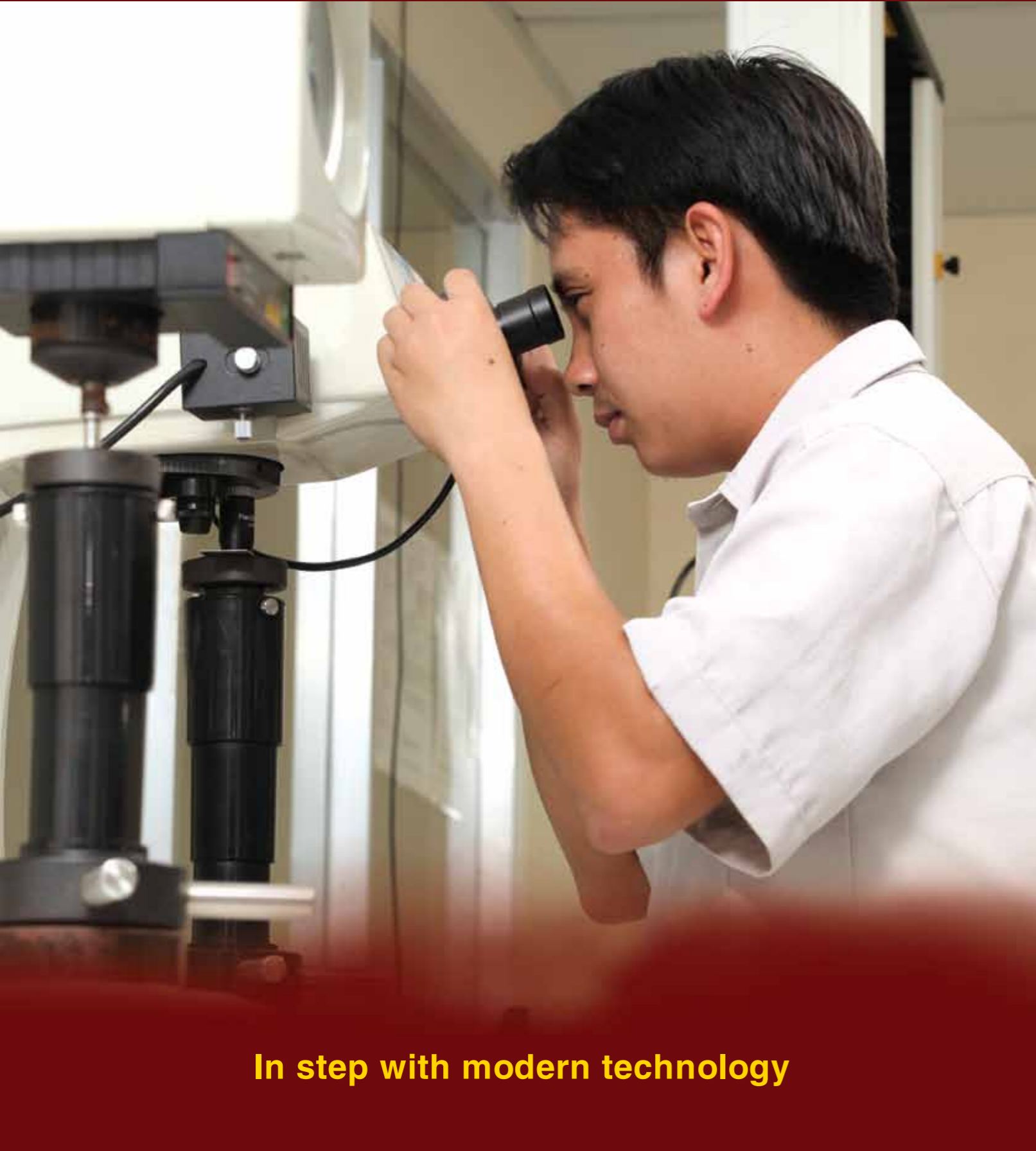
### BUSINESS ADMINISTRATION

We build our business management system upon the foundation of our corporate culture, inter alia, Integrity, Loyalty, Dedication, Talent and Friendliness – and actively promote these values. This has been a key success factor for our rapid and sustainable development.



## [ 5 core competitive advantages ]

PIONEER IN INVESTING IN ADVANCED TECHNOLOGY



In step with modern technology

## SOLID FOUNDATION FOR SUSTAINABLE DEVELOPMENT



### PIONEER IN INVESTING IN ADVANCED TECHNOLOGY

Whether a well-established Group with strong market position and brand loyalty can continue to deliver sustainable growth depends on its ability to keep pace with the ever-changing trends in consumer demands. With this in mind, the leadership team of Hoa Sen Group sets top priority for proactive investments in new technologies to maintain its market leadership position.

Hoa Sen Group is the first corporation to apply the NOF technology to produce coated steel sheets in Vietnam. This technology helps to create products with durability and outstanding quality at low cost.

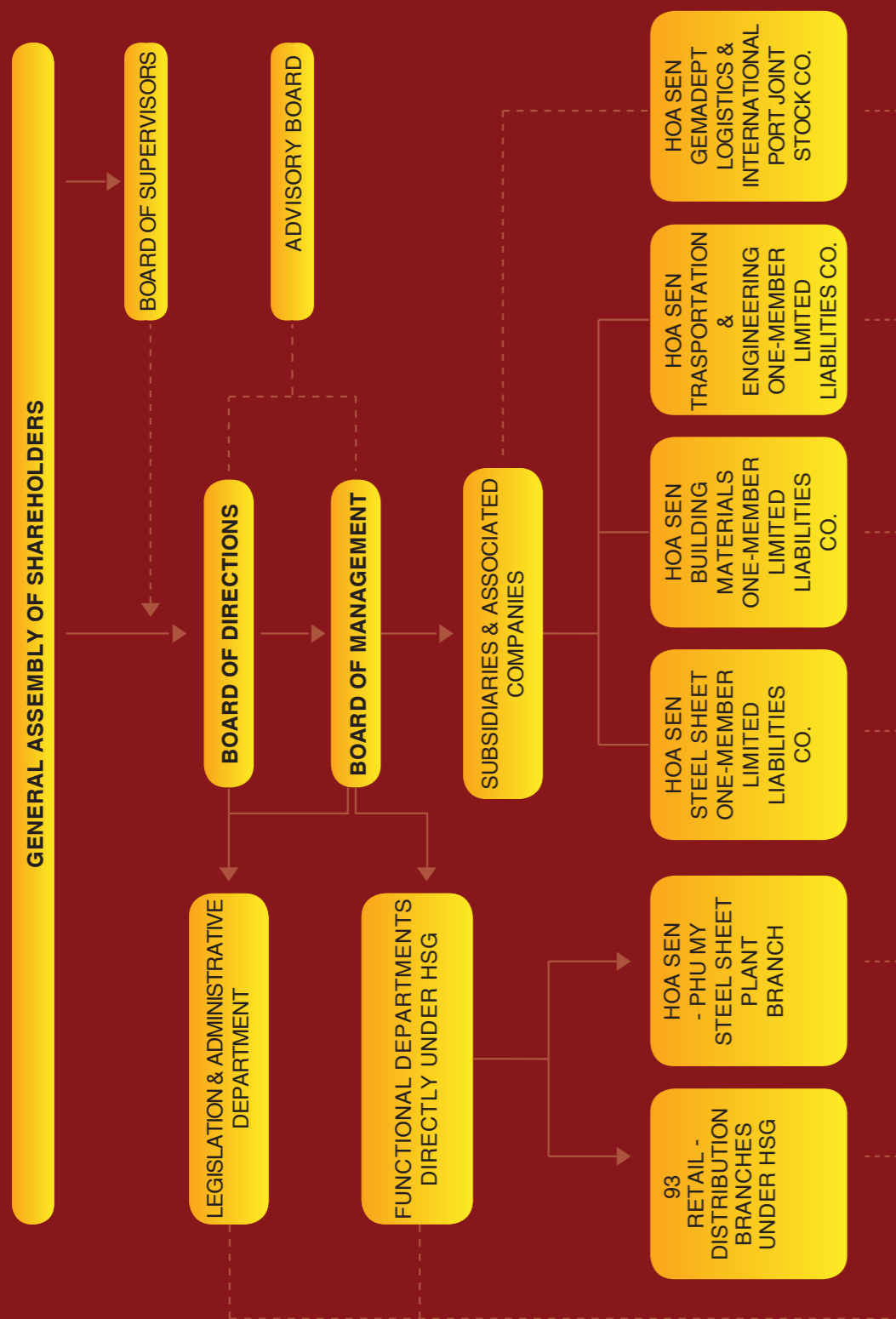
In fiscal year 2009-2010, the continuous hot dip galvanizing line using the NOF technology, which is the first one in Southeast Asia, released the first commercial products. Besides, the Group invested in new equipments to enhance quality of plastic products.

This creates added advantages for Hoa Sen Group in developing new and high - quality products to meet the diverse demand of customers and maintain its leadership position in the Vietnam coated steel sheet market.



# Hoa Sen Group Organizational Structure

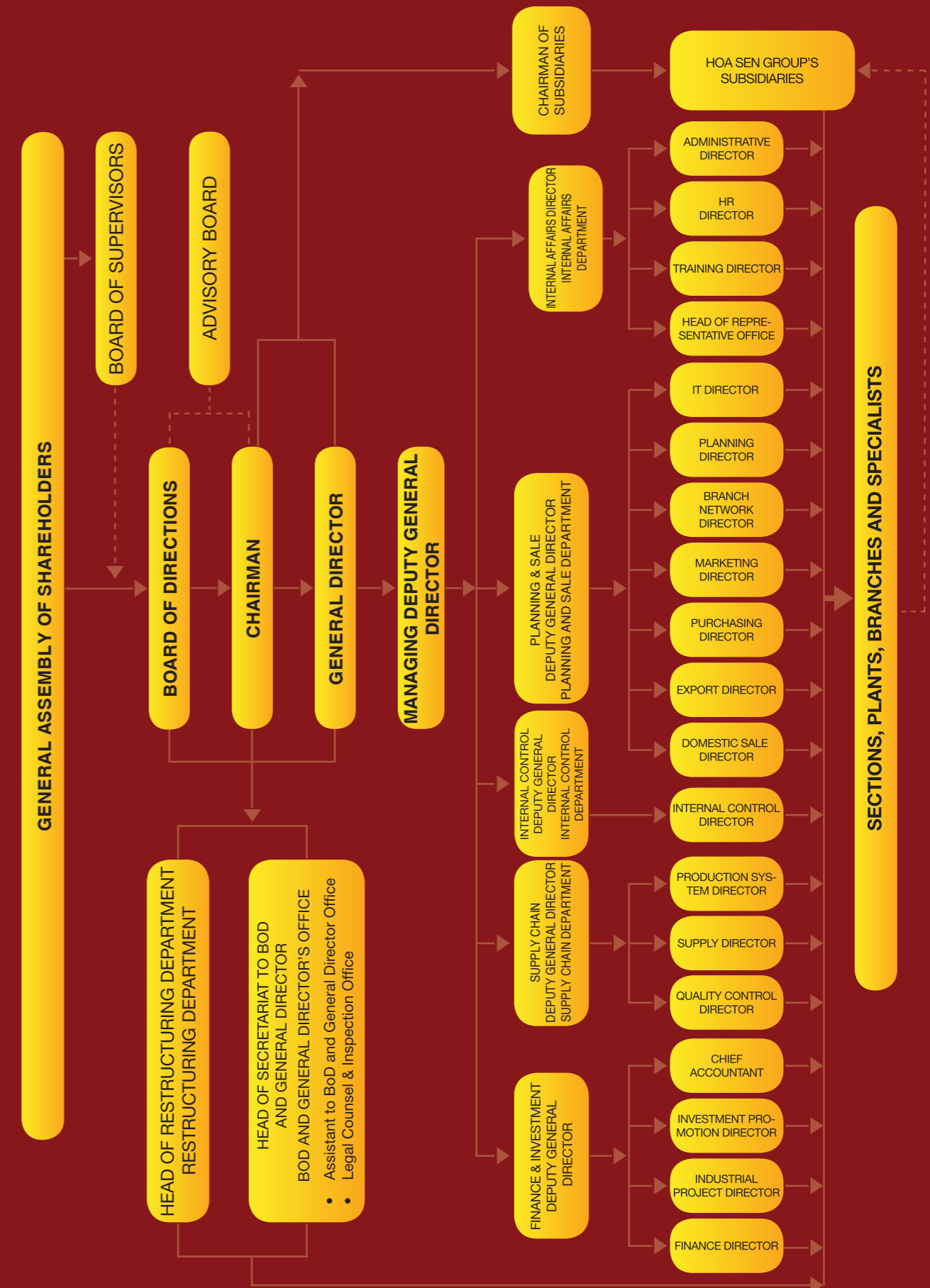
In accordance with Decision No. 135/QĐ/HĐQT/10



Note : — : Direct Control      - - - : Supervision

# Organizational Structure Chart of the Parent Company

In accordance with Decision No. 135/QĐ/HĐQT/10



## BOARD OF DIRECTORS



From left to right : Mr. Tran Ngoc Chu, Mr. Le Phung Hao, Mr. Nguyen Van Quy, Mr. Le Phuoc Vu, Mr. Ly Duy Hoang, Mr. Pham Gia Tuan, Mr. Pham Van Trung.

## BOARD OF DIRECTORS

### Mr. Le Phuoc Vu - Chairman

Mr. Le Phuoc Vu started his business with a steel sheet retail outlet in 1994. In 2001, after 7 years of accumulating capital and business experience, he founded Hoa Sen Joint Stock Company with an initial charter capital of VND 30 billion. With the experience acquired in the steel sheet - iron business combined with sound leadership and flexible management, he developed the small company into Hoa Sen Group - a leading economic group in Vietnam, in the span of 10 years. For his dedication and considerable contribution in the development of the Group, the General Assembly of Shareholders entrusted, elected and accepted him as the Chairman and General Director for several consecutive terms.

### Mr. Tran Ngoc Chu - Vice Chairman

Mr. Tran Ngoc Chu has graduated from the HCMC University of Finance and Accounting and joined Hoa Sen Group since the early days of its establishment. With over 25 years of experience in the sectors of finance, accounting and taxation, he has made important contributions during the development period of Hoa Sen Group. He was entrusted and elected as Vice Chairman for several consecutive terms by the General Assembly of Shareholders.

### Mr. Nguyen Van Quy - Member

Mr. Nguyen Van Quy has graduated from University with double majors, in Business Administration and Electricity. He is a leading expert in production technique of steel sheet and iron in Vietnam. Prior to joining Hoa Sen Group, he accumulated experience from companies such as Ton Phuoc Nam, Nippovina, etc. As a member of the Board of Directors to be responsible for development projects in steel sector, he plays an important role in selecting technologies and techniques for some projects such as cold rolling mill, NOF coating line, and Hoa Sen - Phu My Steel Sheet Plant.

### Mr. Le Phung Hao - Member

Mr. Le Phung Hao has graduated from the University with double majors, in Economics and Law, and earned MBA Degree at Ludwigshafen University (Federal Republic of Germany). He is a leading expert in business management with almost 20-year experience. He used to hold the position of Deputy General Director of Binh Tien Consumer Goods Company (Biti's), Deputy General Director of Kinh Do Corporation, and General Director of Hoang Quan JSC. He is currently holding the following positions: Chairman of Vietnam Marketing Association and Vice Chairman of Ho Chi Minh City Intellectual Property Office. He is an independent member with professional responsibilities for system, management, and investment.

### Mr. Pham Van Trung - Member

Mr. Pham Van Trung has graduated from Foreign Trade University and University of Foreign Languages. He completed a Master's program in Business Administration. He is a typical representative for the second generation of leaders in Hoa Sen Group. He is a young talent in business management, maturing from the daily business in Hoa Sen Group, and he has made important contributions to the Group.

### Mr. Pham Gia Tuan - Member

Mr. Pham Gia Tuan has graduated from Sydney University of Technology (Australia), specializing in Accounting and is a member of the Australian Certified Practicing Accountant (CPA) Association. He has over 10-year experience in financial management, taxation and control of business operations in Vietnam's leading companies such as VinaCapital, Dutch Lady Vietnam, PricewaterhouseCoopers Sydney (Australia) and PricewaterhouseCoopers Vietnam. At Hoa Sen Group, he is an independent member of the Board of Directors and responsible for investor relations as well as Finance and Accounting.

### Mr. Ly Duy Hoang - Member

Mr. Ly Duy Hoang has graduated Finance major in Canada and is a young financial specialist with much experience in international finance field. He has nearly 10-year experience in some big financial institutions of Canada. At present, he is on behalf of STIC Investments - investment fund of Korea and Malaysia's SSF Capital. STIC Investments and SSF Capital are holding a big stake of Hoa Sen Group. He is an independent member of Board of Directors and responsible for investor relations, Finance and Accounting as well as foreign affairs.



Implementing the resolution of the General Assembly of Shareholders in fiscal year 2008 – 2009, the Board of Directors brought on their own initiative the lucid and flexible business management solutions based on market movements and accomplished certain achievements.

Since April 2010, European sovereign debt crisis to begin from Greek put negative impacts on the world economies, which was fragile as the consequences of 2008 and 2009 financial crisis. The crisis caused a sharply decrease in commodities price, including steel price. Meanwhile, the decrease in steel price in the domestic market, devaluation of the domestic currency, and worsen-than-expected inflation figures resulted in negative impacts on business activities of corporations.

Even though facing with difficulties of the economy, we still gained positive results. At the end of fiscal year 2009-2010, Hoa Sen Group reached 264,320 tons of sales volume, VND 4,899 billion of revenue and VND 215 billion of net profit.

Items	Plan for fiscal year 2009-2010	Performance of fiscal year 2009-2010	Completion percentage
A	B	C	D= (C/B) *100%
Sales output (tons)	287,000	264,320	92 %
Net revenue (VND billion)	4,976	4,899	98 %
Net profit (VND billion)	520	215	41 %

Although we could not meet planned net profit, we had a significant growth in comparison to the previous year; its sales volume, revenue, and net profit increased 159%, 173%, and 114% respectively.

Results of business activities compared to fiscal year 2008-2009 results:

Items	Performance of fiscal year 2008-2009	Performance of fiscal year 2009-2010	Comparables
A	B	C	D= (C/B) *100%
Sales output (tons)	166,545	264,320	159 %
Net revenue (VND billion)	2,831	4,899	173 %
Net profit (VND billion)	189	215	114 %

## Human resources

- As of September 30th 2010, the Group had 2,904 employees, an increase in 842 people, equally 40.8%, compared with last year (fiscal year 2008-2009: The Group has 2,062 employees).

- To implement to bring new blood into the Group, the Board of Directors has appointed two young personnel holding senior positions:

- To appoint Mr. Pham Van Trung as Managing Deputy General Director.
- To appoint Mr. Tran Quoc Tri as Deputy General Director of Sales.

- To increase benefits for all direct laborers of Hoa Sen Phu My Steel Sheet Plant.

- In quarter IV of fiscal year 2009-2010, facing with hard economic situation, management officers and staff volunteered to deduct their wages to support the Group to overcome short-term difficulties.

## Project implementation:

### a. Hoa Sen Phu My Steel Sheet Plant project:

- In the previous fiscal year, Hoa Sen Phu My Steel Sheet Plant project has played an important role in increase in output, market share, and profit.
- As of October 04th 2010, total value of contracts including machines and equipments, construction, and others was VND 1,604,468,288,000 in which VND 927,426,539,000 was disbursed.

### b. Hoa Sen Steel Pipe, Plastic Pipe and Building Materials Plant (Phase 2):

- Together with Hoa Sen Phu My Steel Sheet Plant project, Hoa Sen Steel Pipe, Plastic Pipe and Building Materials Plant (Phase 2) is among important projects in the Group's development strategy.
- Hoa Sen Group has signed contracts to purchase advanced machines and equipments from European countries: 4 uPVC pipe production lines from Ø 21mm – Ø 630mm.

### c. Real Estate projects:

- Pho Dong – Hoa Sen Premium Apartment Building: Total disbursement of VND 63.7 billion, in which Hoa Sen Group contributed VND 30.57 billion.
- Hoa Sen – Phuoc Long Premium Apartments Building - District 9: Total disbursement of VND 45.8 billion.
- Hoa Sen Riverside Premium Apartments Building - District 9: Total disbursement of VND 45.5 billion.

### d. Hoa Sen – Gemadept International Port & Logistics J.V. project: keep implementing

### e. Project of branch network expansion:

As of December 31st 2010, there are total 93 branches nationwide including 90 retail branches and 3 base depots.

## Enterprise Resources Planning

In order to enhance management efficiency, Hoa Sen Group has signed contract with KPMG Vietnam Ltd Co. to build up the administration system, creating the foundation for implementing ERP system.



# REPORT OF THE BOARD OF DIRECTORS

## Engaging in social activities

With business philosophy “Integrity - Community - Development”, during the previous fiscal year, Hoa Sen Group carried out the following activities:

- To donate to construct houses for poor people, the program was launched by Board of Union Executive - Department of Planning and Investment of Lam Dong Province.
- To donate to construct houses for poor people in Tan Thanh District, Ba Ria Vung Tau Province.
- To give steel sheets for poor people to rebuild their houses in Thach Phu Commune, Ben Tre Province.
- To be the main donor of “Overcome Ourselves” program, helping poor and difficult households to overcome themselves.
- Besides, Hoa Sen Group is also the sponsor for the Number One Nation’s Football Championship and National Football Cup.

## Business plan of fiscal year 2010-2011

Items	Results of 2009-2010	Plan of fiscal year 2010-2011			In comparison with 2009-2010 results		
		Scenario 1	Scenario 2	Scenario 3	Scenario 1	Scenario 2	Scenario 3
Sales output (tons)	264,320	320,000	343,340	377,920	121%	130%	143%
Net Revenue (VND billion)	4,899	5,993	6,408	6,970	122%	131%	142%
Net profit (VND billion)	215	149.9	190.6	249.4	70%	89%	116%

## Strategic development plan for 2010-2015

- To study the investment in Hoa Sen Hot Strip Mill project to expand the vertically integrated value chain and increase profit. At the same time, to study the construction of Steel Pipe Plant in North, Central, and West regions to reduce transportation cost.
- To invest in the distribution network to increase total branches to 153 in 2015 all over the country. To expand export markets, increase export revenue and strive for the target of 30% of the Group’s total revenue.
- To increase investment capital from retained profit.
- To implement flexible manufacturing and trading policies.
- To implement creative, diversified and efficient marketing programs to enhance the strength of Hoa Sen brand; to increase prestige and friendliness with customers.
- To build up modern and advanced management system. To deploy and apply ERP system. To perfect quality management system of the entire Group.



# THE BOARD OF MANAGEMENT



## Professional and Loyal

All members of the Board of Management have years of experience in management and exceptional individual strengths.

The members comprise notable leaders with more than 20 years of experience and young, dynamic talents with a lot of potential.

Unified in business philosophy and development objectives, the Board of Management has developed appropriate and sound business strategies to help the Group overcome challenges with resolve.

This proves that Hoa Sen Group has been well prepared for the development in the future by investing in the best human resource to produce insightful and driven leaders.



**Mr. Le Phuoc Vu**  
General Director \*



**Mr. Pham Van Trung**  
Managing Deputy General Director \*



**Mr. Tran Ngoc Chu**  
Deputy General Director of  
Finance and Investment \*



**Mr. Tran Quoc Tri**  
Deputy General Director  
of Sales

Mr. Tran Quoc Tri graduated from university in Accounting and Auditing major. Joining Hoa Sen Group from 2004, he continuously accumulated experience and proved his ability in managing and running work. In October 2010, he was appointed as Deputy General Director taking charge of sales by the Board of Directors. He is a representative in the Group's new leaders generation.



**Mr. Hoang Duc Huy**  
Deputy General Director  
of Internal Control

Mr. Hoang Duc Huy accumulated more than 20 years of experience in organization control. He also has 13 years of experience in finance and accounting, and implemented internal audit for large companies under the Department of Transportation of Tay Ninh province prior to joining Hoa Sen Group. In 2001, he was one of the founders of Hoa Sen Joint Stock Company – the precursor of Hoa Sen Group.



**Mr. Vu Van Binh**  
Deputy General Director  
of Supply Chain

As a member of Hoa Sen Group from its inception, Mr. Vu Van Binh was the Deputy Head of the Board of project Management in charge of the cold rolling mill project launched in 2006 and made great contributions to its success.

\* Look at introduction "Board of Directors"

**Overview of consolidated business operations of fiscal year 2009-2010**

In addition to slow recovery of the world economy in 2010, concerns about the sovereign debt crisis in Europe have caused prices of hot rolled coil and cold rolled coil to fluctuate and strongly decrease in May, June and July of 2010. This resulted in the decrease of steel prices in Vietnam market, causing many difficulties to steel companies. Besides, the power cut situation of 6 to 8 days per month for three consecutive months of high season in steel industry (April, May and June) caused production output to seriously reduce, increased inventories level while output was not enough to supply the market, causing the increase in inventory cost. Furthermore, our financial expenses strongly increased due to increase in exchange rate and interest rate of banks. In particular, from November 2009 to August 2010, the State Bank of Vietnam devalued inter-bank exchange rate three times from 17,034 VND/USD to 18,932 VND/USD; interest rate from the interest rate subsidy of 6.5% per year in 2009 increased to 13%-14% per year from January 2010. The above difficulties made us not to accomplish our planned profit.

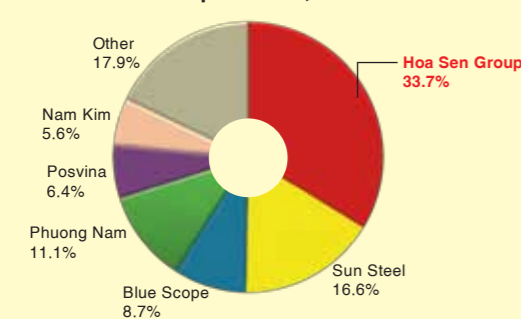
Items	Plan for fiscal year 2009-2010	Performance in fiscal year 2009-2010	Performance/ Plan
A	B	C	D= (C/B) *100%
Sales output (ton)	287,000	264,320	92%
Net revenue (VND billion)	4,976	4,899	98%
Net profit (VND billion)	520	215	41%

However, with reasonable and flexible operation policies by specific time, in fiscal year 2009-2010, we significantly increased our sales output and net revenue compared with the ones in fiscal year 2008-2009:

Items	Performance in fiscal year 2008-2009	Performance in fiscal year 2009-2010	Fiscal year 2009-2010/ Fiscal year 2008-2009
A	B	C	D= (C/B) *100%
Sales output (ton)	166,545	264,320	159%
Net revenue (VND billion)	2,831	4,899	173%
Net profit (VND billion)	189	215	114%

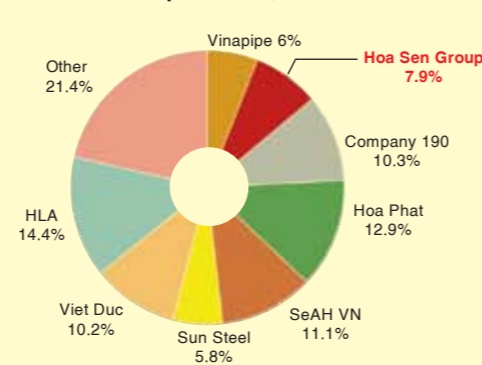
- The encouraging business result was also affirmed through our strong increase in market share. In 2010, we achieved the highest growth rate of market share in Vietnam coated steel sheet market and continued to maintain the leading position with 33.7% of market share.
- Besides, we have gradually asserted our position in steel pipe market with the growth rate of market share of over 3 percentage point compared with the year 2009, reaching nearly 8% of market share in 2010.

**Market share of Vietnam coated steel in 2010**  
Consumption: 670,812 tons



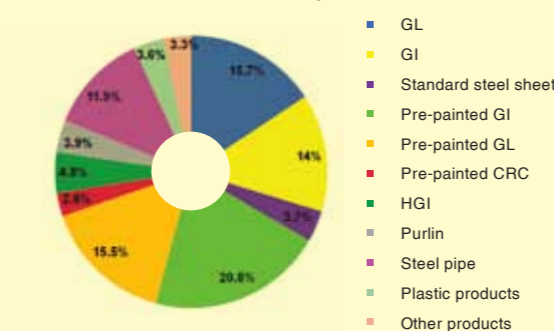
Source: Vietnam Steel Association (January of 2011)

**Market share of steel pipe in 2010**  
Consumption: 568,830 tons



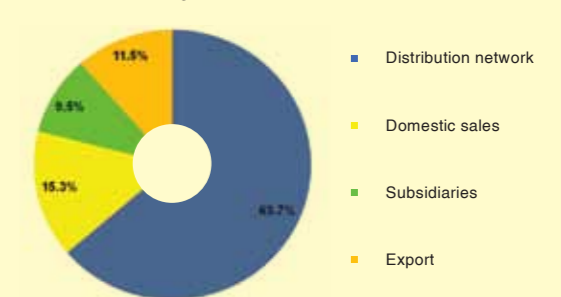
Key products contributing the highest revenue for the Group in fiscal year 2009-2010 were coated steel sheet, including galvalume steel sheet (GL), galvanized steel sheet (GI), standard steel sheet, pre-painted galvanized steel sheet (PPGI) and pre-painted galvalume steel sheet (PPGL).

**Revenue structure in fiscal year 2009-2010**

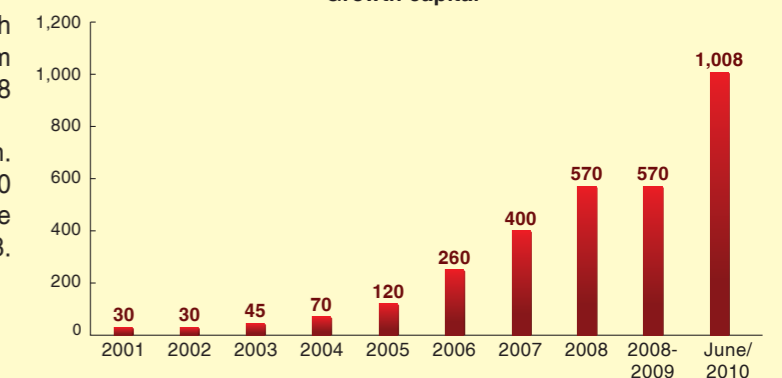


Revenue of distribution network maintained the highest proportion of our revenue structure by distribution channels.

**Revenue structure by distribution channels in fiscal year 2009-2010**



**Growth capital**



In fiscal year 2009-2010, we also asserted our scale through completing three stages of increasing charter capital, from VND 570 billion in fiscal year 2008-2009 to nearly VND 1,008 billion in June 2010.

On 30th September 2010, our equity was VND 1,711.5 billion. The number of shares approved and issued was 100,790,790 in which the number of treasury shares was 20,012; the number of outstanding ordinary shares was 100,770,778. Book value was VND 16,984 per share.

**Solutions of business management**

To achieve the above results, the Board of Management has developed flexible strategy and policy on running business by specific time and implemented solutions of increasing sales output and revenue, namely:

- (1) Assign sales target to sale units, branches and Sale Department monthly as well as monitor and evaluate the performance weekly;
- (2) Implement policy on salary based on revenue salary and gross profit salary in each fluctuation stage of the market;
- (3) Apply reward policy in case branches and sale units meet and surpass their sales output target;
- (4) Develop new sale channels such as Project Development Department, Building Materials Sale Department, HGI Agent System and expand export markets, especially in the low season;
- (5) On 31st December 2010, we owned 93 branches including 90 retail branches and 3 base depots in order to ensure timely goods distribution, implement market and customer segmentation, ensure the coordination among sale units in the system to avoid missing out market and customer;
- (6) Expand trading in new products such as hot dip galvanized steel (HGI), tape, square steel pipe, steel pipe and galvanized purlin as well as develop the sale proportion in direction of promoting advantages of our vertically integrated value-chain, modern technology, retail network and products with high profit and less competition compared with others;
- (7) Apply competitive price policy, delegate price flexibility, decentralize price decision for each sale unit and branches in order to enhance the flexibility in business, develop price policy announced monthly and discount policy for each customer type;

(8) Classify sales output, selling price, profit and inventory by each group, product size and market area (retail, wholesale, selling for works) to adjust sales output, selling price and catch the demand, liking of each market, region in order to have an appropriate production plan and goods transportation, ensure enough specification and types for demand;

(9) Organize big events, participate in domestic and foreign trade exhibitions, sponsor international and national programs (sponsoring the Myanmar Football Federation, the National First Class Football Championship – Hoa Sen Steel Sheet 2010, the National Football Cup – Hoa Sen Plastic 2010, Program of Overcome Ourselves, etc.);

(10) Place large advertising boards at high traffic positions in order to enhance brand position and consumption demand for Hoa Sen Group's products, implement sale promotion and customer care to increase sales output;

(11) Increase export revenue to 11.5% in the total revenue in fiscal year 2009-2010;

(12) Continue to implement Hoa Sen Phu My Steel Sheet Plant project, put hot dip galvanizing line and color coating line in operation after ten months from the start date in order to increase production capability and partially resolve the supply problem.

## Solutions of expenses control and saving

Besides increasing sales output and revenue, we have focused on enhancing expenses management such as:

(1) Control financial expenses through (1a) balancing inventory reasonably, increasing capital turnover; (1b) making payment, maturing credit contracts with high interest rate into low interest rate to reduce interest expenses as well as transfer the long- and middle-term investment loans and loans for importing goods in USD into VND to avoid the risk of exchange rate; (1c) promoting export turnover, offsetting a part of import turnover; (1d) assigning cost of capital and calculation of interest for inventory to sale units;

(2) Manage production efficiency by (2a) assigning the norm of production cost, assessing the performance monthly, quarterly and adjusting the norm semi-annually, through this assignment of production cost norm, units had innovative solutions and technology initiatives to reduce the norm and cost price; (2b) negotiating prices of raw materials and outside purchasing services; (2c) monitoring, predicting, evaluating fluctuations of hot rolled coil and cold rolled coil to make decisions of purchasing timely with the appropriate price in order to reduce cost of goods sold;

(3) Manage selling expenses and general and administration expenses by (3a) developing the norm of some expenses and assigning the expenses norm to branches; (3b) transporting goods to the North and Central regions by sea to minimize transportation cost.

## Expenses over net revenue

No.	Indicator	Unit	Fiscal year 2008-2009	Fiscal year 2009-2010
01	Sales output	Ton	166,545	264,320
02	Net revenue	VND billion	2,831	4,899
03	Gross profit/Net revenue	%	19.6	19.0
04	Financial expenses/ Net revenue	%	5.9	7.6
05	Selling expenses/ Net revenue	%	4.1	4.3
06	General and administration expenses/ Net revenue	%	3.5	3.0

## Key financial ratios

No.	Financial ratio	Unit	Fiscal year 2008-2009	Fiscal year 2009-2010
01	<b>Liquidity ratios</b>			
	Current ratio	time	1.1	1.0
	Quick ratio		0.4	0.4
02	<b>Activity ratios</b>			
	Inventory turnover ratio	time	3.8	3.4
03	<b>Financial leverage ratios</b>			
	Total debt/ Total assets	%	61	62
	Total debt/ Equity		159	167
	Total assets/ Equity		260	267
04	<b>Profitability ratios</b>			
	Net profit/ Total assets	%	7.8	4.7
	Net profit/ Net revenue		6.7	4.4
	Net profit/ Equity		20.2	12.6
	Earnings per share	VND	2,158	2,241

## Projects

In fiscal year 2009-2010, we obtained the first achievements from Phase 1 of Hoa Sen Phu My Steel Sheet Plant project. Besides, we continue to implement Distribution Network Expansion project, building materials, real estate and port projects.

### Implementation progress:

#### a. Hoa Sen Phu My Steel Sheet Plant project

In the last fiscal year, Hoa Sen Phu My Steel Sheet Plant project had a significant role in increasing output, market share and contributing to grow profit for the Group.

On 4th October 2010, the total value of contracts including machinery and equipment purchase, construction, electric equipment and mechanic packages and other signed contracts was VND 1,604,468,288,000, in which VND 927,426,539,000 has already been disbursed and the remaining VND 677,041,749,000 has not yet been disbursed.

The following lines have been completed and gone into operation

Line	Designed capacity (tons/year)	Operation time
Annealing furnace (no. 01)	42,000	12/2009
Shearing line	50,000	01/2010
Slitting line	150,000	02/2010
Hot dip galvanizing line	450,000	03/2010
Color coating line	180,000	04/2010
Thin galvanizing line	100,000	01/2011



In fiscal year 2010-2011, we continue to implement and complete Phase 1 of this project. According to the plan, cold rolling line No. 01 will go into operation in late February 2011, annealing furnace No. 02 and acid recycling line will also be finished in the second quarter of fiscal year 2010-2011; in particular, cold rolling line No.2 is expected to come into operation in around September 2011, three months earlier compared to the plan set out. At that time, our production capacity of cold rolled coil will be expanded in comparison with the current one and the proportion of imported raw materials will be decreased. This helps us enhance initiative and raise profit with our current vertically integrated value-chain.

## b. Phase 2 of Hoa Sen Steel Pipe, Plastic Pipe and Building Materials Plant project

In addition to Hoa Sen Phu My Steel Sheet Plant project, Phase 2 of Hoa Sen Steel Pipe, Plastic Pipe and Building Materials Plant project is also one of our strategic steps with the estimated investment capital of VND 64,916,570,097. Up to 31st December 2010, the total disbursement of the project was VND 49,093,802,776.

Information of production lines:

No.	Line	Designed capacity (Tons/year)	Operation time
1	Steel pipe		
1.1	06 machines – Di An branch	66,000	05/2010
1.2	03 machines Phu My 1 Industrial Park	38,740	11/2009
2	Plastic pipe		
2.1	04 machines Phu My 1 Industrial Park	13,480	09/2010
2.2	02 machines Phu My 1 Industrial Park (European technology)	5,240	12/2010

## c. Real Estate projects

### Hoa Sen – Pho Dong Premium Apartments Building project

**Investor:** Hoa Sen Group and Pho Dong JSC., Each party contributes 50% capital  
**Address:** Phuoc Long B Ward, District 9  
**Area:** 3,600 m<sup>2</sup>  
**Size:** 18-storey building, 23,437 m<sup>2</sup> of floor, 214 apartments  
**Estimated total investment:** VND 191 billion  
**Expected profit:** VND 45 billion  
**Disbursed:** VND 63.7 billion  
**Time of starting implementation:** Quarter 4 of 2008  
**Project progress:** Groundbreaking ceremony on 12th December 2009  
 Announce to sell apartments of the stage 1 on 2nd July 2010  
 Expect to complete the project in quarter 4 of 2011

### Hoa Sen Phuoc Long B Premium Apartments project District 9

**Investor:** Hoa Sen Group  
**Address:** Phuoc Long B Ward – District 9  
**Area:** 8,089 m<sup>2</sup>  
**Size:** 19-storey building, 44,490 m<sup>2</sup> of floor, 400 apartments  
**Estimated total investment:** VND 520 billion  
**Expected profit:** VND 250 billion  
**Disbursed:** VND 45.8 billion  
**Time of starting implementation:** Quarter 1 of 2008  
**Project progress:** Expect to start work in quarter 4 of 2011  
 Expect to start selling apartments in quarter 2 of 2012  
 Expect to complete the project in quarter 2 of 2014

Hoa Sen Riverside Apartment project	
<b>Investor:</b>	Hoa Sen Group
<b>Address:</b>	Bung Ong Thoan, Pho Huu Ward, District 9
<b>Area:</b>	15,076.4 m <sup>2</sup>
<b>Total investment estimate:</b>	VND 650 billion
<b>Disbursed:</b>	VND 45.5 billion
<b>Time of starting implementation:</b>	Quarter 4 of 2009
<b>Project progress:</b>	Expect to start work in quarter 1 of 2012 Expect to start selling apartments in quarter 3 of 2012 Expect to complete the project in quarter 3 of 2015

Hoa Sen Group Headquarters Office project	
<b>Investor:</b>	Hoa Sen Group
<b>Address:</b>	123 Tran Nao, Binh An Ward, District 2
<b>Area:</b>	969 m <sup>2</sup>
<b>Total investment estimate:</b>	VND 80 billion
<b>Disbursed:</b>	VND 52.25 billion
<b>Time of starting implementation:</b>	Quarter 2 of 2010
<b>Project progress:</b>	In progress

## d. Hoa Sen – Gemadep International Port project: continue to implement according to the following plan:

Performance content					
No.	Shareholder	Transfer of share	Direct capital contribution	Consultancy fees from Portcoast	Total
01	Gemadep	49,734,092,000	1,530,000,000	1,273,160,900	52,537,252,900
02	Hoa Sen	43,414,544,958		1,041,786,676	44,456,331,634
03	Mr. Hoang Duc Huy	3,578,080,000			3,578,080,000
	<b>Total</b>	<b>96,726,716,958</b>	<b>1,530,000,000</b>	<b>2,314,947,576</b>	<b>100,571,664,534</b>

No.	Performance content	Implementation	Expected completion
<b>Executing project</b>			
1	Executing construction package of landing pier (15 months) and package of ground, road, stone embankments (12 months)		
1.1	Time for bid opening, bid evaluation: for bidding packages of dredging, leveling, embankment, ground	December 2010	February 2011
1.2	Time for executing items	March 2011	December 2012
2	Building infrastructure, office...	October 2011	May 2012
3	Importing machinery and equipment	October 2011	September 2012
<b>Trial running and official operation</b>			
4	Trial running	October 2012	January 2013
5	Official operation	April 2013	

## e. Develop new branches and upgrade current ones

On 31st December 2010, we owned 93 branches including 90 retail branches and 3 base depots for goods distribution.

According to the plan, in the period from fiscal year 2010-2011 to fiscal year 2014-2015, we will invest 60 new retail branches and upgrade 3 current ones with the total investment capital of VND 611 billion. Up to 31st December 2010, VND 33 billion has already been disbursed.

## Business plan for fiscal year 2010-2011

In the periodic meeting of the Board of Directors in January 2011, the Board of Directors of Hoa Sen Group unified the business plan for fiscal year 2010-2011 as follows:

No.	Target	Unit	Performance in fiscal year 2009-2010	Plan for fiscal year 2010-2011			Plan for fiscal year 2010-2011/ performance in fiscal year 2009-2010		
				Scenario 1	Scenario 2	Scenario 3	Scenario 1	Scenario 2	Scenario 3
A	B	C	1	2	3	4	5 = 2/1	6 = 3/1	7 = 4/1
01	Sales output	Ton	264,320	320,000	343,340	377,920	121%	130%	143%
02	Revenue	VND billion	4,899	5,993	6,408	6,970	122%	131%	142%
03	Gross profit	VND billion	931	898	950	1,022	96%	102%	110%
04	Net profit	VND billion	215	149.9	190.6	249.4	70%	89%	116%

The planned sales output by each group of product (unit: ton):

No.	Group of product	Performance in fiscal year 2009-2010	Plan for fiscal year 2010-2011			Plan for fiscal year 2010-2011/ performance in fiscal year 2009-2010		
			Scenario 1	Scenario 2	Scenario 3	Scenario 1	Scenario 2	Scenario 3
A	B	1	2	3	4	5 = 2/1	6 = 3/1	7 = 4/1
01	Coated steel sheet	183,548	202,469	216,640	216,640	110%	118%	118%
02	Steel	73,012	106,851	116,020	150,600	146%	159%	206%
03	Plastic products	7,760	10,680	10,680	10,680	138%	138%	138%
<b>Total</b>		<b>264,320</b>	<b>320,000</b>	<b>343,340</b>	<b>377,920</b>	<b>121%</b>	<b>130%</b>	<b>143%</b>

## Main solutions to be implemented in fiscal year 2010-2011

### Solutions for achieving the planned sales output and revenue:

- Assign sales target to sale units, branches and Sale Department monthly as well as monitor and evaluate the performance weekly.
- Implement policy on sale salary based on revenue salary and gross profit salary in each fluctuation stage of the market.
- Apply reward policy in case branches and Sales Department meet and surpass their sales output target.
- Increase sale proportion in key works and projects; development Agent System selling HGI and plastic pipes; expand export markets, especially in the low season.
- Develop ten new branches, mainly in the Northern market having a lot of potential. Perform market and customer segmentation, ensure the coordination between sale units in the system, not to avoid missing out market and customer;

- Develop the sale proportion in direction of promoting advantages of our vertically integrated value-chain, modern technology, retail network and products with high profit and less competition compared with others (galvalume steel sheet, pre-painted galvalume steel sheet, standard steel sheet, hot dip galvanized steel, etc.);
- Apply competitive price policy, delegate price flexibility, decentralize price decision for each sale unit and branches (giving cost price, fixing minimum price) to enhance the flexibility in business, develop price policy announced monthly and discount policy for each customer type;
- Increase goods transportation to the North and Central regions by sea to reduce transportation cost.
- Classify sales output, selling price, profit and inventory by each group, product size and market area (retail, wholesale, selling for works) to adjust sales output, selling price and catch the demand, linking of each market, region in order to have an appropriate production plan and goods transportation, ensure enough specification and types for sale demand;
- Organize big events, participate in domestic and foreign trade exhibitions, sponsor international and national programs (sponsoring the Myanmar Football Federation, the National First Class Football Championship – Hoa Sen Steel Sheet 2011, the National Football Cup – Hoa Sen Plastic 2011, Program of Overcoming Oneself, etc.); place large advertising boards at high traffic positions to enhance brand position and consumption demand for Hoa Sen Group's products, implement sale promotion and customer care to increase sales output;
- Boost the investment progress of thin galvanizing line, cold rolling line and plastic pipe line to put them in operation in fiscal year 2010-2011.

### Solutions for controlling business and production cost:

- Develop the norm of expenses for the entire system in fiscal year 2010-2011.
- Control financial expenses:
  - Balance the inventory suitably and increase capital turnover.
  - Balance the structure of short, long and middle-term loans, between USD and VND reasonably to reduce interest expenses and avoid the risk of exchange rate.
  - Increase export turnover, offset a part of import turnover.
  - Assign cost of capital and calculation of interest for inventory to sale units.
- Manage selling expenses, general and administration expenses:
  - Develop the norm of some expenses, assign the norm of expenses to branches (interest expenses for inventory, interest expenses for debt).
  - Transport goods to the North and Central regions by sea to minimize transportation cost.
- Manage production cost:
  - Assign the norm of production cost, assess the performance monthly, quarterly and adjust the norm semi-annually.
  - Through assigning the norm of production cost, units have innovative solutions and technical initiatives so as to reduce the norm and cost price.
  - Negotiate price of raw materials and outside purchasing services to reduce production cost.
  - Monitor, predict and evaluate fluctuations of hot rolled coil and cold rolled coil to make decisions of purchasing timely with the appropriate price in order to reduce cost of goods sold.

# BOARD OF SUPERVISORS



From left to right: Mr. Ly Van Xuan, Mr. Le Vu Nam, Ms. Huynh Thi Hong Vy

## Mr. Ly Van Xuan Member

Mr. Ly Van Xuan is Associated Professor and Doctor of Medicine. He is a loyal individual shareholder of Hoa Sen Group. He is currently Head of Training Department, Ho Chi Minh City University of Medicine and Pharmacy. With personal reputation as well as his dedication for the Group, at Annual General Meeting of Shareholders dated 27th March 2010, he was elected as a member of Board of Supervisors by General Assembly of Shareholders.

## Mr. Le Vu Nam Head of Board of Supervisors

Mr. Le Vu Nam has a Doctorate in Law, graduated with a major in Economics Law and is currently Head of Department Majoring in Law on Finance, Banking, and Securities - Faculty of Economics and Law - Vietnam National University Ho Chi Minh City. He was formerly Head of Market research and Development Department - HOSE.

## Ms. Huynh Thi Hong Vy Member

Ms. Huynh Thi Hong Vy has earned a Bachelor's Degree in Corporate Finance major. She joined Hoa Sen Group since the early days of its establishment. She has intensive experience in control and audit in the Group. She was elected as a member of Board of Supervisors by General Assembly of Shareholders at Annual General Meeting of Shareholders, dated 27th March 2010.

# REPORT OF BOARD OF SUPERVISORS

## 1. Report of Board of Supervisors on business operations and assessment of financial statements of Hoa Sen Group

### 1.1 Oversight on Board of Directors and General Director

#### a. Supervision on the Board of Directors

- Board of Directors comprises 7 members, with 4 members concurrently in charge of management, compliant with Enterprise Law and Charter of Hoa Sen Group
- All the meetings of Board of Directors are hosted by the Chairman with the participation of Board of Supervisors. Issues raised up at the meetings are discussed and passed by the Board of Directors, based on the resolution of the General Assembly of Shareholders. The discussion and vote on issues are made public in line with the functions and the rights of Board of Directors as stipulated in the Group's Charter.

#### b. Supervision on General Director

- General Director implements the resolution of the General Assembly of Shareholders and of Board of Directors in a timely manner according to his functions, rights and duties as stipulated in the Group's Charter.
- In order to improve and enhance organization structure, General Director submits proposals to Board of Directors to create appropriate regulations and internal control system to adhere to the law and the Group's Charter.

### 1.2 Assessment of financial statements for fiscal year 2009-2010

#### a. Finance and Accounting

Hoa Sen Group financial statements and accounting procedures meet Vietnamese Accounting Standards, the Vietnamese Accounting System and accounting principles generally accepted in Vietnam.

#### b. Accounting records

Documents such as receipts, invoices and related documents are well- managed and stored by the Group. A storage system is implemented as per regulations for inspection. Management of cash, bank deposit

#### c. Cash and bank deposit management

Hoa Sen Group conducts periodic checks on deposits and treasury and properly document changes as per regulations.

Cash spending and collecting, and depositing are carried out as per regulations.

Hoa Sen Group has prepared the books in accordance with regulations and kept a meticulous daily record of debit and credit items and credit advice from banks.

### d. The financial status and business result for fiscal year 2009-2010

Based on reports presented by Deputy General Director of Sales at the periodic Board of Directors' meetings, the audited data collected by an independent audited firm – KPMG Limited Vietnam, the Board of Supervisors has declared the financial status of Hoa Sen Group to be in good health.

The basic figures of receivables and payables, loan, liquidity, ROA, allowances, and owners' equity all meet high standard.

2009-2010 revenue of the Group was VND 4,899 billion, equally 98% of the target approved by General Assembly of Shareholders and profit after tax gained nearly 41% of the target.

## 2. Recommendations

Hoa Sen Group should enhance the mission of inspection, control of figures, and compliance with regulations regarding environment, labor safety, and fire prevention ensuring compliance with the regulations of Law.

To have policies on supporting and developing current human resources in order to stabilize human resources, bringing high efficiencies in production and business activities.

To continue promoting re-structure of Hoa Sen Group.

## 3. Plan for fiscal year 2010-2011

To supervise activities of the Board of Directors, General Director of Hoa Sen;

To plan and perform periodic inspections on the management operations of subsidiaries and the launch of important projects;

To supervise the compliance of legal regulations regarding the auditing standards and financial reporting of Hoa Sen Group;

To supervise the announcement of Group activities to ensure the timely, accurate and fairly disclosure of information.

### ON BEHALF OF BOARD OF SUPERVISORS

Head of Board of Supervisors

(Signed)

Le Vu Nam



## Activities of the Board of Directors

Fiscal year 2009-2010 is a difficult year after the economic crisis in 2008. After the stimulus packages, many economies fell into a slow growth together with the high inflation. In fiscal year 2009-2010, almost Vietnamese enterprises no longer got benefits from the economic stimulus package. Instead, they had to manage themselves with new changes, typically, interest rate rose from 6.5% to 13%-14% per year when interest rate subsidy of 4%/year ended. Payment deficit put more pressure on the devaluation of domestic currency. In fiscal year 2009-2010, the value of VND lost over 11% compared to USD. Besides, enterprises suffered influences from the sovereign debt crisis in Europe and lack of electricity in their production due to the power cut.

Hoa Sen Group was continuously suffering disadvantages of

### Change of members of the Board of Directors in fiscal year 2009-2010

Time	Content
Annual General Meeting of Shareholders on 27th March 2010	Mr. Vu Bao Quoc resigned Mr. Ly Duy Hoang was elected as the replacement

interest rate, exchange rate and power cut, and the above risks are going to occur in the future.

Facing those difficulties, the Board of Directors of Hoa Sen Group has organized 12 monthly meetings and other extraordinary meetings in the last fiscal year to closely follow the market, discussed and proposed policy decisions timely in the enterprise operation.

Business result in the last fiscal year is an evidence for the efforts to achieve the best result in front of objective and subjective difficulties. That is also the lesson for managers to better operate in the following years.

### Compensation of the Board of Directors

Title	Compensation/ Month
Chairman	15,000,000 VND
Vice chairman	10,000,000 VND
Member	8,000,000 VND

## Approved policy decisions

### 1. As for production and business activity

- Continued implementing and completing Phase 1 of Hoa Sen Phu My Steel Sheet Plant project in order to increase production capability of the Group.
- Expanded the distribution network to take advantage of domestic sales.
- Signed strategic partnership agreement with foreign investors, banks and Vietnam National University of HCMC.
- Strove for export revenue, targeted at 30% of total revenue. Beside the traditional Asean market, we expanded markets to Asia, Africa and Latin America to reduce pressure on fluctuation of exchange rate.
- Checked and implemented cost reduction, ensured the balance of cash flow.
- Checked, analysed and balanced the inventory level at Mother Company, subsidiaries and branches.
- Balanced structure of VND and USD borrowings flexibly in accordance with fluctuations of interest rate and exchange rate.

### 2. Policies on share, stock

Implemented increasing charter capital from VND 570 billion to nearly VND 1,008 billion according to Resolution of General Assembly of Shareholders.

### 3. Restructuring strategies

Approved the dissolution Hoa Sen Phu My Steel Sheet One-Member Limited Liabilities Company and Hoa Sen Plastic One-Member Limited Liabilities Company to streamline the organization structure, enhance the management efficiency.

## Activities of the Board of Supervisors

- The Board of Supervisors accomplished their tasks of inspecting and controlling the Group's activities to protect the interests of shareholders, was responsible to the General Assembly of Shareholders and the Laws for their work.
- The Board of Supervisors performed to expectations in overseeing the implementation of key actions and projects, and made a positive contribution to the Group's development during both stable and challenging time.

### Change of members of the Board of Supervisors in fiscal year 2009-2010

Time	Content
Annual General Meeting of Shareholders on 27th March 2010	Mr. Nguyen Nguyen Anh and Ms. Nguyen Thi Khoa resigned Mr. Ly Van Xuan and Ms. Huynh Thi Hong Vy were elected

### Compensation of the Board of Supervisors

Title	Compensation
Head of Board of Supervisors	7,000,000 VND per month
Member	5,000,000 VND per month

### Main activities in fiscal year 2009-2010

In fiscal year 2009-2010, the Board of Supervisors held a number of meetings with the full participation of members, their noteworthy participation in the periodic meetings with the Board of Directors.

The Board of Supervisors completed the following tasks:

- Reviewed the financial statements, receivables and payables, inventories, receipt and payment documents, goods delivering and receiving, etc...
- Supervised the progress of investment projects
- Evaluated the activities of the Board of Directors, Board of Management and other functional departments of the Group
- Recommendations to the Board of Directors.



# CORPORATE GOVERNANCE

## Investor relations

In fiscal year 2009-2010, Hoa Sen Group participated in a number of seminars with domestic and foreign investors such as:

- Vietnam Corporate Day 2010, organized by Ho Chi Minh City Stock Exchange (HOSE) and Daiwa Capital Markets in Singapore on 9th July 2010.
- Gateway to Vietnam 2010, organized by Saigon Securities Inc. in Ho Chi Minh City on 11th November 2010.
- Daiwa Investment Conference 2010, organized by Daiwa Capital Markets in Hong Kong from 16th November to 19th November 2010.
- Meetings and exchanging views on investment opportunities between Hoa Sen Group and domestic and foreign financial institutions are regularly organized every week.



In order to create the opportunities for organizations, investors, shareholders of Hoa Sen Group to learn more about our practical production and business activities, on 3rd December 2010, we organized a plant tour for nearly 100 guests who are representatives of organizations, investors and shareholders of the Group to visit Hoa Sen Phu My Steel Sheet Plant in Ba Ria Vung Tau province. This is also one of practical activities in order to express our business responsibility, increasing investors' belief in the Group.



## Customer relations

More than 400 domestic and foreign customers, partners and suppliers participated in Hoa Sen Customer Conference organized in April 2010 at Vung Tau City.

The event was held as our gratefulness to all close customers and partners in many last years, recognizing their great contributions to our current success and growth.



# CORPORATE GOVERNANCE

## Community relations



Program of Overcoming Ourselves



Program of Doing Good Things in Tet



Having New Year's Eve with Disadvantaged Children



Contest of Seeking Future CEO



Offering House of Gratitude



Buddhism Youth Festival

# SUBSIDIARIES

## HOA SEN STEEL SHEET ONE MEMBER LIMITED LIABILITIES COMPANY

**Headquarters:** No. 09, Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An District, Binh Duong Province

**Telephone:** (84-650)3.737.999

**Fax:** (84-650)3.737.999

**Charter capital:** VND 280,000,000,000

**Business Registration Certificate:** No. 3700763651 issued by Business Registration Office, Department of Planning and Investment dated 24th December 2007, the 4th changing registration dated 11th August 2009.

**Legal representative:** Mr. Vu Van Binh – Chairman of the Board of Members and Director.



Hoa Sen Steel Sheet JSC was established on 9th November 2006, engaging in production and business of cold rolled coil. On 6th April 2007, Hoa Sen Steel Sheet JSC inaugurated and officially operated cold-rolling mill with capacity of 180,000 tons/year. This was one of the first mills in Vietnam at that time. The mill to be the first link in the chain of competitive advantages, providing most of input materials for the whole production of the Group.

On 24th December 2007, after merging Hoa Sen Steel

Sheet JSC into Hoa Sen Group, Hoa Sen Group established Hoa Sen Steel Sheet One Member Limited Liabilities Company with charter capital of VND 280 billion, inheriting the entire material facilities, personnel of Hoa Sen Steel Sheet JSC.

In fiscal year 2009-2010, despite difficulties resulting from the fluctuation of raw material prices, the company's performance was still a roaring success thanks to the great effort contributed by the entire staff.

No.	Items	Fiscal year 2009-2010	Plan for fiscal year 2010-2011
01	Output (tons)	173,000	200,000
02	Net revenue (VND billion)	2,543	3,000
03	Gross profit (VND billion)	78	75

## HOA SEN BUILDING MATERIALS ONE MEMBER LIMITED LIABILITIES COMPANY

**Headquarters:** Phu My 1 Industrial Park, Phu My Town, Tan Thanh District, Ba Ria – Vung Tau Province

**Telephone:** (84-64)3923231

**Fax:** (84-64)3923230

**Charter capital:** VND 150,000,000,000

**Business Registration Certificate:** No. 3500786179 issued by Department of Planning and Investment of Ba Ria - Vung Tau Province dated 18th December 2007

**Legal representative:** Mr. Pham Van Trung – Chairman of the Board of Members

### Key business activities

Manufacturing and trading building materials products including: steel pipes, stainless steel pipes, purlin, construction iron steel, etc., and PVC, PE, PP, PRP ..., resin, plastic ceiling sheet, etc.



No.	Items	Fiscal year 2009-2010	Plan for fiscal year 2010-2011
01	Output (tons)	53,627	78,440
02	Net revenue (VND billion)	854	1,117
03	Gross Profit (VND billion)	45.6	61.5

## HOA SEN TRANSPORTATION AND ENGINEERING ONE MEMBER LIMITED LIABILITIES COMPANY

**Headquarters:** No. 09, Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An District, Binh Duong Province

**Telephone:** (84-650)3737999

**Fax:** (84-650)3737999

**Charter capital:** VND 16,276,000,000

**Business Registration Certificate:** No. 3700785528 issued Department of Planning and Investment of Binh Duong Province dated 24th December 2007

**Legal representative:** Mr. Vu Van Thanh – Chairman of the Board of Members

### Key business activities

Goods and passenger transport by road and by waterway; warehouses; customs declaration, inspecting and counting goods services; Agent of goods purchasing and consigning; vehicles transport for leasing; motors repairing, motors materials and spare parts trading.



No.	Items	Fiscal year 2009-2010	Plan for of fiscal year 2010-2011
01	Output (Tons)	131,000	136,100
02	Net revenue (VND billion)	13.2	9.6
03	Gross profit (VND billion)	2.7	2.2

## PROJECTS

### Hoa Sen Phu My Steel Sheet Plant project – Phase 1

The project of Hoa Sen Phu My Steel Sheet Plant was launched in May, 2009. On March 15th 2010, only after 10 months since the implementation date, the project officially manufactured the first commercial products. Since then, all production lines have been gradually stabilized and contributed a considerable output into the entire Group in the previous fiscal year.

In fiscal year 2010- 2011, Hoa Sen Group continues installing the remain production lines of the project, especially the Number 1 cold rolling line of the project.

#### PRODUCTION LINES

No.	Production lines	Designed capacity	Expected time of operation
01	Pickling line	700,000 tons/ year	16/02/2011
02	Acid recycling line	5,000 liters/ hour	30/04/2011
03	Cold rolling line No. 1	200,000 tons/ year	28/02/2011
04	Cold rolling line No. 2	200,000 tons/ year	30/09/2011
05	Annealing furnace No.2 ( BAF, USA )	100,000 tons/ year	15/04/2011



## PROJECTS

### Hoa Sen Steel Pipe, Plastic Pipe and Building Materials Plant - Phase 2



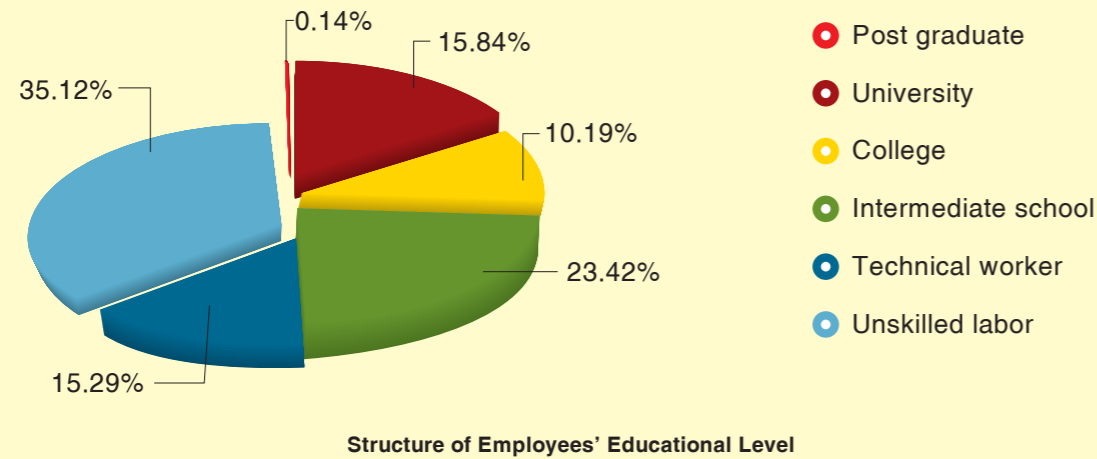
Together with the project of Hoa Sen Phu My Steel Sheet Plant phase 2 of Hoa Sen Steel Pipe, Plastic Pipe and Building Materials Plant is one of important projects for the sustainable development strategy of the Group.

#### PRODUCTION LINES

No.	Production lines	Designed capacity (tons/ year)	Operation time
1	Steel pipes		
1.1	06 lines in Di An branch	66,000	05/2010
1.2	03 lines in Phu My 1 Industrial Park	38,740	11/2009
2	Plastic pipes		
2.1	04 lines in Phu My 1 Industrial Park	13,480	09/2010
2.2	02 lines in Phu My 1 Industrial Park (European technology)	5,240	12/2010

## The number of employees

Up to 30th September 2010, the total number of employees is 2,904 people

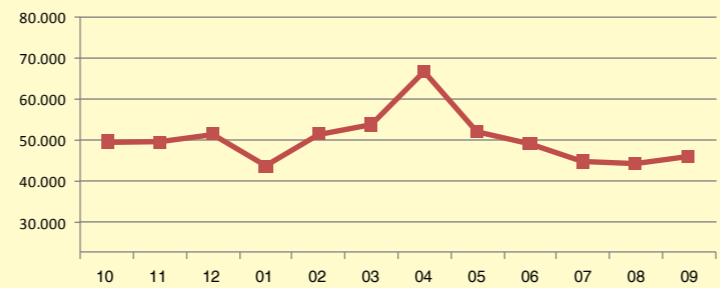


## Average income of employees

In fiscal year 2008-2009: 3,928,000 dong/ person/ month

In fiscal year 2009-2010: 4,850,000 dong/ person/ month

## Average income of the Board of Management\*



\* In April, the income increased considerably due to the payment for holidays in fiscal year 2008-2009

## Labor policies

### Salary and benefits policy

- In fiscal year 2009-2010, we issued and applied new salary policy depending on work efficiency to encourage the growth of labor productivity. This new salary policy is developed in accordance with our specific characteristics and competitive to the market.
- Allowance policy is developed in accordance with each sort of work. This is also an additional earning helping labors feel secure in their works. We have applied the following allowances: allowance for attraction, allowance for mobility, allowance for holding concurrently, allowance for toxicity, etc.

### Social insurance policy

- All staffs are provided with regulations of social insurance, medical insurance and unemployment insurance according to the Law.
- In many consecutive years, we have received certificates of Vietnam Social Insurance for fulfilling social insurance policy

## Bonus policy

Bonus policy has been applied along with achievements in working, efficiency in activities of production and business. We have applied the following policies: bonus for sales, bonus for achievements, bonus for the 13th salary month, bonus for excellent employees, bonus for initiatives, etc.

## Other policies

In addition to the policies on salary, bonus and social insurance in compliance with the Law, we have applied welfare regulations such as: bonus on main holidays (New Year, Lunar New Year, Wining Ceremony on 30th April, Independence Day, Mid-autumn Festival, the Group's foundation on 8th August, etc.), support for lunch meals and mid shift meals, provision of uniforms, labor protection, periodic health examination, accident insurance 24/24, etc.

## HR training and development policies

In order to meet expansion demand, we particularly focus on training and developing human resources. In fiscal year 2009-2010, there were two following main activities:

- Train and supply labors for Hoa Sen Phu My Steel Sheet Plant project and Distribution System Expansion project.
- Enhance professional skills for employees of the indirect group; improve the workmanship for labors of the direct production group.

Training courses of soft and teamwork skills, etc. are also conducted frequently for our staffs.

## Cooperation with universities and colleges

So as to launch the strategy of attracting highquality human resources, we signed a commitment of strategic cooperation with Vietnam National University of HCMC, the largest scale and highest quality organization in the Southern region. Besides, we have promoted collaborative programs with universities and colleges in Binh Duong and Ba Ria – Vung Tau provinces.



Signed a strategic partnership with Vietnam National University

## SHAREHOLDING INFORMATION

### INFORMATION ON SHARE

Charter capital: VND 1,007,907,900,000

Stock code: HSG

Listing exchange: HOSE

Listing date: 5th December 2008

Number of listed shares: 100,790,790

Number of treasury shares: 20,012

Number of outstanding shares: 100,770,778



Table 1: Price and transaction volume of shares of Hoa Sen Group from 1st October 2009 to 31st December 2010

Source: VnDirect Securities Company

### Information on dividend

In the last years, with the high obtained profit, Hoa Sen Group paid a stable dividend payment for shareholders. The rate of dividends paid for shareholders through years is presented as follows:

Fiscal year	Dividend/Facevalue	Note
2008	30%	20% in cash and 10% in stocks
2008 - 2009	20%	Stock dividend

### Additional shares issues

Time	Content	Charter capital before the issue (VND thousand)	Number of additional shares	Increased charter capital (VND thousand)	Charter capital after the issue (VND thousand)
11/02/2010	Issue shares for strategic investors and employees of the Group	570,385,000	12,961,500	129,615,000	700,000,000
31/03/2010	- Issue bonus shares from capital surplus of FY 2007 at the rate of 10% - Issue dividend shares for the 3rd tranche of FY 2008 at the rate of 10%	700,000,000	13,996,000	139,960,000	839,960,000
30/06/2010	- Issue dividend shares of FY 2008-2009 at the rate of 20%	839,960,000	16,794,790	167,947,900	1,007,907,900

Therefore, in fiscal year 2009-2010, we issued 43,752,290 more shares.

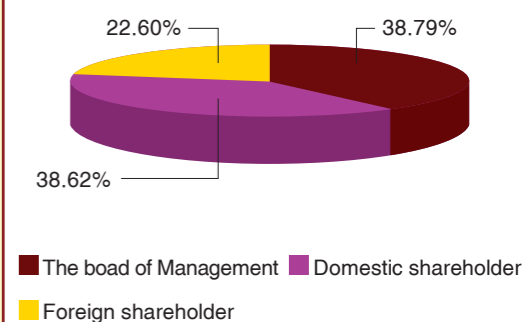
## SHAREHOLDING INFORMATION

### Shareholder structure of Hoa Sen Group

Based on the shareholder list on 18th August 2010, our shareholder structure is presented as follows:

No.	Shareholder	Number of shares	Proportion
01	<b>Board of Directors</b>	<b>39,091,852</b>	<b>38.79%</b>
02	<b>Domestic shareholders</b>	<b>38,922,181</b>	<b>38.62%</b>
	Individuals	30,710,068	30.47%
	Organizations	8,212,113	8.15%
03	<b>Foreign shareholders</b>	<b>22,776,757</b>	<b>22.60%</b>
	Individuals	269,018	0.27%
	Organizations	22,507,739	22.33%
<b>Total</b>		<b>100,790,790</b>	<b>100.00%</b>

### Shareholder structure of Hoa Sen Group



### Shareholders who own over 5% share capital of Hoa Sen Group

No.	Full name	Address	Number of shares	Proportion
01	Le Phuoc Vu	Number 19, Giang Van Minh street, Block 4, An Phu Ward, District 2, Ho Chi Minh City	38,688,652	38.39%

### Founding shareholders:

No.	Full name	Address	Number of shares	Proportion
01	Le Phuoc Vu	Number 19, Giang Van Minh street, Block 4, An Phu Ward, District 2, Ho Chi Minh City	38,688,652	38.39%
02	Ho Van Hoang	Dinh Trung commune, Binh Dai District, Ben Tre province	986,079	0.98%
03	Hoang Duc Huy	No 37/260L, Quang Trung road, Ward 12, Go Vap District, Ho Chi Minh city	86,400	0.09%
<b>Total</b>			<b>39,761,131</b>	<b>39.46%</b>

## SHAREHOLDING INFORMATION

### Shares owned by Board of Directors

No.	Title	Full name	Address	Number of shares	Proportion
01	Chairman	Le Phuoc Vu	Number 19, Giang Van Minh street, Block 4, An Phu Ward, District 2, Ho Chi Minh City	38,688,652	38.39%
02	Vice Chairman	Tran Ngoc Chu	No 285/7/10A, August revolution road, ward 12, district 10, Ho Chi Minh city	86,400	0.09%
03	Member	Pham Van Trung	No 7/122/1L Lien Khu 5-6 road, Binh Hung Hoa Ward, Binh Tan district, Ho Chi Minh city	72,000	0.07%
04	Member	Le Phung Hao	No 120/17 Tran Dinh Xu street, district 1, HCMC	79,200	0.08%
05	Member	Pham Gia Tuan	No 12/18 Phan Ke Binh street, Da Kao ward, District 1, Ho Chi Minh city	79,200	0.08%
06	Member	Nguyen Van Quy	No 92 Road 3, block 8, Truong Tho street, Thu Duc district, Ho Chi Minh city	86,400	0.09%
07	Member	Ly Duy Hoang	22 Village Green Drive, Vaughan Ontario, Canada	0	0%

### Shares owned by the Board of Management and Chief Accountant

No.	Title	Full name	Address	Number of shares	Proportion
01	General Director	Le Phuoc Vu	Number 19, Giang Van Minh street, Block 4, An Phu Ward, District 2, Ho Chi Minh City	38,688.652	38.39%
02	Deputy General Director	Pham Van Trung	No 7/122/1L Lien Khu 5-6 road, Binh Hung Hoa Ward, Binh Tan district, Ho Chi Minh city	72,000	0.07%
03	Deputy General Director	Tran Ngoc Chu	No 285/7/10A, August revolution road, ward 12, district 10, Ho Chi Minh city	86,400	0.09%
04	Deputy General Director	Hoang Duc Huy	No 37/260L Quang Trung road, ward 12, Go Vap district, Ho Chi Minh city	86,400	0.09%
05	Deputy General Director	Vu Van Binh	No 38/212 Quang Trung road, ward 10, Go Vap district, Ho Chi Minh city	65,174	0.06%
06	Deputy General Director	Tran Quoc Tri	Group 07 An Son, Thanh An, Binh Long, Binh Phuoc province	34,368	0.03%
07	Chief Accountant	Nguyen Thi Ngoc Lan	No 860/60X/39, Xo Viet Nghe Tinh street, Ward 25, Binh Thanh District, Ho Chi Minh city	23,184	0.02%

## SHAREHOLDING INFORMATION

### Shares owned by the Board of Supervisors

No.	Title	Full Name	Address	Number of shares	Proportion
01	Head of the board	Le Vu Nam	No 9/1 Phan Ton street, Da Kao ward, District 1, Ho Chi Minh city	9,000	0.01%
02	Member	Ly Van Xuan	Number 8-CX Van Chung, Quang Trung road, Ward 10, Go Vap district HCMC	86,400	0.09%
03	Member	Huynh Thi Hong Vy	Number 34/10A Trung Lan land, Ba Diem, Hoc Mon district, Ho Chi Minh city	4,320	0.00%

### Shares owned by shareholders relating to internal shareholders

No.	Full name of internal shareholder	Full name of relevant shareholder	Relationship with internal shareholder	Address	Number of shares	Proportion
01	Le Phuoc Vu	Hoang Thi Xuan Huong	Wife	Number 19, Giang Van Minh street, Block 4, An Phu Ward, District 2, Ho Chi Minh City	676,800	0.67%
		Le Hoang Vu Tri	Son	Number 19, Giang Van Minh street, Block 4, An Phu Ward, District 2, Ho Chi Minh City	72,000	0.07%
02	Hoang Duc Huy	Hoang Duc Hoang	Younger brother	Number 200, Tran Hung Dao street, Ward 1, Tay Ninh town, Tay Ninh province	15,552	0.02%
		Hoang Thi Xuan Huong	Younger sister	Number 19, Giang Van Minh street, Block 4, An Phu Ward, District 2, Ho Chi Minh City	676,800	0.67%
		Hoang Duc Canh	Younger brother	No 37/260P, Quang Trung road, Ward 12, Go Vap District, Ho Chi Minh city	10,454	0.01%
03	Nguyen Thi Ngoc Lan	Nguyen Thi Ngoc Chau	Younger sister	No 860/60X/39, Xo Viet Nghe Tinh street, Ward 25, Binh Thanh District, Ho Chi Minh city	5,760	0.01%
04	Ly Van Xuan	Vo Thi Son Ca	Wife	No 5/1 Quang Trung road, ward 11, Go Vap District, Ho Chi Minh city	18,000	0.02%
		Ly Khanh Van	Daughter	No 08 C/X Van Chung street, Quang Trung road, ward 10, Go Vap District, Ho Chi Minh city	9,000	0.01%
05	Huynh Thi Hong Vy	Tran Minh Phuong	Husband	An Thanh Ward, Hoai An District, Binh Dinh province	6,480	0.01%



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**AUDITED CONSOLIDATED  
FINANCIAL STATEMENT FOR  
FISCAL YEAR 2009-2010**

## COMPANY INFORMATION



**KPMG Limited**  
10<sup>th</sup> Floor, Sun Wah Tower  
115 Nguyen Hue Street  
District 1, Ho Chi Minh City  
The Socialist Republic of Vietnam

Telephone +84 (8) 3821 9266  
Fax +84 (8) 3821 9267  
Internet www.kpmg.com

### Business Registration Certificate No:

3700381324 21 July 2010  
The Business Registration Certificate has been amended many times, the most recent of which is Business Registration No. 3700381324 dated 21 July 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
Mr Ly Duy Hoang	Member (from 27 March 2010)
Mr Vu Bao Quoc	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

## REPORT OF THE INDEPENDENT AUDITORS

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

#### Scope

We have audited the accompanying consolidated balance sheet of Hoa Sen Group Corporation (“the Company”) and its subsidiaries (together referred to as “the Group”) as of 30 September 2010 and the related consolidated statements of income, changes in equity and cash flows for the year then ended which were authorised for issue by the Company’s management on 23 December 2010 and the explanatory notes thereto. These consolidated financial statements are the responsibility of the Company’s management. 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 plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

#### Audit opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Hoa Sen Group Corporation and its subsidiaries as of 30 September 2010 and of their consolidated results of operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements.

**KPMG Limited**  
Vietnam  
Investment Certificate No: 011043000345  
Audit Report No:10-01-149

**Tran Dinh Vinh**  
CPA No. 0339/KTV  
Deputy General Director

**Nguyen Thanh Nghi**  
CPA No. 0304/KTV

Ho Chi Minh City, 23 December 2010

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## Hoa Sen Group Corporation and its subsidiaries

Consolidated balance sheet at 30 September 2010

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

	Code	Note	30/9/2010 VND	30/9/2009 VND
<b>ASSETS</b>				
<b>Current assets</b>	<b>100</b>		<b>2,302,873,881,552</b>	<b>1,208,474,740,581</b>
<b>Cash</b>	<b>110</b>	3	<b>50,162,949,043</b>	<b>47,653,614,415</b>
<b>Accounts receivable</b>	<b>130</b>		<b>561,336,612,666</b>	<b>298,978,339,425</b>
Accounts receivable - trade	131	4	324,687,042,256	166,640,183,049
Prepayments to suppliers	132	5	237,304,512,408	133,695,332,531
Other receivables	135		1,418,702,328	231,899,264
Allowance for doubtful debts	139	6	(2,073,644,326)	(1,589,075,419)
<b>Inventories</b>	<b>140</b>	7	<b>1,446,169,048,203</b>	<b>747,124,150,310</b>
Inventories	141		1,447,032,284,609	748,874,572,944
Allowance for inventories	149		(863,236,406)	(1,750,422,634)
<b>Other current assets</b>	<b>150</b>		<b>245,205,271,640</b>	<b>114,718,636,431</b>
Short-term prepayments	151		16,237,807,971	5,991,033,516
Deductible value added tax	152		144,205,215,793	24,953,819,659
Taxes receivable from State Treasury	154	8	5,160,690,546	24,435,448
Other current assets	158	9	79,601,557,330	83,749,347,808
<b>Long-term assets</b>	<b>200</b>		<b>2,246,229,628,497</b>	<b>1,230,298,431,480</b>
<b>Fixed assets</b>	<b>220</b>		<b>2,149,009,604,340</b>	<b>1,158,228,495,053</b>
Tangible fixed assets	221	10	1,241,359,830,839	755,358,089,492
Cost	222		1,595,239,953,323	980,152,984,494
Accumulated depreciation	223		(353,880,122,484)	(224,794,895,002)
Finance lease tangible fixed asset	224	11	42,055,952,359	12,741,504,032
Cost	225		44,378,948,327	13,695,000,000
Accumulated depreciation	226		(2,322,995,968)	(953,495,968)
Intangible fixed assets	227	12	264,730,776,465	185,962,339,810
Cost	228		273,228,167,033	191,845,095,283
Accumulated amortisation	229		(8,497,390,568)	(5,882,755,473)
Construction in progress	230	13	600,863,044,677	204,166,561,719
<b>Long-term investments</b>	<b>250</b>	14	<b>57,861,544,958</b>	<b>58,414,544,958</b>
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
Provision for a decline in value of long-term investments	259		(553,000,000)	-
<b>Other long-term assets</b>	<b>260</b>		<b>39,358,479,199</b>	<b>13,655,391,469</b>
Long-term prepayments	261	15	34,231,203,940	10,779,291,756
Deferred tax assets	262	31	4,727,275,259	2,476,099,713
Long-term deposits	268		400,000,000	400,000,000
<b>TOTAL ASSETS</b>	<b>270</b>		<b>4,549,103,510,049</b>	<b>2,438,773,172,061</b>

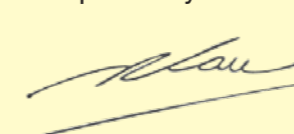
## Hoa Sen Group Corporation and its subsidiaries

Consolidated balance sheet at 30 September 2010

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

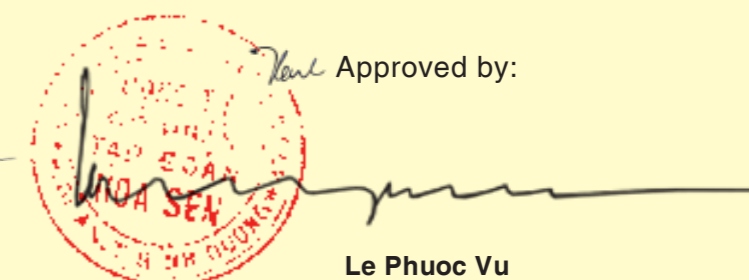
	Code	Note	30/9/2010 VND	30/9/2009 VND
<b>RESOURCES</b>				
<b>LIABILITIES</b>	<b>300</b>		<b>2,837,604,785,156</b>	<b>1,499,444,452,950</b>
<b>Current liabilities</b>	<b>310</b>		<b>2,396,798,340,290</b>	<b>1,162,237,668,147</b>
Short-term borrowings	311	16	1,775,370,331,718	759,969,415,865
Accounts payable – trade	312		441,737,582,232	274,357,767,275
Advances from customers	313		23,177,497,131	12,811,898,657
Taxes payable to State Treasury	314	17	33,566,752,470	20,117,823,780
Payables to employees	315		18,269,725,463	12,079,314,134
Accrued expenses	316	18	91,523,947,964	14,387,443,150
Other payables	319	19	11,423,505,936	61,362,078,425
Bonus and welfare fund	323	20	1,728,997,376	7,151,926,861
<b>Long-term liabilities</b>	<b>330</b>		<b>440,806,444,866</b>	<b>337,206,784,803</b>
Long-term borrowings and liabilities	334	21	438,660,845,266	335,443,237,703
Provision for severance allowance	336	22	2,145,599,600	1,763,547,100
<b>EQUITY</b>	<b>400</b>		<b>1,711,498,724,893</b>	<b>939,328,719,111</b>
<b>Equity</b>	<b>410</b>		<b>1,711,498,724,893</b>	<b>939,328,719,111</b>
Share capital	411	23	1,007,907,900,000	570,385,000,000
Capital surplus	412		451,543,290,363	88,222,712,000
Treasury shares	414	23	(572,094,000)	(572,000,000)
Differences upon asset revaluation	415	24	21,447,090,156	21,447,090,156
Financial reserve	416		8,525,313,060	-
Retained profits	420		222,647,225,314	259,845,916,955
<b>TOTAL RESOURCES</b>	<b>440</b>		<b>4,549,103,510,049</b>	<b>2,438,773,172,061</b>

Prepared by:



Nguyen Thi Ngoc Lan  
Chief Accountant

Approved by:



Le Phuoc Vu  
General Director

23 December 2010

# Hoa Sen Group Corporation and its subsidiaries

Consolidated statement of income for the year ended 30 September 2010

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

	Code	Note	2010 VND	2009 VND
<b>Total revenue</b>	01	25	4,912,610,384,192	2,836,386,675,588
<b>Less sales deductions</b>	02	25	(13,429,851,006)	(4,967,409,587)
<b>Net sales</b>	10		4,899,180,533,186	2,831,419,266,001
<b>Cost of sales</b>	11	26	(3,968,224,548,046)	(2,276,099,635,609)
<b>Gross profit</b>	20		930,955,985,140	555,319,630,392
Financial income	21	27	24,103,464,903	14,227,334,928
Financial expenses	22	28	(372,873,198,649)	(166,403,032,123)
Selling expenses	24		(209,477,229,128)	(116,342,381,073)
General and administration expenses	25		(148,691,601,966)	(98,116,034,240)
<b>Net operating profit</b>	30		224,017,420,300	188,685,517,884
<b>Results of other activities</b>	40			
Other income	31	29	37,905,553,460	14,087,152,639
Other expenses	32	30	(10,021,297,310)	(2,383,051,288)
<b>Profit before tax</b>	50		251,901,676,450	200,389,619,235
<b>Income tax expense – current</b>	51	31	(38,773,640,483)	(7,351,204,479)
<b>Income tax benefit/(expense) – deferred</b>	52	31	2,251,175,546	(3,587,013,424)
<b>Net profit</b>	60		215,379,211,513	189,451,401,332
<b>Earning per share</b>				
<b>Basic earning per share</b>	70	32	2,241	2,158

Prepared by:

Nguyen Thi Ngoc Lan  
Chief Accountant



Approved by:

Le Phuoc Vu  
General Director

23 December 2010

## Hoa Sen Group Corporation and its subsidiaries

Consolidated statement of income for the year ended 30 September 2010

	Share capital VND	Capital surplus VND	Treasury shares VND	Differences upon asset revaluation VND	Financial reserve VND	Retained profits VND	Total VND
<b>Balance at 30 September 2008</b>	570,385,000,000	88,222,712,000	(572,000,000)	21,447,090,156	-	133,239,647,898	812,722,450,054
Net profit for the year	-	-	-	-	-	189,451,401,332	189,451,401,332
Dividends	-	-	-	-	-	(57,018,500,000)	(57,018,500,000)
Transfer to bonus and welfare fund	-	-	-	-	-	(5,841,632,275)	(5,841,632,275)
Other receipts	-	-	-	-	-	15,000,000	15,000,000
<b>Balance at 30 September 2009</b>	570,385,000,000	88,222,712,000	(572,000,000)	21,447,090,156	-	259,845,916,955	939,328,719,111
Shares issued	129,615,000,000	438,652,500,000	-	-	-	-	568,267,500,000
Bonus shares issued (Note 33)	69,980,000,000	(69,980,000,000)	-	-	-	-	-
Share dividends (Note 33)	237,927,900,000	-	-	-	-	(237,927,900,000)	-
Commission and brokerage fees for share issue	-	(5,351,921,637)	-	-	-	-	(5,351,921,637)
Net profit for the year	-	-	-	-	-	215,379,211,513	215,379,211,513
Treasury shares bought back	-	-	(94,000)	-	-	-	(94,000)
Transfer to financial reserve	-	-	-	-	8,525,313,060	(8,525,313,060)	-
Transfer to bonus and welfare fund	-	-	-	-	-	(6,121,598,094)	(6,121,598,094)
Other payments	-	-	-	-	-	(3,092,000)	(3,092,000)
<b>Balance at 30 September 2010</b>	1,007,907,900,000	451,543,290,363	(572,094,000)	21,447,090,156	8,525,313,060	222,647,225,314	1,711,498,724,893

Prepared by:

Nguyen Thi Ngoc Lan  
Chief Accountant

Approved by:

Le Phuoc Vu  
General Director

23 December 2010

## Hoa Sen Group Corporation and its subsidiaries

Consolidated statement of income for the year ended 30 September 2010

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

	Code	Note	2010 VND	2009 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	01		251,901,676,450	200,389,619,235
Adjustments for				
Depreciation and amortisation	02		152,071,726,357	111,151,725,882
Allowances and provisions	03		3,338,187,673	(48,910,086,573)
Losses from investing activities	04		336,345,088	473,342,868
Interest income	05		(1,874,898,464)	(987,618,445)
Interest expense	06		166,117,089,761	80,339,426,368
<b>Operating profit before changes in working capital</b>	<b>08</b>		<b>571,890,126,865</b>	<b>342,456,409,335</b>
Change in receivables and other current assets	09		(391,790,399,980)	(156,037,373,618)
Change in inventories	10		(698,157,711,665)	185,535,144,495
Change in payables and other liabilities	11		283,148,424,670	143,283,682,881
Change in prepayments	12		-	(2,632,644,762)
			<b>(234,909,560,110)</b>	<b>512,605,218,331</b>
Interest paid	13		(163,639,782,761)	(80,339,426,368)
Corporate income tax paid	14		(47,142,162,249)	(1,680,184,516)
Other receipts from operating activities	15		-	15,000,000
Other payments for operating activities	16		(11,547,619,579)	(2,356,804,395)
<b>Net cash (used in)/generated from operating activities</b>	<b>20</b>		<b>(457,239,124,699)</b>	<b>428,243,803,052</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for additions to fixed assets and other long-term assets	21		(1,141,051,750,493)	(316,296,569,376)
Proceeds from disposals of fixed assets and other long-term assets	22		3,744,605,904	16,877,394,363
Payments for investments in other entities	25		-	(15,710,184,000)
Receipts of interests and dividends	27		3,224,898,464	987,618,445
<b>Net cash used in investing activities</b>	<b>30</b>		<b>(1,134,082,246,125)</b>	<b>(314,141,740,568)</b>

## Hoa Sen Group Corporation and its subsidiaries

Consolidated statement of income for the year ended 30 September 2010

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

	Code	Note	2010 VND	2009 VND
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net proceeds from shares issued	31		562,915,578,363	-
Payments for shares repurchases	32		(94,000)	-
Proceeds from short-term and long-term borrowings	33		4,531,607,145,366	2,478,207,101,913
Payments to settle debts	34		(3,434,156,471,290)	(2,502,830,068,993)
Payments to settle finance lease liabilities	35		(9,516,098,987)	(1,609,357,144)
Payments of dividends	36		(57,019,354,000)	(56,311,478,000)
<b>Net cash generated from/(used in) financing activities</b>	<b>40</b>		<b>1,593,830,705,452</b>	<b>(82,543,802,224)</b>
<b>Net cash flows during the year</b>	<b>50</b>		<b>2,509,334,628</b>	<b>31,558,260,260</b>
<b>Cash at the beginning of the year</b>	<b>60</b>		<b>47,653,614,415</b>	<b>16,095,354,155</b>
<b>Cash at the end of the year</b>	<b>70</b>	<b>3</b>	<b>50,162,949,043</b>	<b>47,653,614,415</b>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>				
			<b>2010 VND</b>	<b>2009 VND</b>
Issuance of new shares in form of bonus shares and dividends shares			307,907,900,000	-
Acquisition of tangible fixed assets by finance lease			30,683,948,327	-

Prepared by:



Nguyen Thi Ngoc Lan  
Chief Accountant



Approved by:



Le Phuoc Vu  
General Director

23 December 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 year ended 30 September 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 VND1,007,907,900,000.

As at 30 September 2010 the Group had 2,904 employees (30 September 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 the relevant statutory requirements.

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.

##### 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 associate, 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 Group 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 year have been translated into VND at rates approximating those ruling at the transaction dates. All realised and unrealised 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 Exchanges 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 Group chose to continue applying VAS 10 for recognition of foreign exchange differences. Had the Group adopted Circular No. 201/2009/TT-BTC effective from 1 October 2010, consolidated net profit for the year ended 30 September 2010 would increase by VND4,335,257,243 (net of deferred income tax effect of VND150,348,495).

### (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.

### (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 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.

## (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 – 25 years
- motor vehicles 4 – 10 years
- office equipment 6 – 8 years
- other tangible fixed assets 3 – 20 years

## (i) Finance lease tangible fixed assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Tangible fixed assets acquired by way of finance leases are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation.

Depreciation on leased assets is computed on a straight-line basis over the estimated useful lives of items of the leased assets. The estimated useful lives of leased assets are consistent with the useful lives of tangible fixed assets as described in accounting policy 2(h).

## (j) 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.

## (k) 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.

## (l) Long-term prepayments

### (i) Pre-operating expenses

Pre-operating expenses are recorded in the statement of income, except for establishment costs and expenditure 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.

### (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 and overhaul expenditure

Tools and supplies and overhaul expenditure are initially stated at cost and amortised on a straight line basis over 2 to 5 years.

## (m) Trade and other payables

Trade and other payables are stated at their cost.

## (n) 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.

## (o) Taxation

Income tax on the profit or loss for the year 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 year, 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.

## (p) 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.

## (q) 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.

## (r) 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.

## (s) Borrowing costs

Borrowing costs are recognised as an expense in the year 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.

## (t) 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 year. 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.

## (u) 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.

## (v) 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

	30/9/2010 VND	30/9/2009 VND
Cash on hand	10,509,814,611	5,660,942,485
Cash in bank	39,653,134,432	41,990,271,930
Cash in transit	-	2,400,000
	<b>50,162,949,043</b>	<b>47,653,614,415</b>

Cash at 30 September 2010 included amounts denominated in currencies other than VND amounting to VND4,359,502,228 (30 September 2009: VND1,145,461,297).

## 4. Accounts receivable – trade

At 30 September 2010 accounts receivable with a carrying value of VND174,480,224,034 (30 September 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 30 September 2010 included amounts prepaid for acquisition of construction services of VND94,020,040,432 (30 September 2009: VND91,996,477,272).

## 6. Allowance for doubtful debts

Movements in the allowance for doubtful debts during the year were as follows:

	2010 VND	2009 VND
Opening balance	1,589,075,419	3,108,941,086
Increase in allowance during the year	2,073,644,326	-
Allowance utilised during the year	(738,081,860)	(1,115,758,029)
Written back	(850,993,559)	(404,107,638)
Closing balance	<b>2,073,644,326</b>	<b>1,589,075,419</b>

## 7. Inventories

	30/9/2010 VND	30/9/2009 VND
Goods in transit	130,488,445,168	216,883,822,941
Raw materials	455,333,364,646	224,722,769,891
Tools and supplies	149,703,264,790	80,640,027,924
Work in progress	898,557,068	1,778,229,350
Finished goods	599,489,042,076	181,335,400,190
Merchandise inventory	111,119,610,861	43,514,322,648
	1,447,032,284,609	748,874,572,944
Allowance for inventories	(863,236,406)	(1,750,422,634)
	<b>1,446,169,048,203</b>	<b>747,124,150,310</b>

# Hoa Sen Group Corporation and its subsidiaries

Notes to the consolidated financial statements for the year ended 30 September 2010

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

	2010 VND	2009 VND
Opening balance	1,750,422,634	50,822,646,169
Increase in allowance during the year	863,236,406	-
Allowance utilised during the year	(1,750,422,634)	(49,072,223,535)
Closing balance	<b>863,236,406</b>	<b>1,750,422,634</b>

At 30 September 2010 inventories with a carrying value of VND1,117,449,650,648 (30 September 2009: VND615,999,281,150) were pledged with banks as security for loans granted to the Group.

Included in raw materials and finished goods at 30 September 2010 was VND88,585,099,904 (30 September 2009: VND23,383,615,645) of inventories carried at net realisable value.

## 8. Taxes receivable from State Treasury

	30/9/2010 VND	30/9/2009 VND
Corporate income tax prepaid	4,344,829,871	-
Natural resource taxes	788,004,700	-
Other taxes	27,855,975	24,435,448
	<b>5,160,690,546</b>	<b>24,435,448</b>

## 9. Other current assets

	30/9/2010 VND	30/9/2009 VND
Short-term deposits	76,802,474,615	81,496,879,827
Advances	2,799,082,715	1,751,559,061
Others	-	500,908,920
	<b>79,601,557,330</b>	<b>83,749,347,808</b>

## Hoa Sen Group Corporation and its subsidiaries

Notes to the consolidated financial statements for the year ended 30 September 2010

### 10. Tangible fixed assets

Cost	Buildings VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Other tangible fixed assets VND	Total VND
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	347,980,797	50,460,986,240	19,763,705,907	1,128,014,101	901,513,484	72,602,200,529
Transfers from construction in progress	109,531,560,351	417,584,924,092	10,274,652,049	706,359,905	-	538,097,496,397
Transfers from long-term prepayment	-	12,111,239,543	-	-	-	12,111,239,543
Disposals	(929,240,322)	(6,496,930,587)	(276,069,180)	(7,682,096)	-	(7,709,922,185)
Written-off	-	-	(14,045,455)	-	-	(14,045,455)
Closing balance	351,994,958,167	1,168,671,628,495	68,238,234,048	4,458,316,205	1,876,816,408	1,595,239,953,323
<b>Accumulated depreciation</b>						
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 year	19,859,012,140	105,970,520,133	6,810,127,174	624,077,024	168,823,153	133,432,559,624
Disposals	(202,519,183)	(3,977,079,692)	(154,601,956)	(7,864,259)	-	(4,342,065,090)
Written-off	-	-	(5,267,052)	-	-	(5,267,052)
Closing balance	51,474,946,388	281,816,730,476	18,081,369,916	1,889,157,739	617,917,965	353,880,122,484
<b>Net book value</b>						
Closing balance	300,520,011,779	886,854,898,019	50,156,864,132	2,569,158,466	1,258,898,443	1,241,359,830,839
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

Included in the cost of tangible fixed assets were assets costing VND2,260,247,317 which were fully depreciated as of 30 September 2010 (30 September 2009: VND815,969,320), but which are still in active use.

At 30 September 2010 tangible fixed assets with a carrying value of VND186,113,705,790 (30 September 2009: VND465,772,985,048) were pledged with banks as security for loans granted to the Group.

At 30 September 2010, the carrying amount of temporarily idle equipment in tangible fixed assets amounted to VND386,873,166 (30 September 2009: VND1,270,038,672).

## 11. Finance lease tangible fixed asset

	Machinery and equipment VND
<b>Cost</b>	
Opening	13,695,000,000
Additions	30,683,948,327
	44,378,948,327
<b>Accumulated depreciation</b>	
Opening balance	953,495,968
Charge for the year	1,369,500,000
	2,322,995,968
<b>Net book value</b>	
Closing balance	42,055,952,359
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.

## 12. Intangible fixed assets

	Land use rights VND	Software VND	Total VND
<b>Cost</b>			
Opening balance	190,107,344,479	1,737,750,804	191,845,095,283
Additions	81,178,355,400	204,716,350	81,383,071,750
	271,285,699,879	1,942,467,154	273,228,167,033
<b>Accumulated amortisation</b>			
Opening balance	5,520,946,399	361,809,074	5,882,755,473
Charge for the year	2,319,129,450	295,505,645	2,614,635,095
	7,840,075,849	657,314,719	8,497,390,568
<b>Net book value</b>			
Closing balance	263,445,624,030	1,285,152,435	264,730,776,465
Opening balance	184,586,398,080	1,375,941,730	185,962,339,810

At 30 September 2010 land use rights with a carrying value of VND153,410,730,556 (30 September 2009: VND75,123,910,504) were pledged with banks as security for loans granted to the Group.

## 13. Construction in progress

	2010 VND	2009 VND
Opening balance	204,166,561,719	29,274,740,889
Additions during the year	960,382,180,020	217,738,963,076
Transfers to tangible fixed assets	(538,097,496,397)	(41,204,849,624)
Transfers to long term prepayment	(23,732,250,374)	(1,642,292,622)
Disposals	(1,855,950,291)	-
	600,863,044,677	204,166,561,719
Closing balance	600,863,044,677	204,166,561,719



## Hoa Sen Group Corporation and its subsidiaries

Notes to the consolidated financial statements for the year ended 30 September 2010

### 14. Long-term investments

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

Name	Principal activity	Business Registration Certificate	30/9/2010 VND	30/9/2009 VND
<b>Associate</b> Hoa Sen – Gemadept 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 on 20 June 2006 and amended on 13 October 2009	43,414,544,958	43,414,544,958
<b>Other long term investments</b> 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	15,000,000,000	15,000,000,000
Allowance for diminution in value of long-term investments			(553,000,000)	-
			57,861,544,958	58,414,544,958

Allowance for diminution in value of long-term investments represented the allowance made during the year.

## Hoa Sen Group Corporation and its subsidiaries

Notes to the consolidated financial statements for the year ended 30 September 2010

### 15. Long-term prepayments

	Pre-operating expenses VND	Advertising expenses VND	Tools and supplies and overhaul VND	Total VND
Opening balance	1,066,861,381	456,083,687	9,256,346,688	10,779,291,756
Additions	695,753,437	19,557,000	25,968,987,757	26,684,298,194
Transfers from construction in progress	-	-	23,732,250,374	23,732,250,374
Amortisation for the year	(1,762,614,818)	(362,036,498)	(12,530,380,322)	(14,655,031,638)
Disposals	-	-	(198,365,203)	(198,365,203)
Transfers to tangible fixed assets	-	-	(12,111,239,543)	(12,111,239,543)
Closing balance	-	113,604,189	34,117,599,751	34,231,203,940

## 16. Short-term borrowings

Note	30/9/2010 VND	30/9/2009 VND
<b>Short-term borrowings</b>		
Vietnam Bank for Agriculture and Rural Development		
Loan 1	-	10,000,000,000
Loan 2	-	169,331,769,100
Loan 3	-	133,119,838,000
Loan 4	(a) 379,172,838,000	-
Loan 5	(b) 170,217,214,428	-
Loan 6	(c) 15,032,008	-
The Bank for Foreign Trade of Vietnam		
Loan 1	-	192,365,305,600
Loan 2	-	33,323,750,000
Loan 3	-	9,000,000,000
Loan 4	(d) 89,605,926,343	-
Loan 5	(e) 180,434,911,000	-
Vietnam Bank for Industry and Trade		
Loan 1	(f) 32,689,327,799	26,483,871,700
Loan 2	-	3,576,686,786
The Hongkong and Shanghai Banking Corporation		
Far East National Bank	(g) 130,140,383,940	-
Loan 1	(h) 100,665,786,622	57,940,948,782
Loan 2	-	4,494,047,225
Indovina Bank	(i) 50,771,421,108	47,060,000,000
Sacombank	-	6,245,000,000
Loan 1	(j) 81,645,101,940	-
Loan 2	(k) 44,875,660,253	-
Techcombank	(l) 129,000,000,000	-
Military Bank	(m) 51,972,800,000	-
Tien Phong Bank	(n) 150,649,994,231	-
Bao Viet Bank	(o) 23,167,387,682	-
ANZ Bank	(p) 31,466,190,536	-
Asia Commercial Bank	-	-
	1,646,489,975,890	692,941,217,193
Current portion of long-term borrowings and liabilities (Note 21)	128,880,355,828	67,028,198,672
	<b>1,775,370,331,718</b>	<b>759,969,415,865</b>

a. This loan is secured by the Group's land use rights, tangible fixed assets and inventories with carrying value as at 30 September 2010 of VND773,220,403,861 and shareholders' assets with value at 30 September 2010 of VND373,027,129,500. The loan includes the VND and USD facilities.

The VND facility with the outstanding balance as at 30 September 2010 amounting to VND250,172,838,000 bore interest at rates ranging from 12% to 13.8% per annum during the year.

The USD facility with the outstanding balance as at 30 September 2010 amounting to VND129,000,000,000 bore interest at 6% per annum during the year.

b. This loan is secured by the Group's land use rights, tangible fixed assets and inventories with carrying value as at 30 September 2010 of VND924,015,485,931 and shareholders' assets with value at 30 September 2010 of VND244,616,200,000. The loan bore interest at rates ranging from 12% to 13.8% per annum during the year.

c. This loan, denominated in USD, is secured by the Group's land use rights and inventories with carrying value as at 30 September 2010 of VND570,912,485,120 and shareholders' assets with value at 30 September 2010 of VND244,616,200,000. The loan bore interest at rates ranging from 5% to 6% per annum during the year.

d. This loan is secured by the Group's tangible fixed assets, land use rights and inventories with carrying value as at 30 September 2010 of VND97,955,019,985. The loan includes the VND and USD facilities.

The USD facility with the outstanding balance as at 30 September 2010 amounting to VND 89,605,926,343 bore interest at 6.5% per annum during the year.

The VND facility with the outstanding balance as at 30 September 2010 amounting to VND 180,434,911,000 bore interest at rates ranging from 12.0% to 13.8% per annum during the year.

e. This loan is secured by the Group's tangible fixed assets, land use rights and inventories with carrying value at 30 September 2010 of VND97,955,019,985. The loan bore interest at rates ranging from 12.0% to 13.8% per annum during the year.

f. This loan, denominated in USD, is secured by the Group's land use rights and inventories with carrying value as at 30 September 2010 of VND34,537,974,060 (30 September 2009: VND52,534,494,614). The loan bore interest at rates ranging from 6.4% to 6.8% (2009: 3%) per annum during the year.

g. This loan is secured by the Group's land use rights, tangible fixed assets and inventories with carrying value as at 30 September 2010 of VND186,457,842,869 and shareholders' assets with value as at 30 September 2010 of VND151,456,000,000. The loan includes the VND and USD facilities.

The USD facility with the outstanding balance as at 30 September 2010 amounting to VND 15,165,383,940 bore interest at rates ranging from 4.9% to 5.0% per annum during the year.

The VND facility with the outstanding balance as at 30 September 2010 amounting to VND 114,975,000,000 bore interest at rates ranging from 10% to 14% per annum during the year.

h. This loan, denominated in USD, is secured by the Group's accounts receivable and inventories with carrying value as at 30 September 2010 of VND1,775,452,569,794 (30 September 2009: VND670,730,908,552). The loan bore interest at 5% (2009: 5%) per annum during the year.

i. This loan is secured by the Group's land use rights and inventories with carrying value as at 30 September 2010 of VND1,121,401,125,648 (30 September 2009: VND71,247,275,000). The loan includes the VND and USD facilities.

The VND facility with the outstanding balance as at 30 September 2010 amounting to VND 16,808,000,000 bore interest at rates ranging from 14.2% to 14.4% (2009: 6.5%) per annum during the year.

The USD facility with the outstanding balance as at 30 September 2010 amounting to VND 33,963,421,108 bore interest at 6.5% per annum during the year.

j. This loan, denominated in USD, is secured by the Group's land use rights and inventories with carrying value as at 30 September 2010 of VND12,045,062,463. The loan bore interest at rates ranging from 6% to 7% per annum during the year.

- k. This loan, denominated in USD, is secured by the Group's inventories with carrying value as at 30 September 2010 of VND36,678,818,118. The loan bore interest at 7% per annum during the year.
- l. This loan is secured by the Group's land use rights and inventories with carrying value as at 30 September 2010 of VND81,923,979,627. The loan bore interest at 12.7% per annum during the year.
- m. This loan is secured by the Group's inventories with carrying value as at 30 September 2010 of VND46,903,586,256. The loan bore interest at rates ranging from 13.7% to 14.3% per annum during the year.
- n. This loan is secured by the Group's tangible fixed assets and inventories with carrying value as at 30 September 2010 of VND1,120,740,032,248. The loan bore interest at 13.5% per annum during the year.
- o. This loan is secured by the Group's accounts receivable and inventories with carrying value as at 30 September 2010 of VND1,775,452,569,794. The loan bore interest at rates ranging from 13.5% to 13.8% per annum during the year.
- p. This loan, denominated in USD, is secured by the Group's inventories with carrying value as at 30 September 2010 of VND1,117,449,650,648. The loan bore interest at rates ranging from 4.8% to 6.3% per annum during the year.

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

## 17. Taxes payable to State Treasury

	30/9/2010 VND	30/9/2009 VND
Value added tax	29,315,411,086	12,752,096,909
Corporate income tax	2,869,712,219	6,893,404,114
Import tax	1,128,280,960	225,995,754
Personal income tax	252,422,445	246,327,003
Natural resources tax	925,760	-
	<b>33,566,752,470</b>	<b>20,117,823,780</b>

## 18. Accrued expenses

	30/9/2010 VND	30/9/2009 VND
13 <sup>th</sup> month salary	5,513,234,395	2,712,961,000
Construction in progress	80,484,320,287	8,546,829,336
Audit fee	906,874,000	604,560,000
Electricity expense	638,239,530	673,988,932
Board of Directors, Advisory and Supervisory fees	221,479,998	-
Interest expenses	2,477,307,000	-
Others	1,282,492,754	1,849,103,882
	<b>91,523,947,964</b>	<b>14,387,443,150</b>

## 19. Other payables

	30/9/2010 VND	30/9/2009 VND
Union fees	174,759,600	67,154,000
Social insurance	383,751,074	243,192,600
Health insurance	-	899,000
Short-term deposits	2,397,024,758	1,887,510,000
Dividends payable	1,270,476,000	58,289,830,000
Unearned revenues	4,560,000,000	-
Others	2,637,494,504	873,492,825
	<b>11,423,505,936</b>	<b>61,362,078,425</b>

## 20. 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. The fund is reclassified to current liability in accordance with Circular 244/2009/TT-BTC dated 31 December 2009. Movements of bonus and welfare fund of the year were as follows:

	2010 VND	2009 VND
Opening balance	7,151,926,861	-
Increase during the year	6,121,598,094	5,841,522,275
Receipt of bonus and welfare fund from a subsidiary	-	3,660,408,981
Utilisation of bonus and welfare fund	(11,544,527,579)	(2,350,004,395)
Closing balance	<b>1,728,997,376</b>	<b>7,151,926,861</b>

## 21. Long term borrowings and liabilities

	Note	30/9/2010 VND	30/9/2009 VND
Vietnam Bank for Agriculture and Rural Development			
Loan 1		-	23,360,000,000
Loan 2	(a)	33,131,000,000	47,574,800,000
Loan 3		-	9,275,000,000
Loan 4		-	9,312,000,000
Loan 5	(b)	3,381,580,000	2,944,000,000
Loan 6	(c)	112,556,000,000	54,494,000,000
Loan 7		-	579,930,000
Loan 8	(d)	135,358,516,000	38,841,516,000
The Bank for Foreign Trade of Vietnam			
Loan 1	(e)	4,266,288,336	5,105,183,824
Loan 2		-	2,990,000,000
Loan 3	(f)	27,494,990,147	-
The Vietnam Development Bank			
Loan 1	(g)	118,534,946,415	120,178,863,695
Loan 2	(h)	53,140,000,000	63,760,000,000
Loan 3	(i)	10,800,000,000	14,400,000,000
Bao Viet Bank	(j)	3,030,000,000	-
Indovina Bank	(k)	35,023,888,000	-
		536,717,208,898	392,815,293,519
Finance lease liabilities	(l)	30,823,992,196	9,656,142,856
		567,541,201,094	402,471,436,375
Repayable within twelve months (Note 16)		(128,880,355,828)	(67,028,198,672)
Repayable after twelve months		<b>438,660,845,266</b>	<b>335,443,237,703</b>

a. This loan, denominated in USD, is secured by tangible fixed assets with carrying value as at 30 September 2010 of VND94,309,561,304 (30 September 2009: VND111,469,227,314). The loan bore interest at rates ranging from 5.7% to 6.5% (2009: 5.7% to 6.8%) per annum during the year and the remaining balance at 30 September 2010 is repayable in 20 (30 September 2009: 32) equal monthly instalments amounting to VND1,656,550,000 (30 September 2009: VND1,486,712,500) each.

b. This loan is secured by shareholders' assets with value at 30 September 2010 of VND244,616,200,000 (30 September 2009: VND244,616,200,000). The loan bore interest at rates ranging from 8.0% to 10.5% (2009: 6.5% to 10.5%) per annum during the year. The remaining balance at 30 September 2010 is repayable in 42 equal monthly instalments amounting to VND78,570,000 each and a final instalment of VND81,640,000.

c. This loan is secured by land use rights, tangible fixed assets and inventories with carrying value as at 30 September 2010 of VND671,698,706,451 (30 September 2009: VND642,890,832,569) and shareholders' assets with value as at 30 September 2010 of VND244,616,200,000 (30 September 2009: VND244,616,200,000). The loan bore interest at rates ranging from 8.0% to 10.5% (2009: 6.5% to 10.5%) per annum during the year. The remaining

balance at 30 September 2010 is repayable in 16 equal quarterly instalments amounting to VND7,000,000,000 each and a final instalment of VND556,000,000.

d. This loan is secured by land use rights, tangible fixed assets and inventories with carrying value as at 30 September 2010 of VND671,698,706,451 (30 September 2009: VND642,890,832,569). The loan bore interest at rates ranging from 8.0% to 10.5% (2009: 6.5% to 10.5%) per annum during the year. The remaining balance at 30 September 2010 is repayable in 15 equal quarterly instalments amounting to VND8,400,000,000 each and a final instalment of VND9,358,516,000.

e. This loan, denominated in USD, is secured by tangible fixed assets with carrying value at 30 September 2010 of VND18,329,176,730 (30 September 2009: VND20,411,965,559). The loan bore interest at rates ranging from 5.0% to 7.0% (2009: 5.5%) per annum during the year. The remaining balance at 30 September 2010 is repayable in 12 (30 September 2009: 16) equal quarterly instalments amounting to VND355,524,028 (30 September 2009: VND319,073,989) each.

f. This loan is secured by inventories with carrying value as at 30 September 2010 of VND13,936,776,538. The loan bore interest at rates ranging from 10.5% to 14.2% per annum during the year. The loan is repayable in 2 equal annual instalments amounting to VND10,000,000,000 each beginning in 11 September 2011 and a final instalment comprising the remaining balance.

g. This loan, denominated in USD, is secured by tangible fixed assets and land use rights with carrying value at 30 September 2010 of VND267,189,735,416 (30 September 2009: VND299,969,634,464). The loan bore interest at 1.7% (2009: 1.7%) per annum during the year. The remaining balance at 30 September 2010 is repayable in 30 (30 September 2009: 34) equal quarterly instalments amounting to VND3,843,196,000 (30 September 2009: VND3,449,173,000) each and a final instalment of VND3,239,066,415 (30 September 2009: VND2,906,981,695).

h. This loan is secured by tangible fixed assets with carrying value at 30 September 2010 of VND15,558,013,280 (30 September 2009: VND18,396,454,160). The loan bore interest at 7.8% (2009: 7.8%) per annum during the year. The remaining balance at 30 September 2010 is repayable in 59 (30 September 2009: 71) equal monthly instalments amounting to VND885,000,000 (30 September 2009: VND885,000,000) each and a final instalment of VND925,000,000 (30 September 2009: VND925,000,000).

i. This loan is secured by the tangible fixed assets and land use rights with carrying value at 30 September 2010 of VND267,189,735,416 (30 September 2009: VND299,969,634,464). The loan bore interest at 8.4% (2009: 8.4%) per annum during the year. The remaining balance at 30 September 2010 is repayable in 36 (30 September 2009: 48) equal monthly instalments amounting to VND300,000,000 (30 September 2009: VND300,000,000) each.

j. This loan is secured by assets financed by the loan and inventories with carrying value at 30 September 2010 of VND1,120,740,032,248. The loan bore interest at rates ranging from 13.5% to 16.0% per annum during the year. The remaining balance at 30 September 2010 is repayable in 7 equal monthly instalments amount to VND386,000,000 each and a final instalment of VND328,000,000 each.

k. This loan is secured by assets financed by the loans and inventories with carrying value at 30 September 2010 of VND63,463,443,278. The loan bore interest at rates ranging from 13.5% to 14.5% per annum during the year. At 30 September 2010 the payment schedule was not yet determined.

l. The future minimum lease payments under non-cancellable finance leases were:

	30/9/2010 VND		
	Payments	Interest	Principal
Within one year	3,274,035,939	860,000,223	2,414,035,716
Within two to five years	5,552,282,136	724,210,712	4,828,071,424
	<b>8,826,318,075</b>	<b>1,584,210,935</b>	<b>7,242,107,140</b>

	30/9/2009 VND		
	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
	<b>11,726,178,479</b>	<b>2,070,035,623</b>	<b>9,656,142,856</b>

The Group signed four finance lease contracts. At 30 September 2010, the future minimum lease payments disclosed only related to one contract. Payment schedule of other three contracts, of which the principal amounted to VND 23,581,885,056, were not yet determined.

## 22. Provision for severance allowance

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

	VND
Opening balance	1,763,547,100
Provision made during the year	699,300,500
Provision used during the year	(317,248,000)
Closing balance	<b>2,145,599,600</b>

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.

## 23. Share capital

The Company's authorised and issued share capital are:

	30/9/2010		30/9/2009	
	Number of shares	VND	Number of shares	VND
Authorised and issued share capital	100,790,790	1,007,907,900,000	57,038,500	570,385,000,000
Treasury shares	(20,012)	(572,094,000)	(20,000)	(572,000,000)
	<b>100,770,778</b>	<b>1,007,335,806,000</b>	<b>57,018,500</b>	<b>569,813,000,000</b>

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 year was as follows:

	2010		2009	
	Number of shares	VND	Number of shares	VND
Balance at the beginning of the year	57,018,500	569,813,000,000	57,018,500	569,813,000,000
Shares issued during the year	12,961,500	129,615,000,000	-	-
Bonus shares issued during the year	6,998,000	69,980,000,000	-	-
Share dividends	23,792,790	237,927,900,000	-	-
Treasury shares purchased during the year	(12)	(94,000)	-	-
Balance at the end of the year	<b>100,770,778</b>	<b>1,007,335,806,000</b>	<b>57,018,500</b>	<b>569,813,000,000</b>

## 24. 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.

## 25. Total revenue

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

Net sales comprised:

	2010 VND	2009 VND
Total revenue		
• Finished goods sold	4,650,441,833,391	2,835,656,995,115
• Raw materials sold	261,858,135,103	-
• Services	310,415,698	729,680,473
	<b>4,912,610,384,192</b>	<b>2,836,386,675,588</b>
Less sales deductions		
• Sales allowances	(901,116,976)	(95,793,360)
• Sales returns	(10,372,643,709)	(4,392,659,879)
• Sales discount	(1,141,442,287)	(478,956,348)
• Direct tax	(1,014,648,034)	-
	<b>(13,492,851,006)</b>	<b>(4,967,409,587)</b>
Net sales	<b>4,899,180,533,186</b>	<b>2,831,419,266,001</b>

## 26. Cost of sales

	2010 VND	2009 VND
Finished goods sold	3,702,573,076,185	2,325,171,859,144
Raw material sold	256,905,738,257	-
Depreciation charge for under capacity	9,632,919,832	-
Allowance for inventories	(887,186,228)	(49,072,223,535)
	<b>3,968,224,548,046</b>	<b>2,276,099,635,609</b>

## 27. Financial income

	2010 VND	2009 VND
Interest income	1,874,898,464	987,618,445
Foreign exchange gains	20,878,566,439	13,239,716,483
Dividends	1,350,000,000	-
	<b>24,103,464,903</b>	<b>14,227,334,928</b>

## 28. Financial expenses

	2010 VND	2009 VND
Interest expenses	166,117,089,761	80,339,426,368
Foreign exchange losses	206,203,108,888	86,063,605,755
Provision for long-term investment	553,000,000	-
	<b>372,873,198,649</b>	<b>166,403,032,123</b>

## 29. Other income

	2010 VND	2009 VND
Sales of scraps	22,862,510,533	7,367,363,876
Proceeds on disposals of tangible fixed assets and other long-term assets	3,744,605,904	579,130,131
Gains from physical stock count	4,441,228,219	2,304,793,492
Others	6,857,208,804	3,835,865,140
	<b>37,905,553,460</b>	<b>14,087,152,639</b>

## 30. Other expenses

	2010 VND	2009 VND
Book value of tangible fixed assets and other long-term assets disposed and written off	5,430,950,992	1,052,472,999
Electricity expenses	4,590,346,318	-
Others	-	1,330,578,289
	<b>10,021,297,310</b>	<b>2,383,051,288</b>

## 31. Income tax

### (a) Recognised in the statement of income

	2010 VND	2009 VND
<b>Current tax expense</b>		
Current year	21,482,669,884	7,351,204,479
Under provision in prior year	17,290,970,599	-
	<b>38,773,640,483</b>	<b>7,351,204,479</b>
<b>Deferred tax (benefit)/expense</b>		
Origination and reversal of temporary differences	(1,378,481,011)	3,587,013,424
Increase in tax rate	(872,694,535)	-
	<b>(2,251,175,546)</b>	<b>3,587,013,424</b>
Income tax expense	<b>36,522,464,937</b>	<b>10,938,217,903</b>

### (b) Reconciliation of effective tax rate

	2010 VND	2009 VND
Profit before tax	251,901,676,450	200,389,619,235
Tax at the Company's tax rate	38,801,867,795	30,058,442,884
Non-deductible expenses	1,846,521,469	638,761,502
Tax exempt income	(860,852,830)	-
Deferred tax assets not recognised in subsidiary	304,824,518	222,945,008
Effect of tax incentive	(11,932,013,693)	(10,373,791,358)
Effect of higher tax rate	2,326,062,258	215,904,135
Increase in tax rate	(872,694,535)	-
Effect of tax holiday in subsidiaries	(10,382,220,644)	(9,824,044,268)
Under provision in prior year	17,290,970,599	-
	<b>36,522,464,937</b>	<b>10,938,217,903</b>

Deferred tax assets have not been recognised in 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:

	30/9/2010 VND	30/9/2009 VND
Unrealised profits on internal and related parties sales	3,605,389,597	1,220,148,747
Allowances and provisions	386,148,475	274,761,898
Unrealised foreign exchange differences	-	815,800,061
Unearned revenue	735,737,187	165,389,007
	<b>4,727,275,259</b>	<b>2,476,099,713</b>

## (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 25% 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 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.

According to Tax Authority of Binh Duong province in the Tax inspection in March 2010, this subsidiary is considered as an expanded project from the parent company and therefore, is exempted from income tax for the first operating year (2007) and entitled to a 50% reduction in income tax at the prevailing tax rate for the 3 succeeding years (2008, 2009 and 2010).

The difference in tax interpretation resulted in the additional corporate income tax of VND17,290,970,599 which was paid by the subsidiary as required by the Tax Authority and recorded as a tax expense. However, the subsidiary's management is in the opinion that the subsidiary is a new independent investment project rather than an expanded project from the parent company and therefore should enjoy preferential tax rate as stipulated in the Investment Licence and is appealing the Tax Authority's decision in court for a reimbursement of VND11,778,521,514, being the additional corporate income tax for the period 9 months ended 30 September 2008 resulted from different tax interpretation. As of the issuance date of these financial statements, the outcome of the appeal is still uncertain.

### 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 Plastic One Member Company Limited

Under the terms of its Business Licence No. 3501548441 issued by the People's Committee of Binh Duong Province on 4 February 2010, Hoa Sen Plastics One Member Company Ltd., has an obligation to pay the government income tax at the rate of 25% of taxable profits from the year 2010.

### Hoa Sen Phu My Steel One Member Company Limited

Under the terms of its Investment Licence the Company 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 the Company's Investment Licence allow the Company to be exempt from income tax for 3 years starting from the first year it generates a taxable profit (2010), and entitled to a 50% reduction in income tax for the 7 succeeding years. Other trading activities are subject to 25% tax rate and are not exempted for income tax.

## 32. Basis earning per share

The calculation of basic earnings per share at 30 September 2010 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

### (i) Net profit attributable to ordinary shareholders

	2010 VND	2009 VND
Net profit attributable to ordinary shareholders	215,379,211,513	189,451,401,332

## (ii) Weighted average number of ordinary shares

	2010	2009
Issued ordinary shares at the beginning of the year	57,018,500	57,018,500
Effect of new shares issued during the year	8,316,962	-
Effect of bonus shares and share dividend issued during the year	30,790,790	30,790,790
Effect of treasury shares bought back	(6)	-
Weighted average number of ordinary shares at the end of the year	<b>96,126,246</b>	<b>87,809,290</b>

Earnings per share for the year ended 30 September 2009 have been restated to reflect share dividends and bonus shares issued during the year.

As of 30 September 2010, the Group does not have potentially dilutive ordinary shares.

## 33. Dividends

The Extraordinary Meeting of Shareholders of the Group on 3 October 2009 resolved to distribute third phase dividends of 2008 in form of shares at a ratio of one share for every ten shares held by existing shareholders as at 31 March 2010.

The Extraordinary Meeting of Shareholders of the Group on 3 October 2009 also resolved to distribute bonus shares from share premium at a ratio of one share for every ten shares held by existing shareholders as at 31 March 2010.

The 2009 Annual General Meeting of Shareholders of the Group on 27 March 2010 resolved to distribute dividends amounting to VND167,947,900,000 in form of shares at a ratio of one share for every five shares held by existing shareholders as at 30 Jun 2010.

## 34. Significant transactions with related parties

### Identity of related parties

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

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 Department of Planning and Investment of Ba Ria Vung Tau on 26 March 2007 and 18 December 2007, respectively and amended on 18 May 2009.	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 Plastic One Member Company Limited	Manufacture and trade in plastic building materials	Business Registration Certificate No. 3501548441 issued by Department of Planning and Investment of Ba Ria Vung Tau on 4 Feb 2010	100%
Hoa Sen Phu My Steel One Member Company Limited	Manufacture and trade galvanised steel products.	Business Registration Certificate No.3501504130 issued on 04 December 2009 and updated on 20 April 2010 by Department of Planning and Investment of Ba Ria Vung Tau	100%



## Significant transactions with key management personnel and shareholders:

Related Party	Relationship	Nature of transaction	2010 VND	2009 VND
Hoang Duc Huy	Deputy General Director	Prepayment for purchase of land use rights	104,355,929,500	21,353,612,000
Board of Management, Advisory and Supervisory		Board of Management, Advisory and Supervisory fee	2,349,028,027	708,000,000
Board of Directors		Remunerations to Board of Directors	3,134,997,000	1,921,600,000

## 35. Commitments

### (a) Capital expenditure

As at 30 September 2010 the Group had the following outstanding capital commitments approved but not provided for in the balance sheet:

	30/9/2010 VND	30/9/2009 VND
Approved and contracted	430,793,791,230	322,049,155,252
Approved but not contracted	14,471,313,108	3,288,239,333,712
	<b>445,265,104,338</b>	<b>3,610,288,488,964</b>

### (b) Leases

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

	30/9/2010 VND	30/9/2009 VND
Within one year	13,245,089,660	8,982,904,746
Within two to five years	39,247,257,679	34,094,791,329
More than five years	214,808,752,227	215,712,935,153
	<b>267,301,099,566</b>	<b>258,790,631,228</b>

## 36. Foreign exchange contracts

The Group had the following commitments under foreign exchange contracts to purchase USD and EUR at 30 September 2010 which were recorded as an off balance sheet item:

	30/9/2010 VND	30/9/2009 VND
Forward foreign exchange contract commitments		
• USD	235,305,133,574	
• EUR	1,073,680,000	
	<b>236,378,813,574</b>	

## 37. Production and business costs by element

	2010 VND	2009 VND
Raw material costs included in production costs	7,414,331,080,870	3,348,028,087,500
Labour costs and staff costs	168,501,575,254	98,742,282,815
Depreciation and amortisation	152,071,726,357	111,151,725,882
Outside services	234,812,128,309	150,300,723,830
Other expenses	93,715,928,905	36,563,905,153

## 38. Corresponding figures

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

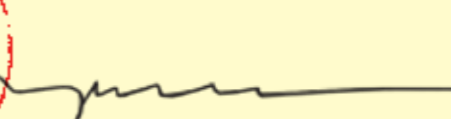
	30/9/2010 (reclassified) VND	30/9/2009 (as previously reported) VND
Bonus and welfare fund (current liabilities)	7,151,926,861	-
Bonus and welfare fund (equity)	-	7,151,926,861

Prepared by:



**Nguyen Thi Ngoc Lan**  
Chief Accountant

Approved by:

**Le Phuoc Vu**  
General Director

23 December 2010

# BRANCH NETWORK

# BRANCH NETWORK

No.	Name	Address	Telephone	No.	Name	Address	Telephone
<b>Area 1</b>				<b>Area 3</b>			
1	Nam Can	Cai Nai hamlet, Nam Can town, Nam Can district, Ca Mau	+84.780.3876703	24	Binh Minh	622A, Thuan Tien B hamlet, Thuan An commune, Binh Minh district, Vinh Long	+84.70.3750711
2	Ca Mau	39 Ly Thuong Kiet, cluster 7, ward 6, Ca Mau city, Ca Mau	+84.780.3826699	25	Vung Liem	Trung Quan hamlet, Trung Thanh commune, Vung Liem district, Vinh Long	+84.703.976282
3	Bac Lieu	D01/10 highway 1A, Tra Kha, ward 8, Bac Lieu county, Bac Lieu	+84.781.3829843	26	Tra Vinh	Highway 60, cluster 76, ward 8, Tra Vinh county, Tra Vinh	+84.74.3842546
4	Soc Trang	Highway 1A, ward 2, Soc Trang city, Soc Trang	+84.79.3611212	27	Vinh Long	Tan Vinh Thuan hamlet, Tan Ngai commune, Vinh Long city, Vinh Long	+84.70.3816434
5	Phung Hiep	Area 3, Hiep Thanh ward, Nga Bay county, Hau Giang	+84.711.3867887	28	Cai Be	Highway 1A, An Thai hamlet, An Cu commune, Cai Be district, Tien Giang	+84.73.3923409
6	Vi Thanh	Tran Hung Dao, area 3, ward 5, Vi Thanh county, Hau Giang	+84.711.3870137	29	Chau Thanh - Ben Tre	Hamlet 5, An Khanh commune, Chau Thanh district, Ben Tre	+84.75.3612698
7	Vinh Thuan	Group 39, Vinh Dong 2 hamlet, Vinh Thuan town, Vinh Thuan district, Kien Giang	+84.77.3561336	30	Ben Tre	109D Nguyen Dinh Chieu, quarter 3, ward 8, Ben Tre	+84.75.3811794
8	An Bien	Group 17, Dong Thanh hamlet, Dong Thai commune, An Bien district, Kien Giang	+84.77.3524259	31	Thu Thua	Binh Cang 1 hamlet, Binh Thanh commune, Thu Thua district, Long An	+84.72.3820522
9	Kien Luong	Kenh Tam Thuoc hamlet, Kien Luong town, Kien Luong district, Kien Giang	+84.77.3765055	32	Tan Thanh	Quarter 3, Tan Thanh town, Tan Thanh district, Long An	+84.72.3941013
10	Rach Gia	67 CMT8, Vinh Loi ward, Rach Gia city, Kien Giang	+84.77.3912450	33	Trang Bang	Group 6, An Binh hamlet, An Tinh commune, Trang Bang district, Tay Ninh	+84.66.3896733
11	Lo Te	454, Group 16, Thoi Hoa area, Thoi Thuan ward, Thot Not district, Can Tho	+84.76.3831844	34	Go Dau	Phuoc Duc B hamlet, Phuoc Dong commune, Go Dau district, Tay Ninh	+84.66.3533838
12	Can Tho	143 area 5, CMT8, An Thoi ward, Binh Thuy district, Can Tho	+84.710.3887581	<b>Area 4</b>			
13	Vinh Thanh	1255, Lan Quoi 1 hamlet, Thanh My commune, Vinh Thanh district, Can Tho	+84.710.3641828	35	Thong Nhat	65 highway 1A, Hung Nghia hamlet, Hung Loc commune, Thong Nhat district, Dong Nai	+84.613.768503
14	Cai Rang	Highway 1A, area 2, Ba Lang ward, Cai Rang district, Can Tho	+84.710.3910001	36	Long Khanh	Area 9, Cam Tan hamlet, Xuan Tan commune, Long Khanh county, Dong Nai	+84.613.721266
<b>Area 2</b>				37	Dinh Quan	Lot SKK 97A, Dinh Quan IP, La Nga commune, Dinh Quan district, Dong Nai	+84.613.633855
15	Tri Ton	Cluster 1, Tri Ton town, Tri Ton district, An Giang	+84.76.3772949	38	Ngai Giao	Highway 56, Tan Phu hamlet, Bau Chinh commune, Chau Duc district, Ba Ria - Vung Tau	+84.643.962358
16	Chau Doc	Highway 91, Hoa Binh area, Vinh My ward, Chau Doc county, An Giang	+84.76.3560510	39	Tan Thanh	Ben Dinh hamlet, My Xuan commune, Tan Thanh district, Ba Ria - Vung Tau	+84.643.931828
17	Phu Tan	Long Hung hamlet, Long Son commune, Phu Tan district, An Giang	+84.76.3533435	40	Xuyen Moc	Highway 55, Phuoc Thuan commune, Xuyen Moc district, Ba Ria - Vung Tau	+84.643.782888 +84.643.782999
18	Long Xuyen	Group 12, Binh Duc 5 cluster, Binh Duc ward, Long Xuyen city, An Giang	+84.76.3650738	41	Tan Phu	142, Tho Lam 3 hamlet, highway 20, Phu Thanh commune, Tan Phu district, Dong Nai	+84.613.696629
19	Cho Moi	My Hoa hamlet, My Luong town, Cho Moi district, An Giang	+84.76.3626376	42	Duc Linh	Hamlet 4, Duc Chinh commune, Duc Linh district, Binh Thuan	+84.623.887898
20	Hong Ngu	Highway 30, An Loc ward, Hong Ngu county, Dong Thap	+84.67.3836771	43	Duc Trong	413 highway 20, Lien Nghia town, Duc Trong district, Lam Dong	+84.633.646229
21	Tam Nong	Tram Chim town, Tam Nong district, Dong Thap	+84.67.3829658	44	Ham Tan	Da Mai hamlet, Tan Xuan commune, Ham Tan district, Binh Thuan	+84.623.872888
22	Cao Lanh	Highway 30, My Phu ward, Cao Lanh city, Dong Thap	+84.67.3857316	45	Phan Thiet	Lot 4/1, Phan Thiet IP, Phan Thiet city, Binh Thuan	+84.623.829124
23	Chau Thanh - Dong Thap	An Hoa hamlet, Tan Binh commune, Chau Thanh district, Dong Thap	+84.67.3868156	46	Phan Ri	Binh Liem hamlet, Phan Ri Thanh commune, Bac Binh district, Binh Thuan	+84.623.862151

No.	Name	Address	Telephone	No.	Name	Address	Telephone
47	Phan Rang	Unit 6, Phu Ha ward, Phan Rang - Thap Cham city, Ninh Thuan	+84.683.833845 +84.683.833846	70	Tuy Phuoc	My Dien hamlet, Tuy Phuoc town, Tuy Phuoc district, Binh Dinh	+84.56.3833008
48	Cam Ranh	Highway 1A, Xuan Ninh 2 cluster, Cam Phuc Nam ward, Cam Ranh county, Khanh Hoa	+84.583.860402	71	An Khe	Ngo May ward, An Khe county, Gia Lai	+84.59.3533511
49	Ham Thuan Nam	Highway 1A, Ham My commune, Ham Thuan Nam district, Binh Thuan	+84.623.899559	72	Phu Cat	Hoa Dong hamlet, Cat Tan commune, Phu Cat district, Binh Dinh	+84.56.3538178
<b>Area 5</b>				73	Phu My	Diem Tieu hamlet, Phu My town, Phu My district, Binh Dinh	+84.56.3244442
50	Phu Giao	DT 741 street, group 5, Vinh An hamlet, Vinh Hoa commune, Phu Giao, Binh Duong	+84.6503.69511306	74	Bong Son	Thiet Dinh hamlet, Bong Son town, Hoai Nhon district, Binh Dinh	+84.56.3761841
51	District 9	628 highway 52, quarter 1, Phuoc Long B ward, district 9, HCMC	+84.8.37281512	75	Son Tinh	Truong Tho Dong hamlet, Son Tinh town, Son Tinh district, Quang Ngai	+84.55.3670097
52	An Suong	194D/4, quarter 3, Trung My Tay ward, district 12, HCMC	+84.8.37189402	76	Tam Ky	Lot A49 Phan Boi Chau, Hoa Thuan ward, Tam Ky city, Quang Nam	+84.510.3810842
53	Phuoc Long	Group 1, quarter 9, Long Phuoc ward, Phuoc Long country, Binh Phuoc	+84.6513.713006	77	Da Nang	281A Truong Chinh, An Khe ward, Thanh Khe district, Da Nang	+84.511.3721101
54	Binh Duong	612 Binh Duong boulevard, Hiep Thanh ward, Thu Dau Mot county, Binh Duong	+84.650.3824495	78	Hue	Highway 1A, Huong Van commune, Huong Tra district, Thua Thien Hue	+84.54.3777156
55	Ben Cat	Highway 13, hamlet 3B, Thoi Hoa commune, Ben Cat district, Binh Duong	+84.650.3577112 +84.650.3577113	<b>Area 7</b>			
56	Chon Thanh	31, group 1, hamlet 1, Thanh Tam commune, Chon Thanh district, Binh Phuoc	+84.651.3668494	79	Ha Tinh	Tan Phu hamlet, Thach Trung commune, Ha Tinh city, Ha Tinh	+84.39.3690617
57	Dong Xoai	Phu Rieng Do street, Tan Tra quarter, Tan Xuan ward, Dong Xoai county, Binh Phuoc	+84.651.3883196	80	Nghe An	Hamlet 14, Nghi Kim commune, Vinh city, Nghe An	+84.38.3516469
58	Gia Nghia	Hung Vuong street, group 6, Nghia Thanh ward, Gia Nghia county, Dak Nong	+84.501.3545016	81	Ha Noi	Lot A6-2, Ha Noi-Dai Tu IP, 386 Nguyen Van Linh, Long Bien, district, Ha Noi	+84.4.36559905 +84.4.36559906
59	Dak Mil	Hamlet 1, Duc Manh commune, Dak Mil district, Dak Nong	+84.501.3750878	82	Son La	Chieng Sinh IP, Chieng Sinh ward, Son La city, Son La	+84.22.3774280
60	Dak Lak	38 Nguyen Chi Thanh, Tan An ward, Buon Ma Thuot city, Dak Lak	+84.500.3954056	83	Thanh Hoa	Highway 1A, Quyet Thang hamlet, Quang Tinh commune, Quang Xuong district, Thanh Hoa	+84.37.8755667
61	Eakar	An Cu hamlet, Cu Hue commune, Ea Kar district, Dak Lak	+84.500.3627064	84	Ninh Binh	Highway 1A, Thien Ton town, Hoa Lu district, Ninh Binh	+84.303.626668
62	Krong Pak	Phuoc An town, Krong Pak district, Dak Lak	+84.500.3519744	85	Hoa Binh	Trung hamlet, Trung Minh commune, Hoa Binh city, Hoa Binh	+84.1283.843737
63	Buon Ho	517 Hung Vuong, Buon Ho county, Dak Lak	+84.500.3870010	86	Quang Ninh	Trai Thanh 1 hamlet, Dong Mai commune, Yen Hung district, Quang Ninh	+84.333.553768
64	Gia Lai	174 Truong Chinh, group 4, Tra Ba ward, Pleiku city, Gia Lai	+84.59.3747170	87	Yen Bai	Hop Minh commune, Yen Bai city, Yen Bai	+84.293.710456 +84.293.710468
65	Kon Tum	564 Phan Dinh Phung, Kon Tum county, Kon Tum	+84.60.3856372	88	Phu Tho	Area 12, Kim Duc commune, Viet Tri city, Phu Tho	+84.2103.736386
<b>Area 6</b>				89	Ha Nam	Lao Cau hamlet, Tien Tan commune, Duy Tien district, Ha Nam	+84.3513.595616
66	Nha Trang	Phu Khanh hamlet, Dien Thanh commune, Dien Khanh district, Khanh Hoa	+84.58.3750526 +84.58.3750527	90	Thai Binh	Gia Le hamlet, Dong My commune, Thai Binh city, Thai Binh	
67	Son Hoa	Tan Thanh hamlet, Suoi Bac commune, Son Hoa district, Phu Yen	+84.573.640427	<b>Base Depot</b>			
68	Tuy Hoa	229 Nguyen Tat Thanh, Ward 8, Tuy Hoa City, Phu Yen	+84.57.3820586	91	Lo Te	Group 16, Thoi Hoa hamlet, Thoi Thuan commune, Thot Not district, Can Tho	+84.76.3930180
69	Tuy An	Chi Duc hamlet, Chi Thanh town, Tuy An district, Phu Yen	+84.57.3767477	92	Trung Luong	Long My hamlet, Phuoc Thanh commune, My Tho city, Tien Giang	+84.73.268191
				93	Di An	No. 27, Thong Nhat boulevard, Song Than IP, Di An district, Binh Duong	+84.650.3793933