

# Big step

# Heart-to-heart roof – Ten years golden lotus

## Sen hồng hư không

(The song is composed for Hoa Sen Group)

Songwriter: Tran Tien

$\text{♩} = 100$

Đóa hoa sen hồng sen hồng mà hư  
không. Ở hư Lấy chi che  
người. che người mà bao giông. Ở hư  
Một đời tha nhân chi sơ bản thiện từng ngày đêm thao thức  
Phật Bà Quan Âm thế nhân phổ độ hiện về pháp đạo quang  
Tìm về bến Giác hồng Đời người như mây khói  
Sắc sắc không không đêm giông mật mừng. Dưới mái tôn nghe như kinh nguyện  
câu, những lời nhiệm mầu, những giọt đàn mưa rơi rơi.  
Hãy nghe tiếng đàn, tiếng đàn mà mưa  
đêm Ở hư Mãi che ân tình, ân tình mà Hoa  
Sen. Ở hư Đời người như mây khói *D.S. al Fine*  
Tìm về bến Giác hồng Nam mô A Di Đà Phật

(Visiting [www.hoasengroup.vn](http://www.hoasengroup.vn) to hear the song)



## **Golden lotus – Golden quality**

With consecutive progress on the way of development, Hoa Sen Group has affirmed its number one position in manufacturing and trading coated steel sheet in Vietnam.

With achievements obtained in the past, Hoa Sen Group is not self-satisfied but considers them as the solid foundation to continue to develop and bring better achievements for shareholders, employees and society.

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## CULTURE OF 10 “T” LETTERS

### VISION



To become a leading economic group in building materials field in Vietnam and the region, driven by a sustainable development strategy that focuses on traditional strengths: coated steel sheet, steel, plastic based on building and developing core competitive advantages: vertically integrated value chain, retail network, community-oriented brand, unique corporate governance and culture as well as pioneering in advanced technology investment in order to maximize added value for shareholders, employees and society.

### MISSION



Providing international standard quality, reasonably priced and wide range of products under the Hoa Sen brand in order to meet customers' needs and contribute to changing the country's architectural landscape and developing the community.

### CORE VALUES



- Integrity
- Community
- Development

### BUSINESS PHILOSOPHY



Product quality is the focus  
 Customer benefit is the key  
 Employee income is the responsibility  
 Sharing community is the obligation

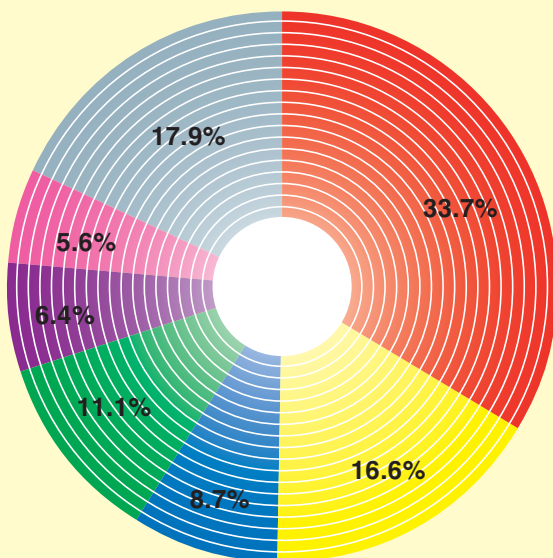
# OUTSTANDING FIGURES IN THE FISCAL YEAR 2010 – 2011



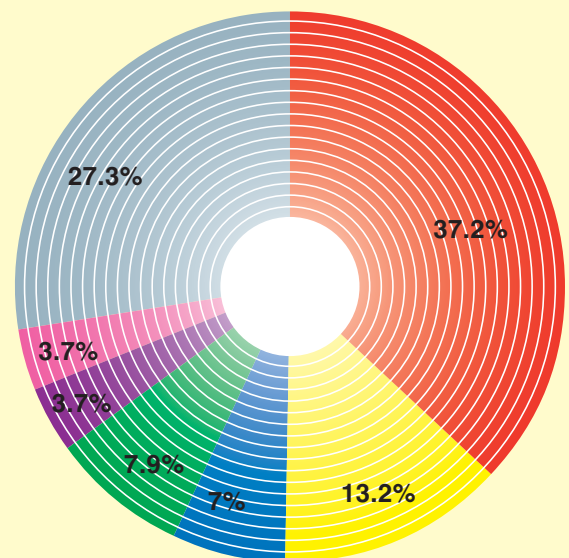
In the fiscal year 2010 – 2011, Hoa Sen Group continues to affirm its number one position in Vietnam coated steel sheet market.


Hoa Sen Phu My Steel Sheet Plant – Phase 1 was officially inaugurated on 8<sup>th</sup> August 2011. At the moment, this is the largest steel sheet plant in ASEAN that applies the most modern technology in its industry in Vietnam as well as is invested with the lowest cost and constructed in the shortest time but ensuring the quality of works.


**Coated steel sheet market share  
2010**





**Coated steel sheet market share  
2011**





 Hoa Sen Group


 Sun Steel

 Blue Scope Steel

 Phuong Nam

 Posvina

 Nam Kim

 Others

*Source: Vietnam Steel Association bulletin in 2010 and 2011.  
Excluding sales volume of Perstima Vietnam  
as its tin-coated steel sheet products are not used in construction industry.*



**LỄ KỶ NIỆM 10 NĂM NGÀY THÀNH LẬP TẬP ĐOÀN HOA SEN & KHÁNH THÀNH NHÀ MÁY TÔN HOA SEN PHÚ MỸ**

*The 10<sup>th</sup> year Anniversary of Hoa Sen Group & The opening ceremony of Ton Hoa Sen Phu My Factory*

**08/08/2001-08/08/2011**

**10**

On 8<sup>th</sup> August 2011, Hoa Sen Group celebrated its 10<sup>th</sup> year anniversary. Marking 10 years, Hoa Sen Group successfully built an advanced manufacturing system, developed a strong, friendly and community-oriented brand and affirmed the number one position in Vietnam coated steel sheet market and the leading position in ASEAN export market. With a steady and creative business strategy, Hoa Sen Group will continue to develop outstandingly in the next time.

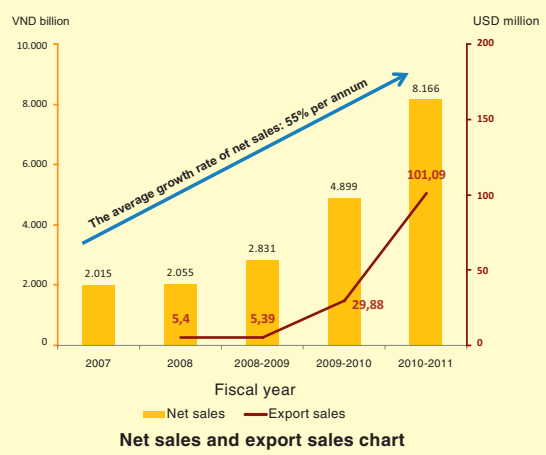
In 2011, Hoa Sen Group continued to have the honor of receiving Vietnam Gold Star Award and being Top 10 Corporate Social Responsibility Enterprises.

**Sao Vàng Đất Việt 2011**



**55**

The average growth rate of net sales is over 55% per annum in the last 10 years (from 2002 to 2011)



**101**

With export sales exceeding USD 101 million, Hoa Sen Group becomes one of leading coated steel sheet exporters in ASEAN.

**106**

In September 2011, Hoa Sen Group opened the 106<sup>th</sup> retail – distribution branch, contributing to the increase in selling capability and core competitive advantages of Hoa Sen Group.



## MESSAGE FROM CHAIRMAN

“ The business result of the fiscal year 2010 – 2011 once again affirmed the capability, intelligence, internal strength and competitive advantages of Hoa Sen Group in unfavorable macroeconomic conditions ”

### Dear esteemed shareholders,

The year 2011 witnessed unpredictable happenings of the European sovereign debt crisis affecting the global economy negatively. In Vietnam, unstable macroeconomic factors and negative impacts of the world economy caused domestic companies to fall into bad situations and brought many of them to the verge of bankruptcy. In that somber economic picture, the business result of Hoa Sen Group in the fiscal year 2010 – 2011 was the positive spotlight and once again demonstrated the correctness, creativeness, timeliness and effectiveness in leadership and management, incessant efforts of staffs as well as affirmed the capability, intelligence, internal strength and competitive advantages of the Group.

Hoa Sen Group recorded its sales volume of 381,999 tons, consolidated net sales of VND 8,166 billion and consolidated net profit after tax of VND 160 billion for the fiscal year 2010 – 2011. In comparison with the business plan of the fiscal year 2010 – 2011, the sales volume and consolidated net sales achieved 101% and 117% respectively as compared with its scenario 3 whereas the consolidated net profit after tax achieved 107% against its scenario 1. Therefore, we basically accomplished the business plan approved by the General Assembly of Shareholders.

The reason why the consolidated net profit after tax only achieved the scenario 1 was negative effects of the following objective factors: (i) the increase in the cost of raw materials (hot rolled coil, zinc, zinc-aluminum alloy, paint, gas, electricity...) and the exchange rate caused the production cost to go up, while close monetary policy and reduction of public investment caused the demand to drop so we could not increase the selling price corresponding with the increase in the production cost leading the decrease in gross margin; (ii) high interest rate and declining stock market caused the issue of VND 500 billion in bonds not to be performed so we had to borrow from banks leading high interest expenses.

Under unfavorable macroeconomic conditions of the year 2011, this result is a proud achievement that is not easily obtainable to everyone.

In the fiscal year 2010 – 2011, we celebrated the 10th year anniversary of Hoa Sen Group. Marking 10 years, Hoa Sen Group successfully built an advanced manufacturing system, developed a strong, friendly and community-oriented brand and affirmed the number one position in Vietnam coated steel sheet market and the leading position in ASEAN export market. The milestone after 10 years of continuous development is the inauguration of Phase 1 of Hoa Sen Phu My Steel Sheet Plant on 8<sup>th</sup> August 2011. This is a big step opening a new stage of development of Hoa Sen Group.

Beginning construction on 13<sup>th</sup> May 2009, the time of economic recession due to the global financial crisis affecting the Vietnam economy negatively and directly, Hoa Sen Phu My Steel Sheet

Plant is a result of a judicious investment decision of the Board of Directors in order to take full advantage of an investment opportunity with low cost and strengthen the Group's competitiveness. At the moment, this is the largest steel sheet plant in ASEAN that applies the most modern technology in its industry in Vietnam as well as is invested with the lowest cost and constructed in the shortest time but ensuring the quality of works. The investment efficiency of Hoa Sen Phu My Steel Sheet Plant was initially affirmed through contributing more than 70% of production volume and helping the Group meet domestic demand better and increase exports.

In the last fiscal year, by reorienting activities, supplementing more staffs for export department and expanding foreign markets, the Group increased its export sales considerably, exceeding USD 101 million to become one of leading coated steel sheet exporters in ASEAN. This achievement has helped to bring Vietnam from a coated steel sheet importer to become an exporter in the region and contributed to reduce the trade deficit. Besides, succeeding the success of strategy “buying directly from producers and selling to end users” through the retail network, the Group established 13 more new branches, increasing the total number of branches to 106. The success of export and retail activities is the basis for the Group to continue to affirm its number one position in Vietnam coated steel sheet market.

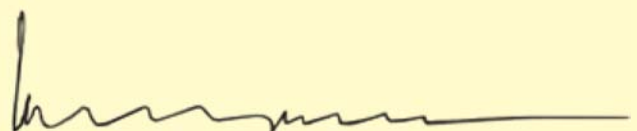
In 2011, Hoa Sen Group had the honor of receiving a certificate of merit of the Prime Minister and being Top 10 Corporate Social Responsibility Enterprises.

In the new fiscal year, by focusing on the core business based on sustainable competitive advantages developed during the last 10 years, creative and flexible development strategy, extensive management experience and the policy of lowering the average age of management staffs and strengthening the system, Hoa Sen Group will make every effort to fulfill the business plan in the best manner, deal with unpredictable changes actively and create a strong bounce when the economy changes positively.

On behalf of Hoa Sen Group, I would like to express my sincere thanks to esteemed shareholders for your trust and companion and look forward to receiving your positive contribution during the Group's new stage of development.

I wish all of you health, happiness and success.

Chairman



**Le Phuoc Vu**





## 10 YEARS OF BUILDING AND DEVELOPING

On 18<sup>th</sup> May 1994, Mr. Le Phuoc Vu's family (he is currently the Chairman of Hoa Sen Group) started their business with very little funds saved from salary of worker. His family utilized their rented house as the retail coated steel sheet outlet at the An Suong crossroads in district 12, Ho Chi Minh City. Then, their business changed favorably. By saving some money, his family bought an old rolling machine on hire-purchase, cut coated steel sheet and sold retail everywhere. When the business became favorable, his family decided to set up a company to extend their business activities.

On 8<sup>th</sup> August 2011, Hoa Sen Group celebrated its 10<sup>th</sup> year anniversary. Marking 10 years, Hoa Sen Group successfully built an advanced manufacturing system, developed a strong, friendly and community-oriented brand and affirmed the number one position in Vietnam coated steel sheet market and the leading position in ASEAN export market. With a steady and creative business strategy, Hoa Sen Group will continue to develop outstandingly in the next time.

### 2004

Established 15 more new branches, increasing the total number of retail – distribution branches to 49.

Put the first Color coating line into operation with a capacity of 45,000 tons/year and inaugurated the headquarters at No. 9 Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An Ward, Di An District, Binh Duong Province.

### 2001 - 2003

On 8<sup>th</sup> August 2001, Hoa Sen Joint Stock Company, the precursor of Hoa Sen Group, was established with an initial charter capital of VND 30 billion, 22 employees and 3 retail – distribution branches. Up to the end of 2003, the Group owned 34 retail – distribution branches.

### 2005

Established 7 more new branches, increasing the total number of retail – distribution branches to 56.

### 2006

Established 3 more new branches, increasing the total number of retail – distribution branches to 59.

Started construction of Cold Rolling Mill with a capacity of 180,000 tons/year at Song Than 2 Industrial Park, Di An District, Binh Duong Province.

Established Hoa Sen Steel Sheet Joint Stock Company.

### 2007

Established 16 more new branches, increasing the total number of retail – distribution branches to 75.

Established Hoa Sen Building Materials Joint Stock Company and Hoa Sen Engineering – Construction Joint Stock Company.

Inaugurated Hoa Sen Cold Rolling Mill with 180,000 tons/year capacity and started construction of Galvanizing line (NOF technology – for galvanized steel sheet/ galvalume steel sheet) with 150,000 tons/year capacity.

Started construction of Phase 1 of Hoa Sen Steel Pipe, Plastic Pipe and Building Materials Plant project at Phu My 1 Industrial Park, Ba Ria – Vung Tau Province.

In December 2007, Hoa Sen Joint Stock Company was renamed as Hoa Sen Group. Hoa Sen Group then merged with its 3 subsidiaries: Hoa Sen Steel Sheet Joint Stock Company, Hoa Sen Building Materials Joint Stock Company and Hoa Sen Engineering – Construction Joint Stock Company.



## 2008

Established 4 more new branches, increasing the total number of retail – distribution branches to 79.

Signed an agreement with Gemadept Joint Stock Company on the establishment of Hoa Sen – Gemadept International Port & Logistics Joint Stock Company with its charter capital of VND 39 billion, in which Hoa Sen Group owns 45%.

Inaugurated Phase 1 of Hoa Sen Steel Pipe, Plastic Pipe and Building Materials Plant project at Phu My 1 Industrial Park, Ba Ria – Vung Tau Province.

Inaugurated Galvanizing line (NOF technology – for galvanized steel sheet/ galvalume steel sheet) with 150,000 tons/year capacity and the second Color coating line with a capacity of 45,000 tons/year.

## 2008 - 2009

Established 3 more new branches, increasing the total number of retail – distribution branches to 82.

On 5<sup>th</sup> December 2008: listed 57,038,500 Hoa Sen Group shares (code HSG) on Ho Chi Minh City Stock Exchange.

Started construction of Phase 1 of Hoa Sen Phu My Steel Sheet Plant project at Phu My 1 Industrial Park, Ba Ria – Vung Tau Province.

## 2009 - 2010

Established 11 more new branches, increasing the total number of retail – distribution branches to 93.

Performed private placement for institutional investors and Hoa Sen Group's staff, increasing the charter capital from VND 570 billion to VND 700 billion.

Put Hot galvanizing line (NOF technology – for galvanized steel sheet/ galvalume steel sheet) with 450,000 tons/year capacity and Color coating line with 180,000 tons/year capacity that belong to Hoa Sen Phu My Steel Sheet Plant project into operation.

Issued bonus shares from capital surplus and shares to pay the third tranche dividend of the fiscal year 2008 to shareholders, increasing the charter capital from VND 700 billion to VND 839.960 billion.

Issued shares to pay dividend of the fiscal year 2008 – 2009 to shareholders, increasing the charter capital from VND 839.960 billion to VND 1,007.907 billion.

## 2010 - 2011

Celebrated the 10<sup>th</sup> year anniversary of Hoa Sen Group.

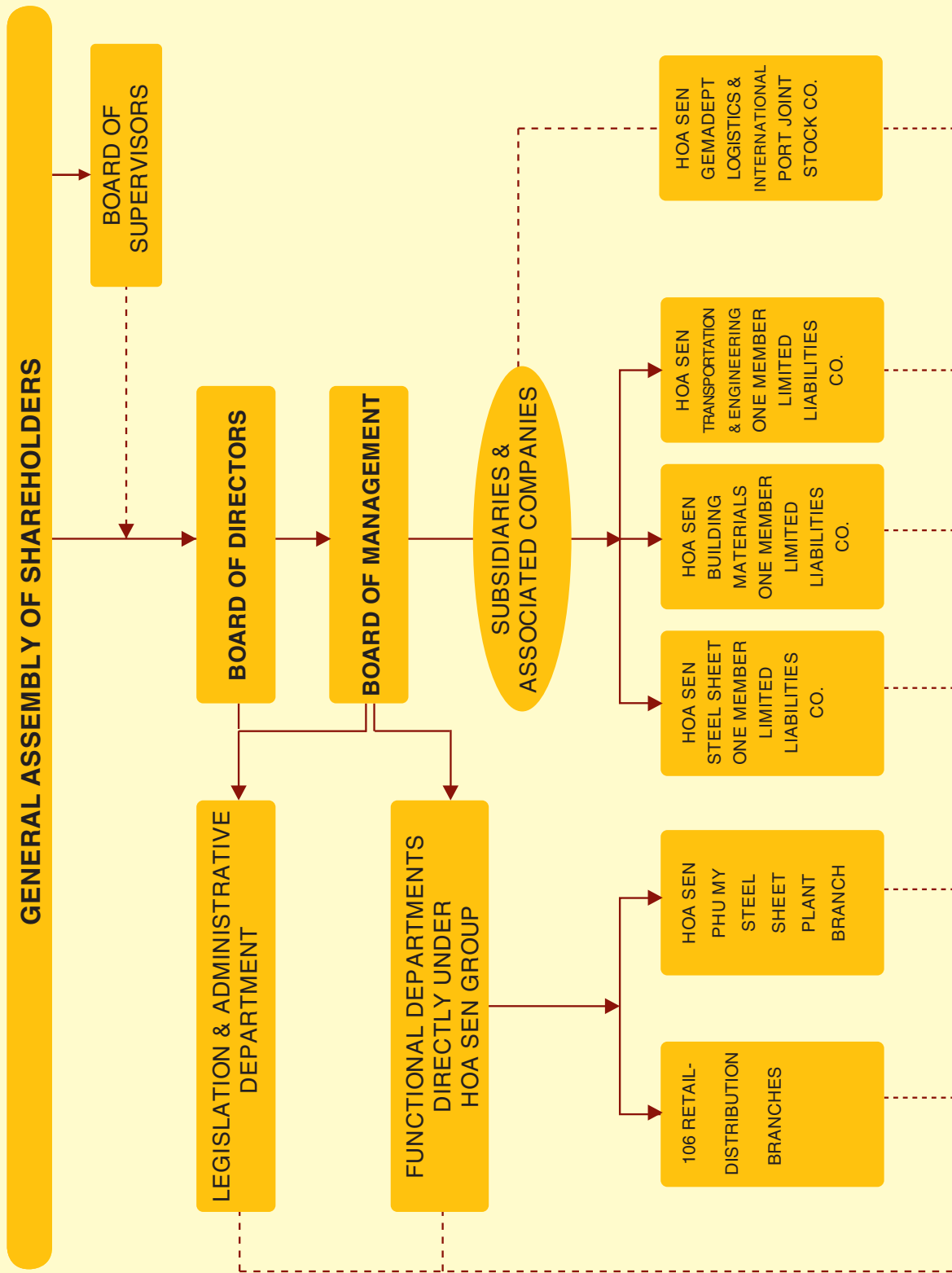
Inaugurated Phase 1 of Hoa Sen Phu My Steel Sheet Plant project.

Established 13 more new branches, increasing the total number of retail – distribution branches to 106.

Export sales achieved USD 101 million.

# Organizational structure of Hoa Sen Group

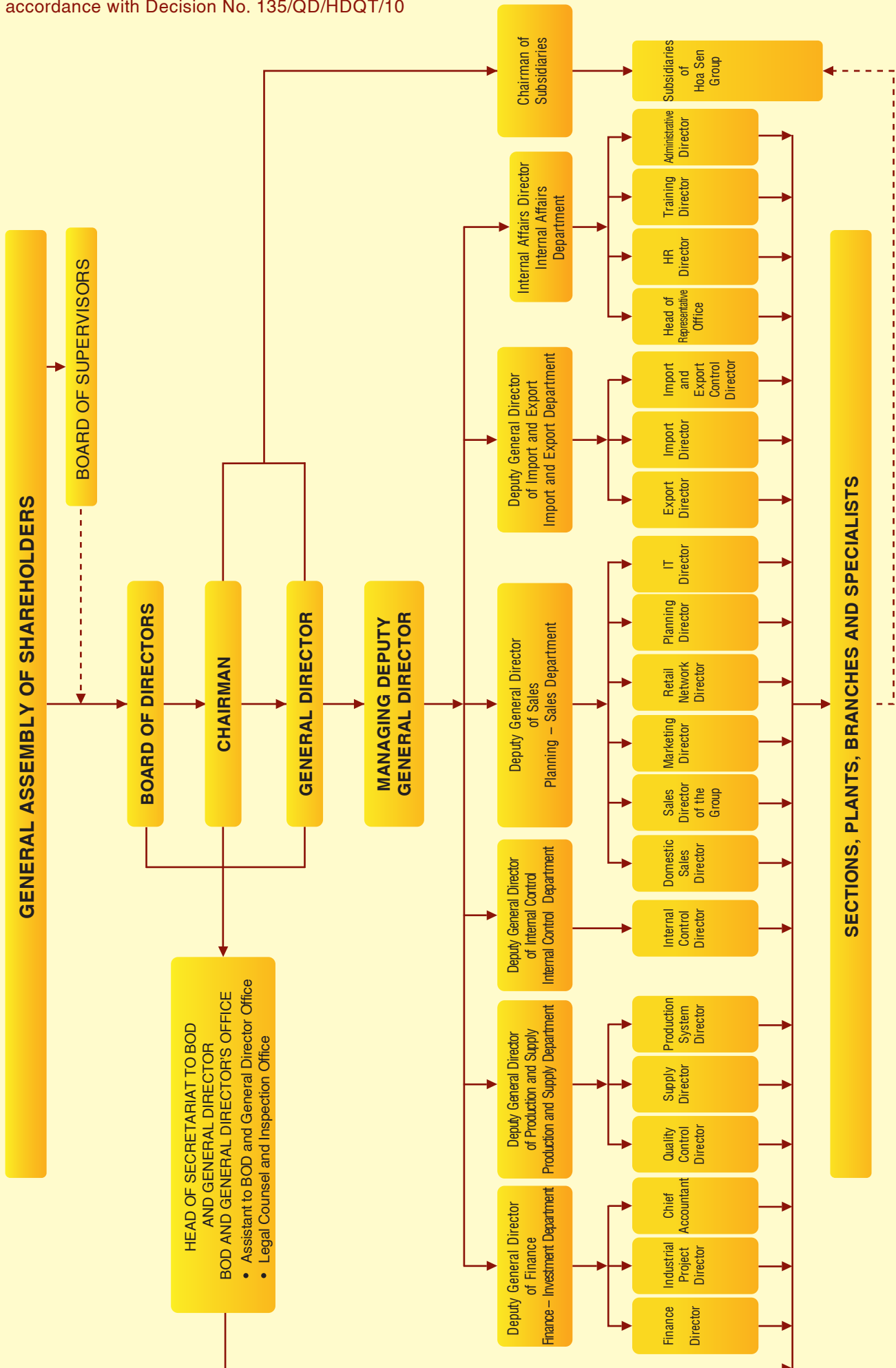
In accordance with Decision No. 135/QD/HDQT/10



Note: — : Direct control      - - - : Coordination, inspection

# Organizational structure of mother company

In accordance with Decision No. 135/QD/HDQT/10



# PRODUCTION CAPACITY

The vertically integrated value chain with the most modern technology



Cold rolling line



Hot galvanizing line (NOF technology – for galvanized steel sheet (GI)/ galvalume steel sheet (GL))



Color coating line



Galvanizing line (NOF technology – for galvanized steel sheet (GI)/ galvalume steel sheet (GL))



uPVC pipe line



Steel pipe line

## PRODUCTION CAPACITY



Hoa Sen Group invests the vertically integrated value chain and applies the most modern technology in the industries of coated steel sheet, steel and plastic in Vietnam.

Management unit	Main production line	Quantity	Total designed capacity (tons/year)
<b>Hoa Sen Group</b> No. 9 Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An Ward, Di An District, Binh Duong Province	Galvanizing line (NOF – for GI/ GL)	1	150,000
	Color coating line	2	90,000
	Annealing furnace	1	42,000
<b>Hoa Sen Phu My Steel Sheet Plant Branch</b> Street No. 1B, Phu My 1 Industrial Park, Tan Thanh District, Ba Ria – Vung Tau Province	Pickling line	1	700,000
	Cold rolling line	2	400,000
	Galvanizing line (NOF – for GI/ GL)	1	100,000
	Hot galvanizing line (NOF – for GI/ GL)	1	450,000
	Color coating line	1	180,000
	Annealing furnace	2	142,000
	Acid recycling line	1	5,000 liters/hour
<b>Hoa Sen Steel Sheet One Member Limited Liabilities Company</b> No. 9 Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An Ward, Di An District, Binh Duong Province	Pickling line	1	250,000
	Cold rolling line	1	180,000
<b>Hoa Sen Building Materials One Member Limited Liabilities Company</b> Phu My 1 Industrial Park, Phu My Town, Tan Thanh District, Ba Ria – Vung Tau Province	Steel pipe line	17	165,000
	uPVC pipe line	12	30,000

## PRODUCT CATEGORY

The modern technology yields various types of internationally standardized products



### **Cold rolled coil**

By applying the modern 6 high single-stand reversing cold rolling technology, cold rolled coils of the Group meet the strict requirements of quality.



### **Galvalume steel sheet (GL)**

Manufactured by the advanced NOF technology, galvalume steel sheets of the Group meet the U.S standard of ASTM A792/A792M, Australian standard of AS 1397 (G550) - AS 1365 (G300) and Japanese standard of JIS G3321. The products are glossy and reflective in silvery surface which is highly anti-erosion, effectively heat-resistant and flexibly designed with 4 time higher durability than other common kinds of steel sheet.



### **Pre-painted galvalume steel sheet (Pre-painted GL)**

Applying the most advanced technology of color coating on zinc-aluminum alloy surface makes the products outstandingly durable and highly aesthetic.



### **Galvanized steel sheet (GI)**

Manufactured by the advanced NOF technology, the products meet the strict requirements of galvanized steel sheet in accordance with the Japanese standard (JIS G3302). With the effective anti-erosion and smoothly coated surface, Hoa Sen galvanized steel sheet is the first choice of consumers.





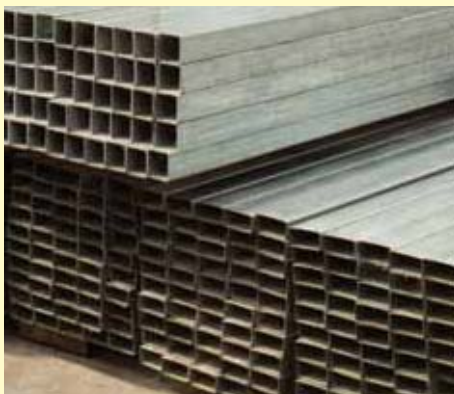
### **Pre-painted galvanized steel sheet (Pre-painted GI)**

The variety in color and specification of Hoa Sen pre-painted galvanized steel sheet always satisfies customers' demand.



### **Hot dip galvanized steel (HGI)**

With high quality cold rolled coil as the input material and the advanced NOF technology, Hoa Sen hot dip galvanized steel meets diversified requirements in industrial and civil construction.



### **Steel pipe and square steel pipe**

Following the production process: pickling, cold rolling, annealing, galvanizing, slitting, formed rolling, Hoa Sen steel pipe and square steel pipe have clean and smooth surface, steady thickness, high plasticity and good adhesion as well as ensure high quality in accordance with standards:

- JIS G3344:2004 (Japan)
- JIS G3466:2006 (Japan)
- ASTM A53/A53M-07 (America)
- ASTM A500/A 500M-07 (America)



### **Plastic pipe and accessory**

Manufactured by the modern line with the advanced European technology and the centralized blending system, the products are homogeneous and high-quality in accordance with standards: BS 3505:1968/BS EN 1452-2:2009 (England); AS/NZS 1477:2006 (Australia), TCVN 6151-2:2002 (Vietnam). Applying the modern technology of adjusting central heat, Hoa Sen Group successfully produces the biggest uPVC pipes in the world with 630 mm in diameter, 30 mm in thickness and 12.5 bar in pressure. Hoa Sen Group's plastic pipes are widely used in various fields such as public and civil water supply, electricity projects, telecommunication projects, sand pumping projects...



**5** **CORE**  
COMPETITIVE ADVANTAGES

**SOLID FOUNDATION  
FOR SUSTAINABLE  
DEVELOPMENT**



◆ Vertically integrated value chain

◆ Owning 106 retail – distribution branches



◆ Unique corporate governance and culture

◆ Community-oriented brand



◆ Pioneer in advanced technology investment





## **Vertically integrated value chain**

Implementing the manufacturing cost-leadership strategy

## SOLID FOUNDATION FOR SUSTAINABLE DEVELOPMENT



### Vertically integrated value chain

Hoa Sen Group's coated steel sheet – steel production process begins from cold rolling line. Imported hot rolled coils put through this line will create cold rolled coils.

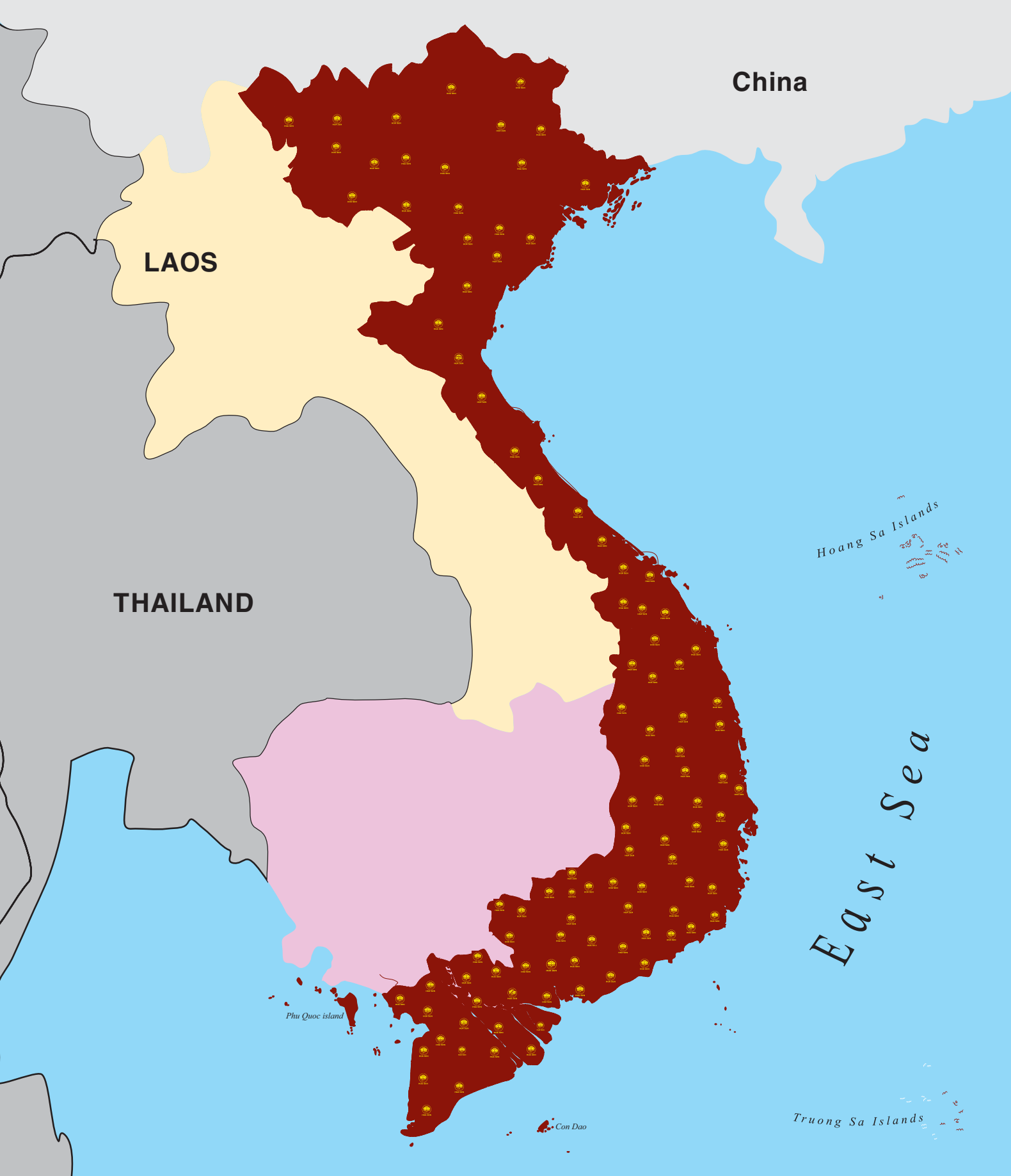
Cold rolled coils are the input materials for coating lines which produce coated steel sheets.

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 coated steel sheets.

Through 106 retail – distribution branches nationwide,

high quality products of Hoa Sen Group are delivered to end users.

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.



**Owning 106 retail – distribution branches**

Relentless expansion and market domination

## SOLID FOUNDATION FOR SUSTAINABLE DEVELOPMENT

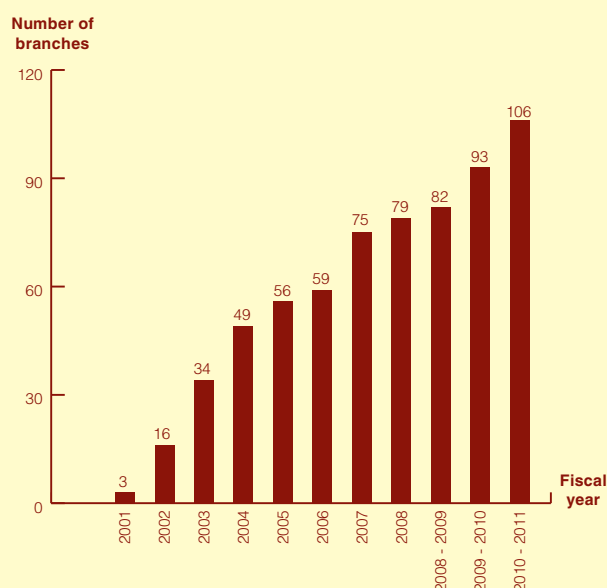


### Owning 106 retail – distribution branches

From the initial days of establishment, Hoa Sen Group implemented the strategy “buying directly from producers and selling to end users” based on the retail network. With centralized management and standardized policies, through the retail network, Hoa Sen Group implemented stringent quality control until final delivery of the products to end users. This has helped the Group establish consumers’ trust in its products.

Over the past ten years, the nationwide retail network was an outstanding competitive advantage of the Group, in connecting to end users and promptly delivered new products to the market. Thanks to the retail network, despite doing business in fluctuating economic environment, the Group was able to apply flexible sales policies to generate liquidity and stable cash flow. This is a key success factor that enables the Group to quickly settle the business operation when macroeconomic conditions become unfavorable and keep affirming the number one position in Vietnam coated steel sheet market.

**Branch development chart**





**Community-oriented brand**  
Excellent brand building strategy



## SOLID FOUNDATION FOR SUSTAINABLE DEVELOPMENT



### BRAND OF TRUST

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. In many consecutive years, by implementing diversified and creative marketing plans through charity programs and social activities, the Hoa Sen brand penetrated deeply into consumers' heart as the strong, friendly and community-oriented brand.

In 2011, Hoa Sen Group continued to have the honor of receiving Vietnam Gold Star Award and being Top 10 Corporate Social Responsibility Enterprises.





**Unique corporate governance and culture**

Developing for the community

# 5 Core competitive advantages

## SOLID FOUNDATION FOR SUSTAINABLE DEVELOPMENT



### CORPORATE CULTURE

Hoa Sen Group developed its management system upon the foundation of corporate culture of 10 “T” letters: Integrity – Loyalty – Dedication – Talent – Friendliness. This is an important factor contributing to rapid and sustainable development process of Hoa Sen Group in the last 10 years.



### INTEGRITY

Being honest and explicit in all activities.



### COMMUNITY

Sharing the Group’s achievements with the community is its human feature penetrating deeply into Vietnamese consumers’ minds.



### DEVELOPMENT

Developing and bringing the Hoa Sen brand to next levels of success continuously.



**Pioneer in advanced technology investment**

In step with advanced technology

## SOLID FOUNDATION FOR SUSTAINABLE DEVELOPMENT



### PIONEER IN ADVANCED TECHNOLOGY INVESTMENT

In Vietnam, Hoa Sen Group is always the pioneer in investing in modern manufacturing system and applying advanced technology.

In 2006, Hoa Sen Group was the first non-state-owned enterprise investing in cold rolling line.

In 2007, Hoa Sen Group was the first Vietnamese non-state-owned enterprise investing in Galvanizing line (NOF technology – for GI/ GL) in order to produce coated steel sheet in Vietnam market.

In 2009, Hoa Sen Group was the first enterprise investing in Hot galvanizing line (NOF technology – for GI/ GL) in ASEAN. In 2010, Hoa Sen Group was the first enterprise synchronously investing in the centralized blending system and plastic pipe manufacturing system of Battenfeld – Cincinnati with European technology and the laboratory meeting Japanese standard so as to bring consumers high quality plastic pipes with competitive price.

In 2011, Hoa Sen Group continued to invest in two cold rolling lines and inaugurated Phase 1 of Hoa Sen Phu My Steel Sheet Plant project. At the moment, this is the largest steel sheet plant in ASEAN that applies the most modern technology in its industry in Vietnam.

In order to guarantee product quality and show social responsibility, the Group applied and maintained ISO 9001:2008 standards of quality management system, practiced ISO 14000 standards of environment management system strictly and performed OHSAS 18000 standards of occupational health and safety advisory services.



TRUNG THỰC - CỘNG ĐỒNG - PHÁT TRIỂN



HOA SEN GROUP



## THE BOARD OF DIRECTORS

Left to right : Mr. Le Phung Hao, Mr. Tran Ngoc Chu, Mr. Le Phuoc Vu,  
Mr. Pham Gia Tuan, Mr. Nguyen Van Quy,

## THE 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 – steel 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 elected him as the Chairman and General Director for many consecutive terms. In April 2011, he resigned as General Director in order to concentrate on his main task in the position of Chairman.



### Mr. Tran Ngoc Chu – Vice Chairman

Joining Hoa Sen Group since the early days of its establishment, Mr. Tran Ngoc Chu has made important contributions during the development period of Hoa Sen Group. With over 25 years of experience in the sectors of finance, accounting, taxation and corporate governance, he was elected as Vice Chairman for many consecutive terms by the General Assembly of Shareholders as well as entrusted many great responsibilities in the Group: Deputy General Director of Finance and Investment, Chairman of the Board of Members of Hoa Sen Building Materials One Member Limited Liabilities Company. He was appointed as General Director by the Board of Directors in April 2011.



### Mr. Nguyen Van Quy – Member

Mr. Nguyen Van Quy graduated from university with double majors, in Business Administration and Electricity. He is a leading expert in production technique of steel sheet – steel in Vietnam. Prior to joining Hoa Sen Group, he accumulated experience from companies such as Ton Phuong Nam, Nippovina... As a member of the Board of Directors being responsible for developing projects in steel sheet – steel industry, he plays an important role in implementing projects such as: Cold Rolling Mill project, Galvanizing line (NOF technology – for galvanized steel sheet/ galvalume steel sheet) project and Hoa Sen Phu My Steel Sheet Plant project.



### Mr. Pham Gia Tuan – Member

Mr. Pham Gia Tuan graduated from Sydney University of Technology (Australia), specializing in Accounting and is a member of Certified Practising Accountants of Australia. He had over 10 years of experience in financial management, taxation and auditing in Vietnam's leading companies such as VinaCapital, Dutch Lady Vietnam, PricewaterhouseCoopers Sydney (Australia) and PricewaterhouseCoopers Vietnam. He is an independent member of the Board of Directors and responsible for investor relations as well as finance and accounting.

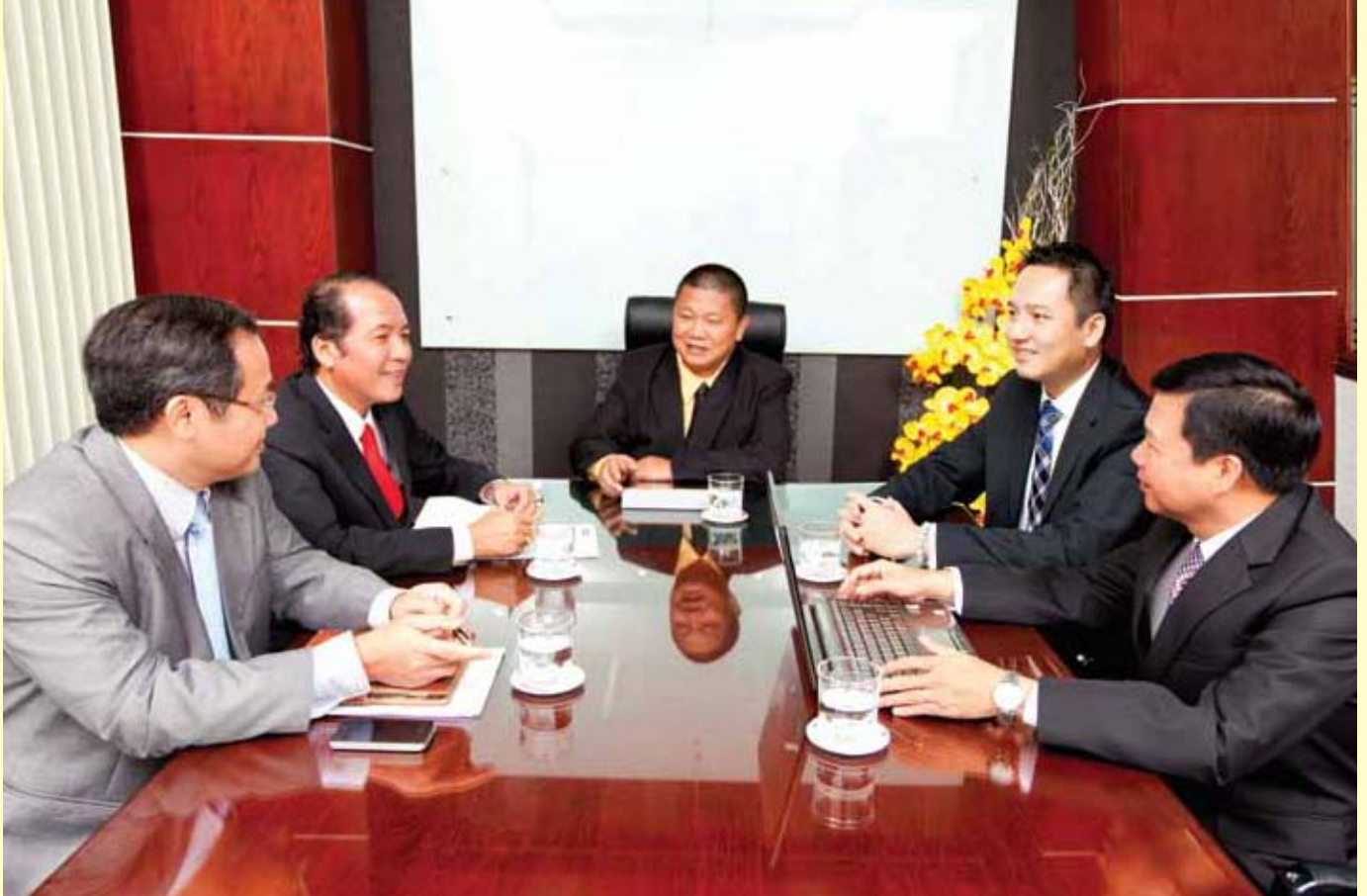


### Mr. Le Phung Hao – Member

Mr. Le Phung Hao graduated from the university with double majors, in Economics and Law, and earned Master Business Administration degree at Ludwigshafen University (Federal Republic of Germany). He is a leading expert in business management with almost 20 years of 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 Group. 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 of the Board of Directors and responsible for management system and investment.



## REPORT OF THE BOARD OF DIRECTORS



The domestic economy continued to face with difficulties in 2011 due to negative effects of the global economic recession and European sovereign debt crisis. Besides, unstable macroeconomic factors and performance of close monetary policy as well as significant rise in both interest rate and exchange rate caused Vietnam companies to fall into bad situations and brought many of them to the verge of bankruptcy.

In front of such situation, the Board of Directors proposed important policies and directed the Board of Management to implement management solutions flexibly in order to perform the business plan approved by the General Assembly of Shareholders in the best manner.

### **BUSINESS RESULT OF THE FISCAL YEAR 2010 – 2011**

Ending the fiscal year 2010 – 2011, Hoa Sen Group recorded its sales volume of 381,999 tons, equivalent to the consolidated net sales of VND 8,166 billion and consolidated net profit after tax of VND 160 billion. In comparison with the business plan of the fiscal year 2010 – 2011, the sales volume and consolidated net sales were equal 101% and 117% of planned figures of scenario 3 respectively whereas the consolidated net profit after tax was equal 107% of planned figure of scenario 1 (exceeding VND 10 billion). Hoa Sen Group basically finished the business plan approved by the General Assembly of Shareholders.



## REPORT OF THE BOARD OF DIRECTORS

Item	Unit	Business plan of FY 2010 – 2011			Performance of FY 2010 – 2011	In comparison with business plan (%)		
		Scenario 1	Scenario 2	Scenario 3		Scenario 1	Scenario 2	Scenario 3
1	2	3	4	5	6	$7 = (6/3) \times 100$	$8 = (6/4) \times 100$	$9 = (6/5) \times 100$
<b>Sales volume</b>	Ton	320,000	343,340	377,920	381,999	119%	111%	101%
<b>Net sales</b>	VND billion	5,994	6,408	6,971	8,166	136%	127%	117%
<b>Consolidated profit after tax</b>	VND billion	150	191	249	160	107%	84%	64%

In comparison with business result of the previous fiscal year 2009 – 2010, the sales volume and net sales sequentially increased 45% and 67%. Under unfavorable macroeconomic conditions, this result is an encouraging achievement.

Item	Unit	Performance of FY 2009 – 2010	Performance of FY 2010 – 2011	FY 2010 – 2011/ FY 2009 – 2010 (%)
1	2	3	4	$5 = (4/3) \times 100$
<b>Sales volume</b>	Ton	264,320	381,999	145%
<b>Net sales</b>	VND billion	4,899	8,166	167%

### IMPLEMENTATION PROGRESS OF CURRENT PROJECTS

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

In the fiscal year 2010 – 2011, the Board of Directors directed that the implementation progress of Hoa Sen Phu My Steel Sheet Plant project had to be speeded up in order to complete its Phase 1, enhance production capacity of Hoa Sen Group and meet demands in domestic and foreign markets.

Ending Phase 1 of this project, Hoa Sen Group successfully built a steel sheet plant with the largest size in ASEAN. It covers an area of 16.7 hectare including 87,542 square meters for workshops, 690 square meters for office, transformer station 110 KV, waste water treatment and water recycling system and vertically integrated value chain.

Apart from production lines coming into operation in the fiscal year 2009 – 2010, in the fiscal year 2010 – 2011, Hoa Sen Group sequentially brought one galvanizing line (NOF – for GI/ GL), one pickling line, two cold rolling lines and one acid recycling line into operation and officially inaugurated Phase 1 on 8<sup>th</sup> August 2011. Most production lines currently operate and make a considerable contribution to the growth of Hoa Sen Group in the last fiscal year. The details are as follows:

## REPORT OF THE BOARD OF DIRECTORS

Production line	Designed capacity (Tons/year)	Operation time
Annealing furnace no. 1	42,000	December 2009
Shearing line	50,000	January 2010
Slitting line	150,000	February 2010
Hot galvanizing line (NOF – for GI/ GL)	450,000	14 <sup>th</sup> March 2010
Color coating line	180,000	17 <sup>th</sup> April 2010
Galvanizing line (NOF – for GI/ GL)	100,000	20 <sup>th</sup> January 2011
Pickling line	700,000	16 <sup>th</sup> February 2011
Cold rolling line no. 1	200,000	28 <sup>th</sup> February 2011
Acid recycling line	5,000 liters/hour	28 <sup>th</sup> July 2011
Cold rolling line no. 2	200,000	31 <sup>st</sup> August 2011

The total investment of Phase 1 of the project is VND 1,782,616,175,000. Up to 30<sup>th</sup> September 2011, the project was disbursed VND 1,606,011,901,000 and the remainder was VND 176,604,274,000 primarily including warranty cost of workshop, machinery and equipment.

The Board of Directors set up a team that is in charge of examining the project's implementation progress and independent of the Project Management Department in order to verify the project settlement. The Board of Directors also employed independent auditors to examine the project settlement so as to guarantee the transparency of project performance. Besides, the Board of Directors frequently announced the implementation progress and invited the Board of Supervisors to participate in supervising project performance and examining the project settlement.

### 2. Retail network expansion project

In the fiscal year 2010 – 2011, Hoa Sen Group established 13 more new retail – distribution branches mainly located in the North with the total investment of VND 56,967,000,000, increasing the total number of branches to 106.

### 3. Real estate projects and Hoa Sen – Gemadept International Port project

Following the General Assembly of Shareholders' policy regarding the transfer of real estate projects and capital contribution to Hoa Sen – Gemadept International Port project in order to focus on the core business, the Board of Directors halted the implementation of these projects and has been looking for and choosing partners for transferring the projects. The result is as follows:

## REPORT OF THE BOARD OF DIRECTORS

Project	Implementation progress	Disbursement up to 30th June 2011 (VND billion)	Transfer progress
<b>1. Pho Dong – Hoa Sen Apartment Building project</b> - Investor: Hoa Sen Group and Pho Dong SJC (Each party contributes 50% capital) - Address: Phuoc Long B Ward, District 9, Ho Chi Minh City - Area: 3,600 m <sup>2</sup> - Size: 18-storey building, 23,437 m <sup>2</sup> of floor, 214 apartments - Land use coefficient: 5.7	- Groundbreaking on 12 <sup>th</sup> December 2009 - Announced to sell apartments of the stage 1 on 2 <sup>nd</sup> July 2010 - In the process of constructing reinforced concrete frame, completed the 15 <sup>th</sup> storey - Expect to finish the project in quarter 4 of 2011	26.55	Transferred
<b>2. Hoa Sen Group Office project</b> - Investor: Hoa Sen Group - Address: 123 Tran Nao Street, Binh An Ward, District 2, Ho Chi Minh City - Area: 969 m <sup>2</sup>	- Received the land use right of 969 m <sup>2</sup> from the seller - In the process of performing construction design	52.26	Expediting the transfer
<b>3. Hoa Sen Phuoc Long B Apartment project</b> - Investor: Hoa Sen Group - Address: Phuoc Long B Ward, District 9, Ho Chi Minh City - Area: 8,016 m <sup>2</sup> - Size: 19-storey building, 44,000 m <sup>2</sup> of floor, 400 apartments - Land use coefficient: 5.5	- Ho Chi Minh City People Committee approved the investment guideline - Received the land use right of 7,856 m <sup>2</sup> from the seller - Received the official documents of planning standard from the Office of Planning – Architecture, District 9 People Committee and Ho Chi Minh City People Committee	45.85	Looking for partners
<b>4. Hoa Sen Riverview Apartment project</b> - Investor: Hoa Sen Group - Address: Bung Ong Thoan Street, Phu Huu Ward, District 9, Ho Chi Minh City - Area: 15,076.4 m <sup>2</sup>	- Ho Chi Minh City People Committee approved the planning task - Received the land use right of 15,076.4 m <sup>2</sup> from the seller - Expedite investment procedure	45.46	Looking for partners
<b>5. Hoa Sen – Gemadept International Port project</b> - Investor: Hoa Sen – Gemadept Logistics & International Port JSC - Hoa Sen Group contributes 45% capital - Address: Cai Mep IP, Tan Thanh District, Ba Ria Vung Tau Province - Area: 7 hectares	- Finished the project's design and detailed drawing - Finished surfacing the road leading to the port with macadam	44.45	Looking for partners
<b>Total</b>		<b>214.57</b>	

# REPORT OF THE BOARD OF DIRECTORS

## STRUCTURE OF THE BOARD OF DIRECTORS AND THE BOARD OF MANAGEMENT

### Structure of the Board of Directors

At the Extraordinary Shareholder Meeting held on 16<sup>th</sup> June 2011, the General Assembly of Shareholders approved of reducing the number of members of the Board of Directors from 7 members to 5 members. The current structure of the Board of Directors is as follows:

Mr. Le Phuoc Vu	: Chairman
Mr. Tran Ngoc Chu	: Vice Chairman
Mr. Nguyen Van Quy	: Member
Mr. Le Phung Hao	: Independent member
Mr. Pham Gia Tuan	: Independent member

### Structure of the Board of Management

In the fiscal year 2010 – 2011, the Chairman was not General Director concurrently in order to separate leadership role of the Board of Directors and management role of the Board of Management in accordance with public company governance standards of OECD Principles of Corporate Governance. The current structure of the Board of Management is as follows:

Mr. Tran Ngoc Chu	: General Director
Mr. Tran Quoc Tri	: Managing Deputy General Director
Mr. Hoang Duc Huy	: Deputy General Director of Internal Control
Mr. Vu Van Binh	: Deputy General Director of Import and Export
Mr. Vu Van Thanh	: Deputy General Director of Finance
Mr. Nguyen Minh Khoa	: Interim Deputy General Director of Production and Supply

## REPORT ON THE IMPLEMENTATION OF THE RESOLUTION OF THE GENERAL ASSEMBLY OF SHAREHOLDERS IN THE FISCAL YEAR 2010 – 2011

The Resolution no. 01/NQ/DHDCD/HSG/2011 of the Annual General Meeting held on 19<sup>th</sup> March 2011

No.	Main content	Result
1	Business plan of the fiscal year 2010 – 2011	Reported as above
2	Dividend plan of the fiscal year 2009 – 2010	Paid dividend for the first stage of the fiscal year 2009 – 2010 with 5% in cash on 4 <sup>th</sup> April 2011 The dividend remainder (which is not more than 10% of the face value) has not been paid yet in order to guarantee the source of funds for business activities in unfavorable macroeconomic conditions
3	Choose an audit company in the fiscal year 2010 – 2011	Chose PricewaterhouseCoopers (Vietnam) Limited as the independent auditor in the fiscal year 2010 – 2011
4	Amend several contents in the Charter	Amended the Charter according to the Resolution

## REPORT OF THE BOARD OF DIRECTORS

The Resolution no. 02/NQ/DHDCD/HSG/2011 of the Extraordinary Shareholder Meeting held on 16<sup>th</sup> June 2011

No.	Main content	Result
1	Transfer real estate projects and the Group's capital contribution to Hoa Sen – Gemadep International Port project	Reported as above
2	Amend the Article 3 of the Charter	Amended the Charter according to the Resolution
3	Reduce the number of members of the Board of Directors from 7 members to 5 members	Reported as above

### THE CONSOLIDATED BUSINESS PLAN OF THE FISCAL YEAR 2011 – 2012

Basing on the forecasted growth rate of domestic market and export market, capacity and selling capability of the Group, the Board of Directors submits the consolidated business plan of the fiscal year 2011 – 2012 to the General Assembly of Shareholders as follows:

Item	Unit	Performance of FY 2010 – 2011	Business plan of FY 2011 – 2012	In comparison with performance of FY 2010 – 2011	
				Absolute number	Relative number(%)
1	2	3	4	5 = 4 - 3	6 = (4/3) x 100
<b>Sales volume</b>	Ton	381,999	460,000	78,001	120%
<b>Net sales</b>	VND billion	8,166	10,126	1,960	124%
<b>Consolidated profit after tax</b>	VND billion	160	240	80	150%

### THE IMPLEMENTING ORIENTATION OF BUSINESS PLAN OF THE FISCAL YEAR 2011 – 2012 AND THE FOLLOWING FISCAL YEARS

- Continuing to expand the export market and improving the operational efficiency of the retail network.
- Directing the improvement of governance activities, performing flexible management solutions, controlling and reducing expenses in order to deal with market fluctuation timely and actively.
- Implementing creative, diversified and efficient marketing plans so as to develop the strong, friendly and community-oriented chain of Hoa Sen brand.
- Developing human resources, training management successors, enhancing professional competence and management skills and cooperating with Vietnam National University Ho Chi Minh City in order to develop young and well-schooled workforce.
- Getting a good hold of domestic and foreign macroeconomic happenings so as to decide to implement Phase 2 of Hoa Sen Phu My Steel Sheet Plant project and retail network expansion project timely when having enough favorable conditions.
- Preparing to apply ERP system and improving quality management system ISO in the whole Group.



## THE BOARD OF MANAGEMENT

### **Mr. Tran Ngoc Chu – General Director**

Joining Hoa Sen Group since the early days of its establishment, Mr. Tran Ngoc Chu has made important contributions during the development period of Hoa Sen Group. With over 25 years of experience in the sectors of finance, accounting, taxation and corporate governance, he was trusted and elected as Vice Chairman for many consecutive terms by the General Assembly of Shareholders, concurrently he was entrusted many great responsibilities in the Group: Deputy General Director of Finance and Investment, Chairman of the Board of Members of Hoa Sen Building Materials One Member Limited Liabilities Company. He was appointed as General Director by the Board of Directors in April 2011.



### **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 as well as implementing internal audit for big 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. Being in the position of Deputy General Director of Internal Control, he has made great contributions to the Group's development.



### **Mr. Vu Van Thanh – Deputy General Director of Finance**

In 2008, Mr. Vu Van Thanh joined Hoa Sen Group with the position of Chief Financial Officer and made positive contributions to the Group based on his experience in operating businesses previously. In April 2011, the Board of Directors appointed him as Deputy General Director of Finance. He took a Master degree in Development Economics and was a visiting lecturer of a number of universities in Ho Chi Minh City.





### **Mr. Tran Quoc Tri – Managing Deputy General Director**

Joining Hoa Sen Group in 2004, Mr. Tran Quoc Tri is one of young and promising managers of the Group. He graduated from University of Economics Ho Chi Minh City in Accounting and Auditing major. From 2004 to September 2010, he continuously accumulated experience and proved his ability in managing and operating work through the following positions: Division Manager of the Retail Network, Director of the Retail Network. In October 2010, the Board of Directors appointed him as Deputy General Director of Sales. In April 2011, he was appointed as Managing Deputy General Director. He is the representative of young leader generation of the Group.



### **Mr. Vu Van Binh – Deputy General Director of Import and Export**

Mr. Vu Van Binh joined Hoa Sen Group since the early days of its establishment. In 2006, when Hoa Sen Group started Cold Rolling Mill project, he was Deputy Head of Project Management Department and made important contributions to its success. Having a thorough knowledge of coated steel sheet and steel industry and experience in operating business and foreign trade, he was entrusted many great responsibilities in the Group: Chairman of the Board of Members and Director of Hoa Sen Steel Sheet One Member Limited Liabilities Company, Deputy General Director of Supply Chain, Deputy General Director of Export. In October 2011, the Board of Directors appointed him as Deputy General Director of Import and Export.



### **Mr. Nguyen Minh Khoa – Interim Deputy General Director of Production and Supply**

Joining Hoa Sen Group in early 2008, Mr. Nguyen Minh Khoa is one of young and promising managers of the Group. He graduated from University of Architecture Ho Chi Minh City and took a Master Business Administration degree at Industrial Management Department of University of Technology Ho Chi Minh City. He has been practiced and challenged through the following positions: Deputy Director of Hoa Sen Building Materials One Member Limited Liabilities Company, Investment Director, Manager of Representative Office in Ho Chi Minh City, Deputy Director of Hoa Sen Phu My Steel Sheet Plant, Director of Planning and Supply. In October 2011, the Board of Directors appointed him as Interim Deputy General Director of Production and Supply.



# REPORT OF THE BOARD OF MANAGEMENT



## BUSINESS RESULT OF THE FISCAL YEAR 2010 – 2011

In front of common difficulties of the economy, with the correct orientation and timely direction of the Board of Directors, the Board of Management made every effort to manage flexibly and accomplish the business plan of the fiscal year 2010 – 2011 basically.

### 1. The consolidated business result

Ending the fiscal year 2010 – 2011, Hoa Sen Group recorded its sales volume of 381,999 tons, equivalent to the consolidated net sales of VND 8,166 billion and consolidated net profit after tax of VND 160 billion. In comparison with the business plan of the fiscal year 2010 – 2011, the sales volume and consolidated net sales were equal 101% and 117% of planned figures of scenario 3 respectively whereas the consolidated net profit after tax was equal 107% of planned figure of scenario 1 (exceeding VND 10 billion).

Item	Unit	Business plan of FY 2010 – 2011			Performance of FY 2010 – 2011	In comparison with business plan (%)		
		Scenario 1	Scenario 2	Scenario 3		Scenario 1	Scenario 2	Scenario 3
1	2	3	4	5	6	$7 = (6/3) \times 100$	$8 = (6/4) \times 100$	$9 = (6/5) \times 100$
<b>Sales volume</b>	Ton	320,000	343,340	377,920	381,999	119%	111%	101%
<b>Net sales</b>	VND billion	5,994	6,408	6,971	8,166	136%	127%	117%
<b>Consolidated profit after tax</b>	VND billion	150	191	249	160	107%	84%	64%

In comparison with business result of the previous fiscal year 2009 – 2010, the sales volume and net sales sequentially increased 45% and 67%. Under unfavorable macroeconomic conditions, this result is an encouraging achievement.

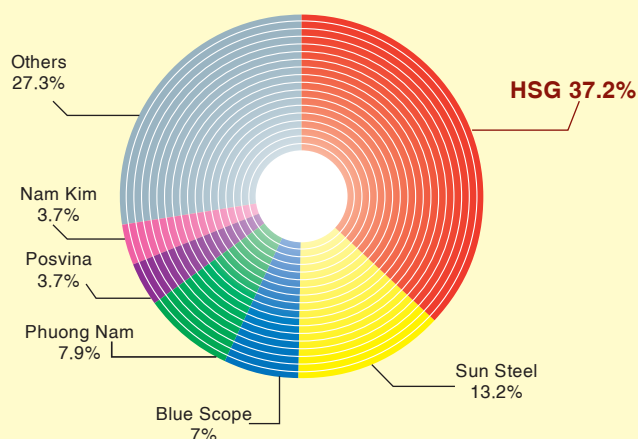


# REPORT OF THE BOARD OF MANAGEMENT

Item	Unit	Performance of FY 2009 – 2010	Performance of FY 2010 – 2011	FY 2010 – 2011/ FY 2009 – 2010 (%)
1	2	3	4	5 = (4/3) x 100
<b>Sales volume</b>	Ton	264,320	381,999	145%
<b>Net sales</b>	VND billion	4,899	8,166	167%

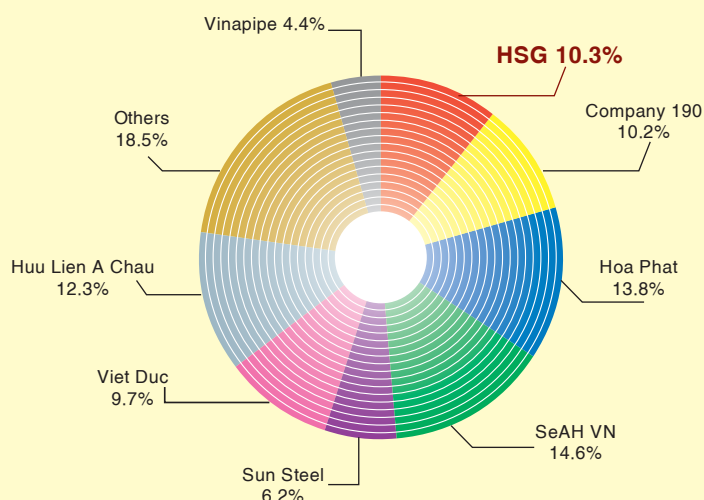
## 2. Coated steel sheet market share

In the fiscal year 2010 – 2011, Hoa Sen Group continued to affirm the number one position in Vietnam coated steel sheet market with its 37% market share. It confirms the Group's strong competitiveness through increasing its market share under unfavorable macroeconomic conditions.



## 3. Steel pipe market share

In the fiscal year 2010 – 2011, the Group was ranked in the Top 5 leading companies in domestic steel pipe market with its 10% market share after 3 years of bringing products to the market.

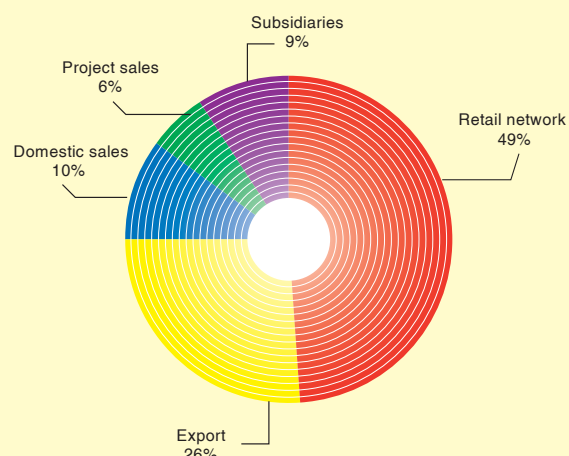


Source: Vietnam Steel Association bulletin in 2010 and 2011. Excluding sales volume of Perstima Vietnam as its tin-coated steel sheet products are not used in construction industry.

Source: Vietnam Steel Association bulletin in 2010 and 2011.

## 4. Net sales structure by distribution channels

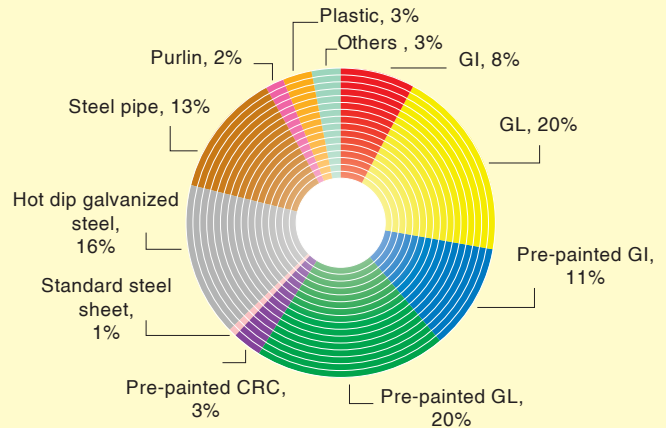
In the fiscal year 2010 – 2011, the retail network continued to be the main distribution channel when holding 49% of the total net sales. The export channel especially had an outstanding growth, exceeding the sales volume of 101,000 tons and holding 26% of the total net sales.



# REPORT OF THE BOARD OF MANAGEMENT

## 5. Net sales structure by products

The group of coated steel sheet products including galvanized steel sheet (GI), galvalume steel sheet (GL), pre-painted galvanized steel sheet (pre-painted GI), pre-painted galvalume steel sheet (pre-painted GL), pre-painted cold rolled coil (pre-painted CRC) and standard steel sheet continued to be the main group of products contributing 63% of the total net sales. The next one was the group of steel products including hot dip galvanized steel, galvanized steel pipe, steel pipe, galvanized purlin and purlin contributing 31% of the total net sales.



## 6. The rate of expenses over net sales of the consolidated financial statements

No.	Item	Unit	FY 2009 - 2010	FY 2010 - 2011
1	Sales volume	Ton	264,320	381,999
2	Net sales	VND billion	4,899	8,166
3	Gross profit/ Net sales	%	19.0	12.9
4	Financial expenses/ Net sales	%	7.6	5.6
5	Selling expenses/ Net sales	%	4.3	3.8
6	General and administration expenses/ Net sales	%	3.0	2.3

## 7. The main financial ratios of the consolidated financial statements

No.	Ratio	Unit	FY 2009 - 2010	FY 2010 - 2011
1	<b>Liquidity ratios</b>			
	Current ratio	Time	1.0	0.9
	Quick ratio		0.4	0.3
2	<b>Activity ratios</b>			
	Inventory turnover ratio	Time	3.4	4.1
3	<b>Financial leverage ratios</b>			
	Total debt/ Total assets	%	62	70
	Total debt/ Equity		167	232
	Total assets/ Equity		267	332
4	<b>Profitability ratios</b>			
	Net profit after tax/ Total assets	%	4.7	3.1
	Net profit after tax/ Net sales		4.4	2.0
	Net profit after tax/ Equity		12.6	9.2
Earnings per share	VND	2,241	1,622	

# REPORT OF THE BOARD OF MANAGEMENT

## MANAGEMENT ACTIVITIES IN THE FISCAL YEAR 2010 – 2011

In the fiscal year 2010 – 2011, the Board of Management implemented many management solutions in terms of production and sales activities, investment activities, controlling and reducing expenses as well as developing human resources as follows:

### 1. Solutions of managing production and sales activities

- Assigning production norm and sales target to every production unit, sales unit and branch monthly as well as monitoring and evaluating the performance daily, weekly and monthly.
- Expanding the export market, separating the market into 4 areas, assigning staffs to be in charge of each area and appointing Mr. Vu Van Binh as Deputy General Director of Import and Export in order to improve export activities.
- Catching the demand, liking, sales volume, selling price, profit, inventory and product specification in each market so as to develop the corresponding production plan, transfer goods and guarantee enough specification and type of products for sales demand of distribution channels with the appropriate selling price.
- Performing market and customer segmentation and ensuring the coordination between sales units in the system in order to avoid missing out markets and customers.
- Stepping up sales programs for main works and projects.
- Implementing sales salary policy based on net sales and gross profit in each fluctuation stage of the market; applying reward policy in case sales volume surpasses the target.
- Enhancing brand position by participating in domestic and foreign building materials trade fairs; sponsoring the program “Overcoming oneself” of Ho Chi Minh City Television, the National First Class Football Championship – Hoa Sen Steel Sheet 2011, the National Football Cup – Hoa Sen Plastic 2011 and charity programs; placing large advertising boards at favorable positions; sponsoring signboards for building materials stores.
- Increasing the proportion of products having high gross margin generated by the vertically integrated value chain.
- Carrying out periodic maintenance of machinery and equipment actively; examining the performance of industrial safety, environmental sanitation and fire prevention regulations frequently.
- Maintaining applying ISO 9001:2008 standards of quality management system; practicing ISO 14000 standards of environment management system strictly; performing OHSAS 18000 standards of occupational health and safety advisory services; continuing to improve the system of policies, regulations and procedures.

### 2. Solutions of investment activities

- Accelerating the implementation progress of Hoa Sen Phu My Steel Sheet Plant project as well as developing and proposing the Board of Directors to approve reward plans according to the schedule for the Project Management Department so as to create an exciting competitive atmosphere all over the construction site. The main production lines of the project were completed as or earlier than the schedule, produced commercial products on the first operation date and met the Group’s sales demand timely. On 8<sup>th</sup> August 2011, the Group officially inaugurated Phase 1 of Hoa Sen Phu My Steel Sheet Plant.



## REPORT OF THE BOARD OF MANAGEMENT

- Investing and developing 13 more new retail – distribution branches, mainly in the Northern market. Up to 30<sup>th</sup> September 2011, the Group owned 106 retail – distribution branches.
- In August 2011, the Group opened the first showroom specializing in plastic pipes in Ho Chi Minh City, piloting a new sales channel in Hoa Sen Plastic Pipes business.
- Following the Board of Directors' direction regarding the transfer of real estate projects, the Board of Management transferred the Group's capital contribution to Pho Dong – Hoa Sen Apartment Building project.

### 3. Solutions of controlling and reducing expenses

- Performing inventory norm closely so as to rationalize short-term borrowing demand; balancing the structure of short-term borrowings denominated in USD and VND reasonably in each period in order to achieve a rational interest expenses and minimize the risk of exchange rate.
- Stepping up export activities to offset a part of foreign currency demand for import activities so as to minimize the risk of exchange rate.
- Assigning the norm of production cost to every production unit, assessing the performance monthly, quarterly and semi-annually so as to adjust the norm reasonably and rewarding production units having technical initiatives in order to encourage them to reduce the norm and production cost.
- Developing and performing inventory norm rationally and increasing inventory turnover so as to reduce interest expenses in the high interest situation
- Monitoring, forecasting and evaluating fluctuation of hot rolled coil and cold rolled coil prices to make decisions of purchasing goods timely with the appropriate price so as to reduce input cost. Diversifying raw material supply to achieve the best purchase price with the suitable quality in order to reduce production cost.
- Assigning cost of capital and calculation of interest for inventory and receivables to sales units, assessing debt limit and aging, classifying receivables, supervising and speeding up debt collection so as to minimize overdue receivables and debt risks.
- Performing competitive offer of transportation cost; transporting goods to the North and the Central regions by sea in order to minimize transportation cost.

### 4. Solutions of developing human resources

- Applying salary policy based on sales volume, net sales and gross profit to production and sales units in accordance with the practical business situation gradually; applying preferential treatment policy to staffs working at Hoa Sen Phu My Steel Sheet Plant and Hoa Sen Building Materials One Member Limited Liabilities Company in Ba Ria – Vung Tau province.
- Applying reward and punishment policy based on performances and results in order to motivate staffs to work actively.
- Appointing young qualified staffs to important positions so as to perform the Board of Directors' policy of lowering the average age of management staffs.
- Carrying out the policy of alternating staffs in order to enhance expertise and profession, discover talents and prevent negatives.
- Performing integration training for new staffs and profession training for reserved staffs so as to supplement staffs for retail network, production units and sales units.
- Cooperating with Vietnam National University Ho Chi Minh City in order to develop young and well-schooled workforce.

# REPORT OF THE BOARD OF MANAGEMENT

## THE CONSOLIDATED BUSINESS PLAN OF THE FISCAL YEAR 2011 – 2012

Basing on the forecasted growth rate of domestic market and export market, capacity and selling capability of the Group, the Board of Directors assigned the consolidated business plan of the fiscal year 2011 – 2012 as follows:

Item	Unit	Performance of FY 2010 – 2011	Business plan of FY 2011 – 2012	In comparison with performance of FY 2010 – 2011	
				Absolute number	Relative number(%)
1	2	3	4	5 = 4 - 3	6 = (4/3) x 100
<b>Sales volume</b>	Ton	381,999	460,000	78,001	120%
<b>Net sales</b>	VND billion	8,166	10,126	1,960	124%
<b>Consolidated profit after tax</b>	VND billion	160	240	80	150%

In order to perform the above business plan, according to the direction of the Board of Directors, the Board of Management proposed the following solutions:

- Continuing to improve governance activities, implementing management solutions in terms of production and sales activities, controlling and reducing expenses as well as developing human resources as performed previously.
- Continuing to expand the export market, increasing the ratio of export sales over total net sales to about 30% and balancing the output supplying to domestic market and export market actively.
- Enhancing the operational efficiency of the retail network.
- Developing management scenarios so as to deal with market fluctuation actively.
- Implementing creative, diversified and efficient marketing plans in order to develop the strong, friendly and community-oriented chain of Hoa Sen brand in accordance with the Group's core values: "Integrity – Community – Development".
- Developing human resources, training management successors and enhancing professional competence and management skills.
- Focusing on the core business: coated steel sheet, steel and plastic; preparing favorable conditions so as to ready to implement Phase 2 of Hoa Sen Phu My Steel Sheet Plant according to the direction of the Board of Directors.





## THE BOARD OF SUPERVISORS

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

### **Ms. Huynh Thi Hong Vy** **Member**

Ms. Huynh Thi Hong Vy took a Bachelor degree in Corporate Finance. 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 the Board of Supervisors by the General Assembly of Shareholders at the Annual General Meeting held on 27<sup>th</sup> March 2010.

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

Mr. Le Vu Nam has a Doctorate in Law, specializing in Economics Law. He is currently Dean of the Faculty of Law, University of Economics and Law, Vietnam National University Ho Chi Minh City. He was formerly Head of Market Research and Development Department – HOSE.

### **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 of University of Medicine and Pharmacy Ho Chi Minh City. With his personal reputation and dedication for the Group, he was elected as a member of the Board of Supervisors by the General Assembly of Shareholders at the Annual General Meeting held on 27<sup>th</sup> March 2010.

# REPORT OF THE BOARD OF SUPERVISORS

## REPORT ON SUPERVISING BUSINESS OPERATIONS IN THE FISCAL YEAR 2010 – 2011

### Managing task of the Board of Directors

The Board of Directors comprises 5 members in which there are 3 members being in charge of management and 2 independent members that is compliant with the Enterprise Law and Charter of Hoa Sen Group.

All the meetings of the Board of Directors are hosted by the Chairman with the participation of the Board of Supervisors. Issues discussed and voted in the meetings are based on the Resolution of the General Assembly of Shareholders and fall within the competence of the Board of Directors. The discussion and vote on issues are made public in line with the functions and the rights of the Board of Directors as stipulated in the Enterprise Law and Charter of Hoa Sen Group.

### Operating task of the General Director

The General Director implements the Resolutions of the General Assembly of Shareholders and the Board of Directors completely and timely according to his functions, rights and duties as stipulated in the Charter of Hoa Sen Group.

In order to strengthen the organization structure, in the last fiscal year, the General Director developed, implemented and submitted proposals to the Board of Directors to promulgate regulations and procedures relating to internal control system that is compliant with the Enterprise Law and Charter of Hoa Sen Group.

## ASSESSMENT OF FINANCIAL STATEMENTS OF THE FISCAL YEAR 2010 – 2011

### Finance and accounting

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

### Accounting records

Documents such as receipts, invoices and related documents are well managed and stored by Hoa Sen Group. A storage system is implemented as per regulations for inspection.

### Cash and bank deposit management

Hoa Sen Group periodically checks the treasury and makes the corresponding report according to regulations.

Cash spending and collecting as well as 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.

### The financial status and business result of the fiscal year 2010 – 2011

Basing on reports presented by Managing Deputy General Director at the periodic meetings of the Board of Directors and data audited by the independent auditor PricewaterhouseCoppers Vietnam Limited, the Board of Supervisors believes that the financial status of Hoa Sen Group is in good health.

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

According to the consolidated income statement of the fiscal year 2010 – 2011, net sales and net profit after tax are VND 8,166 billion and VND 160 billion sequentially as well as respectively equal 117% of planned figure of scenario 3 and 101% of planned figure of scenario 1 approved by the General Assembly of Shareholders.

## RECOMMENDATIONS

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

Having policies on supporting and developing current human resources in order to develop human resources bringing high efficiency in production and business activities.

Continuing to promote restructuring of Hoa Sen Group.

### On behalf of the Board of Supervisors

#### Head of the Board of Supervisors

(Signed)

Le Vu Nam

# CORPORATE GOVERNANCE

## Activities of the Board of Directors



Hoa Sen Group had the honor of receiving a certificate of merit of the Prime Minister on 8<sup>th</sup> August 2011

In the fiscal year 2010 – 2011, by anticipating unfavorable changes of domestic and foreign markets and macroeconomic conditions that affect activities of the Group negatively, the Board of Directors directed and supervised management activities of the Board of Management timely and closely in order to perform the business plan approved by the General Assembly of Shareholders.

### The Board of Directors' meetings

In the fiscal year 2010 – 2011, the Board of Directors organized monthly meetings and extraordinary meetings so as to timely make decisions on the following business activities:

- Accelerating the implementation progress of Phase 1 of Hoa Sen Phu My Steel Sheet Plant project, putting the plant into operation according to the schedule in order to increase production capacity and ensure sales volume, sales, profit and cash flow of the Group.
- Focusing on expanding export activities.
- Expanding the retail network, giving priority to developing the Northern market.
- Implementing creative, diversified and efficient marketing plans in order to develop the strong, friendly and community-oriented chain of Hoa Sen brand.
- Balancing the structure of VND and USD borrowings flexibly in accordance with the fluctuation of interest rate and exchange rate so as to optimize interest expenses.
- Improving receivables and payables policy as well as intensifying inspection and supervision in sales units.
- Continuing to improve production norm, supervise and reduce production cost, selling expenses and general and administration expenses as well as enhance product quality incessantly.
- Continuing to develop human resources, train management successors and enhance professional competence and management skills.

Besides, the Chairman usually participates in weekly meetings of the Board of Management in order to stick close on the business situation and direct the implementation of the Board of Directors' orientations and policies timely.





Mr. Le Phuoc Vu – Chairman of Hoa Sen Group (the fifth from right) is one of 24 excellent businessmen of Ernst & Young Entrepreneur of the year 2011.

## Change of members of the Board of Directors

As from April 2011, the Chairman was not General Director concurrently in order to separate leadership role of the Board of Directors and management role of the Board of Management in accordance with public company governance standards of OECD Principles of Corporate Governance.

At the Extraordinary Shareholder Meeting held on 16<sup>th</sup> June 2011, the General Assembly of Shareholders approved of reducing the number of members of the Board of Directors from 7 members to 5 members. Up to 30<sup>th</sup> September 2011, the structure of the Board of Directors is as follows:

- Mr. Le Phuoc Vu : Chairman
- Mr. Tran Ngoc Chu : Vice Chairman
- Mr. Nguyen Van Quy : Member
- Mr. Le Phung Hao : Independent member
- Mr. Pham Gia Tuan : Independent member

## 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

## ACTIVITIES OF THE BOARD OF SUPERVISORS

In the fiscal year 2010 – 2011, the Board of Supervisors continued to accomplish their tasks of inspecting and supervising the Group's activities in order to ensure the interests of shareholders. The Board of Supervisors performed the following tasks:

- Taking part in periodic meetings of the Board of Directors with full participation of members of the Board of Supervisors, contributing ideas and proposing timely solutions so as to help the Group overcome difficult stages.
- Examining the separate financial statements of Mother company and subsidiaries, the consolidated financial statements of the Group, receivables and payables, inventories, receipt and payment documents, goods delivering and receiving.
- Inspecting the implementation progress, contract documents and project settlement of Phase 1 of Hoa Sen Phu My Steel Sheet Plant project and Phase 2 of Hoa Sen Steel Pipe, Plastic Pipe and Building Materials Plant project.
- Coordinating with Internal Control Department to inspect activities of branches.

## Compensation of the Board of Supervisors

Title	Compensation/Month
Head of the Board of Supervisors	7,000,000 VND
Member	5,000,000 VND

## CORPORATE GOVERNANCE

### CUSTOMER AND PARTNER RELATIONS



Mr. Le Phuoc Vu – Chairman of Hoa Sen Group guides visitors in Hoa Sen Phu My Steel Sheet Plant

On 8<sup>th</sup> August 2011, more than 800 customers and domestic and foreign partners attended the 10<sup>th</sup> year anniversary of Hoa Sen Group and the inauguration of Phase 1 of Hoa Sen Phu My Steel Sheet Plant having the largest scale of producing coated steel sheet in ASEAN. The ceremony was held as the Group's gratitude to all close customers and partners in many last years.

### SHAREHOLDER AND INVESTOR RELATIONS

- Organizing the Annual General Meeting of the fiscal year 2010 – 2011 on 19<sup>th</sup> March 2011 and the first Extraordinary Shareholder Meeting of the fiscal year 2010 – 2011 on 16<sup>th</sup> June 2011 successfully.
- Performing announcements according to regulations of the Circular No. 09/2010/TT-BTC promulgated on 15<sup>th</sup> January 2010.
- Participating in Investment Conference 2011 organized by Kim Eng Securities USA, in Ho Chi Minh City on 9<sup>th</sup> September 2011.
- Receiving and organizing a tour of Hoa Sen Phu My Steel Sheet Plant for a delegation of CEOs of Korea International Trade Association (KITA).
- Organizing meetings on investment opportunities between Hoa Sen Group and domestic and foreign investors regularly.
- Publishing IR News quarterly in order to provide investors and shareholders with more information channels.



Receiving a delegation of CEOs of Korea International Trade Association (KITA).

# CORPORATE GOVERNANCE

## COMMUNITY RELATIONS



Futsal for children having special situation



Program of Overcoming Ourselves



Having New Year's Eve with children having special situation



Announcing football sponsor



Volunteering Saturday for the community



Buddhism Youth Festival

## HOA SEN PHU MY STEEL SHEET PLANT



<b>Address:</b>	Street No. 1B, Phu My 1 Industrial Park, Tan Thanh District, Ba Ria – Vung Tau Province
<b>Telephone:</b>	064 3924790
<b>Fax:</b>	064 3924796
<b>Business Registration Certificate:</b>	No. 3700381324-095 was issued by the Department of Planning and Investment of Ba Ria – Vung Tau Province on 19 <sup>th</sup> July 2010.
<b>Legal representative:</b>	Mr. Hoang Duc Hoang – Director
<b>Business activities:</b>	Producing galvanized steel sheet, galvalume steel sheet, pre-painted galvanized steel sheet, pre-painted galvalume steel sheet. Producing hot rolled coil, cold rolled coil.

**Hoa Sen Group owns 100%**

### **CONSTRUCTION PROGRESS**

The Group successfully built the steel sheet plant with the largest size in ASEAN up to now. It covers an area of 16.7 hectare including 87,542 square meters for workshops, 690 square meters for office, transformer station 110 KV, waste water treatment and water recycling system and vertically integrated value chain, applies the most modern technology in the industry in Vietnam as well as is invested with the lowest cost and constructed in the shortest time but ensuring the quality of works. The total investment of Phase 1 of the project is VND 1,782,616,175,000.

## HOA SEN PHU MY STEEL SHEET PLANT

Time	Content
Dec 2007	Received Investment License No. 49221000080 of Hoa Sen Phu My Steel Sheet Plant project issued by Ba Ria – Vung Tau Industrial Zones Authority.
May 2009	Officially started construction of Phase 1 of Hoa Sen Phu My Steel Sheet Plant project.
From Dec 2009 to Feb 2010	Put Annealing furnace no. 1 (42,000 tons/year), Shearing line (50,000 tons/year) and Slitting line (150,000 tons/year) into operation.
From Mar 2010 to Apr 2010	Put Hot galvanizing line (NOF – for GI/ GL) (450,000 tons/year) and Color coating line (180,000 tons/year) into operation.
From Jan 2011 to Feb 2011	Put Galvanizing line (NOF – for GI/ GL) (100,000 tons/year), Pickling line (700,000 tons/year) and Cold rolling line no. 1 (200,000 tons/year) into operation.
From Jul 2011 to Aug 2011	Put Acid recycling line (5,000 liters/hour) and Cold rolling line no. 2 (200,000 tons/year) into operation.

In the last fiscal year 2010 – 2011, Hoa Sen Phu My Steel Sheet Plant supplied 277,334 tons of finished products. In the fiscal year 2011 – 2012, the Plant is expected to supply 361,000 tons of finished products, increasing over 30% as compared with production volume of the last fiscal year.



# SUBSIDIARIES

## HOA SEN STEEL SHEET ONE MEMBER LIMITED LIABILITIES COMPANY



<b>Address:</b>	No. 9 Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An Ward, Di An District, Binh Duong Province
<b>Telephone:</b>	06503.737.200
<b>Fax:</b>	06503.737.904
<b>Charter capital:</b>	VND 280,000,000,000 (two hundred and eighty billion VND)
<b>Business Registration Certificate:</b>	No. 3700763651 was issued by the Department of Planning and Investment of Binh Duong Province on 24 <sup>th</sup> December 2007, the 5 <sup>th</sup> amendment was dated on 29 <sup>th</sup> June 2011.
<b>Legal representative:</b>	Mr. Vu Van Binh – Chairman of the Board of Members
<b>Director:</b>	Mr. Nguyen Tan Hoa

### **Hoa Sen Group owns 100%**

Hoa Sen Steel Sheet One Member Limited Liabilities Company (the precursor was Hoa Sen Steel Sheet Joint Stock Company) mainly manufactured cold rolled coil. On 6<sup>th</sup> April 2007, Hoa Sen Steel Sheet Joint Stock Company inaugurated and officially operated Cold rolling line with a capacity of 180,000 tons/year. This was the first cold rolling line belonging to a non-state-owned enterprise at that time. Putting the cold rolling line into operation created an important link of the chain of competitive advantages and provided most of input materials for galvanizing lines and steel pipe lines of the Group.

# SUBSIDIARIES

## Business result of the fiscal year 2010 – 2011 and business plan of the fiscal year 2011 – 2012

No.	Item	Unit	Performance of FY 2010 – 2011	Business plan of FY 2011 – 2012	In comparison with performance of FY 2010 – 2011	
					Absolute number	Relative number
1	2	3	4	5	6 = 5 - 4	7 = (5/4) x 100
1	Sales volume of cold rolled coil	Ton	155,242	138,000	(17,242)	89%
2	Net sales	VND billion	2,916	2,718	(198)	93%
3	Gross profit	VND billion	63	64	1	102%

Note: According to the business plan of the fiscal year 2011 – 2012, Hoa Sen Steel Sheet One Member Limited Liabilities Company produces thin cold rolled coil having high value so its sales volume and net sales decrease but the gross profit increases.

### HOA SEN BUILDING MATERIALS ONE MEMBER LIMITED LIABILITIES COMPANY



<b>Address:</b>	Phu My 1 Industrial Park, Phu My Town, Tan Thanh District, Ba Ria – Vung Tau Province
<b>Telephone:</b>	064.3923231
<b>Fax:</b>	064.3923230
<b>Charter capital:</b>	VND 150,000,000,000 (one hundred and fifty billion VND)
<b>Business Registration Certificate:</b>	No. 3500786179 was issued by the Department of Planning and Investment of Ba Ria – Vung Tau Province on 18 <sup>th</sup> December 2007
<b>Legal representative:</b>	Mr. Tran Ngoc Chu – Chairman of the Board of Members
<b>Director:</b>	Mr. Bui Thanh Tam
<b>Principal activities:</b>	Manufacturing and trading building materials products including: steel pipes, galvanized steel pipes, plastic pipes and accessory of plastic pipes

**Hoa Sen Group owns 100%**

# SUBSIDIARIES

## MAIN ACTIVITIES IN THE FISCAL YEAR 2010 – 2011

- Completed Phase 2 of Hoa Sen Steel Pipe, Plastic Pipe and Building Materials Plant project.
- Opened the showroom specializing in Hoa Sen Plastic Pipe at No. 689, Highway 13, Hiep Binh Chanh Ward, Thu Duc District, Ho Chi Minh City.
- Sponsored the program “Overcoming ourselves” of Ho Chi Minh City Television, the National Football Cup – Hoa Sen Plastic in 2010, 2011 and 2012.
- Awards: Hoa Sen steel pipe and Hoa Sen plastic pipe got gold cup and gold medal at the International Exhibition Vietbuild 2011.

## TYPICAL PROJECTS USING HOA SEN PLASTIC PIPE

- Projects providing clean water for districts in Ho Chi Minh City, South-eastern provinces and the Mekong Delta.
- Sand pumping projects in the Thermoelectric Plant in Tra Vinh Province and Phu Quoc Airport.
- Road bridge projects in Da Nang and Phu My bridge – Ho Chi Minh City.
- Infrastructure projects in Tan Duc – Long An Industrial Park and Tay Bac – Cu Chi Industrial Park.



## BUSINESS RESULT OF THE FISCAL YEAR 2010 – 2011 AND BUSINESS PLAN OF THE FISCAL YEAR 2011 – 2012

Item	Unit	Performance of FY 2010 – 2011	Business plan of FY 2011 – 2012	In comparison with performance of FY 2010 – 2011	
				Absolute number	Relative number
1	2	3	4	5 = 4 - 3	6 = (4/3) x 100
<b>Sales volume</b>	Ton	70,512	97,000	26,488	130%
<b>Net sales</b>	VND billion	1,315	1,800	485	136%
<b>Gross profit</b>	VND billion	79.6	110	30.4	130%



## SUBSIDIARIES

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



<b>Address:</b>	No. 9 Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An Ward, Di An District, Binh Duong Province
<b>Telephone:</b>	0650.3737999
<b>Fax:</b>	0650.3737999
<b>Charter capital:</b>	VND 16,276,000,000 (sixteen billion and two hundred and seventy six million VND)
<b>Business Registration Certificate:</b>	No. 3700785528 was issued by the Department of Planning and Investment of Binh Duong Province on 24 <sup>th</sup> December 2007.
<b>Legal representative:</b>	Mr. Vu Van Thanh – Chairman of the Board of Members
<b>Principal activities:</b>	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.

#### **Hoa Sen Group owns 100%**

In the last fiscal year 2010 – 2011, Hoa Sen Transportation and Engineering One Member Limited Liabilities Company transported 96,437 tons. In the fiscal year 2011 – 2012, the Company is expected to transport 109,360 tons, increasing over 13% as compared with the performance of the last fiscal year.

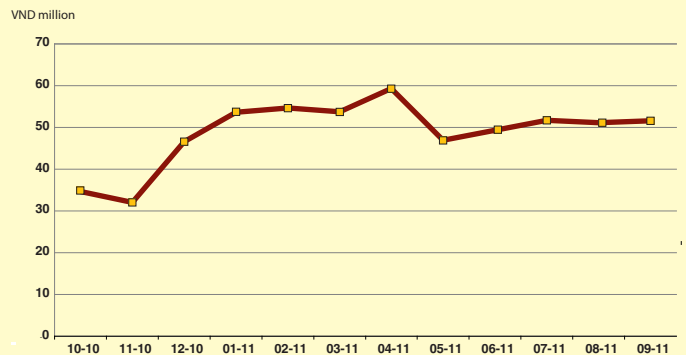
# HUMAN RESOURCES



## THE NUMBER OF EMPLOYEES AND THE AVERAGE INCOME OF EMPLOYEES

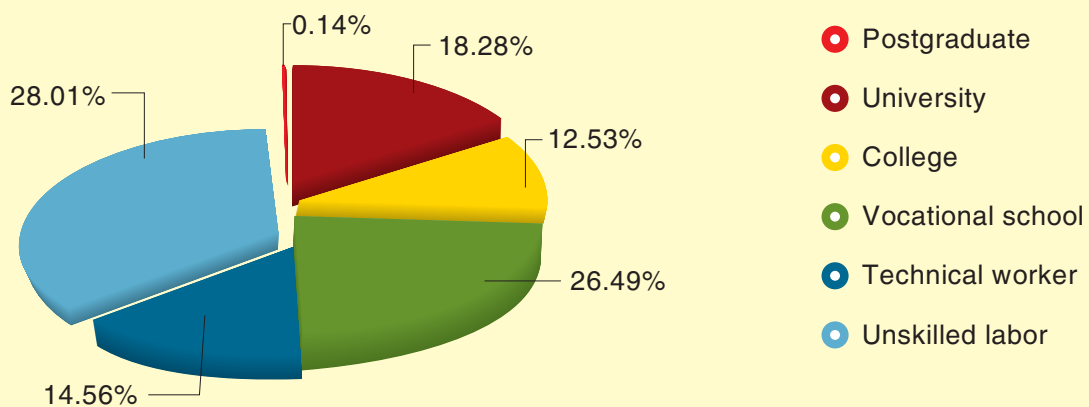
Up to 30<sup>th</sup> September 2011, the total number of employees of Hoa Sen Group is 2,960 people. The average income of employees in the last 3 fiscal years is sequentially 3,928,000 VND/person/month, 4,850,000 VND/person/month and 5,735,000 VND/person/month.

## THE AVERAGE INCOME OF THE BOARD OF MANAGEMENT



Note: In April 2011, the average income increased considerably due to the payment for holidays of the Board of Management in the fiscal year 2009 – 2010.

## THE STRUCTURE OF EDUCATIONAL LEVEL OF EMPLOYEES IN THE FISCAL YEAR 2010 – 2011



# HUMAN RESOURCES

## LABOR POLICIES

### Salary and allowance policy

Although the profit was not achieved as expectation because of difficult macroeconomic situation, the Group increased the minimum salary for employees according to the Government's regulation in January 2011 and July 2011 as well as adjusted salary policy applied to low-income employees due to high inflation. In addition, the Group issued, applied and improved sales salary policy based on sales volume, sales and gross profit so as to motivate employees receiving sales salary to work hard and create the competitiveness as compared with the market.

Allowance policy is developed depending on each type of work including allowance for attraction, allowance for mobility, allowance for holding concurrently, allowance for responsibility, allowance for toxicity, allowance for reserve and allowance for telephone... This is an additional income helping employees feel assured in their work.

### Social insurance policy

Hoa Sen Group performs the social insurance, medical insurance and unemployment insurance according to the Law and ensures that all employees enjoy full insurance policies. In many consecutive years, the Group has carried out insurance activities well and received certificates of Binh Duong Social Insurance. In the fiscal year 2010 – 2011, the Group adjusted insurance premium for employees in accordance with the Government's minimum salary regulation in January 2011 and July 2011.

### Bonus policy

Bonus policy is applied corresponding with achievements in working as well as efficiency in production and sales activities in order to motivate employees. The Group has applied the following policies: bonus for sales quarterly and annually, bonus for completing projects earlier than the schedule, bonus for the 13<sup>th</sup> month salary, bonus for excellent employees and bonus for technical initiatives.



Training courses at Hoa Sen Group

### Other policies

In addition to supporting lunch meals and mid shift meals as well as providing uniforms, labor protections, periodic health examination and accident insurance 24/24, the Group applied welfare policies such as bonus in Lunar New Year, Mid-Autumn Festival, the 10<sup>th</sup> year anniversary, International Women's Day and Vietnam Women's Day for female staffs and supporting staffs having difficult circumstances.

## HUMAN RESOURCES TRAINING AND DEVELOPMENT POLICY

The Group continues to cooperate with members of Vietnam National University Ho Chi Minh City, universities and colleges in Binh Duong and Ba Ria – Vung Tau provinces by sponsoring for scholarship, attending career opportunity day, organizing conferences on training quality... in order to implement the strategy of attracting high quality human resources.

The Group continues to recruit good and excellent students from prestigious universities for Management Trainee program so as to develop core management staffs in the future.

The Group maintains integration training programs for new staffs and some internal training programs to enhance staffs' soft skills.

## LABOR UNION'S ACTIVITIES



Organizing activities in celebration of the 10th year anniversary of the Group

In the fiscal year 2010 – 2011, along with the Board of Management, the labor union organized many exciting activities to care for employees' life such as: (i) visiting, encouraging and supporting union members who suffer from illness, maternity, labor accident, traffic accident as well as hiring transportation for staffs to come back to their home town on Lunar New Year; (ii) organizing recreation activities and presenting gifts for female staffs on International Women's Day, Vietnam Women's Day as well as presenting gifts for staffs' children on International Children's Day; (iii) donating to victims of natural disasters.



The labor union cooperated with other departments in organizing some activities to celebrate the 10th year anniversary of the Group: Hoa Sen Internal Mini Football Cup, Hoa Sen Open Mini Football Cup, Hoa Sen Heathy Festival and Singing of Gold Lotus.

By organizing plentiful activities, accomplishing their mission and making great contributions to the local union's activities, many union members were awarded merit certificates by the Chairman and the General Director. Especially, the union executive committee had the honor of receiving a certificate of merit of the Chairman of Binh Duong People' Committee on the 10th year anniversary of the Group.



# SHAREHOLDING INFORMATION

## INFORMATION ON SHARE

Charter capital: VND 1,007,907,900,000  
 Stock code: HSG  
 Listing exchange: HOSE  
 Listing date: 5<sup>th</sup> December 2008  
 Number of listed shares: 100,790,790 shares  
 Number of treasury shares: 2,020,012 shares  
 Number of outstanding shares: 98,770,778 shares  
 Book value per share (30/9/2011): 18,049 VND/share



Price chart of HSG from 01/10/2010 to 30/9/2011

Source: VNDirect Securities Corporation

## INFORMATION ON DIVIDEND

In the last fiscal years, Hoa Sen Group always achieved high profit and paid stable dividend for shareholders. The rates of dividend paid for shareholders through the fiscal years are presented as follows:

Fiscal year	Dividend/Face value	Note
2008	30%	20% in cash and 10% in stocks
2008 - 2009	20%	Stock dividend
2009 - 2010	no more than 15%	Paid dividend for the first stage with 5% in cash

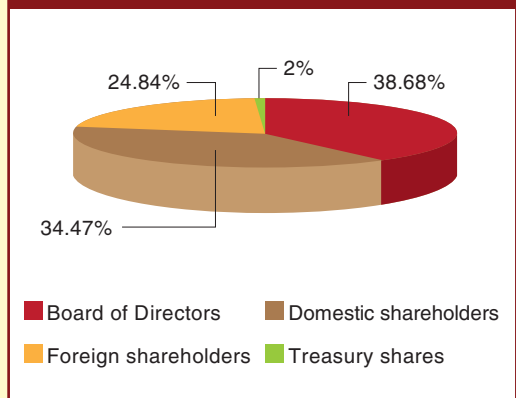
## STATISTICAL DATA

### Shareholder structure

Basing on the shareholder list as at 16th May 2011, Hoa Sen Group's shareholder structure is presented as follows:

No.	Shareholder	Number of shares	Proportion
1	<b>Board of Directors</b>	<b>38,990,852</b>	<b>38.68%</b>
2	<b>Domestic shareholders</b>	<b>34,744,700</b>	<b>34.47%</b>
	Individuals	31,273,248	31.03%
	Organizations	3,471,452	3.44%
3	<b>Foreign shareholders</b>	<b>25,035,226</b>	<b>24.84%</b>
	Individuals	234,704	0.23%
	Organizations	24,800,522	24.61%
4	<b>Treasury shares</b>	<b>2,020,012</b>	<b>2.00%</b>
<b>Total</b>		<b>100,790,790</b>	<b>100.00%</b>

### Shareholder structure of Hoa Sen Group



### Shareholders owning over 5% share capital of Hoa Sen Group

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

# SHAREHOLDING INFORMATION

## Founding shareholders

No.	Shareholder	Address	Number of shares	Proportion
1	Le Phuoc Vu	No. 19 Giang Van Minh Street, Block 4, An Phu Ward, District 2, Ho Chi Minh City	38,688,652	38.39%
2	Ho Van Hoang	Dinh Trung Commune, Binh Dai District, Ben Tre Province	415,569	0.41%
3	Hoang Duc Huy	No. 37/260L, Quang Trung Road, Ward 12, Go Vap District, Ho Chi Minh City	86,400	0.09%

## Shares owned by the Board of Directors

No.	Title	Shareholder	Address	Number of shares	Proportion
1	Chairman	Le Phuoc Vu	No. 19 Giang Van Minh Street, Block 4, An Phu Ward, District 2, Ho Chi Minh City	38,688,652	38.39%
2	Vice Chairman	Tran Ngoc Chu	No. 285/7/10A, Cach Mang Thang 8 Street, Ward 12, District 10, Ho Chi Minh City	86,400	0.09%
3	Member	Le Phung Hao	No. 120/17 Tran Dinh Xu Street, District 1, Ho Chi Minh City	50,200	0.05%
4	Member	Pham Gia Tuan	No. 12/18 Phan Ke Binh Street, Da Kao Ward, District 1, Ho Chi Minh City	79,200	0.08%
5	Member	Nguyen Van Quy	No. 92 Road 3, Block 8, Truong Tho Ward, Thu Duc District, Ho Chi Minh City	86,400	0.09%

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

No.	Title	Shareholder	Address	Number of shares	Proportion
1	General Director	Tran Ngoc Chu	No. 285/7/10A, Cach Mang Thang 8 Street, Ward 12, District 10, Ho Chi Minh City	86,400	0.09%
2	Deputy General Director	Hoang Duc Huy	No. 37/260L, Quang Trung Street, Ward 12, Go Vap District, Ho Chi Minh City	86,400	0.09%
3	Deputy General Director	Vu Van Binh	No. 38/212 Quang Trung Street, Ward 10, Go Vap District, Ho Chi Minh City	65,174	0.06%
4	Deputy General Director	Tran Quoc Tri	Group 7 An Son, Thanh An, Binh Long, Binh Phuoc Province	34,368	0.03%
5	Deputy General Director	Vu Van Thanh	No. 140/2 Nguyen Anh Thu Street, Trung Chanh Hamlet, Hoc Mon District, Ho Chi Minh City	15,552	0.02%
6	Interim Deputy General Director	Nguyen Minh Khoa	No.54 Road 5, Hiep Binh Phuoc Ward, Thu Duc District, Ho Chi Minh City	6,100	0.01%
7	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	Shareholder	Address	Number of shares	Proportion
1	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%
2	Member	Ly Van Xuan	No. 8-CX Van Chung, Quang Trung Street, Ward 10, Go Vap District, Ho Chi Minh City	86,400	0.09%
3	Member	Huynh Thi Hong Vy	No. 34/10A Trung Lan Hamlet, Ba Diem Ward, 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
1	Le Phuoc Vu	Hoang Thi Xuan Huong	Wife	No. 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	No. 19 Giang Van Minh Street, Block 4, An Phu Ward, District 2, Ho Chi Minh City	72,000	0.07%
2	Hoang Duc Huy	Hoang Duc Hoang	Younger brother	No. 200, Tran Hung Dao Street, Ward 1, Tay Ninh town, Tay Ninh Province	15,552	0.02%
		Hoang Thi Xuan Huong	Younger brother	No. 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 Street, Ward 12, Go Vap District, Ho Chi Minh City	10,454	0.01%
3	Nguyen Minh Khoa	Nguyen Thi Minh Thu	Younger sister	No.54 Road 5, Hiep Binh Phuoc Ward, Thu Duc District, Ho Chi Minh City	8,709	0.01%
4	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	9,000	0.01%
5	Ly Van Xuan	Vo Thi Son Ca	Wife	No. 5/1 Quang Trung Street, Ward 11, Go Vap District, Ho Chi Minh City	18,000	0.02%
		Ly Khanh Van	Daughter	No. 8-CX Van Chung, Quang Trung Street, Ward 10, Go Vap District, Ho Chi Minh City	9,000	0.01%
6	Huynh Thi Hong Vy	Tran Minh Phuong	Husband	An Thanh Ward, Hoai An District, Binh Dinh province	5,480	0.01%

# RETAIL NETWORK

No.	Name	Address	Telephone	No.	Name	Address	Telephone
<b>SOUTHWESTERN REGION</b>							
1	Nam Can	Cai Nai hamlet, Nam Can town, Nam Can district, Ca Mau	+84.780.3876703	25	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	26	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	27	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	28	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	29	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	30	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	31	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	32	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	33	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	34	Ben Luc	Voi La hamlet, Long Hiep commune, Ben Luc district, Long An	+84.918.449719
11	Lo Te	454, Group 16, Thoi Hoa area, Thoi Thuan ward, Thot Not district, Can Tho	+84.76.3831844	<b>SOUTHEASTERN REGION</b>			
12	Can Tho	143 area 5, CMT8, An Thoi ward, Binh Thuy district, Can Tho	+84.710.3887581	35	Trang Bang	Group 6, An Binh hamlet, An Tinh commune, Trang Bang district, Tay Ninh	+84.66.3896733
13	Vinh Thanh	1255, Lan Quoi 1 hamlet, Thanh My commune, Vinh Thanh district, Can Tho	+84.710.3641828	36	Go Dau	Phuoc Duc B hamlet, Phuoc Dong commune, Go Dau district, Tay Ninh	+84.66.3533838
14	Cai Rang	Highway 1A, area 2, Ba Lang ward, Cai Rang district, Can Tho	+84.710.3910001	37	Thong Nhat	65 highway 1A, Hung Nghia hamlet, Hung Loc commune, Thong Nhat district, Dong Nai	+84.613.768503
15	Tri Ton	Cluster 1, Tri Ton town, Tri Ton district, An Giang	+84.76.3772949	38	Long Khanh	Area 9, Cam Tan hamlet, Xuan Tan commune, Long Khanh county, Dong Nai	+84.613.721266
16	Chau Doc	Highway 91, Hoa Binh area, Vinh My ward, Chau Doc county, An Giang	+84.76.3560510	39	Dinh Quan	Lot SKK 97A, Dinh Quan IP, La Nga commune, Dinh Quan district, Dong Nai	+84.613.633855
17	Phu Tan	Long Hung hamlet, Long Son commune, Phu Tan district, An Giang	+84.76.3533435	40	Ngai Giao	Highway 56, Tan Phu hamlet, Bau Chinh commune, Chau Duc district, Ba Ria – Vung Tau	+84.643.962358
18	Long Xuyen	Group 12, Binh Duc 5 cluster, Binh Duc ward, Long Xuyen city, An Giang	+84.76.3650738	41	Tan Thanh	Ben Dinh hamlet, My Xuan commune, Tan Thanh district, Ba Ria – Vung Tau	+84.643.931828
19	Cho Moi	My Hoa hamlet, My Luong town, Cho Moi district, An Giang	+84.76.3626376	42	Xuyen Moc	Highway 55, Phuoc Thuan commune, Xuyen Moc district, Ba Ria – Vung Tau	+84.643.782888 +84.643.782999
20	Hong Ngu	Highway 30, An Loc ward, Hong Ngu county, Dong Thap	+84.67.3836771	43	Tan Phu	142, Tho Lam 3 hamlet, highway 20, Phu Thanh commune, Tan Phu district, Dong Nai	+84.613.696629
21	Tam Nong	Tram Chim town, Tam Nong district, Dong Thap	+84.67.3829658	44	Duc Linh	Hamlet 4, Duc Chinh commune, Duc Linh district, Binh Thuan	+84.623.887898
22	Cao Lanh	Highway 30, My Phu ward, Cao Lanh city, Dong Thap	+84.67.3857316	45	Ham Tan	Da Mai hamlet, Tan Xuan commune, Ham Tan district, Binh Thuan	+84.623.872888
23	Chau Thanh - Dong Thap	An Hoa hamlet, Tan Binh commune, Chau Thanh district, Dong Thap	+84.67.3868156	46	Phan Thiet	Lot 4/1, Phan Thiet IP, Phan Thiet city, Binh Thuan	+84.623.829124
24	My Hoa	Tay Hue 1 hamlet, My Hoa ward, Long Xuyen city, An Giang	+84.76.3949952	47	Phan Ri	Binh Liem hamlet, Phan Ri Thanh commune, Bac Binh district, Binh Thuan	+84.623.862151
				48	Ham Thuan Nam	Highway 1A, Ham My commune, Ham Thuan Nam district, Binh Thuan	+84.623.899559



No.	Name	Address	Telephone	No.	Name	Address	Telephone
49	Phu Giao	DT 741 street, group 5, Vinh An hamlet, Vinh Hoa commune, Phu Giao, Binh Duong	+84.6503.69511306	<b>NORTH CENTRAL COAST</b>			
50	District 9	628 highway 52, quarter 1, Phuoc Long B ward, district 9, HCMC	+84.8.37281512	83	Hue	Highway 1A, Huong Van commune, Huong Tra district, Thua Thien Hue	+84.56.3833008
51	An Suong	194D/4, quarter 3, Trung My Tay ward, district 12, HCMC	+84.8.37189402	84	Quang Tri	An Binh hamlet, Cam Thanh commune, Cam Lo district, Quang Tri	+84.53.3565222
52	Phuoc Long	Group 1, quarter 9, Long Phuoc ward, Phuoc Long country, Binh Phuoc	+84.6513.713006	85	Quang Binh	Street F325, Bac Ly ward, Dong Hoi city, Quang Binh	+84.52.3859356
53	Binh Duong	612 Binh Duong boulevard, Hiep Thanh ward, Thu Dau Mot county, Binh Duong	+84.650.3824495	86	Ha Tinh	Tan Phu hamlet, Thach Trung commune, Ha Tinh city, Ha Tinh	+84.39.3690617
54	Ben Cat	Highway 13, hamlet 3B, Thoi Hoa commune, Ben Cat district, Binh Duong	+84.650.3577112 +84.650.3577113	87	Nghe An	Hamlet 14, Nghi Kim commune, Vinh city, Nghe An	+84.38.3516469
55	Chon Thanh	31, group 1, hamlet 1, Thanh Tam commune, Chon Thanh district, Binh Phuoc	+84.651.3668494	88	Thanh Hoa	Highway 1A, Quyet Thang hamlet, Quang Thinh commune, Quang Xuong district, Thanh Hoa	+84.37.8755667
56	Dong Xoai	Phu Rieng Do street, Tan Tra quarter, Tan Xuan ward, Dong Xoai county, Binh Phuoc	+84.651.3883196	89	Bim Son	Hamlet 6, Bac Son ward, Bim Son county, Thanh Hoa	+84.37.3763996
<b>CENTRAL HIGHLANDS</b>				90	Dien Chau	Nho IP, Dien Hong commune, Dien Chau district, Nghe An	+84.38.3620685
57	Duc Trong	413 highway 20, Lien Nghia town, Duc Trong district, Lam Dong	+84.633.646229	<b>NORTHERN REGION</b>			
58	Phan Rang	Unit 6, Phu Ha ward, Phan Rang – Thap Cham city, Ninh Thuan	+84.683.833845 +84.683.833846	91	Ha Noi	Lot A6-2, Ha Noi-Dai Tu IP, 386 Nguyen Van Linh, Long Bien district, Ha Noi	+84.4.36559905
59	Cam Ranh	Highway 1A, Xuan Ninh 2 cluster, Cam Phuc Nam ward, Cam Ranh county, Khanh Hoa	+84.583.860402	92	Son La	Chieng Sinh IP, Chieng Sinh ward, Son La city, Son La	+84.22.3774280
60	Ham Thuan Nam	Highway 1A, Ham My commune, Ham Thuan Nam district, Binh Thuan	+84.623.899559	93	Ninh Binh	Highway 1A, Thien Ton town, Hoa Lu district, Ninh Binh	+84.303.626668
61	Gia Nghia	Hung Vuong street, group 6, Nghia Thanh ward, Gia Nghia county, Dak Nong	+84.501.3545016	94	Hòa Bình	Trung hamlet, Trung Minh commune, Hoa Binh city, Hoa Binh	+84.1283.843737
62	Dak Mil	Hamlet 1, Duc Manh commune, Dak Mil district, Dak Nong	+84.501.3750878	95	Quang Ninh	Trai Thanh 1 hamlet, Dong Mai commune, Yen Hung district, Quang Ninh	+84.333.553768
63	Dak Lak	38 Nguyen Chi Thanh, Tan An ward, Buon Ma Thuot city, Dak Lak	+84.500.3954056	96	Yen Bai	Hop Minh commune, Yen Bai city, Yen Bai	+84.293.710456
64	Eakar	An Cu hamlet, Cu Hue commune, Ea Kar district, Dak Lak	+84.500.3627064	97	Phu Tho	Area 12, Kim Duc commune, Viet Tri city, Phu Tho	+84.2103.736386
65	Krong Pak	Phuoc An town, Krong Pak district, Dak Lak	+84.500.3519744	98	Ha Nam	Lao Cau hamlet, Tien Tan commune, Duy Tien district, Ha Nam	+84.3513.595616
66	Buon Ho	517 Hung Vuong, Buon Ho county, Dak Lak	+84.500.3870010	99	Thai Binh	Gia Le hamlet, Dong My commune, Thai Binh city, Thai Binh	+84.36.3568866
67	Pleiku	No. 174 Truong Chinh street, group 4, Tra Ba ward, Pleiku city, Gia Lai	+84.59.3747170	100	Hung Yen	Pho Noi IP, Di Su commune, My Hao district, Hung Yen	+84.321.3744206
68	Chu Se	Hamlet 7, La Blang commune, Chu Se district, Gia Lai	+84.59.3768778	101	Nam Dinh	Lot 21, Street N1, An Xa IP, My Xa commune, Nam Dinh city, Nam Dinh	+84.350.3672317
69	Kon Tum	564 Phan Dinh Phung, Kon Tum county, Kon Tum	+84.60.3856372	102	Hai Phong	Kien Bai commune, Thuy Nguyen district, Hai Phong city	+84.31.3645566
70	Ngoc Hoi	Group 3, Plei Kan town, Ngoc Hoi district, Kon Tum	+84.60.3832772	103	Thai Nguyen	Luong Son commune, Thai Nguyen city, Thai Nguyen	+84.280.3645657
71	Nha Trang	Phu Khanh hamlet, Dien Thanh commune, Dien Khanh district, Khanh Hoa	+84.58.3750526 +84.58.3750527	104	Vinh Phuc	Huong Loc hamlet, Dao Duc commune, Binh Xuyen district, Vinh Phuc	+84.211.3593234
72	Son Hoa	Tan Thanh hamlet, Suoi Bac commune, Son Hoa district, Phu Yen	+84.573.640427	105	Ha Giang	Tan An hamlet, Hung An commune, Bac Quang district, Ha Giang	+84.219.3892956
73	Tuy Hoa	229 Nguyen Tat Thanh, Ward 8, Tuy Hoa City, Phu Yen	+84.57.3820586	106	Bac Kan	Group 15, Phung Chi Kien ward, Bac Kan county, Bac Kan	+84.281.3812556
74	Tuy An	Chi Duc hamlet, Chi Thanh town, Tuy An district, Phu Yen	+84.57.3767477	<b>BASE DEPOT</b>			
75	Tuy Phuoc	My Dien hamlet, Tuy Phuoc town, Tuy Phuoc district, Binh Dinh	+84.56.3833008	01	Lo Te	Group 16, Thoi Hoa hamlet, Thoi Thuan commune, Thot Not district, Can Tho	+84.76.3930180
76	An Khe	Ngo May ward, An Khe county, Gia Lai	+84.59.3533511	02	Trung Luong	Long My hamlet, Phuoc Thanh commune, My Tho city, Tien Giang	+84.73.268191
77	Phu Cat	Hoa Dong hamlet, Cat Tan commune, Phu Cat district, Binh Dinh	+84.56.3538178	03	Di An	No. 27, Thong Nhat boulevard, Song Than IP, Di An district, Binh Duong	+84.650.3793933
78	Phu My	Diem Tieu hamlet, Phu My town, Phu My district, Binh Dinh	+84.56.3244442				
79	Bong Son	Thiet Dinh hamlet, Bong Son town, Hoai Nhon district, Binh Dinh	+84.56.3761841				
80	Son Tinh	Truong Tho Dong hamlet, Son Tinh town, Son Tinh district, Quang Ngai	+84.55.3670097				
81	Tam Ky	Lot A49 Phan Boi Chau, Hoa Thuan ward, Tam Ky city, Quang Nam	+84.510.3810842				
82	Da Nang	281A Truong Chinh, An Khe ward, Thanh Khe district, Da Nang	+84.511.3721101				



**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

**TRÊN HẾT**  
Y FIRST

CT46-GI,PPGI-SCT:1038 (20t)



**TOÀN TRÊN HẾT**  
SAFETY FIRST

CT13-PPGI-SCT:1038

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## CORPORATE INFORMATION

**BUSINESS REGISTRATION CERTIFICATE NO.** 3700381324 dated 4 July 2011  
First issued on 8 August 2001.

The Business Registration Certificate has been amended several times and the latest amendment was the Business Registration Certificate No. 3700381324 on 4 July 2011. The Business Registration Certificate was issued by the Department of Planning and Investment of Binh Duong Province.

<b>BOARD OF MANAGEMENT</b>	Mr Le Phuoc Vu	Chairman
	Mr Tran Ngoc Chu	Vice Chairman
	Mr Le Phung Hao	Member
	Mr Pham Gia Tuan	Member
	Mr Nguyen Van Quy	Member
<b>BOARD OF DIRECTORS</b>	Mr Le Phuoc Vu	General Director (resigned as General Director on 1 April 2011)
	Mr Pham Van Trung	General Director (appointed on 1 April 2011, resigned on 27 April 2011)
	Mr Tran Ngoc Chu	General Director (appointed on 27 April 2011)
	Mr Hoang Duc Huy	Deputy General Director
	Mr Vu Van Binh	Deputy General Director
	Mr Tran Quoc Tri	Deputy General Director
	Mr Vu Van Thanh	Deputy General Director (appointed on 1 April 2011)
<b>LEGAL REPRESENTATIVE</b>	Mr Le Phuoc Vu	Chairman
<b>REGISTERED OFFICE</b>	No. 9, Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An Ward, Di An Town, Binh Duong Province, Vietnam	
<b>AUDITOR</b>	PricewaterhouseCoopers (Vietnam) Limited	

# CORPORATE INFORMATION

## STATEMENT OF THE RESPONSIBILITY OF GENERAL DIRECTOR OF THE COMPANY IN RESPECT OF THE FINANCIAL STATEMENTS

The legal representative of the Company authorized the General Director to be responsible for the separate financial statements which give a true and fair view of the financial position of Hoa Sen Group (“the Company”) as at 30 September 2011 and the results of its operations and cash flows for the year then ended. In preparing these financial statements, the General Director is required to:

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

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

## APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

I hereby approve the accompanying separate financial statements as set out on pages 5 to 36 which give a true and fair view of the financial position of the Company as at 30 September 2011 and of the results of its operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.

Users of these separate financial statements should read them together with the consolidated financial statements of the Company and its subsidiaries (“the Group”) as at and for the year ended 30 September 2011 in order to obtain full information of the financial information, results of operations and cash flows of the Group as a whole.



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**Tran Ngoc Chu**  
General Director

Binh Duong Province, SR Vietnam  
30 December 2011



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

We have audited the accompanying separate financial statements of Hoa Sen Group ("the Company") which were approved by the General Director on 30 December 2011. The separate financial statements comprise the balance sheet as at 30 September 2011, the income statement and cash flow statement for the year then ended, and explanatory notes to the financial statements including significant accounting policies, as set out on pages 5 to 36.

### **The General Director's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

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*PricewaterhouseCoopers (Vietnam) Ltd., 4<sup>th</sup> Floor, Saigon Tower, 29 Le Duan Street, District 1, Ho Chi Minh City, Vietnam*  
T: +84 (8)38230796, F: +84 (8) 38251947, [www.pwc.com/vietnam](http://www.pwc.com/vietnam)



## Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at 30 September 2011, and its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.



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

**Le Van Hoa**  
AC No. 0248/KTV

PricewaterhouseCoopers (Vietnam) Limited  
Ho Chi Minh City, SR Vietnam  
Audit report number HCM2988  
30 December 2011

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

# SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

“The notes on pages 9 to 36 are an integral part of these financial statements.”

**Form B 01 – DN**

## BALANCE SHEET

As at 30 September

Code	ASSETS	Note	2011 VND	2010 VND (Restated – Note 37)
<b>100</b>	<b>CURRENT ASSETS</b>		<b>3,250,279,967,093</b>	<b>2,291,431,199,109</b>
<b>110</b>	<b>Cash and cash equivalents</b>	<b>3</b>	<b>126,343,395,167</b>	<b>34,385,502,402</b>
111	Cash		126,343,395,167	34,385,502,402
<b>130</b>	<b>ACCOUNTS RECEIVABLE</b>		<b>1,097,677,196,770</b>	<b>887,185,802,758</b>
131	Trade accounts receivable	4	735,136,576,406	661,298,057,012
132	Prepayments to suppliers	5	112,840,243,696	226,712,593,700
135	Other receivables	6	252,206,830,245	239,956,240
139	Provision for doubtful debts		(2,506,453,577)	(1,064,804,194)
<b>140</b>	<b>Inventories</b>	<b>7</b>	<b>1,765,275,223,172</b>	<b>1,148,133,598,975</b>
141	Inventories		1,765,275,223,172	1,149,809,053,367
149	Provision for decline in value of inventories		-	(1,675,454,392)
<b>150</b>	<b>Other current assets</b>		<b>260,984,151,984</b>	<b>221,726,294,974</b>
151	Short-term prepayments		25,348,615,065	5,861,946,803
152	Value Added Tax to be reclaimed		191,717,067,998	132,743,741,516
154	Other taxes receivable	8	-	5,089,952,473
158	Other current assets	9	43,918,468,921	78,030,654,182
<b>200</b>	<b>LONG-TERM ASSETS</b>		<b>2,686,882,002,143</b>	<b>2,205,572,301,519</b>
<b>220</b>	<b>Fixed assets</b>		<b>2,128,985,585,123</b>	<b>1,637,724,636,483</b>
221	Tangible fixed assets	10(a)	1,478,450,108,256	864,121,262,830
222	Cost		1,816,619,977,070	1,058,282,843,705
223	Accumulated depreciation		(338,169,868,814)	(194,161,580,875)
227	Intangible fixed assets	10(b)	213,362,665,641	233,250,118,120
228	Cost		220,905,131,051	238,442,173,613
229	Accumulated amortisation		(7,542,465,410)	(5,192,055,493)
230	Construction in progress	10(c)	437,172,811,226	540,353,255,533
<b>250</b>	<b>Long-term investments</b>	<b>11</b>	<b>504,605,390,954</b>	<b>536,656,010,464</b>
251	Investments in subsidiaries		446,276,000,000	478,794,465,506
252	Investments in associates		44,456,331,634	43,414,544,958
258	Other long-term investments		15,000,000,000	15,000,000,000
259	Provision for diminution in value of long-term investments		(1,126,940,680)	(553,000,000)
<b>260</b>	<b>Other long-term assets</b>		<b>53,291,026,066</b>	<b>31,191,654,572</b>
261	Long-term prepayments	12	47,356,517,597	28,561,120,370
262	Deferred income tax assets	13	4,871,229,297	2,630,534,202
268	Other long-term assets		1,063,279,172	-
<b>270</b>	<b>TOTAL ASSETS</b>		<b>5,937,161,969,236</b>	<b>4,497,003,500,628</b>



# SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

“The notes on pages 9 to 36 are an integral part of these financial statements.”

Form B 01 – DN

## BALANCE SHEET (continued)

As at 30 September

Code	RESOURCES	Note	2011 VND	2010 VND (Restated – Note 37)
<b>300</b>	<b>LIABILITIES</b>		<b>4,115,914,947,348</b>	<b>2,901,254,960,323</b>
<b>310</b>	<b>Current liabilities</b>		<b>3,485,549,491,223</b>	<b>2,489,655,796,537</b>
311	Short-term borrowings	14(a)	2,245,467,872,962	1,772,956,296,002
312	Trade accounts payable	15	1,124,806,259,547	534,909,040,497
313	Advances from customers		39,043,692,919	20,844,467,979
314	Taxes and other payables to the State Budget	16	16,758,743,314	19,644,877,230
315	Payable to employees		19,490,662,024	15,478,943,361
316	Accrued expenses	17	29,106,140,385	89,732,655,785
319	Other payables	18	2,929,661,962	34,360,518,307
323	Bonus and welfare fund	19	7,946,458,110	1,728,997,376
<b>330</b>	<b>Long-term liabilities</b>		<b>630,365,456,125</b>	<b>411,599,163,786</b>
334	Long-term borrowings	14(b)	629,061,213,625	410,250,888,786
336	Provision for severance allowances		1,304,242,500	1,348,275,000
<b>400</b>	<b>SHAREHOLDERS' EQUITY</b>		<b>1,821,247,021,888</b>	<b>1,595,748,540,305</b>
<b>410</b>	<b>Capital and reserves</b>		<b>1,821,247,021,888</b>	<b>1,595,748,540,305</b>
411	Share capital	20, 21	1,007,907,900,000	1,007,907,900,000
412	Share premium	21	451,543,290,363	451,543,290,363
414	Treasury shares	21	(28,588,182,845)	(572,094,000)
416	Financial reserve funds	21	8,525,313,060	8,525,313,060
420	Undistributed earnings	21	381,858,701,310	128,344,130,882
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>5,937,161,969,236</b>	<b>4,497,003,500,628</b>

## OFF BALANCE SHEET ITEMS

Cash and cash equivalents are balances held in foreign currencies of US\$13,337 (As at 30 September 2010: US\$228,666).



Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Ngoc Chu  
General Director  
30 December 2011

# SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

“The notes on pages 9 to 36 are an integral part of these financial statements,”

Form B 02 – DN

## INCOME STATEMENT

Year ended 30 September

Code	Note	2011 VND	2010 VND
01	Sales	11,257,002,387,037	7,840,320,534,315
02	Less deductions	(14,808,935,014)	(12,203,286,223)
10	Net sales	22(a) 11,242,193,452,023	7,828,117,248,092
11	Cost of sales	23 (10,336,014,938,167)	(7,077,670,608,388)
20	Gross profit	906,178,513,856	750,446,639,704
21	Financial income	22(b) 274,270,850,819	21,603,447,113
22	Financial expenses	24 (450,899,292,903)	(353,150,476,524)
24	Selling expenses	25 (273,241,648,901)	(181,126,845,061)
25	General and administration expenses	26 (158,043,749,817)	(114,996,048,992)
30	Operating profit	298,264,673,054	122,776,716,240
40	Net other income	27 31,880,912,465	22,360,708,690
50	Net accounting profit before tax	330,145,585,519	145,137,424,930
51	Business income tax - current	28 (17,946,100,611)	(11,879,295,361)
52	Business income tax - deferred	13, 28 2,240,695,095	1,009,934,045
60	Net profit after tax	314,440,180,003	134,268,063,614
70	Earnings per share	30 3,184	1,397



Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Ngoc Chu  
General Director  
30 December 2011

# SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

“The notes on pages 9 to 36 are an integral part of these financial statements,”

Form B 03 – DN

## CASH FLOW STATEMENT (Indirect method)

Year ended 30 September

Code	Note	2011 VND	2010 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>01</b>	<b>Net profit before tax</b>	<b>330,145,585,519</b>	<b>145,137,424,930</b>
	Adjustments for:		
02	Depreciation and amortisation	152,019,607,346	81,524,654,434
03	Provisions	340,135,671	1,116,545,008
04	Unrealised foreign exchange losses	1,779,496,270	-
05	Gain from investing activities	(189,292,779,656)	(1,533,548,121)
06	Interest expense	282,057,005,265	159,160,398,441
07	Gain from disposals of fixed asset	(14,489,903,987)	-
<b>08</b>	<b>Operating profit before changes in working capital</b>	<b>562,559,146,428</b>	<b>385,405,474,692</b>
09	Increase in receivables	(18,572,145,478)	(534,592,437,342)
10	Increase in inventories	(615,466,169,805)	(636,001,035,926)
11	Increase in payables	505,785,008,867	393,880,638,676
12	Increase in prepaid expenses	(34,649,997,478)	-
13	Interest paid	(274,755,496,246)	(156,683,091,441)
14	Business income tax paid	(10,188,701,745)	(22,873,084,632)
16	Other payments on operating activities	(4,551,499,841)	(11,547,619,579)
<b>20</b>	<b>Net cash inflow/(outflows) from operating activities</b>	<b>110,160,144,702</b>	<b>(582,411,155,552)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchases of fixed assets	(823,899,538,759)	(1,310,794,454,603)
22	Proceeds from disposals of fixed assets	191,389,756,749	268,338,978,568
23	Investments in other entities	-	(6,006,629,021)
27	Interest received	3,167,104,832	2,882,993,102
<b>30</b>	<b>Net cash outflows from investing activities</b>	<b>(629,342,677,178)</b>	<b>(1,045,579,111,954)</b>

# SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

“The notes on pages 9 to 36 are an integral part of these financial statements.”

Form B 03 – DN

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

Year ended 30 September

Code	Note	2011 VND	2010 VND
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
31	Proceeds from issue of shares	-	562,915,578,363
32	Purchase treasury shares	(28,016,088,845)	(94,000)
33	Proceeds from borrowings	5,971,137,263,295	4,390,607,145,366
34	Repayments of borrowings	(5,279,815,361,496)	(3,274,156,471,290)
35	Dividends paid	(49,875,641,450)	(56,964,661,000)
<b>40</b>	<b>Net cash inflows from financing activities</b>	<b>613,430,171,504</b>	<b>1,622,401,497,439</b>
<b>50</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>94,247,639,028</b>	<b>(5,588,770,067)</b>
<b>60</b>	<b>Cash and cash equivalents at beginning of year</b>	<b>34,385,502,402</b>	<b>39,974,272,469</b>
61	Effect of foreign exchange differences	(2,289,746,263)	-
<b>70</b>	<b>Cash and cash equivalents at end of year</b>	<b>126,343,395,167</b>	<b>34,385,502,402</b>

Major non-cash transactions in financing activities and investing activities during the year include the divestment from Hoa Sen Phu My Steel Sheet One Member Co., Ltd. and Hoa Sen Plastic One Member Co., Ltd. by netting off against accounts receivable amounting to VND67,630,757,133 and VND4,972,915,545 respectively.



**Nguyen Thi Ngoc Lan**  
Chief Accountant



**Tran Ngoc Chu**  
General Director  
30 December 2011

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Form B 09 – DN

## 1. GENERAL INFORMATION

Hoa Sen Group – Vietnamese name is Cong ty Co phan Tap doan Hoa Sen - (“the Company”) was established in SR Vietnam pursuant to Business Registration Certificate No. 3700381324, dated 8 August 2001 which was issued by Department of Planning and Investment of Binh Duong Province. The latest amendment is on 4 July 2011.

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

The principal activities of the Company are:

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

As at 30 September 2011, the Company had 1,762 employees (30 September 2010: 2,297 employees).

## 2. ACCOUNTING SYSTEM AND ACCOUNTING POLICIES

### 2.1 Basis of preparation of financial statements

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

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

Users of these separate financial statements should read them together with the consolidated financial statements of the Company and its subsidiaries (“the Group”) as at and for the year ended 30 September 2011 in order to obtain full information of the financial information, results of operations and cash flows of the Group as a whole.

### 2.2 Fiscal year

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

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Form B 09 – DN

## 2.3 Form of records applied

The Company uses journal vouchers to record its transactions.

## 2.4 Use of accounting estimate

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

## 2.5 Currency

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

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

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

## 2.6 Cash and cash equivalents

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

## 2.7 Trade receivables

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

## 2.8 Inventories

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

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Form B 09 – DN

## 2.9 Investments

### (a) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less provision for diminution in value.

### (b) Investments in joint ventures and associates

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

### (c) Long-term investments

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

## 2.10 Fixed assets

### *Tangible and intangible fixed assets*

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

### *Depreciation*

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

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

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

### *Disposals*

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

## 2.11 Borrowing costs

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

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Form B 09 – DN

## 2.12 Revenue recognition

### (a) Sales of goods

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

### (b) Interest income

Interest income is recognised on an earned basis.

### (c) Dividend income

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

## 2.13 Deferred income tax

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

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

## 2.14 Share capital and treasury shares

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

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

## 2.15 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders in general meetings.



# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Form B 09 – DN

## 2.16 Related parties

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

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

## 2.17 Provisions

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

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

## 2.18 Provision for severance allowances

In accordance with Vietnamese labour laws, employees of the Company are entitled to a severance allowance based on their years of service. This will be paid as a lump sum when the employee leaves the Company. A provision for severance allowance is made for the estimated liability for employment termination as a result of services rendered by employees.

Pursuant to Law on Social Insurance, effective from 1 January 2009, the Company is required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. With the implementation of the unemployment scheme, the Company is no longer required to provide for the service period after 1 January 2009. However, provision for severance allowance as of 30 September 2011 is determined based on the employees' number of years of service up to 31 December 2008 and their average salary for the six-month period prior to the balance sheet date.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Form B 09 – DN

## 3. CASH AND CASH EQUIVALENTS

	30/9/2011 VND	30/9/2010 VND
Cash on hand	9,162,563,690	10,019,512,212
Cash at bank	117,180,831,477	24,365,990,190
	126,343,395,167	34,385,502,402

## 4. TRADE ACCOUNTS RECEIVABLE

	30/9/2011 VND	30/9/2010 VND
Third parties	439,415,357,110	309,734,452,646
Related parties (Note 32(b))	295,721,219,296	351,563,604,366
	735,136,576,406	661,298,057,012

## 5. PREPAYMENTS TO SUPPLIERS

	30/9/2011 VND	30/9/2010 VND
Third parties	22,657,016,696	122,356,664,200
Related parties (Note 32(b))	90,183,227,000	104,355,929,500
	112,840,243,696	226,712,593,700

## 6. OTHER RECEIVABLES

	30/9/2011 VND	30/9/2010 VND
Third parties	49,945,117,800	239,956,240
Related parties (Note 32(b))	202,261,712,445	-
	252,206,830,245	239,956,240

Other receivables from third parties include an amount of VND22,180,652,682 due from Vietinbank Finance Lease Company for the import on consignment of acid reuse chain and an amount of VND26,558,270,928 from contract liquidation of Pho Dong – Hoa Sen Apartment Building Project.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Form B 09 – DN

## 7. INVENTORIES

	30/9/2011 VND	30/9/2010 VND
Goods in transit	328,583,285,799	130,224,610,443
Raw materials	352,116,157,982	328,977,587,629
Tools	90,498,457,943	42,318,656,668
Finished goods	875,480,750,474	516,458,743,292
Merchandises	118,596,570,974	131,829,455,335
	<hr/>	<hr/>
Provision for decline in value of inventory	1,765,275,223,172 -	1,149,809,053,367 (1,675,454,392)
	<hr/>	<hr/>
	<u>1,765,275,223,172</u>	<u>1,148,133,598,975</u>

As at 30 September 2011, inventories with a carrying amount of VND1,363,091,358,973 (As at 30 September 2010: VND1,117,449,650,648) have been pledged as security for the bank loans.

## 8. OTHER TAXES RECEIVABLE

	30/9/2011 VND	30/9/2010 VND
Business income tax refundable	-	4,299,818,767
Other receivables from the State	-	790,133,706
	<hr/>	<hr/>
	-	5,089,952,473
	<hr/>	<hr/>

## 9. OTHER CURRENT ASSETS

	30/9/2011 VND	30/9/2010 VND
Short-term deposits	39,184,104,427	75,629,296,596
Advance to employees	4,542,839,658	2,401,357,586
Shortage of assets awaiting for disposal	191,524,836	-
	<hr/>	<hr/>
	<u>43,918,468,921</u>	<u>78,030,654,182</u>

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

### 10. FIXED ASSETS

#### (a) Tangible fixed assets

	Buildings VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Other tangible fixed assets VND	Total VND
<b>Historical cost</b>						
At 1 October 2010	246,145,177,162	768,270,173,145	40,548,194,326	3,014,689,190	304,609,882	1,058,282,843,705
New purchases	9,600,030,620	34,084,996,580	7,444,500,041	29,250,000	13,185,022,684	64,343,799,925
Transfers from construction in progress	138,322,274,234	680,004,455,458	378,000,000	93,360,012	-	818,798,089,704
Disposals	-	(124,546,661,797)	(75,850,455)	-	-	(124,622,512,252)
Other	-	(88,884,000)	-	(93,360,012)	-	(182,244,012)
At 30 September 2011	394,067,482,016	1,357,724,079,386	48,294,843,912	3,043,939,190	13,489,632,566	1,816,619,977,070
<b>Accumulated depreciation</b>						
At 1 October 2010	31,880,449,551	148,203,537,958	12,734,986,395	1,108,210,855	234,396,116	194,161,580,875
Charge for the year	20,660,470,111	122,044,533,709	5,611,066,490	523,810,721	829,316,398	149,669,197,429
Disposals	-	(5,604,342,942)	(56,566,548)	-	-	(5,660,909,490)
At 30 September 2011	52,540,919,662	264,643,728,725	18,289,486,337	1,632,021,576	1,063,712,514	338,169,868,814
<b>Net book value</b>						
At 1 October 2010	214,264,727,611	620,066,635,187	27,813,207,931	1,906,478,335	70,213,766	864,121,262,830
At 30 September 2011	341,526,562,354	1,093,080,350,661	30,005,357,575	1,411,917,614	12,425,920,052	1,478,450,108,256

Cost of fixed assets fully depreciated but still in use as at 30 September 2011 was VND6,315,233,156 (As at 30 September 2010: VND2,200,154,117).

As at 30 September 2011 tangible fixed assets with a carrying value of VND937,725,317,496 (As at 30 September 2010: VND186,113,705,790) have been pledged as security for the Company's loans.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Form B 09 – DN

## 10. FIXED ASSETS (continued)

### (b) Intangible fixed assets

	Land use rights VND	Computer software VND	Total VND
<b>Historical cost</b>			
As at 1 October 2010	237,051,699,879	1,390,473,734	238,442,173,613
New purchases	40,488,269,438	-	40,488,269,438
Disposals	(57,938,250,000)	-	(57,938,250,000)
Other	(87,062,000)	-	(87,062,000)
As at 30 September 2011	219,514,657,317	1,390,473,734	220,905,131,051
<b>Accumulated amortisation</b>			
As at 1 October 2010	4,687,146,561	504,908,932	5,192,055,493
Charge for the year	2,119,987,393	230,422,524	2,350,409,917
As at 30 September 2011	6,807,133,954	735,331,456	7,542,465,410
<b>Net book value</b>			
As at 1 October 2010	232,364,553,318	885,564,802	233,250,118,120
As at 30 September 2011	212,707,523,363	655,142,278	213,362,665,641

As at 30 September 2011 land use rights with a carrying value of VND150,236,457,785 (At 30 September 2010: VND153,410,730,556) have been pledged with banks as security for the company's loans.

### (c) Construction in progress

	Year ended 30 September	
	2011 VND	2010 VND
Opening balance	540,353,255,533	200,117,607,178
Additions	719,067,469,396	895,290,399,939
Transfers to long-term prepayments	(3,449,823,999)	(23,612,590,738)
Transfers to tangible fixed assets	(818,798,089,704)	(531,442,160,846)
Closing balance	437,172,811,226	540,353,255,533

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Form B 09 – DN

## 10. FIXED ASSETS (continued)

### (c) Construction in progress (continued)

Major projects include:

	30/9/2011 VND	30/9/2010 VND
Machinery and equipment for Hoa Sen Phu My Steel Sheet Plant	344,399,711,468	277,058,465,745
Hoa Sen Phu My Steel Sheet Plant Project	78,778,683,205	199,735,784,653
Pho Dong – Hoa Sen Apartment Building Project	-	28,345,838,053

Borrowing costs capitalised in construction in progress for the year ended 30 September 2011 was VND7,300,447,031 (Year ended 30 September 2010: VND5,367,725,100).

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

### 11. LONG-TERM INVESTMENTS

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

Investee	Principal activities	Business License	% ownership and voting rights	30/9/2011 VNĐ	30/9/2010 VNĐ
<b>Subsidiaries:</b> Hoa Sen Steel Sheet One Member Co., Ltd.	Manufacture and trade in cold rolled steel products	Business Registration Certificate No. 4604000225 and No. 3700763651 issued by Department of Planning and Investment of Binh Duong Province on 24 December 2007 and 29 June 2011 respectively.	100	280,000,000,000	280,000,000,000
Hoa Sen Building Materials One Member Co., Ltd.	Manufacture and trade in plastic building materials and steel pipe products	Business Registration Certificate No. 4904000228 and 350078619 issued by Department of Planning and Investment of Ba Ria Vung Tau Province on 28 December 2007 and 18 July 2011 respectively.	100	150,000,000,000	150,000,000,000
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	Provide engineering, civil and industrial construction projects; transportation service; produce and process rolling mill; cutter and industrial machine, equipment	Business Registration Certificate No. 4603000325, 4604000224 and 3700785528 issued by Department of Planning and Investment of Binh Duong Province on 26 March 2007, 24 December 2007 and 29 June 2011, respectively.	100	16,276,000,000	16,276,000,000
Hoa Sen Phu My Steel Sheet One Member Co., Ltd. (*)	Manufacture and trade galvanized steel products	Business Registration Certificate No. 3501504130 issued by Department of Planning and Investment of Ba Ria Vung Tau Province dated 24 December 2009.	100	-	27,518,465,506
Hoa Sen Plastic One Member Co., Ltd. (**)	Manufacture and trade in plastic building materials	Business Registration Certificate No. 3501548411 issued by Department of Planning and Investment of Ba Ria Vung Tau Province dated 4 February 2010.	100	-	5,000,000,000
				446,276,000,000	478,794,465,506

(\*) During the year, Hoa Sen Phu My Steel Sheet One Member Co., Ltd. was liquidated pursuant to Decision No. 244/QĐ/HĐQT/2010 dated 20 December 2010.

(\*\*) During the year, Hoa Sen Plastic One Member Co., Ltd. was liquidated pursuant to Decision No. 245/QĐ/HĐQT/2010 dated 20 December 2010.

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FOR THE YEAR ENDED 30 SEPTEMBER 2011

### 11. LONG-TERM INVESTMENTS (continued)

Investee	Main activities	Business License	% ownership and voting rights	30/9/2011 VND	30/9/2010 VND
<b>Associates:</b>					
Hoa Sen-Gemadep Logistics and International Port Corporation	Provide sea cargo services	Business Registration Certificate No. 3500751828 issued by Department of Planning and Investment of Ba Ria- Vung Tau Province on 20 June 2006 and amended on 13 October 2009	45	44,456,331,634	43,414,544,958
Viet Capital Health Care Fund	Invest in listed and unlisted healthcare Vietnamese companies and projects in Vietnam	Decision No. 08/TB-UBCK issued by State Securities Commission of Viet- nam on 15 January 2008	3	15,000,000,000	15,000,000,000
				<b>59,456,331,634</b>	<b>58,414,544,958</b>
Provision for diminution in value of long-term investments				(1,126,940,680)	(553,000,000)
				<b>58,329,390,954</b>	<b>57,861,544,958</b>



# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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## 12. LONG-TERM PREPAYMENTS

	Year ended 30 September	
	2011 VND	2010 VND
Opening balance	28,561,120,370	6,648,137,493
Additions	34,667,181,388	18,084,432,119
Transferred from construction in progress	3,449,823,999	23,612,590,738
Transferred from fixed assets	93,360,012	-
Amortisation	(18,428,901,167)	(8,570,200,196)
Transferred to tangible fixed assets	(143,091,058)	(11,213,839,784)
Transferred to inventory	(842,975,947)	-
Closing balance	47,356,517,597	28,561,120,370

## 13. DEFERRED INCOME TAX ASSETS

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

	Year ended 30 September	
	2011 VND	2010 VND
Opening balance	2,630,534,202	1,620,600,157
Credited to income statement	2,240,695,095	1,009,934,045
Closing balance	4,871,229,297	2,630,534,202

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

## 14. BORROWINGS

### (a) Short-term borrowings

	30/9/2011 VND	30/9/2010 VND
Short-term bank loans (*)	2,058,178,693,714	1,646,489,975,890
Current portion of long-term loans (Note 14(b))	187,289,179,248	126,466,320,112
	2,245,467,872,962	1,772,956,296,002

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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## 14. BORROWINGS (continued)

### (a) Short-term borrowings (continued)

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

Loan No	Currency	Annual interest	30/9/2011 VND	30/9/2010 VND
01	VND	13.5% - 18.5%	416,200,000,000	379,172,838,000
02	USD	5.5% - 7%	162,816,804,000	170,232,246,436
03	VND	17.5% - 18.5%	21,960,000,000	-
04	USD	5.3% - 8%	39,224,142,000	32,689,327,799
05	VND	13% - 20%	170,041,793,679	180,434,911,000
06	USD	6.0% - 6.5%	268,532,580,897	89,605,926,343
07	VND	17.5% - 20.4%	42,600,000,000	-
08	USD	6% - 8%	150,378,120,000	81,645,101,940
09	VND	16.5% - 20%	48,000,000,000	114,975,000,000
10	USD	5.6%-6.2%	117,411,357,826	15,165,383,940
11	USD	5% - 5.5%	5,961,492,000	100,665,786,622
12	VND	15.5% - 16.6%	-	16,808,000,000
13	USD	6%	92,788,745,832	33,963,421,108
14	USD	6.8%	-	44,875,660,253
15	USD	5.8% - 6.8%	22,741,543,436	31,466,190,536
16	USD	6.5% - 8.2%	35,536,177,397	-
17	VND	13.2% - 19.8%	35,100,000,000	150,649,994,231
18	VND	16.1%	-	23,167,387,682
19	VND	20%	44,000,000,000	51,972,800,000
20	USD	6.2% - 7.5%	98,364,141,906	-
21	VND	12.7% - 19%	85,400,000,000	129,000,000,000
22	USD	4.7% - 5.1%	129,789,639,741	-
23	VND	18%	71,332,155,000	-
			2,058,178,693,714	1,646,489,975,890

(\*) All of the above short-term loans are secured by the Company's fixed assets and inventory.

### (b) Long-term borrowings

	30/9/2011 VND	30/9/2010 VND
Bank loans (*)	734,218,920,873	536,717,208,898
Other loans (**)	82,131,472,000	-
	816,350,392,873	536,717,208,898
Less: Amount due within one year (Note 14(a))	(187,289,179,248)	(126,466,320,112)
	629,061,213,625	410,250,888,786

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 14. BORROWINGS (continued)

### (b) Long-term borrowings (continued)

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

Loan No.	Currency	Repayment	Annual interest	30/9/2011 VND	30/9/2010 VND
01	VND	29/04/2014	10.5% - 17.6%	188,753,256,000	251,296,096,000
02	USD	02/05/2012	6.5%	14,439,600,000	33,131,000,000
03	VND	29/03/2016	14.9% - 21%	297,075,482,971	27,494,990,147
04	USD	08/06/2018	7.00%	3,098,985,696	4,266,288,336
05	USD	08/06/2018	1.7%	112,403,818,206	118,534,946,415
06	VND	25/03/2013	7.8% - 8.4%	49,720,000,000	63,940,000,000
07	VND	26/10/2016	15% - 18.5%	40,865,888,000	35,023,888,000
08	VND	06/11/2014	15% - 19%	13,861,890,000	3,030,000,000
09	VND	27/12/2012	23%	14,000,000,000	-
				734,218,920,873	536,717,208,898

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

(\*\*) Other long-term loans:

- (a) The loan balance of EUR2,728,000, which is equivalent to VND77,131,472,000 (30 September 2010: nil) is from the Company's supplier for purchases of fixed assets, bearing interest at the rate of 5.8% p.a and to be repaid in 6-month instalments from March 2011 to May 2016.
- (b) The loan balance of VND5,000,000,000 is from a subsidiary, unsecured, interest free and due for repayment in November of 2012 (Note 32(a)).

## 15. TRADE ACCOUNTS PAYABLE

	30/9/2011 VND	30/9/2010 VND
Third parties	1,082,513,405,792	399,659,420,587
Related parties (Note 32(b))	42,292,853,755	135,249,619,910
	1,124,806,259,547	534,909,040,497

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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## 16. TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	30/9/2011 VND	30/9/2010 VND
VAT on importation	10,340,205,509	16,600,684,204
Business income tax	3,457,580,099	-
Output VAT	863,074,723	1,713,691,787
Import – Export duties	-	1,128,280,960
Other taxes	2,097,882,983	202,220,279
	16,758,743,314	19,644,877,230

## 17. ACCRUED EXPENSES

	30/9/2011 VND	30/9/2010 VND
Electricity	-	454,389,585
Expenses for construction in progress	9,737,303,244	80,408,592,287
Transportation fee	5,637,891,191	-
Audit fee	459,800,000	397,572,000
13 <sup>th</sup> month salary	3,472,230,000	4,823,503,000
Loan interest	9,778,816,019	2,477,307,000
Other expenses	20,099,931	1,171,291,913
	29,106,140,385	89,732,655,785

## 18. OTHER PAYABLES

	30/9/2011 VND	30/9/2010 VND
Dividends	1,249,599,550	968,592,000
Social insurance, health insurance, trade union fee	886,734,400	678,659,950
Unearned revenue (*)	-	4,560,000,000
Advance for assets imported on behalf of others (**)	-	23,581,885,056
Other payables	683,604,254	821,877,010
Other payables to related parties (Note 32(b))	109,723,758	3,749,504,291
	2,929,661,962	34,360,518,307

(\*) Unearned revenue represents the amounts received by the Company in advance for selling the apartments in Pho Dong – Hoa Sen Apartment Building Project.

As at 30 September 2011, this project had been transferred to Pho Dong Investment Development JSC, the joint venture partner.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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## 18. OTHER PAYABLES (Continued)

(\*\*) This is the amount received from VietinBank Leasing Company – Ho Chi Minh City Branch for the payment of the production line imported for a project of Hoa Sen Phu My Steel Sheet One Member Co., Ltd.

## 19. BONUS AND WELFARE FUND

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

	Year ended 30 September	
	2011 VND	2010 VND
Opening balance	1,728,997,376	7,151,926,861
Addition	10,768,960,575	6,121,598,094
Utilisation	(4,551,499,841)	(11,544,527,579)
Closing balance	7,946,458,110	1,728,997,376

## 20. NUMBER OF SHARES

Detailed registered and issued shares of the Company are as below:

	30/9/2011		30/9/2010	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of shares capital authorised and issued	100,790,790	-	100,790,790	-
Treasury shares	(2,020,012)	-	(20,012)	-
Number of existing shares in issue	98,770,778	-	100,770,778	-

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

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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## 21. MOVEMENTS IN OWNERS' EQUITY

	Shareholders' capital VND	Share premium VND	Undistributed earnings VND	Differences upon asset revaluation VND	Treasury shares VND	Financial Reserves VND	Total VND
As at 1 October 2009 (as previously reported)	570,385,000,000	88,222,712,000	225,206,880,266	21,447,090,156	(572,000,000)	-	904,689,682,422
Restatement (Note 37)	-	-	21,447,090,156	(21,447,090,156)	-	-	-
As at 1 October 2009 (as restated)	570,385,000,000	88,222,712,000	246,653,970,422	-	(572,000,000)	-	904,689,682,422
Issued shares	129,615,000,000	438,652,500,000	-	-	-	-	568,267,500,000
Issued bonus shares	69,980,000,000	(69,980,000,000)	-	-	-	-	-
Dividend by shares issued	237,927,900,000	-	(237,927,900,000)	-	-	-	-
Commission and brokerage fee on issuing shares	-	(5,351,921,637)	-	-	-	-	(5,351,921,637)
Profit for the year	-	-	134,268,063,614	-	-	-	134,268,063,614
Repurchase of treasury shares	-	-	-	-	(94,000)	-	(94,000)
Appropriated to financial reserves	-	-	(8,525,313,060)	-	-	8,525,313,060	-
Appropriated to bonus and welfare funds	-	-	(6,121,598,094)	-	-	-	(6,121,598,094)
Others	-	-	(3,092,000)	-	-	-	(3,092,000)
As at 30 September 2010	1,007,907,900,000	451,543,290,363	128,344,130,882	-	(572,094,000)	8,525,313,060	1,595,748,540,305
Profit for the year	-	-	314,440,180,003	-	-	-	314,440,180,003
Dividend payment	-	-	(50,156,649,000)	-	-	-	(50,156,649,000)
Repurchase of treasury shares	-	-	-	-	(28,016,088,845)	-	(28,016,088,845)
Appropriated to bonus and welfare funds	-	-	(10,768,960,575)	-	-	-	(10,768,960,575)
As at 30 September 2011	1,007,907,900,000	451,543,290,363	381,858,701,310	-	(28,588,182,845)	8,525,313,060	1,821,247,021,888

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 22. REVENUE

### (a) Net sales

	Year ended 30 September	
	2011 VND	2010 VND
<b>Sales</b>		
Finished goods	7,563,102,259,779	3,831,706,127,593
Merchandises	3,693,900,127,258	4,008,614,406,722
	<u>11,257,002,387,037</u>	<u>7,840,320,534,315</u>
<b>Sales deductions</b>		
Trade discounts	(771,748,862)	(1,182,354,748)
Sales returns	(13,707,656,265)	(9,131,632,824)
Sales allowances	(329,529,887)	(874,650,617)
Other sales deductions	-	(1,014,648,034)
	<u>(14,808,935,014)</u>	<u>(12,203,286,223)</u>

### (b) Financial income

	Year ended 30 September	
	2011 VND	2010 VND
Interest income from deposits	3,167,104,832	1,532,993,102
Transfer of profit from liquidation of Hoa Sen Phu My Steel Sheet One Member Co., Ltd.	40,112,291,627	-
Dividends income from Hoa Sen Steel Sheet One Member Co., Ltd.	153,458,750,365	-
Dividends income from Hoa Sen Building Materials One Member Co., Ltd.	29,807,279,768	-
Dividends income from Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	2,946,706,691	-
Interest income from long-term investments	-	1,350,000,000
Gain from foreign exchange differences	44,778,717,536	18,720,454,011
	<u>274,270,850,819</u>	<u>21,603,447,113</u>

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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## Year ended 30 September

### 23. COST OF SALES

	2011 VND	2010 VND
Cost of finished goods sold	6,872,768,008,994	3,215,184,509,174
Cost of merchandises sold	3,463,246,929,173	3,862,277,854,841
Provision for decline in value of inventories	-	208,244,373
	10,336,014,938,167	7,077,670,608,388

## Year ended 30 September

### 24. FINANCIAL EXPENSES

	2011 VND	2010 VND
Interest expense	282,057,005,265	159,160,398,441
Provision for diminution in value of long-term investments	573,940,680	553,000,000
Realised foreign exchange losses	168,241,262,503	193,437,078,083
Transfer of loss from the liquidation of Hoa Sen Plastic Co. Ltd.	27,084,455	-
	450,899,292,903	353,150,476,524

## Year ended 30 September

### 25. SELLING EXPENSES

	2011 VND	2010 VND
Staff costs	62,874,827,126	45,203,547,105
Depreciation expenses	18,138,581,723	15,603,152,383
Material expenses	2,224,576,875	2,280,063,855
Outside service expenses	181,916,330,204	112,269,404,838
Other expenses	8,087,332,973	5,770,676,880
	273,241,648,901	181,126,845,061

## Year ended 30 September

### 26. GENERAL AND ADMINISTRATION EXPENSES

	2011 VND	2010 VND
Staff costs	72,514,684,163	57,289,790,800
Office supplies	4,427,382,792	2,582,562,680
Depreciation expenses	14,687,033,095	11,903,390,392
Outside service expenses	56,221,558,509	36,654,231,019
Other expenses	10,193,091,258	6,566,074,101
	158,043,749,817	114,996,048,992



# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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## 27. NET OTHER INCOME/EXPENSES

	Year ended 30 September	
	2011 VND	2010 VND
<b>Other income</b>		
Sales of scraps	13,515,173,426	17,084,031,062
Proceeds from disposal of fixed assets	191,389,756,749	268,338,978,568
Others	14,388,624,926	18,946,552,664
	<u>219,293,555,101</u>	<u>304,369,562,294</u>
<b>Other expenses</b>		
Net book value of fixed assets disposed	(176,899,852,762)	(269,679,645,146)
Others	(10,512,789,874)	(12,329,208,458)
	<u>(187,412,642,636)</u>	<u>(282,008,853,604)</u>
Net other income	<u>31,880,912,465</u>	<u>22,360,708,690</u>

## 28. TAXATION

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

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

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of 15% as follows:

	Year ended 30 September	
	2011 VND	2010 VND
Net accounting profit before tax	330,145,585,519	145,137,424,930
Tax calculated at a rate of the Company	49,521,837,828	21,770,613,740
Effect of:		
Income not subject to tax	(35,741,850,123)	(860,852,830)
Expenses not deductible for tax purposes	11,461,659,678	2,711,590,302
Impact of tax reduction	(11,305,556,591)	(11,879,295,361)
Impact of increase in tax rate	(4,871,229,296)	(872,694,535)
Business income tax from transfer of land use rights	515,437,500	-
Under Provision from previous years	6,125,106,520	-
Business income tax charge	<u>15,705,405,516</u>	<u>10,869,361,316</u>
In which:		
Business Income Tax - Current	(17,946,100,611)	(11,879,295,361)
Business Income Tax - Deferred	2,240,695,095	1,009,934,045

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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

## 29. DIVIDENDS

The first interim dividends for the year 2009 - 2010 were declared at 5% of par value (VND500 per share), which were paid in cash.

## 30. EARNINGS PER SHARE

Basic earnings per share as at 30 September 2011 is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	Year ended 30 September	
	2011 VND	2010 VND
Net profit attributable to shareholders (VND)	314,440,180,003	134,268,063,614
Weighted average number of ordinary shares in issue (shares)	98,770,778	96,126,246
Basic earnings per share (VND)	3,184	1,397

## 31. COST OF GOODS MANUFACTURED BY FACTORS

	Year ended 30 September	
	2011 VND	2010 VND
Raw materials	7,286,232,682,525	3,596,822,623,725
Labour costs	179,395,026,619	122,210,770,228
Depreciation expense	142,477,716,496	81,524,654,434
Outside service expenses	413,740,194,206	192,014,751,265
Other expenses	76,200,576,894	35,003,387,650
	8,098,046,196,740	4,027,576,187,302

## 32. RELATED PARTY TRANSACTIONS

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

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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## 32. RELATED PARTY TRANSACTIONS (continued)

### (a) Related party transactions

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

#### i) Sales of goods and other services

	Year ended 30 September	
	2011 VND	2010 VND
Hoa Sen Steel Sheet One Member Co., Ltd,	2,611,741,700,120	2,189,467,107,524
Hoa Sen Building Materials One Member Co., Ltd,	999,100,998,186	348,485,485,690
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	2,563,105,478	2,572,935,788
Hoa Sen Plastic One Member Co., Ltd.	43,209,452	117,845,372

#### ii) Purchases of goods and other services

	Year ended 30 September	
	2011 VND	2010 VND
Hoa Sen Steel Sheet One Member Co., Ltd.	2,837,619,414,872	2,016,972,765,807
Hoa Sen Building Materials One Member Co., Ltd.	872,234,049,897	541,706,430,765
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	15,847,220,659	13,657,732,118
Hoa Sen Plastic One Member Co., Ltd.	-	40,541,496,981

#### iii) Sales of fixed assets

	Year ended 30 September	
	2011 VND	2010 VND
Hoa Sen Building Materials One Member Co., Ltd.	129,354,538,219	16,773,152,000
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	-	425,538,304

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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## 32. RELATED PARTY TRANSACTIONS (continued)

### iv) Purchases of fixed assets

	Year ended 30 September	
	2011 VND	2010 VND
Hoa Sen Steel Sheet One Member Co., Ltd.	2,452,754,895	-
Hoa Sen Building Materials One Member Co., Ltd.	297,832,847	-
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	-	245,773,390

### v) Others

	Year ended 30 September	
	2011 VND	2010 VND
<b>Hoa Sen Steel Sheet One Member Co., Ltd.</b>		
Other sales	99,913,643	867,785,872
Other purchases	-	9,097,536,679
Goods returned	-	141,526,000
<b>Hoa Sen Building Materials One Member Co., Ltd.</b>		
Sales returned	1,733,640,900	2,398,494,519
Other sales	6,276,298,544	5,255,435,242
Goods returned	13,337,154,162	1,609,169,618
<b>Hoa Sen Plastic One Member Co., Ltd.</b>		
Other sales	-	35,924,600
Goods returned	-	266,478,771
<b>Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.</b>		
Loan proceeds (Note 14(b))	5,000,000,000	-

### vi) Compensation of key management

	Year ended 30 September	
	2011 VND	2010 VND
Compensation for Board of Management, Board of Advisors and Board of Supervisors	954,000,000	2,349,028,027
Gross salary of Board of Directors	4,293,126,682	3,134,997,000

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Form B 09 – DN

## 32. RELATED PARTY TRANSACTIONS (continued)

### (b) Year end balances with related parties

	2011 VND	2010 VND
<b>Trade accounts receivable (Note 4)</b>		
Hoa Sen Steel Sheet One Member Co., Ltd.	8,800,000,000	192,446,316,023
Hoa Sen Building Materials One Member Co., Ltd.	286,921,219,296	155,681,149,969
Hoa Sen Plastic One Member Co., Ltd.	-	3,436,138,374
	295,721,219,296	351,563,604,366
<b>Prepayments to suppliers (Note 5)</b>		
Mr Hoang Duc Huy (Deputy General Director) Advance for purchase of land use rights	90,183,227,000	104,355,929,500
<b>Other receivables (Note 6)</b>		
Dividends receivable from subsidiaries		
Hoa Sen Steel Sheet One Member Co., Ltd.	153,458,750,365	-
Hoa Sen Building Materials One Member Co., Ltd.	29,807,279,768	-
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	2,946,706,691	-
<b>Other</b>		
Hoa Sen Building Materials One Member Co., Ltd.	16,048,975,621	-
	202,261,712,445	-

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Form B 09 – DN

## 32. RELATED PARTY TRANSACTIONS (continued)

### (b) Year end balances with related parties (continued)

	30/9/2011 VND	30/9/2010 VND
<b>Trade accounts payable (Note 15)</b>		
Hoa Sen Steel Sheet One Member Co., Ltd.	39,785,925,034	33,501,245,750
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	2,506,928,721	5,493,422,472
Hoa Sen Phu My Steel Sheet One Member Co., Ltd.	-	71,343,507,328
Hoa Sen Plastic One Member Co., Ltd.	-	24,830,330,005
Hoa Sen Building Materials One Member Co., Ltd.	-	81,114,355
	42,292,853,755	135,249,619,910
<b>Other payables (Note 18)</b>		
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	109,723,758	102,399,758
Hoa Sen Building Materials One Member Co., Ltd.	-	187,334,654
Hoa Sen Phu My Steel Sheet One Member Co., Ltd.	-	3,459,769,879
	109,723,758	3,749,504,291
<b>Long term loans (Note 14(b))</b>		
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	5,000,000,000	-

## 33. SEGMENT REPORTING

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

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Form B 09 – DN

## 34. COMMITMENTS UNDER OPERATING LEASES

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

	30/9/2011 VND	30/9/2010 VND
Within 1 year	18,064,277,823	8,638,765,316
Between 1 and 5 years	53,726,255,649	23,503,960,302
Over 5 years	152,128,654,822	123,135,490,313
Total minimum payments	<u>223,919,188,294</u>	<u>155,278,215,931</u>

## 35. CAPITAL COMMITMENTS

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

	30/9/2011 VND	30/9/2010 VND
Buildings, machinery and equipment	<u>28,575,744,556</u>	<u>421,784,701,314</u>

## 36. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation

## 37. RESTATEMENT

The difference on revaluation of land use rights contributed by the Company to Hoa Sen Steel Sheet One Member Co. Ltd. was recognised under the account "Differences upon asset revaluation" instead of "Income" in 2006. Since this treatment in 2006 is not in accordance with the current accounting regulations, the Company has restated this by reclassifying the difference from "Differences upon asset revaluation" to "Undistributed earnings".

	Previously reported VND	Restated VND
Difference on asset revaluation as at 30 September 2010	21,447,090,156	-
Undistributed Earnings as at 30 September 2010	<u>106,897,040,726</u>	<u>128,344,130,882</u>
Difference on asset revaluation as at 30 September 2009	21,447,090,156	-
Undistributed Earnings as at 30 September 2009	<u>225,206,880,266</u>	<u>246,653,970,422</u>

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

The separate financial statements were approved by the General Director on 30 December 2011



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**Nguyen Thi Ngoc Lan**  
Chief Accountant



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**Tran Ngoc Chu**  
General Director







# ABUS 32t



**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

**ABUS 32t**

**N H T**



# CORPORATE INFORMATION

## Business Registration Certificate

No. 3700381324 dated 4 July 2011  
First issued on 8 August 2001

The Business Registration Certificate has been amended several times and the latest amendment was the Business Registration Certificate No. 3700381324 on 4 July 2011. The Business Registration Certificate was issued by the Department of Planning and Investment of Binh Duong Province.

## BOARD OF MANAGEMENT

Mr Le Phuoc Vu	Chairman
Mr Tran Ngoc Chu	Vice Chairman
Mr Le Phung Hao	Member
Mr Pham Gia Tuan	Member
Mr Nguyen Van Quy	Member

## BOARD OF DIRECTORS

Mr Le Phuoc Vu	General Director (resigned as General Director on 1 April 2011)
Mr Pham Van Trung	General Director (appointed on 1 April 2011, resigned on 27 April 2011)
Mr Tran Ngoc Chu	General Director (appointed on 27 April 2011)
Mr Hoang Duc Huy	Deputy General Director
Mr Vu Van Binh	Deputy General Director
Mr Tran Quoc Tri	Deputy General Director
Mr Vu Van Thanh	Deputy General Director (appointed on 1 April 2011)

## LEGAL REPRESENTATIVE

Mr Le Phuoc Vu	Chairman
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## REGISTERED OFFICE

No. 9, Thong Nhat Boulevard, Song Than 2 Industrial Park,  
Di An Ward, Di An Town, Binh Duong Province, Vietnam

## AUDITOR

PricewaterhouseCoopers (Vietnam) Limited

# CORPORATE INFORMATION

## STATEMENT OF THE RESPONSIBILITY OF THE GENERAL DIRECTOR IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The legal representative of the Company authorized the General Director to be responsible for the consolidated financial statements which give a true and fair view of the financial position of Hoa Sen Group (“the Company”) and its subsidiaries (together “the Group”) as at 30 September 2011 and the results of their operations and cash flows for the year then ended. In preparing these financial statements, the General Director is required to:

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

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

## APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

I hereby approve the accompanying consolidated financial statements as set out on pages 5 to 33 which give a true and fair view of the financial position of the Group as at 30 September 2011 and of the results of its operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.



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**Tran Ngoc Chu**  
General Director

Binh Duong Province, SR Vietnam  
30 December 2011



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

We have audited the accompanying consolidated financial statements of Hoa Sen Group (“the Company”) and its subsidiaries (together “the Group”) which were approved by the General Director on 30 December 2011. The consolidated financial statements comprise the consolidated balance sheet as at 30 September 2011, the consolidated income statement and consolidated cash flow statement for the year then ended, and explanatory notes to the consolidated financial statements including significant accounting policies, as set out on pages 5 to 33.

### **The General Director’s Responsibility for the Consolidated Financial Statements**

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

### **Auditor’s Responsibility**

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

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

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

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## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 September 2011, and its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.



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

**Le Van Hoa**  
AC No. 0248/KTV

PricewaterhouseCoopers (Vietnam) Limited  
Ho Chi Minh City, SR Vietnam  
Audit report number HCM2993  
30 December 2011

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

# CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

“The notes on pages 9 to 33 are an integral part of these financial statements.”

Form B 01 – DN/HN

## CONSOLIDATED BALANCE SHEET

As at 30 September

Code	ASSETS	Note	2011 VND	2010 VND
<b>100</b>	<b>CURRENT ASSETS</b>		<b>3,070,651,036,971</b>	<b>2,302,873,881,552</b>
<b>110</b>	<b>Cash and cash equivalents</b>	<b>3</b>	<b>128,408,998,636</b>	<b>50,162,949,043</b>
111	Cash		128,408,998,636	50,162,949,043
<b>130</b>	<b>Accounts receivable</b>		<b>632,788,578,046</b>	<b>561,336,612,666</b>
131	Trade accounts receivable		464,096,658,842	324,687,042,256
132	Prepayments to suppliers	<b>4</b>	119,593,897,331	237,304,512,408
135	Other receivables		52,961,014,461	1,418,702,328
139	Provision for doubtful debts		(3,862,992,588)	(2,073,644,326)
<b>140</b>	<b>Inventories</b>	<b>5</b>	<b>2,015,660,254,333</b>	<b>1,446,169,048,203</b>
141	Inventories		2,015,660,254,333	1,447,032,284,609
149	Provision for decline in value of inventories		-	(863,236,406)
<b>150</b>	<b>Other current assets</b>		<b>293,793,205,956</b>	<b>245,205,271,640</b>
151	Short-term prepayments		34,577,517,459	16,237,807,971
152	Value Added Tax to be reclaimed		213,700,550,637	144,205,215,793
154	Other taxes receivable	<b>6</b>	8,374,590	5,160,690,546
158	Other current assets	<b>7</b>	45,506,763,270	79,601,557,330
<b>200</b>	<b>LONG-TERM ASSETS</b>		<b>2,845,099,689,574</b>	<b>2,246,229,628,497</b>
<b>220</b>	<b>Fixed assets</b>		<b>2,720,787,750,583</b>	<b>2,149,009,604,340</b>
221	Tangible fixed assets	<b>8(a)</b>	1,961,530,503,848	1,241,359,830,839
222	Cost		2,511,865,176,918	1,595,239,953,323
223	Accumulated depreciation		(550,334,673,070)	(353,880,122,484)
224	Financial lease assets	<b>8(b)</b>	44,582,403,790	42,055,952,359
225	Cost		49,508,539,047	44,378,948,327
226	Accumulated depreciation		(4,926,135,257)	(2,322,995,968)
227	Intangible fixed assets	<b>8(c)</b>	243,757,899,911	264,730,776,465
228	Cost		255,572,485,421	273,228,167,033
229	Accumulated amortisation		(11,814,585,510)	(8,497,390,568)
230	Construction in progress	<b>8(d)</b>	470,916,943,034	600,863,044,677
<b>250</b>	<b>Long-term investments</b>	<b>9</b>	<b>58,329,390,954</b>	<b>57,861,544,958</b>
252	Investments in associates		44,456,331,634	43,414,544,958
258	Other long-term investments		15,000,000,000	15,000,000,000
259	Provision for diminution in value of long-term investments		(1,126,940,680)	(553,000,000)
<b>260</b>	<b>Other long-term assets</b>		<b>65,982,548,037</b>	<b>39,358,479,199</b>
261	Long-term prepayments	<b>10</b>	55,981,627,029	34,231,203,940
262	Deferred income tax assets	<b>11</b>	7,615,641,836	4,727,275,259
268	Other long-term assets		2,385,279,172	400,000,000
<b>270</b>	<b>TOTAL ASSETS</b>		<b>5,915,750,726,545</b>	<b>4,549,103,510,049</b>



# CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

“The notes on pages 9 to 33 are an integral part of these financial statements.”

Form B 01 – DN/HN

## CONSOLIDATED BALANCE SHEET (continued)

As at 30 September

Code	RESOURCES	Note	2011 VND	2010 VND (Restated – Note 34)
<b>300</b>	<b>LIABILITIES</b>		<b>4,133,025,325,171</b>	<b>2,837,604,785,156</b>
<b>310</b>	<b>Current liabilities</b>		<b>3,486,299,271,149</b>	<b>2,396,798,340,290</b>
311	Short-term borrowings	12(a)	2,254,114,037,158	1,775,370,331,718
312	Trade accounts payable	13	1,098,014,470,240	441,737,582,232
313	Advances from customers		44,418,201,611	23,177,497,131
314	Taxes and other payables to the State Budget	14	20,104,318,464	33,566,752,470
315	Payable to employees		22,094,211,560	18,269,725,463
316	Accrued expenses	15	31,567,537,547	91,523,947,964
319	Other payables	16	8,040,036,459	11,423,505,936
323	Bonus and welfare fund	17	7,946,458,110	1,728,997,376
<b>330</b>	<b>Long-term liabilities</b>		<b>646,726,054,022</b>	<b>440,806,444,866</b>
334	Long-term borrowings	12(b)	644,525,996,522	438,660,845,266
336	Provision for severance allowances		2,200,057,500	2,145,599,600
<b>400</b>	<b>SHAREHOLDERS' EQUITY</b>		<b>1,782,725,401,374</b>	<b>1,711,498,724,893</b>
<b>410</b>	<b>Capital and reserves</b>		<b>1,782,725,401,374</b>	<b>1,711,498,724,893</b>
411	Shareholders' capital	18,19	1,007,907,900,000	1,007,907,900,000
412	Share premium	19	451,543,290,363	451,543,290,363
414	Treasury shares	19	(28,588,182,845)	(572,094,000)
416	Financial reserve funds	19	8,525,313,060	8,525,313,060
420	Undistributed earnings	19	343,337,080,796	244,094,315,470
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>5,915,750,726,545</b>	<b>4,549,103,510,049</b>

## OFF BALANCE SHEET ITEMS

Cash and cash equivalents are balances held in foreign currencies of US\$16,550  
(As at 30 September 2010: US\$229,597).



Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Ngoc Chu  
General Director  
30 December 2011

# CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

“The notes on pages 9 to 33 are an integral part of these financial statements.”

Form B 02 – DN/HN

## CONSOLIDATED INCOME STATEMENT

Code	Note	Year ended 30 September	
		2011 VND	2010 VND
01	Sales	8,179,487,707,829	4,912,610,384,192
02	Less deductions	(13,501,096,775)	(13,429,851,006)
10	Net sales	20(a) 8,165,986,611,054	4,899,180,533,186
11	Cost of sales	21 (7,110,055,086,800)	(3,968,224,548,046)
20	Gross profit	1,055,931,524,254	930,955,985,140
21	Financial income	20(b) 48,951,041,047	24,103,464,903
22	Financial expenses	22 (457,975,718,659)	(372,873,198,649)
24	Selling expenses	23 (308,909,934,516)	(209,477,229,128)
25	General and administration expenses	24 (189,005,431,707)	(148,691,601,966)
30	Operating profit	148,991,480,419	224,017,420,300
40	Net other income	25 19,484,318,511	27,884,256,150
50	Net accounting profit before tax	168,475,798,930	251,901,676,450
51	Business income tax - current	26 (11,195,790,606)	(38,773,640,483)
52	Business income tax - deferred	11 2,888,366,577	2,251,175,546
60	Net profit after tax	160,168,374,901	215,379,211,513
70	Earnings per share	27 1,622	2,241



**Nguyen Thi Ngoc Lan**  
Chief Accountant



**Tran Ngoc Chu**  
General Director  
30 December 2011

# CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

“The notes on pages 9 to 33 are an integral part of these financial statements.”

Form B 03 – DN/HN

## CONSOLIDATED CASH FLOW STATEMENT (Indirect method)

Code	Note	Year ended 30 September	
		2011 VND	2010 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01	<b>Net profit before tax</b>	<b>168,475,798,930</b>	<b>251,901,676,450</b>
	Adjustments for:		
02	Depreciation and amortisation	208,003,503,569	152,071,726,357
03	Provisions	1,500,052,536	3,338,187,673
04	Unrealised foreign exchange losses	2,215,074,573	336,345,088
05	Gain from investing activities	(3,664,797,659)	(1,874,898,464)
06	Interest expense	288,078,153,510	166,117,089,761
07	Gain from disposals of fixed assets	(395,174,775)	-
08	<b>Operating profit before changes in working capital</b>	<b>664,212,610,684</b>	<b>571,890,126,865</b>
09	Increase in receivables	(103,477,956,957)	(391,790,399,980)
10	Increase in inventories	(568,627,969,724)	(698,157,711,665)
11	Increase in payables	585,354,085,832	283,148,424,670
12	Increase in prepaid expenses	(37,754,505,715)	-
13	Interest paid	(280,776,644,491)	(163,639,782,761)
14	Business income tax paid	(4,883,181,198)	(47,142,162,249)
16	Other payments on operating activities	(4,551,499,841)	(11,547,619,579)
20	<b>Net cash inflows/(outflows) from operating activities</b>	<b>249,494,938,590</b>	<b>(457,239,124,699)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchases of fixed assets	(841,373,598,312)	(1,141,051,750,493)
22	Proceeds from disposals of fixed assets	62,548,208,722	3,744,605,904
27	Interest received	3,664,797,659	3,224,898,464
30	<b>Net cash outflows from investing activities</b>	<b>(775,160,591,931)</b>	<b>(1,134,082,246,125)</b>

# CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

“The notes on pages 9 to 33 are an integral part of these financial statements.”

Form B 03 – DN/HN


## CONSOLIDATED CASH FLOW STATEMENT (continued) (Indirect method)

Code	Note	Year ended 30 September	
		2011 VND	2010 VND
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
31	Proceeds from issue of shares	-	562,915,578,363
32	Purchase of treasury shares	(28,016,088,845)	(94,000)
33	Proceeds from borrowings	5,971,137,263,295	4,531,607,145,366
34	Repayments of borrowings	(5,279,815,361,496)	(3,434,156,471,290)
35	Repayment of finance lease liabilities	(7,063,426,703)	(9,516,098,987)
36	Dividend paid	(50,029,215,450)	(57,019,354,000)
40	<b>Net cash inflows from financing activities</b>	<b>606,213,170,801</b>	<b>1,593,830,705,452</b>
50	<b>Net increase in cash and cash equivalents</b>	<b>80,547,517,460</b>	<b>2,509,334,628</b>
60	<b>Cash and cash equivalents at beginning of year</b> 3	<b>50,162,949,043</b>	<b>47,653,614,415</b>
61	Effect of foreign exchange differences	(2,301,467,867)	-
70	<b>Cash and cash equivalents at end of year</b> 3	<b>128,408,998,636</b>	<b>50,162,949,043</b>



**Nguyen Thi Ngoc Lan**  
Chief Accountant



**Tran Ngoc Chu**   
General Director  
30 December 2011

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Form B 09 – DN/HN

## 1. GENERAL INFORMATION

Hoa Sen Group – Vietnamese name is Công ty Cổ phần Tập đoàn Hoa Sen - (“the Company”) was established in SR Vietnam pursuant to Business Registration Certificate No. 3700381324, dated 8 August 2001 which was issued by the Department of Planning and Investment of Binh Duong Province. The latest amendment is on 4 July 2011.

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

The principal activities of the Company are:

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

As at 30 September 2011, the Company had the following subsidiaries:

Subsidiary name	Location	Principal activities	% ownership and voting rights	
			30.9.2011	30.9.2010
Hoa Sen Steel Sheet One Member Co., Ltd.	No. 9, Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An Ward, Di An Town, Binh Duong Province	Manufacture and trade in cold rolled steel products	100	100
Hoa Sen Building Materials One Member Co., Ltd.	Phu My I Industrial Zones, Phu My Ward, Tan Thanh District, Ba Ria – Vung Tau Province	Manufacture and trade in plastic building materials and steel pipe products	100	100
Hoa Sen Phu My Steel Sheet One Member Co., Ltd. (*)	Road No. 1, Phu My I Industrial Zones, Phu My Ward, Tan Thanh District, Ba Ria – Vung Tau Province	Manufacture and trade galvanized steel products	-	100
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	No. 9, Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An Ward, Di An Town, Binh Duong Province	Provide engineering, civil and industrial construction projects; transportation service; produce and process rolling mill; cutter and industrial machine, equipment	100	100
Hoa Sen Plastic One Member Co., Ltd. (**)	Phu My I Industrial Zones, Phu My Ward, Tan Thanh District, Ba Ria – Vung Tau Province	Manufacture and trade in plastic building materials	-	100

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 1. GENERAL INFORMATION (continued)

All subsidiaries are incorporated in Vietnam.

(\*) During the year, Hoa Sen Phu My Steel Sheet One Member Co., Ltd. was liquidated in accordance to Decision No. 244/QD/HDQT/2010 dated 20 December 2010.

(\*\*) During the year, Hoa Sen Plastic One Member Co., Ltd. was liquidated in accordance to Decision No. 245/QD/HDQT/2010 dated 20 December 2010.

As at 30 September 2011, the Group had 2,960 employees (30 September 2010: 2,904 employees).

## 2. ACCOUNTING SYSTEM AND ACCOUNTING POLICIES

### 2.1 Basis of preparation of consolidated financial statements

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

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

### 2.2 Fiscal year

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

### 2.3 Consolidation

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

#### Subsidiaries

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 2.3 Consolidation (continued)

### *Joint ventures and associates*

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

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

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

## 2.4 Form of records applied

The Group uses journal vouchers to record its transactions.

## 2.5 Use of accounting estimate

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

## 2.6 Currency

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 2.7 Cash and cash equivalents

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

## 2.8 Trade receivables

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

## 2.9 Inventories

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

## 2.10 Investments

### (a) Investments in joint-ventures and associates

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

### (b) Long-term investments

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

## 2.11 Fixed assets

### *Tangible and intangible fixed assets*

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

### *Depreciation*

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 2.11 Fixed assets (continued)

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

### *Disposals*

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

## 2.12 Leased assets

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

## 2.13 Borrowing costs

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

## 2.14 Revenue recognition

### (a) Sales of goods

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

### (b) Sales of services

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

### (c) Interest income

Interest income is recognised on an earned basis.

### (d) Dividend income

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 2.15 Deferred income tax

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

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

## 2.16 Share capital and treasury shares

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

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

## 2.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders in general meetings.

## 2.18 Related parties

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 2.19 Provisions

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

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

## 2.20 Provision for severance allowances

In accordance with Vietnamese labour laws, employees of the Group are entitled to a severance allowance based on their years of service. This will be paid as a lump sum when the employee leaves the Group. A provision for severance allowance is made for the estimated liability for employment termination as a result of services rendered by employees. Pursuant to Law on Social Insurance, effective from 1 January 2009, the Group is required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. With the implementation of the unemployment scheme, the Group is no longer required to provide for the service period after 1 January 2009. However, provision for severance allowance as of 30 September 2011 is determined based on the employees' number of years of service up to 31 December 2008 and their average salary for the six-month period prior to the balance sheet date.

## 3. CASH AND CASH EQUIVALENTS

	30/9/2011 VND	30/9/2010 VND
Cash on hand	9,386,304,571	10,509,814,611
Cash at bank	118,988,694,065	39,653,134,432
Cash in transit	34,000,000	-
	<u>128,408,998,636</u>	<u>50,162,949,043</u>

## 4. PREPAYMENTS TO SUPPLIERS

	30/9/2011 VND	30/9/2010 VND
Third parties	29,410,670,331	132,948,582,908
Related parties (Note 29(b))	90,183,227,000	104,355,929,500
	<u>119,593,897,331</u>	<u>237,304,512,408</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 5. INVENTORIES

	30/9/2011 VND	30/9/2010 VND
Goods in transit	328,588,358,524	130,488,445,168
Raw materials	424,301,598,775	455,333,364,646
Tools	181,491,551,424	149,703,264,790
Work in progress	10,095,839	898,557,068
Finished goods	960,731,017,901	599,489,042,076
Merchandises	120,537,631,870	111,119,610,861
	2,015,660,254,333	1,447,032,284,609
Provision for decline in value of inventory	-	(863,236,406)
	2,015,660,254,333	1,446,169,048,203

As at 30 September 2011, inventories with a carrying amount of VND1,363,091,358,973 (As at 30 September 2010: VND1,117,449,650,648) have been pledged as security for the bank loans.

## 6. OTHER TAXES RECEIVABLE

	30/9/2011 VND	30/9/2010 VND
Business income tax refundable	-	4,344,829,871
Other receivables from the State	8,374,590	815,860,675
	8,374,590	5,160,690,546

## 7. OTHER CURRENT ASSETS

	30/9/2011 VND	30/9/2010 VND
Short-term deposits	39,207,131,927	76,802,474,615
Advance to employees	6,108,106,507	2,799,082,715
Shortage of assets awaiting for resolution	191,524,836	-
	45,506,763,270	79,601,557,330

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

### 8. FIXED ASSETS

#### (a) Tangible fixed assets

##### Historical cost

	Buildings VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Other assets VND	Total VND
At 1 October 2010	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
New purchases	9,773,733,859	46,252,534,886	4,991,745,146	41,170,000	13,425,220,104	74,484,403,995
Transfers from construction in progress	160,257,172,200	691,379,136,430	378,000,000	93,360,012	32,256,000	852,139,924,642
Disposals	-	(9,723,453,157)	(75,850,455)	-	(17,557,418)	(9,816,861,030)
Others	-	(88,884,000)	-	(93,360,012)	-	(182,244,012)
At 30 September 2011	522,025,864,226	1,896,490,962,654	73,532,128,739	4,499,486,205	15,316,735,094	2,511,865,176,918

##### Accumulated depreciation

At 1 October 2010	51,474,946,388	281,816,730,476	18,081,369,916	1,889,157,739	617,917,965	353,880,122,484
Charge for the year	27,469,568,546	164,394,120,001	8,350,112,525	732,790,612	1,110,035,985	202,056,627,669
Disposals	-	(5,534,829,759)	(56,566,548)	-	(10,680,776)	(5,602,077,083)
At 30 September 2011	78,944,514,934	440,676,020,718	26,374,915,893	2,621,948,351	1,717,273,174	550,334,673,070

##### Net book value

At 1 October 2010	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
At 30 September 2011	443,081,349,292	1,455,814,941,936	47,157,212,846	1,877,537,854	13,599,461,920	1,961,530,503,848

Cost of fixed assets fully depreciated but are still in use as at 30 September 2011 was VND6,617,650,581 (As at 30 September 2010: VND2,260,247,317).

As at 30 September 2011 fixed assets with a carrying value of VN937,725,317,496 (As at 30 September 2010: VND186,113,705,790) have been pledged as security for the borrowings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 8. FIXED ASSETS (continued)

### (b) Finance lease assets

	Machinery and equipment VND
<b>Historical cost</b>	
As at 1 October 2010	44,378,948,327
Additions	5,129,590,720
As at 30 September 2011	49,508,539,047
<b>Accumulated depreciation</b>	
As at 1 October 2010	2,322,995,968
Charge for the year	2,603,139,289
As at 30 September 2011	4,926,135,257
<b>Net book value</b>	
As at 1 October 2010	42,055,952,359
As at 30 September 2011	44,582,403,790

### (c) Intangible fixed assets

	Land use rights VND	Computer software VND	Total VND
<b>Historical cost</b>			
As at 1 October 2010	271.285.699.879	1,942,467,154	273,228,167,033
New purchases	40.488.269.438	17,860,950	40,506,130,388
Disposals	(57.938.250.000)	-	(57,938,250,000)
Other	(87.062.000)	(136,500,000)	(223,562,000)
As at 30 September 2011	253.748.657.317	1,823,828,104	255,572,485,421
<b>Accumulated amortisation</b>			
As at 1 October 2010	7.840.075.849	657,314,719	8,497,390,568
Charge for the year	3.020.882.125	322,854,486	3,343,736,611
Other	-	(26,541,669)	(26,541,669)
As at 30 September 2011	10.860.957.974	953,627,536	11,814,585,510
<b>Net book value</b>			
As at 1 October 2010	263.445.624.030	1,285,152,435	264,730,776,465
As at 30 September 2011	242.887.699.343	870,200,568	243,757,899,911

As at 30 September 2011 land use rights with a carrying value of VND150,236,457,785 (At 30 September 2010: VND153,410,730,556) have been pledged with banks as security for the borrowings granted to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

## 8. FIXED ASSETS (continued)

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### (d) Construction in progress

	Year ended 30 September	
	2011 VND	2010 VND
Opening balance	600,863,044,677	204,166,561,719
Additions	726,383,063,929	960,382,180,020
Transfers to long-term prepayments	(4,138,662,022)	(23,732,250,374)
Transfers to tangible fixed assets	(852,139,924,642)	(538,097,496,397)
Disposals	(50,578,908)	(1,855,950,291)
Closing balance	470,916,943,034	600,863,044,677

Major projects include:

	30/9/2011 VND	30/9/2010 VND
Machinery and equipment for		
Hoa Sen Phu My Steel Sheet Plant	344,399,711,468	277,058,465,745
Hoa Sen Phu My Steel Sheet Plant Project	78,778,683,205	199,735,784,653
Pho Dong Project	-	28,345,838,053

Borrowing costs capitalised in construction in progress for the year ended 30 September 2011 was VND7,300,447,031 (For the year ended 30 September 2010: VND5,367,725,100).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

### 9. LONG-TERM INVESTMENTS

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

Investees	Principal activities	Business License	% ownership and voting rights	30/9/2011 VND	30/9/2010 VND
<b>Associates</b>					
Hoa Sen-Gemadept Logistics and International Port Corporation	Provide sea cargo services	agency	45	44.456.331.634	43.414.544.958
		Business Registration Certificate No. 3500751828 issued by the Department of Planning and Investment of Ba Ria-Vung Tau Province on 20 June 2006 and amended on 13 October 2009			
<b>Other long-term investments</b>					
Viet Capital Health Care Fund	Invest in listed and unlisted healthcare Vietnamese companies and projects in Vietnam	Decision No. 08/TB-UBCK issued by the State Securities Commission of Vietnam on 15 January 2008	3	15.000.000.000	15.000.000.000
				59.456.331.634	58.414.544.958
				(1.126.940.680)	(553.000.000)
Provision for diminution in value of long-term investments				58.329.390.954	57.861.544.958



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 10. LONG-TERM PREPAYMENTS

	Year ended 30 September	
	2011 VND	2010 VND
Opening balance	34,231,203,940	10,779,291,756
Additions	40,881,582,593	26,684,298,194
Transferred from construction in progress	4,138,662,022	23,732,250,374
Transferred from tangible fixed assets	93,360,012	-
Amortisation	(22,377,114,533)	(14,655,031,638)
Disposals	-	(198,365,203)
Transferred to fixed assets	(143,091,058)	(12,111,239,543)
Transferred to inventories	(842,975,947)	-
Closing balance	55,981,627,029	34,231,203,940

## 11. DEFERRED INCOME TAX ASSETS

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

	Year ended 30 September	
	2011 VND	2010 VND
Opening balance	4,727,275,259	2,476,099,713
Credited to income statement	2,888,366,577	2,251,175,546
Closing balance	7,615,641,836	4,727,275,259

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 12. BORROWINGS

### (a) Short-term borrowings

	30/9/2011 VND	30/9/2010 VND
Short-term bank loans (*)	2,058,178,693,714	1,646,489,975,890
Current portion of long-term loans	187,289,179,248	126,466,320,112
Current portion of finance lease liabilities	8,646,164,196	2,414,035,716
	2,254,114,037,158	1,775,370,331,718

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

Loan No,	Currency	Annual interest	30/9/2011 VND	30/9/2010 VND
01	VND	13.5% - 18.5%	416,200,000,000	379,172,838,000
02	USD	5.5% - 7%	162,816,804,000	170,232,246,436
03	VND	17.5% - 18.5%	21,960,000,000	-
04	USD	5.3% - 8%	39,224,142,000	32,689,327,799
05	VND	13% - 20%	170,041,793,679	180,434,911,000
06	USD	6.0% - 6.5%	268,532,580,897	89,605,926,343
07	VND	17.5% - 20.4%	42,600,000,000	-
08	USD	6% - 8%	150,378,120,000	81,645,101,940
09	VND	16.5% - 20%	48,000,000,000	114,975,000,000
10	USD	5.6% - 6.2%	117,411,357,826	15,165,383,940
11	USD	5% - 5.5%	5,961,492,000	100,665,786,622
12	VND	15.5% - 16.6%	-	16,808,000,000
13	USD	6%	92,788,745,832	33,963,421,108
14	USD	6.8%	-	44,875,660,253
15	USD	5.8% - 6.8%	22,741,543,436	31,466,190,536
16	USD	6.5% - 8.2%	35,536,177,397	-
17	VND	13.2% - 19.8%	35,100,000,000	150,649,994,231
18	VND	16.1%	-	23,167,387,682
19	VND	20%	44,000,000,000	51,972,800,000
20	USD	6.2% - 7.5%	98,364,141,906	-
21	VND	12.7% - 19%	85,400,000,000	129,000,000,000
22	USD	4.7% - 5.1%	129,789,639,741	-
23	VND	18%	71,332,155,000	-
			2,058,178,693,714	1,646,489,975,890

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 12. BORROWINGS (continued)

### (b) Long-term borrowings

	30/9/2011 VND	30/9/2010 VND
Bank loans (*)	734,218,920,873	536,717,208,898
Finance lease liabilities (**)	29,110,947,093	30,823,992,196
Other long-term debt (***)	77,131,472,000	-
	<u>840,461,339,966</u>	<u>567,541,201,094</u>
Less: Amount due within one year	(195,935,343,444)	(128,880,355,828)
	<u><u>644,525,996,522</u></u>	<u><u>438,660,845,266</u></u>

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

Loan No,	Currency	Repayment	Annual interest	30/9/2011 VND	30/9/2010 VND
01	VND	29/04/2014	10.5% - 17.6%	188,753,256,000	251,296,096,000
02	USD	02/05/2012	6.5%	14,439,600,000	33,131,000,000
03	VND	29/03/2016	14.9% - 21%	297,075,482,971	27,494,990,147
04	USD	08/06/2018	7,00%	3,098,985,696	4,266,288,336
05	USD	08/06/2018	1.7%	112,403,818,206	118,534,946,415
06	VND	25/03/2013	7.8% - 8.4%	49,720,000,000	63,940,000,000
07	VND	26/10/2016	15% - 18.5%	40,865,888,000	35,023,888,000
08	VND	06/11/2014	15% - 19%	13,861,890,000	3,030,000,000
09	VND	27/12/2012	23%	14,000,000,000	-
				<u><u>734,218,920,873</u></u>	<u><u>536,717,208,898</u></u>

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

(\*\*) Finance lease liabilities

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

Finance lease liabilities	30/9/2011		
	Total liabilities VND	Interest VND	Principal VND
Within 1 year	12,912,102,101	4,265,937,905	8,646,164,196
From 1 to 5 years	25,157,688,888	4,692,905,991	20,464,782,897
	<u><u>38,069,790,989</u></u>	<u><u>8,958,843,896</u></u>	<u><u>29,110,947,093</u></u>

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FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 12. BORROWINGS (continued)

### (b) Long-term borrowings (continued)

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

(\*\*\*) Other long-term debt:

Other long-term debt of EUR2,728,000, equivalent to VND77,131,472,000 (2010: nil) is from a supplier for purchase of fixed assets, bearing interest at the rate of 5.8% p.a and to be repaid in 6-month instalments from March 2011 to May 2016.

## 13. TRADE ACCOUNTS PAYABLE

	30/9/2011 VND	30/9/2010 VND
Third parties	1,098,014,470,240	441,737,582,232

## 14. TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	30/9/2011 VND	30/9/2010 VND
VAT on importation	10,340,205,509	16,600,684,204
Value Added Tax	2,804,260,421	12,714,726,882
Import – Export duties	-	1,128,280,960
Business income tax	4,811,764,787	2,869,712,219
Other taxes	2,148,087,747	253,348,205
	20,104,318,464	33,566,752,470

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## 15. ACCRUED EXPENSES

	30/9/2011 VND	30/9/2010 VND
Electricity	235,804,437	638,239,530
Accrued expenses for construction in progress	9,737,303,244	80,484,320,287
Transportation fee	7,285,891,191	-
Audit fee	919,599,998	906,874,000
13 <sup>th</sup> month salary	3,472,230,000	5,513,234,395
Remuneration for Board of Management, Board of Advisors and Board of Supervisors	-	221,479,998
Loan interest	9,778,816,019	2,477,307,000
Other accrued expenses	137,892,658	1,282,492,754
	<u>31,567,537,547</u>	<u>91,523,947,964</u>

## 16. OTHER PAYABLES

	30/9/2011 VND	30/9/2010 VND
Dividends	1,397,909,550	1,270,476,000
Short-term deposits received	-	2,397,024,758
Social insurance, health insurance, trade union fee	918,853,052	558,510,674
Unearned revenue (*)	-	4,560,000,000
Other payables	5,723,273,857	2,637,494,504
	<u>8,040,036,459</u>	<u>11,423,505,936</u>

(\*) Unearned revenue represents the amounts received by the Company in advance for selling the apartments in Pho Dong – Hoa Sen Apartment Building project. As at 30 September 2011, this project had been transferred to Pho Dong Investment Development JSC, the joint venture partner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 17. BONUS AND WELFARE FUND

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

	Year ended 30 September	
	2011 VND	2010 VND
Opening balance	1,728,997,376	7,151,926,861
Addition	10,768,960,575	6,121,598,094
Utilisation	(4,551,499,841)	(11,544,527,579)
Closing balance	7,946,458,110	1,728,997,376

## 18. NUMBER OF SHARES

	30/9/2011		30/9/2010	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of shares capital authorised and issued	100,790,790	-	100,790,790	-
Treasury shares	(2,020,012)	-	(20,012)	-
Number of existing shares in issue	98,770,778	-	100,770,778	-

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 19. MOVEMENTS IN OWNERS' EQUITY

	Shareholders' capital VND	Share premium VND	Differences upon asset revaluation VND	Undistributed earnings VND	Treasury shares VND	Financial Reserves VND	Total VND
As at 1 October 2009							
(as previously reported)	570,385,000,000	88,222,712,000	21,447,090,156	259,845,916,955	(572,000,000)	-	939,328,719,111
Restatement (Note 34)	-	-	(21,447,090,156)	21,447,090,156	-	-	-
As at 1 October 2009							
(as restated)	570,385,000,000	88,222,712,000	-	281,293,007,111	(572,000,000)	-	939,328,719,111
Issued shares	129,615,000,000	438,652,500,000	-	-	-	-	568,267,500,000
Issued bonus shares	69,980,000,000	(69,980,000,000)	-	-	-	-	-
Dividends by shares issued	237,927,900,000	-	-	(237,927,900,000)	-	-	-
Commission and brokerage fee on issuing shares	-	(5,351,921,637)	-	-	-	-	(5,351,921,637)
Profit for the year	-	-	-	215,379,211,513	-	-	215,379,211,513
Repurchase of treasury shares	-	-	-	-	(94,000)	-	(94,000)
Appropriated to financial reserves	-	-	-	(8,525,313,060)	-	8,525,313,060	-
Appropriated to bonus and welfare funds	-	-	-	(6,121,598,094)	-	-	(6,121,598,094)
Others	-	-	-	(3,092,000)	-	-	(3,092,000)
As at 30 September 2010	1,007,907,900,000	451,543,290,363	-	244,094,315,470	(572,094,000)	8,525,313,060	1,711,498,724,893
Profit for the year	-	-	-	160,168,374,901	-	-	160,168,374,901
Dividends payment	-	-	-	(50,156,649,000)	-	-	(50,156,649,000)
Repurchase of treasury shares	-	-	-	-	(28,016,088,845)	-	(28,016,088,845)
Appropriated to bonus and welfare funds	-	-	-	(10,768,960,575)	-	-	(10,768,960,575)
As at 30 September 2011	1,007,907,900,000	451,543,290,363	-	343,337,080,796	(28,588,182,845)	8,525,313,060	1,782,725,401,374

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 20. REVENUE

### (a) (a) Net sales

	Year ended 30 September	
	2011 VND	2010 VND
<b>Sales</b>	7,036,652,233,437	4,650,441,833,391
Finished goods	1,142,374,278,626	261,858,135,103
Merchandises	461,195,766	310,415,698
Services		
	<u>8,179,487,707,829</u>	<u>4,912,610,384,192</u>
<b>Sales deductions</b>		
Trade discounts	(771,748,862)	(1,141,442,287)
Sales returns	(12,399,818,026)	(10,372,643,709)
Sales allowances	(329,529,887)	(901,116,976)
Other reductions	-	(1,014,648,034)
	<u>(13,501,096,775)</u>	<u>(13,429,851,006)</u>
	<u>8,165,986,611,054</u>	<u>4,899,180,533,186</u>

### (b) (b) Financial income

	Year ended 30 September	
	2011 VND	2010 VND
Interest income from deposits	3,664,797,659	1,874,898,464
Gain from foreign exchange differences	45,286,243,388	20,878,566,439
Interest income from long-term investments	-	1,350,000,000
	<u>48,951,041,047</u>	<u>24,103,464,903</u>

## 21. COST OF SALES

	Year ended 30 September	
	2011 VND	2010 VND
Cost of finished goods sold	6,134,894,497,014	3,702,573,076,185
Cost of merchandises sold	974,686,899,800	256,905,738,257
Cost of services provided	473,689,986	-
Under-capacity depreciation	-	9,632,919,832
Provision for decline in value of inventories	-	(887,186,228)
	<u>7,110,055,086,800</u>	<u>3,968,224,548,046</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 22. FINANCIAL EXPENSES

	Year ended 30 September	
	2011 VND	2010 VND
Interest expense	288,078,153,510	166,117,089,761
Loss from foreign exchange differences	169,323,624,469	206,203,108,888
Provision for decline in value of long-term investments	573,940,680	553,000,000
	<u>457,975,718,659</u>	<u>372,873,198,649</u>

## 23. SELLING EXPENSES

	Year ended 30 September	
	2011 VND	2010 VND
Staff costs	74,294,554,728	51,188,675,860
Depreciation expenses	19,076,605,544	16,553,461,206
Material expenses	2,224,576,875	2,280,873,123
Outside service expenses	200,283,807,110	128,891,754,308
Other expenses	13,030,390,259	10,562,464,631
	<u>308,909,934,516</u>	<u>209,477,229,128</u>

## 24. GENERAL AND ADMINISTRATION EXPENSES

	Year ended 30 September	
	2011 VND	2010 VND
Staff costs	85,402,603,087	72,705,146,621
Office supplies	6,897,187,132	5,934,543,076
Depreciation	15,456,525,191	13,176,443,490
Outside service expenses	58,734,562,479	41,080,078,694
Other expenses	22,514,553,818	15,795,390,085
	<u>189,005,431,707</u>	<u>148,691,601,966</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 25. NET OTHER INCOME/EXPENSES

	Year ended 30 September	
	2011 VND	2010 VND
<b>Other income</b>	13,889,373,722	22,862,510,533
Sales of scraps	62,548,208,722	3,744,605,904
Proceeds from disposal of fixed assets	-	4,441,228,219
Income from stockcounts	11,621,983,577	6,857,208,804
Others		
	88,059,566,021	37,905,553,460
<b>Other expenses</b>		
Net book value of disposed fixed assets	(62,153,033,947)	(5,430,950,992)
Others	(6,422,213,563)	(4,590,346,318)
	(68,575,247,510)	(10,021,297,310)
Net other income	19,484,318,511	27,884,256,150

## 26. TAXATION

### *Hoa Sen Group*

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

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

### *Hoa Sen Building Materials One Member Co., Ltd*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 26. TAXATION (continued)

### *Hoa Sen Steel Sheet One Member Co., Ltd*

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

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

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

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

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate regulated in Investment Incentives Certificate of the Company as follows:

	Year ended 30 September	
	2011 VND	2010 VND
Net accounting profit before tax	168,475,798,930	251,901,676,450
Tax calculated at a rate of the Group	32,817,263,416	38,801,867,795
Effect of:		
Expenses not deductible for tax purposes	11,733,495,715	1,846,521,469
Impact of higher tax rate	222,349,899	2,326,062,258
Income not subject to tax	(7,834,555,531)	(860,852,830)
Tax losses for which no deferred tax assets were recognised	-	304,824,518
Impact of tax reductions	(16,706,325,506)	(11,932,013,693)
Tax underprovisioned for previous years	7,174,128,628	17,290,970,599
Impact of increase in tax rate	(5,282,277,768)	(872,694,535)
Income tax on transfer of land use rights	515,437,500	-
Tax exemption in subsidiaries	-	(10,382,220,644)
Business income tax refunded (*)	(14,332,092,324)	-
Business income tax charge	<u>8,307,424,029</u>	<u>36,522,464,937</u>

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 27. EARNINGS PER SHARE

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

	Year ended 30 September	
	2011 VND	2010 VND
Net profit attributable to shareholders	160,168,374,901	215,379,211,513
Weighted average number of ordinary shares in issue (shares)	98,770,778	96,126,246
Basic earnings per share (VND)	1,622	2,241

## 28. COST OF GOODS MANUFACTURED BY FACTORS

	Year ended 30 September	
	2011 VND	2010 VND
Raw materials	11,051,234,931,496	7,414,331,080,870
Labour costs	211,527,664,606	168,501,575,254
Depreciation expense	194,945,656,330	152,071,726,357
Outside service expenses	456,919,316,405	234,812,128,309
Other expenses	107,380,837,177	93,715,928,905
	<u>12,022,008,406,014</u>	<u>8,063,432,439,695</u>

## 29. RELATED PARTY TRANSACTIONS

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

### (a) Related party transactions

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

#### i) Compensation of key management

	Year ended 30 September	
	2011 VND	2010 VND
Compensation for Board of Management, Board of Advisors and Board of Supervisors	954,000,000	2,349,028,027
Gross salary for Board of Management	4,293,126,682	3,134,997,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 29. RELATED PARTY TRANSACTIONS (continued)

### (b) Year end balances with related parties

	Year ended 30 September	
	2011 VND	2010 VND
<b>Prepayments to suppliers (Note 4)</b> Mr Hoang Duc Huy (Deputy General Director) advance for acquisition of land use rights	90,183,227,000	104,355,929,500

## 30. SEGMENT REPORTING

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

## 31. COMMITMENTS UNDER OPERATING LEASES

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

	Year ended 30 September	
	2011 VND	2010 VND
Within 1 year	21,194,152,720	13,245,089,660
Between 1 and 5 years	69,375,630,134	39,247,257,679
Over 5 years	251,241,359,892	214,808,752,227
Total minimum payments	341,811,142,746	267,301,099,566

## 32. CAPITAL COMMITMENTS

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

	Year ended 30 September	
	2011 VND	2010 VND
Buildings, machinery and equipment	28,575,744,556	430,793,791,230

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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## 33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

## 34. RESTATEMENTS

The comparative figures of the consolidated financial statements have been restated as follows:

	Previously reported VND	Adjustments VND	Restated VND
Difference on asset revaluation as at 30 September 2010 (*)	21,447,090,156	(21,447,090,156)	-
Undistributed earnings as at 30 September 2010	222,647,225,314	21,447,090,156	244,094,315,470
Difference on asset revaluation as at 30 September 2009	21,447,090,156	(21,447,090,156)	-
Undistributed earnings as at 30 September 2009	259,845,916,955	21,447,090,156	281,293,007,111

(\*) The difference on revaluation of a land use right contributed by the Company to Hoa Sen Steel Sheet One Member Co. Ltd. was incorrectly recognised under the account "Differences upon asset revaluation" instead of "other income" in 2006. Since this treatment in 2006 is not in accordance with the current accounting regulations, the Company has restated this by reclassifying the amount from "Differences upon asset revaluation" to "Undistributed earnings".

The consolidated financial statements were approved by the General Director on 30 December 2011.



**Nguyen Thi Ngoc Lan**  
Chief Accountant



**Tran Ngoc Chu**  
General Director