

# SUSTAINABLE DEVELOPMENT



ANNUAL REPORT  
The fiscal year 2011 - 2012

## Vision, Mission, Core values

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## Golden lotus - Golden quality

### **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 products: coated steel sheet, steel, plastic based on building and developing core competitive advantages: vertically integrated value chain; distribution network; strong, friendly and community-oriented brand name; unique corporate governance and culture as well as pioneering in advanced technology investment in order to maximize value added for shareholders, employees and the society.

### **Mission**

Providing international standard quality, reasonably priced and wide range of products under the Hoa Sen brand name 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**

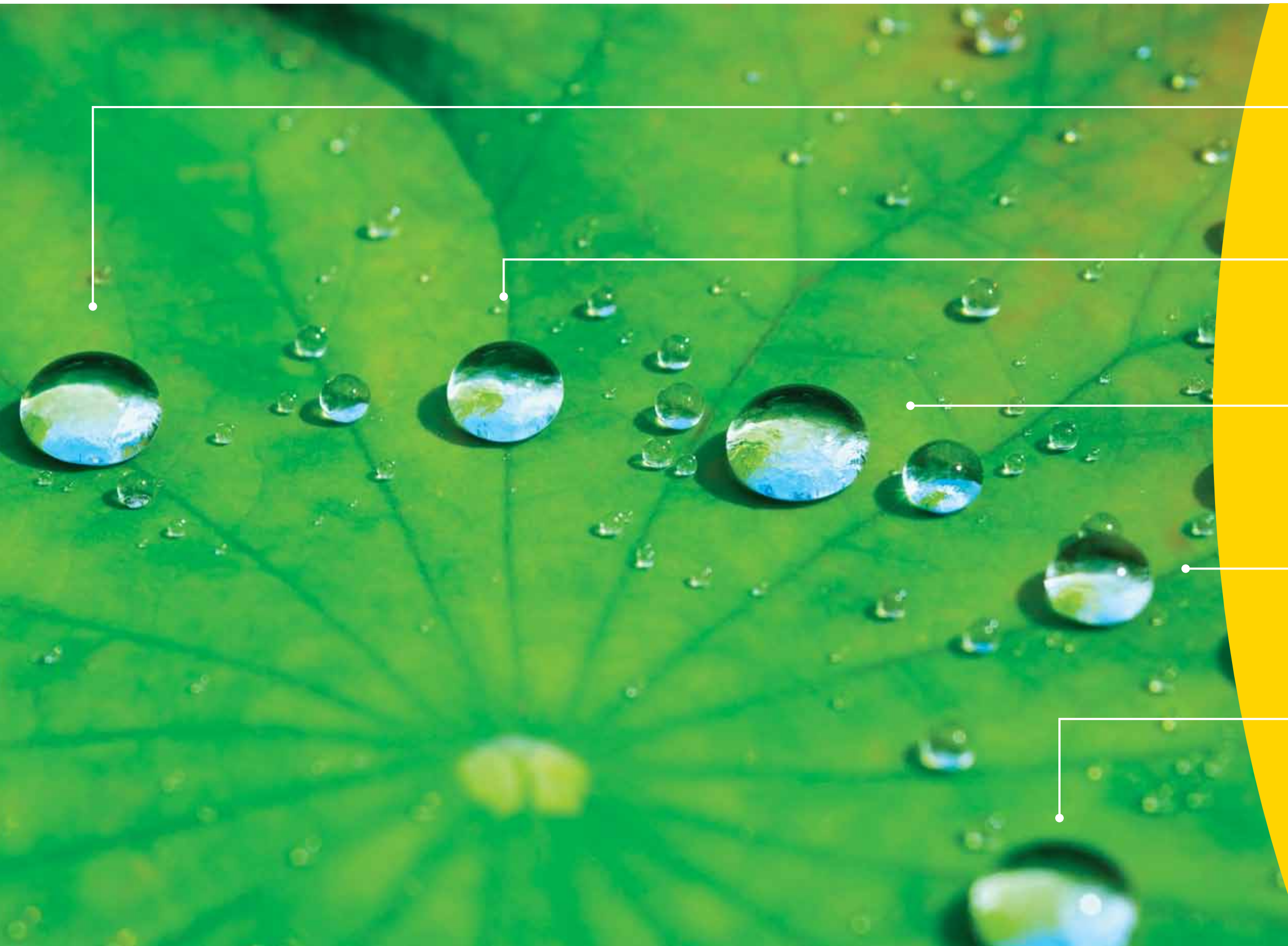
Product quality is the focus.

Customer benefit is the key.

Employee income is the responsibility.

Sharing community is the obligation.





Integrity

Loyalty

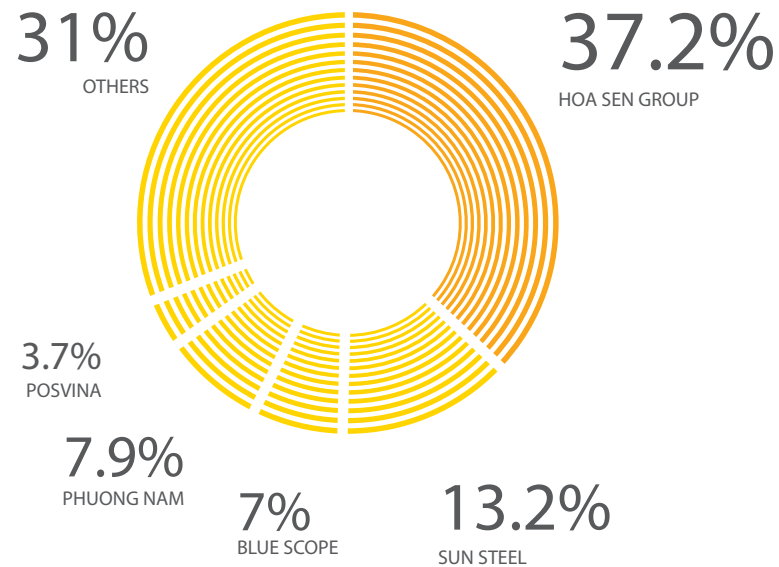
Dedication

Talent

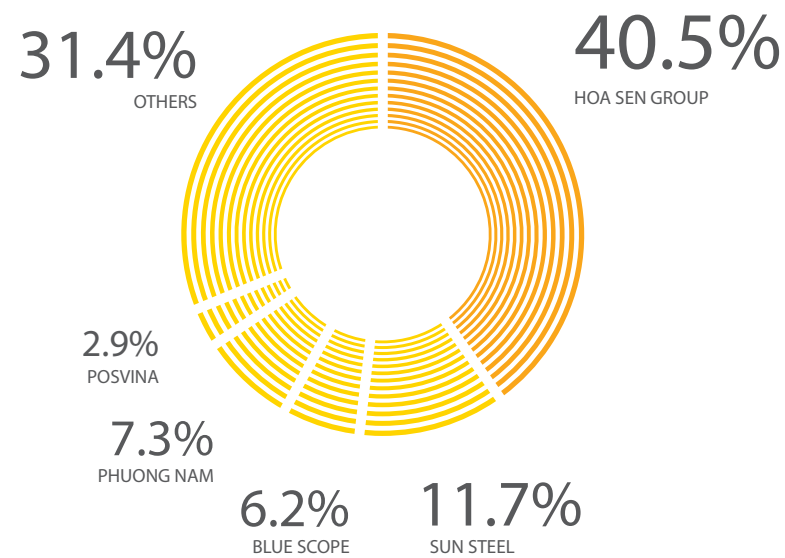
Friendliness

# Outstanding figures in the fiscal year 2011 - 2012

Coated steel sheet market share in 2011



Estimated coated steel sheet market share in 2012



Source: Vietnam Steel Association bulletin in 2011 and in November 2012.  
Excluding sales volume of Perstima Vietnam as its tin-coated steel sheet products are not used in construction industry.

**1** In the fiscal year 2011 - 2012, Hoa Sen Group continued to affirm its number one position in Vietnam coated steel sheet market and was one of the leading coated steel sheet exporters in Southeast Asia.



**3** On 24<sup>th</sup> June 2012, Mr. Le Phuoc Vu - Chairman of the Board of Directors was honored to receive the 3<sup>rd</sup> - Class Labor Medal given by the President for his contributions to the economy and society over the last 10 years.

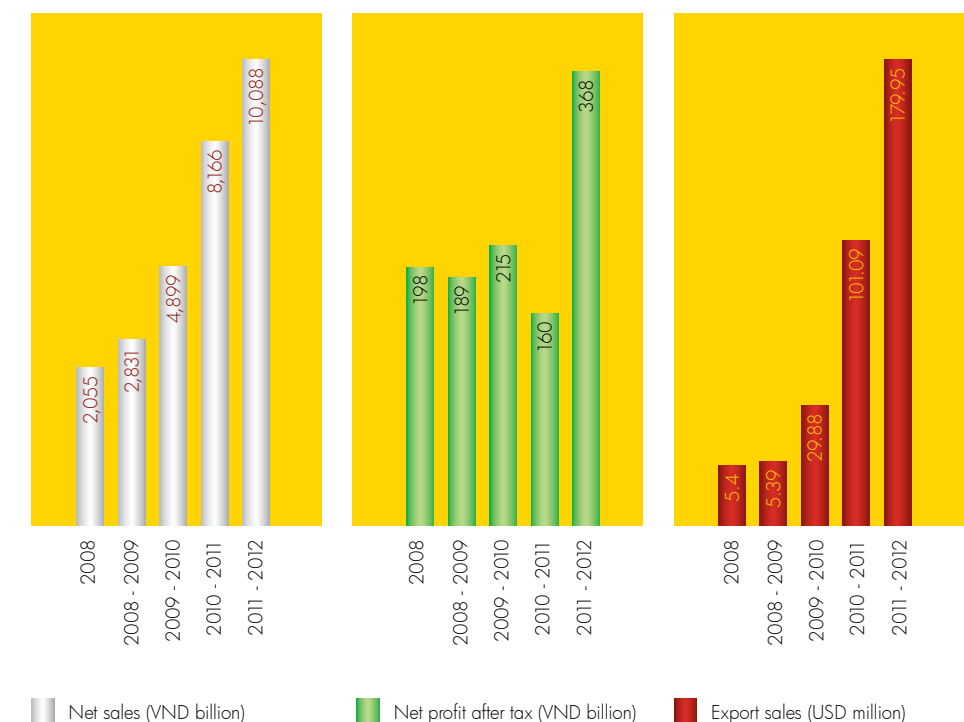
**108** In May 2012, Hoa Sen Group opened the 108<sup>th</sup> distribution - retail branch at Tay Ninh Province, contributing to the increase in selling capability and core competitive advantages of Hoa Sen Group.



**130** In spite of the difficult macroeconomic conditions, the net profit after tax in the fiscal year 2011 - 2012 increased by 130% as compared to the previous fiscal year.

**180** The export sales in the fiscal year 2011 - 2012 was approximately USD 180 million, increased over 78% as compared to the previous fiscal year.

**2012** Hoa Sen Steel Sheet is honored to achieve Vietnam Value 2012. This is the pride of Hoa Sen Group affirming the quality of Hoa Sen Steel Sheet products in domestic and foreign markets as well as contributing to enhance the brand value of Vietnam.





## Message From Chairman

“In 2012, in the difficult context of the economy, Hoa Sen Group is one of the few enterprises continuing to grow in sales volume, net sales and profit”



Dear esteemed shareholders,

The year 2012 elapsed in the context of the worldwide economy overshadowed by the global economic recession and the European sovereign debt crisis without coming to an end. For domestic macroeconomic, context the year 2012 marked the weakness of enterprises after nearly a half decade of plunging into the global financial crisis in despite of measures of adjusting the interest rate and support policies of the Government.

Overcoming these difficulties, in the fiscal year 2011 - 2012, Hoa Sen Group continued to affirm its strong growth thanks to core competitive advantages that have been developed during the development process, the lucid guidance of the Board of Directors, the flexible operation of the Board of Management and the effort of nearly 3,000 staffs of the Group.

With sales volume of over 453,000 tons holding more than 40% market share of Vietnam coated steel sheet market and net sales of over VND 10,000 billion, Hoa Sen Group basically accomplished the business plan approved by the General Assembly of Shareholders in terms of sales volume and revenue. Especially, with net profit after tax of VND 368 billion surpassing 53% as compared with the plan, it shows that activities of Hoa Sen Group have been entering the depth and creating higher value added.

The fiscal year 2011 - 2012 also marked a big step in export activities with export volume of nearly 180,000 tons and export sales of nearly USD 180 million. Besides expanding the distribution network, export became a main distribution channel contributing 37% of the total net sales. Hoa Sen Group continues to affirm that it is one of the leading coated steel sheet exporters in ASEAN. This is the result of correct decisions in diversifying distribution channels in order to adapt to the decline of domestic demand, stabilize a part of foreign currency serving the import of raw materials so as to enable the Group to minimize the risk of exchange rate and create the basis for the Group to borrow foreign currency with the low interest rate.

Along with expanding the distribution network, the Group also focuses on research and development activities in order to create new products and meet the increasing tastes of consumers. In the last fiscal year, the Group performed the research successfully and put its Metallic steel sheet products on the market with outstanding features as the surface having metallic luster and high aestheticism. Producing this kind of product promises to create a big step in orienting consumer tastes and making the higher value added for the Group.

With its strong development and positive contribution to socioeconomic development of the country, the Group is honored to obtain many noble awards such as: the Certificate of Merit from the Prime Minister, the Certificate of Merit from the Ministry of Finance for fulfilling tax obligations. Especially, Hoa Sen Steel Sheet is honored to achieve Vietnam Value 2012. This is the pride of Hoa Sen Group affirming the quality of Hoa Sen Steel Sheet products in domestic and foreign markets as well as contributing to enhance the brand value of Vietnam.

The above achievements once again affirm that Hoa Sen Group is going at steady steps on the path of becoming the leading coated steel sheet maker in Southeast Asian region and assert the commitment of the brand name always aiming at the purpose of creating the highest value for consumers and the society.

Entering the year 2013, when the economic restructuring is only in its early stages with a prior target of stabilizing macroeconomic factors, domestic demand is expected to grow slowly. For the steel industry, it will witness more fierce competition in domestic market; at the same time some signals indicate that Southeast Asian countries probably will use trade protection measures, it would be a challenge to the growth target that the Group has to overcome.

These challenges require Hoa Sen Group to propose many business scenarios flexibly in order to cope with the market fluctuation. Besides, management activities have to go into the depth and transparency as well as connect business efficiency with labor income; innovating techniques incessantly and improving the system of production norm in order to minimize costs; enhancing the efficiency of sales channels by professionalizing activities of the distribution network, looking for new export markets and reducing the dependence on traditional export markets in order to reduce the risk of policies; stepping up marketing activities so as to increase the presence density of brand name in consumers' minds.

I am confident that, with the premise of our five core competitive advantages, great achievements of the fiscal year 2011 - 2012, young and enthusiastic human resources that has been imbued with the business philosophy of Hoa Sen Group and experienced crises as well as especially the support of esteemed shareholders, partners and customers, we will attain greater achievements together in order to affirm the brand name and position of Hoa Sen Group.

On behalf of the Board of Directors, the Board of Management and all employees of Hoa Sen Group, I would like to express my sincere thanks for your trust and support as well as hope that you always accompany the Group on the new way of development.

I wish all of you health, happiness and success.

Chairman

A handwritten signature in blue ink, appearing to read 'Le Phuoc Vu'.

Le Phuoc Vu

# 11 years of building and developing

On 8<sup>th</sup> August 2012, Hoa Sen Group celebrated its 11<sup>th</sup> anniversary.

Marking 11 years, Hoa Sen Group successfully built an advanced manufacturing system, developed a strong, friendly and community-oriented brand name and affirmed the number one position in Vietnam coated steel sheet market and the leading position in Southeast Asia export market. With a steady and creative business strategy, Hoa Sen Group will continue to develop outstandingly in the next time.

## 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 distribution - retail branches. Up to the end of 2003, the Group owned 34 distribution - retail branches.

## 2004

Established 15 more new branches, increasing the total number of distribution - retail 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.

## 2005

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

## 2006

Established 3 more new branches, increasing the total number of distribution - retail 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 distribution - retail 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 distribution - retail 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 distribution - retail 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 distribution - retail branches to 93. Performed private placement for institutional investors and Hoa Sen Group's staffs, 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 - 2009 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.

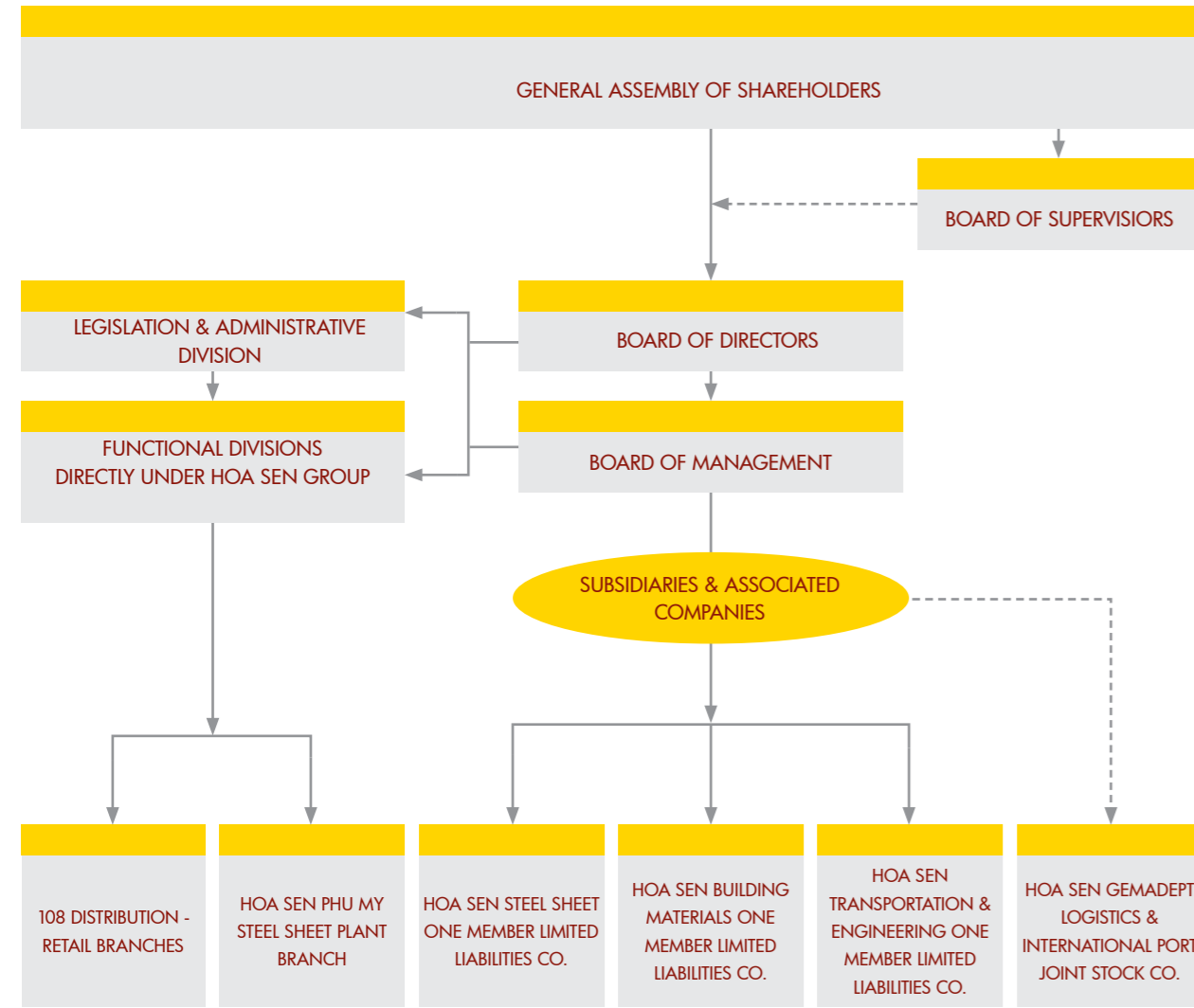
## 2010 - 2011

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 distribution - retail branches to 106. Export sales achieved USD 101 million.

## 2011 - 2012

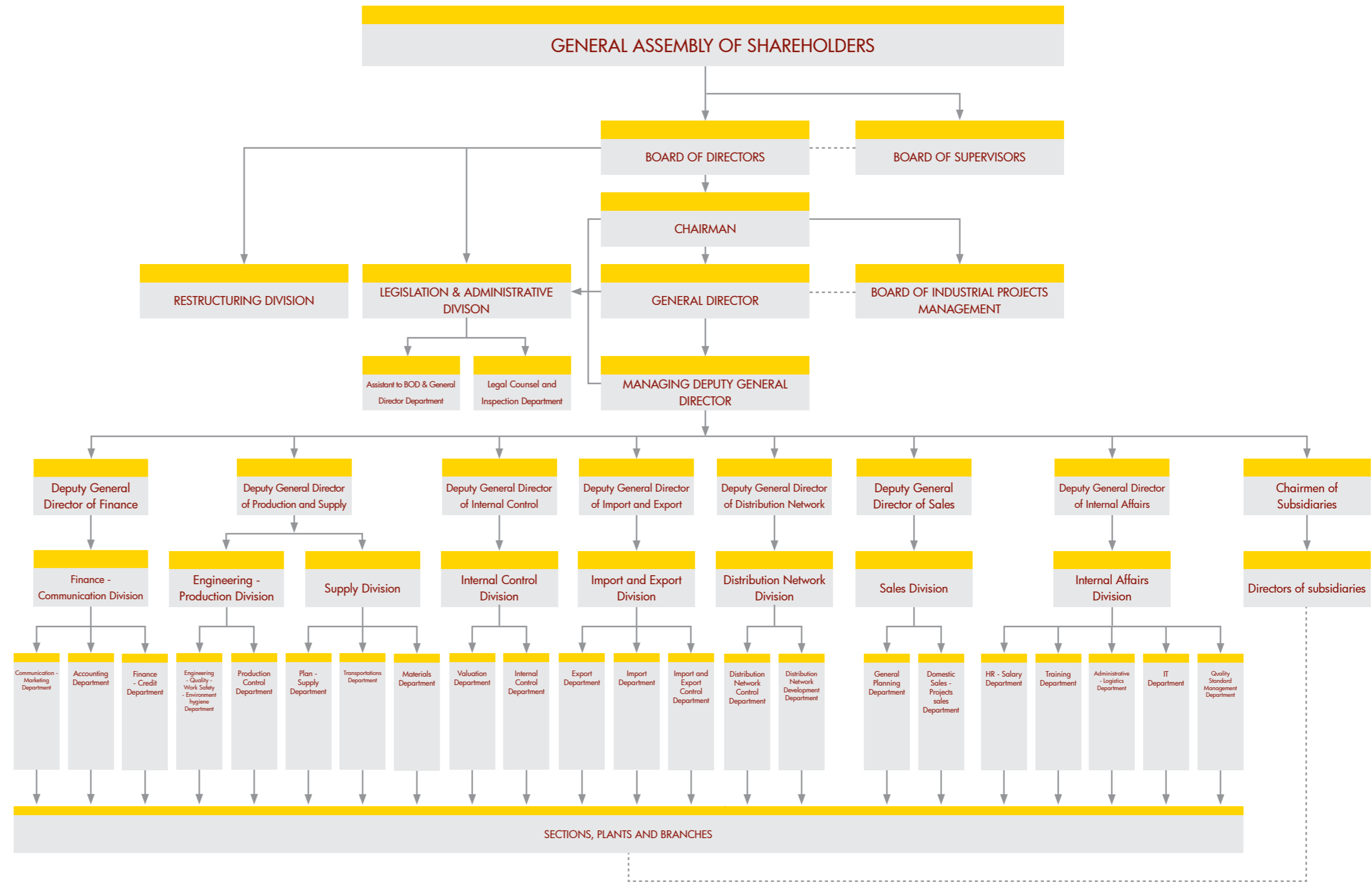
The export sales achieved USD 180 million; Hoa Sen Group became one of the leading coated steel sheet exporters in Southeast Asia. Implementing an additional investment in Galvanizing line (NOF - for GI/GI) with its capacity of 120,000 tons/year in order to meet the market demand. Announced the new brand name recognition system Hoa Sen Steel Sheet is honored to achieve Vietnam Value 2012. Established 02 more new branches, increasing the total number of distribution - retail branches to 108. Inaugurated the first franchise agency at Dak Nong Province on 12<sup>nd</sup> August 2012.

# Model of Hoa Sen Group



Note:  
 — Direct control  
 - - - Coordination, inspection

# Organization structure of Hoa Sen Group







## Production capacity



Hoa Sen Group invested 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	Hot galvanizing line (NOF - for GI/ GL)	1	450,000
	Galvanizing line (NOF - for GI/ GL)	1	100,000
	Color coating line	1	180,000
<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	Annealing furnace	2	142,000
	Cold rolling line	3	580,000
<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	2	950,000
	Acid recycling line	1	5,000 litres per hour
<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	150,000
	uPVC pipe line	12	30,000



## Product category

### 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.

### Metallic Steel Sheet

Hoa Sen Group has lately produced and released the metallic steel sheet with the outstanding features that is metallic surface so the aesthetic is high and preferred by many customers in the market. Besides the use of roofing, metallic steel sheet that is applied widely in interior decoration field creates the luxury, preciseness to the houses.

### 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.

### Square steel pipe and steel pipe

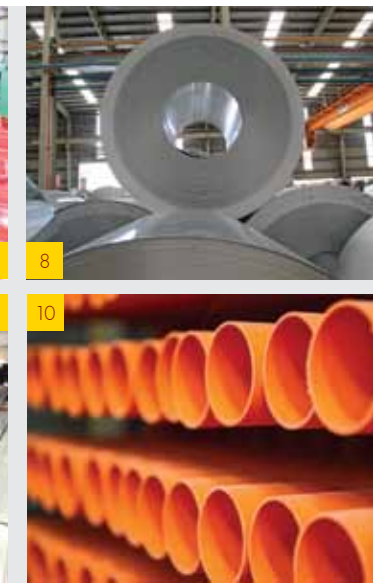
Following the production process: pickling, cold rolling, annealing, galvanizing, slitting, formed rolling, Hoa Sen steel pipe and square steel pipe have clean and smooth surface, steady thickness, high plasticity and good adhesion as well as ensure high quality in accordance with standards: JIS G3344:2004 (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

The modern technology produces various types of internationally standardized products

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...



1. Cold rolled coil
2. Galvalume steel sheet
3. Pre-painted galvalume steel sheet
4. Applications of products of Hoa Sen Group
5. Purlins

6. Steel pipe
7. Pre-painted galvanized steel sheet
8. Hot dip galvanized steel
9. Square steel pipe
10. Plastic pipe



## 5 core competitive advantages

### SOLID FOUNDATION FOR SUSTAINABLE DEVELOPMENT



- 1** Vertically integrated value chain
- 2** Owning 108 distribution - retail branches network and franchise model
- 3** Strong, friendly and community-oriented brand name
- 4** Unique corporate governance and culture
- 5** Pioneer in advanced technology investment



## 5 core competitive advantages

### 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 108 distribution - retail branches nationwide, high quality products of Hoa Sen Group are delivered to end users.

- Since 2008, Hoa Sen Group started to export its products to more than 26 countries and territories all over the world such as Southeast Asia, Western Asia, Middle East, Eastern Africa, Western Africa, South America, Australia, ect. Currently, Hoa Sen Group is one of the leading coated steel sheet exporters in Southeast Asia.

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.

### Implementing the manufacturing cost-leadership strategy





## 5 core competitive advantages

### OWNING 108 DISTRIBUTION - RETAIL BRANCHES NETWORK AND FRANCHISE MODEL

Relentless expansion and market share increasing

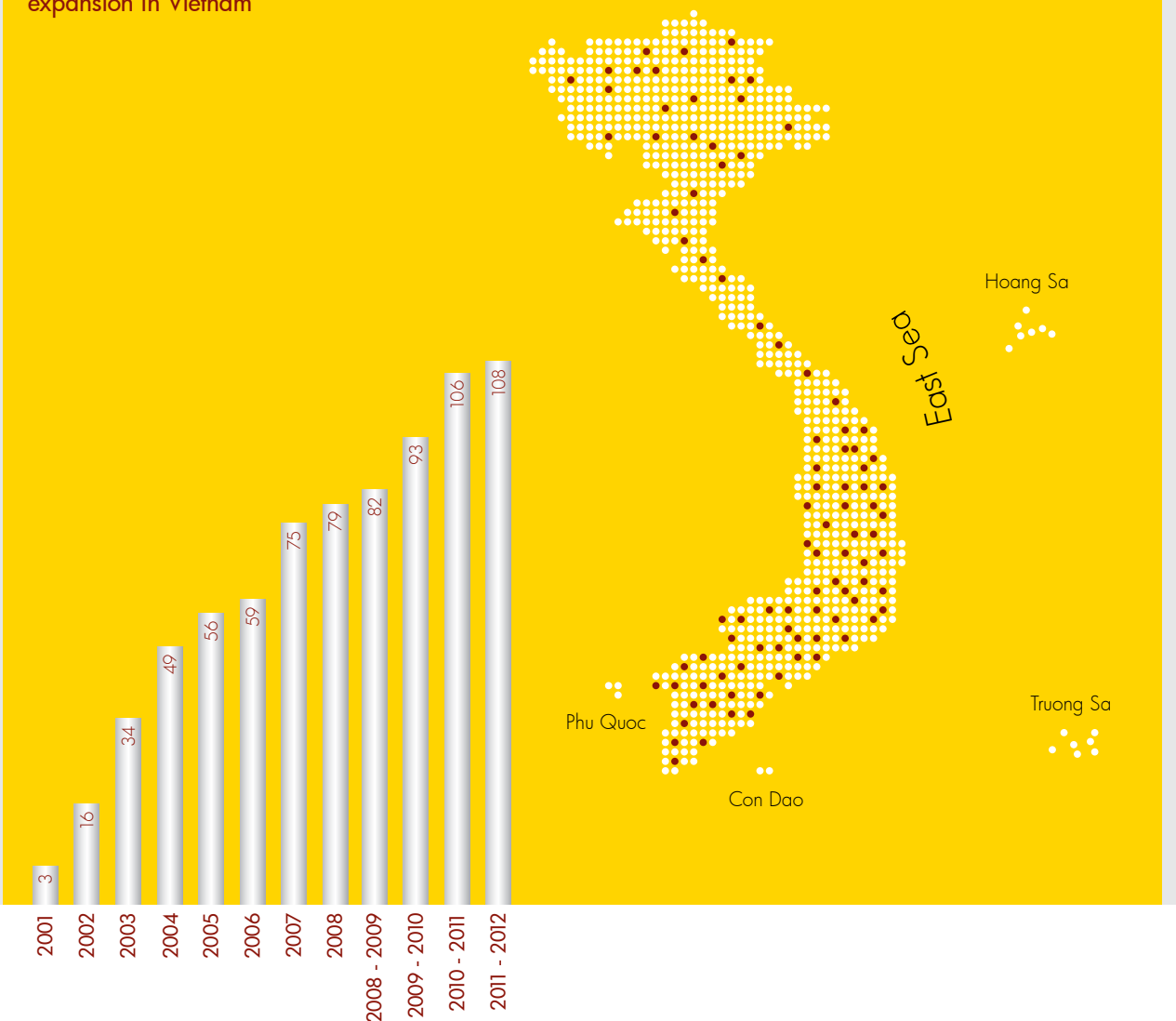


From the initial days of establishment, Hoa Sen Group implemented the strategy “buying directly from producers and selling to end users” based on the distribution network. From 2012, the Group has begun implementing franchise model. With the centralized and unified management follows the general policies, through the distribution network and commercial franchise agent system, 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 11 years, the nationwide distribution 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 distribution 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.



Diagram of distribution network expansion in Vietnam





## 5 core competitive advantages

### STRONG, FRIENDLY AND COMMUNITY-ORIENTED BRAND NAME

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 name has embedded deeply into consumers' heart as the strong, friendly and community-oriented brand name.

Specially, Hoa Sen Steel Sheet is honored to receive Vietnam Value 2012. This is the pride of Hoa Sen Group affirming the quality of Hoa Sen Steel Sheet products in domestic and foreign markets as well as contributing to enhance the brand value of Vietnam.



### NEW LOOK, NEW HEIGHTS



#### Unique brand name building strategy

Mr. Le Phuoc Vu said "With new logo and brand name identity system, Hoa Sen Group will enter a new period of development with higher objectives and more extreme challenges, but also promises bumper harvest".

Hoa Sen Group officially changed to new logo and entire brand name identity system. This is an event expressed the desire constantly reaches new height which is more flawless of Hoa Sen Group in the market which competes more increasingly.

The logo consists of two parts: the icon and the text below. The icon is stylized with eight petals that symbolize the "Noble Eightfold Path" and a strong rise in the new era, the petals is used by 3D effects as they overlap on each other. The yellow icon under a red-brown background are two characteristic colors of Buddhism as well as they have also been traditional colors of Hoa Sen Group for the last 10 years.



About the color message, according to Mr. Le Phuoc Vu - Chairman of the Board of Directors, yellow and red brown colors are unchanged from the old logo. Yellow color has always led the way on the path of righteousness, truth and integrity, reflecting a warm, friendly and fun which connected closely with culture of Hoa Sen Group.

The brown-red color represents simplicity, honesty, durability but still expresses strong and sustainability. The new logo thereby wants to convey a message that Hoa Sen Group always develop strongly and enduringly over time to give customers and society good values. Hoa Sen Group uses lotus icon in the spirit of Buddhism, which implies Immunity - Purification - Patience - Perfect - Modest - Straightforwardness - Impartiality - Causality, are characteristics of people in "Hoa Sen house" who have contributed the great values to the society.



## 5 core competitive advantages

### UNIQUE CORPORATE GOVERNANCE AND CULTURE



#### 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 name to the next levels of success continuously.

### Developing for the community





## 5 Core competitive advantages

### 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 step with advanced technology

- In 2009, Hoa Sen Group was the first enterprise investing in Hot galvanizing line (NOF technology - for GI/ GL) in Southeast Asia.
- 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 Southeast Asia that applies the most modern technology in its industry in Vietnam.
- On June 2012, Hoa Sen Group continued to install one more Galvanizing line (NOF technology - for GI/ GL), with its designed capacity of 120,000 tons/ year and expected to put into operation on March 2013.
- In order to guarantee product quality and show social responsibility, the Group has 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.



## The Board of Directors



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

**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. Up to now, spending over 11 years of building and developing at pains, 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. For his dedication and great contribution in the development of the Group, the General Assembly of Shareholders elected him as the Chairman for many consecutive terms.



**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 the Vice Chairman for many consecutive terms by the General Assembly of Shareholders as well as entrusted many great responsibilities in the Group. Currently, he is General Director of Hoa Sen Group and Chairman of the Board of Members of Hoa Sen Building Materials One Member Limited Liabilities Company. He graduated from Finance & Accounting University Ho Chi Minh City.



**Mr. Pham Gia Tuan**  
Member

Mr. Pham Gia Tuan is a member of Certified Practicing Accountants of Australia. With over 10 years of experience in managing taxation and controlling activities of enterprises such as VinaCapital, Dutch Lady Vietnam, PricewaterhouseCoopers. He is currently Managing Director of Viet Capital. Healthcare Fund (VCHF), directly supervises financial investment activities and private enterprises of the Fund. In Hoa Sen Group, he is an independent member of the Board of Directors, responsible for investor relations as well as finance and accounting. He graduated from Sydney University of Technology (Australia), specializing in Accounting.



**Mr. Ly Duy Hoang**  
Member

Mr Ly Duy Hoang graduated Finance major in Canada and is a young financial specialist with much experience in international finance field. He has nearly 10 - year experience in some big financial institutions of Canada. At present, he is representative of STIC Investments - a major investment fund of Korea and SSF Capital - an investment fund of Malaysia. Mr Ly Duy Hoang is a member without operation of the Board of Directors and responsible finance, securities, investor relation and external affairs of Hoa Sen Group.



**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.





## OVERVIEW

In 2012, the world economy did not have positive signs since the global financial crisis in 2008 and the shock of European sovereign debt crisis in 2010. The domestic situation could not be better as there are the potential risks causing instabilities for the economy. In the effort of stabilizing macroeconomic factors, the close fiscal policy and monetary policy of the Government that have been implemented from 2011 impacted the domestic demand considerably and reduced the consumption of domestic market. Besides, the enterprises met difficulties in accessing the capital in order to maintain and stabilize their business activities. As the result, a lot of Vietnamese enterprises fell into bad situations.

In the general context, according to the recent statistics of Vietnam Steel Association, the steel industry is not an exception when the domestic consumption for steel products has decreased sharply. In addition, the steels imported from China with low price overflow into Vietnam market massively and cause the big competitive pressure for domestic companies. In the export market, steel companies have faced with the potential obstacles when there is a sign that some export markets in Southeast Asia region may impose the trade safeguard measures for steel products exported from Vietnam. In the present complex circumstance, how to continue the growth is the challenging target for the Board of Directors of Hoa Sen Group.

In front of such situation, the Board of Directors proposed effective policies and directed the Board of Management to implement operation solutions flexibly in order to deal with the complexities of the economy and ensure to complete the plan approved by the General Assembly of Shareholders.

Ending the fiscal year 2011 - 2012, Hoa Sen Group once more completed the target approved by the General Assembly of Shareholders excellently and continued proving the strong and sustainable development of Hoa Sen brand name.

## BUSINESS RESULT OF THE FISCAL YEAR 2011 - 2012

### The business result in comparison with the business plan of the fiscal year 2011 - 2012

Item	Unit	Business plan of FY 2011 - 2012	Performance of FY 2011 - 2012	In comparison with business plan
(1)	(2)	(3)	(4)	(5 = 4/3* 100)
Sales volume	Ton	460,000	453,252	98.5%
Net sales	VND billion	10,126	10,088	99.6%
Consolidated net profit after tax	VND billion	240	368	153.3%

For the business result of the fiscal year 2011 - 2012, Hoa Sen Group has been considered to complete the plan with 98.5% of sales volume and 99.6% of net sales. Especially, the profit after tax in this fiscal year excellently exceeded achieving 153.3% in comparison with the plan approved by the General Assembly of Shareholders. Under such unfavorable macroeconomic conditions, the result is praiseworthy.

## 2. The business result of the fiscal year 2011 - 2012 in comparison with the business result of the fiscal year 2010 - 2011

Item	Unit	Business result of FY 2010 - 2011	Business result of FY 2011 - 2012	FY 2011 - 2012/ FY 2010 - 2011
(1)	(2)	(3)	(4)	(5 = 4/3* 100)
Sales volume	Ton	381,999	453,252	118.6%
Net sales	VND billion	8,166	10,088	123.5%
Consolidated net profit after tax	VND billion	160	368	230%

In comparison with the fiscal year 2010 - 2011, the business result of the Group in the fiscal year 2011 - 2012 increased sharply. Particularly, the sales volume and net sales of the last fiscal year sequentially increased 18.6% and 23.5% as compared with the fiscal year 2010 - 2011. Especially, the net profit after tax unexpectedly grew with the figure of VND 368 billion, increasing 130% in comparison with the previous fiscal year and asserting the strong and sustainable development of Hoa Sen Group.

## IMPLEMENTATION RESULT OF CURRENT PROJECTS

### Hoa Sen Phu My Steel Sheet Plant project

Hoa Sen Group officially inaugurated Phase 1 on 8<sup>th</sup> August 2011. Hoa Sen Phu My Steel Sheet Plant project is one of the the biggest steel sheet projects in Southeast Asia. This is the project having many impressive records: the largest plan in Southeast Asia with the shortest building time; the most modern technology and the lowest investment cost.

The project of Hoa Sen Phu My Steel Sheet Plant - Phase 1 signed 217 contracts with many kinds of products and and the total value of more than VND 1,828 billion. Up to 30<sup>th</sup> September 2012, the project was completed and liquidated 198 contracts, the remainder including 19 contracts have been perfecting and settling with the disbursed total value of VND 1,776 billion, the remainder of VND 52 billion has been in the process of disbursement.

In addition, on 5<sup>th</sup> June 2012 Hoa Sen Group carried out investing another galvanizing line (NOF technology) with its designed capacity of 120,000 ton/year at Hoa Sen Phu My Steel Sheet plan project with the general budget of VND 214 billion. Up to 30<sup>th</sup> September 2012, the project was disbursed VND 48 billion, the remainder of VND 166 billion has been in the progress of disbursement. Following to the plan, this line will be put into operation and launch the first products in March of 2013.

### Distribution network expansion project

Under the policy of expanding distribution network to deliver products to end users, in the last fiscal year, the Group established more branches at provinces and increased the total number of branches to 108.

The fiscal year 2011 - 2012 marked the new direction of Hoa Sen Group in distribution network expansion plan, such as opening the first commercial franchise agent at Dak Nong. This is the "first brick" in building commercial franchise system which is one of the long term strategies of Hoa Sen Group so as to establish national wide distribution network and deliver products to end users.



# Report of the Board of Directors

## Real estate projects

Unit: VND billion

Project	Implementation progress	Disbursement up to 30 <sup>th</sup> June 2011	Transfer progress
<b>1. 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>2. 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>3. 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>4. 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>188.02</b>	

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

### The current structure of the Board of Directors is presented as follows:

At the Annual General Meeting held on 22<sup>nd</sup> March 2012, the General Assembly of Shareholders approved the change of the members of the Board of Directors, thereof, Mr. Ly Duy Hoang replaces Mr. Nguyen Van Quy who resigned from the position of member of the Board of Directors.

The current structure of the Board of Directors:

Mr. Le Phuoc Vu	: Chairman
Mr. Tran Ngoc Chu	: Vice Chairman
Mr. Pham Gia Tuan	: Independent Member
Mr. Ly Duy Hoang	: Member without operation
Mr. Le Phung Hao	: Independent Member

### Structure of the Board of Management

In the last fiscal year, the Board of Directors changed the members of the Board of Management as follows: resignation Mr. Vu Van Binh from the position of Deputy General Director of Import and Export and appointing Mr. Ho Thanh Hieu to the position of Interim Deputy General Director of Sales.

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. Nguyen Minh Khoa	: Deputy General Director of Production and Supply
Mr. Vu Van Thanh	: Deputy General Director of Finance
Mr. Ho Thanh Hieu	: Interim Deputy General Director of Sales

## REPORT ON THE IMPLEMENTATION OF THE RESOLUTION OF THE GENERAL ASSEMBLY OF SHAREHOLDERS IN THE FISCAL YEAR 2011 - 2012

The Resolution no. 01/NQ/DHDCD/HSG/2012 of the Annual General Meeting held on 22<sup>nd</sup> March 2012.

No.	Main content	Result
1	Business plan of the fiscal year 2011 - 2012	Reported as above
2	The dividend payment progress follows the method of cumulating the dividend without payment in 2 fiscal years of 2009 - 2010 and 2010 - 2011	Paid dividend for 4 stages on 12 <sup>nd</sup> April 2012, 12 <sup>nd</sup> July 2012, 18 <sup>th</sup> October 2012 and 20 <sup>th</sup> December 2012 with 5% in cash. Total payment is 20% of face value of stock.
3	Choose an audit company in the fiscal year 2011 - 2012.	Chose PricewaterhouseCoopers (Vietnam) Limited as the independent auditor in the fiscal year 2011 - 2012.
4	Amend several contents in the Charter	Amended the Charter according to the Resolution.

# Report of the Board of Directors

## THE CONSOLIDATED BUSINESS PLAN OF THE FISCAL YEAR 2012 - 2013

Basing on the forecasted growth rate of domestic and foreign markets, the production capacity and selling capability of the Group, the Board of Directors submits the consolidated business plan of the fiscal year 2012 - 2013 to the General Assembly of Shareholders as follows:

Item	Unit	Performance of FY 2011 - 2012	Business plan of FY 2012 - 2013	In comparison with performance of FY 2011 - 2012	
				Absolute number	Relative number
(1)	(2)	(3)	(4)	(5 = 4-3)	(6=4/3*100)
Sales volume	Ton	453,252	500,000	46,748	110.3%
Net sales	VND billion	10,088	10,191	103	101.0%
Net profit	VND billion	411	423	12	102.9%
Consolidated profit after tax	VND billion	368	370	2	100.5%

## THE IMPLEMENTING ORIENTATION OF BUSINESS PLAN OF THE FISCAL YEAR 2012 - 2013 AND THE FOLLOWING FISCAL YEARS

By Forecasting that the economic situation cannot change positively in the nex period, in order to ensure the completion of production and business plan and prepare for long-term goals of Hoa Sen Group, the Board of Directors implements of the following guidelines:

### In term of production

- Enhancing the production system and improving technology so as to improve the efficiency of production lines, minimizing the raw material consumption cost and machinery operation cost, reduce the production cost, ensuring the safety and continuity.
- Continuing to improve product quality, hiring a foreign expert as the Quality Director and assuring quality of product to be improved constantly.
- Continuing to control cost, closely monitoring the fluctuations of material price in the market, and purchasing materials timely for the suitable needs at the best price, ensuring production and business demand of the Group.

### In term of business

- Expanding the export market and striving for the increase in export sales rate to 40% - 50% of net sales, balancing the output supplying to domestic and foreign markets flexibly so as to complete the production and business targets.
- Implementing the necessary preparation to actively respond to the possibility of being sued anti-dumping in some export markets, including the establishment of counteracting anti - dumping Task - Force, inviting an expert in the field of counteracting anti - dumping as the senior advisor for the Group, at the same time considering the ability to invest abroad in cases of being imposed anti-dumping tax.
- Improving the operational efficiency of the distribution - retail branches network by completing the management mechanism through closely supervising and controlling policies and mechanisms.
- Continuing to develop distribution system, the target for the fiscal year 2012 - 2013 is to establish 15 to 20 new branches.
- Promoting to develop brand name, continuing to implement creative, diversified and efficient marketing plans so as to develop the strong, friendly and community-oriented chain of Hoa Sen brand name.

### In term of investment activities

- Speeding up the progress of completing the galvanizing line (NOF technology) with its designed capacity of 120,000 ton/year, ensuring to stark working in March 2013.
- Implementing the Northern Steel Pipe Plant Project, with its designed capacity of 40,000 - 50,000 tons/year in order to develop the northern market.
- Preparing essential conditions to deploy the Phase 2 of Hoa Sen Phu My Steel Sheet Plant project once the economic situation has changed positively.
- Directing the Board of Management to research and develop foreign investment plans in the coming period.

### In term of developing human resources

- Training the human resources, 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.
- Improving quality management system ISO in the whole Group, preparing to apply Enterprise Resource Planning (ERP) system.





# The Board of Management



From left to right: Mr. Nguyen Minh Khoa, Mr. Ho Thanh Hieu, Mr. Hoang Duc Huy, Mr. Tran Ngoc Chu, Mr. Vu Van Thanh, Mr. Tran Quoc Tri

**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 elected as the Vice Chairman for many consecutive terms by the General Assembly of Shareholders as well as entrusted many great responsibilities in the Group. Currently, he is General Director of Hoa Sen Group and Chairman of the Board of Members of Hoa Sen Building Materials One Member Limited Liabilities Company. He graduated from Finance & Accounting University Ho Chi Minh City.



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

Mr. Tran Quoc Tri graduated from University of Economics Ho Chi Minh City in Accounting and Auditing major. Joining Hoa Sen Group in 2004, he continuously practised, accumulated experience and proved his ability in many positions such as: Manager of Planning Department of the Distribution Network, Director of the Distribution Network, and Deputy General Director of Sales. He is currently Managing Deputy General Director.



**Mr. Hoang Duc Huy**

Deputy General Director of Internal Control

Mr. Hoang Duc Huy accumulated more than 25 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. Nguyen Minh Khoa**

Deputy General Director of Production and Supply

Mr. Nguyen Minh Khoa took a construction engineering degree from University of Architecture Ho Chi Minh City and took a Master Business Administration degree from Industrial Management Department of University of Technology Ho Chi Minh City. Joining Hoa Sen Group in early 2008. He is currently in charge of these positions: Deputy General Director of Production and Supply, Chairman of the Board of Members of Hoa Sen Steel sheet One Member Limited Liabilities Company, Member of the Board of Members and Director of Hoa Sen Building Materials One Member Limited Liabilities Company.



**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. He is currently the visiting lecturer of a number of universities in Ho Chi Minh City.



**Mr. Ho Thanh Hieu**

Interim Deputy General Director of Sales

Mr. Ho Thanh Hieu graduated from University of Economics Ho Chi Minh City in Accounting and Auditing Major. Joining Hoa Sen Group in 2008, for nearly ten years, he continuously practiced, accumulated experience and proved his ability in many position such as Deputy Manager of the Distribution network, Deputy Director of Distribution system, Director of Distribution system, Director of Sales of Hoa Sen Group. In the June of 2012, he was appointed as Interim Deputy General Director of Sales.



# Report of the Board of Management

## BUSINESS RESULT OF THE FISCAL YEAR 2011 - 2012

The 2012 was a difficult year for the non-state enterprises. Under the world financial crisis and global economic recession, many businesses have faced bankruptcy or temporarily paused their activities. While the macroeconomic situation has had many disadvantages, Hoa Sen Group is one of the few businesses that grow in sales volume, net sales and profit. Thanks to the correct policy of the Board of Directors, flexible operating solutions of the Board of Management, and the effort and diligence of almost 3,000 employees.

## BUSINESS RESULT

### The business result of the fiscal year 2011 - 2012 in comparison with the business plan of the fiscal year 2011 - 2012 and the result of the fiscal year 2010 - 2011

Item	Unit	Business plan of FY 2011 - 2012	Performance of FY 2011 - 2012	In comparison with Business plan
(1)	(2)	(3)	(4)	(5 = 4/3* 100)
Sales volume	Ton	460,000	453,252	98.5%
Net sales	VND billion	10,126	10,088	99.6%
Consolidated net profit after tax	VND billion	240	368	153.3%

Item	Unit	Business result of FY 2010 - 2011	Business result of FY 2011 - 2012	FY 2011 - 2012/ FY 2010 - 2011
(1)	(2)	(3)	(4)	(5 = 4/3* 100)
Sales volume	Ton	381,999	453,252	118.7%
Net sales	VND billion	8,166	10,088	123.5%
Consolidated net profit after tax	VND billion	160	368	230%

Ending the fiscal year 2011 - 2012, sales volume and net sales of Hoa Sen Group basically met planned figures. Particularly, the net profit after tax significantly increased with VND 368 billion, was equal 153.3% of planned figures. In comparison with the business result of fiscal year 2010 - 2011, the result of the fiscal year 2011 - 2012 increased strongly. The sales volume increased 18.6%; the net sale raised 23.5%. Especially, the net profit after tax had a great increase of 130%. Under unfavorable macroeconomic conditions, this result is a proud achievement.

In order to achieve strong growth rate in terms of above sales volume and net sales, in the last fiscal year, Hoa Sen Group focused on improving the efficiency of distribution channels to increase the output for production and business activities, as well as limiting the impact of decline in domestic demand. The result showed that Hoa Sen Group has implemented this policy well. In the last fiscal year 2011 - 2012, in spite of the sharp decline in domestic demand, the domestic sales channel of Hoa Sen Group remained steady sales volume. Besides, distribution network expansion project has been carried out and increased the total number of branches to 108, as well as strengthening the popularization of brand name has also contributed to maintain the domestic sales volume.

While domestic distribution channels remained stable sales volumes, in the last fiscal year, export channel has developed strongly, brought for Hoa Sen Group nearly US\$ 180 million in net sales, occupied for 37.2% of total net sales of the Group, together with 40% of the distribution branches system that became the two main distribution channels of Hoa Sen Group. The strong growth of export channel has helped the Group stabilize a part of foreign currency demand serving for importing raw materials of the Group in order to minimize the risk of exchange rate fluctuations.

In addition, so as to meet the demand of the market, in the last fiscal year the production lines of Hoa Sen Group have been operated with their full capacity and high stability. Besides, there are new directions in operation that develop activities of the Group deeply and focus on the efficiency and transparency. The activities of improving production norm, upgrading the efficiency of distribution channels activities, enhancing the supervision and control branches as well as activities of reducing expenses, including reviewing the production process, tenders, offering competitive price, procuring raw materials timely, promptly handling slow-moving inventory ect., have been always emphasized and performed effectively. These factors have contributed to help Hoa Sen Group complete targets of sales volume and net sales, as well as built the foundation for the considerable increase in the target of net profit after tax.

In the fiscal year 2011 - 2012 the net profit after tax significantly increased with VND 368 billion and exceeded the planned figure of VND 240 billion of the fiscal year 2011 - 2012. Achieving the above considerable growth, apart from the completion of the planned sales volume and net sales; there are the following reasons:

- The Group's financial expenses reduced significantly in comparison with the previous year, the main reason is the decrease in the expense of exchange rate difference thanks to the Government's recent efforts of stabilizing exchange rate so as to achieve stable macroeconomic factors. Moreover, in the last fiscal year Hoa Sen Group has performed the handle of slow-moving inventory well so both of the ratio of total outstanding debt to net sales and the ratio of interest expense to net sales have declined as compared with the previous fiscal year, proving the upgrading efficiency of using of loans.

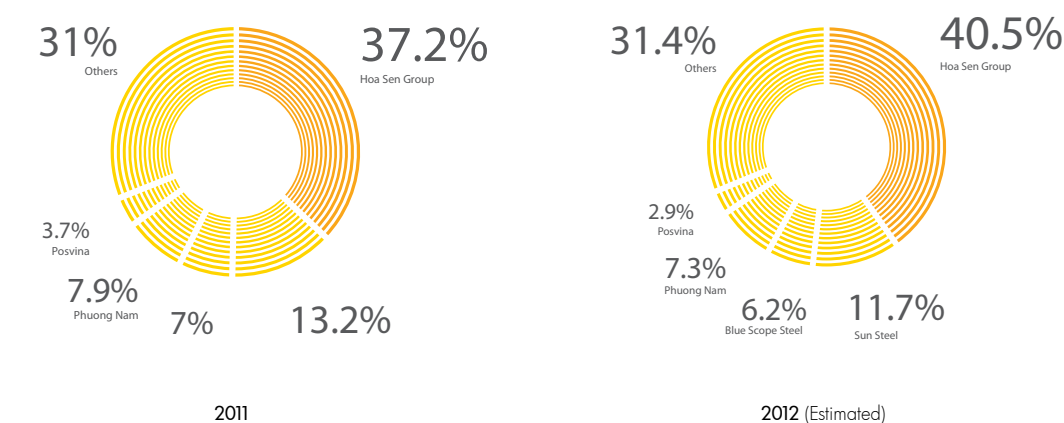
- In addition, the gross margin of the Group in the last fiscal year increased significantly in comparison with the fiscal year 2010 - 2011 (from 12.9% to 13.9%). In the context of the price of raw materials changing complexly under the impact of the world economic situation, Hoa Sen Group has made the best of the competitive advantages and prestige of brand name to stabilize the selling price and ensure the profitability. Besides, the change of consumption structure by increasing the proportion of products with high gross margin has contributed to improve the Group's gross margin, thereby helping Hoa Sen Group to achieve the above remarkable net profit after tax.

## Market share of Hoa Sen Group in fiscal year 2011 - 2012

### • Coated steel sheet market share

In 2012, Hoa Sen Group continued to maintain the number one position in Vietnam coated steel sheet market with its 40.5% market share, increasing 3.3% compared with 2011.

Chart of coated steel sheet market share in 2011 and chart of estimated coated steel sheet market share in 2012



\* Note: source of Vietnam steel Association bulletin 2011 and in December of 2012, excluding sales volume of Perstima Vietnam as its tin-coated steel sheet products are not used in construction industry.

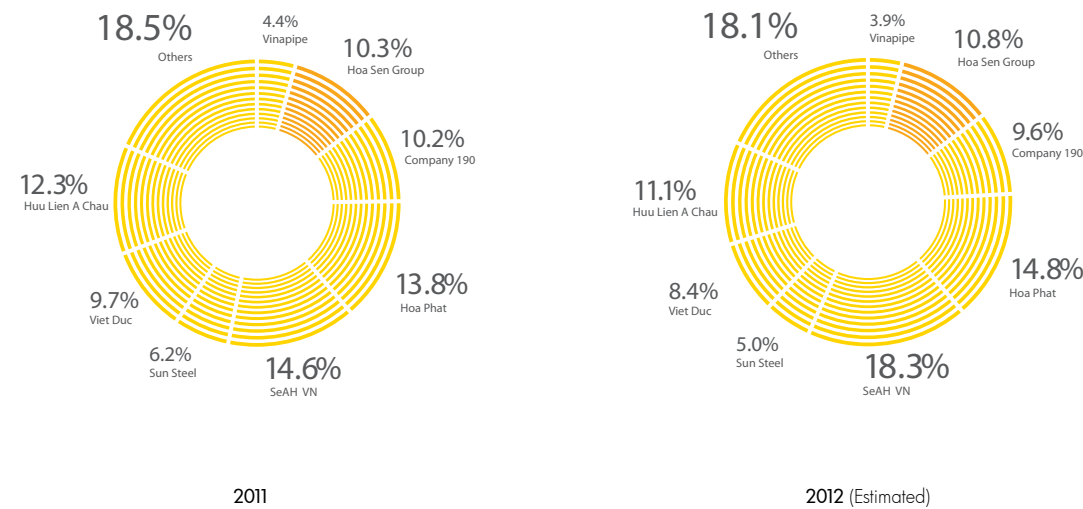


# Report of the Board of Management

## • Steel pipe market share

In 2012, the Group was ranked in the Top 4 leading companies in domestic steel pipe market with its 10.8% market share increasing 0.5% in comparison with 2011.

Chart of steel pipe market share in 2011 and chart of estimated steel pipe market share in 2012

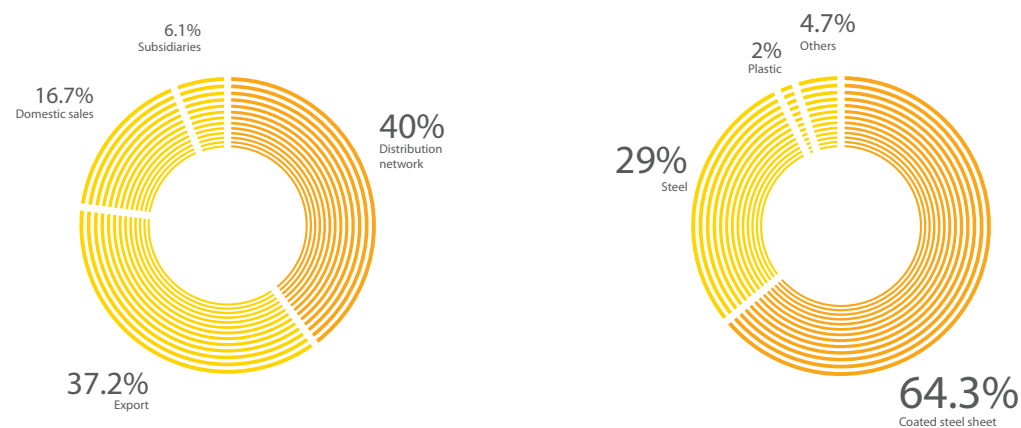


Source: Vietnam Steel Association bulletin in 2011 and in December 2012.

## Net sales structure of Hoa Sen Group in the fiscal year 2011 - 2012:

### • Net sales structure by distribution channels

In the fiscal year 2011 - 2012, the distribution network continued to be the main distribution channel holding 40% of the total net sales. Besides, the export channel having an outstanding growth, gaining nearly US\$ 180 million and equals 37.2% of the total net sales of the Group, in company with the retail network became the main sales channels of the Group in the last fiscal year.



Net sales structure by distribution channels

Net sales structure by products

### • 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 64.3% 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 29% of the total net sales.

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

No.	Item	Unit	Fiscal year	
			2010 - 2011	2011 - 2012
1	Sales volume	Ton	381,999	453,252
2	Net sales	VND billion	8,166	10,088
3	Gross profit/ Net sales	%	12.9	13.9
4	Financial expenses/ Net sales	%	5.6	4.1
5	Interest expense/Net sales	%	3.5	3.4
6	Selling expenses/ Net sales	%	3.8	3.8
7	General and administration expenses/ Net sales	%	2.3	2.6

## The main financial ratios of the consolidated financial statements

No.	Ratio	Unit	Fiscal year	
			2010 - 2011	2011 - 2012
<b>Liquidity ratios</b>				
1	Current ratio	Time	0.9	1.0
	Quick ratio	Time	0.3	0.4
<b>Activity ratios</b>				
2	Inventory turnover ratio	Time	4.1	4.9
<b>Financial leverage ratios</b>				
3	Total debt/ Total assets	%	70	62
	Total debt/ Equity	%	232	164
	Total assets/ Equity	%	332	264
<b>Profitability ratios</b>				
	Net profit after tax/ Total assets	%	3.1	6.6
4	Net profit after tax/ Net sales	%	2.0	3.7
	Net profit after tax/ Equity	%	9.2	19.4
	Earnings per share	VND/share	1,622	3,761

## OPERATING ACTIVITIES IN THE FISCAL YEAR 2011 - 2012

### Solutions of operating production and sales activities

- Assigning production norm and sales target to every production unit and sales unit monthly as well as monitoring and evaluating the performance weekly.
- Expanding the export market, separating the market into 3 areas, assigning staffs to be in charge of each area.
- Catching the demand of market, control the 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.
- 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 National First Class Football Championship - Hoa Sen Steel Sheet 2012, the National Football Cup - Hoa Sen Plastic 2012; accompany the program of Ho Chi Minh City Television such as "Overcoming oneself" "More than words", and "Daily issues", "Happy living" of Vietnam Television, becoming the principal co-partner of ASEAN - India Car Rally 2012, placing large advertising boards at favorable positions; sponsoring signboards for building materials stores and performing multi-media advertising.
- Increasing the proportion of products having high gross margin generated by the vertically integrated value chain and prestige of brand name.
- Carrying out maintenance of machinery and equipment periodically; Examining the implementation of the regulations on labor safety, sanitation and fire protection regularly.
- 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.

### Solutions of investment activities

- Investing another galvanizing line (NOF technology) with its designed capacity of 120,000 tons/year and its value of VND 214 billion at Hoa Sen Phu My Steel Sheet Plant in order to enhance production capacity and increase sales volume.
- Continuing to expand the distribution network by increasing the total number of branches to 108. Besides, focusing on improving the performance of distribution network through strengthening the branch inspection and control, building and perfecting compensation policy and connecting business performance with labor income.
- Continuing to look for partners to transfer real estate projects according to the direction of the Board of Directors.

### Solutions of controlling and reducing expenses

- Balancing the inventory norm reasonably so as to optimize short-term borrowing demand; balancing the structure of short-term borrowings denominated in USD and VND in each period in order to limit interest expenses and minimize the risk of exchange rate.
- Establishing Transportation Department, Materials Department and Valuation Department to implement bidding, offering competitive price, controlling price of raw materials, spare parts and external purchasing services in order to reduce input costs for the Group.
- Stepping up export activities to offset a part of foreign currency demand for import activities so as to minimize the risk of exchange rate.
- Reviewing the production norm and examining the performance monthly, quarterly and semi-annually so as to improve the norm. Developing the reward policy reasonably in order to encourage departments and individuals to contribute more ideas to improve the technology, capacity and quality of products and reduce production cost.
- Monitoring and forecasting the change in raw material price, thereof, deciding the quantity and time to buy materials reasonably in order to meet the demand of production and business with the best price and suitable quality, minimize the impact of raw material price and reduce production cost.
- Closely monitoring and timely handling slow-moving inventory in order to reduce interest expenses, ensure the stability of cash flow, and supplement working capital for production and business activities.
- Gradually assessing debt limit and aging, classifying receivables, monitoring and speeding up debt collection so as to minimize overdue receivables and debt risks.
- Diversifying the market, absolutely applying the following policies "The cost-leadership strategy", and "Buying directly from producers and selling to end users" based on the existing competitive advantage.

### Solutions of developing human resources

Hoa Sen Group has carried out the training and development of human resources in order to achieve the following targets:

- Training and developing staffs to meet the competence criteria of 3 "K" letters (Knowledge, Skills, Experience) and deeply understand the culture of 10 "T" letters ( Integrity - Loyalty - Dedication -Talent - Friendliness) so as to match the orientation of human resources development of the Group.
- Preparing the qualified source of human resources, in order to ensure a solid connection between the generation of staffs and employees in general and management levels in particular.

Hoa Sen Group has a department specialized in training and developing human resources to carry out training and improving professional skills for staffs and employees so as to ensure human resources for development strategy of the Group:

- Internal training: Implement the training and integration programs for new staffs and soft skills training programs.



- External training: Appoint staffs to attend some courses and contract with centers for courses of training management skills for managers and professional skills.
- Cooperating with human resources training centers: Hoa Sen Group has been the strategic partner with the Vietnam National University Ho Chi Minh City, universities and colleges in Binh Duong and Ba Ria - Vung Tau province in order to develop young workforce with the suitable competence and virtue labor source that has consistent ability and characteristics.

## BUSINESS PLAN OF THE FISCAL YEAR 2012 - 2013

Basing on the growth rate of domestic and export markets, production capacity and selling capability of the Group, the Board of Directors assigned the consolidated business plan of the fiscal year 2012 - 2013 as follows:

Item	Unit	Performance of FY 2011 - 2012	Business plan of FY 2012 - 2013	In comparison with performance of FY 2011 - 2012	
				Absolute number	Relative number
(1)	(2)	(3)	(4)	(5=4-3)	(6=4/3 x 100)
Sales volume	Ton	453,252	500,000	46,748	110.3%
Net sales	VND billion	10,088	10,191	103	101.0%
Profit before tax	VND billion	411	423	12	102.9%
Consolidated net profit after tax	VND billion	368	370	2	100.5%

In order to perform targets of the fiscal year 2012 - 2013, according to the direction of the Board of Directors, the Board of Management proposed the following solutions:

- Preparing flexible production and business plans, dealing with market fluctuations actively and timely; focusing on developing the core business of the Group such as steel sheet, steel and plastic.
- Continuing to improve governance activities, strengthen the supervision of production process to reduce expenses and perform the structure of borrowings logically as the previous fiscal year.
- Promoting export, continuing to occupy the traditional export markets and expand the market share to potential markets; basing on the situation, balancing the output for domestic and export markets actively so that the Group can complete the production and business targets.
- Continuing to develop the distribution network; planning to open from 15 to 20 new branches in the next fiscal year; improving the efficiency of distribution network through building and perfecting the management mechanism as well as rational remuneration policy.
- Hastening the completion of galvanizing line (NOF technology) at Hoa Sen Phu My Steel Sheet to timely put into operation in March 2013.
- Implementing Northern Steel Pipe Plant project with its designed capacity of 40,000 - 50,000 tons/year in order to develop the Northern market.

- Preparing conditions to implement Phase 2 of Hoa Sen Phu My Steel Sheet Plant project when the economic situation changes positively.
- Stepping up the programs of marketing, advertising brand name to strengthen the presence of Hoa Sen brand name in the minds of consumers.
- Developing human resources, focusing on inheritable staffs and management successors, increasing training and improving professional competences and skills for staffs.
- Researching and developing plans of investing in foreign countries in the coming period.



## The Board of Supervisors



From left to right: Mr. Ly Van Xuan, Mr. Le Vu Nam, Mr. Le Dinh Hanh

### 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.

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

Mr. Le Vu Nam has a Doctorate in Law, specializing in Economics Law. He successfully defended his PhD thesis in a foreign country with the topic "The law adjusts investment activities in the stock market". He is currently Dean of the Faculty of Law and Head of Banking-Financial-Securities Law Subject of University of Economics and Law, Vietnam National University Ho Chi Minh City. His research areas are: Securities Law, Banking Law, Corporate Law and Corporate Governance. He was formerly Head of Market Research and Development Department - HOSE.

### Mr. Le Dinh Hanh Member

Mr. Le Dinh Hanh graduated from University of Economics Ho Chi Minh City in Finance-Currency-Credit major. He has profound experience in controlling and auditing at the Group through the following positions: Internal Auditing Associate, Deputy Director of Internal Control and Director of Internal Control. He was elected as a member of the Board of Supervisors by the General Assembly of Shareholders at the Annual General Meeting held on 22<sup>th</sup> March 2012.

## Report of the Board of Supervisors

### REPORT ON SUPERVISING BUSINESS OPERATIONS IN THE FISCAL YEAR 2011 - 2012

#### 1. Managing task of the Board of Directors

The Board of Directors comprises 5 members in which there are 2 members being in charge of operation, 2 independent members and 1 member without operation 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.

#### 2. 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 2011 - 2012

#### 1. 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.

#### 2. 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.

#### 3. 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.

#### 4. The financial status and business result of the fiscal year 2011 - 2012

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 2011 - 2012, net sales and net profit after tax are VND 10,088 billion and VND 368 billion sequentially as well as respectively equal 99.6% of business plan's net sales and 153.5% of business plan's net profit after tax 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 regulations of the Law. Stepping up the supervision of announcement activities in order to ensure the information to be announced timely, accurately and honestly. Having policies on supporting and developing current human resources in order to develop human resources bringing high efficiency in production and business activities.



## Activities of the Board of Directors

### The Board of Directors' meetings

In the fiscal year 2011 - 2012, the Board of Directors organized 69 periodic and extraordinary meetings so as to timely make decisions on the following business activities:

- Focusing on developing export activities, expanding the market share to many countries and regions.
- Continuing to improve Phase 1 of Hoa Sen Phu My Steel Sheet Plant project and the galvanizing line (NOF technology) with its capacity of 120,000 tons/ year in order to increase production capacity and ensure to meet the market demand.
- Continuing to expand the distribution network, giving priority to develop the Northern market.
- Balancing the structure of VND and USD borrowings flexibly in accordance with the fluctuations of interest rate and exchange rate so as to minimize interest expenses.
- Improving receivables and payables policy as well as intensifying inspection and supervision in sales units.
- Continuing to research and improve techniques, enhance product quality and closely control the production stages in order to reduce costs and maximize profits.
- Continuing to perform the policy of human resources development, selecting and training qualified management successors.
- Implementing creative and diversified marketing plans in order to affirm the strong, friendly and community-oriented Hoa Sen brand name.

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.

## Change of members of the Board of Directors

At the Annual General Meeting in 2012, the General Assembly of Shareholders approved to change members of the Board of Directors as follows:

Time	Contents
22/03/2012	Mr. Nguyen Van Quy resigned. Mr. Ly Duy Hoang was elected to replace.

The current structure of the Board of Directors is as follows:

- Mr. Le Phuoc Vu : Chairman
- Mr. Tran Ngoc Chu : Vice Chairman
- Mr. Pham Gia Tuan : Independent member
- Mr. Ly Duy Hoang : Member without operation
- Mr. Le Phung Hao : Independent member

## Compensation of the Board of Directors

1. Compensation and bonus due to surpassing the plan of members of the Board of Directors:

No.	Title	Compensation (VND/month)	Bonus (VND)
1	Chairman	20,000,000	1,800,000,000
2	Vice Chairman	13,000,000	1,300,000,000
3	Member	11,000,000	600,000,000

## 2. Other income of members of the Board of Directors

No.	Full name	Salary (VND/month)	Compensation at subsidiaries	Bonus (VND)
1	Mr. Le Phuoc Vu Head of the Board of Industrial Projects Management	75,000,000 (from 01/10/2011 to 30/11/2011) 100,000,000 (from 01/12/2011 to 30/09/2012)		500,000,000
2	Mr. Tran Ngoc Chu General Director and Chairman of the Board of Members of Hoa Sen Building Materials One Member Limited Liabilities Company	60,000,000 (from 01/10/2011 to 30/11/2011) 90,000,000 (from 01/12/2011 to 30/05/2012) 100,000,000 (from 01/06/2012 to 30/09/2012)	8,000,000 (VND/month)	400,000,000
3	Mr. Nguyen Van Quy Industrial Project Director	41,000,000 (from 01/10/2011 to 30/11/2011) 43,000,000 (from 01/12/2011 to 30/09/2012)		50,000,000

## Activities of the Board of Proposals

In the fiscal year 2011 - 2012, 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:

- Fully and actively taking part in periodic meetings of the Board of Directors through activities such as asking questions, requesting explanations to the members of the Board of Directors and the Board of Management. At the same time, giving comments and suggestions to improve the governance and operation activities to achieve the best performance, therefore the legitimate rights and interests of investors are guaranteed.
- Examining and verifying 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.
- Coordinating with Internal Control Department to inspect activities of branches, evaluating and confirming the completion and payment documents of the projects, supervising the declaration and effectiveness of the projects in order to propose adjustments timely.

1. Compensation and bonus due to surpassing the plan of members of the Board of Supervisors

No.	Title	Compensation (VND/month)	Bonus (VND)
1	Head of the Board of Supervisors	9,000,000	300,000,000
2	Member	7,000,000	250,000,000

2. Other income of members of the Board of Supervisors

No.	Full Name	Salary (VND/month)	Compensation at subsidiaries	Notes
1	Mr. Le Dinh Hanh Director of Internal Control and Head of the Board of Supervisors of Hoa Sen Building Materials One Member Limited liabilities Company	13,000,000 (from 01/10/2011 to 29/02/2012) 20,000,000 (from 01/03/2012 to 30/09/2012)	2,000,000 (VND/month)	From 01/03/2012, he resigned as the Deputy Deputy Director of Internal Control and was appointed as Director of Internal Control
2	Ms. Huynh Thi Hong Vy Deputy Director of Internal Control and Head of the Board of Supervisors of Hoa Sen Steel Sheet One Member limited liabilities Company	18,000,000	2,000,000 (VND/month)	From 01/03/2012, she resigned as the Director of Internal Control and was appointed as Deputy Director of Internal Control

Note: Compensation, salary, bonus and other income of the titles of the Board of Directors and the Board of Supervisors have not been deducted personal income tax yet.



## SHAREHOLDER AND INVESTOR RELATIONS

- Organizing successfully the Annual General Meeting of the fiscal year 2011 - 2012.
- Performing announcements according to regulations of the Circular No. 09/2010/TT-BTC promulgated on 10<sup>th</sup> January 2010 and the Circular No. 52/2012/TT-BTC promulgated on 5<sup>th</sup> April 2012.
- Publishing IR News quarterly in order to provide information for shareholders and investors.
- Paying dividends of the fiscal year 2009 - 2010 and the fiscal year 2010 - 2011 according to Resolutions of the General Assembly of Shareholders on 22<sup>nd</sup> March 2012.
- Participating in Vietnam Access Day Conference organized by Viet Capital Securities Joint Stock Company (VCSC) in Ho Chi Minh City on 23<sup>rd</sup> and 24<sup>th</sup> October 2012.

## COMMUNITY RELATIONS

- Sponsoring the National First Class Football Championship - Hoa Sen Steel Sheet Cup, and the National Football Cup - Hoa Sen Plastic.
- Sponsoring many Study Promotion Funds and Charity Funds.
- Sponsoring many TV programs: Overcoming oneself, More than words, Happy living, Daily story, etc.
- Sponsoring the Vietnamese Family's Home program for the poor children having special situation on New Year's Eve.
- Principal co-partnership for the program of ASEAN - India car rally 2012.





## Risk management

In order to minimize possible risks, the Group has developed a strategy of risk management, which not only guarantees business objectives but also creates a competitive advantage in order to ensure the best operational efficiency. The establishment of the functional Departments like Internal Control Department, Legal Department, Valuation Department, the Materials Department aims to control possible risks and bring the positive outcomes in the business activities and supervision of the whole Group.

### Managing risks in business activities

The economic growth rate is a factor that directly affects the aggregate demand. As the economy grows, the demand of steel sheet and building materials including the products of Hoa Sen Group will increase. Otherwise, when the economy goes down, the demand of using steel sheet and building material products will decline. Therefore, the Group has always prepared operational scenarios in order to actively respond to any situations to ensure the best operational efficiency.

The Group imports the majority of hot rolled coil (the main raw material) from foreign countries, therefore the update and analysis of hot rolled coil in domestic and foreign countries, the selection of right time to buy with the best price and the limitation of the raw material risks have always got the particular attention of the Board of Directors and the Board of Management.

The commodity price fluctuations in the market directly affect Hoa Sen Group business activities. Therefore, the flexible selling price policy in accordance with the fluctuations of market price is always considered and adjusted by the Board of Directors and the Board of Management according to the market situation at specific time.

### Managing risks in production activities

In production activities, Hoa Sen Group always focuses on reviewing, improving and standardizing the consumption norms of raw materials in order to reduce the production cost. The Valuation Department and Materials Department co-ordinate and consider in choosing the raw material suppliers which have suitable quality and reasonable price in order to minimize the raw material risks. At the same time, the Internal Control Department would check all expenses of buying raw materials to guarantee the integrity, accuracy and transparency.

The Group always has regular and periodic maintenance and repair plans so that the equipments are always in the best condition so as to ensure to operate safely and efficiently.

### Managing financial risks

In business activities, the Group may be subjected to the risk of exchange rate fluctuations, the risk of interest rate fluctuations, the risk of bad debts and the risk of liquidity.

Basing on the export sales, the Board of Management balances the structure of borrowings denominated in VND and USD to ensure the lowest average interest rate but still has enough USD to pay the foreign currency loans, in order to minimize the impact of interest rate and exchange rate risks, and submits to the Board of Directors to consider and give the direction of borrowing structure monthly.

For new customers, the Group requires the payment guarantee from banks for delivery. For the traditional customers, basing on the financial situation, collateral, transaction reputation of each customer and proposals of sales units, the Group issues the debt limit for each customer in each period. The Board of Management reviews these debt limit monthly. The sales units are responsible for collecting the debts on time. The Internal Control Department inspects, supervises and reports to the Board of Management the debts need to be collected daily. If bad debts

occurred, the Legal Department would implement some measures to collect the debts including bringing the case to the Law.

The Financial Department develops and reports the cash flow statement weekly so that the Board of Management has flexible operating measures to ensure to have no overdue payables.

### Managing risks of changing policy

Legal documents in the field of business and securities have been in the process of improvement so that changing policy could always happen and they could somehow impact management, production and business activities of Hoa Sen Group. The Assistant Department plays an important role in updating and consulting new legal documents to minimize the risks of changing policy affecting production and business activities of the Group directly.

### Managing other risks

In order to minimize unavoidable risks such as natural disasters, fires, accidents, etc the Group always spends an amount of buying 24 hours accident insurance for all employees and the asset insurance of the Group.





# Hoa Sen Phu My Steel Sheet Plant

**Address:** Street No. 1B, Phu My 1 Industrial Park, Tan Thanh District,  
Ba Ria - Vung Tau Province.

**Telephone:** 064 3924790 - Fax: 064 3924796

**Business Registration Certificate:** 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.

**Legal representative:** Mr. Hoang Duc Hoang - Director.

**Business activities:** 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 Southeast Asia up to now. It covers an area of 16.7 hectares 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.

At the moment, the plant is being installed with one galvanizing line for galvanized steel sheet/ galvalume steel sheet with a designed capacity of 120,000 Tons/year. The installation will be finished and will come into operation in March 2013.





## Subsidiaries

### HOA SEN STEEL SHEET ONE MEMBER LIMITED LIABILITIES COMPANY

**Address:** No. 9 Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An Ward, Di An District, Binh Duong Province.

**Telephone:** 06503.737.200

**Fax:** 06503.737.904

**Charter capital:** VND 280,000,000,000 (two hundred and eighty billion VND).

**Business Registration Certificate:** 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.

**Legal representative:** Mr. Nguyen Minh Khoa - Chairman of the Board of Members.

**Director:** 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.

On 24<sup>th</sup> December 2007, after merging Hoa Sen Steel Sheet Joint Stock Company into Hoa Sen Group, Hoa Sen Group established Hoa Sen Steel Sheet One Member Limited Liabilities Company with the charter capital of VND 280 billion on the basis of inheriting all material facilities and human resources of Hoa Sen Steel Sheet Joint Stock Company.

#### Business result and business plan

No	Item	Unit	Performance of FY 2011-2012	Business plan of FY 2012-2013	In comparison with performance of FY 2011-2012	
					Absolute number	Relative number(%)
(1)	(2)	(3)	(4)	(5)	(6=5-4)	(7=(6/4)*100)
1	Sales volume of cold rolled coil	Ton	133,372	460,000	326,628	245%
2	Net sales	VND billion	2,348	7,500	5,152	219%
3	Gross profit	VND billion	73.8	92	18.3	25%



From the fiscal year 2012 - 2013, Hoa Sen Group plans to move two cold rolling machines, which belonged to Hoa Sen Phu My Steel Sheet Plant to Hoa Sen Steel Sheet One Member Limited Liabilities Company for its management and operation in order to specialize production. Thus, the planned criterias for the fiscal year 2012 - 2013 have a substantial increase compared to the results of the previous fiscal year.



## Subsidiaries

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

**Address:** Phu My 1 Industrial Park, Phu My Town, Tan Thanh Dis., Ba Ria - Vung Tau Province.  
**Telephone:** 064.3923231 - Fax: 064.3923230

**Charter capital:** VND 150,000,000,000 (one hundred and fifty billion VND).  
**Business Registration Certificate:** No. 3500786179 was issued by the Department of Planning and Investment of Ba Ria - Vung Tau Province on 18<sup>th</sup> December 2007.

**Legal representative:** Mr. Tran Ngoc Chu - Chairman of the Board of Members.  
**Director:** Mr. Bui Thanh Tam

**Principal activities:** Manufacturing and trading building materials products including: steel pipes, galvanized steel pipes, plastic pipes and accessory of plastic pipes.  
**Hoa Sen Group owns 100%**

With the modern machinery and equipment system originated mainly from leading countries in Europe and East Asia, the Company has provided domestic and foreign markets with the core product lines: black steel pipes, galvanized steel pipes, plastic pipes, and accessories of plastic pipes bearing Hoa Sen brand name which are used in the areas of civil construction, water-supply, electricity, etc., with high quality, diverse designs and consumer-friendliness.

With the flexible business policy, the product lines such as steel pipe, galvanized steel pipe, plastic pipe and accessories of plastic pipes were introduced and sold to consumers through the distribution network of the parent company spreading across the country, the chain of showrooms and a network of distributors and agencies of the Company to provide the best services for all domestic customers in a timely manner.



#### Community-oriented brand name

Apart from production and business activities, the Company has also actively involved in social activities and charity such as: sponsoring for National Football Cup - Hoa Sen Plastic in 03 consecutive years (2010-2012), "Overcoming Oneself" program, Futsal Football for children with special circumstances (2007 - 2012); assisting in economic conferences, cultural, social and sports activities held by local and central organizations.

Besides, Hoa Sen Plastic Pipe product lines also achieved honorable titles and awards such as: Viet Nam Excellent Brand 2007, Golden Medals at the 2008, 2009, 2011 VIETBUILD exhibitions and VTop Build 2012.

Moreover, with outstanding strength in quality and technology, Hoa Sen Plastic Pipe that meets the international criteria in the same industry like ISO 4422-1996, TCVN 6151-2:2002, BS 3505:1968 and AS/NZS 1477:2006, received the certificate from Directorate for Standards, Metrology and Quality (STAMEQ) and Vietnam certification center QUACERT. At the same time, the company achieved the certificate of "Automatic technology - integrated production line for plastic pipes and Hoa Sen uPVC Plastic Pipe accessories" by the Institute of Applied Materials Science.

Up to now, products of the company have gradually received the trust of domestic and foreign customers in the main national and civil construction projects.

With these achievements, the company commits to constantly try its best to satisfy customers' requirements in quality, reasonable price diversify after-sale services and try to be one of leading suppliers of products: steel pipe, galvanized steel pipes, plastic pipes and its accessories in domestic and Southeast Asia market.

Hoa Sen Building Material One Member Limited Liabilities Company, one of the subsidiaries of Hoa Sen Group, established on 18<sup>th</sup> February 2007 with its initial charter capital of VND 150 billion. The head office and main factory are located in the area of 11 hectares, on Street No. 2B, Phu My 1 Industrial Park, Phu My Town, Tan Thanh District, Ba Ria - Vung Tau Province

In 2007, the Company inaugurated and put the Steel Pipe Producing Plant No. 01 into operation with a capacity of 84,000 tons/year at Phu My 1 Industrial Park, Ba Ria - Vung Tau Province.

In 2010, the Company continued operating the Steel Pipe Producing Plant No 2 with a capacity of 66,000 tons/year at Song Than Industrial Park, Di An Ward, Binh Duong Province, and Hoa Sen Plastic Pipe uPVC Plant with a capacity of 30,000 tons/year, at Phu My 1 Industrial Park, Ba Ria-Vung Tau Province, to satisfy the demands in both domestic and export markets.



## Subsidiaries

- Long An Showroom:  
No. 368 Highway 1A, Ward 6, Tan An City,  
Long An Province  
Tel: 0723 821 563
- Tan Thanh Showroom:  
Highway 51, group 2, My Xuan Commune,  
Tan Thanh District, Ba Ria - Vung Tau Province  
Tel: 064 626 3135
- Dong Nai Showroom:  
No. 539 Highway 1A, Ngu Phuc Hamlet, Ho Nai,  
3 Commune, Trang Bom District, Dong Nai Province  
Tel: 0613 982 141
- Thu Duc Showroom:  
No. 689 Highway 13, Hiep Binh Chanh Ward,  
Thu Duc District, Ho Chi Minh City  
Tel: 0837 273 817
- Trung Chanh Showroom:  
No. 21/7 Highway 22, Trung Chanh Commune,  
Hoc Mon District  
Tel: 0838 839 805
- Tan Thoi Hiep Showroom  
No. 1770 Highway 1A, Block 3,  
Tan Thoi Hiep Ward, District 12  
Tel: 0837 020 308
- An Lac Showroom:  
No. 1244 Highway 1A, Tan Tao Ward,  
Binh Tan District  
Tel: 0837 594 907
- District 7 Showroom:  
No. 877 Huynh Tan Phat Street,  
Phu Nhuan Ward, District 7, Ho Chi Minh City
- Binh Chanh Showroom:  
No. D26/29E, Hamlet 4, Highway 1A,  
Tan Tuc Commune, Hiep Binh Chanh Ward,  
Ho Chi Minh City  
Tel: 08 37 59 4907
- Binh Duong Showroom  
No. 1/109, Hoa Lan 1 Block, Thuan Giao Ward,  
Thuan An Commune, Binh Duong Province  
Tel: 0650 3636 284
- Nha Trang Showroom  
No. 16 Street 23/10, Vinh Diem Thuong, Vinh Hiep,  
Nha Trang City, Khanh Hoa Province  
Tel: 0583 890 366
- Tay Ninh Showroom  
No. 169 Tua Hai Street, Block 4, Ward 1,  
Tay Ninh Commune  
Tel: 0663 811 365



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

**Address:** No. 9 Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An Ward,  
Di An District, Binh Duong Province.  
**Telephone:** 0650.3737999  
**Fax:** 0650.3737999

**Charter capital:** VND 16,276,000,000  
(sixteen billion and two hundred and seventy six million VND).

**Business Registration Certificate:** No. 3700785528 was issued by the Department of Planning and Investment  
of Binh Duong Province on 24<sup>th</sup> December 2007.

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

**Business activities:** Goods and passengers 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%**



## BUSINESS RESULT AND BUSINESS PLAN

No	Item	Unit	Performance of FY 2011 - 2012	Business plan of FY 2012 - 2013	In comparison with performance of FY 2011 - 2012	
					Absolute number	Relative number (%)
(1)	(2)	(3)	(4)	(5)	(6 = 5 - 4)	(7 = (6/4)*100)
1	Production volume	Ton	73,261	78,820	5,559	8%
2	Net sales	VND billion	1,365	1,434	69	5%
3	Gross profit	VND billion	92.5	98.4	5.9	6%

In the last fiscal year 2011 - 2012, Hoa Sen Transportation and Engineering  
One Member Limited Liabilities Company transported 161,765 tons,  
achieved 148% as the plan, achieved net sales of VND 11,600,000,000.

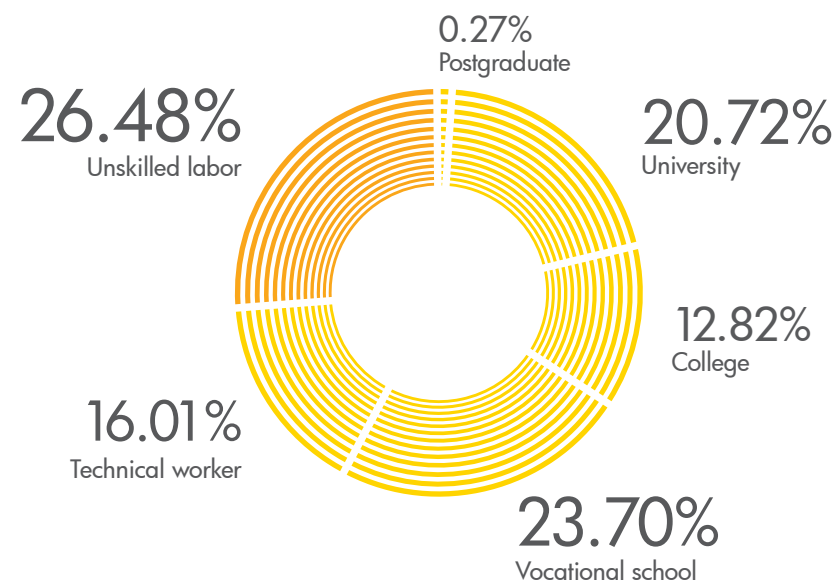
In the fiscal year 2012 - 2013, the Company is expected to transport  
170,000 tons, achieve net sales of VND 12,000,000,000.

# Human resources

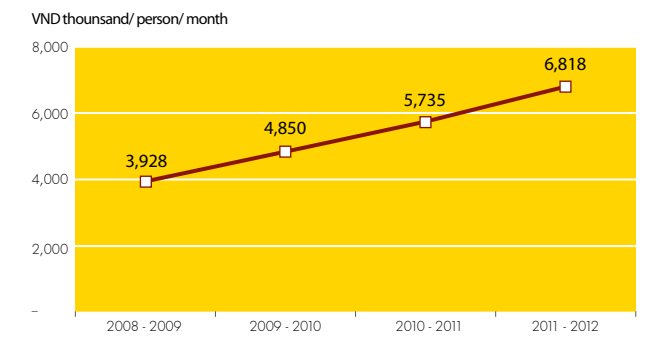
## The number of employees

Up to 30<sup>th</sup> September 2012, the total number of employees of Hoa Sen Group is 2,949 people.

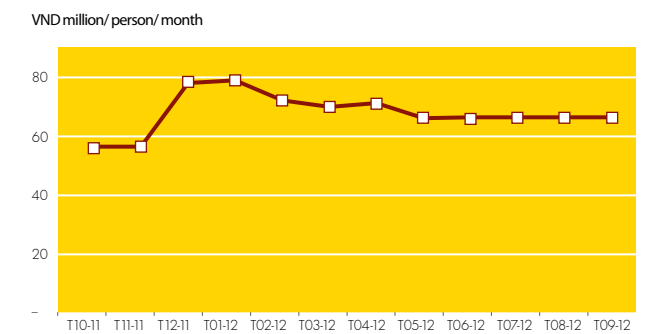
## The structure of educational level of employees in the fiscal year 2011 - 2012



## The average income of employees through the fiscal years



## The average income of Board of Management



## The average income of employees through the fiscal years

In December 2011 and in January 2012, the average income of the Board of Management increased significantly due to the salary adjustment of the Board of Management, Directors of Departments according to the statement No. 59/Ttr/KNV/2012 applied from December 2011.



## Human resources training and development policy

In the fiscal year 2011 - 2012, The Group continued to perform Management Successors Program, recruited good and excellent students from prestigious universities in the country (Ho Chi Minh City University of Technology, Ho Chi Minh City University of Economics and Law, Vietnam National University Ho Chi Minh City, University of Economics Ho Chi Minh City, Foreign Trade University Ho Chi Minh City Campus) and overseas students from Australia, Thailand, United State of America, Singapore so as to develop core management staffs in the future.

The Group continued to cooperate with members of Vietnam National University Ho Chi Minh City, universities and colleges in Binh Duong and Ba Ria - Vung Tau Province by sponsoring scholarship, attending career opportunity day...

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



## Labor policies

### Salary and allowance policy

In the fiscal year 2011 - 2012, the world and domestic economic situation faced many difficulties; however, the Group still has achieved profitable results more than plan. The Group adjusted the minimum wage for employees under the provisions of the Government in October 2011, also adjusted salary for employees to offset inflation, guaranteed income to be in line with the average level of the labor market. In addition, the Group also issued, amended a number of business wage policy to fit the business situation from time to time in order to create incentives for sales department to work harder.

Allowance policy was maintained as the previous year including: allowance for attraction, allowance for mobility, allowance for holding concurrently, allowance for responsibility, allowance for toxicity, allowance for reserve and allowance for telephone, allowance for work, allowance for seniority... These types of allowances are plus monthly income, help employees feel secure to work.

### Insurance policy

The Hoa Sen Group performed the social insurance, medical insurance and unemployment insurance according to the law and ensured 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 2011 - 2012, the Group adjusted insurance premium for employees in accordance with the Government's minimum salary regulation in October 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: incentive bonus, bonus for effectiveness at work monthly, 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, bonus for technical initiatives and bonus for reducing cost...

## Other policies

In addition to the implementation of the policy of salaries, bonuses, social, health care, unemployment insurance in accordance with law, the Group applies the welfare regime such as: bonus on national holidays such as New Year, Mid - Autumn Festival, Independent Day and International Labor Day, the annual holiday ...; maintains and ensures other policies such as: allowance for lunch, mid - shift meal, uniforms, periodic health examination, accident insurance 24/24, support staff bereavement. In addition, female employees are supported on International Women's Day, Vietnamese Women's Day, during and after pregnancy.

## Activities for employees

In fiscal year 2011 - 2012, the trade union organization hold activities to take care of the material, spirit for employees as:



- Visit, encourage and support members when illness, maternity, occupational accidents, wedding.
- Organize entertainment activities, give presents to female employees on International Women's Day 8/3 and the Vietnamese Women's Day 20/10.
- Give gifts to the staff on International Children's Day.
- Hold meetings and give gifts in New Year.

On 11<sup>th</sup> celebration anniversary of the Group, the Union Labor coordinated with the Group to organize the "Golden Lotus Voice 2012" which created a playground for the employees; and at the same time to look for the Group's talent.

# 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  
 Number of treasury shares: 3,859,212  
 Number of outstanding shares: 96,931,578  
 Book value per share (30/9/2012): 20,824 VND/share

Price chart of HSG from 01/10/2011 to 30/9/2012



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:

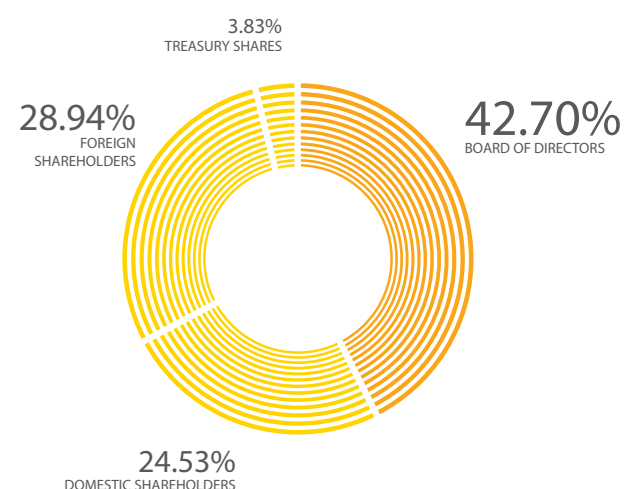
Fiscal year	Dividend/Face value	Note
2008	30%	20% in cash and 10% in stocks
2008 - 2009	20%	- Stock dividend
2009 - 2010	no more than 15%	- Paid dividend for the first stage with 5% in cash - Paid dividend for the remainder with 10% in cash according to the plan of adding up unrealized dividend of two fiscal years 2009 - 2010 and 2010 - 2011 approved by the General Assembly of Shareholders at the Annual General Meeting held on 22 <sup>nd</sup> March 2012
2010 - 2011	no more than 10%	- Paid dividend with 10% in cash according to the plan of adding up unrealized dividend of two fiscal years 2009 - 2010 and 2010 - 2011 approved by the General Assembly of Shareholders at the Annual General Meeting held on 22 <sup>nd</sup> March 2012

## Statistical data

### Shareholder structure

Basing on the shareholder list as at 28<sup>th</sup> November 2012, Hoa Sen Group's shareholder structure is presented as follows:

No.	Shareholder	Number of shares	Proportion
1	Board of Directors	43,037,952	42.70%
2	Domestic shareholders	24,727,215	24.53%
	Individuals	22,246,436	22.07%
	Organizations	2,480,779	2.46%
3	Foreign shareholders	29,166,411	28.94%
	Individuals	290,464	0.29%
	Organizations	28,875,947	28.65%
4	Treasury shares	3,859,212	3.83%
	<b>Total</b>	<b>100,790,790</b>	<b>100.00%</b>



## Shareholders owning over 5% share capital of Hoa Sen Group on 28<sup>th</sup> November 2012

No.	Shareholder name	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	42,867,152	42.53%
2	Red River Holding	No. 9A Tu Xuong Street, Ward 7, District 3, Ho Chi Minh City	16,463,959	16.33%
3	Hoang Thi Xuan Huong	No. 19 Giang Van Minh Street, Block 4, An Phu Ward, District 2, Ho Chi Minh City	6,717,940	6.67%

## Founding shareholders on 28<sup>th</sup> November 2012

No.	Shareholder name	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	42,867,152	42.53%
2	Ho Van Hoang	Dinh Trung Commune, Binh Dai District, Ben Tre Province	1,007,199	1.00%
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 on 28<sup>th</sup> November 2012

No.	Title	Shareholder name	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	42,867,152	42.53%
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	5,200	0.01%
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	ly Duy Hoang	9 <sup>th</sup> Floor, Sunwah Tower, Nguyen Hue boulevard, District 1, Ho Chi Minh City		0.00%



## Shareholding information

### Shares owned by the Board of Management and Chief Accountant on 28<sup>th</sup> November 2012

No.	Title	Shareholder name	Address	Number of shares	Proportion
1	General	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	Tran Quoc Tri	Group 7 An Son, Thanh An, Binh Long, Binh Phuoc Province	34,368	0.03%
4	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%
5	Deputy General Director	Nguyen Minh Khoa	No. 54 Street 5, Hiep Binh Phuoc Ward, Thu Duc District, Ho Chi Minh City	6,100	0.01%
6	Deputy General Director	Ho Thanh Hieu	No. 1/10 Block 1, Hiep Thanh Ward, District 12, Ho Chi Minh City		0.00%
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%

### Shares owned by the Board of Supervisors on 28<sup>th</sup> November 2012

No.	Title	Shareholder name	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 Van Chung Flat, Quang Trung Street, Ward 10, Go Vap District, Ho Chi Minh City	86,400	0.09%
3	Member	Le Dinh Hanh	No. 113 Nguyen Van Dau Street, Ward 5, Binh Thanh District, Ho Chi Minh City	2,138	0.00%

### Shares owned by shareholders relating to internal shareholders on 28<sup>th</sup> November 2012

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	6,717,940	6.67%
		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 sister	No. 19 Giang Van Minh Street, Block 4, An Phu Ward, District 2, Ho Chi Minh City	6,717,940	6.67%
		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	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%
4	Nguyen Minh Khoa	Nguyen Thi Minh Thu	Younger sister	No. 70/13 Street 339, Block 25, Phuoc Long B Ward, District 9, Ho Chi Minh City	9	0.00%



# Distribution network

No	Name	Address	Tel
<b>SOUTHWESTERN REGION</b>			
1	Nam Can	Cai Nai Cluster, Nam Can Town, Nam Can District, Ca Mau Province	0780.3876703
2	Ca Mau	39 ly Thuong Kiet, Cluster 7, Ward 6, Ca Mau City, Ca Mau Province	0780.3826699
3	Bac Lieu	D01/10 Highway 1A, Tra Kha, Ward 8, Bac Lieu City, Bac Lieu Province	0781.3829843
4	Soc Trang	Highway 1A, Ward 2, Soc Trang City, Soc Trang Province	079.3611212
5	Phung Hiep	Area 3, Hiep Thanh Ward, Nga Bay commune, Hau Giang Province	0711.3867887
6	Vi Thanh	Tran Hung Dao Street, Block 3, Ward 5, Vi Thanh City, Hau Giang Province	0711.3870137
7	Vinh Thuan	Group 39, Vinh Dong 2 Hamlet, Vinh Thuan town, Vinh Thuan district, Kien Giang Province	077.3561336
8	An Bien	Group 17, Dong Thanh Hamlet, Dong Thai Commune, An Bien District, Kien Giang Province	077.3524259
9	Kien Luong	Group 13, Tam Thuc area, Kien Luong Town, Kien Luong District, Kien Giang Province	077.3765055
10	Rach Gia	67 CMT8 Street, Vinh Loi Ward, Rach Gia City, Kien Giang Province	077.3912450
11	Lo Te	No. 454, Group 16, Thoi Hoa Block, Thoi Thuan Ward, That Not District, Can Tho City	076.3831844
12	Can Tho	No. 143 Block 5, CMT8, AnThoi Ward, Binh Thuy District, Can Tho City	0710.3887581
13	Vinh Thanh	Vinh Tien Hamlet, Vinh Thanh town, Vinh Thanh District, Can Tho City	0710.3641828
14	Cai Rang	Highway 1A, Block 2, Ba Lang Ward, Cai Rang District, Can Tho City	0710.3910001
15	Tri Ton	Cluster 1, Tri Ton Town, Tri Ton District, An Giang Province	076.3772949
16	Chau Doc	Highway 91, Hoa Binh Cluster, Vinh My Ward, Chau Doc Commune, An Giang province	076.3560510
17	Phu Tan	long Hung 2 Cluster, Long Son Ward, Tan Chau Town, An Giang Province	076.3533435
18	Long Xuyen	Group 12, Binh Duc 5 Cluster, Binh Duc ward, long Xuyen city, An Giang Province	076.3650738
19	Cho Moi	My Hoa Hamlet, My Luong Town, Cho Moi District, An Giang Province	076.3626376
20	Hong Ngu	Highway 30, An Loc Ward, Hong Ngu Commune, Dong Thap Province	067.3836771
21	Tam Nong	Tram Chim Town, Tam Nong District, Dong Thap Province	067.3829658
22	Cao Lanh	30 Highway, My Phu Ward, Cao Lanh City, Dong Thap Province	067.3857316
23	Chau Thanh Dong Thap	An Hoa Hamlet, Tan Binh Commune, Chau Thanh District, Dong Thap	067.3868156
24	My Hoa	Tay Hue Cluster, My Hoa Ward, Long Xuyen City, An Giang Province	076.3949952
25	Binh Minh	622A, Thuan Tien B Hamlet, Thuan An Commune, Binh Minh District, Vinh Long Province	070.3750711
26	Vung Liem	Trung Xuan Hamlet, Trung Thanh Commune, Vung Liem District, Vinh Long Province	070.3976283
27	Tra Vinh	Highway 60, Cluster 6, Ward 8, Tra Vinh District, Tra Vinh Province	074.3842546
28	Vinh Long	333, Tan Vinh Thuan Hamlet, Tan Ngai Commune, Vinh Long City, Vinh Long Province	070.3816434

No	Name	Address	Tel
29	Cai Be	Highway 1A, An Thai Hamlet, An Cu Commune, Cai Be District, Tien Giang Province	073.3923409
30	Chau Thanh - Ben Tre	Hamlet 5, An Khanh Commune, Chau Thanh District, Ben Tre Province.	075.3612698
31	Ben Tre	109D Nguyen Dinh Chieu Street, Block 3, Ward 8, Ben Tre city, Ben Tre Province	075.3811794
32	Thu Thua	Binh Cang 1 Hamlet, Binh Thanh Commune, Thu Thua District, Long An Province	072.3820522
33	Tan Thanh	Block 3, Tan Thanh Town, Tan Thanh District, Long An Province	072.3941013
34	Ben Luc	Voi La Hamlet, Long Hiep Commune, Ben Luc District, Long An Province	072.3647779
<b>SOUTHEASTERN REGION</b>			
35	Binh Chanh	D1/29 Highway 1A, Block 4, Tan Tuc Town, Binh Chanh District, HCM City	083.759.4250 083.759.4251
36	Trang Bang	Group 6, An Binh Hamlet, An Tinh Commune, Trang Bang District, Tay Ninh Province	066.3896733
37	Tay Ninh	371 Pham Hung, long Chi Hamlet, long Thanh Trung Commune, Hoa Thanh District, Tay Ninh	066 3837 123
38	Go Dau	Phuoc Duc B Hamlet, Phuoc Dong Commune, Go Dau District, Tay Ninh Province	066.3533838
39	Thong Nhat	No 65, Highway 1A, Hung Nghia Hamlet, Hung Loc Commune, Thong Nhat Dist., Dong Nai Province	061.3768503
40	Long Khanh	Block 9, Cam Tan Hamlet, Xuan Tan Commune, long Khanh Town, Dong Nai Province	061.3721266
41	Dinh Quan	SKK 97A Plot, Dinh Quan Industrial Park, la Nga Commune, Dinh Quan District, Dong Nai Province	061.3633855 061.3633858
42	Ngai Giao	Highway 56, Tan Phu Hamlet, Bau Chinh Commune, Chau Duc District, Ba Ria - Vung Tau Province	064.3962358
43	Tan Thanh	Ben Dinh Hamlet, My Xuan Commune, Tan Thanh District, Ba Ria - Vung Tau Province	064.3931828
44	Xuyen Moc	Highway 55, Phuoc Thuan Commune, Xuyen Moc District, Ba Ria - Vung Tau Province	064.3782888 064.3782999
45	Tan Phu	142, Tho Lam 3 Hamlet, Highway 22, Phu Thanh Commune, Tan Phu District, Dong Nai Province	061.3696629
46	Duc Linh	Hamlet 4, Duc Chinh Commune, Duc linh District, Binh Thuan Province	062.3887898
47	Hàm Tân	Da Mai Hamlet, Tan Xuan Commune, Ham Tan District, Binh Thuan Province	062.3872888
48	Phan Thiet	Plot 4/1, Phan Thiet industrial Park, Phan Thiet City, Binh Thuan Province	062.3829124
49	Phan Ri	Binh Liem Hamlet, Phan Ri Thanh Commune, Bac Binh District, Binh Thuan Province	062.3862151
50	Ham Thuan Nam	Highway 1A, Ham My Commune, Ham Thuan Nam District, Binh Thuan Province	062.3899559
51	Trang Bom	834 B, Ngu Phuc Hamlet, Ho Nai 3 Commune, Trang Bom District, Dong Nai Province	0613.981.701
52	Phu Giao	DT741 Road, Group 5, Vinh An Hamlet, Vinh Hoa Commune, Phu Giao District, Binh Duong Province	0650.3695113 0650.3695114
53	District 9	628 Highway 52, Block 1, Phuoc Long B Ward, District 9, HCM City	083 7251 296
54	Phuoc Long	Group 1, Block 9, Long Phuoc Ward, Phuoc Long District, Binh Phuoc Province	0651.3713006 0651.3713007
55	Binh Duong	612 Binh Duong Boulevard, Hiep Thanh Commune, Thu Dau Mot City, Binh Duong Province	0650.3824495
56	Ben Cat	Binh Duong Boulevard, Hamlet 3B, Thoi Hoa Commune, Ben Cat District, Binh Duong Province	0650.3577112 0650.3577113

No	Name	Address	Tel
57	Chon Thanh	No. 31, Group 1, Hamlet 1, Thanh Tam Commune, Chon Thanh District, Binh Phuoc Province	0651.3668494
58	Dong Xoai	No. 602, Phu Rieng Do Street, Tan Tra Group, Tan Xuan Ward, Dong Xoai District, Binh Phuoc Province	0651.3883196
<b>CENTRAL HIGHLANDS</b>			
59	Duc Trong	No. 413 Highway 20, Lien Nghia Town, Duc Trong District, Lam Dong Province	063.3646229
60	Phan Rang	Block 6, Phu Ha Ward, Phan Rang - Thap Cham City, Ninh Thuan Province	068.3833845 068.3833846
61	Cam Ranh	Phuc Ninh Group, Phuc Nam Cam Ward, Cam Ranh City, Khanh Hoa Province	058.3976402 058.3976403
62	Gia Nghia	Hung Vuong Street, Group 6, Nghia Thanh Ward, Gia Nghia Commune, Dak Nong Province	0501.3545016
63	Dak Mil	Hamlet 1, Duc Manh Commune, Dak Mil District, Dak Nong Province	0501.3750878 0501.3870888
64	Cu Jut	Highway 14, Tam Thang Commune, Cu Jut District, Dak Nong Province	0501 3692567 0501 3692568
65	Dak Lak	566 Le Duan street, Eatam Ward, Buon Ma Thuot City, Dak Lak Province	0500.3954056 0500.3954057
66	Earka	An Cu Hamlet, Cu Hue Commune, Ea Kar District, Dak Lak Province	0500.3627064 0500.3627065
67	Krong Pak	Phuoc An town, Krong Pak District, Dak Lak Province	0500.3519743 0500.3519744
68	Buan Ho	No. 517 Hung Vuong Steet, Buon Ho District, Dak Lak Province	0500.3870010
69	Pleiku	174 Truong Chinh street, Group 4, Tra Ba Ward, Pleiku City, Gia Lai Province	059.3747170
70	Chu Se	Hamlet 7, la Blang Commune, Chu Se District, Gia Lai Province	059.3768778
71	Kon Tum	No. 239 Phan Dinh Phung Dtreet, Kon Tum City, Kon Tum Province	060.3856372
72	Ngoc Hoi	Group 3, Plei Kan Town, Ngoc Hoi District, Kon Tum Province	060.3832772
73	Nha Trang	Phu Khanh Hamlet, Dien Thanh Commune, Dien Khanh District, Khanh Hoa Province	058.3750526 058.3750527
74	Son Hoa	Tan Thanh Hamlet, Suoi Bac, Son Hoa District, Phu Yen Province	057.3640427 057.3640428
75	Tuy Hoa	229 Nguyen Tat Thanh Street, Ward 8, Tuy Hoa City, Phu Yen Province	057.3820586 057.3820361
76	Tuy An	Chi Duc Hamlet, Chi Thanh Town, Tuy An District, Phu Yen Province	057.3767477 057.3767478
77	Tuy Phuoc	My Dien Hamlet, Tuy Phuoc Town, Tuy Phuoc District, Binh Dinh Province	056.3833008 056.3833009
78	An Khe	Group 3, Ngo May Ward, An Khe town, Gia Lai Province	059.3533511 059.3533512
79	Phu Cat	Hoa Dong Hamlet, Cat Tan Commune, Phu Cat District, Binh Dinh Province	056.3538178
80	Phu My	Diem Tieu Hamlet, Phu My Town, Phu My District, Binh Dinh Province	056.3755089
81	Bong Son	Thiet Ding Halmet, Bong Son Town, Hoai Nhon District, Binh Dinh Province	056.3761841
82	Son Tinh	Tuong Tho Dong Hamlet, Son Tinh Town, Son Tinh District, Quang Ngai Province	055.3670097 055.3670098
83	Tam Ky	Plot A49 Phan Boi Chau Street, Hoa Thuan Ward, Tam Ky City, Quang Nam Province	0510.3810842 0510.3810843
84	Da Nang	No. 281A Truong Chinh Street, An Khe Ward, Thanh Khe District, Da Nang city	0511.3721101 0511.3721102

No	Name	Address	Tel
<b>NORTH CENTRAL COAST</b>			
85	Hue	Highway 1A, Huong Van Ward, Huong Tra Commune, Thua Thien Hue Province	054.3777156 054.3777157
86	Quang Tri	An Binh Hamlet, Cam Thanh Commune, Cam Lo District, Quang Tri Province	053.3565221 053.3565222
87	Quang Binh	Street F325, Bac Ly Ward, Dong Hoi City, Quang Binh Province	052.3859356 052.3859357
88	Ha Tinh	Tan Phu Hamlet, Thanh Trung Commune, Ha Tinh City, Ha Tinh Province	039.3690617 039.3690618
89	Nghe An	14 Hamlet, Nghi Kim Commune, Vinh City, Nghe An Province	038.3516469
90	Thanh Hoa	Highway 1A, Quyet Thang Hamlet, Quang Thinh Commune, Quang Xuong District, Thanh Hoa Province	037.8755667 037.8755668
91	Bim Son	Block 6, Bac Son Ward, Bim Son Commune, Thanh Hoa Province	037.3763996 037.3763997
92	Dien Chau	Nho Industrial Park, Dien Hong Commune, Dien Chau District, Nghe An Province	038.3620685 038.3620686
<b>NORTHERN REGION</b>			
93	Hanoi	Plot A6 - 2, Hanoi - Dai Tu Industrial Park, No. 386 Nguyen Van Linh Street, long Bien District, Hanoi City	04.36559905 04.36559906
94	Son La	Chieng Sinh Industrial Park, Chieng Sinh Ward, Son La City, Son La Province	022.3774.280
95	Ninh Binh	Highway 1A, Thien Ton Town, Hoa Lu District, Ninh Binh Province	030.3626668 030.3626667
96	Hoa Binh	Trung Group, Trung Minh Commune, Hoa Binh City, Hoa Binh Province	0218.3843737 0218.3843738
97	Quang Ninh	Trai Thanh 1 Hamlet, Dong Mai Ward, Yen Hung Commune, Quang Ninh Province	033.3553768 033.3553769
98	Yen Bai	Hop Minh Hamlet, Yen Bai City, Yen Bai Province	029.3710456 029.3710468
99	Phu Tho	Block 12, Kim Duc Commune, Viet Tri City, Phu Tho Province	0210.3736386
100	Ha Nam	lao Cau Hamlet, Tan Tien Commune, Duy Tien District, Ha Nam Province	0351.3595616 0351.3595618
101	Thai Binh	Gia Le Hamlet, Dong My Commune, Thai Binh City, Thai Binh Province	036.3568866 036.3568868
102	Hung Yen	Pho Noi Industrial Park, Di Su Commune, My Hao District, Hung Yen Province	0321.3744206 0321.3744207
103	Nam Dinh	Plot 21, Street N1, An Xa Industrial Park, My Xa Commune, Nam Dinh City, Nam Dinh Province	0350.3672317
104	Hai Phong	Hamlet 3, Kien Bai Commune, Thuy Nguyen District, Hai Phong city	031.3645566 031.3645567
105	Thai Nguyen	Hamlet 3, Luong Son Commune, Thai Nguyen City, Thai Nguyen Province	0280.3645657 0280.3645658
106	Vinh Phuc	Huong loc Hamlet, Dao Duc commune, Binh Xuyen District, Vinh Phuc Province	0211.3593234 0211.3593567
107	Ha Giang	Tan An Hamlet, Hung An Commune, Bac Quang District, Ha Giang Province	0219.3892956 0219.3892957
108	Bac Kan	Group 15, Phung Chi Kien Ward, Bac Kan Commune, Bac Kan Province	0281.3812556 0281.3812558



# Separate Financial Statements

For the year ended 30 september 2012

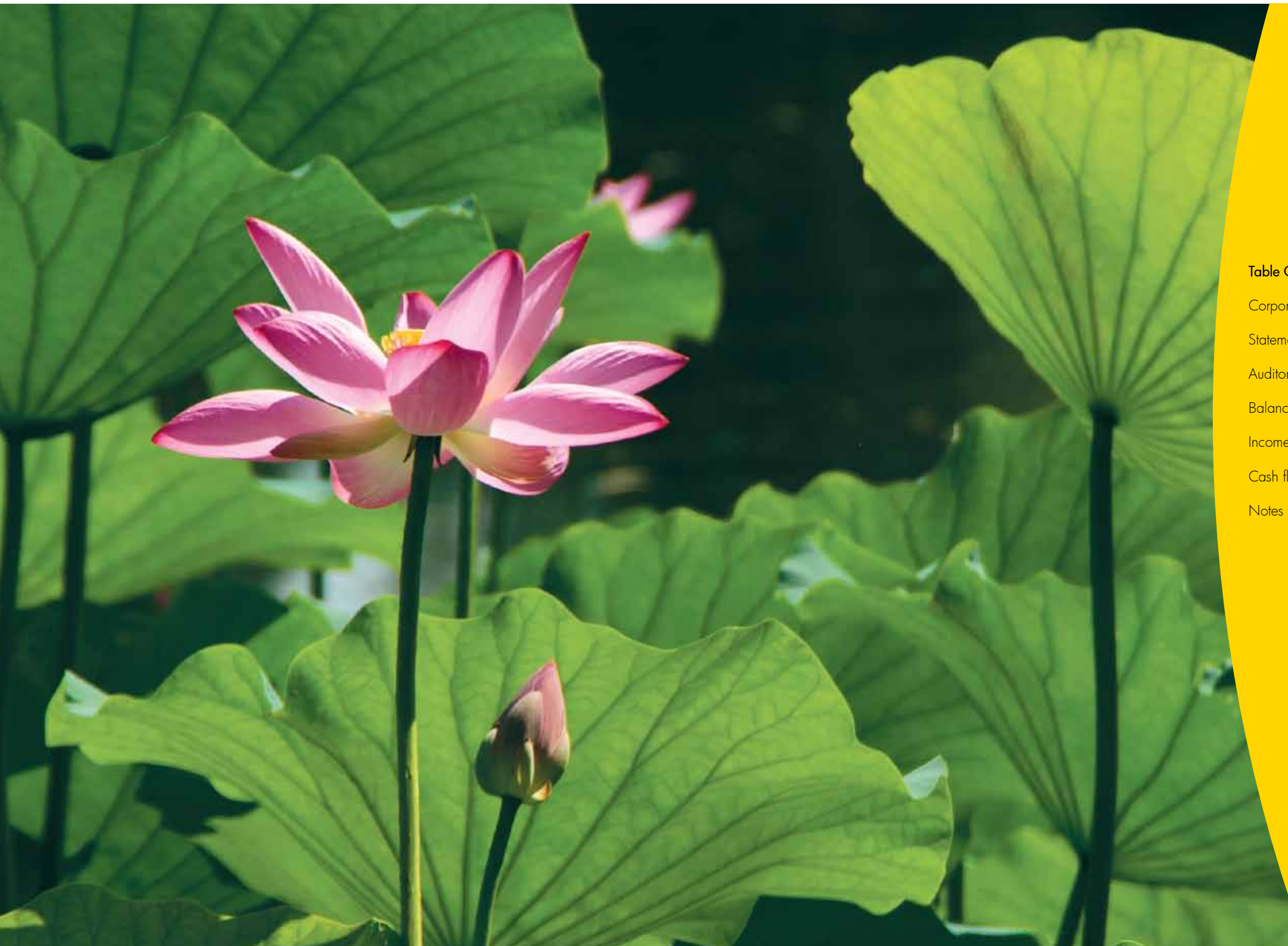


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## CORPORATE INFORMATION

<b>Business Registration Certificate No.</b>	3700381324 dated 21 June 2012 First issued on 8 August 2001														
	The Business Registration Certificate has been amended several times and the latest amendment was the Business Registration Certificate No. 3700381324 on 21 June 2012. The Business Registration Certificate was issued by the Department of Planning and Investment of Binh Duong Province.														
<b>Board of Management</b>	<table><tr><td>Mr Le Phuoc Vu</td><td>Chairman</td></tr><tr><td>Mr Tran Ngoc Chu</td><td>Vice Chairman</td></tr><tr><td>Mr Le Phung Hao</td><td>Member</td></tr><tr><td>Mr Pham Gia Tuan</td><td>Member</td></tr><tr><td>Mr Nguyen Van Quy</td><td>Member (Resigned on 22 March 2012)</td></tr><tr><td>Mr Ly Duy Hoang</td><td>Member (Appointed on 22 March 2012)</td></tr></table>	Mr Le Phuoc Vu	Chairman	Mr Tran Ngoc Chu	Vice Chairman	Mr Le Phung Hao	Member	Mr Pham Gia Tuan	Member	Mr Nguyen Van Quy	Member (Resigned on 22 March 2012)	Mr Ly Duy Hoang	Member (Appointed on 22 March 2012)		
Mr Le Phuoc Vu	Chairman														
Mr Tran Ngoc Chu	Vice Chairman														
Mr Le Phung Hao	Member														
Mr Pham Gia Tuan	Member														
Mr Nguyen Van Quy	Member (Resigned on 22 March 2012)														
Mr Ly Duy Hoang	Member (Appointed on 22 March 2012)														
<b>Board of Directors</b>	<table><tr><td>Mr Tran Ngoc Chu</td><td>General Director</td></tr><tr><td>Mr Hoang Duc Huy</td><td>Deputy General Director</td></tr><tr><td>Mr Vu Van Binh</td><td>Deputy General Director (Resigned on 1 June 2012)</td></tr><tr><td>Mr Tran Quoc Tri</td><td>Deputy General Director</td></tr><tr><td>Mr Vu Van Thanh</td><td>Deputy General Director</td></tr><tr><td>Mr Nguyen Minh Khoa</td><td>Acting Deputy General Director (Appointed on 1 October 2011)</td></tr><tr><td>Mr Ho Thanh Hieu</td><td>Acting Deputy General Director (Appointed on 15 June 2012)</td></tr></table>	Mr Tran Ngoc Chu	General Director	Mr Hoang Duc Huy	Deputy General Director	Mr Vu Van Binh	Deputy General Director (Resigned on 1 June 2012)	Mr Tran Quoc Tri	Deputy General Director	Mr Vu Van Thanh	Deputy General Director	Mr Nguyen Minh Khoa	Acting Deputy General Director (Appointed on 1 October 2011)	Mr Ho Thanh Hieu	Acting Deputy General Director (Appointed on 15 June 2012)
Mr Tran Ngoc Chu	General Director														
Mr Hoang Duc Huy	Deputy General Director														
Mr Vu Van Binh	Deputy General Director (Resigned on 1 June 2012)														
Mr Tran Quoc Tri	Deputy General Director														
Mr Vu Van Thanh	Deputy General Director														
Mr Nguyen Minh Khoa	Acting Deputy General Director (Appointed on 1 October 2011)														
Mr Ho Thanh Hieu	Acting Deputy General Director (Appointed on 15 June 2012)														
<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														

## 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 2012 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 41 which give a true and fair view of the financial position of the Company as at 30 September 2012 and of the results of its operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.

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 2012 in order to obtain full information of the financial information, results of operations and cash flows of the Group as a whole.



Tran Ngoc Chu  
General Director

Binh Duong Province, SR Vietnam  
3 December 2012



**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 3 December 2012. The separate financial statements comprise the balance sheet as at 30 September 2012, 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 41.

**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 separate 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.

**Opinion**

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



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

PricewaterhouseCoopers (Vietnam) Limited  
Ho Chi Minh City, SR Vietnam  
Audit report number HCM3380  
3 December 2012



Nguyen Cao Nguyen  
AC No. 1184/KTV

# Separate Financial Statements

Form B 01 – DN

## BALANCE SHEET

Code	ASSETS	Note	As at 30 September	
			2012 VND	2011 VND
<b>100</b>	<b>CURRENT ASSETS</b>		<b>2,687,785,701,677</b>	<b>3,250,279,967,093</b>
<b>110</b>	<b>Cash and cash equivalents</b>	3	<b>62,322,761,267</b>	<b>126,343,395,167</b>
111	Cash		62,322,761,267	126,343,395,167
<b>120</b>	<b>Short-term investments</b>		<b>3,975,059,008</b>	-
121	Short-term investments		3,975,059,008	-
<b>130</b>	<b>Accounts receivable</b>		<b>1,060,986,322,198</b>	<b>1,097,677,196,770</b>
131	Trade accounts receivable	4	851,514,345,464	735,136,576,406
132	Prepayments to suppliers	5	132,204,331,550	112,840,243,696
135	Other receivables	6	84,214,681,047	252,206,830,245
139	Provision for doubtful debts		(6,947,035,863)	(2,506,453,577)
<b>140</b>	<b>Inventories</b>	7	<b>1,346,471,979,331</b>	<b>1,765,275,223,172</b>
141	Inventories		1,348,257,580,603	1,765,275,223,172
149	Provision for decline in value of inventories		(1,785,601,272)	-
<b>150</b>	<b>Other current assets</b>		<b>214,029,579,873</b>	<b>260,984,151,984</b>
151	Short-term prepayments		24,941,573,704	25,348,615,065
152	Value Added Tax to be reclaimed		181,182,026,226	191,717,067,998
154	Other taxes receivable		836,185,561	-
158	Other current assets	8	7,069,794,382	43,918,468,921
<b>200</b>	<b>LONG-TERM ASSETS</b>		<b>2,618,397,191,638</b>	<b>2,686,882,002,143</b>
<b>220</b>	<b>Fixed assets</b>		<b>2,049,080,566,012</b>	<b>2,128,985,585,123</b>
221	Tangible fixed assets	9(a)	1,734,733,389,181	1,478,450,108,256
222	Cost		2,268,486,591,891	1,816,619,977,070
223	Accumulated depreciation		(533,753,202,710)	(338,169,868,814)
224	Finance lease assets	9(b)	78,249,367,215	-
225	Cost		84,032,961,457	-
226	Accumulated depreciation		(5,783,594,242)	-
227	Intangible fixed assets	9(c)	210,778,072,533	213,362,665,641
228	Cost		220,918,698,551	220,905,131,051
229	Accumulated amortisation		(10,140,626,018)	(7,542,465,410)
230	Construction in progress	9(d)	25,319,737,083	437,172,811,226
<b>250</b>	<b>Long-term investments</b>	10	<b>505,732,331,634</b>	<b>504,605,390,954</b>
251	Investments in subsidiaries		446,276,000,000	446,276,000,000
252	Investments in associates		44,456,331,634	44,456,331,634
258	Other long-term investments		15,000,000,000	15,000,000,000
259	Provision for diminution in value of long-term investments		-	(1,126,940,680)
<b>260</b>	<b>Other long-term assets</b>		<b>63,584,293,992</b>	<b>53,291,026,066</b>
261	Long-term prepayments	11	56,290,140,917	47,356,517,597
262	Deferred income tax assets	12	5,281,603,174	4,871,229,297
268	Other long-term assets		2,012,549,901	1,063,279,172
<b>270</b>	<b>TOTAL ASSETS</b>		<b>5,306,182,893,315</b>	<b>5,937,161,969,236</b>

The notes on pages 9 to 41 are an integral part of these financial statements.

Form B 01 – DN

## BALANCE SHEET (continued)

Code	RESOURCES	Note	As at 30 September	
			2012 VND	2011 VND
<b>300</b>	<b>LIABILITIES</b>		<b>3,255,130,650,996</b>	<b>4,115,914,947,348</b>
<b>310</b>	<b>Current liabilities</b>		<b>2,649,950,276,006</b>	<b>3,485,549,491,223</b>
311	Short-term borrowings	13(a)	2,031,073,752,460	2,245,467,872,962
312	Trade accounts payable	14	470,105,482,411	1,124,806,259,547
313	Advances from customers		9,153,814,784	39,043,692,919
314	Taxes and other payables to the State Budget	15	71,348,792,426	16,758,743,314
315	Payable to employees		20,893,335,354	19,490,662,024
316	Accrued expenses	16	23,697,643,116	29,106,140,385
319	Other payables	17	18,452,204,256	2,929,661,962
323	Bonus and welfare fund	18	5,225,251,199	7,946,458,110
<b>330</b>	<b>Long-term liabilities</b>		<b>605,180,374,990</b>	<b>630,365,456,125</b>
334	Long-term borrowings	13(b)	601,196,647,490	629,061,213,625
336	Provision for severance allowances		3,983,727,500	1,304,242,500
<b>400</b>	<b>SHAREHOLDERS' EQUITY</b>		<b>2,051,052,242,319</b>	<b>1,821,247,021,888</b>
<b>410</b>	<b>Capital and reserves</b>		<b>2,051,052,242,319</b>	<b>1,821,247,021,888</b>
411	Share capital	19,20	1,007,907,900,000	1,007,907,900,000
412	Share premium	20	451,543,290,363	451,543,290,363
414	Treasury shares	20	(56,716,723,982)	(28,588,182,845)
416	Financial reserve funds	20	8,525,313,060	8,525,313,060
419	Other funds	20	2,148,326,909	-
420	Undistributed earnings	20	637,644,135,969	381,858,701,310
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>5,306,182,893,315</b>	<b>5,937,161,969,236</b>

### OFF BALANCE SHEET ITEMS

Cash and cash equivalents are balances held in foreign currencies of US\$134,082 (as at 30 September 2011: US\$13,337).



Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Ngoc Chu  
General Director  
3 December 2012

The notes on pages 9 to 41 are an integral part of these financial statements.



# Separate Financial Statements

Form B 02 – DN

## INCOME STATEMENT

Code	Note	Year ended 30 September	
		2012 VND	2011 VND
<b>01 Sales</b>		<b>12,619,830,306,445</b>	<b>11,257,002,387,037</b>
02 Less deductions		(14,325,992,176)	(14,808,935,014)
<b>10 Net sales</b>	21(a)	<b>12,605,504,314,269</b>	<b>11,242,193,452,023</b>
<b>11 Cost of sales</b>	22	<b>(11,375,653,501,501)</b>	<b>(10,336,014,938,167)</b>
<b>20 Gross profit</b>		<b>1,229,850,812,768</b>	<b>906,178,513,856</b>
21 Financial income	21(b)	113,585,114,098	274,270,850,819
22 Financial expenses	23	(404,065,310,249)	(450,899,292,903)
23 <i>In which: Interest expense</i>		<i>(335,861,045,260)</i>	<i>(282,057,005,265)</i>
24 Selling expenses	24	(337,646,105,793)	(273,241,648,901)
25 General and administration expenses	25	(218,616,359,161)	(158,043,749,817)
<b>30 Operating profit</b>		<b>383,108,151,663</b>	<b>298,264,673,054</b>
31 Other income	26	36,234,559,574	219,293,555,101
32 Other expenses	27	(30,083,781,517)	(187,412,642,636)
<b>40 Net other income</b>		<b>6,150,778,057</b>	<b>31,880,912,465</b>
<b>50 Net accounting profit before tax</b>		<b>389,258,929,720</b>	<b>330,145,585,519</b>
<b>51 Business income tax - current</b>	28	<b>(27,562,434,241)</b>	<b>(17,946,100,611)</b>
<b>52 Business income tax - deferred</b>	12, 28	<b>410,373,877</b>	<b>2,240,695,095</b>
<b>60 Net profit after tax</b>		<b>362,106,869,356</b>	<b>314,440,180,003</b>
<b>70 Earnings per share</b>	30	<b>3,700</b>	<b>3,184</b>



Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Ngoc Chu  
General Director  
3 December 2012

The notes on pages 9 to 41 are an integral part of these financial statements.

## CASH FLOW STATEMENT (Indirect method)

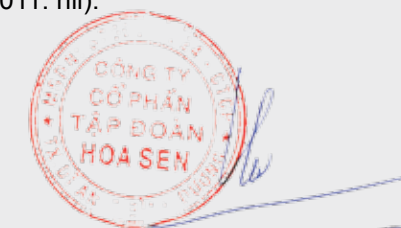
Form B 03 – DN

Code	Note	Year ended 30 September	
		2012 VND	2011 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>01 Net profit before tax</b>		<b>389,258,929,720</b>	<b>330,145,585,519</b>
Adjustments for:			
02 Depreciation and amortisation		212,417,240,760	152,019,607,346
03 Provisions		5,099,242,878	340,135,671
04 Unrealised foreign exchange (gains)/losses		(4,232,103,846)	1,779,496,270
05 Gain from investing activities		(68,516,940,194)	(189,292,779,656)
06 Interest expense		335,861,045,260	282,057,005,265
07 Losses/(gains) from disposals of fixed assets		42,857,574	(14,489,903,987)
<b>08 Operating profit before changes in working capital</b>		<b>869,930,272,152</b>	<b>562,559,146,428</b>
09 Decrease/(increase) in receivables		139,461,328,873	(18,572,145,478)
10 Decrease/(increase) in inventories		417,017,642,569	(615,466,169,805)
11 (Decrease)/increase in payables		(617,120,711,077)	505,785,008,867
12 Increase in prepaid expenses		(3,602,928,727)	(34,649,997,478)
13 Interest paid		(341,746,932,318)	(274,755,496,246)
14 Business income tax paid		(21,453,868,690)	(10,188,701,745)
16 Other payments on operating activities		(9,336,896,699)	(4,551,499,841)
<b>20 Net cash inflow from operating activities</b>		<b>433,147,906,083</b>	<b>110,160,144,702</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21 Purchases of fixed assets		(57,038,858,220)	(823,899,538,759)
22 Proceeds from disposals of fixed assets		3,248,224,565	191,389,756,749
27 Interest received		3,675,541,465	3,167,104,832
<b>30 Net cash outflows from investing activities</b>		<b>(50,115,092,190)</b>	<b>(629,342,677,178)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
32 Purchase treasury shares		(28,128,541,137)	(28,016,088,845)
33 Proceeds from borrowings		6,583,550,959,039	5,971,137,263,295
34 Repayments of borrowings		(6,877,969,336,715)	(5,279,815,361,496)
35 Finance lease paid		(26,350,002,329)	-
36 Dividends paid		(96,593,160,025)	(49,875,641,450)
<b>40 Net cash (outflows)/inflows from financing activities</b>		<b>(445,490,081,167)</b>	<b>613,430,171,504</b>
<b>50 Net (decrease)/increase in cash and cash equivalents</b>		<b>(62,457,267,274)</b>	<b>94,247,639,028</b>
<b>60 Cash and cash equivalents at beginning of year</b>	3	<b>126,343,395,167</b>	<b>34,385,502,402</b>
61 Effect of foreign exchange differences		(1,563,366,626)	(2,289,746,263)
<b>70 Cash and cash equivalents at end of year</b>	3	<b>62,322,761,267</b>	<b>126,343,395,167</b>

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



Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Ngoc Chu  
General Director  
3 December 2012

The notes on pages 9 to 41 are an integral part of these financial statements.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

### 1. GENERAL INFORMATION

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

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

The principal activities of the Company are:

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

As at 30 September 2012, the Company had 2,432 employees (30 September 2011: 1,762 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 separate 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 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 2012 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.

#### 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 General Director best knowledge of current events and actions, actual results may differ from those estimates.

#### 2.5 Currency

The separate 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.



## 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 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.

## 2.12 Borrowing costs

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

## 2.13 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.

## 2.14 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.

## 2.15 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.

## 2.16 Other funds

Other funds are appropriated from undistributed earnings and used upon the approval of General Meeting of Shareholders.

## 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 General of Assembly of Shareholders.

## 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 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.

## 2.19 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.

## 2.20 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 2012 is determined based on the employees' number of years of service up to 31 December 2008 and their average salary for the six-month period prior to the balance sheet date.

	30/9/2012 VND	30/9/2011 VND
<b>3. CASH AND CASH EQUIVALENTS</b>		
Cash on hand	23,231,700,912	9,162,563,690
Cash at bank	38,382,025,210	117,180,831,477
Cash in transit	709,035,145	-
	<b>62,322,761,267</b>	<b>126,343,395,167</b>
<b>4. TRADE ACCOUNTS RECEIVABLE</b>		
Third parties	561,878,374,848	439,415,357,110
Related parties (Note 33(b))	289,635,970,616	295,721,219,296
	<b>851,514,345,464</b>	<b>735,136,576,406</b>
<b>5. PREPAYMENTS TO SUPPLIERS</b>		
Third parties	42,020,148,804	22,657,016,696
Related parties (Note 33(b))	90,184,182,746	90,183,227,000
	<b>132,204,331,550</b>	<b>112,840,243,696</b>



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## 6. OTHER RECEIVABLES

	30/9/2012 VND	30/9/2011 VND
Third parties	19,028,419,661	49,945,117,800
Related parties (Note 33(b))	65,186,261,386	202,261,712,445
	<b>84,214,681,047</b>	<b>252,206,830,245</b>

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

## 7. INVENTORIES

	30/9/2012 VND	30/9/2011 VND
Goods in transit	340,678,259,856	328,583,285,799
Raw materials	147,022,796,976	352,116,157,982
Tools	128,830,080,317	90,498,457,943
Finished goods	654,483,300,362	875,480,750,474
Merchandises	77,243,143,092	118,596,570,974
Provision for decline in value of inventories	(1,785,601,272)	-
	<b>1,346,471,979,331</b>	<b>1,765,275,223,172</b>

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

## 8. OTHER CURRENT ASSETS

	30/9/2012 VND	30/9/2011 VND
Short-term deposits	2,486,311,258	39,184,104,427
Advance to employees	4,583,483,124	4,542,839,658
Shortage of assets awaiting for disposal	-	191,524,836
	<b>7,069,794,382</b>	<b>43,918,468,921</b>

# Notes To The Separate Financial Statements

## 9. 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>						
As at 1 October 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
New purchases	199,893,816	11,674,064,354	522,469,506	29,813,000	-	12,426,240,676
Transferred from construction in progress	115,101,139,418	336,366,355,037	-	60,976,500	-	451,528,470,955
Disposals	(1,226,500,000)	(10,338,042,378)	(147,807,001)	-	-	(11,712,349,379)
Other decrease	(344,862,657)	(30,884,774)	-	-	-	(375,747,431)
As at 30 September 2012	507,797,152,593	1,695,395,571,625	48,669,506,417	3,134,728,690	13,489,632,566	2,268,486,591,891
<b>Accumulated depreciation</b>						
As at 1 October 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
Charge for the year	29,490,312,756	166,327,650,938	5,853,117,581	473,895,418	1,890,509,217	204,035,485,910
Disposals	(342,145,161)	(7,973,335,030)	(105,787,049)	-	-	(8,421,267,240)
Other	-	(30,884,774)	-	-	-	(30,884,774)
As at 30 September 2012	81,689,087,257	422,967,159,859	24,036,816,869	2,105,916,994	2,954,221,731	533,753,202,710
<b>Net book value</b>						
As at 1 October 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
As at 30 September 2012	426,108,065,336	1,272,428,411,766	24,632,689,548	1,028,811,696	10,535,410,835	1,734,733,389,181

As at 30 September 2012, cost of fixed assets fully depreciated but still in use was VND45,143,822,732 (As at 30 September 2011: VND6,315,233,156).

As at 30 September 2012, tangible fixed assets with a carrying value of VND1,133,687,229,165 have been pledged as security for the Company's loans (As at 30 September 2011: VND937,725,317,496).

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## 9. FIXED ASSETS (continued)

### (b) Finance lease assets

	Machinery and equipment VND
<b>Historical cost</b>	
As at 1 October 2011	-
New leases	84,032,961,457
As at 30 September 2012	84,032,961,457
<b>Accumulated depreciation</b>	
As at 1 October 2011	-
Charge for the year	5,783,594,242
As at 30 September 2012	5,783,594,242
<b>Net book value</b>	
As at 1 October 2011	-
As at 30 September 2012	78,249,367,215

### (c) Intangible fixed assets

	Land use rights VND	Computer software VND	Total VND
<b>Historical cost</b>			
As at 1 October 2011	219,514,657,317	1,390,473,734	220,905,131,051
New purchases	13,567,500	-	13,567,500
As at 30 September 2012	219,528,224,817	1,390,473,734	220,918,698,551
<b>Accumulated amortisation</b>			
As at 1 October 2011	6,807,133,954	735,331,456	7,542,465,410
Charge for the year	2,367,994,751	230,165,857	2,598,160,608
As at 30 September 2012	9,175,128,705	965,497,313	10,140,626,018
<b>Net book value</b>			
As at 1 October 2011	212,707,523,363	655,142,278	213,362,665,641
As at 30 September 2012	210,353,096,112	424,976,421	210,778,072,533

## 9. FIXED ASSETS (continued)

### (c) Intangible fixed assets (continued)

As at 30 September 2012 land use rights with a carrying value of VND134,832,214,689 (As at 30 September 2011: VND150,236,457,785) have been pledged with banks as security for the Company's loans.

### (d) Construction in progress

	30/9/2012 VND	30/9/2011 VND
Opening balance	437,172,811,226	540,353,255,533
Additions	44,599,050,044	719,067,469,396
Transferred to long-term prepayments	(4,923,653,232)	(3,449,823,999)
Transferred to tangible fixed assets	(451,528,470,955)	(818,798,089,704)
Closing balance	25,319,737,083	437,172,811,226

Major projects include:

	30/9/2012 VND	30/9/2011 VND
Machinery and equipment for Hoa Sen Phu My Steel Sheet Plant	18,569,355,451	344,399,711,468
Hoa Sen Phu My Steel Sheet Plant Project	5,113,690,655	78,778,683,205

Borrowing costs capitalised in fixed assets and cost in construction in progress for year ended 30 September 2012 was VND 8,715,760,598 (Year ended 30 September 2011: VND7,300,447,031).



## Notes To The Separate Financial Statements

### 10. 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	Amount	
				30/9/2012 VND	30/9/2011 VND
<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
				<b>446,276,000,000</b>	<b>446,276,000,000</b>

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

Investee	Main activities	Business License	% ownership and voting rights	Amount	
				30/9/2012 VND	30/9/2011 VND
<b>Associates</b>					
Hoa Sen-Gemadep Logistics and International Port Corporation	Provide sea cargo agency services	Business Registration Certificate No. 3500751828 issued by Department of Planning and Investment of Ba Ria-Vung Tau Province on 20 June 2006 and amended on 13 October 2009	45	44,456,331,634	44,456,331,634
<b>Other long-term investment</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 State Securities Commission of Vietnam on 15 January 2008	3	15,000,000,000	15,000,000,000
<b>SUB-TOTAL</b>				<b>59,456,331,634</b>	<b>59,456,331,634</b>
Provision for diminution in value of long-term investments				-	(1,126,940,680)
<b>TOTAL</b>				<b>59,456,331,634</b>	<b>58,329,390,954</b>

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Investment in Hoa Sen – Gemadep Logistics and International Port Corporation is awaiting for disposal according to Resolution of The General of Assembly of Shareholders No 02/INQ/DHDCD/HSG/2011 dated 16 June 2011.

## 11. LONG-TERM PREPAYMENTS

	Year ended 30 September	
	30/9/2012 VND	30/9/2011 VND
Opening balance	47,356,517,597	28,561,120,370
Additions	33,698,894,183	34,667,181,388
Transferred from construction in progress	4,923,653,232	3,449,823,999
Transferred from fixed assets	-	93,360,012
Amortisation	(29,688,924,095)	(18,428,901,167)
Transferred to tangible fixed assets	-	(143,091,058)
Transferred to inventories	-	(842,975,947)
Closing balance	56,290,140,917	47,356,517,597

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

## 12. DEFERRED INCOME TAX ASSETS

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

	Year ended 30 September	
	30/9/2012 VND	30/9/2011 VND
Opening balance	4,871,229,297	2,630,534,202
Credited to income statement	410,373,877	2,240,695,095
Closing balance	5,281,603,174	4,871,229,297

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

## 13. BORROWINGS

### (a) Short-term borrowings

	30/9/2012 VND	30/9/2011 VND
Short-term bank loans (*)	1,874,783,164,492	2,058,178,693,714
Current portion of long-term loans (Note 13(b))	144,621,141,648	187,289,179,248
Finance lease liabilities (Note 13(b))	11,669,446,320	-
	2,031,073,752,460	2,245,467,872,962

## 13. BORROWINGS (continued)

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

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

Loan No	Currency	Annual interest	30/9/2012 VND	30/9/2011 VND
01	USD	4.5% - 7%	397,349,294,200	162,816,804,000
02	VND	11% - 18.5%	66,800,000,000	416,200,000,000
03	USD	3.6% - 7.7%	132,506,031,645	39,224,142,000
04	VND	12.5% - 17.3%	10,007,000,000	21,960,000,000
05	USD	3% - 8%	256,450,792,619	268,532,580,897
06	VND	9% - 18.5%	184,210,428,571	170,041,793,679
07	USD	5.8% - 8%	115,637,056,000	150,378,120,000
08	VND	17.5% - 20.4%	-	42,600,000,000
09	USD	3.6% - 8.6%	99,490,344,783	117,411,357,826
10	VND	11.2% - 17.8%	28,390,000,000	48,000,000,000
11	USD	5%	39,573,200,000	5,961,492,000
12	USD	6% - 8%	13,954,760,000	92,788,745,832
13	USD	5.8% - 6.8%	-	22,741,543,436
14	USD	6.5% - 8.2%	-	35,536,177,397
15	VND	13.2% - 19.8%	-	35,100,000,000
16	USD	6% - 8.5%	28,364,976,082	-
17	VND	20%	-	44,000,000,000
18	USD	5.1% - 6.5%	57,818,528,000	98,364,141,906
19	USD	4.8% - 6.8%	231,332,534,540	-
20	VND	12.7% - 19%	-	85,400,000,000
21	USD	4% - 5.3%	183,498,218,052	129,789,639,741
22	VND	11.2% - 18.5%	29,400,000,000	71,332,155,000
			1,874,783,164,492	2,058,178,693,714

All of the above short-term loans are secured by the Company's fixed assets and inventories.



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## 13. BORROWINGS (continued)

### (b) Long-term borrowings

		30/9/2012 VND	30/9/2011 VND
Bank loans	(*)	638,262,330,949	734,218,920,873
Finance lease liabilities	(**)	54,457,416,509	-
Other loans	(***)	64,767,488,000	82,131,472,000
		757,487,235,458	816,350,392,873
Less: Current portion of long-term loans (Note 13(a))		(144,621,141,648)	(187,289,179,248)
Less: Finance lease liabilities (Note 13(a))		(11,669,446,320)	-
		601,196,647,490	629,061,213,625

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

Loan	Currency	Repayment	Annual interest	30/9/2012 VND	30/9/2011 VND
01	VND	25/09/2017	13% - 17.6%	155,288,986,000	188,753,256,000
02	VND	11/06/2016	13% - 18%	290,697,516,695	-
03	USD	15/09/2013	7.2% - 7.5%	1,564,516,048	3,098,985,696
04	VND	26/04/2015	14 - 17.9%	9,229,890,000	13,861,890,000
05	VND	24/10/2015	7.8% - 8.4%	35,500,000,000	49,720,000,000
06	USD	08/09/2018	1.70%	96,581,300,106	112,403,818,206
07	VND	17/07/2017	14 - 16.5%	49,400,122,100	-
08	VND	26/10/2016	15% - 18.5%	-	40,865,888,000
09	VND	29/03/2016	14.9% - 21%	-	297,075,482,971
10	VND	27/12/2012	23%	-	14,000,000,000
11	USD	02/05/2012	6.50%	-	14,439,600,000
				638.262.330.949	734.218.920.873

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

## 13. BORROWINGS (continued)

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

(\*\*) Finance lease liabilities

	30/9/2012		
	Total finance lease liabilities VND	Interest VND	Principal VND
Within 1 year	18,834,143,228	7,164,696,908	11,669,446,320
Between 1 and 5 years	54,494,608,924	11,706,638,735	42,787,970,189
	73,328,752,152	18,871,335,643	54,457,416,509

Finance lease liabilities are secured by the Company's leased fixed assets and inventories as presented at Note 9(b).

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

	30/9/2012 VND	30/9/2011 VND
Third parties (a)	58,267,488,000	77,131,472,000
Related parties (b)	6,500,000,000	5,000,000,000
	64,767,488,000	82,131,472,000

(a) The loan balance of EUR2,144,000 which is equivalent to VND58,267,488,000 (30 September 2011: EUR2,728,000 which is equivalent to VND77,131,472,000) is from a 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 VND6,500,000,000 (30 September 2011: VND5,000,000,000) is from a subsidiary, unsecured and interest free. In which, the balance of VND5,000,000,000 is due for repayment in September 2014 and the balance of VND1,500,000,000 is due for repayment in November 2014 (Note 33(b)).

## 14. TRADE ACCOUNTS PAYABLE

	30/9/2012 VND	30/9/2011 VND
Third parties	457,703,656,349	1,082,513,405,792
Related parties (Note 33(b))	12,401,826,062	42,292,853,755
	470,105,482,411	1,124,806,259,547

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

	30/9/2012 VND	30/9/2011 VND
VAT on importation	46,827,168,659	10,340,205,509
Business income tax	9,566,145,650	3,457,580,099
Output VAT	14,496,567,330	863,074,723
Import – Export duties	76,358,503	-
Other taxes	382,552,284	2,097,882,983
	71,348,792,426	16,758,743,314

## 16. ACCRUED EXPENSES

	30/9/2012 VND	30/9/2011 VND
Electricity	3,733,871,837	-
Expenses for construction in progress	1,623,564,318	9,737,303,244
Transportation fee	-	5,637,891,191
Audit fee	400,000,000	459,800,000
13th month salary	9,881,678,000	3,472,230,000
Loan interest	3,892,928,961	9,778,816,019
Other expenses	4,165,600,000	20,099,931
	23,697,643,116	29,106,140,385

## 17. OTHER PAYABLES

	30/9/2012 VND	30/9/2011 VND
Dividends	2,213,857,525	1,249,599,550
Social insurance, health insurance, trade union fee	915,190,369	886,734,400
Other payables to related parties (Note 33(b))	-	109,723,758
Other payables (*)	15,323,156,362	683,604,254
	18,452,204,256	2,929,661,962

(\*) Other payables include unpaid tax and related penalty amounting to VND11,039,479,294 arising from the liquidation of a subsidiary as mentioned in Note 27.

## 18. 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	
	30/9/2012 VND	30/9/2011 VND
Opening balance	7,946,458,110	1,728,997,376
Addition	6,406,734,996	10,768,960,575
Appropriation to other funds	(707,980,636)	-
Reverse to undistributed earnings	(4,055,557,395)	-
Utilisation	(4,364,403,876)	(4,551,499,841)
Closing balance	5,225,251,199	7,946,458,110

## 19. NUMBER OF SHARES

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

	30/9/2012		30/9/2011	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of shares capital authorised and issued	100,790,790	-	100,790,790	-
Treasury shares	(3,859,212)	-	(2,020,012)	-
Number of existing shares in issue	96,931,578	-	98,770,778	-

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



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### 20. MOVEMENTS IN OWNERS' EQUITY

	Shareholders' capital VND	Share premium VND	Undistributed earnings VND	Other funds VND	Treasury shares VND	Financial Reserves VND	Total VND
As at 1 October 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)
Appropriated to bonus and welfare funds	-	-	(10,768,960,575)	-	-	-	(10,768,960,575)
Repurchase of treasury shares	-	-	-	-	(28,016,088,845)	-	(28,016,088,845)
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
Profit for the year	-	-	362,106,869,356	-	-	-	362,106,869,356
Dividend payment (*)	-	-	(97,557,418,000)	-	-	-	(97,557,418,000)
Repurchase of treasury shares	-	-	-	-	(28,128,541,137)	-	(28,128,541,137)
Appropriated to bonus and welfare funds	-	-	(6,406,734,996)	-	-	-	(6,406,734,996)
Appropriated to other funds	-	-	(6,412,839,096)	6,412,839,096	-	-	-
Used of other funds during the year	-	-	-	(4,972,492,823)	-	-	(4,972,492,823)
Reversal of bonus and welfare funds	-	-	4,055,557,395	-	-	-	4,055,557,395
Transferred from bonus and welfare funds	-	-	-	707,980,636	-	-	707,980,636
As at 30 September 2012	1,007,907,900,000	451,543,290,363	637,644,135,969	2,148,326,909	(56,716,723,982)	8,525,313,060	2,051,052,242,319

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

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### 21. REVENUE

#### (a) Net sales

**Sales**  
Finished goods  
Merchandises

**Sales deductions**  
Trade discounts  
Sales returns  
Sales allowances

#### (b) Financial income

Interest income from deposits  
Transfer of profit from liquidation of Hoa Sen Phu My Steel Sheet One Member Co., Ltd.  
Dividends income from Hoa Sen Steel Sheet One Member Co., Ltd.  
Dividends income from Hoa Sen Building Materials One Member Co., Ltd.  
Dividends income from Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.  
Gain from foreign exchange differences

### 22. COST OF SALES

Cost of finished goods sold  
Cost of merchandises sold

Year ended 30 September	
2012 VND	2011 VND
9,579,445,220,466	7,563,102,259,779
3,040,385,085,979	3,693,900,127,258
12,619,830,306,445	11,257,002,387,037
(109,570,991)	(771,748,862)
(13,825,512,110)	(13,707,656,265)
(390,909,075)	(329,529,887)
(14,325,992,176)	(14,808,935,014)

Year ended 30 September	
2012 VND	2011 VND
3,675,541,465	3,167,104,832
-	40,112,291,627
52,213,284,884	153,458,750,365
11,487,184,884	29,807,279,768
1,485,791,618	2,946,706,691
44,723,311,247	44,778,717,536
113,585,114,098	274,270,850,819

Year ended 30 September	
2012 VND	2011 VND
8,586,088,509,737	6,872,768,008,994
2,789,564,991,764	3,463,246,929,173
11,375,653,501,501	10,336,014,938,167

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## 23. FINANCIAL EXPENSES

	Year ended 30 September	
	2012 VND	2011 VND
Interest expense	335,861,045,260	282,057,005,265
(Reversal)/provision for diminution in value of long-term investments	(1,126,940,680)	573,940,680
Realised foreign exchange losses	69,331,205,669	168,241,262,503
Loss from the liquidation of Hoa Sen Plastic Co. Ltd.	-	27,084,455
	<u>404,065,310,249</u>	<u>450,899,292,903</u>

## 24. SELLING EXPENSES

	Year ended 30 September	
	2012 VND	2011 VND
Staff costs	78,144,103,712	62,874,827,126
Depreciation expenses	17,794,064,368	18,138,581,723
Material expenses	1,907,889,808	2,224,576,875
Outside service expenses	233,023,749,707	181,916,330,204
Other expenses	6,776,298,198	8,087,332,973
	<u>337,646,105,793</u>	<u>273,241,648,901</u>

## 25. GENERAL AND ADMINISTRATION EXPENSES

	Year ended 30 September	
	2012 VND	2011 VND
Staff costs	103,044,831,180	72,514,684,163
Office supplies	4,616,984,264	4,427,382,792
Depreciation expenses	15,936,719,550	14,687,033,095
Outside service expenses	73,028,620,941	56,221,558,509
Other expenses	21,989,203,226	10,193,091,258
	<u>218,616,359,161</u>	<u>158,043,749,817</u>

## 26. OTHER INCOME

	Year ended 30 September	
	2012 VND	2011 VND
Sales of scraps	6,802,832,226	13,515,173,426
Proceeds from disposal of fixed assets	3,248,224,565	191,389,756,749
Others	26,183,502,783	14,388,624,926
	<u>36,234,559,574</u>	<u>219,293,555,101</u>

## 27. OTHER EXPENSES

	Year ended 30 September	
	2012 VND	2011 VND
Net book value of fixed assets disposed	3,291,082,139	176,899,852,762
Others (*)	26,792,699,378	10,512,789,874
	<u>30,083,781,517</u>	<u>187,412,642,636</u>

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

## 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.



## 28. TAXATION (continued)

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	
	2012 VND	2011 VND
Net accounting profit before tax	389,258,929,720	330,145,585,519
Tax calculated at a rate of the Company	58,388,839,458	49,521,837,828
Effect of:		
Income not subject to tax	(13,755,469,574)	(35,741,850,123)
Expenses not deductible for tax purposes	15,362,727,895	11,461,659,678
Impact of tax reduction	(27,562,434,241)	(11,305,556,591)
Impact of increase in tax rate	(5,281,603,174)	(4,871,229,296)
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	27,152,060,364	15,705,405,516
In which:		
Business Income Tax - Current	(27,562,434,241)	(17,946,100,611)
Business Income Tax - Deferred	410,373,877	2,240,695,095

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

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

## 30. EARNINGS PER SHARE

Basic earnings per share as at 30 September 2012 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	
	2012 VND	2011 VND
Net profit attributable to shareholders (VND)	362,106,869,356	314,440,180,003
Weighted average number of ordinary shares in issue (shares)	97,872,861	98,770,778
Basic earnings per share (VND)	3,700	3,184

## 31. COST OF GOODS MANUFACTURED BY FACTORS

	Year ended 30 September	
	2012 VND	2011 VND
Raw materials	7,090,668,169,410	7,286,232,682,525
Labour costs	244,555,613,141	179,395,026,619
Depreciation expense	201,868,400,350	142,477,716,496
Outside service expenses	587,851,209,315	413,740,194,206
Other expenses	135,825,870,224	76,200,576,894
	8,260,769,262,440	8,098,046,196,740

## 32. FINANCIAL RISK MANAGEMENT

*Financial risk factors:*

The Company's activities expose it to market risk (including currency risk and interest rate risk), receivables risk and liquidity risk.

The Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board establishes policies to identify, measure, and strategy hedging.

Financial department measures actual level risk against defined limit and prepares statement regularly for review by the Board.

The following information is presented based on what the Board received.

### (a) Market risk

#### (i) Foreign exchange risk

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

## 32. FINANCIAL RISK MANAGEMENT (continued)

### (a) Market risk (continued)

#### (i) Foreign exchange risk (continued)

The Company's foreign exchange exposure is as follows:

	30/9/2012		
	Denominated in USD Equivalent to VND	Denominated in EUR Equivalent to VND	Total VND
<b>Financial assets</b>			
Cash and bank deposits	2,792,663,980	6,021,880	2,798,685,860
Trade receivables	201,145,081,799	-	201,145,081,799
Prepayments to suppliers and deposits	32,684,495,210	-	32,684,495,210
	236,622,240,989	6,021,880	236,628,262,869
<b>Financial liabilities</b>			
Borrowings	(1,654,121,552,075)	(58,267,488,000)	(1,712,389,040,075)
Trade payables	(335,345,977,364)	-	(335,345,977,364)
Advances from customers	(2,605,798,786)	-	(2,605,798,786)
	(1,992,073,328,225)	(58,267,488,000)	(2,050,340,816,225)
<b>Foreign exchange exposure</b>	<b>(1,755,451,087,236)</b>	<b>(58,261,466,120)</b>	<b>(1,813,712,553,356)</b>

	30/9/2011		
	Denominated in USD Equivalent to VND	Denominated in EUR Equivalent to VND	Total VND
<b>Financial assets</b>			
Cash and bank deposits	275,189,185	6,201,902	281,391,087
Trade receivables	127,760,566,730	-	127,760,566,730
Prepayments to suppliers and deposits	47,077,345,333	-	47,077,345,333
	175,113,101,248	6,201,902	175,119,303,150
<b>Financial liabilities</b>			
Borrowings	(1,253,487,148,937)	(77,131,472,000)	(1,330,618,620,937)
Trade payables	(720,719,342,678)	-	(720,719,342,678)
Advances from customers	(18,151,632,809)	-	(18,151,632,809)
	(1,992,358,124,424)	(77,131,472,000)	(2,069,489,596,424)
<b>Foreign exchange exposure</b>	<b>(1,817,245,023,176)</b>	<b>(77,125,270,098)</b>	<b>(1,894,370,293,274)</b>

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

## 32. FINANCIAL RISK MANAGEMENT (continued)

### (a) Market risk (continued)

#### (i) Foreign exchange risk (continued)

As at 30 September 2012, if VND/USD had increased/decreased by 1%, with all other variables held constant, the Company's profit after tax for the year would have been lower/higher by VND16,216,106,162/16,216,080,945 (year ended 30 September 2011: VND16,773,549,559/16,809,261,117).

As at 30 September 2012, if VND/EUR had increased/decreased by 1%, with all other variables held constant, the Company's profit after tax for the year would have been lower/higher by VND539,374,651/539,374,650 (year ended 30 September 2011: VND714,064,780/714,064,780).

#### (ii) Price risk

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

#### (iii) Interest rate risk

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

As at 30 September 2012, if the VND interest rates had increased/decreased by 1% with all other variables being held constant, the Company's profit after tax the year would have been lower/higher by VND13,026,542,571/13,071,853,378 (year ended 30 September 2011: VND13,629,118,632/13,629,118,632).

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

### (b) Credit risk

The Company manages credit risk by taking the following actions:

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



## 32. FINANCIAL RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

Trade and other trade receivable include:

#### (i) Receivables not past due and not impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks which have high credit-ratings in Vietnam. Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track records with the Company.

The Company's trade and other receivables not past due include receivables amounting to VND781,577,125,040 (30 September 2011: VND885,936,578,211).

#### (ii) Receivables past due and/or impaired

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

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

	30/9/2012 VND	30/9/2011 VND
Past due 1 to 30 days	59,324,022,167	57,322,201,090
Past due 31 days to 60 days	16,915,170,002	23,232,551,468
Past due over 60 days	77,912,709,302	20,852,075,882
	<b>154,151,901,471</b>	<b>101,406,828,440</b>

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

	30/9/2012 VND	30/9/2011 VND
Total receivables	851,514,345,464	735,136,576,406
Less: Provision for diminution	(6,947,035,863)	(2,506,453,577)
	<b>844,567,309,601</b>	<b>732,630,122,829</b>
Opening balance	2,506,453,577	1,064,804,194
Provision for diminution	4,440,582,286	1,441,649,383
Closing balance	<b>6,947,035,863</b>	<b>2,506,453,577</b>

## 32. FINANCIAL RISK MANAGEMENT (continued)

### (c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities paid by cash or other financial assets.

The Company's policy is to ensure that the Company maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

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

	30/9/2012			Total VND
	Within 1 year VND	Between 1 and 5 years VND	Over 5 years VND	
Trade payables	470,105,482,411	-	-	<b>470,105,482,411</b>
Short-term borrowings	1,874,783,164,492	-	-	<b>1,874,783,164,492</b>
Long-term borrowings and current portion of long-term loans	156,290,587,968	601,196,070,400	577,090	<b>757,487,235,458</b>
	<b>2,501,179,234,871</b>	<b>601,196,070,400</b>	<b>577,090</b>	<b>3,102,375,882,361</b>

	30/9/2011			Total VND
	Within 1 year VND	Between 1 and 5 years VND	Over 5 years VND	
Trade payables	1,124,806,259,547	-	-	<b>1,124,806,259,547</b>
Short-term borrowings	2,058,178,693,714	-	-	<b>2,058,178,693,714</b>
Long-term borrowings and current portion of long-term loans	187,289,179,248	622,927,960,836	6,133,252,789	<b>816,350,392,873</b>
	<b>3,370,274,132,509</b>	<b>622,927,960,836</b>	<b>6,133,252,789</b>	<b>3,999,335,346,134</b>

### (d) Fair value measurement

The carrying value less provision of current receivables, short-term deposits, trade and other liabilities and loans approximate to their fair value.

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## 33. RELATED PARTY TRANSACTIONS

Related parties transactions include subsidiaries, associates, 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) Sales of goods and other services

	Year ended 30 September	
	2012 VND	2011 VND
Hoa Sen Steel Sheet One Member Co., Ltd.	2,123,440,304,032	2,611,741,700,120
Hoa Sen Building Materials One Member Co., Ltd.	1,073,740,050,090	999,100,998,186
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	2,940,296,181	2,563,105,478
Hoa Sen Plastic One Member Co., Ltd.	-	43,209,452

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

	Year ended 30 September	
	2012 VND	2011 VND
Hoa Sen Steel Sheet One Member Co., Ltd.	2,280,366,978,072	2,837,619,414,872
Hoa Sen Building Materials One Member Co., Ltd.	757,690,547,533	872,234,049,897
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	10,298,596,751	15,847,220,659

#### (iii) Sales of fixed assets

	Year ended 30 September	
	2012 VND	2011 VND
Hoa Sen Building Materials One Member Co., Ltd.	-	129,354,538,219

#### (iv) Purchases of fixed assets

	Year ended 30 September	
	2012 VND	2011 VND
Hoa Sen Steel Sheet One Member Co., Ltd.	-	2,452,754,895
Hoa Sen Building Materials One Member Co., Ltd.	233,794,473	297,832,847

## 33. RELATED PARTY TRANSACTIONS (continued)

### (a) Related party transactions (continued)

#### (v) Others

	Year ended 30 September	
	2012 VND	2011 VND
<b>Hoa Sen Steel Sheet One Member Co., Ltd.</b>		
Other sales	127,831,144	99,913,643
<b>Hoa Sen Building Materials One Member Co., Ltd.</b>		
Sales returned	897,455,836	1,733,640,900
Other sales	6,313,662,432	6,276,298,544
Goods returned	4,010,927,659	13,337,154,162
Loan proceeds	55,190,000,000	-
<b>Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.</b>		
Loan proceeds	1,500,000,000	5,000,000,000

#### (vi) Compensation of key management

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



# Notes To The Separate Financial Statements

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## 33. RELATED PARTY TRANSACTIONS (continued)

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

	30/9/2012 VND	30/9/2011 VND
<b>Trade accounts receivable (Note 4)</b>		
Hoa Sen Steel Sheet One Member Co., Ltd.	-	8,800,000,000
Hoa Sen Building Materials One Member Co., Ltd.	289,635,970,616	286,921,219,296
	<u>289,635,970,616</u>	<u>295,721,219,296</u>
<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	90,183,227,000
Hoa Sen Building Materials One Member Co., Ltd.	955,746	-
	<u>90,184,182,746</u>	<u>90,183,227,000</u>
<b>Other receivables (Note 6)</b>		
<i>Dividends receivable from subsidiaries</i>		
Hoa Sen Steel Sheet One Member Co., Ltd.	52,213,284,884	153,458,750,365
Hoa Sen Building Materials One Member Co., Ltd.	11,487,184,884	29,807,279,768
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	1,485,791,618	2,946,706,691
<i>Other</i>		
Hoa Sen Building Materials One Member Co., Ltd.	-	16,048,975,621
	<u>65,186,261,386</u>	<u>202,261,712,445</u>
<b>Long term loans (Note 13(b))</b>		
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	6,500,000,000	5,000,000,000

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## 33. RELATED PARTY TRANSACTIONS (continued)

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

	30/9/2012 VND	30/9/2011 VND
<b>Trade accounts payable (Note 14)</b>		
Hoa Sen Steel Sheet One Member Co., Ltd.	10,655,332,192	39,785,925,034
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	1,746,493,870	2,506,928,721
	<u>12,401,826,062</u>	<u>42,292,853,755</u>
<b>Other payables (Note 17)</b>		
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	-	109,723,758

## 34. SEGMENT REPORTING

The General Director 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.

## 35. COMMITMENTS UNDER OPERATING LEASES

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

	30/9/2012 VND	30/9/2011 VND
Within 1 year	18,846,143,567	18,064,277,823
Between 1 and 5 years	50,657,547,840	53,726,255,649
Over 5 years	148,336,057,822	152,128,654,822
Total minimum payments	<u>217,839,749,229</u>	<u>223,919,188,294</u>

# Notes To The Separate Financial Statements

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## 36. CAPITAL COMMITMENTS

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

	30/9/2012 VND	30/9/2011 VND
Buildings, machinery and equipment	186,444,843,145	28,575,744,556

The separate financial statements were approved by the General Director on 3 December 2012.



Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Ngoc Chu  
General Director



# Consolidated Financial Statements

For the year ended 30 september 2012



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## CORPORATE INFORMATION

<b>Business Registration Certificate</b>	No. 3700381324 dated 21 June 2012 First issued on 8 August 2001	
	The Business Registration Certificate has been amended several times and the latest amendment was the Business Registration Certificate No. 3700381324 on 21 June 2012. The Business Registration Certificate was issued by the Department of Planning and Investment of Binh Duong Province.	
<b>Board of Management</b>	Mr Le Phuoc Vu Mr Tran Ngoc Chu Mr Le Phung Hao Mr Pham Gia Tuan Mr Nguyen Van Quy Mr Ly Duy Hoang	Chairman Vice Chairman Member Member Member (resigned on 22 March 2012) Member (appointed on 22 March 2012)
<b>Board of Directors</b>	Mr Tran Ngoc Chu Mr Hoang Duc Huy Mr Vu Van Binh  Mr Vu Van Thanh Mr Tran Quoc Tri Mr Nguyen Minh Khoa  Mr Ho Thanh Hieu	General Director Deputy General Director Deputy General Director (resigned on 1 June 2012)  Deputy General Director Deputy General Director Acting Deputy General Director (appointed on 1 October 2011) Acting Deputy General Director (appointed on 15 June 2012)
<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	

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

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

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

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

## APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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



Tran Ngoc Chu  
General Director

Binh Duong Province, SR Vietnam  
18 December 2012



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

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

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

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

**Auditor's Responsibility**

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

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

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

**Opinion**

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



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

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



Nguyen Cao Nguyen  
AC No. 1184/KTV

# Consolidated Financial Statements

Form B 01 – DN/HN

## CONSOLIDATED BALANCE SHEET

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

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

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## CONSOLIDATED BALANCE SHEET (continued)

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

### OFF BALANCE SHEET ITEMS

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



Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Ngoc Chu  
General Director  
18 December 2012

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



# Consolidated Financial Statements

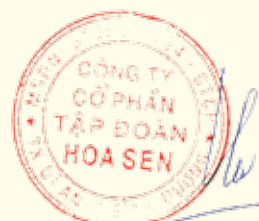
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## CONSOLIDATED INCOME STATEMENT

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



Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Ngoc Chu  
General Director  
18 December 2012

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

## CONSOLIDATED CASH FLOW STATEMENT (Indirect method)

Form B 03 – DN/HN

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

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



Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Ngoc Chu  
General Director  
18 December 2012

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

# Notes To The Consolidated Financial Statements

Form B 09 – DN/HN

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

### 1. GENERAL INFORMATION

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

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

The principal activities of the Company are:

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

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

Subsidiary name	Location	Principal activities	% ownership and voting rights	
			30/9/2012	30/9/2011
Hoa Sen Steel Sheet One Member Co., Ltd.	No. 9, Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An Ward, Di An Town, Binh Duong Province	Manufacture and trade in cold rolled steel products	100	100
Hoa Sen Building Materials One Member Co., Ltd.	Phu My Industrial Park I, Phu My Town, Tan Thanh District, Ba Ria - Vung Tau Province, Vietnam	Manufacture and trade in plastic building materials and steel pipe products	100	100
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	No. 9 Thong Nhat Boulevard, Song Than II Industrial Park II, Di An Ward, Di An Town, Binh Duong Province, Vietnam	Provide engineering, civil and industrial construction projects; transportation service; produce and process rolling mill; cutter and industrial machine, equipment	100	100

All subsidiaries are incorporated in Vietnam.

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

### 2. ACCOUNTING SYSTEM AND ACCOUNTING POLICIES

#### 2.1 Basis of preparation of consolidated financial statements

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

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

#### 2.2 Fiscal year

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

#### 2.3 Consolidation

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

##### **Subsidiaries**

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

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



## 2.3 Consolidation (continued)

### *Joint ventures and associates*

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

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

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

## 2.4 Form of records applied

The Group uses journal vouchers to record its transactions.

## 2.5 Use of accounting estimate

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

## 2.6 Currency

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

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

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

## 2.7 Cash and cash equivalents

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

## 2.8 Trade receivables

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

## 2.9 Inventories

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

## 2.10 Investments

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

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

### (b) Long-term investments

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

## 2.11 Fixed assets

### *Tangible and intangible fixed assets*

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

### *Depreciation*

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

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

## 2.11 Fixed assets (continued)

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

### *Disposals*

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

## 2.12 Leased assets

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

## 2.13 Borrowing costs

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

## 2.14 Long-term prepayments

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

## 2.15 Revenue recognition

### (a) Sales of goods

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

## 2.15 Revenue recognition (continued)

### (b) Sales of services

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

### (c) Interest income

Interest income is recognised on an earned basis.

### (d) Dividend income

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

## 2.16 Deferred income tax

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

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

## 2.17 Share capital and treasury shares

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

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

## 2.18 Dividend distribution

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



# Notes To The Consolidated Financial Statements

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## 2.19 Related parties

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

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

## 2.20 Provisions

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

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

## 2.21 Provision for severance allowances

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

## 3. CASH AND CASH EQUIVALENTS

	30/9/2012 VND	30/9/2011 VND
Cash on hand	23,431,416,059	9,386,304,571
Cash at bank	43,100,528,271	118,988,694,065
Cash in transit	900,048,517	34,000,000
	<u>67,431,992,847</u>	<u>128,408,998,636</u>

## 4. PREPAYMENTS TO SUPPLIERS

	30/9/2012 VND	30/9/2011 VND
Third parties	47,219,601,308	29,410,670,331
Related parties (Note 32(b))	90,183,227,000	90,183,227,000
	<u>137,402,828,308</u>	<u>119,593,897,331</u>

## 5. OTHER RECEIVABLES

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

## 6. INVENTORIES

	30/9/2012 VND	30/9/2011 VND
Goods in transit	340,678,259,856	328,588,358,524
Raw materials	190,622,980,418	424,301,598,775
Tools	221,482,551,071	181,491,551,424
Work in progress	56,468,240	10,095,839
Finished goods	710,083,474,030	960,731,017,901
Merchandises	78,683,975,528	120,537,631,870
	<u>1,541,607,709,143</u>	<u>2,015,660,254,333</u>
Provision for decline in value of inventory	(1,785,601,272)	-
	<u>1,539,822,107,871</u>	<u>2,015,660,254,333</u>

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

## 7. TAX AND OTHER RECEIVABLE TO THE STATE BUDGET

	30/9/2012 VND	30/9/2011 VND
Business income tax refundable	20,797,918	-
Other receivables from the State	836,185,561	8,374,590
	<u>856,983,479</u>	<u>8,374,590</u>

# Notes To The Consolidated Financial Statements

## 8. OTHER CURRENT ASSETS

Short-term deposits  
Advances to employees  
Shortage of assets awaiting for resolution

	30/9/2012 VND	30/9/2011 VND
Short-term deposits	2,486,311,258	39,207,131,927
Advances to employees	4,872,079,981	6,108,106,507
Shortage of assets awaiting for resolution	-	191,524,836
	<b>7,358,391,239</b>	<b>45,506,763,270</b>

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## Notes To The Consolidated Financial Statements

### 9. FIXED ASSETS

#### (a) Tangible fixed assets

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

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Cost of fixed assets fully depreciated but are still in use as at 30 September 2012 was VND49,172,810,851 (As at 30 September 2011: VND6,617,650,581).  
As at 30 September 2012 fixed assets with a carrying value of VND1,137,287,394,652 (As at 30 September 2011: VND937,725,317,496) have been pledged as security for the borrowings.



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## 9. FIXED ASSETS (continued)

### (b) Finance lease assets

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

### (c) Intangible fixed assets

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

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

## 9. FIXED ASSETS (continued)

### (d) Construction in progress

	Year ended 30 September	
	2012 VND	2011 VND
Opening balance	470,916,943,034	600,863,044,677
Additions	48,855,722,581	726,383,063,929
Transferred to long-term prepayments	(4,923,653,232)	(4,138,662,022)
Transferred to tangible fixed assets	(488,845,130,479)	(852,139,924,642)
Disposals	-	(50,578,908)
Closing balance	26,003,881,904	470,916,943,034
Major projects include:		
	2012 VND	2011 VND
Machinery and equipment for Hoa Sen Phu My Steel Sheet Plant	18,569,355,451	344,399,711,468
Hoa Sen Phu My Steel Sheet Plant Project	5,113,690,655	78,778,683,205

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

**10. LONG-TERM INVESTMENTS**

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

Investees	Principal activities	Business License	% ownership and voting rights	Số tiền	
				30/9/2012 VND	30/9/2011 VND
<b>Associates</b>					
Hoa Sen-Gemadep Logistics and International Port Corporation	Provide sea cargo agency services	Business Registration Certificate No. 3500751828 issued by the Department of Planning and Investment of Ba Ria-Vung Tau Province on 20 June 2006 and amended on 13 October 2009	45	44,456,331,634	44,456,331,634
<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
Provision for diminution in value of long-term investments				59,456,331,634	59,456,331,634
				-	(1,126,940,680)
				59,456,331,634	58,329,390,954

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**11. LONG-TERM PREPAYMENTS**

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

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

**12. DEFERRED INCOME TAX ASSETS**

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

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

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

**13. BORROWINGS**

**(a) Short-term borrowings**

	30/9/2012 VND	30/9/2011 VND
	Bank loans (*)	1,874,783,164,492
Current portion of long-term loans (Note 13(b))	144,621,141,648	187,289,179,248
Current portion of finance lease liabilities (Note 13(b))	20,521,443,928	8,646,164,196
	2,039,925,750,068	2,254,114,037,158



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

No.	Currency	Annual interest	30/9/2012 VND	30/9/2011 VND
01	USD	4.5% - 7%	397,349,294,200	162,816,804,000
02	VND	11% - 18.5%	66,800,000,000	416,200,000,000
03	USD	3.6% - 7.7%	132,506,031,645	39,224,142,000
04	VND	12.5% - 17.3%	10,007,000,000	21,960,000,000
05	USD	3% - 8%	256,450,792,619	268,532,580,897
06	VND	9% - 18.5%	184,210,428,571	170,041,793,679
07	USD	5.8% - 8%	115,637,056,000	150,378,120,000
08	VND	17.5% - 20.4%	-	42,600,000,000
09	USD	3.6% - 8.6%	99,490,344,783	117,411,357,826
10	VND	11.2% - 17.8%	28,390,000,000	48,000,000,000
11	USD	5%	39,573,200,000	5,961,492,000
12	USD	6% - 8%	13,954,760,000	92,788,745,832
13	USD	5.8% - 6.8%	-	22,741,543,436
14	USD	6.5% - 8.2%	-	35,536,177,397
15	VND	13.2% - 19.8%	-	35,100,000,000
16	USD	6% - 8.5%	28,364,976,082	-
17	VND	20%	-	44,000,000,000
18	USD	5.1% - 6.5%	57,818,528,000	98,364,141,906
19	USD	4.8% - 6.8%	231,332,534,540	-
20	VND	12.7% - 19%	-	85,400,000,000
21	USD	4% - 5.3%	183,498,218,052	129,789,639,741
22	VND	11.2% - 18.5%	29,400,000,000	71,332,155,000
			<b>1.874.783.164.492</b>	<b>2.058.178.693.714</b>

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

## 13. BORROWINGS (continued)

### (b) Long-term borrowings

		30/9/2012 VND	30/9/2011 VND
Bank loans	(*)	638,262,330,949	734,218,920,873
Finance lease liabilities	(**)	74,922,199,406	29,110,947,093
Other long-term debts	(***)	58,267,488,000	77,131,472,000
		<b>771,452,018,355</b>	<b>840,461,339,966</b>
Less: Long-term loans due within one year (Note 13(a))		(144,621,141,648)	(187,289,179,248)
Less: Finance lease liabilities due within one year (Note 13(a))		(20,521,443,928)	(8,646,164,196)
		<b>606,309,432,779</b>	<b>644,525,996,522</b>

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

No.	Currency	Repayment	Annual interest	30/9/2012 VND	30/9/2011 VND
01	VND	25/09/2017	13% - 17.6%	155,288,986,000	188,753,256,000
02	VND	11/06/2016	13% - 18%	290,697,516,695	-
03	USD	15/09/2013	7.2% - 7.5%	1,564,516,048	3,098,985,696
04	VND	26/04/2015	14 - 17.9%	9,229,890,000	13,861,890,000
05	VND	24/10/2015	7.8% - 8.4%	35,500,000,000	49,720,000,000
06	USD	08/09/2018	1.7%	96,581,300,106	112,403,818,206
07	VND	17/07/2017	14 - 16.5%	49,400,122,100	-
08	VND	26/10/2016	15% - 18.5%	-	40,865,888,000
09	VND	29/03/2016	14.9% - 21%	-	297,075,482,971
10	VND	27/12/2012	23%	-	14,000,000,000
11	USD	02/05/2012	6.5%	-	14,439,600,000
				<b>638.262.330.949</b>	<b>734.218.920.873</b>

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

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## 13. BORROWINGS (continued)

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

#### (\*\*) Finance lease liabilities

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

#### Finance lease liabilities

	30/9/2012		
	Total liabilities VND	Interest VND	Principal VND
Less than 1 year	30,258,852,744	9,737,408,816	20,521,443,928
From 1 to 5 years	67,908,490,149	13,507,734,671	54,400,755,478
	<u>98,167,342,893</u>	<u>23,245,143,487</u>	<u>74,922,199,406</u>

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

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

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

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

	30/9/2012 VND	30/9/2011 VND
VAT on imported goods	46,827,168,659	10,340,205,509
Value Added Tax	17,603,888,915	2,804,260,421
Import - Export duties	76,358,503	-
Business income tax	19,678,975,563	4,811,764,787
Other taxes	465,005,931	2,148,087,747
	<u>84,651,397,571</u>	<u>20,104,318,464</u>

## 15. ACCRUED EXPENSES

	30/9/2012 VND	30/9/2011 VND
Electricity	3,855,747,726	235,804,437
Payable relating to construction in progress	1,623,564,318	9,737,303,244
Transportation fee	1,981,006,445	7,285,891,191
Audit fee	785,454,544	919,599,998
13 <sup>th</sup> month salary	10,262,949,429	3,472,230,000
Loan interest	3,892,928,961	9,778,816,019
Other accrued expenses	4,339,253,420	137,892,658
	<u>26,740,904,843</u>	<u>31,567,537,547</u>

## 16. OTHER PAYABLES

	30/9/2012 VND	30/9/2011 VND
Dividends	2,494,771,525	1,397,909,550
Social insurance, health insurance, trade union fee	949,195,838	918,853,052
Other payables	13,893,332,747	5,723,273,857
	<u>17,337,300,110</u>	<u>8,040,036,459</u>

## 17. BONUS AND WELFARE FUND

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

	30/9/2012 VND	30/9/2011 VND
Opening balance	7,946,458,110	1,728,997,376
Appropriation	6,406,734,996	10,768,960,575
Utilisation	(4,364,403,876)	(4,551,499,841)
Reversed to undistributed earnings	(4,055,557,395)	-
Other decreases	(707,980,636)	-
Closing balance	<u>5,225,251,199</u>	<u>7,946,458,110</u>



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## 18. NUMBER OF SHARES

	30/9/2012		30/9/2011	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of shares capital authorised and issued	100,790,790	-	100,790,790	-
Treasury shares	(3,859,212)	-	(2,020,012)	-
Number of existing shares in issue	96,931,578	-	98,770,778	-

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

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### 19. MOVEMENTS IN OWNERS' EQUITY

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

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(\*)

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



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## 20. REVENUE

### (a) Net sales

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

### (b) Financial income

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

## 21. COST OF SALES

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

## 22. FINANCIAL EXPENSES

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

## 23. SELLING EXPENSES

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

## 24. GENERAL AND ADMINISTRATION EXPENSES

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



## 25. OTHER INCOME

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

## 26. OTHER EXPENSES

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

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

## 27. TAXATION

### *Hoa Sen Group*

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

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

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

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

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

## 27. TAXATION (continued)

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

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

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

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

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

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

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

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

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

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## 28. DIVIDENDS

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

## 29. EARNINGS PER SHARE

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

	Year ended 30 September	
	30/9/2012 VND	30/9/2011 VND
Net profit attributable to shareholders	368,103,367,888	160,168,374,901
Weighted average number of ordinary shares in issue (shares)	97,872,861	98,770,778
Basic earnings per share (VND)	3,761	1,622

## 30. COST OF GOODS MANUFACTURED BY FACTORS

	Year ended 30 September	
	30/9/2012 VND	30/9/2011 VND
Raw materials	10,177,050,899,778	11,051,234,931,496
Labour costs	310,562,325,023	211,527,664,606
Depreciation expense	260,224,527,337	194,945,656,330
Outside service expenses	644,786,710,718	456,919,316,405
Other expenses	185,034,803,092	107,380,837,177
	11,577,659,265,948	12,022,008,406,014

## 31. FINANCIAL RISK MANAGEMENT

### Financial risk factors

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

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

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

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

## 31. FINANCIAL RISK MANAGEMENT (continued)

### (a) Market risk

#### (i) Foreign exchange risk

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

The Group's foreign exchange exposure is as follows:

	30/9/2012		
	Balance in USD Equivalent to VND	Balance in EUR Equivalent to VND	Total VND
<b>Financial assets</b>			
Cash and bank deposits	2,865,102,635	6,021,880	2,871,124,515
Trade accounts receivable	201,145,081,799	-	201,145,081,799
Prepayments to suppliers and deposits	37,532,010,178	39,699,997	37,571,710,175
	241,542,194,612	45,721,877	241,587,916,489
<b>Financial liabilities</b>			
Borrowings	(1,654,121,552,075)	(58,267,488,000)	(1,712,389,040,075)
Trade accounts payable	(335,204,971,804)	-	(335,204,971,804)
Advances from customers	(2,054,807,729)	-	(2,054,807,729)
	(1,991,381,331,608)	(58,267,488,000)	(2,049,648,819,608)
<b>Foreign exchange exposure</b>	<b>(1,749,839,136,996)</b>	<b>(58,221,766,123)</b>	<b>(1,808,060,903,119)</b>
	30/9/2011		
	Balance in USD Equivalent to VND	Balance in EUR Equivalent to VND	Total VND
<b>Financial assets</b>			
Cash and bank	334,891,361	6,201,902	341,093,263
Trade accounts receivable	127,760,566,730	-	127,760,566,730
Prepayments to suppliers and deposits	48,685,493,899	1,596,180,660	50,281,674,559
	176,780,951,990	1,602,382,562	178,383,334,552
<b>Financial liabilities</b>			
Borrowings	(1,253,487,148,937)	(77,131,472,000)	(1,330,618,620,937)
Trade accounts payable	(720,824,344,088)	-	(720,824,344,088)
Advances from customers	(18,151,632,809)	-	(18,151,632,809)
	(1,992,463,125,834)	(77,131,472,000)	(2,069,594,597,834)
<b>Foreign exchange exposure</b>	<b>(1,815,682,173,844)</b>	<b>(75,529,089,438)</b>	<b>(1,891,211,263,282)</b>



## 31. FINANCIAL RISK MANAGEMENT (continued)

### (a) Market risk (continued)

#### (i) Foreign exchange risk (continued)

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

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

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

#### (ii) Price risk

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

#### (iii) Interest rate risk

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

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

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

## 31. FINANCIAL RISK MANAGEMENT (continued)

### (b) Credit risk

The Group manages credit risk by taking the following actions:

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

Trade and other trade receivable include:

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

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

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

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

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

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

	30/9/2012 VND	30/9/2011 VND
Past due 1 to 30 days	67,502,933,962	58,019,004,033
Past due 31 days to 60 days	17,656,803,188	27,810,788,040
Past due over 60 days	80,994,592,700	26,756,921,845
	<b>166,154,329,850</b>	<b>112,586,713,918</b>

## 31. FINANCIAL RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

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

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

	30/9/2012 VND	30/9/2011 VND
Gross amount	607,105,628,000	464,096,658,842
Less: Allowance for impairment	(8,314,116,749)	(3,862,992,588)
	<b>598,791,511,251</b>	<b>460,233,666,254</b>
Beginning of year	3,862,992,588	2,073,644,326
Allowance made	4,451,124,161	1,789,348,262
End of year	<b>8,314,116,749</b>	<b>3,862,992,588</b>

### (c) Liquidity risk

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

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

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

	30/9/2012			Total VND
	Less than 1 year VND	Between 1 and 5 years VND	Over 5 years VND	
Trade accounts payable	484,411,293,421	-	-	<b>484,411,293,421</b>
Short-term borrowings	1,874,783,164,492	-	-	<b>1,874,783,164,492</b>
Long-term borrowings and debts, and current portions	165,142,585,576	606,308,855,689	577,090	<b>771,452,018,355</b>
	<b>2,524,337,043,489</b>	<b>606,308,855,689</b>	<b>577,090</b>	<b>3,130,646,476,268</b>

## 31. FINANCIAL RISK MANAGEMENT (continued)

### (c) Liquidity risk (continued)

	30/9/2011			Total VND
	Less than 1 year VND	Between 1 and 5 years VND	Over 5 years VND	
Trade accounts payable	1,098,014,470,240	-	-	<b>1,098,014,470,240</b>
Short-term borrowings	2,058,178,693,714	-	-	<b>2,058,178,693,714</b>
Long-term borrowings and debts, and current portions	195,935,343,444	638,392,743,733	6,133,252,789	<b>840,461,339,966</b>
	<b>3,352,128,507,398</b>	<b>638,392,743,733</b>	<b>6,133,252,789</b>	<b>3,996,654,503,920</b>

### (d) Fair value measurements

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

## 32. RELATED PARTY TRANSACTIONS

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

### (a) Related party transactions

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

#### Compensation of key management

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

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

	2012 VND	2011 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



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### 33. SEGMENT REPORTING

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

### 34. COMMITMENTS UNDER OPERATING LEASES

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

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

### 35. CAPITAL COMMITMENTS

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

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

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



Nguyen Thi Ngoc Lan  
Chief Accountant



Tran Ngoc Chu  
General Director

## HOA SEN GROUP

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