Pan Pacific Corporation

Consolidated financial statements

31 December 2013

Pan Pacific Corporation

CONTENTS

THE COMPANY

Pan Pacific Corporation ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate No. 0301472704 issued by the Department of Planning and Investment of Ho Chi Minh City on 31 August 2005, as amended.

The Company is listed on the Ho Chi Minh City Stock Exchange ("HOSE") in accordance with License No. 244//2010/QD-SDGHCM issued by the HOSE on 18 November 2010.

The Company and its subsidiaries are principally engaged in agricultural activities and related activities, the financial investments and provision of cleaning services and other related services.

The Company's registered office is located at 236/43/2 Dien Bien Phu Street, Ward 17, Binh Thanh District, Ho Chi Minh City, Vietnam. In addition, the Company also has its branches in Hanoi and Da Nang, Vietnam.

BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report are:

Mr. Nguyen Duy Hung	Chairman	appointed on 26 April 2013
Mr. Nguyen Manh Hung	Chairman	resigned on 26 April 2013
Mr. Michael Louis Rosen	Member	appointed on 26 April 2013
Mr. Tran Dinh Long	Member	appointed on 26 April 2013
Mrs. Nguyen Thi Tra My	Member	appointed on 26 April 2013
Mrs. Le Thi Le Hang	Member	appointed on 26 April 2013
Mrs. Ha Thi Thanh Van	Member	
Mr. Nguyen Van Khai	Member	
Ms. Nguyen Vu Thuy Huong	Member	appointed on 14 April 2013 resigned on 26 April 2013
Mr. Nguyen Xuan Thuy	Member	resigned on 26 April 2013

BOARD OF SUPERVISION

Members of the Board of Supervision during the year and at the date of this report are:

Mr. Nguyen Duy Hung	Head	appointed on 26 April 2013
Mr. Bui Van Truong	Head	resigned on 26 April 2013
Mrs. Nguyen Thi Thanh Ha	Member	appointed on 26 April 2013
Mrs Nguyen Thai Hanh Linh	Member	appointed on 26 April 2013
Ms. Ta Thi Ngu Linh	Member	resigned on 26 April 2013
Ms. Bui Thanh Van	Member	resigned on 26 April 2013

MANAGEMENT

Members of the Management during the year and at the date of this report are:

Mr. Michael Louis Rosen	General Director	appointed on 6 May 2013
Mr. Nguyen Van Khai	General Director Deputy General Director	resigned on 6 May 2013 appointed on 6 May 2013
Mrs. Ha Thi Thanh Van	Deputy General Director	resigned on 6 May 2013

LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr. Nguyen Duy Hung – Chairman of the Board of Director.

Mr. Nguyen Van Khai is authorised by Mr. Nguyen Duy Hung to sign the consolidated financial statements for the year ended 31 December 2013.

AUDITORS

The auditor of the Company is Ernst & Young Vietnam Limited.

Pan Pacific Corporation

REPORT OF MANAGEMENT

Management of Pan Pacific Corporation ("the Company") is pleased to present its report and the consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2013.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the consolidated financial statements for each financial year which give a true and fair view of the consolidated state of affairs of the Group and of the consolidated results of its operations and its consolidated cash flows for the year. In preparing those consolidated financial statements, management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and to ensure that the accounting records comply with the applied accounting system. It 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.

Management confirms that it has complied with the above requirements in preparing the accompanying consolidated financial statements.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2013 and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of consolidated financial statements.

For and on behalf of management:

M.S.D.N: 0301472704-C.T.C.P.
CÔNG TY
CỔ PHẦN
XUYÊN THÁI BÌNH
Q. BÌNH THẠNH - TP. HỒ CHÍ MINH

Nguyen Van Khai
Deputy General Director

28 March 2014

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Building a better working world

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Reference: 61063721/16416848

INDEPENDENT AUDITORS' REPORT

To: The Shareholders of Pan Pacific Corporation

We have audited the accompanying consolidated financial statements of Pan Pacific Corporation and its subsidiaries (the "Group") as prepared on 28 March 2014 and set out on pages 6 to 49, which comprise the consolidated balance sheet as at 31 December 2013, and the consolidated income statement and consolidated cash flow statement for the year then ended and the notes thereto.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 to obtain reasonable assurance about 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Group as at 31 December 2013, and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of consolidated financial statements.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those statements on 8 March 2013.

Ernst & Young Vietnam Limited

CÔNG TY TRÁCH NHIỆM HỮU HẠN ERNST & YOUNG VIỆT NAM

Mai Viet Hung Tran	Ngo Hong Son
Deputy General Director	Auditor
Audit Practicing Registration Certificate	Audit Practicing Registration Certificate
No. 0048-2013-004-1	No. 2211-2013-004-1

Ho Chi Minh City, Vietnam

28 March 2014

CONSOLIDATED BALANCE SHEET
as at 31 December 2013

VND

Code	ASSETS	Notes	Ending balance	Beginning balance
100	**A. CURRENT ASSETS**		**920,716,306,275**	**193,694,101,271**
110	***I. Cash and cash equivalents***	***5***	***171,452,034,042***	***49,860,270,524***
111	1. Cash		57,932,301,545	14,157,439,736
112	2. Cash equivalents		113,519,732,497	35,702,830,788
120	***II. Short-term investments***	***13***	***482,626,360,687***	***37,692,832,899***
121	1. Short-term investments		546,815,652,394	50,117,189,303
129	2. Provision for short-term investment		(64,189,291,707)	(12,424,356,404)
130	***III. Current accounts receivable***		***153,240,289,848***	***91,329,217,529***
131	1. Trade receivables	6	91,732,304,394	39,915,402,531
132	2. Advances to suppliers	7	53,302,610,913	51,134,848,432
135	3. Other receivables	8	8,929,705,921	416,431,473
139	4. Provision for doubtful debts	6	(724,331,380)	(137,464,907)
140	***IV. Inventories***	***9***	***94,066,669,285***	***10,270,528,354***
141	1. Inventories		108,238,805,760	10,395,198,872
149	2. Provision for obsolete inventories		(14,172,136,475)	(124,670,518)
150	***V. Other current assets***		***19,330,952,413***	***4,541,251,965***
151	1. Short-term prepaid expenses		1,671,600,276	873,333,743
152	2. Value-added tax deductible		14,800,740,105	86,195,631
154	3. Tax and other receivables from the State	26.2	995,015,078	995,015,078
158	4. Other current assets	10	1,863,596,954	2,586,707,513
200	**B. NON-CURRENT ASSETS**		**148,002,600,387**	**175,604,939,831**
220	***I. Fixed assets***		***71,893,440,512***	***18,011,526,993***
221	1. Tangible fixed assets	11	56,813,521,117	17,995,526,993
222	Cost		122,819,657,521	37,480,714,139
223	Accumulated depreciation		(66,006,136,404)	(19,485,187,146)
227	2. Intangible fixed assets	12	15,079,919,395	16,000,000
228	Cost		16,593,006,576	104,197,649
229	Accumulated amortisation		(1,513,087,181)	(88,197,649)
250	***II. Long-term investments***	***13***	***14,313,522,748***	***149,866,168,254***
252	1. Investments in associates		10,457,079,172	140,982,005,906
258	2. Other long-term investments		4,698,000,000	9,698,000,000
259	3. Provision for long-term investments		(841,556,424)	(813,837,652)
260	***III. Other long-term assets***		***39,475,550,077***	***2,829,664,938***
261	1. Long-term prepaid expenses	14	38,647,428,673	808,106,998
262	2. Deferred tax assets	26.3	481,140,356	1,763,368,292
268	3. Other long-term assets		346,981,048	258,189,648
269	***IV. Goodwill***	***15***	***22,320,087,050***	***4,897,579,646***
270	**TOTAL ASSETS**		**1,068,718,906,662**	**369,299,041,102**

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2013

VND

Code	*RESOURCES*	*Notes*	*Ending balance*	*Beginning balance*
300	**A. LIABILITIES**		**362,532,758,463**	**41,109,179,067**
310	***I. Current liabilities***		***360,213,279,963***	***40,873,449,767***
311	1. Short-term loans	16	238,712,408,260	-
312	2. Trade payables		13,881,958,436	4,349,497,899
313	3. Advances from customers		67,189,519	99,276,387
314	4. Statutory obligations	17	11,400,800,892	5,508,266,663
315	5. Payables to employees		50,796,098,552	24,946,402,511
316	6. Accrued expenses		482,990,154	155,868,626
319	7. Other payables	18	38,932,272,156	1,976,397,442
320	8. Short-term provision		-	124,806,879
323	9. Bonus and welfare funds		5,939,561,994	3,712,933,360
330	***II. Non-current liability***		***2,319,478,500***	***235,729,300***
333	1. Other long-term liabilities	19	2,319,478,500	235,729,300
400	**B. OWNERS' EQUITY**		**517,874,042,604**	**326,355,998,094**
410	***I. Capital***	***20.1***	***517,874,042,604***	***326,355,998,094***
411	1. Share capital	20.2	200,500,000,000	115,500,000,000
412	2. Share premium		226,238,904,236	108,518,904,236
417	3. Investment and development fund		6,836,132,890	6,905,188,560
418	4. Financial reserve fund		6,838,079,746	6,944,978,901
420	5. Undistributed earnings		77,460,925,732	88,486,926,397
439	**C. MINORITY INTERESTS**	**21**	**188,312,105,595**	**1,833,863,941**
440	**TOTAL LIABILITIES AND OWNERS' EQUITY**		**1,068,718,906,662**	**369,299,041,102**

OFF BALANCE SHEET ITEMS

ITEMS	*Ending balance*	*Beginning balance*
Bad debts written off	90,730,000	90,730,000
Foreign currencies		
- United States dollar (US$)	671,213	187.81
- Euro (EUR)	143,075	50.99

CÔNG TY CỔ PHẦN XUYÊN THÁI BÌNH

Bui Xuan Tuong
Preparer

Tran Anh Phuong
Chief Accountant

Nguyen Van Khai
Deputy General Director

28 March 2014

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2013

VND

Code	ITEMS	Notes	Current year	Previous year
01	**1. Revenues from sale of goods and rendering of services**	22.1	**625,911,603,730**	**283,708,522,993**
02	**2. Deductions**		**(8,323,082,748)**	**-**
10	**3. Net revenues from sale of goods and rendering of services**		**617,588,520,982**	**283,708,522,993**
11	**4. Costs of goods sold and services rendered**	23	**(485,104,893,154)**	**(226,141,847,856)**
20	**5. Gross profit from sale of goods and rendering of services**		**132,483,627,828**	**57,566,675,137**
21	**6. Finance income**	22.2	**28,898,398,018**	**25,121,376,065**
22	**7. Finance expenses**	24	**(3,488,092,091)**	**(14,381,948,941)**
23	*In which: Interest expense*		*(1,909,633,036)*	*-*
24	**8. Selling expenses**		**(24,253,665,288)**	**(4,287,766,320)**
25	**9. General and administrative expenses**		**(49,665,940,460)**	**(29,544,608,012)**
30	**10. Operating profit**		**83,974,328,007**	**34,473,727,929**
31	**11. Other income**		**1,882,664,742**	**402,062,181**
32	**12. Other expenses**		**(1,480,303,851)**	**(98,871,489)**
40	**13. Other profit**		**402,360,891**	**303,190,692**
45	**14. Shares of (loss) profit of associates**		**(42,269,926,734)**	**53,772,379,138**
50	**15. Profit before tax**		**42,106,762,164**	**88,549,297,759**
51	**16. Current corporate income tax expense**	26.2	**(19,463,959,552)**	**(8,447,929,631)**
52	**17. Deferred income tax (expense) benefit**	26.3	**(1,282,227,936)**	**1,277,186,325**
60	**18. Net profit after tax**		**21,360,574,676**	**81,378,554,453**
	Attributable to:			
61	*18.1. Minority interests*		*23,375,375,644*	*453,752,485*
62	*18.2. Equity holders of the parent*		*(2,014,800,968)*	*80,924,801,968*
70	**19. (Loss) earnings per share**			
	- Basic and diluted	*20.4*	*(112)*	*7,324*

M.S.D.N:0301472704 C.T.C.P. CÔNG TY CỔ PHẦN XUYÊN THÁI BÌNH BÌNH THẠNH TP. HỒ CHÍ MINH

Bui Xuan Tuong Preparer	Tran Anh Phuong Chief Accountant	Nguyen Van Khai Deputy General Director

28 March 2014

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2013

VND

Code	ITEMS	Notes	Current year	Previous year
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	**Profit before tax**		**42,106,762,164**	**88,549,297,759**
	Adjustments for:			
02	Depreciation and amortisation		14,763,107,892	5,387,973,389
03	Provisions		24,069,105,454	8,094,435,719
04	Unrealised foreign exchange gains	22.2	(990,436,255)	(13,805,218)
05	Losses (profits) from investing activities		10,853,595,184	(70,330,710,814)
06	Interest expense	24	1,909,633,036	-
08	**Operating profit before changes in working capital**		**92,711,767,475**	**31,687,190,835**
09	Decrease in receivables		15,127,555,142	33,715,601,032
10	Decrease in inventories		8,939,559,591	2,567,315,895
11	Increase (decrease) in payables		67,874,926,306	(4,401,015,349)
12	Decrease in prepaid expenses		4,626,098,731	790,773,760
13	Interest paid		(1,700,142,882)	-
14	Corporate income tax paid	26.2	(14,516,152,511)	(7,074,437,050)
15	Other cash inflows from operating activities		-	2,426,325,234
16	Other cash outflows from operating activities		(8,337,227,405)	(6,537,473,166)
20	**Net cash flows from operating activities**		**164,726,384,448**	**53,174,281,191**
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase and construction of fixed assets and other long-term assets		(18,456,653,501)	(1,546,985,784)
23	Payments for purchase of shares in other entities		(647,154,787,528)	(117,778,667,154)
24	Proceeds from sale of shares in other entities		434,608,363,291	115,396,447,000
25	Payments for investments in other entities		(206,934,660,852)	(79,709,626,768)
26	Proceeds from sale of investments in other entity		12,500,000,000	-
27	Interest and dividends received		23,759,761,074	17,059,348,851
30	**Net cash flows used in investing activities**		**(401,677,977,516)**	**(66,579,483,855)**

CONSOLIDATED CASH FLOW STATEMENT (continued)
for the year ended 31 December 2013

VND

Code	*ITEMS*	*Notes*	*Current year*	*Previous year*
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
31	Issuance of shares		202,720,000,000	17,174,104,956
33	Drawdown of borrowings		446,434,007,415	-
34	Repayment of borrowings		(273,061,818,699)	-
36	Dividends paid to equity holders of the parent		-	(22,095,370,000)
	Dividends paid to minority interest	21	(17,609,070,514)	-
40	**Net cash flows from (used in) financing activities**		**358,483,118,202**	**(4,921,265,044)**
50	**Net increase (decrease) in cash and cash equivalents**		**121,531,525,134**	**(18,326,467,708)**
60	**Cash and cash equivalents at beginning of year**		**49,860,270,524**	**68,186,738,232**
61	**Impact of exchange rate fluctuation**		**60,238,384**	**-**
70	**Cash and cash equivalents at end of year**	**5**	**171,452,034,042**	**49,860,270,524**

M.S.D.N:0301472704-C.T.C.P. CÔNG TY CỔ PHẦN XUYÊN THÁI BÌNH Q. BÌNH THẠNH TP. HỒ CHÍ MINH

Bui Xuan Tuong	Tran Anh Phuong	Nguyen Van Khai
Preparer	Chief Accountant	Deputy General Director

28 March 2014

1. CORPORATE INFORMATION

Pan Pacific Corporation ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate ("BRC") No. 0301472704 issued by the Department of Planning and Investment ("DPI") of Ho Chi Minh City on 31 August 2005, as amended.

The Company is listed on the Ho Chi Minh City Stock Exchange ("HOSE") in accordance with License No. 244/2010/QD-SDGHCM issued by the HOSE on 18 November 2010.

The Company and its subsidiaries are principally engaged in agricultural activities and related activities, the financial investments and provision of cleaning services and other related services.

The Company's registered office is located at 236/43/2 Dien Bien Phu Street, Ward 17, Binh Thanh District, Ho Chi Minh City, Vietnam. In addition, the Company also has its branches in Hanoi and Da Nang, Vietnam.

The number of the employees of the Company and its subsidiaries (the "Group") as at 31 December 2013 was 4,920 (31 December 2012: 3,907).

Corporate structure

The Company's corporate structure includes 3 direct subsidiaries, as follows:

- Ben Tre Aquaproduct Import and Export Joint Stock Company

  This company is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the BRC No. 5503000010 issued by the DPI of Ben Tre Province on 25 December 2003, as amended. Its registered office is located at Tan Thanh Commune, Chau Thanh District, Ben Tre Province, Vietnam. Its principal activities are culturing and processing exported seafood, processing feeds for aquaculture, livestock and poultry. As at 31 December 2013, the Company holds a 54.6% equity share in this subsidiary.

- Pan Pacific Service Company Limited

  This company is a one-member limited liability company incorporated under the Law on Enterprise of Vietnam pursuant to the BRC No. 0309493985 issued by the DPI of Ho Chi Minh City on 24 November 2009, as amended. Its registered office is located at 236/43/2 Dien Bien Phu Street, Ward 17, Binh Thanh District, Ho Chi Minh City, Vietnam. Its principal activities are to provide cleaning and maintenance services, landscaping and other facility services.

- Pan Pacific Company Limited

  This company is a one-member limited liability company incorporated under the Law on Enterprise of Vietnam pursuant to the BRC No. 0100230134 issued by the DPI of Hanoi City on 25 December 2008, as amended. Its registered office is located at 3rd Floor, 1C Ngo Quyen Street, Hoan Kiem District, Hanoi City, Vietnam. Its principal activities are to provide investment consulting and cleaning services and to carry on trading activities.

2. BASIS OF PREPARATION

2.1 *Accounting standards and system*

The consolidated financial statements of the Group, expressed in Vietnam dong ("VND") are prepared in accordance with Vietnamese Enterprise Accounting System and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 5).

Accordingly, the accompanying consolidated balance sheet, consolidated income statement, consolidated cash flow statement and related notes, including their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore 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 other than Vietnam.

2.2 *Applied accounting documentation system*

The Group's applied accounting documentation system is the General Journal system.

2.3 *Fiscal year*

The Group's fiscal year applicable for the preparation of its consolidated financial statements starts on 1 January and ends on 31 December.

2.4 *Accounting currency*

The consolidated financial statements are prepared in VND which is also the Group's accounting currency.

2.5 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2013.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continued to be consolidated until the date that such control ceases.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-company balances, income and expenses and unrealised gains or losses result from intra-company transactions are eliminated in full.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash in banks and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

3.2 *Inventories*

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

The perpetual method is used to record inventories, which are valued as follows:

Raw materials, consumables and goods for resale	- cost of purchase on a weighted average basis.
Finished goods and work-in-process	- cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity on a weighted average basis.

Provision for obsolete inventories

An inventory provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Group, based on appropriate evidence of impairment available at the balance sheet date.

Increases and decreases to the provision balance are recorded into the cost of goods sold account in the consolidated income statement.

3.3 *Receivables*

Receivables are presented in the consolidated financial statements at the carrying amounts due from customers and other debtors, after provision for doubtful debts.

The provision for doubtful debts represents amounts of outstanding receivables at the balance sheet date which are doubtful of being recovered. Increases and decreases to the provision balance are recorded as general and administrative expense in the consolidated income statement.

3.4 *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset comprises its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the consolidated income statement as incurred.

When tangible fixed assets are sold or retired, their costs and accumulated depreciation are removed from the consolidated balance sheet and any gain or loss resulting from their disposal is included in the consolidated income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

The cost of an intangible fixed asset comprises its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use.

Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the consolidated income statement as incurred.

When intangible fixed assets are sold or retired, their costs and accumulated amortisation are removed from the consolidated balance sheet and any gain or loss resulting from their disposal is included in the consolidated income statement.

3.6 Depreciation and amortisation

Depreciation of tangible fixed assets and amortisation of intangible fixed assets are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Land use rights	43 years
Buildings and structures	5 – 25 years
Machineries and equipment	3 – 10 years
Motor vehicles	3 – 20 years
Office equipment	3 – 10 years
Computer software	3 years

3.7 Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds and are recorded as expense during the year in which they are incurred.

3.8 Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the consolidated balance sheet and amortised over the year for which the amounts are paid or the year in which economic benefits are generated in relation to these expenses.

3.9 Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less any accumulated amortisation. Goodwill is amortised over a maximum period of 10 years on a straight-line basis. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Investment in associates

The Group's investment in its associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence that is neither subsidiaries nor joint ventures. The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, the investment is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill arising on acquisition of the associate is included in the carrying amount of the investment and is amortized over a maximum period of 10 years. The consolidated income statement reflects the share of the post-acquisition results of operation of the associate.

The share of post-acquisition profit (loss) of the associates is presented on face of the consolidated income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

The financial statements of the associates are prepared for the same reporting year and use the same accounting policies as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

3.11 Investments in securities and other investments

Investments in securities and other investments are stated at their acquisition costs.

3.12 Provision for investments

Provision is made for any diminution in value of the investments at the balance sheet date in accordance with the Circular No. 228/2009/TT-BTC and Circular No. 89/2013/TT-BTC issued by the Ministry of Finance on 7 December 2009 and on 28 June 2013, respectively. Increases and decreases to the provision balance are recorded as finance expense in the consolidated income statement.

3.13 Payables and accruals

Payables and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group.

3.14 Accrual for severance pay

The severance pay to employee is accrued at the end of each reporting year for all employees who have more than 12 months in service up to 31 December 2008 at the rate of one-half of the average monthly salary for each year of service up to 31 December 2008 in accordance with the Labour Code, the Law on Social Insurance and related implementing guidance. Commencing 1 January 2009, the average monthly salary used in this calculation will be revised at the end of each reporting year following the average monthly salary of the year up to the reporting date. Any changes to the accrued amount will be taken to the consolidated income statement.

This accrued severance pay is used to settle the termination allowance to be paid to employee upon termination of their labour contract following Article 48 of the Labour Code.