

Pan Pacific Corporation

Interim consolidated financial statements

30 June 2014



Pan Pacific Corporation

CONTENTS

	<i>Pages</i>
General information	1
Report of management	2
Report on review of interim consolidated financial statements	3
Interim consolidated balance sheet	4 - 5
Interim consolidated income statement	6
Interim consolidated cash flow statement	7 - 8
Notes to the interim consolidated financial statements	9 - 44

Pan Pacific Corporation

GENERAL INFORMATION

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 the 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 representative office in Hanoi, Vietnam.

BOARD OF DIRECTORS

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

Mr Nguyen Duy Hung	Chairman	
Mr Michael Louis Rosen	Member	
Mr Tran Dinh Long	Member	
Mrs Nguyen Thi Tra My	Member	
Mrs Le Thi Le Hang	Member	
Mrs Ha Thi Thanh Van	Member	
Mr Nguyen Van Khai	Member	
Mr Michael Sng Beng Hock	Member	appointed on 10 May 2014

BOARD OF SUPERVISION

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

Mr Nguyen Duy Hung	Head	
Mrs Nguyen Thi Thanh Ha	Member	
Mrs Nguyen Thai Hanh Linh	Member	resigned on 10 May 2014
Mr Nguyen Tuan Anh	Member	appointed on 10 May 2014

MANAGEMENT

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

Mr Michael Louis Rosen	General Director
Mr Nguyen Van Khai	Deputy General Director

LEGAL REPRESENTATIVE

The legal representative of the Company during the period 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 interim consolidated financial statements for the six-month period ended 30 June 2014.

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 interim consolidated financial statements of the Company and its subsidiaries ("the Group") for the six-month period ended 30 June 2014.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

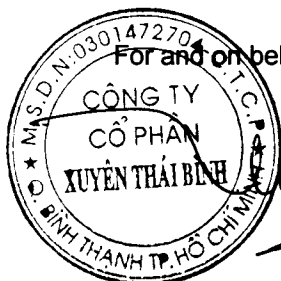
- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgements and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the interim consolidated financial statements; and
- ▶ prepare the interim 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 interim 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 interim consolidated financial statements.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying interim consolidated financial statements give a true and fair view of the interim consolidated financial position of the Group as at 30 June 2014 and of the interim consolidated results of its operations and its interim consolidated cash flows for the period then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of interim consolidated financial statements.



For and on behalf of management:

Nguyen Van Khai
Deputy General Director

25 August 2014

Reference: 61063721/16416848

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To: **The Shareholders of Pan Pacific Corporation**

We have reviewed the interim consolidated financial statements of Pan Pacific Corporation ("the Company") and its subsidiaries (collectively referred to as the "Group"), as set out on page 4 to 44 which comprise the interim consolidated balance sheet as at 30 June 2013, and the interim consolidated income statement and interim consolidated cash flow statement for the six-month period then ended and the notes thereto.

The preparation and presentation of these interim consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim consolidated financial statements based on our review.

We conducted our review in accordance with Vietnamese Standard on Auditing No. 910 – Engagements to Review Financial Statements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim consolidated financial statements are free from material misstatement. A review is limited primarily to inquiries of the Group's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view, in all material respects, of the interim consolidated financial position of the Group as at 30 June 2014, and of the interim consolidated results of its operations and its interim consolidated cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, Vietnam Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of interim consolidated financial statements.



Ernst & Young Vietnam Limited

Mai Viet Hung Tran
Deputy General Director
Audit Practicing Registration Certificate
No. 0048-2013-004-1

Ngo Hong Son
Auditor
Audit Practicing Registration Certificate
No. 2211-2013-004-1

Ho Chi Minh City, Vietnam

25 August 2014

INTERIM CONSOLIDATED BALANCE SHEET
as at 30 June 2014

VND

Code	ASSETS	Notes	30 June 2014	31 December 2013
100	A. CURRENT ASSETS		1,119,460,578,968	920,716,306,275
110	I. Cash and cash equivalents	4	522,898,236,343	171,452,034,042
111	1. Cash		455,191,573,317	57,932,301,545
112	2. Cash equivalents		67,706,663,026	113,519,732,497
120	II. Short-term investments	12	288,358,362,775	482,626,360,687
121	1. Short-term investments		297,594,070,127	546,815,652,394
129	2. Provision for short-term investments		(9,235,707,352)	(64,189,291,707)
130	III. Current accounts receivable		177,662,071,580	153,240,289,848
131	1. Trade receivables	5	117,044,990,494	91,732,304,394
132	2. Advances to suppliers	6	53,110,910,544	53,302,610,913
135	3. Other receivables	7	8,230,501,922	8,929,705,921
139	4. Provision for doubtful debts	5, 7	(724,331,380)	(724,331,380)
140	IV. Inventories	8	108,442,060,866	94,066,669,285
141	1. Inventories		122,614,197,341	108,238,805,760
149	2. Provision for obsolete inventories		(14,172,136,475)	(14,172,136,475)
150	V. Other current assets		22,099,847,404	19,330,952,413
151	1. Short-term prepaid expenses		2,675,892,822	1,671,600,276
152	2. Value-added tax deductible		17,132,262,329	14,800,740,105
154	3. Tax and other receivables from the State		22,763,737	995,015,078
158	4. Other current assets	9	2,268,928,516	1,863,596,954
200	B. NON-CURRENT ASSETS		443,010,345,174	148,002,600,387
220	I. Fixed assets		68,661,248,253	71,893,440,512
221	1. Tangible fixed assets	10	53,907,871,898	56,813,521,117
222	Cost		124,967,238,624	122,819,657,521
223	Accumulated depreciation		(71,059,366,726)	(66,006,136,404)
227	2. Intangible fixed assets	11	14,753,376,355	15,079,919,395
228	Cost		16,593,006,576	16,593,006,576
229	Accumulated amortisation		(1,839,630,221)	(1,513,087,181)
250	II. Long-term investments	12	312,219,956,847	14,313,522,748
252	1. Investments in associates		308,363,513,271	10,457,079,172
258	2. Other long-term investments		4,698,000,000	4,698,000,000
259	3. Provision for long-term investments		(841,556,424)	(841,556,424)
260	III. Other long-term assets		40,994,190,390	39,475,550,077
261	1. Long-term prepaid expenses	13	39,664,612,801	38,647,428,673
262	2. Deferred tax assets	25.3	982,596,541	481,140,356
268	3. Other long-term assets		346,981,048	346,981,048
269	IV. Goodwill	14	21,134,949,684	22,320,087,050
270	TOTAL ASSETS		1,562,470,924,142	1,068,718,906,662

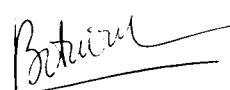
INTERIM CONSOLIDATED BALANCE SHEET (continued)
as at 30 June 2014

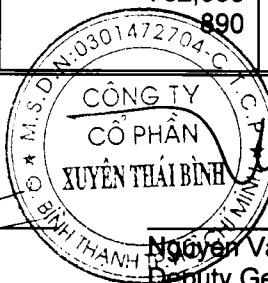
VND

Code	RESOURCES	Notes	30 June 2014	31 December 2013
300	A. LIABILITIES		197,193,925,684	362,532,758,463
310	I. Current liabilities		192,595,100,889	360,213,279,963
311	1. Short-term loans	15	112,703,081,346	238,712,408,260
312	2. Trade payables		13,822,679,115	13,881,958,436
313	3. Advances from customers		741,630,438	67,189,519
314	4. Statutory obligations	16	9,040,620,924	11,400,800,892
315	5. Payables to employees		36,252,654,593	50,796,098,552
316	6. Accrued expenses		1,188,317,655	482,990,154
319	7. Other payables	17	9,953,758,182	38,932,272,156
323	8. Bonus and welfare funds		8,892,358,636	5,939,561,994
330	II. Non-current liability		4,598,824,795	2,319,478,500
333	1. Other long-term liabilities	18	4,598,824,795	2,319,478,500
400	B. OWNERS' EQUITY		1,176,031,371,713	517,874,042,604
410	I. Capital	19.1	1,176,031,371,713	517,874,042,604
411	1. Share capital	19.2	403,625,000,000	200,500,000,000
412	2. Share premium		668,503,548,236	226,238,904,236
417	3. Investment and development fund		6,836,132,890	6,836,132,890
418	4. Financial reserve fund		7,543,992,811	6,838,079,746
420	5. Undistributed earnings		89,522,697,776	77,460,925,732
439	C. MINORITY INTERESTS	20	189,245,626,745	188,312,105,595
440	TOTAL LIABILITIES AND OWNERS' EQUITY		1,562,470,924,142	1,068,718,906,662

OFF BALANCE SHEET ITEMS

ITEMS	30 June 2014	31 December 2013
Bad debts written off	90,730,000	90,730,000
Foreign currencies		
- United States dollar (US\$)	702,908	671,213
- Euro (EUR)	890	143,075


Bui Xuan Tuong
Preparer


Tran Anh Phuong
Chief AccountantNguyễn Văn Khai
Deputy General Director


25 August 2014

INTERIM CONSOLIDATED INCOME STATEMENT
for the six-month period ended 30 June 2014

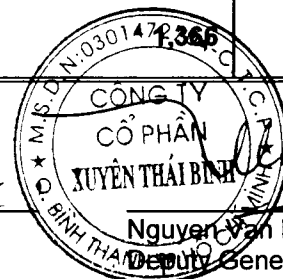
VND

Code	ITEMS	Notes	For the six-month period ended 30 June 2014	For the six-month period ended 30 June 2013
01	1. Revenues from sale of goods and rendering of services	21.1	384,493,786,997	203,914,091,031
02	2. Deductions		(1,316,656,880)	-
10	3. Net revenues from sale of goods and rendering of services		383,177,130,117	203,914,091,031
11	4. Costs of goods sold and services rendered	22	(301,332,944,456)	(160,805,192,278)
20	5. Gross profit from sale of goods and rendering of services		81,844,185,661	43,108,898,753
21	6. Finance income	21.2	23,676,514,351	7,141,630,522
22	7. Finance expenses	23	389,842,855	1,306,342,999
23	<i>In which: Interest expense</i>		(2,424,628,476)	(191,791,916)
24	8. Selling expenses		(14,791,561,438)	(5,177,725,595)
25	9. General and administrative expenses		(27,928,217,729)	(24,698,183,099)
30	10. Operating profit		63,190,763,700	21,680,963,580
31	11. Other income		1,990,805,458	139,536,352
32	12. Other expenses		(356,157,083)	(784,623,052)
40	13. Other profit (loss)		1,634,648,375	(645,086,700)
45	14. Shares of profit of associates		4,704,638,128	6,428,320,807
50	15. Profit before tax		69,530,050,203	27,464,197,687
51	16. Current corporate income tax expense	25.2	(12,391,656,876)	(6,010,500,249)
52	17. Deferred income tax benefit	25.3	501,456,185	329,784,698
60	18. Net profit after tax		57,639,849,512	21,783,482,136
	<i>Attributable to:</i>			
61	18.1. Minority interests		18,728,172,746	3,596,551,083
62	18.2. Equity holders of the parent		38,911,676,766	18,186,931,053
70	19. Basic and diluted earnings per share (VND/share)	19.4	1,366	1,138


Bui Xuan Tuong
Preparer


Tran Anh Phuong
Chief Accountant


Nguyen Van Khai
Deputy General Director



25 August 2014

INTERIM CONSOLIDATED CASH FLOW STATEMENT
for the six-month period ended 30 June 2014

VND

Code	ITEMS	Notes	For the six-month period ended 30 June 2014	For the six-month period ended 30 June 2013
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	Profit before tax		69,530,050,203	27,464,197,687
	<i>Adjustments for:</i>			
02	Depreciation and amortisation		6,767,936,167	7,409,049,433
03	Provisions (reversal of provisions)		957,901,683	(13,369,926,865)
04	Unrealised foreign exchange gains	23	64,136,624	137,636,893
05	Profits from investing activities		(25,967,271,003)	(7,279,539,733)
06	Interest expense	23	2,424,628,476	191,791,916
08	Operating profit before changes in working capital		53,777,382,150	14,553,209,331
09	(Increase) decrease in receivables		(8,762,276,675)	2,152,798,352
10	Increase in inventories		(14,375,391,581)	(3,223,285,083)
11	(Decrease) increase in payables		(59,198,542,901)	15,307,590,812
12	(Increase) decrease in prepaid expenses		(2,021,476,674)	613,660,053
13	Interest paid		(2,317,840,811)	(171,045,300)
14	Corporate income tax paid	25.2	(13,798,546,813)	(5,022,809,439)
15	Other cash inflows from operating activities		416,882,880	-
16	Other cash outflows from operating activities		(5,994,346,730)	(3,826,213,882)
20	Net cash flows (used in) from operating activities		(52,274,157,155)	20,383,904,844
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase of fixed assets	10	(2,540,493,648)	(1,651,544,482)
22	Proceeds from disposals of fixed assets		130,000,000	-
23	Payments for purchase of shares in other entities		(505,356,981,235)	(57,016,626,847)
24	Proceeds from sale of shares in other entities		591,002,981,235	34,336,011,025
25	Payments for investments in other entities		(421,387,231,683)	(189,615,440,027)
26	Proceeds from sale of investments in other entity		241,842,515,581	5,000,000,000
27	Interest and dividends received		16,887,345,000	3,826,218,926
30	Net cash flows used in investing activities		(79,421,864,750)	(205,121,381,405)

INTERIM CONSOLIDATED CASH FLOW STATEMENT (continued)
for the six-month period ended 30 June 2014

VND

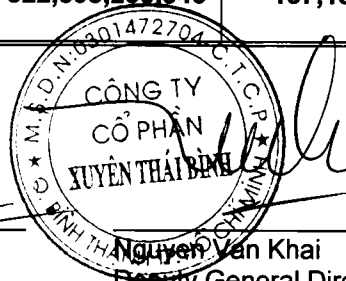
Code	ITEMS	Notes	For the six-month period ended 30 June 2014	For the six-month period ended 30 June 2013
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
31	Issuance of shares	19.1	645,389,644,000	202,720,000,000
33	Drawdown of borrowings		222,009,756,192	92,843,600,000
34	Repayment of borrowings		(348,756,414,374)	(23,356,356,275)
36	Dividends paid to equity holders of the parent	19.2	(20,048,166,500)	-
	Dividends paid to minority interest		(15,656,697,000)	(180,000,000)
40	Net cash flows from financing activities		482,938,122,318	272,027,243,725
50	Net increase in cash and cash equivalents		351,242,100,413	87,289,767,164
60	Cash and cash equivalents at beginning of period		171,452,034,042	49,860,270,524
61	Impact of exchange rate fluctuation		204,101,888	38,013,076
70	Cash and cash equivalents at end of period	4	522,898,236,343	137,188,050,764



Bui Xuan Tuong
Preparer



Tran Anh Phuong
Chief Accountant



Nguyen Van Khai
Deputy General Director

20 August 2014

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
as at and for the six-month period ended 30 June 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 the License No. 244/2010/QD-SDGHCM issued by the HOSE on 18 November 2010.

The Company and its subsidiaries ("the Group") 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 representative office in Hanoi, Vietnam.

The number of the employees of the Group as at 30 June 2014 was 5,047 (31 December 2013: 4,920).

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 30 June 2014, 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the six-month period ended 30 June 2014

2. BASIS OF PREPARATION

2.1 *Applied accounting standards and system*

The interim consolidated financial statements of the Group expressed in Vietnam dong ("VND"), are prepared in accordance with the Vietnamese Enterprise Accounting System, Vietnamese Accounting Standard No. 27 - Interim Financial Reporting and other 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 interim consolidated balance sheet, interim consolidated income statement, interim 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 interim consolidated financial statements starts on 1 January and ends on 31 December.

2.4 *Accounting currency*

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

2.5 *Basis of consolidation*

The interim consolidated financial statements comprise the interim financial statements of the Company and its subsidiaries for the six-month period ended 30 June 2014.

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 period as the parent company, using consistent accounting policies.

All intra-company interim 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 interim consolidated income statement and within equity in the interim consolidated balance sheet, separately from parent shareholders' equity.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the six-month period ended 30 June 2014

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	-	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 interim consolidated income statement.

3.3 *Receivables*

Receivables are presented in the interim 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 interim 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 interim consolidated income statement as incurred.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the six-month period ended 30 June 2014

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 interim consolidated income statement as incurred.

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

3.8 *Prepaid expenses*

Prepaid expenses are reported as short-term or long-term prepaid expenses on the interim consolidated balance sheet and amortised over the period for which the amounts are paid or the period 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 interim consolidated income statement.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the six-month period ended 30 June 2014

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 interim 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 interim 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 interim 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 period 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.

Provision is made for any diminution in value of the investments at the balance sheet date in accordance with the guidance under Circular No.228/2009/TT-BTC dated 7 December 2009 and Circular No. 89/2013/TT-BTC dated 26 June 2013 issued by the Ministry of Finance. Increases and decreases to the provision balance are recorded as finance expense in the interim consolidated income statement.

3.12 *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.

3.13 *Accrual for severance pay*

The severance pay to employee is accrued at the end of each reporting period 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 period following the average monthly salary of the year up to the reporting date. Any changes to the accrued amount will be taken to the interim 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.

3.14 *Foreign currency transactions*

Transactions in currencies other than the Group's reporting currency of VND are recorded at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at buying exchange rate announced by the commercial bank where the Group maintains bank accounts at the balance sheet date. All realised and unrealised foreign exchange differences are taken to the interim consolidated income statement.