Pan Pacific Corporation

Interim consolidated financial statements

30 June 2013

Pan Pacific Corporation

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GENERAL INFORMATION

THE COMPANY

Pan Pacific Corporation ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to 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 current principal activities of the Company are to provide cleaning services and other related services, and to perform the financial investments.

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 period 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 period 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 period 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 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 financial statements for the six-month period ended 30 June 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 interim consolidated financial statements of the Company and its subsidiaries ("the Group") for the six-month period ended 30 June 2013.

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

Management is responsible for the interim consolidated financial statements of 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 confirmed 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 2013, 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 the Vietnamese Accounting Standards and System and comply with relevant statutory requirements.

For and on behalf of management:

CÔNG TY CỔ PHẦN

Nguyen Van Khai
Deputy General Director

26 August 2013

EY
Building a better working world

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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 ("the Group") as set out on pages 5 to 44 which comprise the interim consolidated balance sheet as at 30 June 2013, the interim consolidated income statement and the 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 Group's management. Our responsibility is to issue a report on these interim consolidated financial statements based on our review. The interim consolidated financial statements of the Group as at and for the six-month period ended 30 June 2012 and the consolidated balance sheet as at 31 December 2012 presented herein as corresponding figures, were reviewed and audited, respectively, by other auditors who issued unqualified reports dated 27 August 2012 and 8 March 2013, respectively.

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 of the interim consolidated financial position of the Group as at 30 June 2013, 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 the Vietnamese Accounting Standards and System and comply with the relevant statutory requirements.

Ernst & Young Vietnam Limited

0430018333 CÔNG TY TRÁCH NHIỆM HỮU HẠN ERNST & YOUNG VIỆT NAM

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

Le Vu Truong
Auditor
Audit Practicing Registration Certificate
No. 1588-2013-004-1

Ho Chi Minh City, Vietnam

26 August 2013

INTERIM CONSOLIDATED BALANCE SHEET
as at 30 June 2013

VND

Code	ASSETS	Notes	30 June 2013	31 December 2012
100	**A. CURRENT ASSETS**		**692,099,873,873**	**193,694,101,271**
110	***I. Cash and cash equivalents***	***5***	***137,188,050,764***	***49,860,270,524***
111	1. Cash		39,315,412,993	14,157,439,736
112	2. Cash equivalents		97,872,637,771	35,702,830,788
120	***II. Short-term investments***	***12***	***228,197,425,019***	***37,692,832,899***
121	1. Short-term investments		254,891,396,395	50,117,189,303
129	2. Provision for short-term investment		(26,693,971,376)	(12,424,356,404)
130	***III. Current accounts receivable***		***194,673,695,011***	***91,329,217,529***
131	1. Trade receivables	6	134,346,032,943	39,915,402,531
132	2. Advances to suppliers	7	60,035,719,349	51,134,848,432
135	3. Other receivables		1,016,274,099	416,431,473
139	4. Provision for doubtful debts	6	(724,331,380)	(137,464,907)
140	***IV. Inventories***	***8***	***116,988,505,460***	***10,270,528,354***
141	1. Inventories		131,234,739,583	10,395,198,872
149	2. Provision for obsolete inventories		(14,246,234,123)	(124,670,518)
150	***V. Other current assets***		***15,052,197,619***	***4,541,251,965***
151	1. Short-term prepaid expenses		1,945,902,750	873,333,743
152	2. Value-added tax deductible		8,297,547,538	86,195,631
154	3. Tax and other receivables from the State	25.2	647,232,499	995,015,078
158	4. Other current assets	9	4,161,514,832	2,586,707,513
200	**B. NON-CURRENT ASSETS**		**273,349,829,078**	**175,604,939,831**
220	***I. Fixed assets***		***57,133,553,476***	***18,011,526,993***
221	1. Tangible fixed assets	10	50,305,644,611	17,995,526,993
222	Cost		117,696,457,265	37,480,714,139
223	Accumulated depreciation		(67,390,812,654)	(19,485,187,146)
227	2. Intangible fixed assets	11	6,827,908,865	16,000,000
228	Cost		8,120,361,076	104,197,649
229	Accumulated amortisation		(1,292,452,211)	(88,197,649)
250	***II. Long-term investments***	***12***	***148,209,843,511***	***149,866,168,254***
252	1. Investments in associates		144,435,326,713	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		(923,483,202)	(813,837,652)
260	***III. Other long-term assets***		***44,501,207,675***	***2,829,664,938***
261	1. Long-term prepaid expenses	13	42,051,913,037	808,106,998
262	2. Deferred tax assets	25.3	2,093,152,990	1,763,368,292
268	3. Other long-term assets		356,141,648	258,189,648
269	***IV. Goodwill***		***23,505,224,416***	***4,897,579,646***
270	**TOTAL ASSETS**		**965,449,702,951**	**369,299,041,102**

INTERIM CONSOLIDATED BALANCE SHEET (continued)
as at 30 June 2013

VND

Code	*RESOURCES*	*Notes*	*30 June 2013*	*31 December 2012*
300	**A. LIABILITIES**		**229,605,326,606**	**41,109,179,067**
310	***I. Current liabilities***		***227,938,628,556***	***40,873,449,767***
311	1. Short-term loans	14	135,593,339,175	-
312	2. Trade payables	15	22,594,410,583	4,349,497,899
313	3. Advances from customers		1,559,870,421	99,276,387
314	4. Statutory obligations	16	7,698,162,340	5,508,266,663
315	5. Payables to employees		39,032,090,034	24,946,402,511
316	6. Accrued expenses		512,500,000	155,868,626
319	7. Other payables	17	13,466,636,086	1,976,397,442
320	8. Short-term provision		-	124,806,879
323	9. Bonus and welfare funds		7,481,619,917	3,712,933,360
330	***II. Non-current liability***		***1,666,698,050***	***235,729,300***
333	1. Other long-term liabilities	18	1,666,698,050	235,729,300
400	**B. OWNERS' EQUITY**		**539,833,385,304**	**326,355,998,094**
410	***I. Capital***	***19.1***	***539,833,385,304***	***326,355,998,094***
411	1. Share capital	19.2	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		6,905,188,560	6,905,188,560
418	4. Financial reserve fund		6,944,978,901	6,944,978,901
420	5. Undistributed earnings		99,244,313,607	88,486,926,397
439	**C. MINORITY INTERESTS**	**20**	**196,010,991,041**	**1,833,863,941**
440	**TOTAL LIABILITIES AND OWNERS' EQUITY**		**965,449,702,951**	**369,299,041,102**

OFF BALANCE SHEET ITEMS

ITEMS	*30 June 2013*	*31 December 2012*
Bad debts written off	90,730,000	90,730,000
Foreign currencies		
- United States dollar (US$)	485,295	187,81
- Euro (EUR)	1,107	50,99

Bui Xuan Tuong
Preparer

Tran Anh Phuong
Chief Accountant

Nguyen Van Khai
Deputy General Director

CÔNG TY CỔ PHẦN

26 August 2013

INTERIM CONSOLIDATED INCOME STATEMENT
for the six-month period ended 30 June 2013

VND

Code	*ITEMS*	*Notes*	*For the six-month period ended 30 June 2013*	*For the six-month period ended 30 June 2012*
01	**1. Revenues from sale of goods and rendering of services**	**21.1**	**203,914,091,031**	**135,264,196,803**
11	**2. Costs of goods sold and services rendered**	**22**	**(160,805,192,278)**	**(109,540,934,071)**
20	**3. Gross profit**		**43,108,898,753**	**25,723,262,732**
21	**4. Finance income**	**21.2**	**7,141,630,522**	**18,896,304,191**
22	**5. Finance expenses**	**23**	**1,306,342,999**	**(4,679,384,153)**
23	*In which: Interest expense*		*(191,791,916)*	-
24	**6. Selling expenses**		**(5,177,725,595)**	**(1,666,828,962)**
25	**7. General and administrative expenses**		**(24,698,183,099)**	**(14,542,763,662)**
30	**8. Operating profit**		**21,680,963,580**	**23,730,590,146**
31	**9. Other income**		**139,536,352**	**9,984,680**
32	**10. Other expenses**		**(784,623,052)**	**(55,460,407)**
40	**11. Other profit**		**(645,086,700)**	**(45,475,727)**
45	**12. Shares of profit of associates**		**6,428,320,807**	**-**
50	**13. Profit before tax**		**27,464,197,687**	**23,685,114,419**
51	**14. Current corporate income tax expense**	**25.2**	**(6,010,500,249)**	**(5,652,491,413)**
52	**15. Deferred income tax benefit (expense)**	**25.3**	**329,784,698**	**(94,203,109)**
60	**16. Net profit after tax**		**21,783,482,136**	**17,938,419,897**
	Attributable to:			
61	*16.1. Minority interests*		*3,596,551,083*	*168,035,640*
62	*16.2. Equity holders of the parent*		*18,186,931,053*	*17,770,384,257*
70	**17. Earnings per share**			
	- Basic and diluted	*19.4*	*1,138*	*1,673*

Bui Xuan Tuong
Preparer

Tran Anh Phuong
Chief Accountant

Nguyen Van Khai
Deputy General Director

26 August 2013

INTERIM CONSOLIDATED CASH FLOW STATEMENT
for the six-month period ended 30 June 2013

VND

Code	*ITEMS*	*Notes*	*For the six-month period ended 30 June 2013*	*For the six-month period ended 30 June 2012*
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	**Profit before tax**		**27,464,197,687**	**23,685,114,419**
	Adjustments for:			
02	Depreciation and amortisation		7,409,049,433	2,639,773,932
03	(Reversal of provision) provisions		(13,369,926,865)	1,580,933,405
04	Unrealised foreign exchange losses		137,636,893	-
05	Profits from investing activities		(7,279,539,733)	(11,454,136,209)
06	Interest expense	23	191,791,916	-
08	**Operating profit before changes in working capital**		**14,553,209,331**	**16,451,685,547**
09	Decrease (increase) in receivables		2,152,798,352	(22,729,550,027)
10	Increase in inventories		(3,223,285,083)	(699,278,922)
11	Increase in payables		15,307,590,812	141,675,897,192
12	Decrease (increase) in prepaid expenses		613,660,053	(625,444,207)
13	Interest paid		(171,045,300)	-
14	Corporate income tax paid	25.2	(5,022,809,439)	(1,917,105,817)
15	Other cash inflows from operating activities		-	1,223,989,089
16	Other cash outflows from operating activities		(3,826,213,882)	(3,115,283,902)
20	**Net cash flows from operating activities**		**20,383,904,844**	**130,264,908,953**
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase and construction of fixed assets and other long-term assets		(1,651,544,482)	(349,909,536)
23	Payments for purchase of shares in other entities		(57,016,626,847)	(76,666,746,432)
24	Proceeds from sale of shares in other entities		34,336,011,025	53,317,366,749
25	Payments for acquisition of new entity		(189,615,440,027)	-
26	Proceeds from sale of investments in other entity		5,000,000,000	-
27	Interest and dividends received		3,826,218,926	10,646,804,544
30	**Net cash flows used in investing activities**		**(205,121,381,405)**	**(13,052,484,675)**

INTERIM CONSOLIDATED CASH FLOW STATEMENT (continued)
for the six-month period ended 30 June 2013

VND

Code	*ITEMS*	*Notes*	*For the six-month period ended 30 June 2013*	*For the six-month period ended 30 June 2012*
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
31	Issuance of shares		202,720,000,000	8,847,952,632
33	Drawdown of borrowings		92,843,600,000	-
34	Repayment of borrowings		(23,356,356,275)	-
36	Dividends paid to equity holders of the parent		-	(10,548,060,000)
	Dividends paid to minority interest		(180,000,000)	-
40	**Net cash flows from (used in) financing activities**		**272,027,243,725**	**(1,700,107,368)**
50	**Net increase in cash and cash equivalents**		**87,289,767,164**	**115,513,094,688**
60	**Cash and cash equivalents at beginning of period**		**49,860,270,524**	**68,186,738,232**
61	**Impact of exchange rate fluctuation**		38,013,076	-
70	**Cash and cash equivalents at end of period**	**5**	**137,188,050,764**	**183,699,832,920**

Bui Xuan Tuong
Preparer

Tran Anh Phuong
Chief Accountant

Nguyen Van Khai
Deputy General Director

26 August 2013

1. CORPORATE INFORMATION

Pan Pacific Corporation ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to 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 current principal activities of the Company are to provide cleaning services and other related services, and to perform financial investments.

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 Group's employees as at 30 June 2013 was 4,920 (31 December 2012: 3,907).

Corporate structure

The Company's corporate structure includes 4 direct subsidiaries, as follows:

- Ben Tre Aquaproduct Import and Export Joint Stock Company
- This subsidiary 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 2013, the Company holds 54.6% ownership interest in this company.Pan Pacific Service Company Limited

  This subsidiary 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 11, 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 subsidiary 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.

- Pan Trading Joint Stock Company

  This subsidiary is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the BRC No. 0301453003 issued by the DPI of Ho Chi Minh City on 12 March 2008, as amended. Its registered office is located at 236/43/2 Dien Bien Phu Street, Ward 11, Binh Thanh District, Ho Chi Minh City, Vietnam. Its principal activities are to distribute cleaning equipment, cleaning chemical and cleaning tools. As at 30 June 2013, the Company holds 80% ownership interest in this company.

2. BASIS OF PREPARATION

2.1 *Applied accounting standards and system*

The interim consolidated financial statements of the Company and its subsidiaries ("the Group"), expressed in Vietnam dong ("VND"), are prepared in accordance with the Vietnamese Accounting System and Vietnamese Accounting Standard No. 27 - Interim Financial Reporting and other Vietnamese Accounting Standards ("VAS") 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 interim consolidated financial position and interim consolidated results of operations and interim consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

2.2 *Applied accounting documentation system*

The Company'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 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 financial statements of the Company and its subsidiaries as at and for the six-month period ended 30 June 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 interim 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Change in accounting policies and disclosures

The accounting policies adopted by the Group in preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012 and the interim consolidated financial statements for the six-month period ended 30 June 2012, except for the change in accounting policy in relation to the foreign exchange transactions.

For the preparation of the balance sheets as at 30 June 2013 and 31 December 2012, the Group adopts Circular No. 179/2012/TT-BTC providing guidance on recognition, measurement, treatment for foreign exchange differences issued by the Ministry of Finance on 24 October 2012 ("Circular 179") in addition to Vietnamese Accounting Standard No. 10 - Effects of Changes in Foreign Exchange Rates (the "VAS 10") adopted in prior years.

Following Circular 179, at the balance sheet dates, monetary assets and liabilities denominated in foreign currencies are translated into VND using buying exchange rate announced by the commercial bank where the Group maintains bank accounts. For the six-month period ended 30 June 2012, inter-bank exchange rates ruling at the balance sheet date was used for the translation as the Circular 179 was issued subsequent to 30 June 2012 and is applied on a prospective basis. Impacts of the change from using interbank exchange rates to buying exchange rates announced by the commercial bank for the period end translation to the interim consolidated financial statements for the six-month period ended 30 June 2013 were not material as a whole.

3.2 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.

3.3 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 interim consolidated income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 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.

3.5 Fixed assets

Tangible and intangible fixed assets are stated at cost less accumulated depreciation and amortisation.

The cost of a fixed asset comprises its purchase price and any directly attributable costs of bringing the 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 fixed assets are sold or retired, their costs and accumulated depreciation or amortisation are removed from the 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 an entity 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 amortised 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 marketable investments at the balance sheet date representing the excess of the acquisition cost over the market value at that date in accordance with the guidance under Circular No. 228/2009/TT-BTC issued by the Ministry of Finance dated 7 December 2009. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 period 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 6-month period 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

The Group follows the guidance under VAS 10 in relation to foreign currency transactions as applied consistently in prior periods. In addition to VAS 10, starting from 31 December 2012, the Group adopts Circular 179 in relation to the translation of monetary assets and liabilities denominated in foreign currencies into VND at the balance sheet date. For the six-month period ended 30 June 2012, inter-bank exchange rates ruling at 30 June 2012 was still used as the Circular 179 was issued subsequent to 30 June 2012 and is applied on a prospective basis.

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. At the end of the period, monetary assets and liabilities denominated in foreign currencies are translated at buying exchange rates announced by the commercial bank where the Group maintains bank accounts ruling at the balance sheet date. All realised and unrealised foreign exchange differences are taken to the interim consolidated income statement.

3.15 Appropriation of net profits

Net profit after tax is available for appropriation to shareholders after approval in the annual general meeting, and after making appropriation to reserve funds in accordance with the Company's Charter and Vietnam's regulatory requirements.

The Group maintains the following reserve funds which are appropriated from the Group's net profit as proposed by the Board of Directors and subject to approval by shareholders at the annual general meeting.

- *Financial reserve fund*

  This fund is set aside to protect the Group's normal operations from business risks or losses, or to prepare for unforeseen losses or damages for objective reasons and force majeure, such as fire, economic and financial turmoil of the country or elsewhere.

- *Investment and development fund*

  This fund is set aside for use in the Group's expansion of its operation or in-depth investments.

- *Bonus and welfare fund*

  This fund is set aside for the purpose of pecuniary rewarding and encouraging, common social benefits and improvement of the employees' benefits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit after tax for the period attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit after tax attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

3.17 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

Rendering of services

Revenues are recognised upon the completion of the services provided.

Interest

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

Dividends

Income is recognised when the Group's entitlement as an investor to receive the dividend is established.

3.18 Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted as at the balance sheet date.

Current income tax is charged or credited to the interim consolidated income statement, except when it relates to items recognised directly to equity, in which case the current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Group to set off current tax assets against current tax liabilities and when the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Taxation (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised, except:

- where the deferred income tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Previously unrecognised deferred income tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted at the balance sheet date.

Deferred income tax is charged or credited to the interim consolidated income statement, except when it relates to items recognised directly to equity, in which case the deferred income tax is also dealt with in the equity account.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right for the Group to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on:

- either the same taxable entity;
- or when the Group intends either settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Financial instruments

Financial instruments – initial recognition and presentation

Financial assets

Financial assets within the scope of Circular No. 210/2009/TT-BTC providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments ("Circular 210") are classified, for disclosures in the notes to the interim consolidated financial statements, as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at cost plus directly attributable transaction costs.

The Group's financial assets include cash and short-term deposits, trade and other receivables, quoted and unquoted financial instruments.

Financial liabilities

Financial liabilities within the scope of Circular 210 are classified, for disclosures in the notes to the interim consolidated financial statements, as financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at cost plus directly attributable transaction costs.

The Group's financial liabilities include trade, other payables and loans.

Financial instruments – subsequent re-measurement

There is currently no guidance in Circular 210 in relation to subsequent re-measurement of financial instruments. Accordingly, the financial instruments are subsequently re-measured at cost.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4. BUSINESS COMBINATIONS

Acquisition of Ben Tre Aquaproduct Import and Export Joint Stock Company ("ABT")

On 31 May 2013, the Group acquired an additional 5,783,308 shares in ABT, increasing the Company's interest in this company from 0.37% to 54.6%. The provisional fair value of the identifiable net assets and liabilities of ABT as at the date of acquisition and the consequential positive goodwill are presented as follows:

	VND *Provisional fair value recognized on acquisition*
Assets	
Cash and cash equivalents	43,687,506,384
Accounts receivable	103,346,722,464
Inventories	101,916,953,964
Other current assets	187,435,360,517
Fixed assets	36,261,502,245
Land used rights	6,618,070,501
Other long-term assets	39,242,058,222
Liabilities	**(98,697,198,164)**
Total identifiable net assets at fair value	**419,810,976,133**
Share in net assets (at 54.6%)	229,230,400,116
Minority interest	190,580,576,017
Goodwill arising on acquisition	23,702,747,310
Purchase consideration transferred	**252,933,147,426**

The accounting recognised in the 30 June 2013 interim consolidated financial statements was based on a provisional assessment of fair value as the Company has not completed its valuation relating to the fixed assets, land use rights and intangible assets at the date the 30 June 2013 interim consolidated financial statements were approved for issue by the Company's management.

5. CASH AND CASH EQUIVALENTS

		VND
	30 June 2013	*31 December 2012*
Cash on hand	1,083,803,292	713,693,734
Cash in banks	38,231,609,701	13,443,746,002
Cash equivalents	97,872,637,771	35,702,830,788
TOTAL	**137,188,050,764**	**49,860,270,524**

Cash equivalents represent short-term deposits at commercial banks with the original maturity of less than three (3) months and earn interest at the applicable interest rates.

As disclosed in Note 14, the Group has pledged its deposit at Saigon Securities Incorporation to secure the bank loan facilities.

6. TRADE RECEIVABLES

		VND
	30 June 2013	*31 December 2012*
Third parties	134,228,566,902	39,797,955,858
A related party *(Note 26)*	117,466,041	117,446,673
TOTAL	**134,346,032,943**	**39,915,402,531**
Provision for doubtful debts	(724,331,380)	(137,464,907)
NET	**133,621,701,563**	**39,777,937,624**

As disclosed in Notes 14, the Group has pledged certain trade receivables at ABT to secure the bank loan facilities.

7. ADVANCES TO SUPPLIERS

		VND
	30 June 2013	*31 December 2012*
Related parties *(Note 26)*	50,106,472,269	50,212,350,351
Third parties	9,929,247,080	922,498,081
TOTAL	**60,035,719,349**	**51,134,848,432**

8. INVENTORIES

		VND
	30 June 2013	*31 December 2012*
Work-in-progress	57,146,598,515	-
Finished goods	51,137,278,135	-
Raw materials	12,238,380,317	3,061,093,764
Merchandise goods	9,612,790,733	6,583,106,514
Tools and supplies	1,099,691,883	750,998,594
TOTAL	**131,234,739,583**	**10,395,198,872**
Provision for obsolete inventories	(14,246,234,123)	(124,670,518)
NET	**116,988,505,460**	**10,270,528,354**