

Pan Pacific Corporation

Consolidated financial statements

31 December 2014



Pan Pacific Corporation

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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 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 a representative office in Hanoi City, 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	
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 year and at the date of this report are:

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

MANAGEMENT

Members of the Management during the year 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 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 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 consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2014.

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 financial position 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.

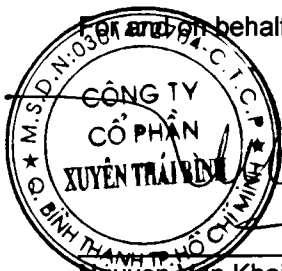
Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding 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 2014 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:



Nguyễn Văn Khai
Deputy General Director

29 March 2015



Ernst & Young Vietnam Limited
28th Floor, Bitexco Financial Tower
2 Hai Trieu Street, District 1
Ho Chi Minh City, S.R. of Vietnam

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ey.com

Reference: 61063721/16997808-HN

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 29 March 2015 and set out on pages 5 to 47, which comprise the consolidated balance sheet as at 31 December 2014, 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.



Building a better
working world

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 2014, 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.

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

29 March 2015

CONSOLIDATED BALANCE SHEET
as at 31 December 2014

VND

Code	ASSETS	Notes	Ending balance	Beginning balance
100	A. CURRENT ASSETS		1,270,794,463,917	920,716,306,275
110	I. Cash and cash equivalents	5	343,812,571,993	171,452,034,042
111	1. Cash		150,534,813,998	57,932,301,545
112	2. Cash equivalents		193,277,757,995	113,519,732,497
120	II. Short-term investments	14	201,332,893,648	482,626,360,687
121	1. Short-term investments		209,151,341,227	546,815,652,394
129	2. Provision for short-term investments		(7,818,447,579)	(64,189,291,707)
130	III. Current accounts receivable		355,367,477,954	153,240,289,848
131	1. Trade receivables	6	205,236,595,975	91,732,304,394
132	2. Advances to suppliers	7	68,065,313,610	53,302,610,913
135	3. Other receivables	8	86,722,237,487	8,929,705,921
139	4. Provision for doubtful debts		(4,656,669,118)	(724,331,380)
140	IV. Inventories	9	334,203,790,552	94,066,669,285
141	1. Inventories		353,715,286,255	108,238,805,760
149	2. Provision for obsolete inventories		(19,511,495,703)	(14,172,136,475)
150	V. Other current assets		36,077,729,770	19,330,952,413
151	1. Short-term prepaid expenses		4,267,937,093	1,671,600,276
152	2. Value-added tax deductible		11,507,264,571	14,800,740,105
154	3. Tax and other receivables from the State	27.2	-	995,015,078
158	4. Other current assets	10	20,302,528,106	1,863,596,954
200	B. NON-CURRENT ASSETS		982,409,741,475	148,002,600,387
220	I. Fixed assets		267,929,961,624	71,893,440,512
221	1. Tangible fixed assets	11	102,780,464,618	56,813,521,117
222	Cost		230,209,570,390	122,819,657,521
223	Accumulated depreciation		(127,429,105,772)	(66,006,136,404)
227	2. Intangible assets	12	136,647,960,874	15,079,919,395
228	Cost		143,965,431,087	16,593,006,576
229	Accumulated amortisation		(7,317,470,213)	(1,513,087,181)
230	3. Construction in progress	13	28,501,536,132	-
250	II. Long-term investments	14	432,288,048,691	14,313,522,748
252	1. Investments in associates		418,298,553,406	10,457,079,172
258	2. Other long-term investments		14,996,080,000	4,698,000,000
259	3. Provision for long-term investments		(1,006,584,715)	(841,556,424)
260	III. Other long-term assets		38,869,992,642	39,475,550,077
261	1. Long-term prepaid expenses	15	36,129,957,643	38,647,428,673
262	2. Deferred tax assets	27.3	2,196,944,791	481,140,356
268	3. Other long-term assets		543,090,208	346,981,048
269	IV. Goodwill	16	243,321,738,518	22,320,087,050
270	TOTAL ASSETS		2,253,204,205,392	1,068,718,906,662


CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2014


VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
300	A. LIABILITIES		532,157,767,266	362,532,758,463
310	I. Current liabilities		499,623,159,574	360,213,279,963
311	1. Short-term loans	17	221,604,631,678	238,712,408,260
312	2. Trade payables		105,038,706,578	13,881,958,436
313	3. Advances from customers		18,726,665,958	67,189,519
314	4. Statutory obligations	18	13,777,542,709	11,400,800,892
315	5. Payables to employees		83,567,078,985	50,796,098,552
316	6. Accrued expenses		1,078,481,586	482,990,154
319	7. Other payables	19	30,400,088,222	38,932,272,156
323	8. Bonus and welfare funds		25,429,963,858	5,939,561,994
330	II. Non-current liabilities		32,534,607,692	2,319,478,500
333	1. Other long-term liabilities	20	9,288,883,750	2,319,478,500
335	2. Deferred tax liabilities	27.3	23,245,723,942	-
400	B. OWNERS' EQUITY	21	1,214,969,339,442	517,874,042,604
410	I. Capital		1,214,969,339,442	517,874,042,604
411	1. Share capital		616,437,480,000	200,500,000,000
412	2. Share premium		477,636,068,236	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		106,515,665,505	77,460,925,732
439	C. MINORITY INTERESTS	22	à06,077,098,684	188,312,105,595
440	TOTAL LIABILITIES AND OWNERS' EQUITY		2,253,204,205,392	1,068,718,906,662

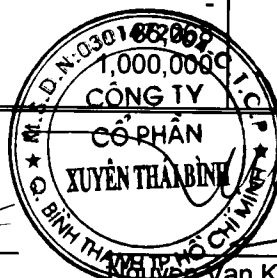
OFF BALANCE SHEET ITEMS

ITEMS	Ending balance	Beginning balance
Goods held under trust or for processing (VND)	80,647,386,527	-
Bad debts written off (VND)	208,213,500	90,730,000
Foreign currencies		
- United States dollar (USD)	838,317	671,213
- Euro (EUR)	-	143,075
- CNY	-	-
- LAK	-	-


Nguyen Thi Thu Hong
Preparer


Tran Anh Phuong
Chief Accountant


Van Khai
Deputy General Director





29 March 2015

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2014

VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenues from sale of goods and rendering of services	23.1	1,147,649,700,557	625,911,603,730
02	2. Deductions		(25,872,376,433)	(8,323,082,748)
10	3. Net revenues from sale of goods and rendering of services		1,121,777,324,124	617,588,520,982
11	4. Costs of goods sold and services rendered	24	(821,839,178,848)	(485,104,893,154)
20	5. Gross profit from sale of goods and rendering of services		299,938,145,276	132,483,627,828
21	6. Finance income	23.2	51,951,170,951	28,898,398,018
22	7. Finance expenses	25	(5,598,075,106)	(3,488,092,091)
23	<i>In which: Interest expense</i>		(4,833,594,782)	(1,909,633,036)
24	8. Selling expenses		(73,870,822,856)	(24,253,665,288)
25	9. General and administrative expenses		(106,187,496,644)	(49,665,940,460)
30	10. Operating profit		166,232,921,621	83,974,328,007
31	11. Other income		4,716,905,737	1,882,664,742
32	12. Other expenses		(871,479,675)	(1,480,303,851)
40	13. Other profit		3,845,426,062	402,360,891
45	□4. Shares of profit (loss) of associates		12,670,102,510	(42,269,926,734)
50	15. Profit before tax		182,748,450,193	42,106,762,164
51	16. Current corporate income tax expense	27.2	(24,960,510,974)	(19,463,959,552)
52	17. Deferred income tax income (expense)	27.3	1,715,804,435	(1,282,227,936)
60	18. Net profit after tax		159,503,743,654	21,360,574,676
	<i>Attributable to:</i>			
61	18.1. Minority interests		59,229,664,944	23,375,375,644
62	18.2. Equity holders of the parent		100,274,078,710	(2,014,800,968)
70	19. Earnings (loss) per share - Basic and diluted	21.4		(75)


Nguyen Thi Thu Hong
Preparer


Tran Anh Phuong
Chief Accountant


Nguyen Van Khai
Deputy General Director



29 March 2015

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2014

VND

Code	ITEMS	Notes	Current year	Previous year
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	Profit before tax		182,748,450,193	42,106,762,164
	<i>Adjustments for:</i>			
02	Depreciation and amortisation		30,466,909,395	14,763,107,892
03	Provisions		2,359,273,457	24,069,105,454
04	Unrealised foreign exchange losses (gains)	23.2, 25	1,258,459,841	(990,436,255)
05	(Profits) losses from investing activities		(62,154,198,426)	10,853,595,184
06	Interest expense	25	4,833,594,782	1,909,633,036
08	Operating profit before changes in working capital		159,512,489,242	92,711,767,475
09	(Increase) decrease in receivables		(35,363,309,228)	15,127,555,142
10	(Increase) decrease in inventories		(55,937,102,277)	8,939,559,591
11	Increase in payables		15,077,083,133	67,874,926,306
12	(Increase) decrease in prepaid expenses		(1,852,138,937)	4,626,098,731
13	Interest paid		(4,583,552,433)	(1,700,142,882)
14	Corporate income tax paid	27.2	(25,332,064,772)	(14,516,152,511)
15	Other cash inflows from operating activities		3,314,494,530	-
16	Other cash outflows used in operating activities		(16,116,177,023)	(8,337,227,404)
20	Net cash flows from operating activities		38,719,722,235	164,726,384,448
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase and construction of fixed assets and other long-term assets		(27,718,119,910)	(18,456,653,501)
22	Proceeds from disposals of fixed assets		905,711,114	-
23	Payments for purchase of shares in other entities		(2,522,564,848,481)	(647,154,787,528)
24	Proceeds from sale of shares in other entities		2,778,313,636,261	434,608,363,291
25	Payments for investments in other entities		(696,745,323,774)	(206,934,660,852)
26	Proceeds from sale of investments in other entities		-	12,500,000,000
27	Interest and dividends received		48,018,276,812	23,759,761,074
30	Net cash flows used in investing activities		(419,790,667,978)	(401,677,977,516)

CONSOLIDATED CASH FLOW STATEMENT (continued)
for the year ended 31 December 2014

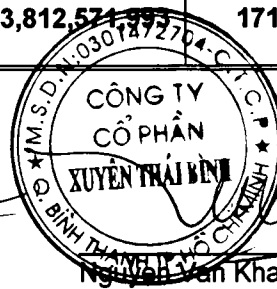
VND

Code	ITEMS	Notes	Current year	Previous year
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
31	Issuance of shares		667,334,644,000	202,720,000,000
33	Drawdown of borrowings		622,809,142,598	446,434,007,415
34	Repayment of borrowings		(647,954,024,088)	(273,061,818,699)
36	Dividends paid to equity holders of the parent	21.2	(60,410,666,500)	-
	Dividends paid to minority interest		(28,612,520,520)	(17,609,070,514)
40	Net cash flows from financing activities		553,166,575,490	358,483,118,202
50	Net increase in cash and cash equivalents		172,095,629,747	121,531,525,134
60	Cash and cash equivalents at beginning of year		171,452,034,042	49,860,270,524
61	Impact of exchange rate fluctuation		264,908,204	60,238,384
70	Cash and cash equivalents at end of year	5	343,812,571,993	171,452,034,042



Nguyen Thi Thu Hong
Preparer

Tran Anh Phuong
Chief Accountant



Nguyen Van Khai
Deputy General Director

29 March 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 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'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 a representative office in Hanoi, Vietnam.

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 number of the employees of the Group as at 31 December 2014 was 5,686 (31 December 2013: 4,920).

Corporate structure

The Company's corporate structure includes 5 direct subsidiaries and 2 indirect subsidiaries, as follows:

<i>Name</i>	<i>% of interest</i>	<i>Location</i>	<i>Business activities</i>
Direct subsidiaries			
Vietnam National Seed Corporation ("NSC")	56.7	1 Luong Dinh Cua Street, Phuong Mai Ward, Dong Da District, Hanoi City, Vietnam	Research, produce, trade, export and import agricultural and forestry plant seeds and to produce, trade, export and import agricultural products and materials
Ben Tre Aquaproduct Import and Export Joint Stock Company ("ABT")	62.5	Tan Thanh Commune, Chau Thanh District, Ben Tre Province, Vietnam	Culture, process and export aquatic products, process feeds for aquaculture, livestock and poultry
Pan Pacific Service Company Limited	100	236/43/2 Dien Bien Phu Street, Ward 17, Binh Thanh District, Ho Chi Minh City, Vietnam	Provide cleaning services
Pan Pacific Company Limited	100	236/43/2 Dien Bien Phu Street, Ward 17, Binh Thanh District, Ho Chi Minh City, Vietnam	Provide cleaning services
Pan Food Joint Stock Company	99.9	236/43/2 Dien Bien Phu Street, Ward 17, Binh Thanh District, Ho Chi Minh City, Vietnam	Culture, process and trade of agricultural, forestry and aquatic products; trade foods and provide investment consulting services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2014

1. **CORPORATE INFORMATION** (continued)

Corporate structure (continued)

<i>Name</i>	<i>% of interest</i>	<i>Location</i>	<i>Business activities</i>
Indirect subsidiaries			
Ha Tay Seed Joint Stock Company	30	Ba La, Phu Lam Ward, Ha Dong District, Hanoi City, Vietnam	Research and produce plant seeds
Quang Nam Seed Agriculture and Forestry Joint Stock Company	48	Km934, 1A Highway, North Dien Thang Commune, Dien Ban District, Quang Nam Province, Vietnam	Research and produce plant seeds

2. **BASIS OF PREPARATION**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2014**2. BASIS OF PREPARATION (continued)****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 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 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.

Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised in goodwill.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3.5 Intangible assets

Intangible assets are stated at cost less accumulated amortisation.

The cost of an intangible asset comprises its purchase price and any directly attributable costs of preparing the intangible 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 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 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
Means of transportation	3 – 20 years
Office equipment	3 – 10 years
Patent and copyrights	5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2014

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 consolidated income statement.

3.10 Investments

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.

Investments in securities and other investments

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

Provision for investments

Provision is made for any diminution in value of the investments at the balance sheet date in accordance with the guidance under the 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 consolidated income statement.

3.11 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.