

**Pan Pacific Corporation**

Separate 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 the License No. 244/2010/QD-SDGHCM issued by the HOSE on 18 November 2010.

The Company is 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	
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 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 Directors.

Mr Nguyen Van Khai is authorised by Mr Nguyen Duy Hung to sign the separate 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 separate financial statements of the Company for the year ended 31 December 2014.

### MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE SEPARATE FINANCIAL STATEMENTS

Management is responsible for the separate financial statements of each financial year which give a true and fair view of the separate financial position of the Company and of the separate results of its operations and its separate cash flows for the year. In preparing those separate 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 separate financial statements; and
- prepare the separate financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the separate financial position of the Company and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management confirmed that it has complied with the above requirements in preparing the accompanying separate financial statements.

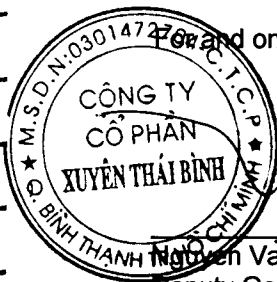
### STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying separate financial statements give a true and fair view of the separate financial position of the Company as at 31 December 2014 and of the separate results of its operations and its separate 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 separate financial statements.

The Company is the parent company of the subsidiaries listed in Note 10.2 to the separate financial statements and it is in the process of preparing the consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2014 to meet the prevailing regulatory reporting requirements.

Users of these separate financial statements should read them together with the consolidated financial statements of the Group for the year ended 31 December 2014 in order to obtain full information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Group as a whole.

For and on behalf of management:



*[Signature]*  
Nguyễn Văn Khai  
Deputy General Director

12 February 2015



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

Tel: +84 8 3824 5252  
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ey.com

Reference: 61063721/16997808

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying separate financial statements of Pan Pacific Corporation ("the Company") are prepared on 12 February 2015 and set out on pages 5 to 32 which comprise the separate balance sheet as at 31 December 2014, and the separate income statement and separate 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 separate financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of separate financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation of separate 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 separate financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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 separate financial statements.

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



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### **Opinion**

In our opinion, the separate financial statements give a true and fair view, in all material respects, of the separate financial position of the Company as at 31 December 2014, and of the separate results of its operations and its separate 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 separate financial statements.

### **Emphasis of matter**

As disclosed in Note 10.2 in the separate financial statements, the Company is a parent company with subsidiaries and it is in the process of preparing the consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2014 to meet the prevailing regulatory reporting requirements. Users of these separate financial statements should read them together with the consolidated financial statements of the Group for the year ended 31 December 2014 in order to obtain full information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Group as a whole.



**Ernst & Young Vietnam Limited**

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

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

Ho Chi Minh City, Vietnam

12 February 2015

SEPARATE BALANCE SHEET  
as at 31 December 2014

VND

Code	ASSETS	Notes	Ending balance	Beginning balance
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>138,670,751,820</b>	<b>227,181,846,900</b>
<b>110</b>	<b>I. Cash and cash equivalents</b>	<b>4</b>	<b>42,579,923,316</b>	<b>6,280,443,828</b>
111	1. Cash		24,454,306,441	6,239,283,828
112	2. Cash equivalents		18,125,616,875	41,160,000
<b>120</b>	<b>II. Short-term investments</b>	<b>10</b>	<b>22,326,479,812</b>	<b>149,828,958,329</b>
121	1. Short-term investments		22,326,479,812	149,828,958,329
<b>130</b>	<b>III. Current accounts receivable</b>		<b>72,975,630,731</b>	<b>68,826,915,804</b>
131	1. Trade receivables	5	1,554,610,487	18,415,336,784
132	2. Advances to suppliers	6	50,768,032,989	50,173,423,871
135	3. Other receivables	7	20,652,987,255	238,155,149
<b>150</b>	<b>IV. Other current assets</b>		<b>788,717,961</b>	<b>2,245,528,939</b>
151	1. Short-term prepaid expenses		52,978,080	55,839,271
152	2. Value-added tax deductible		198,791,803	249,891,813
154	3. Tax and other receivables from the State	19.2	-	995,015,078
158	4. Other current assets	8	536,948,078	944,782,777
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>1,023,018,321,928</b>	<b>300,999,128,732</b>
<b>220</b>	<b>I. Fixed assets</b>		<b>7,988,423,323</b>	<b>8,818,708,164</b>
221	1. Tangible fixed assets	9	7,988,423,323	8,818,708,164
222	Cost		15,697,031,575	15,697,031,575
223	Accumulated depreciation		(7,708,608,252)	(6,878,323,411)
<b>250</b>	<b>II. Long-term investments</b>	<b>10</b>	<b>1,014,387,708,382</b>	<b>291,933,754,707</b>
251	1. Investments in subsidiaries		980,419,262,027	291,933,754,707
252	2. Investment in an associate		33,968,446,355	-
<b>260</b>	<b>III. Other long-term assets</b>		<b>642,190,223</b>	<b>246,665,861</b>
261	1. Long-term prepaid expenses		248,289,663	48,874,461
268	2. Other long-term assets		393,900,560	197,791,400
<b>270</b>	<b>TOTAL ASSETS</b>		<b>1,161,689,073,748</b>	<b>528,180,975,632</b>

SEPARATE BALANCE SHEET (continued)  
as at 31 December 2014

VND

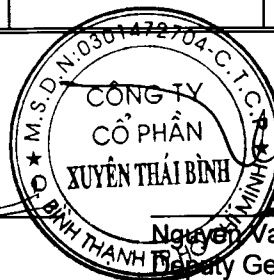
Code	RESOURCES	Notes	Ending balance	Beginning balance
<b>300</b>	<b>A. LIABILITIES</b>		<b>8,855,678,246</b>	<b>52,282,086,791</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>7,735,164,746</b>	<b>51,161,573,291</b>
311	1. Short-term loan		-	9,500,000,000
312	2. Trade payables	11	2,227,240,916	5,571,427,491
313	3. Advance from customers		208,308,899	-
314	4. Statutory obligations	12	906,445,740	216,902,433
315	5. Payables to employees		1,231,100,602	797,154,211
316	6. Accrued expenses		123,000,004	165,000,000
319	7. Other payables	13	297,989,928	31,288,058,584
323	8. Bonus and welfare funds		2,741,078,657	3,623,030,572
<b>330</b>	<b>II. Non-current liability</b>		<b>1,120,513,500</b>	<b>1,120,513,500</b>
333	1. Other long-term liabilities	14	1,120,513,500	1,120,513,500
<b>400</b>	<b>B. OWNERS' EQUITY</b>		<b>1,152,833,395,502</b>	<b>475,898,888,841</b>
<b>410</b>	<b>I. Capital</b>	<b>15</b>	<b>1,152,833,395,502</b>	<b>475,898,888,841</b>
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		5,756,899,134	5,756,899,134
418	4. Financial reserve fund		5,756,899,134	5,756,899,134
420	5. Undistributed earnings		47,246,048,998	37,646,186,337
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>1,161,689,073,748</b>	<b>528,180,975,632</b>

## OFF BALANCE SHEET ITEM

ITEM	Ending balance	Beginning balance
Bad debt written off (VND)	-	90,730,000

  
 Nguyen Thi Thu Hong  
 Preparer

  
 Tran Anh Phuong  
 Chief Accountant



  
 Nguyen Van Khai  
 Deputy General Director


12 February 2015



SEPARATE INCOME STATEMENT  
for the year ended 31 December 2014

VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenue from rendering of services	16.1	11,864,697,892	37,149,531,026
11	2. Cost of services rendered	18	(9,805,120,646)	(34,941,209,097)
20	3. Gross profit from rendering of services		2,059,577,246	2,208,321,929
21	4. Finance income	16.2	88,846,013,214	32,379,326,649
22	5. Finance expenses	17	(837,146,576)	2,216,603,512
23	<i>In which: Interest expense</i>		(35,677,778)	(14,561,556)
25	6. General and administrative expenses	18	(18,201,555,131)	(12,120,811,698)
30	7. Operating profit		71,866,888,753	24,683,440,392
31	8. Other income		1,725,300	576,501
32	9. Other expenses		(9,000)	(593,849,897)
40	10. Other profit (loss)		1,716,300	(593,273,396)
50	11. Profit before tax		71,868,605,053	24,090,166,996
51	12. Current corporate income tax expense	19.2	(1,136,242,392)	(241,478,843)
52	13. Deferred income tax expense		-	(1,378,459,413)
60	14. Net profit after tax		70,732,362,661	22,470,228,740

  
 Nguyen Thi Thu Hong  
 Preparer

  
 Tran Anh Phuong  
 Chief Accountant



  
 Nguyen Van Khai  
 Deputy General Director

12 February 2015

SEPARATE CASH FLOW STATEMENT  
for the year ended 31 December 2014

VND

Code	ITEMS	Notes	Current year	Previous year
	<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01	<b>Profit before tax</b>		<b>71,868,605,053</b>	<b>24,090,166,996</b>
	<i>Adjustments for:</i>			
02	Depreciation	9	830,284,841	1,258,497,435
03	Reversal of provision	17	-	(13,238,194,056)
05	Profit from investing activities		(88,845,793,214)	(27,705,173,650)
06	Interest expense	17	35,677,778	14,561,556
08	<b>Operating loss before changes in working capital</b>		<b>(16,111,225,542)</b>	<b>(15,580,141,719)</b>
09	Decrease in receivables		10,754,940,557	2,739,206,873
10	Decrease in inventories		-	3,600,000
11	(Decrease) increase in payables		(33,393,438,914)	29,380,396,939
12	Increase in prepaid expenses		(196,554,011)	(91,594,984)
13	Interest paid		(35,677,778)	(14,561,556)
14	Corporate income tax paid	19.2	-	(241,478,843)
15	Other cash inflows from operating activities		494,582,880	2,092,054,000
16	Other cash outflows from operating activities		(1,667,389,605)	(4,051,234,358)
20	<b>Net cash flows (used in) from operating activities</b>		<b>(40,154,762,413)</b>	<b>14,236,246,352</b>
	<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
23	Payments for purchase of shares in other entities		(1,989,158,520,000)	(53,919,331,561)
24	Proceeds from sale of shares in other entities		2,077,741,666,956	43,971,764,000
25	Payments for investments in other entities		(683,534,622,114)	(264,426,671,212)
26	Proceeds from sale of investments in other entities		-	13,267,157,520
27	Interest and dividends received		73,981,739,559	37,439,526,782
30	<b>Net cash flows used in investing activities</b>		<b>(520,969,735,599)</b>	<b>(223,667,554,471)</b>
	<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
31	Issuance of shares	15.1	667,334,644,000	202,720,000,000
33	Drawdown of borrowings		-	46,944,000,000
34	Borrowing repaid		(9,500,000,000)	(37,444,000,000)
36	Dividends paid	15.2	(60,410,666,500)	-
40	<b>Net cash flows from financing activities</b>		<b>597,423,977,500</b>	<b>212,220,000,000</b>

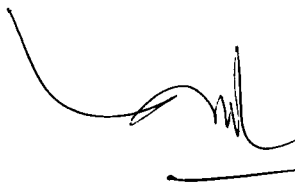
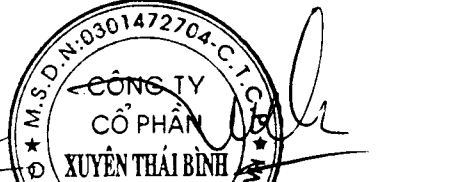
SEPARATE CASH FLOW STATEMENT (continued)  
for the year ended 31 December 2014

VND

Code	ITEMS	Notes	Current year	Previous year
50	Net increase in cash and cash equivalents		36,299,479,488	2,788,691,881
60	Cash and cash equivalents at beginning of year		6,280,443,828	3,491,751,947
70	Cash and cash equivalents at end of year	4	42,579,923,316	6,280,443,828



Nguyen Thi Thu Hong  
Preparer

Tran Anh Phuong  
Chief Accountant



Nguyen Van Khai  
General Director

12 February 2015

NOTES TO THE SEPARATE 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 the License No. 244/2010/QD-SDGHCM issued by the HOSE on 18 November 2010.

The Company is 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, Vietnam.

The number of the Company's employees as at 31 December 2014 was 19 (31 December 2013: 11).

The Company's corporate structure includes 5 subsidiaries as presented in Note 10.2 of the separate financial statements.

## 2. BASIS OF PREPARATION

### 2.1 *Applied accounting standards and system*

The separate financial statements of the Company, 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 separate balance sheet, separate income statement, separate 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 separate financial position and the separate results of its operations and separate cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

The Company is the parent company of the subsidiaries listed in Note 10.2 and it is in the process of preparing the consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2014 to meet the prevailing regulatory reporting requirements.

Users of these separate financial statements should read them together with the consolidated financial statements of the Group for the year ended 31 December 2014 in order to obtain full information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Group as a whole.

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

**2. BASIS OF PREPARATION (continued)**

**2.2 Applied accounting documentation system**

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

**2.3 Fiscal year**

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

**2.4 Accounting currency**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Cash and cash equivalents**

Cash and cash equivalents comprises 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 Receivables**

Receivables are presented in the separate 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 separate income statement.

**3.3 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 separate income statement as incurred.

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

**3.4 Depreciation**

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

Buildings and structures	5 - 25 years
Means of transportation	5 - 10 years
Office equipment	3 - 5 years

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.5 Investments in subsidiaries**

Investments in subsidiaries over which the Company has control are carried at cost.

Distributions from accumulated net profits of the subsidiaries arising subsequent to the date of acquisition are recognised in the separate income statement. Distributions from sources other than from such profits are considered a recovery of investment and are deducted from the cost of the investment.

**3.6 Investments in an associate**

Investments in associates over which the Company has significant influence are accounted for under the cost method of accounting.

Distributions from the accumulated net profits of the associate arising subsequent to the date of acquisition by the Company are recognised as income in the separate income statement. Distributions from sources other than from such profits are considered a recovery of investment and are deducted from the cost of the investment.

**3.7 Investments in securities and other investments**

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

**3.8 Provision for diminution in value of investments**

Provision is made for any diminution in value of 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 28 June 2013 issued by the Ministry of Finance. Increases and decreases to the provision balance are recorded as finance expense in the separate income statement.

**3.9 Prepaid expenses**

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

**3.10 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 year in which they are incurred.

**3.11 Operating lease**

Rentals under operating leases are charged to the separate income statement on a straight-line basis over the term of the lease.

**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 Company.

**3.13 Provision for severance pay**

The severance pay to employee is accrued at the end of each reporting year for all employees who have been being 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. The average monthly salary used in this calculation will be revised at the end of each reporting year following the average monthly salary of the 6-month period up to the reporting date. Any changes to the accrued amount will be taken to the separate 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.

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.14 Foreign currency transactions**

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

**3.15 Appropriation of net profits**

Net profit after tax (excluding unrealised exchange gains as at the balance sheet date) 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 Company maintains the following reserve funds which are appropriated from the Company'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 Company'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 Company's expansion of its operation or in-depth investments.

*Bonus and welfare funds*

This fund is set aside for the purpose of pecuniary rewarding and encouraging, common benefits and improvement of the employees' benefits, and presented as a liability on the separate balance sheet.

**3.16 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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:

*Rendering of services*

Revenues are recognised upon the completion of the services provided.

*Rental income*

Rental income arising from operating leases is accounted for on a straight line basis over the term of the lease term.

*Interest income*

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 Company's entitlement as an investor to receive the dividend is established.

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.17 Taxation**

*Current income tax*

Current income tax assets and liabilities for the current and prior years 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 separate 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 Company to set off current tax assets against current tax liabilities and when the Company 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.

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.
- 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.
- 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 year 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 separate income statement, except when it relates to items recognised directly to equity, in which case the deferred tax is also dealt with in the equity account.