# Century Synthetic Fiber Corporation

Interim financial statements

30 June 2013

Century Synthetic Fiber Corporation

**CONTENTS**

Century Synthetic Fiber Corporation

GENERAL INFORMATION

## THE COMPANY

Century Synthetic Fiber Corporation ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate ("BRC") No. 4103003288 issued by the Department of Planning and Investment of Ho Chi Minh City on 11 April 2005 and the following amended BRC:

| *Amended BRC No.* | *Date* |
|---|---|
| 4103003288 – 1st | 24 May 2007 |
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The Company has a branch established in accordance with Investment Certificate No. 45211000130 issued by the Tay Ninh Province Industrial Zone Administration on 26 June 2009 and the following amended Investment Certificates:

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| 45211000130 – 1st | 17 August 2009 |
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| 45211000130 – 3rd | 11 June 2010 |
| 45211000130 – 4th | 15 April 2011 |

The Company's principal activity is to manufacture synthetic yarn and knitting.

The Company's registered head office is located at North West Cu Chi Industry Zone, Cu Chi District, Ho Chi Minh City, Vietnam and its branch is located at Trang Bang Industry Zone, Trang Bang District, Tay Ninh Province, Vietnam.

## BOARD OF DIRECTORS

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

| | |
|---|---|
| Mr. Dang Trieu Hoa | Chairman |
| Mr. Dang Huong Cuong | Member |
| Ms. Dang My Linh | Member |
| Mr. Lee Chien Kuan | Member |
| Mr. Jean-Eric Jacquemin | Member |
| Mr. Thai Tuan Chi | Member |

## BOARD OF SUPERVISION

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

| | | |
|---|---|---|
| Mr. Nguyen Tu Luc | Head of the Board of Supervision | |
| Ms. Nguyen Thi Ngoc Linh | Member | |
| Ms. Phan Thi Hong Phuc | Member | resigned on 28 March 2013 |
| Mr. Le Anh Tuan | Member | appointed on 28 March 2013 |

## MANAGEMENT

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

| | |
|---|---|
| Mr. Dang Trieu Hoa | General Director |
| Mr. Huang Wei Ling | Deputy General Director |

## LEGAL REPRESENTATIVE

The legal representative of the Company during the period and at the date of this report is Mr. Dang Trieu Hoa.

## AUDITORS

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

REPORT OF MANAGEMENT

Management of Century Synthetic Fiber Corporation ("the Company") is pleased to present its report and the interim financial statements of the Company for the six-month period ended 30 June 2013.

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

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

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the registered 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 interim financial statements.

## STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying interim financial statements give a true and fair view of the interim financial position of the Company as at 30 June 2013 and of the interim results of its operations and its interim 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:

M.S.D.N: 0302018927 C.T.C.P. CÔNG TY CỔ PHẦN SỢI THẾ KỶ H. CỦ CHI TP. HỒ CHÍ MINH

Dang Trieu Hoa
General Director

26 August 2013

EY
Building a better working world

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Ho Chi Minh City, S.R. of Vietnam

Tel: +84 8 3824 5252
Fax: +84 8 3824 5250
ey.com

Reference: 60867230/16363913

# INDEPENDENT AUDITORS' REPORT

**To: The Shareholders of Century Synthetic Fiber Corporation**

We have audited the interim financial statements of Century Synthetic Fiber Corporation ("the Company") as set out on pages 5 to 33 which comprise the interim balance sheet as at 30 June 2013, the interim income statement and the interim cash flow statement for the six-month period then ended and the notes thereto.

The preparation and presentation of these interim financial statements are the responsibility of management. Our responsibility is to issue a report on these interim financial statements based on our audit.

## *Basis of opinion*

We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the interim financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the interim financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's management, as well as evaluating the overall presentation of the interim financial statements. We believe that our audit provides a reasonable basis for our opinion.

## *Opinion*

In our opinion, the interim financial statements give a true and fair view of the interim financial position of the Company as at 30 June 2013 and of the interim results of its operations and its interim 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**

CÔNG TY TRÁCH NHIỆM HỮU HẠN ERNST & YOUNG VIỆT NAM

| | |
|---|---|
| Ernest Yoong Chin Kang | Le Vu Truong |
| Deputy General Director | Auditor |
| Audit Practicing Registration Certificate | Audit Practicing Registration Certificate |
| No. 1891-2013-004-1 | No. 1588-2013-004-1 |

Ho Chi Minh City, Vietnam

26 August 2013

INTERIM BALANCE SHEET
as at 30 June 2013

VND

| Code | ASSETS | Notes | 30 June 2013 | 31 December 2012 |
|---|---|---|---|---|
| **100** | **A. CURRENT ASSETS** | | **405,589,124,178** | **312,433,587,543** |
| ***110*** | ***I. Cash and cash equivalents*** | ***4*** | ***124,473,928,426*** | ***24,098,834,109*** |
| 111 | 1. Cash | | 38,337,928,426 | 16,098,834,109 |
| 112 | 2. Cash equivalents | | 86,136,000,000 | 8,000,000,000 |
| ***130*** | ***II. Current accounts receivable*** | | ***75,002,232,389*** | ***84,652,713,008*** |
| 131 | 1. Trade receivables | 5 | 68,829,652,349 | 83,415,923,765 |
| 132 | 2. Advances to suppliers | | 1,935,898,445 | 824,445,981 |
| 135 | 3. Other receivables | | 4,236,681,595 | 412,343,262 |
| ***140*** | ***III. Inventories*** | ***6*** | ***195,053,614,857*** | ***194,751,638,645*** |
| 141 | 1. Inventories | | 196,332,755,747 | 194,751,638,645 |
| 149 | 2. Provision for obsolete inventories | | (1,279,140,890) | - |
| ***150*** | ***V. Other current assets*** | | ***11,059,348,506*** | ***8,930,401,781*** |
| 151 | 1. Short-term prepaid expenses | | 2,170,888,112 | 1,072,914,354 |
| 152 | 2. Value-added tax deductible | | 7,113,613,820 | 7,751,340,119 |
| 154 | 3. Tax and other receivables from the State | | - | 7,978,362 |
| 158 | 4. Other current assets | | 1,774,846,574 | 98,168,946 |
| **200** | **B. NON-CURRENT ASSETS** | | **665,685,351,796** | **704,144,686,663** |
| ***210*** | ***I. Long-term receivable*** | | ***500,000,000*** | ***800,000,000*** |
| 218 | 1. Other long-term receivable | | 500,000,000 | 800,000,000 |
| ***220*** | ***II. Fixed assets*** | | ***620,247,506,033*** | ***659,630,526,845*** |
| 221 | 1. Tangible fixed assets | 7 | 505,238,833,189 | 539,989,498,381 |
| 222 | Cost | | 738,546,754,682 | 739,481,119,568 |
| 223 | Accumulated depreciation | | (233,307,921,493) | (199,491,621,187) |
| 224 | 2. Finance leases | 8 | 92,786,313,498 | 98,904,092,415 |
| 225 | Cost | | 122,355,578,248 | 122,355,578,248 |
| 226 | Accumulated depreciation | | (29,569,264,750) | (23,451,485,833) |
| 227 | 3. Intangible fixed assets | 9 | 10,313,553,643 | 8,439,139,346 |
| 228 | Cost | | 13,594,039,674 | 10,511,383,594 |
| 229 | Accumulated amortisation | | (3,280,486,031) | (2,072,244,248) |
| 230 | 4. Construction in progress | 10 | 11,908,805,703 | 12,297,796,703 |
| ***260*** | ***III. Other long-term assets*** | | ***44,937,845,763*** | ***43,714,159,818*** |
| 261 | 1. Long-term prepaid expenses | 11 | 38,687,751,357 | 36,947,407,564 |
| 262 | 2. Deferred tax assets | 20.2 | 991,094,406 | 866,804,694 |
| 268 | 3. Other long-term assets | | 5,259,000,000 | 5,899,947,560 |
| **270** | **TOTAL ASSETS** | | **1,071,274,475,974** | **1,016,578,274,206** |

INTERIM BALANCE SHEET (continued)
as at 30 June 2013

*VND*

| *Code* | *RESOURCES* | *Notes* | *30 June 2013* | *31 December 2012* |
|---|---|---|---|---|
| **300** | **A. LIABILITIES** | | **618,168,994,984** | **547,330,639,970** |
| ***310*** | ***I. Current liabilities*** | | ***368,971,680,663*** | ***267,042,427,605*** |
| 311 | 1. Short-term loans | 12 | 81,958,443,744 | 36,751,094,894 |
| 312 | 2. Trade payables | | 250,815,207,997 | 192,008,783,325 |
| 313 | 3. Advances from customers | | 8,141,667,997 | 7,424,116,587 |
| 314 | 4. Statutory obligations | 13 | 11,207,628,414 | 13,060,147,961 |
| 315 | 5. Payables to employees | | 6,483,946,909 | 3,500,154,795 |
| 316 | 6. Accrued expenses | 14 | 5,721,576,535 | 4,964,569,172 |
| 319 | 7. Other payables | | 2,112,173,121 | 1,555,954,441 |
| 323 | 8. Bonus and welfare fund | | 2,531,035,946 | 7,777,606,430 |
| ***330*** | ***II. Non-current liabilities*** | | ***249,197,314,321*** | ***280,288,212,365*** |
| 333 | 1. Other long-term liabilities | | 370,001,209 | 372,055,917 |
| 334 | 2. Long-term loans and debts | 15 | 248,827,313,112 | 279,916,156,448 |
| **400** | **B. OWNERS' EQUITY** | | **453,105,480,990** | **469,247,634,236** |
| ***410*** | ***I. Capital*** | ***16.1*** | ***453,105,480,990*** | ***469,247,634,236*** |
| 411 | 1. Share capital | | 315,425,840,000 | 274,914,910,000 |
| 412 | 2. Share premium | | - | 40,145,500,800 |
| 414 | 3. Treasury shares | | (11,753,620,000) | (11,753,620,000) |
| 418 | 4. Financial reserve fund | | 1,219,011,000 | 1,219,011,000 |
| 420 | 5. Undistributed earnings | | 148,214,249,990 | 164,721,832,436 |
| **440** | **TOTAL LIABILITIES AND OWNERS' EQUITY** | | **1,071,274,475,974** | **1,016,578,274,206** |

**OFF BALANCE SHEET ITEM**

| *ITEM* | *30 June 2013* | *31 December 2012* |
|---|---|---|
| Foreign currency: United Dollar (US$) | 1,520,730 | 680,296 |

M.S.D.N: 0302018927 C.T.C.P. CÔNG TY CỔ PHẦN SỢI THẾ KỶ H. CỦ CHI TP. HỒ CHÍ MINH

| Preparer | Chief Accountant | General Director |
|---|---|---|
| Le Thi Mong Tuyen | Phan Nhu Bich | Dang Trieu Hoa |

26 August 2013

Century Synthetic Fiber Corporation B02a-DN

INTERIM 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. Revenue from sale of goods** | 17.1 | **664,445,502,937** | **543,011,463,266** |
| 02 | **2. Deductions** | 17.1 | **(443,378,783)** | **-** |
| 10 | **3. Net revenue from sale of goods** | 17.1 | **664,002,124,154** | **543,011,463,266** |
| 11 | **4. Cost of goods sold** | 19 | **(589,992,682,734)** | **(449,740,749,177)** |
| 20 | **5. Gross profit** | | **74,009,441,420** | **93,270,714,089** |
| 21 | **6. Financial income** | 17.2 | **2,985,701,832** | **3,229,315,131** |
| 22 | **7. Financial expenses** | 18 | **(13,173,018,543)** | **(9,979,629,124)** |
| 23 | *- In which: Interest expense* | | *(7,719,184,455)* | *(9,261,917,392)* |
| 24 | **8. Selling expenses** | 19 | **(14,498,702,695)** | **(14,673,916,399)** |
| 25 | **9. General and administration expenses** | 19 | **(17,338,835,745)** | **(16,204,513,202)** |
| 30 | **10. Operating profit** | | **31,984,586,269** | **55,641,970,495** |
| 31 | **11. Other income** | | **122,348,202** | **62,895,736** |
| 32 | **12. Other expenses** | | **(276,072,872)** | **(50,893,596)** |
| 40 | **13. Other (loss) profit** | | **(153,724,670)** | **12,002,140** |
| 50 | **14. Profit before tax** | | **31,830,861,599** | **55,653,972,635** |
| 51 | **15. Current corporate income tax expense** | 20.1 | **(7,585,927,057)** | **(4,962,631,665)** |
| 52 | **16. Deferred income tax benefit** | 20.2 | **124,289,712** | **234,051,699** |
| 60 | **17. Net profit after tax** | | **24,369,224,254** | **50,925,392,669** |
| 70 | **18. Basic and diluted** | 22 | **785** | **1,639** |

M.S.D.N:0302018927-C.T.C.P.★ CÔNG TY CỔ PHẦN SỢI THẾ KỶ H. CỦ CHI TP. HỒ CHÍ MINH ★

| Preparer<br>Le Thi Mong Tuyen | Chief Accountant<br>Phan Nhu Bich | General Director<br>Dang Trieu Hoa |
|---|---|---|

26 August 2013

INTERIM 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** | | **31,830,861,599** | **55,653,972,635** |
| | *Adjustments for:* | | | |
| 02 | Depreciation and amortisation | 7,8,9 | 42,159,997,892 | 30,615,268,347 |
| 03 | Provisions | | 1,279,140,890 | - |
| 04 | Unrealised foreign exchange losses | | 4,515,115,392 | 23,990,024 |
| 05 | Profits from investing activities | | (776,322,495) | (2,483,470,483) |
| 06 | Interest expense | 18 | 7,719,184,455 | 9,261,917,392 |
| **08** | **Operating profit before changes in working capital** | | **86,727,977,733** | **93,071,677,915** |
| 09 | Decrease (increase) in receivables | | 9,735,436,218 | (18,427,202,236) |
| 10 | Increase in inventories | | (1,581,117,102) | (1,801,676,423) |
| 11 | Increase (decrease) in payables | | 63,050,867,204 | (42,064,459,969) |
| 12 | (Increase) decrease in prepaid expenses | | (2,838,317,551) | 1,353,622,038 |
| 13 | Interest paid | | (7,001,640,394) | (8,474,746,250) |
| 14 | Corporate income tax paid | 20.1 | (12,226,293,513) | (7,648,686,198) |
| 15 | Other cash inflows from operating activities | | 39,364,348,224 | 110,514,917,284 |
| 16 | Other cash outflows from operating activities | | (45,707,540,674) | (115,086,867,956) |
| **20** | **Net cash from operating activities** | | **129,523,720,145** | **11,436,578,205** |
| | **II. CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| 21 | Purchase and construction of fixed assets | | (1,088,584,580) | (173,211,471,503) |
| 27 | Interest received | | 776,322,495 | 2,483,470,483 |
| **30** | **Net cash used in investing activities** | | **(312,262,085)** | **(170,728,001,020)** |
| | **III. CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| 32 | Buy back treasury shares | | - | (18,300,000) |
| 33 | Drawdown of borrowings | | 77,636,376,000 | 287,002,858,192 |
| 34 | Repayment of borrowings | | (50,994,624,000) | (137,634,356,320) |
| 35 | Payment of finance lease liabilities | | (15,353,110,264) | (9,439,957,752) |
| 36 | Dividends paid to equity holders of the parent | 16.1 | (40,511,377,500) | - |
| **40** | **Net cash (used in) from financing activities** | | **(29,222,735,764)** | **139,910,244,120** |

INTERIM 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* |
|---|---|---|---|---|
| **50** | **Net (decrease) increase in cash and cash equivalents** | | **100,375,094,317** | **(19,381,178,695)** |
| **60** | **Cash and cash equivalents at beginning of period** | **4** | **24,098,834,109** | **69,234,006,084** |
| **61** | **Impact of exchange rate fluctuation** | | **386,372,021** | **-** |
| **70** | **Cash and cash equivalents at end of period** | **4** | **124,473,928,426** | **49,852,827,389** |

Preparer
Le Thi Mong Tuyen

Chief Accountant
Phan Nhu Bich

General Director
Dang Trieu Hoa

CÔNG TY CỔ PHẦN SỢI THẾ KỶ

26 August 2013

## 1. CORPORATE INFORMATION

Century Synthetic Fiber Corporation ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the Registration Certificate ("BRC") No. 4103003288 issued by the Department of Planning and Investment of Ho Chi Minh City on 11 April 2005 and the following amended BRC:

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The Company's principal activity is to manufacture synthetic yarn and knitting.

The Company's registered head office is located at North West Cu Chi Industry Zone, Cu Chi District, Ho Chi Minh City, Vietnam and its branch is located at Trang Bang Industry Zone, Trang Bang District, Tay Ninh Province, Vietnam.

The number of the Company' employees as at 30 June 2013 was 606 (31 December 2012: 661).

## 2. BASIS OF PREPARATION

### *2.1 Accounting standards and system*

The interim financial statements of the Company, expressed in Vietnam dong ("VND"), are prepared in accordance with the Vietnamese Accounting System and Vietnamese Accounting Standards 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 Standards on Accounting (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 3);
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 4); and
- Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 5).

## 2. BASIS OF PREPARATION (continued)

### 2.1 *Accounting standards and system* (continued)

Accordingly, the accompanying interim balance sheet, interim income statement, interim 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 *Registered accounting documentation system*

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

### 2.3 *Fiscal year*

The Company's fiscal year starts on 1 January and ends on 31 December.

### 2.4 *Accounting currency*

The Company maintains its accounting records in VND.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 *Change in accounting policies and disclosures*

The accounting policies adopted by the Company in preparation of the interim financial statements are consistent with those followed in the preparation of the Company's financial statements as at and for the year ended 31 December 2012 and the interim financial statements as at and for the six-month period ended 30 June 2012 except for the changes in the accounting policy in relation to foreign currency transactions.

For the preparation of the balance sheets as at 30 June 2013 and 31 December 2012, the Company 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 the Vietnamese Accounting Standard No. 10 - Effects of Changes in Foreign Exchange Rates ("VAS 10") adopted in prior periods.

Following Circular 179, at the balance sheet dates, monetary assets and liabilities denominated in foreign currencies are translated into VND using buying exchange rates announced by the commercial bank where the Company maintains its bank accounts. For the six-month period ended 30 June 2012, inter-bank exchanges rate ruling at the balance sheet date were 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 financial statements for the six-month period ended 30 June 2013 is 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 changes in value.

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

### *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 | - | cost of purchase on a weighted average basis. |
| Finished goods and work in progress | - | 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 (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Company, 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 income statement.

### *3.4 Receivables*

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

The provision for doubtful debts represents the estimated loss due to non-collection of receivables that were outstanding at the balance sheet date. Increases and decreases to the provision balance are recorded as general and administration expense in the interim 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 capitalised and expenditures for maintenance and repairs are charged to the interim income statement as incurred.

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

### *3.6 Leased assets*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

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

### 3.6 *Leased assets* (continued)

Assets held under finance leases are capitalised in the interim balance sheet at the inception of the lease at the fair value of the leased assets or, if lower, at the net present value of the minimum lease payments. The principal amount included in future lease payments under finance leases are recorded as a liability. The interest amounts included in lease payments are charged to the interim income statement over the lease term to achieve a constant rate on interest on the remaining balance of the finance lease liability.

Capitalised financial leased assets are depreciated using straight-line basis over the shorter of the estimated useful live of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

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

### 3.7 *Depreciation and amortisation*

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

| | |
|---|---|
| Buildings and structures | 10 - 15 years |
| Machinery and equipment | 2 - 15 years |
| Motor vehicles | 3 - 10 years |
| Office equipment | 3 - 5 years |
| Computer software | 3 - 5 years |

### 3.8 *Borrowing costs*

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are recorded as expense during the period in which they are incurred, except to the extent that they are capitalized as explained in the following paragraph.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset.

### 3.9 *Prepaid expenses*

Prepaid expenses are reported as short-term or long-term prepaid expenses on the interim 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.

### 3.10 *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.

### 3.11 *Foreign currency transactions*

The Company 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 Company adopts Circular 179 in relation to the translation of monetary assets and liabilities denominated in foreign currencies at the balance sheet date into VND. For the six-month period ended 30 June 2012, inter-bank exchanges rate ruling at 30 June 2012 were still used as Circular 179 was issued subsequent to 30 June 2012 and is applied on prospective basis.

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

### *3.11 Foreign currency transactions* (continued)

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

### *3.12 Appropriation of net profit*

Net profit after tax is available for appropriation to shareholders after approval in the shareholders' meeting and after making appropriation to reserve funds in accordance with the Company' 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.

*Bonus and welfare fund*

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

### *3.13 Earnings per share*

Basic earnings per share amount is computed by dividing net profit for the period (before appropriation for bonus and welfare fund) attributable to ordinary shareholders 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 Company 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.

### *3.14 Treasury shares*

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss upon purchase, sale, issue or cancellation of the Company's own equity instruments.

### *3.15 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:

*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.

*Interest*

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

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

### *3.16 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 income statement, except when it relates to items recognised directly to equity, in which case the deferred 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 income tax assets against current income tax liabilities and when the Company intend to settle its current income 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 tax liabilities are recognised for all taxable temporary differences, except the deferred 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.

Deferred 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 the deferred 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.

The carrying amount of deferred 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 tax asset to be utilised. Previously unrecognised deferred 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 tax assets to be recovered.

Deferred 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 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 tax assets and liabilities are offset when there is a legally enforceable right for the Company to set off current tax assets against current income tax liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or when the Company intends either settle current income 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 tax liabilities or assets are expected to be settled or recovered.

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

### 3.17 *Financial instruments*

*Financial instruments – initial recognition and presentation*

Financial assets

Financial assets within the scope of Circular No. 210/2009/TT-BTC issued by the Ministry of Finance on 6 November 2009 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 financial statements, as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets as appropriate. The Company determines the classification of its financial assets at initial recognition.

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

The Company's financial assets include cash and short-term deposits, trade and other receivables.

Financial liabilities

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

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

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

*Financial instruments – subsequent re-measurement*

There is currently no guidance 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 income 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. CASH AND CASH EQUIVALENTS

*VND*

| | *30 June 2013* | *31 December 2012* |
|---|---|---|
| Cash on hand | 3,879,762 | 52,912,906 |
| Cash in banks | 38,334,048,664 | 16,045,921,203 |
| Cash equivalents | 86,136,000,000 | 8,000,000,000 |
| **TOTAL** | **124,473,928,426** | **24,098,834,109** |

Cash equivalents represent short-term bank deposits with maturity of from one week to one month which are readily convertible into known amount of cash without any significant risk of change in value, and earn an applicable deposit interest.

## 5. TRADE RECEIVABLES

*VND*

| | *30 June 2013* | *31 December 2012* |
|---|---|---|
| Due from third parties | 68,210,073,406 | 80,013,643,680 |
| Due from a related party *(Note 21)* | 619,578,943 | 3,402,280,085 |
| **TOTAL** | **68,829,652,349** | **83,415,923,765** |

## 6. INVENTORIES

*VND*

| | *30 June 2013* | *31 December 2012* |
|---|---|---|
| Finished goods | 112,859,223,037 | 105,748,459,901 |
| Raw materials | 55,757,533,941 | 34,750,073,172 |
| Goods in transit | 27,715,998,769 | 54,253,105,572 |
| **TOTAL** | **196,332,755,747** | **194,751,638,645** |
| Provision for obsolete inventories | (1,279,140,890) | - |
| **NET** | **195,053,614,857** | **194,751,638,645** |

## 7. TANGIBLE FIXED ASSETS

VND

| | *Buildings and structures* | *Machinery and equipment* | *Motor vehicles* | *Office equipment* | *Total* |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| As at 31 December 2012 | 140,647,005,312 | 538,141,767,018 | 60,342,304,884 | 350,042,354 | 739,481,119,568 |
| Newly purchased | - | 83,312,000 | - | - | 83,312,000 |
| Reclassified to prepaid expenses in accordance with Circular 45 | - | (667,946,123) | (165,897,087) | (183,833,676) | (1,017,676,886) |
| As at 30 June 2013 | 140,647,005,312 | 537,557,132,895 | 60,176,407,797 | 166,208,678 | 738,546,754,682 |
| *In which:* | | | | | |
| *Fully depreciated* | *6,433,829,043* | *19,191,344,453* | *2,511,876,862* | *137,129,652* | *28,274,180,010* |
| **Accumulated depreciation:** | | | | | |
| As at 31 December 2012 | 41,306,672,076 | 144,477,683,094 | 13,426,955,731 | 280,310,286 | 199,491,621,187 |
| Depreciation for the period | 5,469,145,718 | 26,439,255,213 | 2,881,939,557 | 43,636,704 | 34,833,977,192 |
| Reclassified to prepaid expenses in accordance with Circular 45 | - | (667,946,123) | (165,897,087) | (183,833,676) | (1,017,676,886) |
| As at 30 June 2013 | 46,775,817,794 | 170,248,992,184 | 16,142,998,201 | 140,113,314 | 233,307,921,493 |
| **Net carrying amount:** | | | | | |
| As at 31 December 2012 | 99,340,333,236 | 393,664,083,924 | 46,915,349,153 | 69,732,068 | 539,989,498,381 |
| As at 30 June 2013 | 93,871,187,518 | 367,308,140,711 | 44,033,409,596 | 26,095,364 | 505,238,833,189 |
| *In which:* | | | | | |
| *Pledged as loan security (Note 15)* | *93,871,187,518* | *367,135,676,948* | *44,205,873,359* | *26,095,364* | *505,238,833,189* |

## 8. FINANCE LEASES

| | VND<br>*Machinery and equipment* |
|---|---|
| **Cost:** | |
| As at 31 December 2012 and 30 June 2013 | 122,355,578,248 |
| **Accumulated depreciation:** | |
| As at 31 December 2012 | 23,451,485,833 |
| Depreciation for the period | 6,117,778,917 |
| As at 30 June 2013 | 29,569,264,750 |
| **Net carrying amount:** | |
| As at 31 December 2012 | 98,904,092,415 |
| As at 30 June 2013 | 92,786,313,498 |

The Company leases machinery used in its production line. Under the terms of the finance lease dated 25 February 2011, the Company has the option to purchase the machinery at the expiry of the lease on 25 February 2016. Commitments for future lease payments under this lease are set out in Note 15.2.

## 9. INTANGIBLE FIXED ASSETS

| | VND<br>*Computer software* |
|---|---|
| **Cost:** | |
| As at 31 December 2012 | 10,511,383,594 |
| Newly purchased | 3,082,656,080 |
| As at 30 June 2013 | 13,594,039,674 |
| *In which:* | |
| *Fully amortised* | *113,300,000* |
| **Accumulated amortisation:** | |
| As at 31 December 2012 | 2,072,244,248 |
| Amortisation for the period | 1,208,241,783 |
| As at 30 June 2013 | 3,280,486,031 |
| **Net carrying amount:** | |
| As at 31 December 2012 | 8,439,139,346 |
| As at 30 June 2013 | 10,313,553,643 |

## 10. CONSTRUCTION IN PROGRESS

Construction in progress as at 30 June 2013 represents the construction cost and machinery under installation of phase 2 at the Company's Trang Bang branch.

## 11. LONG-TERM PREPAID EXPENSES

| | | *VND* |
|---|---|---|
| | *30 June 2013* | *31 December 2012* |
| Land rental (land use rights) *(*)* | 29,817,024,281 | 30,596,769,909 |
| Others | 8,870,727,076 | 6,350,637,655 |
| **TOTAL** | **38,687,751,357** | **36,947,407,564** |

*(*)* As disclosed in Note 15, the Company has pledged the land use rights to secure the bank loan facilities.

## 12. SHORT-TERM LOANS

| | | *VND* |
|---|---|---|
| | *30 June 2013* | *31 December 2012* |
| Short-term loan | 44,512,176,000 | 17,870,424,000 |
| Current portion of long-term loans *(Note 15)* | 37,446,267,744 | 18,880,670,894 |
| **TOTAL** | **81,958,443,744** | **36,751,094,894** |

The Company obtained these loans from Vietnam Export and Import Commercial Joint Stock Bank for the purpose of financing its working capital requirements. Details are as follows:

| *Contract No.* | *30 June 2013* | *Original amount* | *Term and maturity date* | *Interest rate* | *Description of collateral* |
|---|---|---|---|---|---|
| | *VND* | *US$* | | | |
| 2000-LAV-201303376 | 44,512,176,000 | 2,116,000 | From 13 June 2013 to 27 December 2013 | 3.50%/ p.a | All of the term deposits at Vietnam Export and Import Commercial Joint Stock Bank as at 30 June 2013 |

## 13. STATUTORY OBLIGATIONS

| | | *VND* |
|---|---|---|
| | *30 June 2013* | *31 December 2012* |
| Corporate income tax *(Note 20.1)* | 4,036,100,214 | 8,676,466,670 |
| Import and export duties | 3,526,709,018 | 196,608,756 |
| Value-added tax | 3,478,567,884 | 3,936,722,033 |
| Personal income tax | 153,652,498 | 180,893,002 |
| Other | 12,598,800 | 69,457,500 |
| **TOTAL** | **11,207,628,414** | **13,060,147,961** |

## 14. ACCRUED EXPENSES

| | | *VND* |
|---|---|---|
| | *30 June 2013* | *31 December 2012* |
| Utilities | 3,451,771,852 | 2,016,895,069 |
| Sales commission | 1,122,723,921 | 1,738,286,505 |
| Interest expense | 678,334,219 | 713,721,824 |
| Professional services fee | 249,888,873 | 436,202,574 |
| Others | 218,857,670 | 59,463,200 |
| **TOTAL** | **5,721,576,535** | **4,964,569,172** |

## 15. LONG-TERM LOANS

| | | *VND* |
|---|---|---|
| | *30 June 2013* | *31 December 2012* |
| Loans from banks | 241,396,977,192 | 239,010,089,416 |
| Finance lease | 44,876,603,664 | 59,786,737,926 |
| **TOTAL** | **286,273,580,856** | **298,796,827,342** |
| *In which* | | |
| *Current portion (Note 12)* | *37,446,267,744* | *18,880,670,894* |
| *Non-current portion* | *248,827,313,112* | *279,916,156,448* |

### *15.1 Long-term loans from banks*

| | *30 June 2013* | *Original amount* | *Term and maturity date* | *Interest rate* | *Description of collateral* |
|---|---|---|---|---|---|
| | *VND* | *US$* | | *(p.a)* | |
| **Dong A Joint Stock Commercial Bank** | | | | | |
| H.0217-13 | 169,889,302,392 | 8,076,122 | From 1 March 2012 to 1 March 2019 | 4.8% | Assets funded by loans including imported machinery and equipment (stage 2). Total assets value is US$ 12,100,000 |
| *In which:* | | | | | |
| *Current portion (Note 12)* | *16,408,080,000* | *780,000* | | | |

## 15. LONG-TERM LOANS AND DEBTS (continued)

### *15.1 Long-term loans from banks* (continued)

| | *30 June 2013* | *Original amount* | *Term and maturity date* | *Interest rate* | *Description of collateral* |
|---|---|---|---|---|---|
| | *VND* | *US$* | | *(p.a)* | |
| **Vietnam Export and Import Joint Stock Commercial Bank** | | | | | |
| No. 200908121 | 71,507,674,800 | 3,399,300 | 96 months from 20 July 2010 to 20 April 2018 | 4.5% | Land use right, building and structures, and machineries at Trang Bang, Tay Ninh Province |
| *In which:* | | | | | |
| *Current portion (Note 12)* | *4,209,303,600* | *200,100* | | | |
| TOTAL | **241,396,977,192** | **11,475,422** | | | |

### *15.2 Finance lease*

The Company leases machineries from 25 February 2011 under a finance lease arrangement. Future obligations due under finance leases agreements as at 30 June 2013 were as follows:

*VND*

| | *30 June 2013* | | | *31 December 2012* |
|---|---|---|---|---|
| | *Total minimum lease payments* | *Finance charges* | *Lease liabilities* | *Lease liabilities* |
| ***Current liability*** | | | | |
| Less than 1 year *(Note 12)* | 16,828,884,144 | 1,835,998,099 | 18,664,882,243 | 22,244,483,912 |
| ***Non-current liability*** | | | | |
| From 1 to 5 years | 28,047,719,520 | 927,870,613 | 28,975,590,133 | 43,798,126,475 |
| **TOTAL** | **44,876,603,664** | **2,763,868,712** | **47,640,472,376** | **66,042,610,388** |

## 16. OWNERS' EQUITY

### *16.1 Increase and decrease in owners' equity*

*VND*

| | *Share capital* | *Share premium* | *Treasury shares* | *Financial reserve fund* | *Undistributed earnings* | *Total* |
|---|---|---|---|---|---|---|
| **For the six-month period ended 30 June 2012:** | | | | | | |
| As at 31 December 2011 | 229,888,340,000 | 40,145,500,800 | (11,650,560,000) | 1,219,011,000 | 130,576,264,494 | 390,178,556,294 |
| Increase in capital | 45,026,570,000 | - | - | - | (45,026,570,000) | - |
| Treasury shares | - | - | (18,300,000) | - | - | (18,300,000) |
| Net profit for the period | - | - | - | - | 50,925,392,669 | 50,925,392,669 |
| As at 30 June 2012 | 274,914,910,000 | 40,145,500,800 | (11,668,860,000) | 1,219,011,000 | 136,475,087,163 | 441,085,648,963 |
| **For the six-month period ended 30 June 2013:** | | | | | | |
| As at 31 December 2012 | 274,914,910,000 | 40,145,500,800 | (11,753,620,000) | 1,219,011,000 | 164,721,832,436 | 469,247,634,236 |
| Increase in capital | 40,510,930,000 | (40,145,500,800) | - | - | (365,429,200) | - |
| Dividends paid | - | - | - | - | (40,511,377,500) | (40,511,377,500) |
| Net profit for the period | - | - | - | - | 24,369,224,254 | 24,369,224,254 |
| As at 30 June 2013 | 315,425,840,000 | - | (11,753,620,000) | 1,219,011,000 | 148,214,249,990 | 453,105,480,990 |

On 28 March 2013, the Company's shareholders approved at the Annual General Meeting to pay cash dividends at 15% of charter capital and issue new shares from share premium and undistributed earnings. The Company issued 4,051,093 shares at par value of VND 10,000/share or equivalent to VND 40,510,930,000 to its existing shareholders on 13 June 2013. Accordingly, the share capital of the Company increased to VND 315,425,840,000 as at 30 June 2013 which was approved by the Department of Planning and Investment of Ho Chi Minh City through issuance of the amended Business Certificate on 19 July 2013.

## 16. OWNERS' EQUITY (continued)

### *16.2 Capital transactions with owners*

| | For the six-month period ended 30 June 2013 | For the six-month period ended 30 June 2012 |
|---|---|---|
| | | *VND* |
| ***Issued share capital*** | | |
| Beginning balance | 274,914,910,000 | 229,888,340,000 |
| Share issuance | 40,510,930,000 | 45,026,570,000 |
| Ending balance | 315,425,840,000 | 274,914,910,000 |
| ***Dividends declared*** | ***(40,511,377,500)*** | ***(45,026,570,000)*** |
| ***Dividends paid*** | ***(40,511,377,500)*** | - |

### *16.3 Shares*

| | *30 June 2013* | *30 June 2012* |
|---|---|---|
| | *Shares* | *Shares* |
| Shares authorised to be issued | 31,542,584 | 27,491,491 |
| Shares issued and fully paid | 31,542,584 | 27,491,491 |
| *Ordinary shares* | *31,542,584* | *27,491,491* |
| *Preference shares* | - | - |
| Treasury shares | (483,906) | (475,430) |
| *Ordinary shares* | *(483,906)* | *(475,430)* |
| *Preference shares* | - | - |

## 17. REVENUES

### *17.1 Revenue from sale of goods*

| | For the six-month period ended 30 June 2013 | For the six-month period ended 30 June 2012 |
|---|---|---|
| | | *VND* |
| **Gross revenue** | 664,445,502,937 | 543,011,463,266 |
| Less: | | |
| Sales returns | (443,378,783) | - |
| **Net revenue** | **664,002,124,154** | **543,011,463,266** |

### *17.2 Financial income*

| | For the six-month period ended 30 June 2013 | For the six-month period ended 30 June 2012 |
|---|---|---|
| | | *VND* |
| Realised foreign exchange gains | 2,209,379,337 | 745,682,788 |
| Interest income | 776,322,495 | 2,483,470,483 |
| Others | - | 161,860 |
| **TOTAL** | **2,985,701,832** | **3,229,315,131** |

## 18. FINANCIAL EXPENSES

| | | VND |
|---|---|---|
| | *For the six-month period ended 30 June 2013* | *For the six-month period ended 30 June 2012* |
| Interest expense | 7,719,184,455 | 9,261,917,392 |
| Unrealised foreign exchange losses | 4,515,115,392 | 23,990,024 |
| Realised foreign exchange losses | 938,718,696 | 693,721,708 |
| **TOTAL** | **13,173,018,543** | **9,979,629,124** |

## 19. PRODUCTION AND OPERATING COSTS

| | | VND |
|---|---|---|
| | *For the six-month period ended 30 June 2013* | *For the six-month period ended 30 June 2012* |
| Raw materials | 480,809,551,353 | 357,232,893,517 |
| Labour costs | 22,514,914,929 | 24,667,314,636 |
| Depreciation and amortisation *(Notes 7, 8 and 9)* | 42,159,997,892 | 30,615,268,347 |
| Expenses for external services | 75,232,390,648 | 60,279,145,617 |
| Other expenses | 1,113,366,352 | 7,824,556,661 |
| **TOTAL** | **621,830,221,174** | **480,619,178,778** |

## 20. CORPORATE INCOME TAX

The Company has the obligation to pay corporate income tax ("CIT") at rate of 15% of taxable profit for 12 years starting from its commercial operations (2001) and 25% for the years thereafter.

The Company is entitled to an exemption from CIT for 1 year which was 2009 and a 50% reduction for the following 4 years in respect of income generated from the Company's investment in the new production line in 2008.

The tax returns filed by the Company are subject to examination by the tax authorities. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the interim financial statements could change at a later date upon final determination by the tax authorities.

### *20.1 Current CIT*

The current tax payable is based on taxable profit for the period. The taxable profit of the Company for the period differs from the profit as reported in the interim income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

## 20. CORPORATE INCOME TAX (continued)

### *20.1 Current CIT* (continued)

A reconciliation between the accounting profit before tax reported in the interim income statement and taxable profit for the period is presented below:

| | | *VND* |
|---|---|---|
| | *For the six-month period ended 30 June 2013* | *For the six-month period ended 30 June 2012* |
| **Net profit before tax** | **31,830,861,599** | **55,653,972,635** |
| *Adjustments:* | | |
| Loss from the Branch | - | 3,350,067,819 |
| Commission expenses | (615,562,584) | 649,675,739 |
| Provision for severance allowance | - | (26,392,583) |
| Unrealised profit of Branch | 1,114,776,139 | 218,074,141 |
| Unrealised foreign exchange losses | - | 573,604,607 |
| Non-deductible expenses | 781,568,859 | 643,334,706 |
| Profit from other activities | (15,046,800,179) | (17,838,415,323) |
| **Estimated current taxable profit** | **18,064,843,834** | **43,223,921,741** |
| Estimated current CIT from main operating | 3,450,865,511 | 5,705,557,670 |
| Estimated current CIT from processing activities (25%) | 3,761,700,045 | 4,459,603,831 |
| CIT exemption in accordance with the Resolution No.13/NQ-CP | - | (1,711,667,301) |
| **Estimate Current CIT** | **7,212,565,556** | **8,453,494,200** |
| Adjustment for CIT reduction from previous year | - | (3,490,862,535) |
| Under CIT accrual for previous year | 373,361,501 | - |
| | **7,585,927,057** | **4,962,631,665** |
| CIT payable at beginning of period | 8,676,466,670 | 15,068,380,172 |
| CIT paid during the period | (12,226,293,513) | (7,648,686,198) |
| **CIT payable at end of period** | **4,036,100,214** | **12,382,325,639** |

## 20. CORPORATE INCOME TAX (continued)

### *20.2 Deferred CIT*

The followings are the deferred tax assets recognized by the Company, and the movements thereon, during the current period and previous period.

*VND*

| | *Interim balance sheet* | | *Interim income statement* | |
|---|---|---|---|---|
| | *30 June 2013* | *31 December 2012* | *For the six-month period ended 30 June 2013* | *For the six-month period ended 30 June 2012* |
| ***Deferred tax assets*** | | | | |
| Unrealised profit | 617,913,123 | 339,219,089 | 278,694,035 | 54,518,535 |
| Accrued expenses | 280,680,981 | 434,571,626 | (153,890,646) | 97,451,361 |
| Provision for severance allowance | 92,500,302 | 93,013,979 | (513,677) | (3,958,888) |
| Unrealised foreign exchange gains | - | - | - | 86,040,691 |
| | **991,094,406** | **866,804,694** | | |
| ***Net deferred income tax credit to interim income statement*** | | | ***124,289,712*** | ***234,051,699*** |

## 21. TRANSACTION WITH A RELATED PARTY

Significant transaction with a related party during the period was as follows:

*VND*

| *Related party* | *Relationship* | *Transaction* | *Amount* |
|---|---|---|---|
| P.A.N Asia Limited Company | Related party | Sale of goods | 3,015,352,774 |
| LIANTEX Co., Ltd. | Related party | Sale of goods | 14,759,089,902 |

Amount due from a related party at the balance sheet date was as follows:

*VND*

| | *Relationship* | *Transaction* | *Receivable* |
|---|---|---|---|
| ***Trade receivable** (Note 5)* | | | |
| P.A.N Asia Limited Company | Related party | Sale of goods | 619,578,943 |
| ***Advances from customer*** | | | |
| LIANTEX Co., Ltd. | Related party | Sale of goods | 368,227,549 |

## 22. 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 Company by the weighted average number of ordinary shares outstanding during the period.

| | | *VND* |
|---|---|---|
| | *For the six-month period ended 30 June 2013* | *For the six-month period ended 30 June 2012* |
| Net profit after tax for the period | 24,369,224,254 | 50,925,392,669 |
| Weighted average number of ordinary shares during the period | 31,058,678 | 31,067,886 |
| Earnings per share *(par value of VND 10,000/share)* | 785 | 1,639 |

The weighted average number of ordinary shares takes into account the treasury shares and the share dividend used during the period.

The weighted average number of shares for the six-month period ended 30 June 2012 was adjusted to reflect the 4,051,093 shares issued during the period from share premium and undistributed earnings.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these interim financial statements.

## 23. COMMITMENTS

***Operating lease commitment***

The Company leases assets under operating lease arrangements. The minimum lease commitment as at 30 June 2013 under the operating lease agreements is as follows:

| | | *VND* |
|---|---|---|
| | *30 June 2013* | *31 December 2012* |
| Less than 1 year | 386,220,960 | 382,402,080 |
| From 1 to 5 years | 1,931,104,800 | 1,529,608,320 |
| More than 5 years | 17,071,234,891 | 17,530,800,648 |
| **TOTAL** | **19,388,560,651** | **19,442,811,048** |

***Capital commitments***

At 30 June 2013, the Company had outstanding commitments of VND 1,216,305,000 (31 December 2012: VND 1,428,840,849) principally relating to construction for its branch at Trang Bang, Tay Ninh Province, Vietnam.

## 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise loans and borrowings, trade payables and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company has loan and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. The Company does not hold or issue derivative financial instruments.

The Company is exposed to market risk, credit risk and liquidity risk.

Management reviews and agrees policies for managing each of these risks which are summarized below.

***Market risk***

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, and deposits.

The sensitivity analyses in the following sections relate to the position as at 30 June 2013 and 31 December 2012.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

In calculating the sensitivity analyses, management assumed that the statement of the balance sheet relates to available-for-sale debt instrument; the sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 30 June 2013 and 31 December 2012.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rate relates primarily to the Company's long-term debts with floating interest rate.

The Company manages interest rate risk by keeping close watch on the relevant market situation contemplate and adapt its level as well as financing strategies to the prevailing situation.

A sensitivity analysis is not performed for interest rate risk as the Company's exposure to interest-rate risk is minimal at reporting date.

*Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's accounting currency).

## 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

***Market risk*** (continued)

*Foreign currency sensitivity*

The following table demonstrates the sensitivity to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Company's profit before tax.

| | *Change in US$ rate* | *VND*<br>*Effect on profit before tax* |
|---|---|---|
| **For the six-month period ended 30 June 2013** | | |
| | +2% | (9,672,135,158) |
| | -2% | 9,672,135,158 |
| **For the six-month period ended 30 June 2012** | | |
| | +2% | (7,234,083,205) |
| | -2% | 7,234,083,205 |

***Credit risk***

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions.

*Trade receivables*

Customer credit risk is managed by the Company based on its established policy, procedures and control relating to customer credit risk management.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit The Company seeks to maintain strict control over its outstanding receivables. In view of the aforementioned and the fact that the Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

*Bank deposits*

The Company's bank balances are mainly maintained with well-known banks in Vietnam. Credit risk from balances with banks is managed by the Company's treasury department in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components of the balance sheet at each reporting dates are the carrying amounts as illustrated in Note 4. The Company evaluates the concentration of credit risk in respect to bank deposit as low.

## 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

***Liquidity risk***

The liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligation due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities.

The Company monitors its liquidity risk by maintain a level of cash and cash equivalents and bank loans deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The table below summarizes the maturity profile of the Company's financial liabilities:

| | | | *VND* |
|---|---|---|---|
| | *Less than 1 year* | *From 1 to 5 years* | *Total* |
| **30 June 2013** | | | |
| Loans and borrowings | 81,958,443,744 | 248,827,313,112 | 330,785,756,856 |
| Trade payables | 250,815,207,997 | - | 250,815,207,997 |
| Other payables and accrued expenses | 7,833,749,656 | - | 7,833,749,656 |
| | **340,607,401,397** | **248,827,313,112** | **589,434,714,509** |
| **31 December 2012** | | | |
| Loans and borrowings | 36,751,094,894 | 279,916,156,448 | 316,667,251,342 |
| Trade payables | 192,008,783,325 | - | 192,008,783,325 |
| Other payables and accrued expenses | 6,520,523,613 | - | 6,520,523,613 |
| | **235,280,401,832** | **279,916,156,448** | **515,196,558,280** |

Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

***Collateral***

The Company has pledged part of its tangible fixed assets in order to fulfil the collateral requirements for the long-term loan obtained from Banks *(Note 15)*. At 30 June 2013 and 31 December 2012, the net carrying values of the fixed assets pledged were VND 505,238,833,189 and VND 403,033,130,810 respectively. There are no other significant terms and conditions associated with the use of collateral.

The Company did not hold any collateral at 30 June 2013 and 31 December 2012.

## 25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the interim financial statements.

*VND*

| | *Carrying amount* | | *Fair value* | |
|---|---|---|---|---|
| | *30 June 2013* | *31 December 2012* | *30 June 2013* | *31 December 2012* |
| **Financial assets** | | | | |
| - Trade receivables | 68,829,652,349 | 83,415,923,765 | 68,829,652,349 | 83,415,923,765 |
| - Other receivables | 4,236,681,595 | 412,343,262 | 4,236,681,595 | 412,343,262 |
| - Other financial assets | 7,533,846,574 | 6,798,116,506 | 7,533,846,574 | 6,798,116,506 |
| - Cash and cash equivalents | 124,473,928,426 | 24,098,834,109 | 124,473,928,426 | 24,098,834,109 |
| **Total** | **205,074,108,944** | **114,725,217,642** | **205,074,108,944** | **114,725,217,642** |
| **Financial liabilities** | | | | |
| - Loans and borrowings | 330,785,756,856 | 316,667,251,342 | 330,785,756,856 | 316,667,251,342 |
| - Trade payables | 250,815,207,997 | 192,008,783,325 | 250,815,207,997 | 192,008,783,325 |
| - Other current liabilities | 7,833,749,656 | 6,520,523,613 | 7,833,749,656 | 6,520,523,613 |
| **Total** | **589,434,714,509** | **515,196,558,280** | **589,434,714,509** | **515,196,558,280** |

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of the financial assets and liabilities had not yet been formally assessed and determined as at 30 June 2013 and 31 December 2012. However, it is management's assessment that the fair values of these financial assets and liabilities are approximately the same as their carrying value as at balance sheet date.

## 26. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the interim financial statements.

| | | |
|---|---|---|
| Preparer | Chief Accountant | General Director |
| Le Thi Mong Tuyen | Phan Nhu Bich | Dang Trieu Hoa |

26 August 2013