

Interim consolidated financial statements and  
Independent review report

Interfood Shareholding Company and its subsidiary

Period from 1 January 2011 to 30 June 2011

# Contents

	<b>Page</b>
Report of the Board of Directors	1
Independent review report	4
Interim consolidated balance sheet	6
Interim consolidated statement of income	8
Interim consolidated statement of cash flows	9
Notes to the interim consolidated financial statements	11

# Report of the Board of Directors

The Board of Directors submits its report together with the reviewed interim consolidated financial statements of Interfood Shareholding Company (“the Company”) and its subsidiary (“the Group”) for the six months ended 30 June 2011 (“the period”).

## Results

The results of the Group’s operations for the six months ended 30 June 2011 are set out in the interim consolidated statement of income.

## Financial indicators of the business

		For the six months ended 30 June 2011	For the year ended 31 December 2010
	Unit		
<b>Assets structure and capital structure</b>			
<b>Assets structure</b>			
Non-current assets/ total assets	%	<b>71.82</b>	72.62
Current assets/ total assets	%	<b>28.18</b>	27.38
<b>Capital structure</b>			
Liabilities/ total resources	%	<b>79.64</b>	80.21
Owners’ equity/ total resources	%	<b>20.36</b>	19.79
<b>Liquidity</b>			
Total assets/liabilities	times	<b>1.26</b>	1.25
Current ratio	times	<b>0.44</b>	0.42
Quick ratio	times	<b>0.03</b>	0.01
<b>Profitability</b>			
<b>Profit / net sales</b>			
Profit before tax/ net sales	%	<b>0.30</b>	1.14
Net profit /net sales	%	<b>0.25</b>	0.71
<b>Profit /total assets</b>			
Profit before tax/ total assets	%	<b>0.21</b>	1.81
Net profit / total assets	%	<b>0.18</b>	1.12
Net profit / owners’ equity	%	<b>0.89</b>	5.65

## Auditors

The interim consolidated financial statements for the six months ended 30 June 2011 (“the period”) have been reviewed by Grant Thornton (Vietnam) Ltd.

### Boards of Management and Directors

The members of the Boards of Management and Directors during the period and to the date of this report were:

<b>Board of Management:</b>		<b>Appointed on/Resigned on</b>
Pang Tee Chiang	Chairman	15 August 2006/23 May 2011
Michio Nagabayashi	Chairman	23 May 2011
Ryoichi Yonemura	Member	14 March 2011
Hiroshi Fujikawa	Member	14 March 2011
Nguyen Thi Kim Lien	Member	15 August 2006
Pang Tze Yi	Member	15 August 2006/14 March 2011
Teng Po Wen	Member	15 August 2006/14 March 2011
Pang Tze Wei	Member	28 August 2010

<b>Board of Directors:</b>		
Pang Tee Chiang	General Director	15 August 2006/23 May 2011
Michio Nagabayashi	General Director	23 May 2011
Hajime Kobayashi	Director	23 May 2011
Kazufumi Nagashima	Director	23 May 2011
Pang Tze Yi	1st Deputy General Director	11 January 2010/14 March 2011
Nguyen Thi Kim Lien	Director	15 August 2006
Hidefumi Matsuo	Director	23 May 2011
Pang Tze Wei	2nd Deputy General Director	29 August 2010/23 May 2011

### Statement by the Board of Directors

The Board of Directors is responsible for ensuring that the interim consolidated financial statements are properly drawn up so as to give a true and fair view of the financial position of the Group as at 30 June 2011 and of the results of its operations and its cash flows for the period then ended in accordance with the Vietnamese Accounting Standards and System and in compliance with relevant statutory requirements. When preparing the interim consolidated financial statements, the Board of Directors is required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- comply with the disclosure requirements of the Vietnamese Accounting Standards and System;
- maintain adequate accounting records and an effective system of internal control;
- prepare the interim consolidated financial statements on a going concern basis unless it is inappropriate to assume that the Group will continue its operations in the foreseeable future; and
- control and direct effectively the Group in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the interim consolidated financial statements.

The Board of Directors is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Board of Directors confirms that the Group has complied with the above requirements in preparing the interim consolidated financial statements.

**Approval of the interim consolidated financial statements**

The Board of Directors hereby approves the interim consolidated financial statements of the Group for the six months ended 30 June 2011, which include the consolidated balance sheet, consolidated statement of income and consolidated statement of cash flows, together with the notes thereto. In the opinion of the Board of Directors these interim consolidated financial statements have been properly drawn up and give a true and fair view of the financial position of the Group as at 30 June 2011 and of its results of operations and cash flows for the six months then ended in accordance with the Vietnamese Accounting Standards and System and in compliance with relevant statutory requirements.

On behalf of the Board of Directors

---

Michio Nagabayashi  
General Director  
Dong Nai province, Vietnam  
Date \_\_\_\_\_

# Independent review report

on the interim consolidated financial statements of  
**Interfood Shareholding Company and its subsidiary**  
for the six months ended 30 June 2011

**Grant Thornton (Vietnam) Ltd.**  
28<sup>th</sup> Floor, Saigon Trade Center  
37 Ton Duc Thang Street  
District 1, Ho Chi Minh City  
Vietnam

T +84 (8) 3 910 9100  
F +84 (8) 3 914 3748  
[www.gt.com.vn](http://www.gt.com.vn)

No. HCM/11/083

## **To the Board of Management of Interfood Shareholding Company**

We have reviewed the accompanying interim consolidated financial statements of Interfood Shareholding Company (“the Company”) and its subsidiary (“the Group”) for the six months ended 30 June 2011 which are comprised of the interim consolidated balance sheet as at 30 June 2011 and the related interim consolidated statement of income and consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes, prepared on 19 September 2011, on pages 6 to 31.

### **Management's Responsibilities**

Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with the Vietnamese Accounting Standards and System.

### **Our Responsibility**

Our responsibility is to express a conclusion on the set of interim consolidated financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with the Vietnamese Standard on Auditing 910 applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of the Group’s personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view, in all material respects, of the financial position of Interfood Shareholding Company and its subsidiary as at 30 June 2011, and of the results of its operations and its cash flows for the six months ended 30 June 2011, in accordance with the Vietnamese Accounting Standards and System and in compliance with relevant statutory requirements.

**GRANT THORNTON (VIETNAM) LTD**

---

**Melvyn George Crowle**  
Auditor's Certificate No. N0297/KTV  
General Director

---

**Tran Vuong Vu**  
Auditor's Certificate No. 1210/KTV  
Auditor

Ho Chi Minh City, Vietnam

Date: \_\_\_\_\_

# Interim consolidated balance sheet

	Notes	Code	30 June 2011		31 December 2010	
			USD	VND million	USD	VND million
<b>ASSETS</b>						
<b>Current assets</b>						
<b>Cash and cash equivalents</b>						
Cash	8	111	625,090	12,888	130,854	2,477
<b>Accounts receivable</b>						
Trade accounts receivable		131	290,182	5,983	434,257	8,221
Prepayments to suppliers		132	703,685	14,509	1,114,422	21,098
Other receivables		135	96,607	1,992	140,650	2,663
Provision for short term doubtful debts		139	(24,405)	(504)	(24,405)	(462)
		130	1,066,069	21,980	1,664,924	31,520
<b>Inventories</b>						
Inventories	9	141	7,730,590	159,389	7,530,300	142,564
Provision for decline in value of inventory	9	149	(305,902)	(6,307)	(146,582)	(2,775)
		140	7,424,688	153,082	7,383,718	139,789
<b>Other current assets</b>						
Short term prepaid expenses		151	55,909	1,153	13,555	257
Value added tax to be reclaimed		152	64,057	1,321	-	-
Taxes and amounts receivable from State	10	154	106,907	2,204	106,907	2,024
Other current assets		158	119,940	2,473	77,129	1,460
		150	346,813	7,151	197,591	3,741
		100	9,462,660	195,101	9,377,087	177,527
<b>Non-current assets</b>						
<b>Fixed assets</b>						
Tangible fixed assets	11	221	20,069,053	413,784	21,111,296	399,679
<i>Historical cost</i>	11	222	34,352,456	708,278	34,328,710	649,912
<i>Accumulated depreciation</i>	11	223	(14,283,403)	(294,494)	(13,217,414)	(250,233)
Construction in progress	12	230	488,809	10,078	188,896	3,576
		220	20,557,862	423,862	21,300,192	403,255
<b>Other non-current assets</b>						
Long-term prepaid expenses	13	261	1,414,689	29,168	1,432,197	27,114
Deferred income tax assets	14	262	2,135,050	44,020	2,135,050	40,421
Other non-current assets		268	7,020	145	8,068	153
		260	3,556,759	73,333	3,575,315	67,688
		200	24,114,621	497,195	24,875,507	470,943
		270	33,577,281	692,296	34,252,594	648,470



	Notes	Code	30 June 2011		31 December 2010	
			USD	VND million	USD	VND million
<b>RESOURCES</b>						
<b>Liabilities</b>						
<b>Current liabilities</b>						
Short-term borrowings and debts	15	311	16,407,280	338,285	15,334,594	290,315
Trade accounts payable	16	312	4,079,393	84,109	5,050,620	95,618
Advances from customers		313	127,805	2,635	249,998	4,733
Taxes and amounts payable to State Budget	17	314	81,903	1,689	538,567	10,196
Payable to employees		315	391,694	8,076	444,303	8,412
Accrued expenses payable	18	316	312,219	6,437	464,741	8,798
Other payables	19	319	94,027	1,939	160,059	3,030
		310	21,494,321	443,170	22,242,882	421,102
<b>Long-term liabilities</b>						
Long-term deposits		331	1,255	26	1,255	24
Long-term borrowings and debts	20	334	4,993,613	102,958	4,993,613	94,539
Deferred tax liabilities	21	335	126,745	2,613	115,209	2,181
Provision for severance allowance		336	123,291	2,542	122,134	2,312
		330	5,244,904	108,139	5,232,211	99,056
		300	26,739,225	551,309	27,475,093	520,158
<b>Owners' equity</b>						
<b>Capital sources and funds</b>						
Share capital	22, 23	411	18,313,995	377,598	18,313,995	346,721
Share premium	22	412	4,082,759	84,178	4,082,759	77,295
Other reserve	22	419	(1,562,092)	(32,207)	(1,562,092)	(29,574)
Accumulated losses	22	420	(14,056,497)	(289,817)	(14,057,161)	(266,130)
		410	6,778,165	139,752	6,777,501	128,312
<b>Minority interest</b>						
Minority interest	24	439	59,891	1,235	-	-
		440	6,838,056	140,987	6,777,501	128,312
			33,577,281	692,296	34,252,594	648,470

**Off balance sheet items**

	30 June 2010	31 December 2009
<b>Foreign currencies</b>		
Vietnamese Dong (million)	11,129	1.568
Euro	388	369

Date: \_\_\_\_\_

\_\_\_\_\_  
 Michio Nagabayashi  
 General Director

\_\_\_\_\_  
 Nguyen Hong Phong  
 Chief Accountant

# Interim consolidated statement of income

	Note s	Code	Six months ended 30 June 2011		Six months ended 30 June 2010	
			USD	VND million	USD	VND
						Restated
Gross sales	25	01	24,788,491	511,089	30,109,159	558,344
Sales deductions	25	02	(633,556)	(13,063)	(1,467,438)	(27,212)
Net sales		10	24,154,935	498,026	28,641,721	531,132
Cost of sales	26	11	(19,263,714)	(397,179)	(21,818,275)	(404,598)
Gross profit		20	4,891,221	100,847	6,823,446	126,534
Income from financial activities	27	21	1,474,040	30,392	1,222,827	22,676
Expenses for financial activities	28	22	(1,403,357)	(28,934)	(1,791,713)	(33,226)
<i>Including: interest expense</i>		23	(823,181)	(16,972)	(856,705)	(15,887)
Selling expenses	29	24	(4,028,789)	(83,066)	(3,700,862)	(68,628)
General and administration expenses	30	25	(1,036,631)	(21,373)	(1,230,385)	(22,816)
Operating profit(loss)		30	(103,516)	(2,134)	1,323,313	24,540
Other income	31	31	415,404	8,565	253,486	4,701
Other expenses	32	32	(239,797)	(4,944)	(289,565)	(5,371)
Profit before income tax		50	72,091	1,487	1,287,234	23,870
Corporate income tax - current period	34	51	-	-	-	-
Deferred income tax expenses	34	52	(11,536)	(238)	(261,070)	(4,841)
Profit after tax			60,555	1,249	1,026,164	19,029
Minority interest		59	(59,891)	(1,235)	(14,667)	(272)
<b>Net profit attributable to the Parent Company</b>		60	664	14	1,011,497	18,757
Earning per share (USD/ VND thousand)	37	70	0.00002	0.00048	0.03471	0.64366

Date: \_\_\_\_\_

\_\_\_\_\_  
Michio Nagabayashi  
General Director

\_\_\_\_\_  
Nguyen Hong Phong  
Chief Accountant

# Interim consolidated statement of cash flows

	Code	Six months ended 30 June 2011		Six months ended 30 June 2010	
		USD	VND million	USD	VND million
<b>Cash flows from operating activities</b>					
Profit before income tax	01	72,091	1,486	1,287,234	23,870
<i>Adjustments for:</i>					
Depreciation and amortisation	02	1,083,497	22,340	1,065,704	19,762
Increase in provisions	03	159,320	3,285	-	-
Unrealised loss/(gain) on foreign currency translations	04	28,494	587	(113,665)	(2,108)
Loss from disposal of investments and fixed assets	05	-	-	(330,386)	(6,127)
Interest expense	06	823,181	16,972	856,705	15,887
Interest income and others	07	(249,363)	(5,141)	(6,173)	(113)
<b>Operating profit before adjustments to working capital</b>					
Changes in accounts receivable	08	1,917,220	39,529	2,759,419	51,171
Changes in inventories	09	341,304	7,037	(322,140)	(5,973)
Changes in accounts payable	10	(200,290)	(4,130)	828,605	15,366
Changes in prepaid expenses	11	(1,885,356)	(38,872)	(434,656)	(8,060)
Interest paid	12	(42,354)	(873)	(34,852)	(646)
Interest paid	13	(813,056)	(16,764)	(856,705)	(15,887)
<b>Cash generated from (used in) operating activities</b>					
	20	(682,532)	(14,073)	1,939,671	35,971
<b>Cash flows from investing activities</b>					
Acquisition of fixed assets and additions to construction in progress	21	(146,329)	(3,017)	(112,544)	(2,087)
Interest income received	22	7,091	146	6,173	113
Receipt from long-term deposit	28	1,048	22	-	-
<b>Net cash outflows from investing activities</b>					
	30	(138,190)	(2,849)	(106,371)	(1,974)

		Six months ended		Six months ended	
		30 June 2011		30 June 2010	
		USD	VND million	USD	VND million
<b>Cash flows from financing activities</b>					
Proceeds from loan	33	24,190,387	498,757	13,837,979	256,611
Repayments for debt	34	(22,875,429)	(471,646)	(15,317,724)	(284,051)
<b>Net cash inflows/(outflows) from financing activities</b>	40	<b>1,314,958</b>	<b>27,111</b>	(1,479,745)	(27,440)
<b>Net increase in cash and cash equivalents</b>	50	<b>494,236</b>	<b>10,189</b>	353,555	6,557
Cash and cash equivalents at beginning of the period	60	130,854	2,477	248,185	4,435
Effects of changes in foreign exchange rates	61	-	222	-	167
<b>Cash and cash equivalents at end of the period</b>	70	<b>625,090</b>	<b>12,888</b>	601,740	11,159

Date: \_\_\_\_\_

\_\_\_\_\_  
 Michio Nagabayashi  
 General Director

\_\_\_\_\_  
 Nguyen Hong Phong  
 Chief Accountant

# Notes to the interim consolidated financial statements

## **1 Nature of operations**

Interfood Shareholding Company, formerly Interfood Processing Industry Ltd (“the Company”) was established in the Socialist Republic of Vietnam as a majority owned subsidiary of Trade Ocean Holdings Sdn Bhd, a company incorporated in Malaysia, for a period of 50 years pursuant to Investment Licence No. 270/GP, dated 16 November 1991.

After the initial investment licence, there was a series of amendments. Recently on 11 March 2011, Trade Ocean Holdings Sdn Bhd which holds approximately 57.25% of the total outstanding shares of the Company was acquired by Kirin Holdings Company Limited (“Kirin”). Kirin, a public company listed on the Tokyo Exchange, is one of the largest beverage companies in the region. Kirin is now the new ultimate parent company:

In accordance with the Amended Investment Certificate No. 472033000328 dated 22 April 2011 issued by the Board of Management of Dong Nai Industrial Zone, Mr Pang Tee Chiang, former General Director, has been allowed to transfer 5,499,840 unlisted shares (equivalent to 18.87% of equity interest) to Indochina Beverage Holdings Ltd which was established in the British Virgin Islands. The Company is in the process of getting approval from Vietnam Securities Depository.

As approved by the General Shareholders Assembly on 31 July 2011, the Company has submitted a letter to the Ho Chi Minh Stock Exchange on 31 August 2011 to delist its shares from the exchange.

The principal activities of the Company are to process agricultural and aquatic products into canned, dried, frozen, salted, and pickled products and the production of biscuits and snack food, carbonated fruit juice and fruit juice with 5% alcohol content, bottled filtered water and PET bottles and to manufacture packaging for foods and beverages.

Information relating to the subsidiary is presented in Note 5 to the interim consolidated financial statements.

As at 30 June 2011, the Group had 1,268 employees (2010: 1,284 employees).

## **2 Fiscal year and currency**

### **Fiscal year**

The Company’s fiscal year end is 31 December. The interim financial statements for the six months ended 30 June are prepared in accordance with the requirements of the State Securities Commission of Vietnam.

### **Reporting currency and foreign exchange**

As approved by the Ministry of Finance in Official Letter No. 550 TC/CDKT dated 5 September 1998 and No. 1906 TC/CDKT dated 16 February 2005, the Company and its subsidiary (hereinafter collectively referred to as the “Group”) used the United States Dollar as its reporting currency in the preparation and presentation of its financial statements.

According to Official letter No.627/UBCK-QLPH dated 16 April 2008 of the State Securities Commission of Vietnam, the interim consolidated financial statements of the Group must also be presented in Vietnamese Dong for statutory filing purposes. Consequently, the Group converted the financial statements in USD to Vietnamese Dong using the exchange rate published by the State Bank of Vietnam of VND20,618/USD (31 December 2010: VND18,932/USD and 30 June 2010: VND18,544/USD ) as at the balance sheet date. All resulting foreign currency translation differences are dealt with through equity.

Transactions arising in currencies other than the reporting currency are translated at exchange rates in effect on the transaction dates. Monetary assets and liabilities denominated in currencies other than the reporting currency are translated at the exchange rates in effect at the balance sheet date. Translation gains and losses and expenses relating to foreign exchange transactions arising thereafter are recorded in the consolidated statement of income.

### **3 Basis of preparation of consolidated financial statements**

#### **3.1 Basis of preparation**

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System, and relevant statutory requirements of the Ministry of Finance, which may differ in some material respects from International Financial Reporting Standards and the generally accepted accounting principles and standards of the country of the reader. Accordingly, the consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than the Socialist Republic of Vietnam and furthermore their use is not designed for those who are not informed about Vietnam's principles, procedures and practices.

Although there is no guidance under Vietnamese Accounting Standards and System as well as International Financial Reporting Standards has on business combination involving entities under common control, the Board of Directors used its judgement and refers to the generally accepted practices to establishment of accounting policy for the said combination as stated in Note 3.2.

#### **3.2 Basis of consolidation**

The consolidated financial statements are composed of the accounts of the Company and its subsidiary, hereinafter collectively referred to as the "Group".

#### ***Subsidiary***

An entity is considered a subsidiary when the Group has the power to govern its financial and operating policies. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. When the Parent company loses control of a subsidiary, it derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost; and derecognises the carrying amount of any minority interest in the former subsidiary at the same date.

The Group's only subsidiary had previously been an entity under common control. For a business combination involving entities under common control, identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are recognised at the acquiree's carrying value at the acquisition date, inclusive of any minority interest. The difference between the consideration given and the aggregate value of the assets and liabilities of the acquired entity is recorded as other reserve under shareholders' entity. No goodwill is created from a business combination of entities under common control.

Inter-company balances, transactions and unrealised gains on transactions between those companies and the Group are eliminated. Unrealised losses are also eliminated unless they provide evidence of an impairment of the asset transferred. The accounting policies of the subsidiary have been changed where necessary to ensure the consistency with the policies adopted by the Group.

***Minority interest***

Minority interest is the portion of the profit or loss and net assets of a subsidiary attributable to equity interest that are not owned, directly or indirectly through subsidiaries, by the parent.

The losses applicable to the minority in the subsidiary may exceed the minority interest in the equity of the subsidiary. In such cases, the excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recovered.

**4 Accounting policies****4.1 Cash and cash equivalents**

Cash and cash equivalents include cash on hand and cash in bank as well as bank deposits with a maturity term of not more than 3 months.

**4.2 Inventory**

Inventory is accounted for using the perpetual method and valued at the lower of cost and net realisable value. Cost of finished goods and work in progress, calculated on a weighted average basis, is composed of materials, direct labour and production overhead. Cost of raw materials, tools and supplies is valued at purchase and related costs. Net realisable value comprises estimated sales proceeds less selling expenses. A provision for decline is recorded where cost exceeds net realisable value.

**4.3 Accounts receivable**

Accounts receivable are carried at invoice value less a provision for doubtful debts in an amount that reflects the extent to which it is estimated that the accounts will not be collected in full.

**4.4 Tangible fixed assets**

Tangible fixed assets are valued at historical cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful life of the assets as follow:

Buildings	15 – 30 years
Plant and machinery	10 – 15 years
Motor vehicles	6 years
Office equipment	10 years

Interfood Shareholding Company obtained permission from the Ministry of Finance to depreciate based on the depreciation rates above through Official letter No.2536/TC-TCDN dated 20 March 2003. The said depreciation rates are not consistent with the guidelines under Decision 203/2009/TT-BTC dated 20 October 2009.

Gains or losses from disposals are determined by comparing the net proceeds from disposal with the carrying amounts of the assets sold and are recognised as income or expense in the income statement.

Depreciation of assets which are not in use was recognised as part of "Other expenses".

**4.5 Construction in progress**

Construction in progress represents the costs of the new ERP software and the cost of plant under development. No depreciation is recognised until the project is complete and until the asset is available for its intended use at which time the related costs are transferred to their rightful accounts.

**4.6 Long-term prepaid expenses*****Land rental***

Prepaid land rental relates to an area of land leased at the Tam Phuoc Industrial Zone, Bien Hoa City, Dong Nai province. The prepayment is charged to the income statement on a straight-line basis over the period of 45.5 years from 2006.

#### **4.7 Borrowing costs**

Borrowing costs comprising interest and related costs are recognised as an expense in the period in which they are incurred, except for borrowing costs relating to the acquisition of tangible fixed assets that are incurred during the period of construction and installation of the assets, which are capitalised as a cost of the related assets.

#### **4.8 Revenue**

Revenue from sale of goods is recognised in the consolidated statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding the ultimate receipt of the proceeds, the reasonable estimation of the associated costs of the sale or the possibility of the return of the goods.

Interest income is recognised in the consolidated statement of income on a time-proportion basis using the effective interest method.

#### **4.9 Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### **4.10 Operating leases**

Leases wherein substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental payments applicable to such leases are recorded in the results of operations as incurred.

#### **4.11 Income taxes**

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the consolidated statement of income.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the consolidated statement of income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

#### **4.12 Earnings/loss per share**

The Group presents basic earnings/loss per share (EPS) for its ordinary shares and this is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.



#### 4.13 Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from premium, net of any related income tax benefits.

Other reserves represent the excess of the Group's interest in the carrying value of identifiable net assets and liabilities over costs of acquisition at the acquisition date in accordance with the accounting policy for business combination of entities under common control as stated in Note 3.2.

#### 4.14 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

#### 4.15 Segment report

The Group identifies its operating segments based on market segments where the risks and returns are different in each of the markets. For all periods presented, the Group operated in two segments: domestic sales and export sales. In addition, there are two main kinds of product: Drinks and Biscuits.

### 5 Subsidiary

The relevant information with respect to the Company's subsidiary at the balance sheet date is shown below:

	Amount		% of equity held	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	USD	USD	%	%
<b>Subsidiary:</b>				
AvaFood Shareholding Company	4,500,000	4,500,000	90	90
	<b>4,500,000</b>	<b>4,500,000</b>		

#### AvaFood Shareholding Company

On 30 June 2007, the Company acquired 90% of the paid-up capital of AvaFood Shareholding Company ("Avafood") based on the par value of the shares from Wonderfarm Biscuits & Confectionery Sdn Bhd. AvaFood Shareholding Company used to be an entity under common control before it was acquired by the Company.

AvaFood Shareholding Company (formerly AvaFood Industries Ltd) was established in the Socialist Republic of Vietnam as a limited liability company for a period of 50 years pursuant to Investment Licence No. 48/GP-ĐN, dated 19 July 2002 issued by the People's Committee of Dong Nai Province, wholly owned by Wonderfarm Biscuits & Confectionery Sdn Bhd, a company incorporated in Malaysia.

In December 2007, following Investment Certificate No. 472033000355 dated 31 issued by the Board of Management of Dong Nai Industrial Zone, Avafood changed its legal status from a limited liability company into a shareholding company under the name of AvaFood Shareholding Company with a total investment capital of VND259,200 million (equivalent to USD16,000,000), and charter capital of VND81,000 million (equivalent to USD5,000,000). Avafood's total number of shares was 8,100,000 with a par value of VND10,000 per share.

The principal activities of Avafood are to produce processed products including fruit juice, bottled filtered water, biscuits, jams and sweets of all kinds, and agricultural and aquatic products as well as livestock and to lease a workshop.

## 6 Going concern assumption

The interim consolidated financial statements have been prepared assuming that the Group will continue as a going concern notwithstanding the fact that the Group's current liabilities exceeded current assets by USD12,153,757 as at 30 June 2011 (31 December 2010: USD12,865,795).

The Group's continued existence as a going concern is dependent on the continued financial support of its new ultimate parent company and ultimately on its ability to operate profitably. The new ultimate parent company has issued a formal undertaking to provide financial support in connection with third party liabilities and relief from related party financial obligations. Accordingly, the interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or to amounts and classifications of liabilities that may be necessary if the Group is unable to continue as a going concern.

## 7 Comparative figures

Certain figures for the six months ended 30 June 2010, which are included in this period's financial statements for comparative purposes, have been adjusted to reflect the adjustments for errors noted after the date of issuance of the said financial statements for the period ended 30 June 2010. The adjustments resulted in a decrease in the Group's net worth amounting to US\$49,500 as at 30 June 2010. The details of the adjustments and the effect to each item on the financial statements are as presented below:

### Interim consolidated balance sheet (extracted)

	Notes	30 June 2010 As previously reported US\$	Adjustments US\$	30 June 2010 As restated US\$
<b>ASSETS</b>				
<b>Other non-current assets</b>				
Deferred tax assets	5	2,158,495	(82,500)	<b>2,075,995</b>
		26,745,570	(82,500)	<b>26,663,070</b>
		35,682,563	(82,500)	<b>35,600,063</b>
<b>RESOURCES</b>				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Taxes and amounts payable to State budget	4	442,418	(33,000)	<b>409,418</b>
		20,438,272	(33,000)	<b>20,405,272</b>
<b>Owners' equity</b>				
Capital sources and funds				
Accumulated losses	4,5	(13,378,761)	(49,500)	<b>(13,428,261)</b>
		7,455,901	(49,500)	<b>7,406,401</b>
		35,682,563	(82,500)	<b>35,600,063</b>

**Interim consolidated statement of income (extracted)**

	Notes	Six months ended 30 June 2010		
		As previously reported	Adjustments	As restated
		US\$	US\$	US\$
Gross sales	6	29,328,563	780,596	<b>30,109,159</b>
Net sales		27,861,125	780,596	<b>28,641,721</b>
Cost of sales	2,3	(21,821,250)	2,975	<b>(21,818,275)</b>
Gross profit		6,039,875	783,571	<b>6,823,446</b>
Selling expenses	1	(2,665,261)	(1,035,601)	<b>(3,700,862)</b>
General and administration expenses	1,2,3,6	(1,482,415)	252,030	<b>(1,230,385)</b>
Operating profit		1,323,313	-	<b>1,323,313</b>
Profit before tax		1,287,234	-	<b>1,287,234</b>
Corporate income tax for the current year	4	(33,000)	33,000	-
Deferred corporate income tax	5	(178,570)	(82,500)	<b>(261,070)</b>
<b>Net profit</b>		<b>1,075,664</b>	<b>(49,500)</b>	<b>1,026,164</b>
Minority interest		(14,667)	-	<b>(14,667)</b>
Net profit attributable to the Parent Company		1,060,997	(49,500)	<b>1,011,497</b>

Adjustments were made for the following:

Notes	Description	Net effect on profit for the six months ended 30 June 2010 US\$
1	Reclassification of salary expenses of sales staff from general and administrative expenses to selling expenses amounting to US\$255,005	-
2	Reclassification of tools, supplies expenses from cost of goods sold to general and administrative expenses amounting to US\$26,998	-
3	Reclassification of tools, supplies expenses from general and administrative expenses to cost of goods sold amounting to US\$24,023	-
4	Reversion of tax on disposal of investment in Crown Dong Nai	33,000
5	Record of the additional utilisation of tax loss carried forward from prior year	(82,500)
6	Record of the sale and promotion expenses for internal consumption	-
		<b>(49,500)</b>

**8 Cash**

	30 June 2011		31 December 2010	
	USD	VND million	USD	VND million
Cash on hand	12,235	252	37,162	703
Cash in banks	612,855	12,636	93,692	1,774
	<b>625,090</b>	<b>12,888</b>	130,854	2,477

**9 Inventories**

	30 June 2011		31 December 2010	
	USD	VND million	USD	VND million
Goods in transit	-	-	336,401	6,369
Raw materials	2,722,703	56,137	2,562,539	48,514
Tools and supplies	291,267	6,005	277,095	5,246
Work in progress	1,334,487	27,514	1,173,964	22,225
Finished goods	3,382,133	69,733	3,180,301	60,210
	<b>7,730,590</b>	<b>159,389</b>	7,530,300	142,564
Provision for decline in value of inventory	(305,902)	(6,307)	(146,582)	(2,775)
	<b>7,424,688</b>	<b>153,082</b>	7,383,718	139,789

## 10 Taxes and amounts receivable from the State budget

This represents overpayment of corporate income tax for the year 2007.

## 11 Tangible fixed assets

	Buildings	Plant and machinery	Motor vehicles	Office equipment	Total
	USD	USD	USD	USD	USD
<b>Historical cost</b>					
1 January 2011	4,780,157	28,692,891	557,893	297,769	<b>34,328,710</b>
Acquisitions	3,118	18,827	-	1,801	<b>23,746</b>
30 June 2011	4,783,275	28,711,718	557,893	299,570	<b>34,352,456</b>
<i>Fully depreciated</i>	-	1,144,371	262,559	54,416	<b>1,461,346</b>
<i>Fixed assets not in use (*)</i>	-	6,567,962	134,013	87,405	<b>6,789,380</b>
<b>Accumulated depreciation</b>					
1 January 2011	(622,441)	(11,989,056)	(435,533)	(170,384)	<b>(13,217,414)</b>
Charge for the period	(81,379)	(948,640)	(23,292)	(12,678)	<b>(1,065,989)</b>
30 June 2011	(703,820)	(12,937,696)	(458,825)	(183,062)	<b>(14,283,403)</b>
<i>Fixed assets not in use</i>	-	(3,435,871)	(133,277)	(83,256)	<b>(3,652,404)</b>
<b>Net book value</b>					
1 January 2011	4,157,716	16,703,835	122,360	127,385	<b>21,111,296</b>
30 June 2011	4,079,455	15,774,022	99,068	116,508	<b>20,069,053</b>
<i>Fixed assets not in use</i>	-	3,132,091	736	4,149	<b>3,136,976</b>

In VND

	Buildings	Machinery and Equipment	Motor vehicles	Office equipment	Total
	VND million	VND million	VND million	VND million	VND million
<b>Historical cost</b>					
1 January 2011	90,498	543,214	10,562	5,638	<b>649,912</b>
Acquisitions	64	388	-	37	<b>489</b>
Translation differences	8,060	48,376	941	500	<b>57,877</b>
30 June 2011	98,622	591,978	11,503	6,175	<b>708,278</b>
<i>Fully depreciated</i>	-	23,595	5,413	1,122	<b>30,130</b>
<i>Fixed assets not in use</i>	-	135,418	2,763	1,802	<b>139,983</b>
<b>Accumulated depreciation</b>					
1 January 2011	(11,784)	(226,977)	(8,246)	(3,226)	<b>(250,233)</b>
Charge for the year	(1,678)	(19,559)	(480)	(261)	<b>(21,978)</b>
Translation differences	(1,049)	(20,213)	(734)	(287)	<b>(22,283)</b>
30 June 2011	(14,511)	(266,749)	(9,460)	(3,774)	<b>(294,494)</b>
<i>Fixed assets not in use</i>	-	(70,841)	(2,748)	(1,717)	<b>(75,306)</b>
<b>Net book value</b>					
1 January 2011	78,714	316,237	2,316	2,412	<b>399,679</b>
30 June 2011	84,111	325,229	2,043	2,401	<b>413,784</b>
<i>Fixed assets not in use(*)</i>	-	64,577	15	85	<b>64,677</b>

As at 30 June 2011, certain fixed assets with an aggregate carrying value of USD11,290,944 (2010: USD17,579,816) have been pledged with Vietcombank as security for short-term and long-term borrowings (Note 15).

(\*) These assets had been moved from the old factory located in the centre of Bien Hoa City to the new one located in Tam Phuoc Industrial Park, Bien Hoa City. They also include certain idle assets such as vending machines and machines pertaining to biscuit processing lines. The Company

has insufficient demand to justify their re-commissioning and bringing back these assets into its production lines at the present time.

## 12 Construction in progress("CIP")

	30 June 2011		31 December 2010	
	USD	VND million	USD	VND million
Opening balance	188,896	3,576	410,742	7,369
Additions	299,913	6,184	123,725	2,342
Transferred to tangible fixed assets	-	-	(345,571)	(6,542)
Translation differences	-	318	-	407
<b>Closing balance</b>	<b>488,809</b>	<b>10,078</b>	<b>188,896</b>	<b>3,576</b>
<i>Including:</i>				
ERP software	191,060	3,939	179,060	3,390
Waste water treatment	287,913	5,936	-	-
Others	9,836	203	9,836	186
<b>Closing balance</b>	<b>488,809</b>	<b>10,078</b>	<b>188,896</b>	<b>3,576</b>

## 13 Long-term prepaid expenses

	Period ended 30 June 2011		Year ended 31 December 2010	
	USD	VND million	USD	VND million
Opening balance	1,432,197	27,114	1,467,213	26,323
Amortisation	(17,508)	(361)	(35,016)	(663)
Translation differences	-	2,415	-	1,454
<b>Closing balance</b>	<b>1,414,689</b>	<b>29,168</b>	<b>1,432,197</b>	<b>27,114</b>

As at 30 June 2011, the carrying value of long-term prepaid expenses represents the prepaid land rentals which have been pledged with Vietcombank as security for all loan contracts as mentioned in Notes 15.

## 14 Deferred tax assets

	Period ended 30 June 2011		Year ended 31 December 2010	
	USD	VND million	USD	VND million
Opening balance	2,135,050	40,421	2,337,066	41,929
Utilised portion	-	-	(202,016)	(3,825)
Foreign exchange differences	-	3,599	-	2,317
<b>Closing balance</b>	<b>2,135,050</b>	<b>44,020</b>	<b>2,135,050</b>	<b>40,421</b>

This pertains to the deferred income tax recognised in 2008 relative to the Company's tax loss for that year.

## 15 Short-term borrowings and debts

	30 June 2011		31 December 2010	
	USD	VND million	USD	VND million
Loans from Vietcombank, Dong Nai Branch (1)	9,407,280	193,959	10,656,946	201,758
Loans from Viet A Bank (2)	-	-	2,980,311	56,423
Loans from Kirin (3)	7,000,000	144,326	-	-
Current portion of long-term loans	-	-	1,697,337	32,134
<b>Closing balance</b>	<b>16,407,280</b>	<b>338,285</b>	<b>15,334,594</b>	<b>290,315</b>

**(1) Loans from Vietcombank, Dong Nai branch**

	30 June 2011		31 December 2010	
	USD	VND million	USD	VND million
Denominated in USD	<b>1,371,685</b>	<b>28,281</b>	1,486,633	28,145
Denominated in EUR	-	-	50,322	953
Denominated in VND	<b>8,035,595</b>	<b>165,678</b>	9,119,991	172,660
	<b>9,407,280</b>	<b>193,959</b>	10,656,946	201,758

Loan from Vietcombank, Dong Nai Branch – Agreement No 2010031/KHDN/NHNT dated 20 August 2010 pertains to a working capital credit facility with a credit limit of VND200 billion (equivalent to USD9,700,262 as at 30 June 2011). The loan is due within 60 months from the date of the execution of the above mentioned contract and each promissory note should be settled no more than 6 months from the date of the loan drawdown. The credit facility is subject to interest based on the actual rates at the time each loan is drawn and such interest is payable on the 26th day of each month.

The applicable interest rates of these loans for the first 6 months of 2011 for Dollar denominated loans was 6% to 7.5% while it was 13.0% to 19% for VND denominated loans. (In 2010 for Dollar denominated loans it was 6% to 7% while it was 12.0% to 15.5% for VND denominated loans).

All loans from Vietcombank are secured under the following mortgaged agreements:

- Agreement No.016/QHKH/NHNT dated 24 September 2004, in which these loans are secured by the aggregated values of certain machinery. As at 30 June 2011, the carrying value of these pledged assets amounted to USD3,798,305 (Note 11).
- Agreement No. 2007114/HDBD/NHNT dated 10 July 2007 and Appendix No. 2 dated 20 August 2010, in which subject loans are secured by pledged machinery and equipment. As at 30 June 2011, the aggregate carrying value of these pledged assets amounted to USD3,561,124.
- Agreement No. 139/HDBD/NHNT dated 30 August 2007 and Appendix No. 1 dated 20 August 2010, in which subject loans are secured by a building. As at 30 June 2011, the carrying value of the pledged asset was USD1,987,952.
- Agreement No. 09/QHKH/HD dated 24 May 2004 and Appendix No. 1 dated 20 August 2010, in which subject loans are secured by another building. As at 30 June 2011, the carrying value of the pledged assets was USD1,943,563.
- Agreement on mortgaged land lease right dated 20 August 2010, in which these loan are secured by all rights and interest arising from or in connection with the Land lease Agreement. As at 30 June 2011, the carrying value of the land lease rights is USD1,414,689 (Note 13).
- Agreement No. 2010020/HDBD/NHNT dated 20 August 2010 regarding mortgaged ownership of capital contribution of the Company in Avafood amounting to USD4,500,000. In addition, the Company also issued a guarantee which includes performance of guaranteed obligations in the event of dissolution, bankruptcy or insolvency in accordance with Agreement No. 201009/HDBL/NHNT dated 20 August 2010. These agreements were terminated when Avafood settled all outstanding debts to Vietcombank in June 2011.

**(2) Loans from Viet A bank**

	30 June 2011		31 December 2010	
	USD	VND million	USD	VND million
Denominated in USD	-	-	2,980,311	56,423

The loan from Viet A Bank under Contract No. 131/10/VAB/HDTHH dated 26 March 2010 pertains to a working capital credit facility with a credit limit of USD3,000,000. The applicable interest rate for the first six months of 2011 was at rates ranging from 0.63% to 0.84% per month (In 2010, interest rates were from 0.55% to 0.63% per month). The loans were secured by certain machinery. The Company has settled all principal and interest to Viet A Bank in June 2011 and Viet A bank has released all secured assets to the Company at the same time.

**(3) Loan from Kirin, a related party (Note 35)**

	30 June 2011		31 December 2010	
	USD	VND million	USD	VND million
Denominated in USD	7,000,000	144,326	-	-

On 25 May 2011, the Company entered into a US\$7,000,000 revolving loan agreement with Kirin Holdings Company Ltd, the ultimate parent company. The credit facility is subject to interest based on the base rate plus 1% per annum. The base interest rate is equal to the London Inter-Bank Offered Rate for US Dollars published and released to the market at approximately 11:00 AM London time two London Banking Days before the commencement of the Interest period. The applicable interest rate of this loan for the first 6 months of 2011 is 1.731% per annum. The loan matures on 30 May 2012.

In June 2011, the Company entered into another revolving loan agreement with Kirin Holdings Company Ltd, the ultimate parent company, amounting to USD3,000,000. The facility is subject to interest based on the same base rate above plus 1% per annum. Its maturity date is on 1 June 2012. This loan was released to the Company in July 2011.

**16 Trade accounts payable**

	30 June 2011		31 December 2010	
	USD	VND million	USD	VND million
Payable to suppliers	3,690,439	76,090	3,655,174	69,199
Payable to related parties (Note 35)	388,954	8,019	1,395,446	26,419
	4,079,393	84,109	5,050,620	95,618

**17 Taxes and amounts payable to State Budget**

	30 June 2011		31 December 2010	
	USD	VND million	USD	VND million
Value added tax	5,762	119	289,964	5,489
Corporate income tax	-	-	118,093	2,236
Personal income tax	43,859	904	125,180	2,370
Import and export tax	23,944	494	2,076	39
Other taxes	8,338	172	3,254	62
	81,903	1,689	538,567	10,196

**18 Accrued expenses payable**

	30 June 2011		31 December 2010	
	USD	VND million	USD	VND million
Transportation fees	187,215	3,860	205,841	3,897
Trade discounts	71,254	1,469	83,659	1,584
Loan interest payables to related parties (Note 35)	10,125	209	-	-
Others	43,625	899	175,241	3,317
	312,219	6,437	464,741	8,798

**19 Other payables**

	30 June 2011		31 December 2010	
	USD	VND million	USD	VND million
Dividends payable (Note 22)	24,265	500	24,265	459
Trade union, social and health insurance	37,856	781	15,699	297
Other payables to BOM	30,177	622	106,851	2,023
Other payables	1,729	36	13,244	251
	<b>94,027</b>	<b>1,939</b>	<b>160,059</b>	<b>3,030</b>

**20 Long term borrowings and debts**

	30 June 2011		31 December 2010	
	USD	VND million	USD	VND million
Loan from Vietcombank, Dong Nai branch	-	-	1,697,337	32,134
Loan from Chairman	-	-	3,430,928	64,954
Loan from Wonderfarm Biscuits & Confectionery Sdn Bhd (1) (Note 35)	1,562,685	32,219	1,562,685	29,585
Loan from parent company (2) (Note 35)	3,430,928	70,739	-	-
Less: amount due within one period	-	-	(1,697,337)	(32,134)
	<b>4,993,613</b>	<b>102,958</b>	<b>4,993,613</b>	<b>94,539</b>

**(1) Loan from Wonderfarm Biscuits & Confectionery Sdn. Bhd**

According to a Resolution of the BOM dated 25 December 2008, the balance of the loan from Wonderfarm Biscuits & Confectionery Sdn Bhd, a related party, would be converted to a five-year shareholder loan which will be due in 2013. This loan bears interest at SIBOR 3 months less 1% per annum. There were no interest expenses accrued during the period as the applicable interest rate based on the foregoing calculation would have been below zero. This loan is unsecured.

**(2) Loan from parent company**

Previously it was a converted five year shareholder loan under a loan agreement dated 30 July 2009. The loan bears interest at SIBOR three months less 1%. On February 28, 2011, Trade Ocean Holdings Sdn Bhd (“TOH”), parent company, and The Company and Mr Pang Tee Chiang (“PTC”) entered into a Loan Novation Agreement whereby TOH has agreed to assume the rights and obligations of the USD3,430,928 loan PTC had extended to the Company.

**21 Deferred tax liabilities**

	Period ended 30 June 2011		Year ended 31 December 2010	
	USD	VND million	USD	VND million
Opening balance	115,209	2,375	81,221	1,538
Charged for the year	11,536	238	33,988	643
Closing balance	<b>126,745</b>	<b>2,613</b>	<b>115,209</b>	<b>2,181</b>

This pertains to temporary differences between the accounting base and tax base in relation to the carrying value of tangible fixed assets at the balance sheet date.

**22 Owners' equity**

	Share capital	Share premium	Other reserve	Accumulated	Total
	USD	USD	USD	losses	
1 January 2010	18,313,995	4,082,759	(1,562,092)	(14,439,758)	<b>6,394,904</b>
Net profit – as restated	-	-	-	1,011,497	<b>1,011,497</b>
30 June 2010 – as restated	18,313,995	4,082,759	(1,562,092)	(13,428,261)	<b>7,406,401</b>
1 January 2011	18,313,995	4,082,759	(1,562,092)	(14,057,161)	<b>6,777,501</b>
Net profit	-	-	-	664	<b>664</b>
30 June 2011	18,313,995	4,082,759	(1,562,092)	(14,056,497)	<b>6,778,165</b>



In VND:

	Share capital	Share premium	Other reserve	Accumulated	Total
			(**)	losses	
	VND million	VND million	VND million	VND million	VND million
1 January 2010	328,571	73,249	(28,025)	(259,064)	<b>114,731</b>
Net profit – as restated	-	-	-	18,757	<b>18,757</b>
Translation differences	11,044	2,461	(942)	(8,707)	<b>3,856</b>
<b>30 June 2010 – as restated</b>	<b>339,615</b>	<b>75,710</b>	<b>(28,967)</b>	<b>(249,014)</b>	<b>137,344</b>
1 January 2011	346,721	77,295	(29,574)	(266,130)	<b>128,312</b>
Net profit	-	-	-	14	<b>14</b>
Translation differences	30,877	6,883	(2,633)	(23,701)	<b>11,426</b>
<b>30 June 2011</b>	<b>377,598</b>	<b>84,178</b>	<b>(32,207)</b>	<b>(289,817)</b>	<b>139,752</b>

No dividend was declared in this period. As at 30 June 2011, the 2007 dividend payable amounting to USD24,265 is still unpaid and included in other payables (Note 19).

(\*\*) This represents the difference between the consideration given and the aggregate value of the assets and liabilities of Avafood in a business combination involving entities under common control (Note 3.2)

### 23 Share capital

The Company's charter capital is VND291,409,840 thousand (equivalent to USD18,313,995), which is divided into 29,140,984 ordinary shares with par value of VND10,000 each.

	30 June 2011		
	Number of shares	VND'000	USD equivalent
Authorised	29,140,992	291,409,920	<b>18,314,000</b>
Issued and fully paid	29,140,984	291,409,840	<b>18,313,995</b>

The details of shareholders as at 30 June 2011 are as follows:

	Number of shares		Total	Par value VND'000	Equivalent capital amount	
	Listed shares	Unlisted shares			VND'000	%
Trade Ocean Holding SDN						
BHD	-	16,684,646	<b>16,684,646</b>	10	<b>166,846,460</b>	57.25%
Pang Tee Chiang (*)	1,237,469	5,499,840	<b>6,737,309</b>	10	<b>67,373,090</b>	23.12%
Yau Hau Jan	-	81,139	<b>81,139</b>	10	<b>811,390</b>	0.28%
Ng Eng Huat	800,403	-	<b>800,403</b>	10	<b>8,004,030</b>	2.75%
Public shareholders	4,837,487	-	<b>4,837,487</b>	10	<b>48,374,870</b>	16.60%
	<b>6,875,359</b>	<b>22,265,625</b>	<b>29,140,984</b>		<b>291,409,840</b>	100.00%

(\*)The Board of Management of Dong Nai Industrial Zone has approved the amended Investment Certificate dated 22 April 2011 to allow Mr Pang Tee Chiang, former General Director, to transfer 5,499,840 unlisted shares (equivalent to 18.87% of equity interest) to Indochina Beverage Holdings Ltd which was established in the British Virgin Islands. The Company is in the process of getting approval from the Vietnam Securities Depository.

**24 Minority interest**

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	USD	VND million	USD	VND million
Opening balance	-	-	-	-
Minority interest in net profit of AvaFood	59,891	1,235	-	-
Closing balance	59,891	1,235	-	-

**25 Net sales**

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	USD	VND million	USD	VND million
				Restated
<b>Revenue</b>				
Domestic sales	23,216,877	478,685	28,993,449	537,654
Export sales	1,571,614	32,404	1,115,710	20,690
	24,788,491	511,089	30,109,159	558,344
<b>Sales deduction:</b>				
Sales allowance	(622,828)	(12,842)	(1,447,526)	(26,843)
Sales return	(10,728)	(221)	(19,912)	(369)
	(633,556)	(13,063)	(1,467,438)	(27,212)
<b>Net sales</b>	24,154,935	498,026	28,641,721	531,132

**26 Cost of goods sold**

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	USD	VND million	USD	VND million
				Restated
Cost of goods sold for domestic sales	17,874,140	368,530	20,943,659	388,378
Cost of goods sold for export sales	1,389,574	28,649	874,616	16,220
	19,263,714	397,179	21,818,275	404,598

**27 Income from financial activities**

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	USD	VND million	USD	VND million
Interest income from bank deposits	7,091	146	6,173	113
Gain from disposal of investment in associate	-	-	330,386	6,127
Realised gains from foreign exchange	1,466,949	30,246	772,603	14,328
Unrealised gains from foreign exchange	-	-	113,665	2,108
	1,474,040	30,392	1,222,827	22,676

**28 Expenses for financial activities**

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	USD	VND million	USD	VND million
Interest expense	823,181	16,972	856,705	15,887
Realised foreign exchange losses	543,804	11,213	935,008	17,339
Unrealised foreign exchange losses	28,494	587	-	-
Other finance expenses	7,878	162	-	-
	1,403,357	28,934	1,791,713	33,226

**29 Selling expenses**

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	USD	VND million	USD	VND million
Transportation expense	1,256,010	25,896	1,409,371	26,135
Salary	903,627	18,631	759,606	14,086
Commission for salesmen and promotion	1,612,392	33,244	1,178,458	21,853
Depreciation and amortisation	22,402	462	78,321	1,452
Office rental fee	3,651	75	32,761	608
Other expenses	230,707	4,758	242,345	4,494
	<b>4,028,789</b>	<b>83,066</b>	<b>3,700,862</b>	<b>68,628</b>

**30 General and administration expenses**

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	USD	VND million	USD	VND million
Salary	503,669	10,385	465,631	8,635
Depreciation expenses	23,637	487	42,103	781
Office expenses	227,894	4,699	104,714	1,942
Bank charges	19,741	407	16,280	302
Outside services expenses	45,267	933	165,713	3,073
Consultant fees	131,651	2,714	91,405	1,695
Others	84,772	1,748	344,539	6,388
	<b>1,036,631</b>	<b>21,373</b>	<b>1,230,385</b>	<b>22,816</b>

**31 Other income**

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	USD	VND million	USD	VND million
Loan interest exemption (*)	242,272	4,995	-	-
Compensation for damaged raw material	-	-	239,619	4,443
Adjustment of corporate income tax expenses (**)	118,093	2,435	-	-
Others	55,039	1,135	13,867	258
	<b>415,404</b>	<b>8,565</b>	<b>253,486</b>	<b>4,701</b>

(\*) On 8 June 2011, Avafood was granted by Vietcombank - Dong Nai branch (Note 15) exemption from payment of interest in consideration of the full settlement of all outstanding interest by 30 June 2011 and continuing security from all existing pledged assets of Avafood to the bank.

(\*\*) This adjustment was made for the over accrued corporate income tax expense recorded in 2008.

**32 Other expenses**

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	USD	VND million	USD	VND million
Depreciation of idle assets	223,609	4,610	241,719	4,482
Others	16,188	334	47,846	889
	<b>239,797</b>	<b>4,944</b>	<b>289,565</b>	<b>5,371</b>

### 33 Cost by element

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	USD	VND million	USD	VND million
Raw materials	17,161,781	353,842	17,341,341	321,578
Labour cost	2,253,702	46,467	2,189,093	40,595
Depreciation and amortisation	859,888	17,729	823,985	15,280
Outside service costs	2,124,471	43,802	3,140,634	58,240
Other costs	2,087,265	43,035	2,134,310	39,578
	<b>24,487,107</b>	<b>504,875</b>	25,629,363	475,271

### 34 Corporate income tax

#### Interfood Shareholding Company

The Company is liable to corporate income tax at the rate of 15% for a period of 12 years from 1994, the year it commenced commercial operations. Thereafter, from 2006 onwards the Company is subject to income tax at the rate of 25%.

According to Decree No. 24/2007/ND-CP dated 14 February 2007 (which replaced Decree No. 164/2003/ND-CP dated 22 December 2003), the Company is entitled to tax incentives in relation to the relocation of its business activities out of an urban area. In 2006, the Company relocated one of its production lines from Bien Hoa City to Tam Phuoc Industrial Zone, Bien Hoa City. As a result, profit derived from this line is exempt from corporate income tax for two years and a reduction of 50% for the following six years. Also as stated in this Decree, the Company is entitled to tax incentives in relation to investments made in new production lines that are qualified under this Decree. The tax incentives include one year of exemption from corporate income tax and a reduction of 50% for the following four years applied to profit derived from the new production lines.

In 2008, Decree No. 124/2008/ND-CP dated 11 December 2008 replaced the aforementioned Decree but the Company would continue to enjoy the tax incentives granted under the earlier Decree.

In accordance with Letter No. 11924/TC-CST dated 20 October 2004 issued by the Ministry of Finance, the Company is entitled to a 50% reduction for two years after listing its shares in Ho Chi Minh City Securities Trading Centre. The Company has completed the registration with the tax authority to apply the incentives commencing from 2007.

#### Avafood Shareholding Company

Pursuant to Investment Certificate No. 472033000355 dated 31 December 2007, the Company is liable to corporate income tax at the rate of 15% of its taxable income from manufacturing processed products, including fruit juice, bottled filtered water, biscuits, jams and sweets of all kinds, and from agricultural and aquatic products as well as livestock in the first twelve years from 1 January 2006 when the Company officially commenced business operations. Thereafter the Company is subject to corporate income tax at 25%.

The Company is entitled to corporate income tax exemption for a period of 2 years from the first profit-making year and a reduced income tax equivalent to 50% of the applicable income tax rate in the next 3 years following its full exemption.

Corporate income tax is payable at the rate stipulated by the current regulations on annual profit from workshop lease activity (2010: 25%; 2009: 25%).

#### The Group:

No provision for corporate income tax has been made for the six month ended 30 June 2011 because the Group incurred a loss for this period. The tax on the Group's loss before tax differs from the theoretical amount that would arise using the tax rate regulated in the Investment Certificate of each company within the Group as follows:

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	USD	VND million	USD	VND million
<b>Net profit (loss) before tax</b>	<b>72,091</b>	<b>1,486</b>	1,287,234	23,870
<i>Adjusted for:</i>				
<b>Permanent difference</b>				
- Expenses without appropriate supporting document	13,880	286	91	2
- Fee for the Board of Management	6,111	126	24,799	460
- Depreciation of idle assets	223,609	4,610	241,719	4,482
- Administration Penalty	317	7	-	-
<b>Temporary difference</b>				
- Accrued expenses	339,202	6,994	648,629	12,028
- Unrealised loss/(gain) from foreign exchange difference	533,302	10,996	(113,665)	(2,108)
- Temporary differences between accounting base and tax base in relation to the carrying value of tangible fixed assets	(46,142)	(951)	-	-
<b>Less:</b>				
- Accrued expenses recognised from prior years	(445,577)	(9,187)	(607,675)	(11,269)
- Severance allowance paid during the period	(17,803)	(367)	-	-
- Unrealised loss on foreign exchange difference in the prior year realised in the current year	(5,019)	(103)	-	-
<b>Taxable profit from normal business</b>	<b>673,971</b>	<b>13,897</b>	1,481,132	27,465
<b>Utilisation of tax losses carried forward of</b>				
<b>Avafood</b>	<b>(956,144)</b>	<b>(19,714)</b>	(162,884)	(3,021)
<b>Less: Gain on capital assignment</b>	-	-	(300,000)	(5,563)
<b>Effect of adjustments from business combination</b>	<b>12,352</b>	<b>255</b>	(17,628)	(327)
<b>Taxable profit for normal operating activities</b>	<b>(269,821)</b>	<b>(5,562)</b>	1,000,620	18,554
Income tax expenses at tax rate of 25%	-	-	250,154	4,639
Tax incentive on income from incremental investment and relocation	-	-	(64,084)	(1,188)
Income tax expense from normal operating activities	-	-	186,070	3,451
Corporate income tax expenses from disposal of capital assignment	-	-	75,000	1,390
Corporate income tax expense	-	-	261,070	4,841
Utilisation of taxable loss carried forward	-	-	(261,070)	(4,841)
Total corporate income tax expenses for the current year	-	-	-	-
Deferred income tax expenses (Note 21)	(11,536)	(238)	-	-
Total corporate income tax expenses for current period	(11,536)	(238)	-	-

Tax losses can be carried forward to offset future periods' taxable income up to five years from the year in which they were incurred. The actual amount of accumulated losses that can be carried forward is subject to the result of tax audit which will be carried out by the local tax authorities. Tax losses available for offset against future taxable income are as follows:

Year	Status of tax audit	Tax losses	
		USD	VND million
2006	Not yet performed	287,241	5,153
2007	Not yet performed	286,568	5,141
2008	Not yet performed	14,514,664	244,058
2009	Not yet performed	541,481	9,715
For the six months of 2011	Not yet performed	269,821	5,561
		<b>15,899,775</b>	<b>269,628</b>

### Deferred corporate income tax

The details of deferred tax recognised by the Group, and the movements thereon are as shown below:

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	USD	VND million	USD	VND million
<b>Deferred tax asset</b>				
Balance, 1 January	2,135,050	40,421	2,337,065	41,929
Utilisation of tax losses	-	-	(261,070)	(4,841)
Translation differences	-	3,599	-	1,409
<b>Balance, 30 June</b>	<b>2,135,050</b>	<b>44,020</b>	<b>2,075,995</b>	<b>38,497</b>
<b>Deferred tax liability</b>				
Balance, 1 January	115,209	2,181	81,221	1,457
Temporary differences on depreciation expenses of current period	11,536	238	-	-
Translation differences	-	194	-	49
<b>Balance, 30 June</b>	<b>126,745</b>	<b>2,613</b>	<b>81,221</b>	<b>1,506</b>

### 35 Related party transaction and balances

During the six months ended 30 June 2011, the following transactions with related parties were recorded:

Related party	Relation	Transaction	USD	VND million
Chuan Li Can Manufacturing (Vietnam) Co Ltd	Ex-Affiliate	Purchases of materials	687,095	14,167
	Ex-Chairman/	Transfer loan to Trade Ocean		
Mr Pang Tee Chiang	Ex-General Director	Holding SDN BHD	3,430,928	70,739
		Paid interest for other payable	7,485	154
Trade Ocean Holding SDN BHD	Parent Company Ultimate parent	Loan extend to the Company	3,430,928	70,739
Kirin Holding Company Limited	company	Loans to the Company	7,000,000	144,326
		Interest expense charged to the Company	10,125	209

At 30 June 2011, the following balances were outstanding with related parties:

Related party	Relation	Transaction	Trade payables	Accrued payables	Loan
			USD	USD	USD
Kirin Holding Company Limited	Ultimate parent company	Loan	-	-	7,000,000
		Payable interest	-	10,125	-
Trade Ocean Holding SDN BHD	Parent Company	Loan	-	-	3,430,928
Chuan Li Can Manufacturing Wonderfarm Biscuits & Confectionery Sdn Bhd	Ex-Affiliate Shareholder	Purchases of materials Loan	388,954 -	-	-
			<b>388,954</b>	<b>10,125</b>	<b>11,993,613</b>
<b>VND million</b>			<b>8,019</b>	<b>209</b>	<b>247,284</b>

### 36 Segmental information

Management determined the following reportable segments by categories of sales: (1) domestic sales and (2) export sales. The Company analyses segment revenue and cost of sales.

The segment results for the six months ended 30 June 2011 are as follows:

	Domestic USD	Export USD	Total USD
Sales revenue - net	22,586,508	1,568,427	24,154,935
Cost of sales	(17,874,141)	(1,389,573)	(19,263,714)
Gross profit	4,712,367	178,854	4,891,221
Gross profit (VND million)	97,160	3,688	100,847

The segment results for the six months ended 30 June 2010 are as follows:

	Domestic USD	Export USD	Total USD
Sales revenue - net	27,526,011	1,115,710	28,641,721
Cost of sales	(20,943,659)	(874,616)	(21,818,275)
Gross profit	6,582,352	241,094	6,823,446
Gross profit (VND million)	122,063	4,471	126,534

Management also determined the following reportable segments by categories of products: (1) drinks, (2) biscuits and (3) others. The Group analyses segment revenue and cost of revenue.

The segment results for the six months ended 30 June 2011 are as follows:

	Drinks USD	Biscuits USD	Other USD	Total USD
Sales revenue - net	21,368,320	670,399	2,116,216	24,154,935
Cost of sales	(16,171,994)	(695,340)	(2,396,380)	(19,263,714)
Gross profit	5,196,326	(24,941)	(280,164)	4,891,221
Gross profit (VND million)	107,138	(514)	(5,777)	100,847

The segment results for the six months ended 30 June 2010 are as follows:

	Drinks USD	Biscuits USD	Other USD	Total USD
Sales revenue - net	26,179,978	556,970	1,904,773	<b>28,641,721</b>
Cost of sales	(19,887,935)	(436,740)	(1,493,600)	<b>(21,818,275)</b>
Gross profit	6,292,043	120,230	411,173	<b>6,823,446</b>
Gross profit (VND million)	116,680	2,230	7,624	<b>126,534</b>

### 37 Earning /(loss) per share

#### (a) Basic

Basic earnings per share are calculated by dividing the profits attributable to the shareholders of the Group by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	USD	VND thousand	USD	VND thousand Restated
Net profit attributable to shareholders of the Group	664	14	1,011,497	18,757,000
Weighted average number of ordinary shares on issue	29,140,984	29,140,984	29,140,984	29,140,984
Basic earnings per share (USD/VND thousand per share)	0.00002	0.00048	0.03471	0.64366

#### (b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The Group has no category of potentially dilutive ordinary shares. Therefore, diluted earnings per share are equal to basic earnings per share.

### 38 Board of Directors and Management's remuneration

During the six months ended, the members of Board of Directors and Management received remuneration as follows:

	30 June 2011		30 June 2010	
	USD	VND million	USD	VND million
Board of Management fees	7,275	150	4,853	90
Salary	268,300	5,532	141,616	2,626
	275,575	5,682	146,469	2,716

### 39 Commitments

As at 30 June 2011, the Group was committed under non-cancellable operating lease agreements in the following amounts:

	30 June 2011		31 December 2010	
	USD	VND million	USD	VND million
Within the next year	125,293	2,583	184,574	3,423
Within two to five years	5,818	120	273,483	5,071
Over five years	-	-	3,168	59
	131,111	2,703	461,225	8,553



**40 Approval for issuance of the interim consolidated financial statements**

The interim consolidated financial statements for the six months ended 30 June 2011 were approved by the Board of Directors on \_\_\_\_\_

\_\_\_\_\_  
Michio Nagabayashi  
General Director

\_\_\_\_\_  
Nguyen Hong Phong  
Chief Accountant



Grant Thornton (Vietnam) Ltd.

Hanoi Office  
8<sup>th</sup> Floor, Vinaplast – Domus Building  
39A Ngo Quyen Street, Hoan Kiem District  
Hanoi, Vietnam.  
T (84 4) 2220 2600  
F (84 4) 2220 6449

[www.gt.com.vn](http://www.gt.com.vn)

Ho Chi Minh City Office  
28<sup>th</sup> Floor, Saigon Trade Center  
37 Ton Duc Thang Street,  
Ben Nghe Ward, District 1  
Ho Chi Minh City, Vietnam.  
T (84 8) 3910 9100  
F (84 8) 3914 3748

Member of Grant Thornton International Ltd  
© 2008 Grant Thornton (Vietnam) Ltd. All rights reserved.  
Grant Thornton (Vietnam) Ltd is a member firm within Grant Thornton International Ltd ('Grant Thornton International').  
Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.