

Interim consolidated financial statements and
Independent review report

Interfood Shareholding Company and its subsidiaries

30 June 2010

Contents

	Page
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 subsidiaries (“the Group”) for the six months ended 30 June 2010 (“the period”).

Results

The results of the Group for the six months ended 30 June 2010 (“the period”) are set out in the interim consolidated statement of income.

In the fiscal year of 2009, even though the Company generated an operating profit, it had to book several extraordinary charges that resulted in a net loss for that fiscal year. During the first half of 2010, the Company achieved a profit before tax of USD1,287,234 on USD27,861,125 of net revenue, a sign of its continued recovery. In the same period, the Company has also managed to reduce both its short-term and long-term borrowings by 4 % and 10 %, respectively. The ratio between current liabilities and current assets has remarkably improved from 5.67 in 2008 to 2.29 in the first half of 2010. The Company expects this ratio to be at about 1.77 by the end of 2010, and to reach a balance by end-2011.

In June 2010, the Company completed the divestiture of its stake in Crown Beverage Cans (Dong Nai) Limited for USD3.3 million, representing a 10% gain on cost of investment. The proceeds were used to reduce trade payables, which stood at USD4,354,643 as of 30 June 2010, a 43 % decrease from 31 December 2009 level.

Explanations and interpretation of the results of business operations

The results indicated below are in line with the expectations of the management and are attributable to the business plans carried out by the management. As competition and input costs rose, the management implemented rigorous cost controls to maintain its profitability. Concurrently, the management focused to improve both the short-term and long-term financial positions of the Company. The management actively managed the cash flow of the Company to ensure liquidity while balancing the need to meet its obligations to creditors. During the first half of 2010, some investment was made to improve the efficiency of the operations through information systems, and to raise profitability through increasing capacity for high-margin products.

Financial indicators of the business

	Unit	2010	2009
Assets structure and capital structure			
Assets structure			
Non current assets/ total assets	%	74.95	77.32
Current assets/ total assets	%	25.05	22.68
Capital structure			
Liabilities/ total resources	%	79.06	83.95
Owners' equity/ total resources	%	20.94	16.05
Liquidity			
Total assets/liabilities	times	1.26	1.19
Current ratio	times	0.44	0.36
Quick ratio	times	0.15	0.10
Profitability			
Profit (Loss)/ net sales			
Profit (Loss) before tax/ net sales	%	4.62	(2.19)
Net profit (loss) /net sales	%	3.86	(2.19)
Profit (Loss)/ total assets			
Profit (Loss) before tax/ total assets	%	3.61	(1.62)
Net profit (loss)/ total assets	%	3.01	(1.62)
Net profit (loss)// owners' equity	%	5.87	(3.53)

Auditors

The interim consolidated financial statements for the six months ended 30 June 2010 (“the period”) have been reviewed by Grant Thornton (Vietnam) Ltd.

Subsequent events

The details of significant events after the balance sheet date which impact on the financial position of the Group are as disclosed in Note 43 to the accompanying interim consolidated financial statements.

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:

Board of Management:		Appointed on/Resigned on
Pang Tee Chiang	Chairman	15 August 2006
Yau Hau Jan	Member	15 August 2006/ 11 January 2010
Nguyen Thi Kim Lien	Member	15 August 2006
Pang Tze Yi	Member	15 August 2006
Teng Po Wen	Member	15 August 2006
Board of Directors:		
Pang Tee Chiang	General Director	15 August 2006
Yau Hau Jan	Deputy General Director	15 August 2006/ 11 January 2010
Pang Tze Yi	Deputy General Director	11 January 2010
Nguyen Thi Kim Lien	Finance Director	15 August 2006

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 2010 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 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.

On behalf of the Board of Directors

Pang Tee Chiang
Chairman, General Director

Dong Nai province, Vietnam

Date _____

Independent review report

On the interim consolidated financial statements of
Interfood Shareholding Company and its subsidiaries
for the six months ended 30 June 2010

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No. HCM/10/133

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 subsidiaries (“the Group”) for the six months ended 30 June 2010 which are comprised of the interim consolidated balance sheet as 30 June 2010 and the related interim consolidated statement of income and statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes from page 5 to page 31.

The comparative information for the interim consolidated statement of income, interim consolidated statement of cash flow and related notes for the six months ended 30 June 2009 have neither been audited nor reviewed by us or another auditor. Our report only covers the interim consolidated financial statements for the six months ended 30 June 2010.

Management's Responsibilities

As disclosed in Note 2, the interim consolidated financial statements of the Company are prepared in accordance with the Vietnamese Accounting Standards and System (VAS).

Auditors' Responsibility

Our responsibility is to express to the Group 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 applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the 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 subsidiaries as at 30 June 2010, and of the results of its operations and its cash flows for the six months ended 30 June 2010, 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 2010		31 December 2009	
			USD	VND million	USD	VND million
ASSETS						
Current assets						
Cash and cash equivalents						
Cash	7	111	601,740	11,159	248,185	4,453
Accounts receivable						
Trade accounts receivable		131	648,910	12,033	582,773	10,456
Prepayments to suppliers		132	700,003	12,981	217,703	3,906
Other receivables		135	127,606	2,367	411,237	7,378
		130	1,476,519	27,381	1,211,713	21,740
Inventories						
Inventories	8	141	7,156,897	132,717	7,985,502	143,268
Provision for decline in inventory	8	149	(744,522)	(13,806)	(744,522)	(13,357)
	8	140	6,412,375	118,911	7,240,980	129,911
Other current assets						
Short term prepaid expenses		151	223,280	4,140	170,920	3,066
Value added tax to be reclaimed		152	105,999	1,966	1,631	29
Taxes and amounts receivable from State Budget	9	154	106,907	1,982	106,907	1,918
Other current assets		158	10,173	189	57,207	1,027
		150	446,359	8,277	336,665	6,040
		100	8,936,993	165,728	9,037,543	162,144
Non-current assets						
Long term receivables						
Other non - current receivables	10	211	884,738	16,406	884,738	15,873
Fixed assets						
Tangible fixed assets	11	221	21,922,152	406,525	22,740,266	407,983
<i>Historical cost</i>	11	222	34,064,049	631,684	33,841,646	607,153
<i>Accumulated depreciation</i>	11	223	(12,141,897)	(225,159)	(11,101,380)	(199,170)
Construction in progress	12	230	322,413	5,979	410,742	7,369
		220	22,244,565	412,504	23,151,008	415,352
Long term investments						
Investments in associates	13	252	-	-	2,969,614	53,278
Other non-current assets						
Long-term prepaid expenses	14	261	1,449,705	26,883	1,467,213	26,323
Deferred income tax assets	15	262	2,158,495	40,027	2,337,065	41,929
Other non-current assets		268	8,068	149	8,068	145
		260	3,616,268	67,059	3,812,346	68,397
		200	26,745,571	495,969	30,817,706	552,900
		270	35,682,564	661,697	39,855,249	715,044

The accompany notes are an integral part of these financial statements

	Notes	Code	30 June 2010		31 December 2009	
			USD	VND million	USD	VND million
RESOURCES						
Liabilities						
Current liabilities						
Short term borrowings and debts	16	311	13,532,557	250,948	14,126,867	253,450
Trade accounts payable	17	312	4,354,643	80,752	7,614,265	136,608
Advances from customers		313	857,311	15,898	367,608	6,595
Taxes and amounts payable to State Budget	18	314	442,418	8,204	1,496,565	26,850
Payable to employees		315	465,408	8,631	431,786	7,747
Accrued expenses payable	19	316	648,629	12,028	676,597	12,139
Other payables	20	319	137,306	2,546	59,424	1,066
		310	20,438,272	379,007	24,773,112	444,455
Long term liabilities						
Long term deposits		331	1,255	23	1,255	23
Long term borrowings and debts	21	334	7,601,694	140,966	8,487,130	152,268
Deferred tax liabilities	22	335	81,221	1,506	81,221	1,457
Provision for severance allowance		336	89,553	1,661	117,627	2,110
		330	7,773,723	144,156	8,687,233	155,858
			28,211,995	523,163	33,460,345	600,313
Owners' equity						
Capital sources and funds						
Share capital	23, 24	411	18,313,995	339,615	18,313,995	328,571
Share premium	23	412	4,082,759	75,710	4,082,759	73,249
Other reserve	23	419	(1,562,092)	(28,967)	(1,562,092)	(28,025)
Accumulated losses	23	420	(13,378,761)	(248,096)	(14,439,758)	(259,064)
		410	7,455,901	138,262	6,394,904	114,731
Minority interest						
Minority interest	25	439	14,667	272	-	-
		440	7,470,568	138,534	6,394,904	114,731
			35,682,563	661,697	39,855,249	715,044

Off balance sheet items

	30 June 2010	31 December 2009
Foreign currencies		
Vietnamese dong (million)	9,900	4,943
Euro	250	250

Date: _____

Pang Tee Chiang
General Director

Nguyen Hong Phong
Chief Accountant

Interim consolidated statement of income

	Notes	Code	Six months ended 30 June 2010		Six months ended 30 June 2009	
			USD	VND million	USD (Unaudited and unreviewed)	VND million (Unaudited and unreviewed)
Gross sales	26	01	29,328,563	543,869	31,163,245	528,311
Sales deductions	26	02	(1,467,438)	(27,212)	(1,606,439)	(27,234)
Net sales	26	10	27,861,125	516,657	29,556,806	501,077
Cost of sales	27	11	(21,821,250)	(404,654)	(22,682,240)	(384,532)
Gross profit		20	6,039,875	112,003	6,874,566	116,545
Income from financial activities	28	21	1,222,827	22,676	800,227	13,566
Expenses for financial activities	29	22	(1,791,713)	(33,225)	(4,699,838)	(79,676)
<i>Including: interest expense</i>		23	(856,705)	(15,887)	(1,889,179)	(32,027)
Selling expenses	30	24	(2,665,261)	(49,425)	(2,415,944)	(40,958)
General and administration expenses	31	25	(1,482,415)	(27,490)	(1,221,022)	(20,700)
Operating profit(loss)		30	1,323,313	24,539	(662,011)	(11,223)
Other income	32	31	253,486	4,701	15,021	255
Other expenses	33	32	(289,565)	(5,370)	(104)	(2)
Profit(loss) before income tax		50	1,287,234	23,870	(647,094)	(10,970)
Corporate income tax f- current	35	51	(33,000)	(612)	-	-
Deferred income tax	35	52	(178,570)	(3,311)	-	-
Profit (Loss) after tax			1,075,664	19,947	(647,094)	(10,970)
Minority interest	25	59	(14,667)	(272)	30,350	514
Net profit(loss) attributable to the Parent Company		60	1,060,997	19,675	(616,744)	(10,456)
Income/(Loss) per share (USD/ VND thousand)	38	70	0.036	0.675	(0.021)	(0.359)

Date: _____

Pang Tee Chiang
General Director

Nguyen Hong Phong
Chief Accountant

Interim consolidated statement of cash flows

	Code	Six months ended 30 June 2010		Six months ended 30 June 2009	
		USD	VND million	USD (Unaudited and unreviewed)	VND million (Unaudited and unreviewed)
Cash flows from operating activities					
Profit/ (Loss) before income tax	01	1,287,234	23,870	(647,094)	(10,970)
Adjustments for:					
Depreciation and amortisation	02	1,065,704	19,762	(980,468)	(16,621)
Gain on foreign currency translations	04	(113,665)	(2,108)	(192,637)	(3,266)
Loss from disposal of investments and fixed assets	05	(330,386)	(6,127)	2,030,141	34,417
Interest expense	06	856,705	15,887	1,889,179	32,027
Interest income	07	(6,173)	(113)	(133,186)	(2,258)
Operating profit/(loss) before adjustments to working capital	08	2,759,419	51,171	1,965,935	33,329
Change in accounts receivable	09	(322,140)	(5,973)	14,571,896	247,037
Change in inventories	10	828,605	15,366	(776,853)	(13,170)
Change in accounts payable	11	(434,656)	(8,060)	(15,961,149)	(270,589)
Change in prepaid expenses	12	(34,852)	(646)	(208,500)	(3,535)
Interest paid	13	(856,705)	(15,887)	(1,889,179)	(32,027)
Interest income	14	6,173	113	133,187	2,258
Cash generated from operating activities	20	1,945,844	36,084	(2,164,663)	(36,698)
Cash flows from investing activities					
Acquisition of fixed assets, investment and construction in progress	21	(112,544)	(2,087)	2,025,901	34,345
Proceeds from disposal of investments and fixed assets	22	-	-	(4,700,000)	(79,679)
Net cash outflows from investing activities	30	(112,544)	(2,087)	(2,674,099)	(45,334)

		Six months ended 30 June 2010		Six months ended 30 June 2009	
		USD	VND million	USD (Unaudited and unreviewed)	VND million (Unaudited and unreviewed)
Cash flows from financing activities					
Proceeds from loan	33	13,837,979	256,611	22,754,004	385,749
Repayments for debt	34	(15,317,724)	(284,051)	(17,890,256)	(303,294)
Net cash inflows/(outflows) from financing activities	40	(1,479,745)	(27,440)	4,863,748	82,455
Net increase/(decrease) in cash	50	353,555	6,557	24,986	424
Cash and cash equivalents at beginning of the period	60	248,185	4,602	232,265	3,938
Cash and cash equivalents at end of the period	70	601,740	11,159	257,251	4,362

Date: _____

Pang Tee Chiang
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 wholly owned subsidiary by Trade Ocean Holdings Sdn. Bhd., a company incorporated in Malaysia for a period of 40 years pursuant to Investment Licence No. 270/GP, dated 16 November 1991.

After the initial Investment License, there were a series of amendments as follows:

- Investment Licence No. 270 CPH/GP dated 9 August 2005 which allowed the Company to convert into a shareholding company with foreign owned capital under the name of Interfood Shareholding Company with a total investment capital and charter capital of USD30,000,000 and USD13,000,000, respectively. The Company’s total number of shares was 13,000,000 with par value of USD1 per share and held by four founding shareholders;
- Investment Licence No. 270 CPH/GPDC2 dated 15 June 2006 allowing the Company to change the par value of its shares from USD1 per share to VND10,000 per share and the Company’s charter capital was changed from USD13,000,000 to VND206,636,000 thousand. As a result, the total shares of the Company changed from 13,000,000 shares with par value of USD1 per share to 20,663,600 shares with par value of VND10,000 per share;
- Investment Licence No. 270 CPH/GCNDC3 dated 23 August 2006 allowed the Company to increase its charter capital to VND242,841,600 thousand. The total shares of the Company increased to 24,284,160 by registering and issuing 3,620,560 new shares.

On 17 October 2006, the Company listed the 3,620,560 new shares (stock code IFS) mentioned above on the Ho Chi Minh City Securities Trading Centre after receiving Listing Licence No. 61/UBCK-GPNY issued by the State Securities Commission on 29 September 2006. According to the Listing Licence, the founding shareholders were also allowed to sell 2,108,912 shares held by them to the public. The number of shares listed totalled 5,729,472.

Under the latest Investment Licence under Investment Certificate No. 472033000328 dated 28 November 2007 issued by the Board of Management of Dong Nai Industrial Zone, the total investment capital of the Company is VND1,444,500 million, equivalent to USD90 million. The charter capital of the Company is VND291,409,920 thousand. The total number of shares of the Company was increased to 29,140,992 with par value of VND10,000 per share. An additional 4,856,832 new shares were issued and registered, in which 1,145,887 shares were allowed to be listed bringing the total to 6,875,359 shares being listed.

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 bottle; to manufacture packaging for foods and beverages.

Particulars of the Group's principal subsidiaries are set out in Note 5 to the interim consolidated financial statements.

As at 30 June 2010, the Group had 1,400 employees (including 8 managers).

2 Reporting currency and foreign exchange

The Company's separate financial statements and those of the consolidated subsidiary are measured and presented using the United States Dollar (USD) 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, respectively. As such, the Group used the United States Dollar as its reporting currency in the preparation and presentation of its interim consolidated financial statements.

However according to the Official letter No.627/UBCK-QLPH dated 16 April 2008 of the State Securities Commission of Vietnam, the consolidated financial statements of the Group must be presented in Vietnam Dong. Following that, the Group converted the financial statements to Vietnam Dong using the exchange rate published by the State Bank of Vietnam of VND18,544/USD (2009: VND17,941/USD) that closely approximates the rate ruling at the balance sheet date. All resulting foreign currency translation differences are dealt with through equity.

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.

3.2 Basis of consolidation

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

Subsidiaries

Subsidiaries are those companies over which the Group has the power to govern the 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 date when control is lost.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equities instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of the minority interest. The excess of cost of acquisition over the fair value of the Group's share of identifiable assets acquired is recorded as goodwill. Goodwill is recognised in expenses (if it is of small value) and otherwise amortised in a uniform manner during its estimated useful life (if it is material). The useful life of goodwill is estimated as the time during which economic benefits are

recovered by the Group. Such useful life is not beyond 10 years from the date of recognition. Negative goodwill represents the excess of the Group's interest in the fair value of identifiable net assets and liabilities, and contingent liabilities over costs of acquisition. It is recognised directly in the statement of income at the date of acquisition.

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, irrespective of the extent 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 subsidiaries 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 realizable 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 material, tools and supplies is valued at purchase and related costs. Net realizable value comprises estimated sales proceeds less selling expenses. A provision for decline is recorded where cost exceeds net realizable 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 lives of the assets as follow:

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

The 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 206/2003/QĐ -BTC dated 12 December 2003.

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 new ERP software and the costs of building, machinery and equipment incurred under development. No depreciation is recognized until the project is complete and until the asset is available for its intended use at which time the related costs are transferred to tangible fixed assets.

4.6 Long-term prepaid expenses

Land rental

Prepaid land rental relates to an area of land leased at the Tam Phuoc Industrial Zone, Long Thanh District, 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 Investments in associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% to 50% of voting rights, but which are neither subsidiaries nor investments in joint ventures. In the consolidated financial statements, investments in associates are initially recorded at cost and subsequently accounted for using the equity method.

The equity method is a method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. The income statement reflects the investor's share of the results of operations of the investee.

4.8 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.

4.9 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 recognized 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.

4.10 Provision for severance allowance

In accordance with Vietnamese labour laws, employees of the Group are entitled to a severance allowance based on their years of service. This will be paid as a lump sum when the employee leaves the Group. A provision for severance allowance is made for the estimated liability for employment termination as a result of services rendered by employees up to the balance sheet date. The provision is calculated on the basis of a half-month salary for each employee for each year of service with the Group, based on salary levels at the balance sheet date.

Following a change in current regulation of severance allowance starting 1 January 2009, the Group is no longer liable to accrue and pay for severance allowance for periods after 31 December 2008, which will be replaced by the Government's unemployment insurance scheme.

4.11 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.

4.12 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 period, 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.

4.13 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.

4.14 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 cost associated with the issuing of shares are deducted from premium, net of any related income tax benefits.

4.15 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.

4.16 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 Subsidiaries and associates

Subsidiaries and associates of the Company at the balance sheet date were as follows:

	Amount		% equity held	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	USD	USD	%	%
Subsidiaries:				
AvaFood Shareholding Company (1)	4,500,000	4,500,000	90	90
Northern Interfood Shareholding Company (2)	-	-	100%	100%
Total	4,500,000	4,500,000		
Associate:				
Crown Beverage Cans (Dong Nai) Limited (formerly known as Interfood Packaging Limited) (3)	-	3,000,000	-	20%

1. AvaFood Shareholding Company

On 30 June 2007, the Company acquired 90% of the paid-up share capital of AvaFood Shareholding Company ("Avafood") based on the par value of the shares from Wonderfarm Biscuits & Confectionery Sdn. Bhd.

AvaFood Shareholding Company (formerly AvaFood Industries Ltd.) was established in SR Vietnam 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. The Company was wholly owned by Wonderfarm Biscuits & Confectionery Sdn. Bhd., a company incorporated in Malaysia.

The amended Investment Licence No. 48/GPĐC2-ĐN-KCN dated 17 September 2004 allowed Avafood to increase its investment capital to USD11,000,000.

Pursuant to Investment Certificate No. 472033000355 dated 31 December 2007 issued by the Board of Management of Dong Nai Industrial Zone, the Subsidiary was allowed to convert into a shareholding company under the name of AvaFood Shareholding Company with the total investment capital of VND259,200 million, equivalent to USD16,000,000. The charter capital of the subsidiary is VND81,000 million, equivalent to USD5,000,000. Avafood's total number of shares were 8,100,000 with 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 from agricultural and aquatic products as well as livestock; to lease workshop.

2. Northern Interfood Shareholding Company

Pursuant to Investment Certificate No. 212032000111 dated 14 Feb 2008 issued by the Board of Management of Bac Ninh Industrial Zone, the subsidiary was established as a shareholding company under the name of Northern Interfood Shareholding Company ("NIFS") with a total investment capital of VND583,200 million, equivalent to USD36,000,000. The charter capital of the NIFS is VND178,200 million, equivalent to USD11,000,000. As at 30 June 2010, the Company has not yet commenced operations. There has been no capital contribution up to the date of this report.

According to Article No.4 of the Northern Interfood Shareholding Company's Investment Certificate, if no construction is executed within 12 months from the date of land transfer, the investment certificate shall be revoked. As at the date of issuance of this interim consolidated financial statements, NIFS has neither begun construction of the factory nor received any notice from authorities to revoke the investment certificate.

The principal activities of the NIFS are to produce carbonated fruit juice and noncarbonated fruit juice, food from agricultural product, forest product and seafood and product packing of soft drink.

3. Crown Beverage Cans (Dong Nai) Limited

On 6 January 2009, the Company entered into an agreement to sell 70% of its ownership of Interfood Packaging Limited to Crown Packaging Investment Pte. Ltd, a Singaporean company. Under the agreement, the transfer has taken effect on 31 January 2009 when all of the terms of the agreement were expected to be met. For purposes of control, management believes that the Company lost control around 31 January 2009 but for consolidation purposes management decided not to include the results of operations of the said former subsidiary from 1 January 2009 due to the immateriality of amounts involved.

Subsequently, on 19 June 2009, Interfood Packaging Limited received its amended Investment Certificate No. 472023000464 which approved the change of its name to Crown Beverage Cans (Dong Nai) Limited (“Crown Dong Nai”). The Company disposed of its remaining equity interest of 20% in Crown Dong Nai in May 2010 (Note 13).

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 USD 11,501,279 as at 30 June 2010 (31 December 2009: USD 15,735,569).

The Group’s continued existence as a going concern is dependent on its ability to keep and maintain its credit lines with the creditor banks, its ability to meet its revenue growth targets, the continued financial support of its parent company and ultimately on its ability to operate profitably. The Group has successfully arranged credit facilities with certain banks that would allow the Group to access short term financing for working capital requirements for the next twelve months. In addition, the 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 management believes that the going concern assumption underlying the preparation of the interim financial statements is appropriate.

7 Cash

	30 June 2010		31 December 2009	
	USD	VND million	USD	VND million
Cash on hand	34,142	633	57,284	1,028
Cash in banks	567,598	10,526	190,901	3,425
	601,740	11,159	248,185	4,453

8 Inventories

	30 June 2010		31 December 2009	
	USD	VND million	USD	VND million
Raw materials	2,761,416	51,208	3,018,689	54,158
Tools and supplies	154,467	2,864	178,475	3,202
Work in process	1,653,349	30,660	1,198,945	21,510
Finished goods	2,587,665	47,985	3,589,393	64,398
	7,156,897	132,717	7,985,502	143,268
Provision for decline in inventory	(744,522)	(13,806)	(744,522)	(13,357)
	6,412,375	118,911	7,240,980	129,911

An average value of inventories of USD4 million was pledged for short term loan from Viet A bank (Note 16).

9 Taxes and amounts receivable from the state budget

The amount of USD106,907 represents over-payment of the corporate income tax made for the year 2007. The amounts will be netted-off with tax liabilities or tax filings in succeeding years.

10 Other non – current receivables

This amount represents prepayments to a supplier, Kota Lavenda Sdn. Bhd. for the purchase of materials in 2008 and will be paid back by the supplier in 2011.

11 Tangible fixed assets

	Building	Plant and machinery	Motor vehicles	Office equipment	Total
	USD	USD	USD	USD	USD
Historical cost					
1 January 2010	4,753,365	28,190,787	519,570	377,924	33,841,646
Acquisition	-	49,156	37,567	-	86,723
Transferred from CIP (Note 12)	-	160,866	-	-	160,866
Disposals	-	(25,186)	-	-	(25,186)
30 June 2010	4,753,365	28,375,623	557,137	377,924	34,064,049
30 June 2010 (VND million)	88,146	526,198	10,332	7,008	631,684
<i>Fully depreciated</i>	-	265,675	-	1,000	266,675
<i>Fixed assets not in use (*)</i>	-	6,941,868	-	7,696	6,949,564
Accumulated depreciation					
1 January 2010	(464,464)	(10,109,997)	(379,948)	(146,971)	(11,101,380)
Charge for the period	(78,980)	(946,919)	(27,903)	(11,901)	(1,065,703)
Disposals	-	25,186	-	-	25,186
30 June 2010	(543,444)	(11,031,730)	(407,851)	(158,872)	(12,141,897)
30 June 2010 (VND million)	(10,078)	(204,572)	(7,563)	(2,946)	(225,159)
<i>Fixed assets not in use</i>	-	(3,299,406)	-	(5,704)	(3,305,110)
Net book value					
1 January 2010	4,288,901	18,080,790	139,622	230,953	22,740,266
30 June 2010	4,209,921	17,343,893	149,286	219,052	21,922,152
30 June 2010 (VND million)	78,068	321,626	2,769	4,062	406,525
<i>Fixed assets not in use</i>	-	3,642,462	-	1,992	3,644,454

As at 30 June 2010, certain fixed assets with an aggregate carrying value of USD15,750,451 (2008: USD16,878,540) have been pledged with Vietcombank as security for short-term and long term borrowings (Note 16 and Note 21).

(*) These assets had been moved from the old factory located in the centre of Bien Hoa City to a new one located in Tam Phuoc Industrial Park, Long Thanh district. The Company has insufficient demand to warrant bringing these assets into use at the present time.

12 Construction in progress (“CIP”)

	30 June 2010	31 December 2009
	USD	USD
Opening balance	410,742	29,386,877
Additions during the period/ year	72,537	223,968
Elimination (*)	-	(29,200,103)
Transferred to tangible fixed assets (Note 11)	(160,866)	-
Closing balance	322,413	410,742
Closing balance (VND million)	5,979	7,369

(*) Elimination of construction in progress belonging to a former subsidiary.

13 Investments in associates

	30 June 2010		31 December 2009	
	USD	VND million	USD	VND million
Investment in associates	-	-	2,969,614	53,278

In May 2010, the Company disposed entirely its remaining equity interest of 20% in Crown Beverage Cans (Dong Nai) Limited (“ Crown Dong Nai”) with proceeds of USD3,300,000. This transaction was approved by the shareholders under resolution No.EGM100531 date 31 May 2010. Gain from this transaction was recognised in income from financial activities (Note 28).

14 Long-term prepaid expenses

	30 June 2010		31 December 2009	
	USD	VND million	USD	VND million
Opening balance	1,467,213		2,050,870	
Elimination (*)	-		(548,641)	
Amortisation	(17,508)		(35,016)	
Closing balance	1,449,705		1,467,213	
Closing balance (VND million)		26,883		26,323

(*) Elimination of long term prepaid expenses belonging to a former subsidiary.

15 Deferred tax assets

	30 June 2010	
	USD	VND million
Opening balance	2,337,065	
Utilised for the period (Note 35)	(178,570)	
Closing balance	2,158,495	
Closing balance (VND million)		40,027

This pertains to the deferred income tax recognized in 2008 relative to the Company’s net loss reported for that year.

16 Short term borrowings and debts

	30 June 2010		31 December 2009	
	USD	VND million	USD	VND million
Loans from Vietcombank, Dong Nai branch (1)	10,449,763	193,780	10,640,032	190,893
Loans from Chinatrust Commercial Bank (2)	-	-	448,335	8,044
Loans from Viet A bank (3)	1,260,440	23,374	-	-
Loans from supplier (4)	-	-	1,000,000	17,940
Current portion of long term debts (Note 21)	1,822,354	33,794	2,038,500	36,573
	13,532,557	250,948	14,126,867	253,450

(1) Loans from Vietcombank, Dong Nai branch

	30 June 2010		31 December 2009	
	USD	VND million	USD	VND million
Denominated in USD	1,007,320	18,680	1,575,772	28,271
Denominated in VND	9,442,443	175,100	9,064,260	162,622
	10,449,763	193,780	10,640,032	190,893

The Company has a loan from short term credit facility with a limit of 162 billion VND (equivalent to USD8,735,979) as at 30 June 2010.

Avafood also has two short term credit facilities from Vietcombank, Dong Nai branch a revolving loan credit facility of USD2,000,000 and a short term loan of USD3,000,000. Avafood defaulted on the payments of this loan as at 31 December 2008.

However, on 14 July 2009, Avafood was able to obtain the “Restructure of Outstanding loan and Interest” letter from Vietcombank, Dong Nai branch which extended the Company’s existing USD2,000,000 short-term loan agreement to 31 December 2009. The bank will continue to finance the short-term loan for a period of at least 12 months from its expiry date of 31 December 2009. The Company has to make payment of USD310,000 by 30 September 2009 and payment of monthly interest. The Company had made the required payments on 29 September 2009.

On 8 September 2009, the bank agreed to restructure the outstanding loan and interest owing by Aavafood, which allowed the non-revolving short term loan plus the outstanding interest to be converted to mid-term loan and total outstanding long-term to be repaid in 42 monthly instalments with the first instalment amounting to USD150,000 being paid on October 2009.

The applicable interest rate on the loans in this period was 6% for dollar denominated loans while it was 12% to 13.2% for VND denominated loans. The loans are secured by the aggregated values of the buildings and certain machinery amounting to USD18,431,948. As at 30 June 2010, the carrying value of these pledged assets amounts to USD11,661,136 (Note 11).

(2) Loans from Chinatrust Commercial Bank

	30 June 2010		31 December 2009	
	USD	VND million	USD	VND million
Denominated in VND	-	-	448,336	8,044

The loan from Chinatrust Commercial Bank, Ho Chi Minh City Branch under Contract No. HCMC204/2007 dated 7 January 2008 was made to finance the Company’s working capital requirements. The loans are subject to interest based on the aggregate of SIBOR plus a margin of 1.2% per annum. In this period, this loan carried interest at 12% per annum. These loans are unsecured.

According to the agreement dated 8 December 2009, the Company will pay back the balance in 7 monthly instalments starting on 15 December 2009. The Company fully settled this amount in May 2010.

(3) Loans from Viet A bank

	30 June 2010	
	USD	VND million
Denominated in USD	1,260,440	23,374

The Company has short-term credit facilities of USD3,000,000 from Viet A Bank- Ho Chi Minh City. Interest rate was carried at 6.6% per annum for dollar dominated loan. The loan is secured by the Company's inventory which would be maintained at minimum of USD4.4 million as at the end of month (Note 8).

(4) Loan from supplier

This loan represents the remaining USD1 million was given by Summitmark Worldwide Limited to the Company under a loan agreement dated 9 June 2009 and its annex dated 2 Nov 2009 in relation to the purchase of certain machinery. The loan was supposed to be paid within ten months from 5 August 2009 and carried interest at the rate of 7% per annum. The Company fully settled this amount in June 2010.

17 Trade accounts payable

	30 June 2010		31 December 2009	
	USD	VND million	USD	VND million
Payable to suppliers	3,037,957	56,335	5,134,339	92,116
Payable to related parties (Note 36)	1,316,686	24,417	2,479,926	44,492
	4,354,643	80,752	7,614,265	136,608

18 Taxes and amounts payable to State Budget

	30 June 2010		31 December 2009	
	USD	VND million	USD	VND million
Value added tax	97,010	1,799	1,157,623	20,769
Corporate income tax	118,093	2,190	118,093	2,119
Personal income tax	135,396	2,511	117,744	2,112
Import, export tax	-	-	17,933	322
Other taxes	91,919	1,704	85,172	1,528
	442,418	8,204	1,496,565	26,850

19 Accrued expenses payable

	30 June 2010		31 December 2009	
	USD	VND million	USD	VND million
Transportation fees	214,998	3,987	280,936	5,040
Trade discounts	290,951	5,395	250,265	4,490
Others	142,680	2,646	145,396	2,609
	648,629	12,028	676,597	12,139

20 Other payables

	30 June 2010		31 December 2009	
	USD	VND million	USD	VND million
Dividend payable (Note 23)	24,265	450	24,265	435
Trade union, social and health insurance	25,033	464	13,551	243
Board of Management fees	18,063	335	8,033	144
Other payables	69,945	1,297	13,575	244
	137,306	2,546	59,424	1,066

21 Long term borrowings and debts

	30 June 2010		31 December 2009	
	USD	VND million	USD	VND million
Loan from Vietcombank, Dong Nai branch (1)	4,430,435	82,158	5,405,729	96,984
Loan from Chairman (2) (Note 36)	3,430,928	63,623	3,557,216	63,820
Loan from Wonderfarm Biscuits & Confectionery Sdn. Bhd. (3) (Note 36)	1,562,685	28,979	1,562,685	28,037
Less: amount due within one period (Note 16)	(1,822,354)	(33,794)	(2,038,500)	(36,573)
	7,601,694	140,966	8,487,130	152,268

(1) Loans from Vietcombank, Dong Nai branch:

The detail of outstanding loan from Vietcombank, Dong Nai branch of Avafood is as below:

	30 June 2010	
	USD	VND million
Contract No.2007176/NHNT dated 30 August 2007 (a)	1,316,501	24,413
Contract No 200846/NHNT dated 21 February 2008 (b)	846,929	15,705
Contract No 2007225/NHNT dated 31 December 2007 (c)	1,590,560	29,495
Overdue interest	676,445	12,545
	4,430,435	82,158

(a) This pertains to a five-year term loan with an original amount of USD1,500,000 under loan contract No.2007176/NHNT dated 30 August 2007. The loan carries interest at the rate of 10% per annum. This loan is secured by a building valued at USD2,244,014 under agreement No. 139/HDBD/NHNT dated 30 August 2007. As at 30 June 2010, the carrying value of the pledged asset is USD2,062,753 (Note 11).

(b) This represents a loan under contract No 200846/NHNT dated 21 February 2008. The loan bears interest at 10% per annum for this period. This loan is secured by a factory building valued at USD2,388,379 under the agreement No.28/HDBD/NHNT dated 21 Feb 2008. As at 30 June 2010, the carrying value of this pledged asset amounts to USD2,026,562 (Note 11)

(c) This is the remaining balance of the loan taken out under Contract No. 2007225/NHNT dated 31 December 2007 after an amount of USD2,970,000 was transferred from short-term loan to long-term loan. The loan bears interest at the rate of 7.2% per annum.

(2) Loan from Chairman

This is a five-year term loan under a loan agreement dated 30 July 2009. The loan bears interest at SIBOR three months less 1%. There's no interest expenses accrued during the period as the applicable interest rate was below zero.

(3) Loan from Wonderfarm Biscuits & Confectionery Sdn. Bhd

According to a Resolution of the BOM dated 25 December 2008, the balance of payables to Wonderfarm Biscuits & Confectionary Sdn. Bhd. of Avafood will be converted to a five year term shareholder loan. This loan bears interest at SIBOR 3 months less 1% per annum. There's no interest expenses accrued during the period as the applicable interest rate was below zero. This loan is unsecured.

22 Deferred tax liabilities

	30 June 2010		31 December 2009	
	USD	VND million	USD	VND million
Deferred tax liabilities	81,221	1,506	81,221	1,457

This pertains to temporary differences between accounting base and tax base in relation to the carrying value of fixed assets of Avafood Shareholding Company as at 31 December 2009.

23 Owner's equity

	Share capital	Share premium	Other Reserve**	Foreign exchange differences	Accumulated losses	Total
	USD	USD	USD	USD	USD	USD
1 January 2009	18,313,995	4,082,759	(1,562,092)	621,644	(12,997,905)	8,458,401
Prior period's net loss (Unreviewed)	-	-	-	-	(616,744)	(616,744)
Elimination (*)	-	-	-	(621,644)	-	(621,644)
30 June 2009	18,313,995	4,082,759	(1,562,092)	-	(13,614,649)	7,220,013
30 June 2009 (VND million)	310,477	69,215	(26,482)	-	(230,809)	122,401
1 January 2010	18,313,995	4,082,759	(1,562,092)	-	(14,439,758)	6,394,904
Current year's net profit	-	-	-	-	1,060,997	1,060,997
30 June 2010	18,313,995	4,082,759	(1,562,092)	-	(13,378,761)	7,455,901
30 June 2010 (VND million)	339,615	75,710	(28,967)	-	(248,096)	138,262

No dividend was declared in this period. As at 30 June 2010, the 2007 dividend payable amounting to USD24,265 was not paid and included in the other payables (Note 20).

(*) Elimination of net loss belonging to a former subsidiary.

(**) 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)

24 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 2010		USD equivalent
	Number of shares	VND'000	
Authorized	29,140,992	291,409,920	18,314,000
Issued and fully paid	29,140,984	291,409,840	18,313,995

Details of shareholders as at 30 June 2010 are as follows:

	Number of shares			Par value VND'000	Equivalent capital amount	
	Listed shares	Unlisted shares	Total		VND'000	%
Trace Ocean Holding SDN BHD	-	16,684,646	16,684,646	10	166,846,460	57.25%
Pang Tee Chiang	1,200,189	5,499,840	6,700,029	10	67,000,290	22.99%
Ng. Eng Haut	800,403	-	800,403	10	8,004,030	2.75%
Yau Hau Jan	-	81,139	81,139	10	811,390	0.28%
Nguyen Thi Kim Lien	12,000	-	12,000	10	120,000	0.04%
Public shareholders	4,862,767	-	4,862,767	10	48,627,670	16.69%
	6,875,359	22,265,625	29,140,984		291,409,840	100%

25 Minority interest

	30 June 2010	31 December 2009
	USD	USD
1 January 2009/ 2010	-	1,073,887
Minority interest in Interfood Packaging Limited	-	(970,016)
Minority interest in net profit /(loss) of AvaFood	14,667	(103,871)
30 June 2010/ 31 December 2009	14,667	-
30 June 2010/ 31 December 2009 (VND million)	272	-

26 Net sales

	Six months ended 30 June 2010		Six months ended 30 June 2009	
	USD	VND million	USD (Unreviewed)	VND million (Unreviewed)
Revenue				
Domestic sales	28,212,853	523,179	29,980,962	508,267
Export sales	1,115,710	20,690	1,182,283	20,044
	29,328,563	543,869	31,163,245	528,311
Sales deduction:				
Sales allowance	(1,447,526)	(26,843)	(1,592,424)	(26,996)
Sales return	(19,912)	(369)	(14,015)	(238)
	(1,467,438)	(27,212)	(1,606,439)	(27,234)
Net sales	27,861,125	516,657	29,556,806	501,077

27 Cost of goods sold

	Six months ended 30 June 2010		Six months ended 30 June 2009	
	USD	VND million	USD (Unreviewed)	VND million (Unreviewed)
Cost of goods sold for domestic sales	20,946,634	388,434	21,819,583	369,907
Cost of goods sold for export sales	874,616	16,220	862,657	14,625
	21,821,250	404,654	22,682,240	384,532

28 Income from financial activities

	Six months ended 30 June 2010		Six months ended 30 June 2009	
	USD	VND million	USD (Unreviewed)	VND million (Unreviewed)
Gain from disposal of equity interest in Crown Dong Nai (Note 13)	330,386	6,127	-	256
Interest income from bank deposits	6,173	113	15,112	-
Realised gains from foreign exchange	772,603	14,328	592,478	13,310
Unrealised gains from foreign exchange	113,665	2,108	192,637	-
	1,222,827	22,676	800,227	13,566

29 Expenses for financial activities

	Six months ended 30 June 2010		Six months ended 30 June 2009	
	USD	VND million	USD (Unreviewed)	VND million (Unreviewed)
Loss from disposal of equity interest in Crown Dong Nai	-	-	2,030,141	34,417
Interest expense	856,705	15,887	1,889,179	32,027
Realised foreign exchange losses	935,008	17,339	780,518	13,232
	1,791,713	33,226	4,699,838	79,676

30 Selling expenses

	Six months ended 30 June 2010		Six months ended 30 June 2009	
	USD	VND million	USD (Unreviewed)	VND million (Unreviewed)
Transportation expense	1,409,371	26,135	1,733,170	29,382
Salary	504,601	9,357	368,910	6,254
Commission for salesmen	397,862	7,378	13,758	233
Depreciation	78,321	1,452	96,627	1,638
Office rental fee	32,761	608	60,168	1,020
Other expenses	242,345	4,495	143,311	2,431
	2,665,261	49,425	2,415,944	40,958

31 General and administration expenses

	Six months ended 30 June 2010		Six months ended 30 June 2009	
	USD	VND million	USD (Unreviewed)	VND million (Unreviewed)
Salary	720,636	13,363	637,190	10,802
Depreciation expenses	42,103	781	39,625	672
Office expenses	101,739	1,887	113,784	1,929
Bank charges	16,280	302	1,606	27
Outside services expenses	165,713	3,073	100,139	1,698
Consultant fee	91,405	1,695	120,970	2,051
Others	344,539	6,389	207,708	3,521
	1,482,415	27,490	1,221,022	20,700

32 Other income

Including in Other income of USD239,619 is compensation from Crown Beverage Cans (Dong Nai) Limited for the damaged raw material purchased during the period.

33 Other expenses

Including in Other expenses is depreciation charged of idle assets for this period amounting to USD241,719.

34 Cost by element

	Six months ended 30 June 2010		Six months ended 30 June 2009	
	USD	VND million	USD (Unreviewed)	VND million (Unreviewed)
Raw materials	17,341,341	321,578	19,551,187	331,451
Labour cost	2,189,093	40,595	1,906,276	32,317
Depreciation and amortisation	1,065,704	19,763	997,976	16,919
Outside service costs	3,140,634	58,240	2,973,818	50,415
Other costs	2,134,310	39,578	1,524,759	25,849
	25,871,082	479,754	26,954,016	456,951

35 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/NĐ-CP dated 14 February 2007 (which replaced Decree No. 164/2003/NĐ-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, Long Thanh District. As a result, profit derived from this line is exempt from Corporate income tax for 2 years and a reduction of 50% for the following 6 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 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 the Investment Certificate No. 472033000355 dated 31 December 2007, Avafood is liable to corporate income tax at 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 (2009: 25%; 2008: 28%).

The Group:

No provision for corporate income tax has been made for the year ended 31 December 2009 because the Group incurred a loss for this year. 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 2010 USD	Six months ended 30 June 2009 USD (Unreviewed)
Accounting profit (loss) before tax	1,287,234	(647,094)
Permanent difference		
- Expenses without appropriate supporting document	24,890	1,540
- Income from disposal investment in associate	(330,000)	-
- Depreciation of idle assets	241,719	80,119
Temporary difference		
- Accrued expenses	648,629	2,720,226
- Unrealised gain from foreign exchange difference	(113,665)	(192,637)
- Accrued expenses recognized from prior years	(607,675)	(2,981,220)
Group's taxable profit	1,151,132	(1,019,066)
Utilization of tax loss carried forward of Avafood Shareholding Company	(162,884)	-
Net taxable profit of Group	988,248	(1,019,066)
Income tax expenses at tax rate of 25%	247,062	-
Tax incentive on income from incremental investment	(64,085)	-
Tax effect because of adjustments for business combination	(4,407)	-
Income tax expense from normal operating activities	178,570	-
Deferred income tax expenses (Note 15)	(178,570)	-
Corporate income tax expenses from disposal investment in associate at rate of 1%	(33,000)	-
Total corporate income tax expenses for this period	(211,570)	-
Total corporate income tax expenses (VND million)	(3,923)	-

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 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	1,243,385	22,308
2007	Not yet performed	286,568	5,141
2008	Not yet performed	15,721,724	266,910
2009	Not yet performed	613,244	11,003
		17,864,921	305,362

36 Related party transaction and balances

During the period, the following transactions with related parties were recorded:

Related parties	Relation	Transaction	USD
Crown Beverage Cans (Dong Nai) Limited.	Former Associate	Purchases of materials	8,959,899
Chuan Li Can Manufacturing (Vietnam) Limited Company	Affiliate	Purchases of materials	359,447

At 30 June 2010, the following balances were outstanding with related parties:

Related party	Relation	Transaction	Trade payable		Loan	
			USD	VND million	USD	VND million
Wonderfarm Biscuits & Confectionery Sdn. Bhd. (Note 21)	Minority interest	Loan	-	-	1,562,685	28,978
Crown Beverage Cans (Dong Nai) Limited (Note 17)	Associate	Purchases of materials	1,167,500	18,415	-	-
Chuan Li Can Manufacturing (Vietnam) Limited Company (Note 17)	Affiliate	Purchases of materials	149,186	2,767	-	-
Mr. Pang Tee Chiang (Note 21)	Chairman	Loan	-	-	3,430,928	63,623
			1,316,686	21,182	4,993,613	92,601

37 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 2010 are as follows:

	Domestic USD	Export USD	Total USD
Sales revenue - net	26,745,415	1,115,710	27,861,125
Cost of sales	(20,946,634)	(874,616)	(21,821,250)
Gross profit	5,798,781	241,094	6,039,875
Gross profit (VND million)	107,533	4,471	112,003

The segment results for the six months ended 30 June 2009 are as follows:

	Domestic USD	Export USD	Total USD
Sales revenue - net	28,374,523	1,182,283	29,556,806
Cost of sales	(21,819,583)	(862,657)	(22,682,240)
Gross profit	6,554,940	319,626	6,874,566
Gross profit (VND million)	111,126	5,419	116,545

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 2010 are as follows:

	Drinks USD	Biscuits USD	Other USD	Total USD
Sales revenue - net	25,399,382	556,970	1,904,773	27,861,125
Cost of sales	(19,890,910)	(436,740)	(1,493,600)	(21,821,250)
Gross profit	5,508,472	120,230	411,173	6,039,875
Gross profit (VND million)	102,149	2,229	7,625	112,003

The segment results for the six months ended 30 June 2009 are as follows:

	Drinks	Biscuits	Other	Total
	USD	USD	USD	USD
Sales revenue - net	28,736,438	591,731	228,637	29,556,806
Cost of sales	(22,051,114)	(455,231)	(175,895)	(22,682,240)
Gross profit	6,685,324	136,500	52,742	6,874,566
Gross profit (VND million)	113,337	2,314	894	116,545

38 Earning /(loss) per share

Basic earning (loss) per share is shown below:

	Six months ended 30 June 2010		Six months ended 30 June 2009	
	USD	VND thousand	USD (Unaudited and unreviewed)	VND thousand (Unaudited and unreviewed)
Net profit /(loss) attributable to shareholders of the Group	1,060,997	19,675,128	(616,744)	(10,455,653)
Weighted average number of ordinary shares on issue	29,140,984	29,140,984	29,140,984	29,140,984
Basic earning /(loss) per share	0.036	0.675	(0.021)	(0.359)

39 Non cash transactions

Non-cash transaction occurring during the year which has impacted on the statement of cash flows include:

	June 2010 USD
Netting-off proceeds from disposal investment to associate with amount payables to suppliers	3,300,000

40 Board of Directors and Management's remuneration

During the period, the members of Board of Directors and Management received remuneration as follows:

	USD	VND million
Salary	141,616	2,626
Board of Management fees	4,853	90
	146,469	2,716

41 Commitments

As at 30 June 2010, the Group was committed under non cancellable operating lease agreements in the following amounts:

	30 June 2010 USD	VND million
Within the next year	184,574	3,423
Within two to five years	273,483	5,071
Over five years	3,168	59
	461,225	8,553

42 Comparative figures

The comparative figures for the interim consolidated statements of income, cash flows and relevant notes for the six months ended 30 June 2009 were not audited or reviewed by an independent auditor.

43 Subsequent events

- **Disposal of Bien Hoa building**

In July 2010, the Company disposed the factory building in Bien Hoa City for VND1.4 billion and has submitted a proposal to the relevant authorities on the liquidation of the land lease. The Company is awaiting the response from the relevant authorities on this.

- **Suspension of trading the Company's shares**

On 16 August 2010, pursuant to point 1.3, article 20 of the HOSE rules, HoSE announced a temporary suspension on the trading of the Company's shares (ticker: IFS) starting from 17 August 2010 because the Company has posted two consecutive year of losses based on the audited financial Statement for year ended 31 December 2008 and 31 December 2009.

A large portion of the losses in year 2008 was directly attributable to an investment loss while there were a few one-time-off charges in year 2009.

The Company is currently in communication with HOSE to explain the abnormality of the losses for the above two years. The Company will also submit the consolidated interim financial statements as at and for the six months ended 30 June 2010 to HOSE which shows operating profit and net profit, reflecting the norm.

- **Legal case between IFS and ANZ**

The Company has initiated a civil economic lawsuit against ANZ pertaining to a Corporate Bond Underwriting Contract (“**Contract**”) signed on December 18, 2007 between the Company and ANZ. The Company is claiming ANZ compensation amounting to VND 287,385,748,379 for damages that the Company has suffered as a result of ANZ alleged lack of necessary licenses to carry out its obligations under the Contract which would have rendered the Contract invalid.

The First Trial verdict has pronounced the Contract valid and refused all the Company's claims. The Appeal Application submitted by the Company has been accepted by the Appeal Court. Accordingly, the Appeal Trial was held on 5 October 2010 by the Supreme Court of Appeal. After one day of hearing, the judge rendered the verdict and announced that the Company's claim of appeal was denied and the Appeal Court approved the First Instance Judgment held by Hanoi People Court.

- **Updates on new Loan Agreement with banks**

Vietcombank Dong Nai has granted a short term loan facility of VND 38 billion to the Company, which the Company drew down in October 2010, in exchange for a corresponding decrease in credit line offered to AVA Shareholding Company, a subsidiary of the Company. This restructure is because from July 2010 onwards AVA will no longer be holding raw materials and packing materials in its inventory, a function to be fully assumed by the Company.

VietA Bank has agreed to refinance a production line purchased in 2007 by the Company through a medium-term loan of USD2 million (tenure: 3 years with 1 year of grace period). VietA Bank is pending review of audited first half 2010 financial reports before allowing the Company to draw down.

44 Approval for issuance of the financial statements

The interim consolidated financial statements for the six months ended 30 June 2010 were approved by the Board of Directors on _____

Pang Tee Chiang
General Director

Nguyen Hong Phong
Chief Accountant