# Southern Seed Corporation

Interim consolidated financial statements

30 June 2012

Southern Seed Corporation

**CONTENTS**

GENERAL INFORMATION

## THE COMPANY

Southern Seed Corporation ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate ("BRC") No. 4103001067 issued by the Department of Planning and Investment of Ho Chi Minh City on 24 June 2002 and the following amended BRC:

| | |
|---|---|
| First amendment | 16 July 2003 |
| Second amendment | 17 August 2007 |
| Third amendment | 21 May 2008 |
| Fourth amendment (0302634683) | 7 June 2011 |
| Fifth amendment (0302634683) | 6 September 2011 |

The Company's principal activities are to research, produce, trade, export and import various kinds of seeds; to produce, trade, import and export agricultural products and materials; to produce, process, bottle and package the plant protection drugs; and to design, fabricate, install, import and export processing machinery and equipment of seed and agricultural products.

The Company's head office is registered at 282 Le Van Sy Street, Ward 1, Tan Binh District, Ho Chi Minh City, Vietnam. In addition, the Company has stations, farms and branches including Cu Chi Seed Station, Co Do Seed Farm, Cai Lay Seed Station, Lam Ha Seed Farm, Southern Seed Research Center and Branches in Hanoi, Tay Nguyen and Mien Trung, and Cambodia Representative Office.

## BOARD OF DIRECTORS

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

| | |
|---|---|
| Mr. Hang Phi Quang | Chairman |
| Mr. Nguyen Thanh Tung | Vice chairman |
| Mr. Nguyen Tien Hiep | Member |
| Mr. Quoc Ho Dinh Tuan | Member |
| Mr. Nguyen Quoc Vong | Member |

## BOARD OF SUPERVISION

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

| | |
|---|---|
| Mr. Nguyen Hoang Cong | Head of the Board of Supervision |
| Mr. Nguyen Duc Minh | Member |
| Mr. Le Quang Hong | Member |

## MANAGEMENT

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

| | |
|---|---|
| Mr. Hang Phi Quang | General Director |
| Mr. Nguyen Hoang Tuan | Deputy General Director |
| Mr. Duong Thanh Tai | Deputy General Director |

## LEGAL REPRESENTATIVE

The legal representative of the Company during the period and at the date of this report is Mr. Hang Phi Quang.

## AUDITOR

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

REPORT OF MANAGEMENT

Management of Southern Seed Corporation ("the Company") is pleased to present its report and the interim consolidated financial statements of the Company and its subsidiaries (the "Group") for the six-month period ended 30 June 2012.

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

Management is responsible for the interim consolidated financial statements of the Group which give a true and fair view of the interim consolidated state of affairs of the Group and of the interim consolidated results of its operations and its interim consolidated cash flows for the period. In preparing those interim consolidated financial statements, management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the interim consolidated financial statements; and
- prepare the interim consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue its business.

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

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

## STATEMENTS BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying interim consolidated financial statements give a true and fair view of the interim consolidated financial position of the Group as at 30 June 2012 and of the interim consolidated results of its operations and its interim consolidated cash flows for the six-month period then ended in accordance with the Vietnamese Accounting Standards and System and comply with relevant statutory requirements.

On behalf of management:

**Signed**

Hang Phi Quang
General Director

27 August 2012

Reference: 61000411/15735583/HN

# REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**To: The Shareholders of Southern Seed Corporation**

We have reviewed the interim consolidated financial statements of Southern Seed Corporation and its subsidiaries ("the Group") as set out on pages 4 to 34 which comprise the interim consolidated balance sheet as at 30 June 2012, the interim consolidated income statement and the interim consolidated cash flow statement for the six-month period then ended and the notes thereto.

The preparation and presentation of these interim consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these interim consolidated financial statements based on our review. The interim consolidated financial statements of the Group for the six-month period ended 30 June 2011 and the consolidated financial statements for the year ended 31 December 2011 were reviewed and audited, respectively, by other auditors who issued unqualified reports on 25 July 2011 and 24 April 2012, respectively.

We conducted our review in accordance with Vietnamese Standard on Auditing No. 910 – Engagements to Review Financial Statements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim consolidated financial statements are free from 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.

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 of the interim consolidated financial position of the Group as at 30 June 2012, and of the interim consolidated results of its operations and its interim consolidated cash flows for the six-month period then ended in accordance with the Vietnamese Accounting Standards and System and comply with the relevant statutory requirements.

Ernst & Young Vietnam Limited

**Signed**

Mai Viet Hung Tran
Deputy General Director
Certificate No. D.0048/KTV

**Signed**

Hang Nhat Quang
Auditor
Certificate No. N.1772/KTV

Ho Chi Minh City, Vietnam

27 August 2012

INTERIM CONSOLIDATED BALANCE SHEET
as at 30 June 2012

*VND*

| *Code* | *ASSETS* | *Notes* | *30 June 2012* | *31 December 2011* |
|---|---|---|---|---|
| **100** | **A. CURRENT ASSETS** | | **279,506,148,225** | **240,887,120,565** |
| ***110*** | ***I. Cash and cash equivalents*** | ***4*** | ***11,718,209,525*** | ***70,262,011,371*** |
| 111 | 1. Cash | | 11,718,209,525 | 10,852,392,271 |
| 112 | 2. Cash equivalents | | - | 59,409,619,100 |
| ***120*** | ***II. Short-term investments*** | | ***515,000,000*** | ***407,499,999*** |
| 121 | 1. Short-term investments | | 515,000,000 | 715,374,879 |
| 129 | 2. Provision for short-term investments | | - | (307,874,880) |
| ***130*** | ***III. Accounts receivable*** | | ***83,787,408,428*** | ***67,586,955,043*** |
| 131 | 1. Trade receivables | | 65,959,607,765 | 49,332,842,051 |
| 132 | 2. Advances to suppliers | | 15,352,555,951 | 16,361,241,383 |
| 135 | 3. Other receivables | 5 | 3,359,971,272 | 2,737,086,846 |
| 139 | 4. Provision for doubtful debts | | (884,726,560) | (844,215,237) |
| ***140*** | ***IV. Inventories*** | ***6*** | ***179,462,553,203*** | ***98,349,810,096*** |
| 141 | 1. Inventories | | 181,758,240,523 | 101,100,039,686 |
| 149 | 2. Provision for obsolete inventories | | (2,295,687,320) | (2,750,229,590) |
| ***150*** | ***V. Other current assets*** | | ***4,022,977,069*** | ***4,280,844,056*** |
| 151 | 1. Short-term prepaid expenses | | 302,620,596 | 1,207,736,351 |
| 154 | 2. Tax and other receivables from the State | | 375,580,564 | 228,152,349 |
| 158 | 3. Other current assets | | 3,344,775,909 | 2,844,955,356 |
| **200** | **B. NON-CURRENT ASSETS** | | **73,892,321,724** | **74,694,176,208** |
| ***220*** | ***I. Fixed assets*** | | ***68,863,525,757*** | ***70,510,288,270*** |
| 221 | 1. Tangible fixed assets | 7 | 30,762,537,509 | 32,438,611,881 |
| 222 | Cost | | 68,873,565,130 | 67,404,987,532 |
| 223 | Accumulated depreciation | | (38,111,027,621) | (34,966,375,651) |
| 227 | 2. Intangible fixed assets | 8 | 37,921,358,248 | 38,071,676,389 |
| 228 | Cost | | 40,924,453,793 | 40,908,703,793 |
| 229 | Accumulated amortisation | | (3,003,095,545) | (2,837,027,404) |
| 230 | 3. Construction in progress | | 179,630,000 | - |
| ***260*** | ***II. Other long-term assets*** | | ***3,648,592,876*** | ***2,711,671,308*** |
| 261 | 1. Long-term prepaid expenses | | 2,061,304,098 | 2,342,865,669 |
| 262 | 2. Deferred tax assets | 19.3 | 1,458,648,778 | 240,165,639 |
| 268 | 3. Other long-term assets | | 128,640,000 | 128,640,000 |
| ***269*** | ***III. Goodwill*** | ***9*** | ***1,380,203,091*** | ***1,472,216,630*** |
| **270** | **TOTAL ASSETS** | | **353,398,469,949** | **315,581,296,773** |

INTERIM CONSOLIDATED BALANCE SHEET (continued)
as at 30 June 2012

*VND*

| *Code* | *RESOURCES* | *Notes* | *30 June 2012* | *31 December 2011* |
|---|---|---|---|---|
| **300** | **A. LIABILITIES** | | **100,119,353,758** | **85,185,140,402** |
| ***310*** | ***I. Current liabilities*** | | ***98,872,039,090*** | ***83,819,984,989*** |
| 311 | 1. Short-term loans | 10 | 7,557,500,000 | 971,000,000 |
| 312 | 2. Trade payables | | 31,213,701,216 | 39,385,084,802 |
| 313 | 3. Advances from customers | | 907,255,400 | 1,263,369,246 |
| 314 | 4. Statutory obligations | 11 | 15,182,340,303 | 1,693,772,782 |
| 315 | 5. Payable to employees | | 11,531,728,542 | 17,117,028,139 |
| 316 | 6. Accrued expenses | 12 | 6,328,677,880 | 281,396,848 |
| 319 | 7. Other payables | 13 | 20,788,113,941 | 19,131,683,205 |
| 323 | 8. Bonus and welfare fund | | 5,362,721,808 | 3,976,649,967 |
| ***330*** | ***II. Non-current liabilities*** | | ***1,247,314,668*** | ***1,365,155,413*** |
| 334 | 1. Long-term loans | 14 | 783,892,740 | 1,046,892,740 |
| 336 | 2. Provision for severance allowance | | 463,421,928 | 318,262,673 |
| **400** | **B. OWNERS' EQUITY** | **15** | **251,999,745,889** | **229,003,099,802** |
| ***410*** | ***I. Capital*** | | ***251,999,745,889*** | ***229,003,099,802*** |
| 411 | 1. Issued share capital | | 149,923,670,000 | 149,923,670,000 |
| 412 | 2. Share premium | | 7,545,114,095 | 6,565,250,880 |
| 414 | 3. Treasury shares | | (2,157,356,323) | (5,162,961,108) |
| 417 | 4. Investment and development fund | | 54,493,996,146 | 48,553,145,647 |
| 418 | 5. Financial reserve fund | | 14,798,958,680 | 12,818,685,180 |
| 420 | 6. Undistributed earnings | | 27,395,363,291 | 16,305,309,203 |
| **439** | **C. MINORITY INTERESTS** | | **1,279,370,302** | **1,393,056,569** |
| **440** | **TOTAL LIABILITIES AND OWNERS' EQUITY** | | **353,398,469,949** | **315,581,296,773** |

**OFF BALANCE SHEET ITEMS**

| *ITEMS* | *30 June 2012* | *31 December 2011* |
|---|---|---|
| 1. Bad debts written off (VND) | 72,240,760 | 72,240,760 |
| 2. Foreign currencies: | | |
| - United States dollar (US$) | 19,860 | 3,840 |
| - Euro (EUR) | 700 | 700 |

**Signed**

Le Ton Hung
Chief Accountant

**Signed**

Hang Phi Quang
General Director

27 August 2012

INTERIM CONSOLIDATED INCOME STATEMENT
for the six-month period ended 30 June 2012

*VND*

| *Code* | *ITEMS* | *Notes* | *For the six-month period ended 30 June 2012* | *For the six-month period ended 30 June 2011* |
|---|---|---|---|---|
| **01** | **1. Revenue from sale of goods and rendering of services** | **16.1** | **242,657,211,249** | **237,880,599,760** |
| **02** | **2. Deductions** | **16.1** | **(16,126,459,468)** | **(14,535,417,915)** |
| **10** | **3. Net revenue from sale of goods and rendering of services** | **16.1** | **226,530,751,781** | **223,345,181,845** |
| **11** | **4. Cost of goods sold and services rendered** | **18** | **(143,599,369,905)** | **(137,059,907,808)** |
| **20** | **5. Gross profit** | | **82,931,381,876** | **86,285,274,037** |
| **21** | **6. Financial income** | **16.2** | **2,407,982,261** | **1,496,949,853** |
| **22** | **7. Financial expenses** | **17** | **(912,427,245)** | **(1,370,223,156)** |
| *23* | *- In which: Interest expense* | | *(571,984,367)* | *(386,333,183)* |
| **24** | **8. Selling expenses** | **18** | **(17,430,300,387)** | **(16,432,390,241)** |
| **25** | **9. General & administrative expenses** | **18** | **(17,115,436,025)** | **(18,631,515,856)** |
| **30** | **10. Operating profit** | | **49,881,200,480** | **51,348,094,637** |
| **31** | **11. Other income** | | **167,802,000** | **42,962,000** |
| **32** | **12. Other expenses** | | **(96,869,913)** | **(25,180,029)** |
| **40** | **13. Other profit** | | **70,932,087** | **17,781,971** |
| **50** | **14. Profit before tax** | | **49,952,132,567** | **51,365,876,608** |
| **51** | **15. Current corporate income tax expense** | **19.2** | **(13,759,795,199)** | **(10,613,110,143)** |
| **52** | **16. Deferred income tax benefit** | **19.3** | **1,218,483,139** | **96,946,894** |
| **60** | **17. Net profit after tax** | | **37,410,820,507** | **40,849,713,359** |
| | *Attributable to:* | | | |
| *61* | *- Minority interests* | | *(113,686,267)* | *19,345,398* |
| *62* | *- Equity holders of the parent* | | *37,524,506,774* | *40,830,367,961* |
| **70** | **18. Basic earnings per share** | | **2,533** | **2,747** |

**Signed**

Le Ton Hung
Chief Accountant

**Signed**

Hang Phi Quang
General Director

27 August 2012

INTERIM CONSOLIDATED CASH FLOW STATEMENT
for the six-month period ended 30 June 2012

*VND*

| *Code* | *ITEMS* | *Notes* | *For the six-month period ended 30 June 2012* | *For the six-month period ended 30 June 2011* |
|---|---|---|---|---|
| | **I. CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **01** | **Profit before tax** | | **49,952,132,567** | **51,365,876,608** |
| | *Adjustments for:* | | | |
| 02 | Depreciation and amortisation | 7, 8, 9 | 3,671,612,807 | 2,695,157,250 |
| 03 | Provisions | | (721,905,827) | 5,159,043,741 |
| 04 | Unrealised foreign exchange (gains) losses | | (62,217,232) | 421,484,960 |
| 05 | Profits from investing activities | | (1,771,176,107) | (1,486,611,802) |
| 06 | Interest expense | 17 | 571,984,367 | 386,333,183 |
| **08** | **Operating profit before changes in working capital** | | **51,640,430,575** | **58,541,283,940** |
| 09 | Increase in receivables | | (16,817,938,597) | (28,975,443,412) |
| 10 | Increase in inventories | | (80,658,200,837) | (43,000,834,918) |
| 11 | (Decrease) increase in payables | | (5,917,274,521) | 20,153,852,856 |
| 12 | Decrease (increase) in prepaid expenses | | 1,186,677,326 | (594,879,615) |
| 13 | Interest expense paid | | (571,984,367) | (374,658,416) |
| 14 | Corporate income tax paid | 19.2 | (623,815,816) | (6,316,890,849) |
| 15 | Other cash inflows from operating activities | | 93,050,000 | - |
| 16 | Other cash outflows from operating activities | | (2,419,619,761) | (1,026,429,570) |
| **20** | **Net cash flows used in operating activities** | | **(54,088,675,998)** | **(1,593,999,984)** |
| | **II. CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| 21 | Purchases of fixed assets | | (1,942,348,121) | (14,058,977,798) |
| 22 | Proceeds from disposals of fixed assets | | 70,000,000 | - |
| 23 | Loans to employees | | (315,000,000) | - |
| 27 | Interest and dividends received | | 2,155,787,473 | 1,778,687,058 |
| **30** | **Net cash flows used in investing activities** | | **(31,560,648)** | **(12,280,290,740)** |
| | **III. CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| 31 | Reissuance of treasury shares | | 3,985,468,000 | - |
| 32 | Purchase of treasury shares | | - | (1,672,716,480) |
| 33 | Drawdown of borrowings | | 25,900,000,000 | 15,061,832,625 |
| 34 | Repayment of borrowings | | (19,576,500,000) | (16,187,442,500) |
| 36 | Dividends paid | | (14,732,533,200) | (10,276,394,200) |
| **40** | **Net cash flows used in financing activities** | | **(4,423,565,200)** | **(13,074,720,555)** |

INTERIM CONSOLIDATED CASH FLOW STATEMENT (continued)
for the six-month period ended 30 June 2012

*VND*

| *Code* | *ITEMS* | *Notes* | *For the six-month period ended 30 June 2012* | *For the six-month period ended 30 June 2011* |
|---|---|---|---|---|
| **50** | **Net decrease in cash and cash equivalents** | | **(58,543,801,846)** | **(26,949,011,279)** |
| **60** | **Cash and cash equivalents at beginning of period** | **4** | **70,262,011,371** | **62,417,155,064** |
| **61** | **Impact of exchange rate fluctuation** | | **-** | **58,691,884** |
| **70** | **Cash and cash equivalents at end of period** | **4** | **11,718,209,525** | **35,526,835,669** |

**Signed**

Le Ton Hung
Chief Accountant

**Signed**

Hang Phi Quang
General Director

27 August 2012

## 1. CORPORATE INFORMATION

Southern Seed Corporation ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate ("BRC") No. 4103001067 issued by the Department of Planning and Investment of Ho Chi Minh City on 24 June 2002 and following amended BRC:

| | |
|---|---|
| First amendment | 16 July 2003 |
| Second amendment | 17 August 2007 |
| Third amendment | 21 May 2008 |
| Fourth amendment (0302634683) | 7 June 2011 |
| Fifth amendment (0302634683) | 6 September 2011 |

The Company's principal activities are to research, produce, trade, export and import various kinds of seeds; to produce, trade, import and export agricultural products and materials; to produce, process, bottle and package the plant protection drugs; and to design, fabricate, install, import and export processing machinery and equipment of seed and agricultural products.

The Company's head office is registered at 282 Le Van Sy Street, Ward 1, Tan Binh District, Ho Chi Minh City, Vietnam. In addition, the Company has stations, farms and branches including Cu Chi Seed Station, Co Do Seed Farm, Cai Lay Seed Station, Lam Ha Seed Farm, Southern Seed Research Center and Branches in Hanoi, Tay Nguyen and Mien Trung, and Cambodia Representative Office.

The number of Group's employees as at 30 June 2012 was 381 (31 December 2011: 376).

The Company's corporate structure includes two subsidiaries, in which:

*Southern Seed Equipment Corporation ("SSE")*

SSE is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the BRC No. 0309966504 on 26 April 2010 issued by the Department of Planning and Investment of Ho Chi Minh City, as amended. SSE's head office is registered at 282 Le Van Sy Street, Ward 1, Tan Binh District, Ho Chi Minh City, Vietnam. SSE's principal activities are to produce agriculture and forestry machines; food and beverages machines; and to provide repairing, maintenance and installation services of machinery and equipment.

As at 30 June 2012, the Company holds a 83.74% equity share in SSE.

*North Nghe An Import – Export and Trading Joint Stock Company ("NNA")*

NNA is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the BRC No. 270300045 on 21 January 2002 issued by the Department of Planning and Investment of Nghe An Province, as amended. NNA's head office is registered at Dien Thinh Commune, Dien Chau District, Nghe An Province. NNA's principal activities are to trade seeds, agricultural materials and products, petroleum, electronics and building materials; to provide drying and packing services, to trade agricultural machines, and to produce and process food.

As at 30 June 2012, the Company holds a 70% equity share in NNA.

## 2. BASIS OF PREPARATION

### *2.1 Accounting standards and system*

The interim consolidated financial statements of the Company and its subsidiaries (the "Group"), expressed in Vietnam dong ("VND"), are prepared in accordance with the Vietnamese Accounting System and Vietnamese Accounting Standard ("VAS") No. 27 - Interim Financial Reporting and other VAS issued by the Ministry of Finance as per the:

## 2. BASIS OF PREPARATION (continued)

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

- Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four VAS (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six VAS (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six VAS (Series 3);
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six VAS (Series 4); and
- Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four VAS (Series 5).

Accordingly, the accompanying interim consolidated balance sheet, interim consolidated income statement, interim consolidated cash flow statement and related notes, including their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

### *2.2 Applied accounting documentation system*

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

### *2.3 Fiscal year*

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

### *2.4 Accounting currency*

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

### *2.5 Basis of consolidation*

The interim consolidated financial statements comprise the interim financial statements of the parent company and its subsidiaries for the six-month period ended 30 June 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continued to be consolidated until the date that such control ceases.

The interim financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-company interim balances, income and expenses and unrealised gains or losses resulting from intra-company transactions are eliminated in full.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the interim consolidated income statement and within equity in the interim consolidated balance sheet, separately from parent shareholders' equity.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *3.1 Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash at banks and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

### *3.2 Inventories*

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

The perpetual method is used to record inventories, which are valued as follows:

| | | |
|---|---|---|
| Raw materials, merchandised goods, tools | - | cost of purchase on a weighted average basis. |
| Finished goods and work-in process | - | cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity on a weighted average basis. |

*Provision for obsolete inventories*

An inventory provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Group, based on appropriate evidence of impairment available at the balance sheet date.

Increases and decreases to the provision balance are recorded into the cost of goods sold account in the interim consolidated income statement.

### *3.3 Receivables*

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

The provision for doubtful debts represents the estimated loss due to non-payment arising on receivables that were outstanding at the balance sheet date. Increases and decreases to the provision balance are recorded as general and administrative expense in the interim consolidated income statement.

### *3.4 Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset comprises its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use. Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the interim consolidated income statement as incurred.

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

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

### *3.5 Intangible fixed assets*

Intangible fixed assets are stated at cost less accumulated amortisation.

The cost of an intangible fixed asset comprises its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use. Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and other expenditures are charged to the interim consolidated income statement as incurred.

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

### *3.6 Depreciation and amortisation*

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

| | |
|---|---|
| Land use rights | 10 - 49 years |
| Computer software | 3 years |
| Buildings and structures | 4 - 25 years |
| Machinery and equipment | 5 - 12 years |
| Means of transportation | 6 - 8 years |
| Office equipment | 3 - 6 years |

### *3.7 Leased assets*

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

### *3.8 Borrowing costs*

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

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

### *3.9 Prepaid expenses*

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

### *3.10 Business combinations and goodwill*

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

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

### *3.10 Business combinations and goodwill* (continued)

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the interim consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized over 10-year period on a straight-line basis.

### *3.11 Payables and accruals*

Payables and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group.

### *3.12 Provision for severance allowance*

The severance pay to employees is accrued at the end of each reporting year in accordance with Circular No. 82/2003/TT- BTC dated 14 August 2003 of the Ministry of Finance at the rate of 2% of total payroll fund used as basis for the Group to pay social insurance premium.

From 1 January 2009, the Group pays unemployment insurance in accordance with Decree No. 127/2008/ND-CP dated 12 December 2008.

### *3.13 Foreign currency transactions*

The Group follows the guidance under Vietnamese Accounting Standard No. 10 "The Effects of Changes in Exchange Rates" (the "VAS 10") in relation to foreign currency transactions as applied consistently in prior periods.

Transactions in currencies other than the Group's reporting currency of VND are recorded at the exchange rates ruling at the date of the transaction. At the end of the period, monetary assets and liabilities denominated in foreign currencies are translated at inter-bank exchange rates ruling at the balance sheet date. All realised and unrealised foreign exchange differences are taken to the interim consolidated income statement.

The above guidance related to unrealized foreign exchange differences provided by VAS 10 is different from those stipulated in the Circular No. 201/2009/TT-BTC issued on 15 October 2009 by the Ministry of Finance providing guidance for the treatment of foreign exchange differences (the "Circular 201") as follows:

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

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

| ***Transaction*** | ***Accounting treatment under*** | |
|---|---|---|
| | ***VAS 10*** | ***Circular 201*** |
| Translation of short-term monetary assets and liabilities denominated in foreign currencies at period end. | All unrealised foreign exchange differences are taken to the interim consolidated income statement. | All unrealised foreign exchange differences are taken to the “Foreign exchange differences reserve” account in the equity section of the interim consolidated balance sheet and will be reversed on the following period. |
| Translation of long-term monetary liabilities denominated in foreign currencies at period end. | All unrealised foreign exchange differences are taken to the interim consolidated income statement. | All unrealized foreign exchange gains are taken to the interim consolidated income statement.<br><br>All foreign exchange losses will be charged to the interim consolidated income statement. However, if the charging of all foreign exchange losses results in net loss before tax for the Group, part of the exchange losses can be deferred and allocated to the interim consolidated income statement within the subsequent years. In any case, the total foreign exchange loss to be charged to current period’s interim consolidated income statement must be at least equivalent to the foreign exchange losses arising from the translation of the current portion of the long-term liabilities, while the remaining portion of the foreign exchange losses can be deferred in the interim consolidated balance sheet and allocated to the interim consolidated income statement within the subsequent five years. |

The impact on the interim consolidated financial statements had the Group adopted Circular 201 for the six-month period ended 30 June 2012 has not material as a whole.

### *3.14 Treasury shares*

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

### *3.15 Appropriation of net profit*

Net profit after tax is available for appropriation to shareholders after approval in the annual general meeting, and after making appropriation to reserve funds in accordance with the Company’s Charter and Vietnam’s regulatory requirements.

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

### *3.15 Appropriation of net profit* (continued)

The Group maintains the following reserve funds which are appropriated from the Group's net profit as proposed by the Board of Directors and subject to approval by shareholders at the annual general meeting:

*Financial reserve fund*

This fund is set aside to protect the Group's normal operations from business risks or losses, or to prepare for unforeseen losses or damages for objective reasons and force majeure, such as fire, economic and financial turmoil of the country or elsewhere.

*Investment and development fund*

This fund is set aside for use in the Group's expansion of its operation or in-depth investments.

*Bonus and welfare fund*

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

### *3.16 Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised.

*Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

*Rendering of services*

Revenue is recognised when the services have been performed and completed.

*Dividends*

Revenue is recognised when the Group is entitled to receive dividends.

*Interest*

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

### *3.17 Taxation*

*Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted as at the balance sheet date.

Current income tax is charged or credited to the interim consolidated income statement, except when it relates to items recognised directly to equity, in which case the current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Group to set off current tax assets against current tax liabilities and when the Group intends to settle its current tax assets and liabilities on a net basis.

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

### *3.17 Taxation* (continued)

*Deferred tax*

Deferred tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purpose.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Previously unrecognised deferred income tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the assets is realised or the liability is settled based on tax rates and tax laws that have been enacted at the interim balance sheet date.

Deferred tax is charged or credited to the interim consolidated income statement, except when it relates to items recognised directly to equity, in which case the deferred tax is also dealt with in equity account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Group to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or when the Group intends either settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### *3.18 Financial instruments*

*Financial instruments – initial recognition and presentation*

Financial assets

Financial assets within the scope of Circular No. 210/2009/TT-BTC dated 6 November 2009 of the Ministry of Finance (“Circular 210”) are classified, for disclosures in the notes to the interim consolidated financial statements, as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets as appropriate. The Group determines the classification of its financial assets at initial recognition.

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

The Group’s financial assets include cash and short-term deposits, trade and other receivables and loan receivables.

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

### *3.18 Financial instruments* (continued)

Financial liabilities

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

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

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

*Financial instruments – subsequent measurement*

No subsequent measure of financial instruments is currently required.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 4. CASH AND CASH EQUIVALENTS

*VND*

| | *30 June 2012* | *31 December 2011* |
|---|---|---|
| Cash on hand | 1,500,153,532 | 935,606,621 |
| Cash in banks | 10,108,825,993 | 9,916,785,650 |
| Cash equivalents | - | 59,409,619,100 |
| Cash in transit | 109,230,000 | - |
| **TOTAL** | **11,718,209,525** | **70,262,011,371** |

## 5. OTHER RECEIVABLES

*VND*

| | *30 June 2012* | *31 December 2011* |
|---|---|---|
| Employees receivable | 1,485,235,598 | 276,500,000 |
| Advances to farmers | 1,161,791,022 | 1,309,300,185 |
| Interest receivable | - | 445,100,000 |
| Others | 712,944,652 | 706,186,661 |
| **TOTAL** | **3,359,971,272** | **2,737,086,846** |

## 6. INVENTORIES

| | | *VND* |
|---|---|---|
| | *30 June 2012* | *31 December 2011* |
| Raw materials | 97,161,642,234 | 55,449,926,192 |
| Finished goods | 68,431,276,312 | 27,204,979,702 |
| Work in progress | 8,560,409,135 | 12,442,422,468 |
| Merchandise goods | 5,581,487,480 | 4,414,627,845 |
| Goods on consignment | 993,484,615 | 704,570,079 |
| Tools and supplies | 850,456,747 | 862,765,750 |
| Goods in transit | 179,484,000 | 20,747,650 |
| **TOTAL** | **181,758,240,523** | **101,100,039,686** |
| Provision for obsolete inventories | (2,295,687,320) | (2,750,229,590) |
| **NET** | **179,462,553,203** | **98,349,810,096** |

***Details of movements of provision for obsolete inventories***

| | | *VND* |
|---|---|---|
| | *For the six-month period ended 30 June 2012* | *For the six-month period ended 30 June 2011* |
| Beginning balance | (2,750,229,590) | (1,069,253,981) |
| *Add*: Provision created during the period | - | (4,857,712,693) |
| *Less*: Utilisation and reversal of provision during the period | 454,542,270 | - |
| Ending balance | (2,295,687,320) | (5,926,966,674) |

## 7. TANGIBLE FIXED ASSET

*VND*

| | *Buildings and structures* | *Machinery and equipment* | *Transportation* | *Office equipment* | *Total* |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| As at 31 December 2011 | 37,772,194,793 | 14,689,591,346 | 12,976,228,256 | 1,966,973,137 | 67,404,987,532 |
| Newly purchased | 158,705,819 | 1,235,380,482 | 299,700,000 | 53,181,820 | 1,746,968,121 |
| Disposed | - | (278,390,523) | - | - | (278,390,523) |
| As at 30 June 2012 | 37,930,900,612 | 15,646,581,305 | 13,275,928,256 | 2,020,154,957 | 68,873,565,130 |
| *In which:* | | | | | |
| *Fully depreciated* | *8,006,020,242* | *2,768,860,581* | *2,798,702,479* | *944,687,376* | *14,518,270,678* |
| **Accumulated depreciation:** | | | | | |
| As at 31 December 2011 | 18,857,629,525 | 8,352,030,547 | 6,602,294,571 | 1,154,421,008 | 34,966,375,651 |
| Depreciation for the period | 1,824,886,964 | 783,121,076 | 695,904,091 | 109,618,996 | 3,413,531,127 |
| Disposed | - | (268,879,157) | - | - | (268,879,157) |
| As at 30 June 2012 | 20,682,516,489 | 8,866,272,466 | 7,298,198,662 | 1,264,040,004 | 38,111,027,621 |
| **Net carrying amount:** | | | | | |
| As at 31 December 2011 | 18,914,565,268 | 6,337,560,799 | 6,373,933,685 | 812,552,129 | 32,438,611,881 |
| As at 30 June 2012 | 17,248,384,123 | 6,780,308,839 | 5,977,729,594 | 756,114,953 | 30,762,537,509 |

## 8. INTANGIBLE FIXED ASSETS

*VND*

| | *Land use rights* | *Computer software* | *Total* |
|---|---|---|---|
| **Cost:** | | | |
| As at 31 December 2011 | 40,684,335,409 | 224,368,384 | 40,908,703,793 |
| Newly purchased | - | 15,750,000 | 15,750,000 |
| As at 30 June 2012 | 40,684,335,409 | 240,118,384 | 40,924,453,793 |
| *In which:* | | | |
| *Fully amortised* | *109,075,520* | *213,863,824* | *322,939,344* |
| **Accumulated amortisation:** | | | |
| As at 31 December 2011 | 2,618,494,878 | 218,532,526 | 2,837,027,404 |
| Amortisation for the period | 161,269,108 | 4,799,033 | 166,068,141 |
| As at 30 June 2012 | 2,779,763,986 | 223,331,559 | 3,003,095,545 |
| **Net carrying amount:** | | | |
| As at 31 December 2011 | 38,065,840,531 | 5,835,858 | 38,071,676,389 |
| As at 30 June 2012 | 37,904,571,423 | 16,786,825 | 37,921,358,248 |

## 9. GOODWILL

*VND*

| | *Goodwill arising from acquisition of NNA* |
|---|---|
| **Cost:** | |
| Beginning and ending balances | 1,840,270,788 |
| **Accumulated amortisation:** | |
| Beginning balance | 368,054,158 |
| Charges for the year | 92,013,539 |
| Ending balance | 460,067,697 |
| **Net carrying amount:** | |
| Beginning balance | 1,472,216,630 |
| Ending balance | 1,380,203,091 |

Goodwill arising from acquisition of NNA is amortised over a period of ten years on a straight-line basis.

## 10. SHORT-TERM LOANS

| | *30 June 2012* | *31 December 2011* |
|---|---|---|
| | | *VND* |
| Loans from bank | 6,900,000,000 | - |
| Current portion of long-term loans *(Note 14)* | 657,500,000 | 971,000,000 |
| **TOTAL** | **7,557,500,000** | **971,000,000** |

Details of the short-term loans from Vietnam Bank for Agriculture and Rural Development - Ho Chi Minh Branch ("Agribank") are as follows:

| *Name of banks* | *30 June 2012* | *Term and maturity date* | *Interest rate* | *Description of collateral* |
|---|---|---|---|---|
| | *VND* | | | |
| Loan agreement No. 1700LDS201202363 dated 12 June 2012 | 6,300,000,000 | 12 December 2012 | 13% p.a. | Unsecured |
| Loan agreement No. 1700LDS201201753 dated 7 May 2012 | 600,000,000 | 7 November 2012 | 16.5% p.a. | Unsecured |
| **TOTAL** | **6,900,000,000** | | | |

The Group obtained these loans for the purpose of financing its working capital requirements.

## 11. STATUTORY OBLIGATIONS

| | *30 June 2012* | *31 December 2011* |
|---|---|---|
| | | *VND* |
| Corporate income tax *(Note 19.2)* | 14,687,240,933 | 1,551,261,550 |
| Value-added tax | 482,658,754 | 128,150,070 |
| Personal income tax | 12,440,616 | 14,361,162 |
| **TOTAL** | **15,182,340,303** | **1,693,772,782** |

## 12. ACCRUED EXPENSES

| | *30 June 2012* | *31 December 2011* |
|---|---|---|
| | | *VND* |
| Sales discounts | 5,208,989,979 | 233,939,000 |
| Other | 1,119,687,901 | 47,457,848 |
| **TOTAL** | **6,328,677,880** | **281,396,848** |

## 13. OTHER PAYABLES

| | | *VND* |
|---|---|---|
| | *30 June 2012* | *31 December 2011* |
| Dividend payable | 15,357,491,650 | 15,181,637,850 |
| Remuneration of the Board of Directors and Board of Supervision | 654,834,142 | 762,534,057 |
| Trust export – import | 575,318,615 | 291,094,566 |
| Trade union | 274,322,751 | 234,564,162 |
| Social insurance | 107,630,381 | 157,716,693 |
| Unemployment insurance | 53,438,328 | 60,745,106 |
| Health insurance | - | 36,145,679 |
| Others | 3,765,078,074 | 2,407,245,092 |
| **TOTAL** | **20,788,113,941** | **19,131,683,205** |

## 14. LONG-TERM LOANS

| | | *VND* |
|---|---|---|
| | *30 June 2012* | *31 December 2011* |
| Loans from bank | 1,441,392,740 | 2,017,892,740 |
| **TOTAL** | **1,441,392,740** | **2,017,892,740** |
| *In which:* | | |
| *Current portion (Note 10)* | *657,500,000* | *971,000,000* |
| *Non-current portion* | *783,892,740* | *1,046,892,740* |

Details of the long-term loans from Vietnam Development Bank - Ho Chi Minh Branch are as follows:

| *Name of bank* | *30 June 2012* *VND* | *Term and maturity date* | *Interest* | *Description of collateral* |
|---|---|---|---|---|
| Loan agreement No. 41/2006-HĐTD-VNN-TD1 dated 1 November 2006 | 1,309,892,740 | Repayment within 8 years from the first drawdown date | 5.4% p.a. | Total value of future assets formed from the project |
| Loan agreement No. 04/HĐTD-TDĐP-2006 dated 17 February 2006 | 131,500,000 | Repayment within 7 years from the first drawdown date | 5.4% p.a. | Total value of future assets formed from the project |
| **TOTAL** | **1,441,392,740** | | | |

The Group obtained these loans for the purpose of financing the construction of seed processing factory in Hanoi.

## 15. OWNERS' EQUITY

### *15.1 Movements in owners' equity*

*VND*

| | *Issued share capital* | *Share premium* | *Treasury shares* | *Foreign exchange differences* | *Investment and development fund* | *Financial reserve fund* | *Undistributed earnings* | *Total* |
|---|---|---|---|---|---|---|---|---|
| **For the six-month period ended 30 June 2011:** | | | | | | | | |
| As at 31 December 2010 | 149,923,670,000 | 6,565,250,880 | (3,490,244,628) | 235,770,080 | 41,436,684,561 | 10,492,539,485 | 995,512,356 | 206,159,182,734 |
| Purchase of treasury shares | - | - | (1,672,716,480) | - | - | - | - | (1,672,716,480) |
| Other increase | - | - | - | 45,667,385 | - | - | - | 45,667,385 |
| Net profit for the period | - | - | - | - | - | - | 40,830,367,961 | 40,830,367,961 |
| Profit appropriation | - | - | - | - | 5,017,951,444 | 1,672,650,480 | (6,690,601,924) | - |
| Transferred to bonus and welfare fund | - | - | - | - | - | - | (2,676,101,120) | (2,676,101,120) |
| Fund utilisation | - | - | - | - | - | (46,008,000) | - | (46,008,000) |
| Dividend declared | - | - | - | - | - | - | (14,791,387,000) | (14,791,387,000) |
| Remuneration of the Boards of Directors and Supervision | - | - | - | - | - | - | (281,500,000) | (281,500,000) |
| Other decrease | - | - | - | (281,437,465) | - | - | - | (281,437,465) |
| As at 30 June 2011 | 149,923,670,000 | 6,565,250,880 | (5,162,961,108) | - | 46,454,636,005 | 12,119,181,965 | 17,386,290,273 | 227,286,068,015 |
| **For the six-month period ended 30 June 2012:** | | | | | | | | |
| As at 31 December 2011 | 149,923,670,000 | 6,565,250,880 | (5,162,961,108) | - | 48,553,145,647 | 12,818,685,180 | 16,305,309,203 | 229,003,099,802 |
| Reissuance of treasury shares | - | 979,863,215 | 3,005,604,785 | - | - | - | - | 3,985,468,000 |
| Net profit for the period | - | - | - | - | - | - | 37,524,506,774 | 37,524,506,774 |
| Profit appropriation | - | - | - | - | 5,940,850,499 | 1,980,273,500 | (7,921,123,999) | - |
| Transferred to bonus and welfare fund | - | - | - | - | - | - | (3,168,443,601) | (3,168,443,601) |
| Dividend declared | - | - | - | - | - | - | (14,908,387,000) | (14,908,387,000) |
| Remuneration of the Boards of Directors and Supervision | - | - | - | - | - | - | (436,498,086) | (436,498,086) |
| As at 30 June 2012 | 149,923,670,000 | 7,545,114,095 | (2,157,356,323) | - | 54,493,996,146 | 14,798,958,680 | 27,395,363,291 | 251,999,745,889 |

## 15. OWNERS' EQUITY (continued)

### *15.2 Capital transactions with owners and distribution of dividends*

| | *For the six-month period ended 30 June 2012* | *For the six-month period ended 30 June 2011* |
|---|---|---|
| | | *VND* |
| ***Contributed capital*** | | |
| Beginning and ending balances | 149,923,670,000 | 149,923,670,000 |
| ***Dividends*** | | |
| Dividends declared | 14,908,387,000 | 14,791,387,000 |

### *15.3 Share*

| | *30 June 2012* | | *31 December 2011* | |
|---|---|---|---|---|
| | *Shares* | *Par value (VND)* | *Shares* | *Par value (VND)* |
| Authorised shares | 14,992,367 | 149,923,670,000 | 14,992,367 | 149,923,670,000 |
| Shares issued and fully paid | | | | |
| *Ordinary shares* | *14,992,367* | *149,923,670,000* | *14,992,367* | *149,923,670,000* |
| Treasury shares | | | | |
| *Ordinary shares* | *(83,980)* | *(839,800,000)* | *(200,980)* | *(2,009,800,000)* |
| Shares in circulation | | | | |
| *Ordinary shares* | *14,908,387* | *149,083,870,000* | *14,791,387* | *147,913,870,000* |

## 16. REVENUE

### *16.1 Revenue from sale of goods and rendering of services*

| | *For the six-month period ended 30 June 2012* | *For the six-month period ended 30 June 2011* |
|---|---|---|
| | | *VND* |
| **Gross revenue** | **242,657,211,249** | **237,880,599,760** |
| *Of which:* | | |
| *Sale of finish goods* | *207,407,709,177* | *221,804,380,661* |
| *Sale of merchandises* | *35,249,297,527* | *15,938,332,987* |
| *Rendering of services* | *204,545* | *137,886,112* |
| **Less:** | | |
| *Trade discounts* | *(9,381,975,897)* | *(10,921,135,739)* |
| *Sales returns* | *(6,490,607,491)* | *(3,576,424,176)* |
| *Sales allowances* | *(253,876,080)* | *(37,858,000)* |
| **NET** | **226,530,751,781** | **223,345,181,845** |

## 16. REVENUE (continued)

### *16.2 Financial income*

| | *For the six-month period ended 30 June 2012* | *For the six-month period ended 30 June 2011* |
|---|---|---|
| | | *VND* |
| Interest income | 1,698,187,473 | 1,475,289,174 |
| Unrealised foreign exchange gain | 62,217,232 | 9,122,305 |
| Realised foreign exchange gain | 33,694,806 | 38,374 |
| Dividends | 12,500,000 | 12,500,000 |
| Other | 601,382,750 | - |
| **TOTAL** | **2,407,982,261** | **1,496,949,853** |

## 17. FINANCIAL EXPENSES

| | *For the six-month period ended 30 June 2012* | *For the six-month period ended 30 June 2011* |
|---|---|---|
| | | *VND* |
| Interest expense | 571,984,367 | 386,333,183 |
| Provision for investment | 222,444,039 | 260,375,000 |
| Realised foreign exchange loss | 72,134,988 | 216,276,184 |
| Unrealised foreign exchange loss | 44,798,851 | 430,607,265 |
| Early discount payment | 1,065,000 | 76,631,524 |
| **TOTAL** | **912,427,245** | **1,370,223,156** |

## 18. PRODUCTION AND OPERATING COSTS

| | *For the six-month period ended 30 June 2012* | *For the six-month period ended 30 June 2011* |
|---|---|---|
| | | *VND* |
| Raw-materials | 126,267,865,696 | 120,138,111,063 |
| Labour costs | 22,743,013,094 | 22,886,040,709 |
| Depreciation and amortisation *(Notes 7, 8 and 9)* | 3,671,612,807 | 2,770,276,522 |
| Expenses for external services | 18,918,036,500 | 14,760,685,977 |
| Others | 6,544,578,220 | 11,568,699,634 |
| **TOTAL** | **178,145,106,317** | **172,123,813,905** |

## 19. CORPORATE INCOME TAX

The Group has the obligation to pay corporate income tax ("CIT") at the rate of 25% of taxable profits.

The Group's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amounts reported in the interim consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

### *19.1 CIT expense*

*VND*

| | *For the six-month period ended 30 June 2012* | *For the six-month period ended 30 June 2011* |
|---|---|---|
| Current CIT expense | 13,759,795,199 | 10,613,110,143 |
| Deferred CIT benefit | (1,218,483,139) | (96,946,894) |
| **TOTAL** | **12,541,312,060** | **10,516,163,249** |

### *19.2 Current CIT*

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

Reconciliation between the profit before tax on the interim consolidated income statement and taxable profit is presented below:

*VND*

| | *For the six-month period ended 30 June 2012* | *For the six-month period ended 30 June 2011* |
|---|---|---|
| **Profit before tax** | **49,952,132,568** | **51,365,876,608** |
| **Adjustments to increase (decrease) profit** | | |
| Non-deductible expenses | 58,520,622 | 24,900,000 |
| Accrued expenses | 5,204,743,340 | - |
| Provision for severance allowance | 145,159,255 | - |
| Good-will amortization | 92,013,539 | 92,013,539 |
| Unrealized profits | (547,523,175) | 801,069,790 |
| Change in provision for long-term investments | (211,165,214) | - |
| Dividend | (12,500,000) | (12,500,000) |
| Unrealized foreign exchange (gains) losses | (62,217,232) | 9,122,305 |
| **Adjusted net profit before tax loss carried forward** | **54,619,163,703** | **52,280,482,242** |
| Tax loss carried forward of subsidiaries | 420,017,092 | 574,358,981 |
| Utilization of tax loss carried forward | - | (401,453,041) |
| **Estimated current taxable profit** | **55,039,180,795** | **52,453,388,182** |
| **Estimated current CIT** | **13,759,795,199** | **10,613,110,143** |
| CIT payable at beginning of period | 1,551,261,550 | 2,666,712,299 |
| CIT paid during the period | (623,815,816) | (6,316,890,849) |
| **CIT payable at end of period** | **14,687,240,933** | **6,962,931,593** |

## 19. CORPORATE INCOME TAX (continued)

### *19.3 Deferred CIT*

The following are the major deferred tax assets and liabilities recognized by the Group, and the movements thereon, during the current and prior reporting period:

*VND*

| | *Interim consolidated balance sheet* | | *Credit to interim consolidated income statement* | |
|---|---|---|---|---|
| | *30 June 2012* | *31 December 2011* | *For the six-month period ended 30 June 2012* | *For the six-month period ended 30 June 2011* |
| Accrued expenses | 1,276,860,757 | - | 1,276,860,757 | (63,267,064) |
| Unrealized profits | 145,498,207 | 240,165,639 | (94,667,432) | 160,213,958 |
| Provision for severance allowance | 36,289,814 | - | 36,289,814 | - |
| **Deferred tax assets** | **1,458,648,778** | **240,165,639** | | |
| **Deferred income tax benefit** | | | **1,218,483,139** | **96,946,894** |

### *19.4 Tax loss carried forward*

The Group is entitled to carry each individual tax loss forward to offset against taxable profits arising within five years subsequent to the year in which the loss was incurred. The details of estimated remaining tax losses carried forward are as follows:

*VND*

| *Originating year* | *Can be utilized up to* | *Tax loss amount* | *Utilized up to 30 June 2012* | *Forfeited* | *Unutilized at 30 June 2012* |
|---|---|---|---|---|---|
| **NNA** | | | | | |
| 2009 | 2014 | 2,709,623,827 | (191,828,425) | - | 2,517,795,402 |
| Six-month period ended 30 June 2012 | 2017 | 128,795,612 | - | - | 128,795,612 |
| **SSE** | | | | | |
| 2010 | 2015 | 326,177,540 | - | - | 326,177,540 |
| 2011 | 2016 | 1,668,869,561 | - | - | 1,668,869,561 |
| Six-month period ended 30 June 2012 | 2017 | 291,221,481 | - | - | 291,221,481 |
| **TOTAL** | | **5,124,688,021** | **(191,828,425)** | **-** | **4,932,859,596** |

## 20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Details of remuneration of the Board of Directors and Supervision during the period are as set out below:

| | | *VND* |
|---|---|---|
| | *For the six-month period ended 30 June 2012* | *For the six-month period ended 30 June 2011* |
| Salaries and related expenses | 439,100,000 | 281,500,000 |

## 21. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit after tax attributable to ordinary equity holders of the Group (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic earnings per share computations:

| | | *VND* |
|---|---|---|
| | *For the six-month period ended 30 June 2012* | *For the six-month period ended 30 June 2011* |
| Net profit after tax attributable to ordinary equity holders for basic earnings | 37,524,506,774 | 40,830,367,961 |
| Weighted average number of ordinary shares | 14,811,821 | 14,863,621 |
| **Basic earnings per share** | **2,533** | **2,747** |

There are no potential dilutive ordinary shares as at the balance sheet date.

## 22. SEGMENT INFORMATION

The Group's principal activities are to process seed and agricultural products. The Group views these activities as one business segment. However, the Group manages its geographical segments based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

The Group's geographically segments comprise Ho Chi Minh, Hanoi, Tay Nguyen and Nghe An of Vietnam.

**22. SEGMENT INFORMATION** (continued)

The following tables present revenue, profit and certain asset information regarding the Group's geographical segments:

*VND*

| | *Ho Chi Minh* | *Hanoi* | *Tay Nguyen* | *Nghe An* | *Elimination* | *Total* |
|---|---|---|---|---|---|---|
| **As at and for the six-month period ended 30 June 2011** | | | | | | |
| Revenue | | | | | | |
| *Sales to external customers* | *120,520,957,855* | *55,149,497,159* | *34,487,017,924* | *13,187,708,907* | - | *223,345,181,845* |
| *Inter-segment sales* | - | *10,247,671,600* | - | - | *(10,247,671,600)* | - |
| Total revenue | 120,520,957,855 | 65,397,168,759 | 34,487,017,924 | 13,187,708,907 | (10,247,671,600) | 223,345,181,845 |
| Results | | | | | | |
| *Segment net profit before tax* | *22,153,951,282* | *19,431,265,173* | *10,775,537,163* | *376,553,041* | *(893,083,329)* | *51,844,223,330* |
| *Interest expense* | *(386,333,183)* | - | - | - | - | *(386,333,183)* |
| *Amortisation of goodwill* | *(92,013,539)* | - | - | - | - | *(92,013,539)* |
| *Net profit before income tax* | *21,675,604,560* | *19,431,265,173* | *10,775,537,163* | *376,553,041* | *(893,083,329)* | *51,365,876,608* |
| *Income tax expense* | *(4,393,477,668)* | *(3,938,567,405)* | *(2,184,118,176)* | - | - | *(10,516,163,249)* |
| *Net profit for the period* | *17,282,126,892* | *15,492,697,768* | *8,591,418,987* | *376,553,041* | *(893,083,329)* | *40,849,713,359* |
| Assets and liabilities | | | | | | |
| *Segment assets* | *249,118,416,814* | *42,005,585,152* | *23,695,906,521* | *11,859,272,611* | *(17,524,173,051)* | *309,155,008,047* |
| *Unallocated assets* | *204,298,652* | - | - | - | - | *204,298,652* |
| Total assets | 249,322,715,466 | 42,005,585,152 | 23,695,906,521 | 11,859,272,611 | (17,524,173,051) | 309,359,306,699 |
| *Segment liabilities* | *58,393,868,937* | *13,083,718,891* | *1,505,290,445* | *8,016,522,787* | *(583,986,721)* | *80,415,414,339* |
| Total liabilities | 58,393,868,937 | 13,083,718,891 | 1,505,290,445 | 8,016,522,787 | (583,986,721) | 80,415,414,339 |
| Other segment information | | | | | | |
| Capital expenditure | 11,359,161,944 | - | 273,967,982 | - | - | 11,633,129,926 |
| *Tangible fixed assets* | *4,002,450,564* | - | *273,967,982* | - | - | *4,276,418,546* |
| *Intangible fixed assets* | *7,356,711,380* | - | - | - | - | *7,356,711,380* |
| Depreciation and amortisation | 1,520,360,747 | 597,882,092 | 365,851,357 | 211,063,054 | - | 2,695,157,250 |

**22. SEGMENT INFORMATION** (continued)

The following tables present revenue, profit and certain asset information regarding the Group's geographical segments: (continued)

| | *Ho Chi Minh* | *Hanoi* | *Tay Nguyen* | *Nghe An* | *Elimination* | *VND*<br>*Total* |
|---|---|---|---|---|---|---|
| **As at and for the six-month period ended 30 June 2012** | | | | | | |
| Revenue | | | | | | |
| *Sales to external customers* | *107,974,643,504* | *71,701,519,701* | *33,766,124,585* | *13,088,463,991* | - | *226,530,751,781* |
| *Inter-segment sales* | *1,348,695,173* | *6,733,688,400* | - | - | *(8,082,383,573)* | - |
| Total revenue | 109,323,338,677 | 78,435,208,101 | 33,766,124,585 | 13,088,463,991 | (8,082,383,573) | 226,530,751,781 |
| Results | | | | | | |
| *Segment net profit before tax* | *21,636,230,235* | *20,180,759,381* | *8,277,171,619* | *(144,705,612)* | *666,674,850* | *50,616,130,473* |
| *Interest expense* | *(571,984,367)* | - | - | - | - | *(571,984,367)* |
| *Amortisation of goodwill* | *(92,013,539)* | - | - | - | - | *(92,013,539)* |
| *Net profit before income tax* | *20,972,232,329* | *20,180,759,381* | *8,277,171,619* | *(144,705,612)* | *666,674,850* | *49,952,132,567* |
| *Income tax expense* | *(5,321,028,549)* | *(5,120,217,777)* | *(2,100,065,734)* | - | - | *(12,541,312,060)* |
| *Net profit for the period* | *15,651,203,780* | *15,060,541,604* | *6,177,105,885* | *(144,705,612)* | *666,674,850* | *37,410,820,507* |
| Assets and liabilities | | | | | | |
| *Segment assets* | *257,108,776,550* | *62,707,148,964* | *34,280,794,035* | *9,926,290,590* | *(12,083,188,968)* | *351,939,821,171* |
| *Unallocated assets* | *1,458,648,778* | - | - | - | - | *1,458,648,778* |
| Total assets | 258,567,425,328 | 62,707,148,964 | 34,280,794,035 | 9,926,290,590 | (12,083,188,968) | 353,398,469,949 |
| *Segment liabilities* | *86,899,821,051* | *13,891,075,179* | *1,875,071,436* | *6,516,121,552* | *(9,062,735,460)* | *100,119,353,758* |
| Total liabilities | 86,899,821,051 | 13,891,075,179 | 1,875,071,436 | 6,516,121,552 | (9,062,735,460) | 100,119,353,758 |
| Other segment information | | | | | | |
| Capital expenditure | 1,739,220,493 | - | - | - | - | 1,739,220,493 |
| *Tangible fixed assets* | *1,723,470,493* | - | - | - | - | *1,723,470,493* |
| *Intangible fixed assets* | *15,750,000* | - | - | - | - | *15,750,000* |
| Depreciation and amortisation | 2,190,444,159 | 597,882,092 | 365,851,357 | 517,435,199 | - | 3,671,612,807 |

## 23. OPEARATING LEASE COMMITMENTS

The Group leases office under operating lease agreements. The minimum lease commitment as at 30 June 2012 under operating lease agreements is as follows:

*VND*

| | *30 June 2012* | *31 December 2011* |
|---|---|---|
| Less than 1 year | 2,338,421,960 | 2,734,987,752 |
| From 1 - 5 years | 347,172,000 | 577,172,000 |
| More than 5 years | 945,985,833 | 989,382,333 |
| **TOTAL** | **3,631,579,793** | **4,301,542,085** |

## 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities are trade, loans and borrowings and other payables. The main purpose of these financial liabilities is to finance the Group's working capital requirements and building of seed processing factory. The Group has loan receivables, trade and other receivables, trade and other payable and cash that arise directly from its operations. The Group does not hold or issue any derivative financial instruments.

In its normal operation, the Group may expose to market risk, credit risk and liquidity risk

The management reviews and agrees policies for managing each of these risks which are summarized below:

***Market risk***

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk: interest rate risk and foreign currency risk. Financial instruments affected by market risk include bank deposits

*Interest rate risk*

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

The Group manages interest rate risk by looking at the competitive structure of the market to obtain rates which are favorable for its purposes within its risk management limits.

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

*Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Certain expenses of the Group are denominated in currencies other than the VND. The Group considers that the exposure to foreign currency risk is insignificant.

***Credit risk***

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

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

***Credit risk*** (continued)

*Trade receivables*

The Group's objective is to seek continual revenue growth while minimizing losses incurred due to increased credit risk exposure. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures or require advance payments. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

*Bank deposits*

The Group's bank balances are mainly maintained with well-known banks in Vietnam. The Group's exposure to credit risk arises from default of the counterparty. The Group's maximum exposure to credit risk for the components of the statement of financial position at each reporting dates is the carrying amounts as disclosed in Note 4.

***Liquidity risk***

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

The Group monitors its liquidity risk and maintains a level of cash deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual discounted payments:

*VND*

| | *Less than 1 year* | *From 1 to 5 years* | *Total* |
|---|---|---|---|
| **30 June 2012** | | | |
| Loans and borrowings | 7,557,500,000 | 783,892,740 | 8,341,392,740 |
| Trade payables | 31,213,701,216 | - | 31,213,701,216 |
| Other payables and accrued expenses | 27,116,791,821 | - | 27,116,791,821 |
| | **65,887,993,037** | **783,892,740** | **66,671,885,777** |
| **31 December 2011** | | | |
| Loans and borrowings | 971,000,000 | 1,046,892,740 | 2,017,892,740 |
| Trade payables | 39,385,084,802 | - | 39,385,084,802 |
| Other payables and accrued expenses | 19,413,080,053 | - | 19,413,080,053 |
| | **59,769,164,855** | **1,046,892,740** | **60,816,057,595** |

## 25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

*VND*

| | *Carrying amount* | | | | *Fair value* | |
|---|---|---|---|---|---|---|
| | *30 June 2012* | | *31 December 2011* | | *30 June 2012* | *31 December 2011* |
| | *Cost* | *Provision* | *Cost* | *Provision* | | |
| **Financial assets** | | | | | | |
| Short-term deposit | 201,350,000 | - | 201,350,000 | - | 201,350,000 | 201,350,000 |
| Trade receivable | 65,959,607,765 | (884,726,560) | 49,332,842,051 | (844,215,237) | 65,074,881,205 | 48,448,115,491 |
| Other receivable | 3,359,971,272 | - | 2,737,086,846 | - | 3,359,971,272 | 2,737,086,846 |
| Cash and cash equivalents | 11,718,209,525 | - | 70,262,011,371 | - | 11,718,209,525 | 70,262,011,371 |
| **TOTAL** | **81,239,138,562** | **(884,726,560)** | **122,533,290,268** | **(844,215,237)** | **80,354,412,002** | **121,648,563,708** |

| | *Carrying amount* | | *Fair value* | |
|---|---|---|---|---|
| | *30 June 2012* | *31 December 2011* | *30 June 2012* | *31 December 2011* |
| **Financial liabilities** | | | | |
| Loans and borrowings | 8,341,392,740 | 2,017,892,740 | 8,341,392,740 | 2,017,892,740 |
| Trade payables | 31,213,701,216 | 39,385,084,802 | 31,213,701,216 | 39,385,084,802 |
| Other current liabilities | 27,116,791,821 | 19,413,080,053 | 27,116,791,821 | 19,413,080,053 |
| **TOTAL** | **66,671,885,777** | **60,816,057,595** | **66,671,885,777** | **60,816,057,595** |

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

The fair values of cash and cash equivalents, trade receivables, other receivables, short-term deposit, loans and borrowing, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments

## 26. EVENTS AFTER THE BALANCE SHEET DATE

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

## 27. CORRESPONDING FIGURES

Certain accounts in the prior period's interim consolidated financial statements have been reclassified to conform to the presentation of current period's interim consolidate financial statements

**Signed**

Le Ton Hung
Chief Accountant

**Signed**

Hang Phi Quang
General Director

27 August 2012