

# **Consolidated financial statements**

## **Quarter 3 - 2011**

## **Interim consolidated financial statements Quarter 3 - 2011**

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## 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 period ended 30 September 2011.

### Results

The results of the Group for the period ended 30 September 2011 are set out in the consolidated statement of income.

### Financial indicators of the business

	Unit	2011	2010
<b>Assets structure and capital structure</b>			
<b>Assets structure</b>			
Fixed assets/total assets	%	<b>73.23</b>	72.62
Current assets/total assets	%	<b>26.77</b>	27.38
<b>Capital structure</b>			
Liabilities/total resources	%	<b>64.92</b>	<b>64.94</b>
Owner’s equity/total resources	%	<b>18.59</b>	<b>19.79</b>
<b>Liquidity</b>			
Total assets/liabilities	times	1.23	1.25
Current ratio	times	0.41	0.42
Quick ratio	times	0.09	0.12
<b>Profitability</b>			
<b>Profit (Loss) /net sales</b>			
Profit (Loss) before tax/net sales	%	(8.49)	(2.12)
Profit (Loss) profit/net sales	%	(8.36)	(2.12)
<b>Profit (Loss)/total assets</b>			
Profit (Loss) before tax/total assets	%	(2.41)	(2.06)
Net Profit (Loss) /total assets	%	(2.38)	(2.06)
Net Profit (Loss)/owner’s equity	%	(4.19)	(3.86)

### Boards of Management and Directors

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

<b>Board of Management:</b>		<b>Appointed:</b>	<b>Resigned:</b>
Pang Tee Chiang	Chairman	15-08-2006	23-05-2011
Nguyen Thi Kim Lien	Member	15-08-2006	
Pang Tze Yi	Member	15-08-2006	14-03-2011
Teng Po Wen	Member	15-08-2006	14-03-2011
Pang Tze Wei	Member	28-08-2010	
Ryoichi Yonemura	Member	14-03-2011	
Hiroshi Fujikawa	Member	14-03-2011	
Michio Nagabayashi	General Director	23-05-2011	
<b>Board of Director:</b>			
Pang Tee Chiang	General Director	15-08-2006	23-05-2011
Pang Tze Yi	1st Deputy General Director	11-01-2010	14-03-2011
Nguyen Thi Kim Lien	Finance Director	15-08-2006	
Pang Tze Wei	2nd Deputy General Director	29-08-2010	23-05-2011
Michio Nagabayashi	General Director	23-05-2011	
Hajime Kobayashi	Director/General Manager of Corporate Planning	23-05-2011	
Kazumi Nagashima	Director/General Manager of Factory	23-05-2011	
Hidefumi Matsuo	Director/Finance Controller	23-05-2011	

### Statement of Boards of Directors

In the opinion of the Board of Directors, the accompanying consolidated balance sheet, consolidated statement of income and statement of cash flows, together with the notes thereto, have been properly drawn up and give a true and fair view

of the financial position of the Company as at 30 September 2011 and of its results of operations and cash flows for the period ended 30 September 2011 in accordance with Vietnamese Accounting Standards and system and in compliance with relevant statutory requirements

On behalf of the Board of Directors

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Michio Nagabayashi  
Chairman, General Director  
Dong Nai province, Vietnam

# Consolidated balance sheet

	Notes	Code	30 September 2011		31 December 2010	
			USD	VND million	USD	VND million
<b>Current assets</b>						
<b>Cash and cash equivalents</b>						
Cash	7	111	147,271	3,038	130,854	2,477
<b>Accounts receivable</b>						
Trade accounts receivable		131	313,175	6,460	434,257	8,221
Prepayments to suppliers		132	932,267	19,231	1,114,422	21,098
Other receivables	8	135	102,547	2,115	140,650	2,663
Provision for doubtful debts		139	(24,405)	(503)	(24,405)	(462)
		130	1,323,584	27,303	1,664,924	31,520
<b>Inventories</b>						
Inventories	9	141	7,169,189	147,886	7,530,300	142,564
Provision for decline in inventory v	9	149	(255,842)	(5,278)	(146,582)	(2,775)
		140	6,913,347	142,609	7,383,718	139,789
<b>Other current assets</b>						
Short term prepaid expenses		151	36,237	747	13,555	257
Value added tax to be reclaimed		152	-	-	-	-
Taxes and amounts receivable from	10	154	106,907	2,205	106,907	2,024
Other current assets		158	110,000	2,269	77,129	1,460
		150	253,144	5,222	197,591	3,741
		100	8,637,346	178,171	9,377,087	177,527
<b>Fixed assets</b>						
Tangible fixed assets	11	221	19,555,218	403,385	21,111,296	399,679
<i>Historical cost</i>	11	222	34,370,051	708,985	34,328,710	649,911
<i>Accumulated depreciation</i>	11	223	(14,814,833)	(305,600)	(13,217,414)	(250,232)
Construction in progress	12	230	529,941	10,932	188,896	3,576
		220	20,085,159	414,317	21,300,192	403,255
<b>Other non-current assets</b>						
Long-term prepaid expenses	13	261	1,405,935	29,002	1,432,197	27,114
Deferred tax assets	14	262	2,135,050	44,042	2,135,050	40,421
Other non-current assets		268	7,020	145	8,068	153
		260	3,548,005	73,188	3,575,315	67,688
		200	23,633,164	487,505	24,875,507	470,943
		270	32,270,510	665,676	34,252,594	648,470

# Consolidated balance sheet

	Notes	Code	30 September 2011		31 December 2010	
			USD	VND million	USD	VND million
<b>RESOURCES</b>						
<b>Liabilities</b>						
<b>Current liabilities</b>						
Short term borrowings and debts	15	311	16,959,444	349,839	15,334,594	290,315
Trade accounts payable	16	312	2,803,310	57,827	5,050,620	95,618
Advances from customers		313	89,713	1,851	249,998	4,733
Taxes and amounts payable to state	17	314	135,826	2,802	538,567	10,196
Payable to employees		315	422,462	8,715	444,303	8,412
Accrued expenses payable	18	316	384,427	7,930	464,741	8,798
Intercompany payable		317	67,815	1,399	-	-
Other payables	19	319	87,628	1,808	160,059	3,030
		310	20,950,625	432,169	22,242,882	421,102
<b>Long term liabilities</b>						
Long term deposits		331	1,255	26	1,255	24
Long term borrowings and debts	20	334	4,993,613	103,008	4,993,613	94,539
Deferred tax liabilities	21	335	126,745	2,614	115,209	2,181
Provision for severance allowance		336	140,293	2,894	122,134	2,312
		330	5,261,906	108,543	5,232,211	99,056
			26,212,531	540,712	27,475,093	520,158
<b>Owners' equity</b>						
<b>Capital sources and funds</b>						
Share capital	22	411	18,313,995	377,781	18,313,995	346,721
Share premium	23	412	4,082,759	84,219	4,082,759	77,295
Acquisition reserve		419	(1,562,092)	(32,223)	(1,562,092)	(29,574)
Accumulated losses		420	(14,836,574)	(306,049)	(14,057,161)	(266,130)
		410	5,998,088	123,729	6,777,501	128,312
<b>Minority interest</b>						
Minority interest	24	439	59,891	1,235	-	-
		440	6,057,979	124,964	6,777,501	128,312
			32,270,510	665,676	34,252,594	648,470
<b>Off balance sheet items</b>						
<b>Foreign currencies</b>						
			30 September 2011		31 December 2010	
Vietnamese dong (Million)			10,076		1,568	
Euro			388		369	

Date: 20 October 2011

Michio Nagabayashi  
General Director

Nguyen Hong Phong  
Chief Accountant

## Consolidated statement of income-USD

	Notes	Code	Q3-2011 USD	Q3-2010 USD	YTD 2011 USD	YTD 2010 USD
Gross sales	25		9,425,892	12,631,521	34,214,383	55,610,913
Less deductions:	25		(247,409)	(315,717)	(880,965)	(1,427,294)
Net sales			9,178,483	12,315,804	33,333,418	54,183,619
Cost of sales	26		(7,548,514)	(9,558,130)	(26,812,228)	(41,362,168)
Gross profit			1,629,969	2,757,674	6,521,190	12,821,451
Financial income	27		21,800	545,077	1,495,840	1,748,622
Financial expenses	28		(451,177)	(695,075)	(1,854,534)	(3,261,430)
<i>Including: interest expense</i>			(387,702)	(491,872)	(1,210,883)	(1,855,247)
Selling expenses	29		(1,588,069)	(1,939,163)	(5,616,858)	(7,985,673)
G&A expenses	30		(298,768)	(496,831)	(1,335,399)	(2,682,000)
Operating loss			(686,245)	171,682	(789,761)	640,970
Other income	31		18,353	76,693	433,757	712,511
Other expenses	32		(111,244)	(155,858)	(351,041)	(734,880)
Profit (loss) before tax			(779,136)	92,516	(707,045)	618,601
CIT for the current year	34		-	-	-	-
Deferred CIT			11,536	-	-	(236,004)
Profit(loss) after tax			(767,600)	92,516	(707,045)	382,597
Minority interest			-	(32,820)	(59,891)	-
Net profit			(767,600)	59,696	(766,936)	382,597
Earning(loss) per share	37		(0.02634)	0.00205	(0.02632)	0.01313

Date: 20 October 2011

Michio Nagabayashi  
General Director

Nguyen Hong Phong  
Chief Accountant

## Consolidated statement of income-VND

	Notes	Code	Q3-2011 VND	Q3-2010 VND	YTD 2011 VND	YTD 2010 VND
Gross sales	25		194,437	239,140	705,774	1,147,142
Less deductions:	25		(5,104)	(5,977)	(18,173)	(29,442)
Net sales			189,334	233,163	687,602	1,117,700
Cost of sales	26		(155,711)	(180,955)	(553,083)	(853,219)
Gross profit			33,623	52,208	134,519	264,481
Financial income	27		450	10,319	30,856	36,071
Financial expenses	28		(9,307)	(13,159)	(38,255)	(67,277)
<i>Including: interest expense</i>			(7,998)	(9,312)	(24,978)	(38,270)
Selling expenses	29		(32,759)	(36,712)	(115,865)	(164,728)
G&A expenses	30		(6,163)	(9,406)	(27,547)	(55,324)
Operating loss			(14,156)	3,250	(16,291)	13,222
Other income	31		379	1,452	8,948	14,698
Other expenses	32		(2,295)	(2,951)	(7,241)	(15,159)
Profit (loss) before tax			(16,072)	1,752	(14,585)	12,761
CIT for the current year	34		-	-	-	-
Deferred CIT			238	-	-	(4,868)
Profit(loss) after tax			(15,834)	1,752	(14,585)	7,892
			-	-	-	-
Minority interest			-	(621)	(1,235)	-
Net profit			(15,834)	1,130	(15,820)	7,892
			-	-	-	-
Earning(loss) per share)	37		(0.00054)	0.00004	(0.00054)	0.00027

Date: 20 October 2011

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 Michio Nagabayashi  
 General Director

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 Nguyen Hong Phong  
 Chief Accountant



# Consolidated statements of cash flows

	Notes	Code	30 September 2011		31 December 2010	
			USD	VND million	USD	VND million
<b>Cash flows from operating activities</b>						
Profit/(loss) before tax		1	707,045	14,585	618,601	11,711
Adjustments for:						
Depreciation and amortisation		2	1,597,419	32,952	2,176,237	41,201
Increase in provisions		3	109,260	2,254	(573,535)	(10,858)
Gain on foreign currency translation		4	(1,486,458)	(30,663)	(99,248)	(1,879)
Loss from disposal investments, fixed assets		5	-	-	(330,386)	(6,255)
Interest expense		6	392,971	8,106	1,855,247	35,124
Interest income		7	307,861	6,351	(9,956)	(188)
<b>Operating profit/(loss) before adjustmen</b>		<b>8</b>	<b>1,628,098</b>	<b>33,584</b>	<b>3,636,960</b>	<b>68,855</b>
Change in accounts receivable		9	308,470	6,363	957,600	18,129
Change in inventory		10	361,111	7,449	455,202	8,618
Change in accounts payable		11	(2,898,949)	(59,800)	(424,660)	(8,040)
Change in prepaid expenses		12	3,580	74	164,257	3,110
Interest paid		13	(390,940)	(8,064)	(1,573,256)	(29,785)
Business income tax paid			11,536	238	-	-
<b>Cash generated from operating activities</b>		<b>20</b>	<b>(977,094)</b>	<b>(20,155)</b>	<b>3,216,103</b>	<b>60,887</b>
<b>Cash flows from investing activities</b>						
Acquisition of fixed assets and investment cc		21	(381,338)	(7,866)	(290,405)	(5,498)
Proceeds from disposal of investments and f		22	-	-	-	-
Additional investment in associate		25	-	-	-	-
Capital contributions from minority interest			59,891	1,235	9,956	188
<b>Net cash inflows/(outflows) from investi</b>		<b>30</b>	<b>(321,447)</b>	<b>(6,631)</b>	<b>(280,449)</b>	<b>(5,309)</b>
<b>Cash flows from financing activities</b>						
Proceeds from loan		33	24,190,387	498,999	25,509,834	482,952
Repayments for debt		34	(22,875,429)	(471,874)	(28,562,819)	(540,751)
Dividend payments to investors		36	-	-	-	-
<b>Net cash inflows/(outflows) from financi</b>		<b>40</b>	<b>1,314,958</b>	<b>27,125</b>	<b>(3,052,985)</b>	<b>(57,799)</b>
<b>Net increase/(decrease) in cash</b>		<b>50</b>	<b>16,417</b>	<b>339</b>	<b>(117,331)</b>	<b>(2,221)</b>
<b>Cash and cash equivalents at beginning c</b>		<b>60</b>	<b>130,854</b>	<b>2,699</b>	<b>248,185</b>	<b>4,699</b>
Effects of changes in foreign exchange rates		61	-	-	-	-
<b>Cash and cash equivalents at end of the y</b>		<b>70</b>	<b>147,271</b>	<b>3,038</b>	<b>130,854</b>	<b>2,477</b>

Date: 20 October 2011

Michio Nagabayashi  
General Director

Nguyen Hong Phong  
Chief Accountant

# Notes to the consolidated financial statements

## 1 Nature of operations

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

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

In accordance to the Amended Investment Certificate No. 472033000328 dated 22 April 2011 issued by the Board of Management of Dong Nai Industrial Zone, Mr. Pang Tee Chiang, former General Director, has been allowed to transfer 5,499,840 unlisted shares (equivalent to 18,87% of equity interest) to Indochina Beverage Holdings Ltd. which was established in the British Virgin Island. The Company is in the progress of getting approval from Vietnam Securities Depository.

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

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

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

As at 30 September 2011, the Group had 1116 employees (2010: 1,267 employees).

## 2 Fiscal year and currency

### Fiscal year

The Company’s fiscal year end is 31 December.

### Reporting currency and foreign exchange

The Company’s separate financial statements and those of the consolidated subsidiary are measured and presented using United States dollar (US\$) 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 Company used the United States dollar as its reporting currency in the preparation and presentation of its 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 separate financial statements of the Company must be presented in Vietnam Dong. Consequently, the Company converted the financial statements to Vietnam Dong using the exchange rate published by the State Bank of Vietnam of VND 20,618 /USD (2010: VND18,932 /USD). All resulting foreign currency translation differences are dealt with through equity.

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

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

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

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System, and relevant statutory requirements of the Ministry of Finance, which may differ in some material respects from International Financial Reporting Standards and the generally accepted accounting principles and standards of the country of the reader.

Accordingly, the consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than The Socialist Republic of Vietnam and furthermore their use is not designed for those who are not informed about Vietnam's principles, procedures and practices.

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

The consolidated financial statements are composed of the accounts of the Company and its majority owned subsidiary, Avafood Shareholding Company (Avafood), 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; 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 as 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 of big value). 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.

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

**Minority interest**

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

**3.3 Accounting system and form of records**

The Company uses the general journal method to record its transactions.

**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.

**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 expense”.

**4.5 Construction in progress**

Construction in progress represents the costs of new the ERP software and cost of waste water treatment plant 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 its rightful accounts.

**4.6 Long term prepaid expenses**

*Land rental*

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

#### **4.7 Borrowing costs**

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

#### **4.8 Revenue**

Revenue from sale of goods is recognised in the consolidated statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is 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

#### **4.9 Provisions**

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

#### **4.10 Operating leases**

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

#### **4.11 Income taxes**

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the consolidated 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 consolidated 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.

## Interfood Shareholding Company and its subsidiaries

### 4.12 Earnings/loss per share

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

### 4.13 Equity and reserves

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

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

Acquisition reserves represents the negative goodwill when the Company acquired a subsidiary (Note 3.2)

### 4.14 Related parties

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

### 4.15 Segment report

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

## 5 Subsidiaries and associate

### 5.1 Subsidiaries and associate of the Company at the balance sheet date were as follows:

	Amount		% equity held	
	30 Jun 11 USD	31-Dec-10 USD	30 Jun 11 %	31-Dec-10 %
<b>Subsidiary:</b>				
AvaFood Shareholding Company (1)	4,500,000	4,500,000	90	90
	<b>4,500,000</b>	<b>4,500,000</b>		

#### 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 share 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 US\$11,000,000.

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 US\$16,000,000.

The charter capital of the Subsidiary is VND81,000 million, equivalent to US\$5,000,000. Avafood's total number of shares were 8,100,000 with par value of VND10,000 per share.

The principal activities of the 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.

## 6 Going concern assumption

The 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 12,313,279 as at 30 September 2011 (31 December 2010: USD12,865,795).

The Group's continued existence as a going concern is dependent on the continued financial support of its parent company and ultimately on its ability to operate profitably. The parent company issued a formal undertaking to provide financial support in connection with third party undertakings and relief from related party financial obligations.

Accordingly, the consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to amounts and classifications of liabilities that may be necessary if the Group is unable to continue as a going concern.

## 7 Comparative figures

The figures for the 3rd quarter 2010, which are included in this period's financial statements for comparative purposes, have been adjusted to reflect accounting errors noted after the date of issuance of the said financial statements for the period 31 December 2010.

8 Cash and cash equivalents	30 September 2011		31 December 2010	
	USD	VND million	USD	VND million
Cash on hand	6,627	137	37,162	704
Cash in banks	140,644	2,901	93,692	1,774
	<b>147,271</b>	<b>3,038</b>	130,854	2,477

9 Inventories	30 September 2011		31 December 2010	
	USD	VND million	USD	VND million
Goods in transit	-	-	336,401	6,369
Raw materials	2,636,232	54,380	2,562,539	48,514
Tools and supplies	313,288	6,463	277,095	5,246
Work in progress	1,016,722	20,973	1,173,964	22,225
Finished goods	3,202,948	66,070	3,180,301	60,209
	<b>7,169,189</b>	<b>147,886</b>	<b>7,530,300</b>	142,564
Provision for decline in inventory value	(255,842)	(5,278)	(146,582)	(2,775)
	<b>6,913,347</b>	<b>142,609</b>	<b>7,383,718</b>	<b>139,789</b>

## 10 Taxes and amounts receivable from the State Budget

This represents over- payment of the Company's corporate income tax made for the year 2007. This amounts will be net off against any future tax liabilities or tax filings.

## 11 Tangible fixed assets

Building	Machinery & Equipment	Motor vehicles	Office	Total
USD	USD	USD	USD	USD

**Historical cost**

01/01/2011	4,780,157	28,692,891	557,893	297,769	<b>34,328,710</b>
Acquisition	3,119	25,022	-	13,200	<b>41,341</b>
Disposals	-	-	-	-	-
<b>30/09/2011</b>	<b>4,783,276</b>	<b>28,717,913</b>	<b>557,893</b>	<b>310,969</b>	<b>34,370,051</b>
30/09/2011 (VND million)	<b>98,669</b>	<b>592,393</b>	<b>11,508</b>	<b>6,415</b>	<b>708,985</b>
<i>Fully depreciated</i>	-	<i>1,144,371</i>	<i>262,559</i>	<i>54,416</i>	<i>1,461,346</i>
<i>Fixed assets not in use (*)</i>	-	<i>6,567,962</i>	<i>134,013</i>	<i>87,404</i>	<i>6,789,380</i>
<b>Accumulated depreciation</b>	USD	USD	USD	USD	USD
01/01/2011	(622,442)	(11,989,056)	(435,533)	(170,383)	<b>(13,217,414)</b>
Charge for the year	(122,086)	(1,422,752)	(33,406)	(19,175)	<b>(1,597,419)</b>
Disposals	-	-	-	-	-
<b>30/09/2011</b>	<b>(744,528)</b>	<b>(13,411,808)</b>	<b>(468,939)</b>	<b>(189,558)</b>	<b>(14,814,833)</b>
30/09/2011 (VND million)	<b>(15,358)</b>	<b>(276,659)</b>	<b>(9,673)</b>	<b>(3,910)</b>	<b>(305,600)</b>
<i>Fixed assets not in use (*)</i>	-	<i>(3,435,871)</i>	<i>(133,277)</i>	<i>(83,256)</i>	<i>(3,652,404)</i>
<b>Net book value</b>	USD	USD	USD	USD	USD
01/01/2011	<b>4,157,715</b>	<b>16,703,835</b>	<b>122,360</b>	<b>127,386</b>	<b>21,111,296</b>
30/09/2011	<b>4,038,748</b>	<b>15,306,105</b>	<b>88,954</b>	<b>121,411</b>	<b>19,555,218</b>
30/09/2011 (VND million)	<b>83,311</b>	<b>315,734</b>	<b>1,835</b>	<b>2,504</b>	<b>403,385</b>
<i>Fixed assets not in use (*)</i>	-	<b>3,132,091</b>	<b>736</b>	<b>4,149</b>	<b>3,136,976</b>

As at 30 September 2011, certain fixed assets with an aggregate carrying value of USD 10,991,557 (2010: USD17,579,816) have been pledged with Vietcombank as security for short-term (Note 17 and Note 21).

(\*)These assets include in the assets which had been moved from the old factory located in the centre of Bien Hoa City to the new one located in Tam Phuoc Industrial Park, Bien Hoa City and the idled vending machine and biscuit processing lines. The Company has insufficient demand to justify their re-commissioning and bringing back assets moved from Bien Hoa into its production lines at the present time.

**12 Construction in progress**

	30 September 2011		31 December 2010	
	USD	VND million	USD	VND million
Opening balance	<b>188,896</b>	<b>3,897</b>	410,742	7,776
Additions during the year	<b>341,045</b>	<b>7,035</b>	123,725	2,342
Transferred to tangible fixed assets	-	-	(345,571)	(6,542)
<b>Closing balance</b>	<b>529,941</b>	<b>10,932</b>	188,896	3,576
<b><i>Including:</i></b>				
<i>ERP system</i>	<i>232,192</i>	<i>4,790</i>	<i>179,060</i>	<i>3,390</i>
<i>Waste water system</i>	<i>287,913</i>	<i>5,939</i>	-	-
<i>Other</i>	<i>9,836</i>	<i>203</i>	<i>9,836</i>	<i>186</i>
	<b>529,941</b>	<b>10,932</b>	188,896	3,576

**13 Long term prepaid expenses**

	30 September 2011		31 December 2010	
	USD	VND million	USD	VND million
Opening balance	<b>1,432,197</b>	<b>29,543</b>	1,467,213	27,777
Amortisation	<b>(26,262)</b>	<b>(542)</b>	(35,016)	(663)
<b>Closing balance</b>	<b>1,405,935</b>	<b>29,002</b>	1,432,197	27,114



As at 30 September 2011, the carrying value of long term prepaid expenses represents the prepaid land rentals which have been pledged with Vietcombank as security for all loan contracts as mentioned in Notes 16 and 21.

#### 14 Deferred tax assets

	30 September 2011		31 December 2010	
	USD	VND million	USD	VND million
Opening balance	2,135,050	44,042	2,337,066	44,245
Utilization of tax losses brought forward	-	-	(202,016)	(3,825)
Closing balance	2,135,050	44,042	2,135,050	40,421

Deferred tax asset pertain mostly to the tax deductible loss which can be carried forward to offset with taxable income of the following years.

#### 15 Short term borrowings and debts

	30 September 2011		31 December 2010	
	USD	VND million	USD	VND million
Loans from Vietcombank, Dong Nai (1)	6,959,444	143,559	10,656,946	201,757
Loans from Viet A Bank (2)	-	-	2,980,311	56,423
Loans from Kirin Holding Company (3)	10,000,000	206,280	-	-
Current portion of long term debts (Note 23)	-	-	1,697,337	32,134
	16,959,444	349,839	15,334,594	290,315

##### (1) Loans from Vietcombank Dong Nai

	30 September 2011		31 December 2010	
	USD	VND million	USD	VND million
Denominated in USD	993,379	20,491	1,486,633	28,145
Denominated in EUR	-	-	50,322	953
Denominated in VND	5,966,065	123,068	9,119,991	172,660
	6,959,444	143,559	10,656,946	201,757

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

The applicable interest rates of these loans from January to September in 2011 for dollar denominated loans were 6% to 7% while it was 13.0% to 19% for VND denominated loans. (In 2010 for dollar denominated loans were 6% to 7% while it was 12.0% to 15.5% for VND denominated loans

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

- Agreement No.016/QHKH/NHNT dated 24 September 2004, , in which these loans are secured by the aggregated values of certain machinery. As at 30 September 2011, the carrying value of these pledged assets amounted to USD 3,640,705 (Note 10).

- Agreement No. 2007114/HDBD/NHNT dated 10 Jul 2007 and Appendix No. 2 dated 20 Aug 2010, in which subject loans are secured by pledged machinery and equipment. As at 30 September 2011, the aggregate carrying values of these pledged assets amounts to USD 3,458,786 (Note 8).
- Agreement No. 139/HDBD/NHNT dated 30 Aug 2007 and Appendix No. 1 dated 20 Aug 2010, in which subject loans are secured by a building. As at 30 September 2011, the carrying value of the pledged asset is USD1,922,813 (Note 8)
- Agreement No. 09/QHKH/HD dated 24 May 2004 and Appendix No. 1 dated 20 Aug 2010, in which subject loans are secured by another building. As at 30 September 2011, the carrying value of the pledged assets is USD 1,969,252 (Note 8).
- Agreement on mortgaged land lease right dated 20 Aug 2010, in which these loan are secured by all rights and interest arising from or in connection to the Land lease Agreement. As at 30 September 2011, the carrying value of the land lease rights is USD1,405,935 (Note 10).
- Agreement No. 2010020/HDBD/NHNT dated 20 August 2010 regarding mortgaged ownership of capital contribution of Interfood Shareholding Company (“Interfood”), the parent company, in by Avafood amounting to USD 4,500,000. In addition, Interfood also issued a guarantee which includes performance of guaranteed obligations in the event of dissolution, bankruptcy or insolvency in accordance with Agreement No. 201009/HDBL/NHNT dated 20 August 2010. This agreement has been terminated when Avafood settle all outstanding debts to Vietcombank in June 2011.

**(3) Loans from Kirin Holding Company (2)**

	<b>30 September 2011</b>		31 December 2010	
	USD	VND million	USD	VND million
Denominated in USD	10,000,000	206,280	-	-
	<b>10,000,000</b>	<b>206,280</b>	-	-

On 25 May 2011, the Company entered into a USD7,000,000 revolving loan agreement with Kirin Holdings Company Ltd, the ultimate parent company. The credit facility is subject to interest based on the base rate plus 1% per annum. The base interest rate is equal to the London Inter-Bank Offered Rate for U.S. Dollars published and released to the market at approximately 11:00 AM London time two London Banking Days before the commencement of the Interest period. The applicable interest rate of this loan for the first 6 months of 2011 is 1.731% per annum. The loan matures on 30 May 2012.

In June 2011, the Company entered into another revolving loan agreement with Kirin Holdings Company Ltd, the ultimate parent company, amounting to USD3,000,000. The facility is subject to interest based on the same base rate above plus 1% per annum. Its maturity date is on 01 June 2012. This loan was released to the Company in July 2011.

**(3) Loans from Viet A Bank**

	<b>30 September 2011</b>		31 December 2010	
	USD	VND million	USD	VND million
Denominated in USD	-	-	2,980,311	56,423
	-	-	<b>2,980,311</b>	<b>56,423</b>

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

**16 Trade accounts payable**

	30 September 2011		31 December 2010	
	USD	VND million	USD	VND million
Payable to suppliers	2,718,138	56,070	3,655,174	69,200
Payable to related parties (Note 39)	85,172	1,757	1,395,446	26,419
	<b>2,803,310</b>	<b>57,827</b>	<b>5,050,620</b>	<b>95,618</b>

**17 Taxes and amounts payable to state budget**

	30 September 2011		31 December 2010	
	USD	VND million	USD	VND million
Value added tax	111,164	2,293	289,964	5,490
Corporate income tax	-	-	118,093	2,236
Personal income tax	23,331	481	125,180	2,370
Import, export tax	-	-	2,076	39
Other taxes	1,331	27	3,253	62
	<b>135,826</b>	<b>2,802</b>	<b>538,567</b>	<b>10,196</b>

**18 Accrued expenses payable**

	30 September 2011		31 December 2010	
	USD	VND million	USD	VND million
Transportation	199,889	4,123	205,841	3,897
Trade discounts	83,998	1,733	83,659	1,584
Others	100,539	2,074	175,241	3,318
	<b>384,427</b>	<b>7,930</b>	<b>464,741</b>	<b>8,798</b>

**19 Other payables**

	30 September 2011		31 December 2010	
	USD	VND million	USD	VND million
Dividend payable (Note 39)	24,265	501	24,265	459
Trade union, social and health insurance	25,824	533	15,700	297
Other payable to BOM	35,416	731	106,851	2,023
Other payable	2,122	44	13,243	251
	<b>87,628</b>	<b>1,808</b>	<b>160,059</b>	<b>3,030</b>

**20 Long term borrowings and debts**

	30 September 2011		31 December 2010	
	USD	VND million	USD	VND million
Loans from Vietcombank, Dong Nai (1)	-	-	1,697,337	32,134
Loan from Parent Company	3,430,928	70,773	3,430,928	64,954
Loan from Wonderfarm Biscuits & Confectionery Sdr	1,562,685	32,235	1,562,685	29,585
Less: amount due within one year	-	-	(1,697,337)	(32,134)
	<b>4,993,613</b>	<b>103,008</b>	<b>4,993,613</b>	<b>94,539</b>

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

This should be read along with note 16. The detail of the outstanding loan from Vietcombank, Dong nai branch, are The details of outstanding loan from Vietcombank, Dong Nai branch of Avafood as below:

	30 September 2011		31 December 2010	
	USD	VND million	USD	VND million
Contract No.2007176/NHNT dated 30 August 2007 (	-	-	1,176,127	22,266
Contract No 200846/NHNT dated 21 February 2008	-	-	197,229	3,734

Overdue interest	-	-	-	-
Less: amount due within one year	-	-	323,981	6,134
	-	-	<b>1,697,337</b>	<b>32,134</b>

(a) This pertains to five-year loan amounting to USD1,500,000 under loan contract No.2007176/NHNT dated 30 August 2007. The loan carries interest at the rate of 13.8% per annum for loan in VND and 6.8% for loan in USD.

(b) This represents a loan under contract No 200846/NHNT dated 21 February 2008. The loan bears interest at 15.5% per annum for loan in VND.

All loan agreement signed by VCBDN and Ava have terminated in Jun'2011 when Avafood has settled all principal loan and outstanding interest to VCBDN in Jun'2011

## (2) Loan from parent Company

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

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

According to a Resolution of the BOM's dated 25 December 2008, the balance of payables from Wonderfarm Biscuits & Confectionery Sdn. Bhd. of Avafood will be converted to a five-year shareholder loan. This loan bears interest at SIBOR 3 months less 1% per annum. The actual interest expense of this loan for the year 2009 was from 2% to 2.36%. This loan is unsecured.

## 21 Deferred tax liabilities

	30 September 2011		31 December 2010	
	USD	VND million	USD	VND million
Opening balance	115,209	2,377	81,221	1,538
Charging in the period	11,536	238	33,988	643
<b>Deferred tax liabilities</b>	<b>126,745</b>	<b>2,614</b>	<b>115,209</b>	<b>2,181</b>

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

## 22 Owner's equity

	Paid in capital	Share premium	Acquisition Reserves	Undistributed earnings	Total
	USD	USD	USD	USD	USD
Prior year's opening balance	18,313,995	4,082,759	(1,562,092)	(14,439,758)	6,394,904
Prior year's net loss	-	-	-	1,011,497	1,011,497
Prior year's closing balance	18,313,995	4,082,759	(1,562,092)	(13,428,261)	7,406,401
30 Sep 2010 (VND million)	346,721	77,295	(29,574)	(254,224)	140,218
Current year's opening balance	18,313,995	4,082,759	(1,562,092)	(14,057,161)	6,777,501
Current year's net profit	-	-	-	(766,936)	(766,936)
Foreign exchange differences	-	-	-	(12,477)	(12,477)

Current year's closing balance	<b>18,313,995</b>	<b>4,082,759</b>	<b>(1,562,092)</b>	<b>(14,836,574)</b>	<b>5,998,088</b>
30 September 2011 (VND million)	377,781	84,219	(32,223)	(306,049)	123,729

### 23 Paid-in capital

The Company's charter capital is VND291,409,840 thousand (equivalent US\$18,313,995), which is divided into 29,140,984 ordinary shares with par value of VND10,000 each.

	Number of shares	31-Mar-11 VND'000	USD equivalent
Authorized	29,140,992	291,409,920	<b>18,314,000</b>
Issued and fully paid	29,140,984	291,409,840	<b>18,313,995</b>

Details of shareholders as at 30 September 2011 are as follows:

#### Number of shares

	Listed shares	Unlisted shares	Total	Equivalent capital amount	
				VND'000	%
Trace Ocean Holding SDN BHD	-	16,684,646	<b>16,684,646</b>	<b>166,846,460</b>	57.25%
Pang Tee Chiang	1,237,469	5,499,840	<b>6,737,309</b>	<b>67,373,090</b>	23.12%
Yau Hau Jan	-	81,139	<b>81,139</b>	<b>811,390</b>	0.28%
Ng Eng Huat	800,403	-	<b>800,403</b>	<b>8,004,030</b>	2.75%
Public shareholders	4,837,487	-	<b>4,837,487</b>	<b>48,374,870</b>	16.60%
	<b>6,875,359</b>	<b>22,265,625</b>	<b>29,140,984</b>	<b>291,409,840</b>	100%

### 24 Minority interest

	30 September 2011		31 December 2010	
	USD	VND million	USD	VND million
Opening balance	-	-	-	-
Minority interest in net loss of AvaFood	<b>59,891</b>	<b>1,235</b>	-	-
Closing balance	<b>59,891</b>	<b>1,235</b>	-	-

### 25 Revenues

	Q3-2011		Q3-2010	
	USD	VND million	USD	VND million
<b>Revenue</b>				
Domestic sales	<b>8,751,681</b>	<b>180,530</b>	11,982,063	226,844
Export sales	<b>674,211</b>	<b>13,908</b>	658,895	12,474
	<b>9,425,892</b>	<b>194,437</b>	12,640,958	239,319
Sales deduction:				
Sales allowance	<b>(240,499)</b>	<b>(4,961)</b>	(322,910)	(6,113)
Sales return	<b>(6,910)</b>	<b>(143)</b>	(2,244)	(42)
	<b>9,178,483</b>	<b>189,334</b>	12,315,804	233,163
<b>Net sales</b>	<b>9,178,483</b>	<b>189,334</b>	12,315,804	233,163

### 26 Cost of goods sold

	Q3-2011		Q3-2010	
	USD	VND million	USD	VND million
Cost of goods sold for domestic sales	<b>6,955,405</b>	<b>143,476</b>	8,912,150	168,725
Cost of goods sold for export sales	<b>593,109</b>	<b>12,235</b>	645,980	12,230

	7,548,514	155,711	9,558,130	180,955
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**27 Income from financial activities**

	Q3-2011		Q3-2010	
	USD	VND million	USD	VND million
Interest income from bank deposits	2,031	42	2,034	39
Interest income from disposal investment in subsidiar	-	-	-	-
Realised gains from foreign exchange	19,769	408	543,043	10,281
Unrealised gains from foreign exchange	-	-	-	-
	<b>21,800</b>	<b>450</b>	<b>545,077</b>	<b>10,319</b>

**28 Expenses for financial activities**

	Q3-2011		Q3-2010	
	USD	VND million	USD	VND million
Interest expense	392,971	8,106	491,872	9,312
Realised foreign exchange losses	58,206	1,201	203,203	3,847
UnRealised foreign exchange losses	-	-	-	-
Other finance expenses	-	-	-	-
	<b>451,177</b>	<b>9,307</b>	<b>695,075</b>	<b>13,159</b>

**29 Selling expenses**

	Q3-2011		Q3-2010 (restated)	
	USD	VND million	USD	VND million
Transportation expense	511,570	10,553	657,762	12,453
Salary	429,631	8,862	411,734	7,795
Sale commission/promotion	509,700	10,514	724,300	13,712
Depreciation	33,247	686	18,422	349
Office rental fee	32,614	673	29,336	555
Other expenses	71,308	1,471	97,609	1,848
	<b>1,588,069</b>	<b>32,759</b>	<b>1,939,163</b>	<b>36,712</b>

**30 General and administration expenses**

	Q3-2011		Q3-2010 (restated)	
	USD	VND million	USD	VND million
Salary	150,097	3,096	241,719	4,576
Depreciation and amortisation	12,035	248	21,052	399
Office expenses	630	13	3,098	59
Bank charges	7,855	162	8,439	160
Outside services expenses	67,583	1,394	94,501	1,789
Consultant fee	41,148	849	49,504	937
Others	19,419	401	78,518	1,487
	<b>298,768</b>	<b>6,163</b>	<b>496,831</b>	<b>9,406</b>

**31 Other income**

	Q3-2011		Q3-2010	
	USD	VND million	USD	VND million
Compensation for loss of inventories	-	-	-	-
Other income	18,353	379	76,693	1,452
	<b>18,353</b>	<b>379</b>	<b>76,693</b>	<b>1,452</b>

**32 Other expenses**

	Q3-2011		Q3-2010 (restated)	
	USD	VND million	USD	VND million
Depreciation of idle assets	110,652	2,283	92,442	1,750
Administration penalty	-	-	-	-
Others	592	12	63,416	1,201
	<b>111,244</b>	<b>2,295</b>	<b>155,858</b>	<b>2,951</b>

**33 Cost by element**

	Q3-2011		Q3-2010	
	USD	VND million	USD	VND million
Raw materials	5,410,659	111,611	9,320,573	176,457
Labour cost	264,607	5,458	356,280	6,745
Depreciation and amortisation	308,820	6,370	363,781	6,887
Outside service costs	518,806	10,702	731,510	13,849
Other costs	545,601	11,255	758,990	14,369
	<b>7,048,493</b>	<b>145,396</b>	<b>11,531,134</b>	<b>218,307</b>

**34 Corporate income tax****Interfood Shareholding Company**

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

According to Decree No. 24/2007/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, Biên Hòa City.

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 to 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, the Company 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 (2011: 25%; 2010: 25%).

### The Group:

No provision for corporate income tax has been made for the period ended 30 September 2011 because of the Group has still made loss. 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

	30 September 2011		30 September 2010	
	USD	VND million	USD	VND million
Accounting profit/loss before tax	-	-	(707,045)	(13,386)
<b>Temporary difference</b>				
Estimated temporary differences not yet deductible expenses for tax p	-	-	698,878	13,231
Temporary differences of prior year realised in this year	-	-	(483,145)	(9,147)
Temporary differences between accounting base and tax base in relatic	-	-	(92,284)	(1,747)
<b>Permanent differences</b>				
Estimated non deductible expenses for tax purposes	-	-	492,264	-
<b>Taxable profit/(loss)</b>	-	-	(91,332)	(11,049)
Utilization of taxable loss carried forward of Interfood Shareholding C	-	-	(202,016)	(3,825)
Deferred Income tax expense of Avafood Shareholdir	-	-	(33,988)	(643)
<b>Profit after tax</b>	-	-	(327,336)	(15,517)

Tax losses can be carried forward to offset future years' 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
2006	Not yet performed	1,243,385
2007	Not yet performed	286,568
2008	Not yet performed	14,514,664
2009	Not yet performed	541,481
		<b>16,586,098</b>

### 35 Related party transaction and balances

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

Related parties	Relation	Transaction	USD
Mr. Pang Tee Chiang (Note 23)	Chairman/	Loan and interest	94,597
		Other payable	7,485
Chuan Li Can Manufacturing (Vietr Affiliate)		Purchase Material	687,095
Kirin Holding Limited	Parent Company	Short-term loan	7,000,000
		Interest	10,125
Trade Ocean Holdings Sdn Bhd	Parent Company	Transfer loan from Mr TC	3,430,928

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

Related parties	Relation	Transaction	Trade payable	Loan
			USD	USD
Wonderfarm Biscuits & Confection	Minority interest	Loan	-	1,562,685
Chuan Li Can Manufacturing (Vietr Affiliate)		Purchase Material	388,954	-
Kirin Holding Limited	Parent Company	Short-term loan	-	7,000,000
		Interest	-	10,125



Trade Ocean Holdings Sdn Bhd	Parent Company	Internal payable	-	3,430,928
				<b>12,003,738</b>

### 36 Segmental information

At 30 September 2011, 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 period ended 30 September 2011 are as follows:

	Domestic USD	Export USD	Total USD
Sales revenue - net	8,504,272	674,211	9,178,483
Cost of sales	(6,955,405)	(593,109)	(7,548,514)
Gross profit	1,548,866	81,103	1,629,969
Gross profit (VND million)	31,950	1,673	33,623

The segment results for the period ended 30 September 2010 are as follows:

	Domestic USD	Export USD	Total USD
Sales revenue - net	11,658,139	657,665	12,315,804
Cost of sales	(8,912,150)	(645,980)	(9,558,130)
Gross profit	2,745,989	11,685	2,757,674
Gross profit (VND million)	51,987	221	52,208

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

The segment results for the period ended 30 September 2011 are as follows:

	Drinks USD	Biscuits USD	Other USD	Total USD
Sales revenue - net	6,937,476	233,487	2,007,520	9,178,483
Cost of sales	(5,873,914)	(205,222)	(1,469,379)	(7,548,514)
Gross profit	1,063,562	28,266	538,142	1,629,969
Gross profit (VND million)	21,939	583	11,101	33,623

The segment results for the period ended 30 September 2010 are as follows:

	Drinks USD	Biscuits USD	Other USD	Total USD
Sales revenue - net	11,162,807	307,037	845,960	12,315,804
Cost of sales	(9,033,555)	(321,266)	(203,309)	(9,558,130)
Gross profit	2,129,252	(14,229)	642,651	2,757,674
Gross profit (VND million)	40,311	(269)	12,167	52,208

### 37 Profit (Loss) per share and dividends

Basic profit(loss) per share is shown below:

	30 September 2011		30 September 2010	
	USD	VND million	USD	VND million
Profit(Loss) attributable to shareholders of the Company	(767,600)	(15,834)	382,597	7,243
Weighted average number of ordinary shares on issue	29,140,984	29,140,984	29,140,984	29,140,984
Basic profit (loss) per share (USD/VND thousand)	(0.026)	(0.543)	0.013	0.249

No dividend was declared from Jan to Sept in 2011. As at 30/09/2011, the 2007 dividends payable amounting to USD24,265 was not paid and included in the other payables (Note 22).

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

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

	30 September 2011		31 December 2010	
	USD	VND million	USD	VND million
Board of Management fees	12,514	258	13,863	262
Salary	284,107	5,861	459,810	8,705
	<b>296,621</b>	<b>6,119</b>	<b>473,673</b>	<b>8,968</b>

### 39 Commitments

As at 30 September 2011, the Company was committed under non cancellable operating lease agreements in the following amounts:

	30 September 2011		30 September 2010	
	USD	VND million	USD	VND million
Within the next year	94,079	1,941	184,574	3,494
Within two to five years	2,400	50	273,483	5,178
Over five years	-	-	3,168	60
	<b>96,479</b>	<b>1,990</b>	<b>461,225</b>	<b>8,732</b>

The consolidated financial statements were approved by the Board of Directors on 20 October 2011.

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

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 Nguyen Hong Phong  
 Chief Accountant