

Separate financial statements and auditors' report of  
factual findings

Interfood Shareholding Company

31 December 2011

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# Report of the Board of Directors

The Board of Directors submits its report together with the audited separate financial statements of Interfood Shareholding Company (“the Company”) for the year ended 31 December 2011.

## Result of operations

The results of the Company’s operations for the year ended 31 December 2011 are set out in the separate statement of income.

## Financial indicators of the business

	Unit	Year 2011	Year 2010
<b>Assets structure and capital structure</b>			
<b>Assets structure</b>			
Non-current assets/total assets	%	<b>50.99</b>	56.09
Current assets/total assets	%	<b>49.01</b>	43.91
<b>Capital structure</b>			
Liabilities/total resources	%	<b>76.93</b>	66.88
Owner’s equity/total assets	%	<b>23.07</b>	33.12
<b>Liquidity</b>			
Total assets/liabilities	times	<b>1.30</b>	1.50
Current ratio	times	<b>0.73</b>	0.77
Quick ratio	times	<b>0.08</b>	0.01
<b>Profitability</b>			
<b>Profit/net sales</b>			
Profit (loss) before tax/net sales	%	<b>(7.67)</b>	1.50
Net profit (loss)/net sales	%	<b>(7.86)</b>	1.13
<b>Profit/total assets</b>			
Profit (loss) before tax/total assets	%	<b>(9.08)</b>	2.31
Net profit (loss)/total assets	%	<b>(9.30)</b>	1.73
<b>Net profit (loss)/owner’s equity</b>	%	<b>(40.32)</b>	5.24

## Auditors

The separate financial statements presented in United States Dollars for the year ended 31 December 2011 have been audited by Grant Thornton (Vietnam) Ltd. The present statements, translated to Vietnamese Dong, have not been audited but have been reviewed in accordance with circular 244/2009/TT-BTC.

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

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

### Statement of responsibility by the Board of Directors

The Board of Directors is responsible for ensuring that the separate financial statements are properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of the results of its operations and its cash flows for the year then ended, in accordance with Vietnamese Accounting Standards and System and in compliance with the relevant statutory requirements. When preparing the separate financial statements, the Board of Directors is required to:

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

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

**Approval of the separate financial statements**

The Board of Directors hereby approves the accompanying separate financial statements of the Company for the year ended 31 December 2011, which include the balance sheet, statement of income and statement of cash flows, together with the notes thereto. In the opinion of the Board of Directors these separate financial statements have been properly drawn up and give a true and fair view of the financial position of the Company as at 31 December 2011 and of its results of operations and cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and in compliance with relevant statutory requirements.

On behalf of the Board of Directors

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Michio Nagabayashi  
Chairman, General Director

Dong Nai Province, Vietnam  
Date \_\_\_\_\_

# Report of factual findings

on the separate financial statements of Interfood Shareholding Company  
for the year ended 31 December 2011

Grant Thornton (Vietnam) Ltd  
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No. HCM/12/027/1

## To the Board of Management of Interfood Shareholding Company

We have performed the procedures agreed with Interfood Shareholding Company (“the Company”) with respect to the translation of all figures in the accompanying separate financial statements for the year ended 31 December 2011 from the United States Dollar (USD ) into Vietnamese dong (VND ). Our engagement was undertaken in accordance with VSA 920 “Engagements to perform agreed-upon procedures regarding financial information”. The agreed-procedures that we performed are as follows:

1. Obtained the separate financial statements which contained the translated amounts from USD to VND and reviewed the figures prior to translation to ascertain whether or not said figures were consistent with the figures in the Company’s audited separate financial statements as at and for the year ended 31 December 2011.
2. Reviewed the exchange rates used in the translation and ascertained whether or not said rates were consistent with the guidance mentioned under Circular No.244/2009/TT-BTC dated 31 December 2009 issued by Ministry of Finance. In accordance with this circular, separate financial statements expressed in foreign currencies (including comparative amounts) should be converted into Vietnamese Dong at the average inter-bank exchange rate at the balance sheet date. If such exchange rate is not available at the balance sheet date, the nearest average inter-bank exchange rate may be used.
3. Reviewed the accuracy of the translation.

We report our findings below:

- a) With respect to item 1: The figures used and translated from USD to VND were consistent with the figures presented in the audited separate financial statements as at and for the year ended 31 December 2011.
- b) With respect to item 2: The audited separate financial statements expressed in USD were translated into Vietnamese Dong at the average inter-bank exchange rate at the balance sheet date.
- c) With respect to item 3: The translation was accurately performed.

Because the above procedures do not constitute either an audit or a review made in accordance with Vietnamese Standards on Auditing, we do not express any assurance on the Company's translated separate financial statements for the year ended 31 December 2011.

Had we performed additional procedures or had we performed an audit or review of the separate financial statements in accordance with Vietnamese Standards on Auditing, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the accounts and items specified above and does not extend to any other financial statements of Interfood Shareholding Company.

**GRANT THORNTON (VIETNAM) LTD**

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**Melvyn George Crowle**

Auditor's Certificate No. N0297/KTV

General Director

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**Tran Vuong Vu**

Auditor's Certificate No. 1210/KTV

Auditor

Ho Chi Minh City, Vietnam

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

# Separate balance sheet

	Notes	Code	31 December 2011 VND million	31 December 2010 VND million
<b>ASSETS</b>				
<b>Current assets</b>				
<b>Cash and cash equivalents</b>				
Cash	7	111	40,966	2,229
<b>Accounts receivable</b>				
Trade accounts receivable		131	8,676	8,221
Prepayments to suppliers		132	4,714	15,784
Receivables from related parties	32	133	173,674	119,843
Other receivables		135	92	2,517
Provision for short term doubtful debts		139	-	(462)
		130	187,156	145,903
<b>Inventories</b>				
Inventories	8	141	137,424	144,429
Provision for decline in inventory value	8	149	-	(2,775)
		140	137,424	141,654
<b>Other current assets</b>				
Short term prepaid expenses		151	69	126
Taxes and amounts receivable from the State Budget	9	154	2,227	2,024
Other current assets		158	872	1,460
		150	3,168	3,610
		100	368,714	293,396
<b>Non-current assets</b>				
<b>Fixed assets</b>				
Tangible fixed assets	10	221	240,003	245,615
- Historical cost		222	490,567	446,583
- Accumulated depreciation		223	(250,564)	(200,968)
Construction in progress	11	230	7,096	3,576
		220	247,099	249,191
<b>Long term investments</b>				
Investments in subsidiary	12	251	93,726	85,194
<b>Other non-current assets</b>				
Deferred tax assets	13	262	42,787	40,421
		200	383,612	374,806
		270	752,326	668,202



	Note	Code	31 December 2011 VND million	31 December 2010 VND million
<b>RESOURCES</b>				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Short term borrowings and debts	14	311	395,732	255,148
Trade accounts payable	15	312	64,622	94,388
Advances from customers		313	3,150	4,733
Taxes and amounts payable to State Budget	16	314	2,845	7,007
Payables to employees		315	7,004	7,333
Accrued expenses payable	17	316	8,637	8,256
Other payables	18	317	22,767	2,948
		310	504,757	379,813
<b>Long term borrowings and debts</b>				
Other long term liability		333	26	24
Long term borrowings and debts	19	334	71,459	64,954
Provision for severance allowance		336	2,558	2,078
		330	74,043	67,056
		300	578,800	446,869
<b>Owners' equity</b>				
<b>Capital sources and funds</b>				
Paid-in capital	20,21	411	381,444	346,721
Share premium	20	412	85,036	77,295
Accumulated losses	20	420	(292,954)	(202,683)
		410	173,526	221,333
		440	752,326	668,202

**Off balance sheet items**

	31 December 2011	31 December 2010
<b>Foreign currencies</b>		
Vietnamese dong (million)	5,407	1,335
Euro	383	369

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

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 Michio Nagabayashi  
 General Director

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 Nguyen Hong Phong  
 Chief Accountant

# Separate statement of income

	Note	Code	Year ended 31 Dec 2011	Year ended 31 Dec 2010
			VND million	VND million
Gross sales	22	PL01	914,116	1,052,111
Less sale deductions:	22	PL02	(23,917)	(27,022)
Net sales	22		890,199	1,025,089
Cost of sales	23	PL11	(755,122)	(805,891)
Gross margin			135,077	219,198
Income from financial activities	24	PL21	40,288	33,049
Expenses from financial activities	25	PL22	(52,226)	(46,047)
<i>Including: interest expense</i>			28,461	22,316
Selling expenses	26	PL24	(148,843)	(149,557)
General and administration expenses	27	PL25	(33,791)	(44,845)
Operating profit/(loss)			(59,495)	11,798
Other income	28	PL31	2,437	13,472
Other expenses	29	PL32	(11,232)	(9,853)
Other profit (loss)			(8,795)	3,619
Profit/(loss) before tax			(68,290)	15,417
Corporate income tax	31	PL51	-	-
Deferred corporate income tax	31	PL52	(1,681)	(3,825)
<b>Net profit (loss)</b>			<b>(69,971)</b>	<b>11,592</b>
Basic earnings /(loss) per share – Basic and Diluted – VND	35		(2,499)	398

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

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

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Nguyen Hong Phong  
Chief Accountant

# Separate statement of cash flows

	Code	Year ended 31 December 2011 VND million	Year ended 31 December 2010 VND million
<b>Cash flows from operating activities</b>			
Profit(Loss) before income tax	01	(68,290)	15,417
<i>Adjustments for:</i>			
Depreciation and amortisation	02	31,708	29,120
Decrease in provisions	03	(3,561)	(10,204)
Gain from unrealised foreign exchange differences	04	(74)	(345)
(Gain)/ loss on divestment and disposal of certain assets	05	1,459	(5,680)
Interest expense	06	28,461	22,316
Interest income	07	(10,870)	(8,621)
<b>Operating profit before adjustments to working capital</b>	08	<b>(21,167)</b>	42,003
Changes in accounts receivable	09	(25,400)	(68,413)
Changes in inventories	10	21,469	(7,432)
Changes in accounts payable	11	(19,441)	(1,261)
Changes in prepaid expenses	12	70	3,110
Interest paid	13	(26,528)	(22,316)
<b>Cash used in operating activities</b>	20	<b>(70,997)</b>	(54,309)
<b>Cash flows from investing activities</b>			
Acquisitions of fixed assets and construction in progress	21	(5,739)	(5,027)
Interest received	27	219	169
<b>Net cash outflows from investing activities</b>	30	<b>(5,520)</b>	(4,858)

	Code	Year ended 31 December 2011 VND million	Year ended 31 December 2010 VND million
<b>Cash flows from financing activities</b>			
Loan proceeds	33	931,386	482,952
Debt repayments	34	(816,355)	(425,873)
<b>Net cash inflows from financing activities</b>	40	<b>115,031</b>	<b>57,079</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
	50	<b>38,514</b>	(2,088)
Cash and cash equivalents at beginning of the year	60	2,229	4,089
Translation difference		223	228
<b>Cash and cash equivalents at end of the year</b>	70	<b>40,966</b>	<b>2,229</b>

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

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

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 Nguyen Hong Phong  
 Chief Accountant

# Notes to the separate 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 by Trade Ocean Holdings Sdn Bhd, a company incorporated in Malaysia, for a period of 40 years pursuant to Investment Licence No. 270/GP, dated 16 November 1991.

After the initial investment license, there were a series of amendments as follows:

- Investment Licence No. 270 CPH/GP dated 9 August 2005 which allowed the Company to convert into a shareholding company with foreign owned capital under the name of Interfood Shareholding Company with a total investment capital and charter capital of USD 30,000,000 and USD 13,000,000 respectively. The Company’s total number of shares was 13,000,000 with par value of USD 1 per share and held by four founding shareholders;
- Investment Licence No. 270 CPH/GPDC2 dated 15 June 2006 allowing the Company to change the par value of its shares from USD 1 per share to VND 10,000 per share and the Company’s charter capital was changed from USD 13,000,000 to VND 206,636,000 thousand. As a result, the total shares of the Company changed from 13,000,000 shares with par value of USD 1 per share to 20,663,600 shares with par value of VND 10,000 per share;
- Investment Licence No. 270 CPH/GCNDC3 dated 23 August 2006 allowed the Company to increase its charter capital to VND 242,841,600 thousand. The total shares of the Company increased to 24,284,160 by registering and issuing 3,620,560 new shares.

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

Under the Investment Certificate No. 472033000328 dated 28 November 2007 issued by the Board of Management of Dong Nai Industrial Zone, the total investment capital of the Company is VND 1,444,500 million, equivalent to USD 90 million. The charter capital of the Company is VND 291,409,920 thousand. The total shares of the Company were increased to 29,140,992 with par value of VND 10,000 per share. An additional 4,856,832 new shares were issued and registered, in which 1,145,887 shares were allowed to be listed bringing the total to 6,875,359 shares being listed.

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 addition, under the resolution of the 1st Extraordinary General Assembly of Shareholders dated 30 July 2011, the Company will delist its shares currently listed on Ho Chi Minh City Stock Exchange. However, as at 31 December 2011, the Company has not yet submitted the application to the Stock 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; and to manufacture packaging for foods and beverages.

As at 31 December 2011, the Company had 674 employees (2010: 1,284 employees).

## **2 Fiscal year and currency**

### **Fiscal year**

The Company’s fiscal year end is 31 December.

### **Currency and foreign exchange**

As approved by the Ministry of Finance in its Official Letter No. 550 TC/CDKT dated 5 September 1998, the Company used the United States Dollar as its reporting currency in the preparation and presentation of its separate financial statements. The accompanying financial statements were prepared for the purpose of complying with Circular No. 244/2009/TT-BTC dated 31 December 2009 issued by the Ministry of Finance. Under the said circular, financial statements expressed in foreign currencies have to be translated into Vietnamese Dong using the average inter-bank exchange rate at reporting date. The average inter-bank exchange rate as at 31 December 2011 was VND 20,828/USD.

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

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

### **Basis of preparation of separate financial statements**

The separate financial statements have been prepared in accordance with the 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 separate 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. Furthermore, their use is not designed for those who are not informed about Vietnam’s accounting principles, procedures and practices.

### **Accounting system and form of records**

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

### **Separate financial statements**

This set of financial statements is the separate financial statements of Interfood Shareholding Company. The consolidated financial statements of the Company and its subsidiaries are to be prepared by the Management in accordance with the requirements of Vietnamese Accounting Standards and System and presented separately.

Subsidiaries are all entities over which the Company has the power to control the financial and operating policies. The Company obtains and exercises control through voting rights. In the separate financial statements investment in subsidiaries is accounted for at cost.

#### **4 Changes in accounting policies**

##### **Adoption of new regulations**

The Company has adopted the Circular No. 210/2009/TT-BTC (“the Circular”) dated 06 November 2009 guiding the application of International Financial Reporting Standards (IAS 32 and IFRS 7) on the presentation of financial statement and disclosures on financial instruments, which is relevant to and effective for the Company’s separate financial statements for fiscal years beginning 01 January 2011. The above mentioned circular will be applied prospectively in accordance with Circular No. 20/2006/TT-BTC.

The adoption of the Circular did not have any material impact on the presentation and disclosures of the separate financial statements of the Company.

The related disclosures are presented in Note 38 and Note 39.

#### **5 Accounting policies**

##### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and cash in bank as well as bank deposits of three months or less.

##### **Inventory**

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

##### **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.

##### **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 follows:

Machinery and equipment	10 – 15 years
Motor vehicles	6 years
Office equipment	10 years

The above depreciation rates are not consistent with the guidelines under Decision 203/2009/TT-BTC dated 20 October 2009. However 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.

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 is recognised as part of “Other expenses”.

**Construction in progress**

Construction in progress mainly represents the costs of new ERP software. No depreciation is recognised until the project is complete and until the asset is available for its intended use at which time the related costs are transferred to intangible fixed assets.

**Investment in subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost.

**Financial instruments*****Recognition and initial measurement***

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

***Financial assets***

For presentation and disclosure purposes in accordance with Circular 210/2009/TT-BTC, financial assets other than those designated and effective as hedging instruments are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments (HTM), available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

***Financial assets at FVTPL***

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument or a financial guarantee contract.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. During the year, the Company did not invest in any financial assets at FVTPL.

***Held-to-maturity investments***

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Company has the intention and ability to hold them until maturity

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market



*AFS financial assets*

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other category of financial assets.

Fair value of financial assets under each group is disclosed at each relevant note. Fair value is determined in the manner described in Note 39.

***Financial liabilities and equity instruments****Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

*Compound instruments*

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole.

Transaction costs relating to the issue of a compound financial instrument shall be amortized in proportion to the liability and equity components of such instrument. Transaction costs relating to different transactions shall be amortized for such transactions on a pro-rata basis. Transaction costs shall be accounted for as a deduction from equity in the reporting period

*Financial liabilities*

For presentation and disclosure purpose in accordance with Circular 210/2009/TT-BTC, financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities at the amortized cost.

*Financial liabilities at FVTPL*

A financial liability at fair value through profit or loss is a financial liability that meets either of the following conditions:

- It has been incurred principally for the purpose of re-purchasing in the near future; or
- It is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument or a financial guarantee contract.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 39.

*Other financial liabilities*

Other financial liabilities, including borrowings are measured at cost. Information on amortised cost of other financial liabilities is disclosed in the notes to the financial statements as required under Circular 210/2009/TT-BTC, and is determined as equalling the initially recognized value of that financial liability minus principal repayments, plus or minus accrued amortizations calculated by the effective interest method of the difference between the initially recorded value and the value upon maturity, minus deductions (directly or through a contingency account) due to impairment or irrecoverability.

Effective interest method is a method of calculating the amortized cost of one or a group of financial liabilities and allocating the interest income or expense over the relevant period. Effective interest rate is the discount interest rate of cash flows forecast to be settled in the future throughout the expected life cycle of a financial instrument or in a shorter period, when necessary, to return to the current net carrying amount of financial liability.

**Payables and accruals**

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

**Employee benefits***Post employment benefits*

Post employment benefits are paid to retired employees of the Company by the Social Insurance Agency which belongs to the Ministry of Labour and Social Affairs. The Company is required to contribute to these post employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 16% of an employee's basic salary on a monthly basis. The Company has no further obligation to fund the post employment benefits of its employees.

*Unemployment benefits*

According to Circular No. 04/2009/TT-BLĐTBXH guiding Decree No. 127/2008/ND-CP on unemployment insurance, from 1 January 2009, the Company is obliged to pay unemployment insurance at 1% of its salary fund for payment of unemployment insurance for insurance participants and deduct 1% of salary of each employee to simultaneously pay to the Unemployment Insurance Fund.

**Borrowing costs**

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

**Revenue**

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

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

**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.

**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.

**Income taxes**

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to

which they relate based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the 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 separate financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

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

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the 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.

### **Earnings (loss) per share**

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

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

### **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.

### **Segment reporting**

The Company 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 Company operated in two segments: domestic sales and export sales. In addition, there are 2 main kinds of product: Drinks and Biscuits.

## **6 Going concern assumption**

The separate financial statements have been prepared assuming that the Company will continue as a going concern notwithstanding the fact that the Company's current liabilities exceeded its current assets by USD 6,531,770 (equivalent to VND 136,043 millions) as at 31 December 2011 (31 December 2010: USD 4,564,647, equivalent to VND 86,417 millions).

The Company's continued existence as a going concern is dependent on the continued financial support of its ultimate parent company and ultimately on its ability to operate profitably. The ultimate 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 separate 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 Company is unable to continue as a going concern.

**7 Cash**

	31 December 2011	31 December 2010
	VND million	VND million
Cash on hand	188	548
Cash in banks	40,778	1,681
	<b>40,966</b>	<b>2,229</b>

**8 Inventories**

	31 December 2011	31 December 2010
	VND million	VND million
Goods in transit	-	6,369
Raw materials	39,033	48,515
Tool and supplies	8,542	5,246
Work in progress	12,879	22,225
Finished goods	76,970	62,074
	<b>137,424</b>	<b>144,429</b>
Provision for decline in inventory value	-	(2,775)
	<b>137,424</b>	<b>141,654</b>

**9 Taxes and amounts receivable from the State Budget**

The amount of USD 106,907 (equivalent to VND 2,227 millions) represents over - payment of the Company's corporate income tax made for the year 2007. This amount will be netted off against tax liabilities or tax filings in the coming year.

**10 Tangible fixed assets**

	Plant and machinery	Motor vehicles	Office Equipment	Total
	VND million	VND million	VND million	VND million
<b>Historical cost</b>				
1 January 2011	432,343	9,573	4,667	<b>446,583</b>
Additions	2,619	-	339	<b>2,958</b>
Disposals and write offs	(2,764)	(96)	(837)	<b>(3,697)</b>
Translation differences	43,298	959	466	<b>44,723</b>
31 December 2011	475,496	10,436	4,635	<b>490,567</b>
<i>Fully depreciated</i>	23,421	6,858	790	<b>31,069</b>
<i>Fixed assets not in use (*)</i>	108,407	4,025	1,210	<b>113,642</b>
<b>Accumulated depreciation</b>				
1 January 2011	(190,449)	(7,750)	(2,769)	<b>(200,968)</b>
Charge for the year	(30,486)	(752)	(470)	<b>(31,708)</b>
Disposals and write-offs	1,414	82	744	<b>2,240</b>
Translation differences	(19,073)	(778)	(277)	<b>(20,128)</b>
31 December 2011	(238,594)	(9,198)	(2,772)	<b>(250,564)</b>
<i>Fixed assets not in use (*)</i>	(75,844)	(4,021)	(1,149)	<b>(81,014)</b>
<b>Net book value</b>				
1 January 2011	241,894	1,823	1,898	<b>245,615</b>
<b>31 December 2011</b>	<b>236,902</b>	<b>1,238</b>	<b>1,863</b>	<b>240,003</b>
<i>Fixed assets not in use (*)</i>	32,563	4	61	<b>32,628</b>

(\*) These assets were from its old factory located in the centre of Bien Hoa. The Company has insufficient demand to justify their re-commissioning and bringing back these assets into its production lines at the present time. Subsequently in February 2012, the Board of Management approved for disposal certain idle assets with an aggregate historical cost of USD 779,085 (equivalent to VND 16,227 millions) with the nil carrying value.

### 11 Construction in progress (“CIP”)

	31 December 2011	31 December 2010
	VND million	VND million
Opening balance	3,576	5,274
Additions during the year	3,161	1,871
Transferred to tangible fixed assets	-	(3,860)
Translation difference	359	291
<b>Closing balance</b>	<b>7,096</b>	<b>3,576</b>
<i>Breakdown</i>		-
ERP software (*)	7,096	3,390
Others	-	186
	<b>7,096</b>	<b>3,576</b>

(\*) This pertains to the development of the ERP system. As at 31 December 2011, the ERP software was in its trial period and was expected to be fully operational by the end of the first quarter of 2012.

### 12 Investments in subsidiary

	Amount		% equity held	
	31 December	31 December	31 December	31 December
	2011	2010	2011	2010
	USD	USD	%	%
AvaFood Shareholding Company (*)	4,500,000	4,500,000	90	90
Equivalent VND million	93,726	85,194		

(\*) The principal activities of Avafood Shareholding Company are to produce processed products for Interfood, its Parent Company, including fruit juice, bottled filtered water, biscuits, jams and sweets of all kinds, and from agricultural and aquatic products as well as livestock and to lease a workshop.

### 13 Deferred tax assets

The carrying balance of deferred tax assets of USD 2,054,327 (equivalent to VND 42,787 millions) as at 31 December 2011 pertains to the tax deductible loss in 2008 which can be carried forward to offset against future taxable income. All deferred tax assets from other temporary differences were not recognised. The detail of movement is disclosed in Note 31.

### 14 Short term borrowings and debts

	31 December 2011	31 December 2010
	VND million	VND million
Loans from Vietcombank, Dong Nai Branch (1)	-	198,725
Loans from Viet A Bank (2)	-	56,423
Loans from Kirin (3)	395,732	-
	<b>395,732</b>	<b>255,148</b>

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

	<b>31 December 2011</b>	31 December 2010
	<b>VND million</b>	VND million
Denominated in USD	-	28,109
Denominated in EUR	-	953
Denominated in VND	-	169,663
	<b>-</b>	<b>198,725</b>

Loan from Vietcombank, Dong Nai Branch (“VCB”) – Agreement No 2010031/KHDN/NHNT dated 20 August 2010 pertains to a working capital credit facility with a credit limit of VND 200 billion. On 24 November 2011, VCB decreased the credit line to VND 120 billion as covered by the principal Agreement No. 2010047/KHDN/NHNT dated 24 November 2011 for the term of 60 months from the agreement date.

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 of the loan drawdown. The credit facility is subject to interest based on the actual rates at the time each loan is drawn and such interest is payable on the 26th day of each month.

The applicable interest rates of these loans from January to October in 2011 for dollar denominated loans were 6.8% to 7% while it was 15.5% 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).

Except for the factory and land use rights of Avafood Shareholding Company (“Avafood”) which were pledged to secure the Company’s credit line facility with VCB, the bank released the pledged assets on 15 November 2011. As at 31 December 2011, the net book value of Avafood’s pledged assets is USD 5,249,796 (equivalent VND 109,343 millions).

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

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 USD 3,000,000. 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 Company has settled all its outstanding obligations to Viet A Bank in June 2011 and Viet A bank terminated the loan agreement and released all secured assets to the Company at the same time.

**(3) Kirin Holdings Company Ltd (Note 32)**

	<b>31 December 2011</b>	31 December 2010
	<b>VND million</b>	VND million
Denominated in USD	<b>395,732</b>	-

In 2011, the Company entered into several revolving loan agreements amounting to USD 19 millions with Kirin Holdings Company Ltd, the ultimate parent company. The credit facility is subject to interest based on the base rate plus 1% per annum. The base interest rate is equal to the London Inter-Bank Offered Rate for US Dollars published and released to the market at approximately 11:00 AM London time two London Banking Days before the commencement of the Interest period. The applicable interest rates of these loans range from 1.425% to 1.749%. All these loans will mature in 2012.

In November 2011, the Company entered into another revolving loan agreement with Kirin Holdings Company Ltd amounting to USD 6 millions. The facility is subject to interest based on the same base rate above plus 1% per annum. The amount of USD 1million was partially released to the Company in January 2012 (Note 18).

**15 Trade accounts payable**

	31 December 2011	31 December 2010
	VND million	VND million
Payable to suppliers	39,495	67,969
Payable to related parties (Note 32)	25,127	26,419
	<b>64,622</b>	<b>94,388</b>

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

	31 December 2011	31 December 2010
	VND million	VND million
Value added tax	2,044	4,591
Personal income tax	411	2,315
Import, export tax	-	39
Other taxes	390	62
	<b>2,845</b>	<b>7,007</b>

**17 Accrued expenses payables**

	31 December 2011	31 December 2010
	VND million	VND million
Transportation	2,980	3,897
Trade discounts and commission	973	1,584
Accrual to related party (Note 32)	3,909	-
Others	775	2,775
	<b>8,637</b>	<b>8,256</b>

**18 Other payables**

	31 December 2011	31 December 2010
	VND million	VND million
Dividends payable (Note 35)	505	459
Trade union, social and health insurance	167	246
Other payables to Ex -chairman (Note 32)	-	2,023
Payable to related parties (*) (Note 32)	21,492	-
Other payables	603	220
	<b>22,767</b>	<b>2,948</b>

(\*) This pertains to cash transferred from Kirin Holdings Company and was subsequently converted to loan in January 2012 in accordance with the revolving loan agreement in December 2011 as mentioned in Note 14.

**19 Long term borrowings and debts**

	31 December 2011	31 December 2010
	VND million	VND million
Loan from the Chairman	-	64,954
Loan from the Parent Company (Note 32)	71,459	-
	<b>71,459</b>	<b>64,954</b>

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”), the parent company, the Company and Mr Pang Tee Chiang (“PTC”) entered into a Loan Novation Agreement whereby TOH agreed to assume the rights and obligations of the USD 3,430,928 (equivalent to VND 71,459 millions) loan PTC had extended to the Company.

**20 Owner's equity**

	Share capital	Share premium	Accumulated losses	Total
	VND million	VND million	VND million	VND million
Balance, 1 January 2010	328,571	73,249	(203,060)	<b>198,760</b>
Prior year's net profit	-	-	11,592	<b>11,592</b>
Translation differences	18,150	4,046	(11,215)	<b>10,981</b>
<b>Balance, 31 December 2010</b>	<b>346,721</b>	<b>77,295</b>	<b>(202,683)</b>	<b>221,333</b>
Balance, 1 January 2011	346,721	77,295	(202,683)	<b>221,333</b>
Current year's net loss	-	-	(69,971)	<b>(69,971)</b>
Translation differences	34,723	7,741	(20,300)	<b>22,164</b>
<b>Balance, 31 December 2011</b>	<b>381,444</b>	<b>85,036</b>	<b>(292,954)</b>	<b>173,526</b>

**21 Share capital**

The Company's charter capital is VND 291,409,920 thousand, which is divided into 29,140,992 ordinary shares with par value of VND 10,000 each.

	31 December 2011		
	Number of shares	VND '000	USD
Authorised	29,140,992	291,409,920	18,314,000
Issued and fully paid	29,140,984	291,409,920	18,313,995

Details of shareholders as at 31 December 2011 are as follows:

	Number of shares		Total	Capital amount	
	Listed shares	Unlisted shares		VND '000	%
Trade Ocean Holding SDN BHD	-	16,684,646	<b>16,684,646</b>	<b>166,846,460</b>	57.25
Pang Tee Chiang (*)	606,984	5,499,840	<b>6,106,824</b>	<b>61,068,240</b>	20.96
Yau Hau Jan	-	81,139	<b>81,139</b>	<b>811,390</b>	0.28
Nguyen Thi Kim Lien	12,000	-	<b>12,000</b>	<b>120,000</b>	0.04
Public shareholders	6,256,375	-	<b>6,256,375</b>	<b>62,563,750</b>	21.47
	<b>6,875,359</b>	<b>22,265,625</b>	<b>29,140,984</b>	<b>291,409,840</b>	100

Details of shareholders as at 31 December 2010 are as follows:

	Number of shares		Total	Capital amount	
	Listed shares	Unlisted shares		VND '000	%
Trade 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
Ng Eng Huat	800,403	-	<b>800,403</b>	<b>8,004,030</b>	2.75
Yau Hau Jan	-	81,139	<b>81,139</b>	<b>811,390</b>	0.28
Nguyen Thi Kim Lien	12,000	-	<b>12,000</b>	<b>120,000</b>	0.04
Public shareholders	4,825,487	-	<b>4,825,487</b>	<b>48,254,870</b>	16.56
	<b>6,875,359</b>	<b>22,265,625</b>	<b>29,140,984</b>	<b>291,409,840</b>	100



(\*) The Board of Management of Dong Nai Industrial Zone granted the amended Investment Certificate to the Company dated 22 April 2011 which approved Mr. Pang Tee Chiang, the former General Director, to transfer 5,499,840 unlisted shares (equivalent to 18,87% of equity interest) to Indochina Beverage Holdings Ltd., a company established in The British Virgin Isle. Subsequently on 5 March 2012, the Vietnam Securities Depository approved for said transfer.

In addition, under a resolution of the 1<sup>st</sup> Extraordinary General Assembly of Shareholders dated 30 July 2011, the Company will delist its shares currently listed on Ho Chi Minh City Stock Exchange. However, as at 31 December 2011, the Company has not yet submitted the application to the Stock Exchange.

## 22 Net sales

	Year ended 31 December 2011 VND million	Year ended 31 December 2010 VND million
<b>Revenue</b>		
Domestic sales	854,985	1,008,184
Export sales	59,131	43,927
	<b>914,116</b>	<b>1,052,111</b>
<b>Sales deduction:</b>		
Sales allowance	(23,484)	(26,529)
Sales returns	(433)	(493)
	<b>(23,917)</b>	<b>(27,022)</b>
<b>Net sales</b>	<b>890,199</b>	<b>1,025,089</b>

## 23 Cost of goods sold

	Year ended 31 December 2011 VND million	Year ended 31 December 2010 VND million
Cost of goods sold for domestic sales	702,525	767,014
Cost of goods sold for export sales	52,597	38,877
	<b>755,122</b>	<b>805,891</b>

## 24 Income from financial activities

	Year ended 31 December 2011 VND million	Year ended 31 December 2010 VND million
Interest income from bank deposits	219	169
Interest income from loan to related parties (Note 32)	10,651	8,451
Gain from disposal of investment in associate	-	5,680
Realised gains from foreign exchange differences	29,344	18,404
Unrealised gains from foreign exchange differences	74	345
	<b>40,288</b>	<b>33,049</b>

## 25 Expenses for financial activities

	Year ended 31 December 2011 VND million	Year ended 31 December 2010 VND million
Interest expense	28,461	22,316
Realised loss from foreign exchange differences	23,601	23,624
Other finance expenses	164	107
	<b>52,226</b>	<b>46,047</b>

**26 Selling expenses**

	Year ended 31 December 2011	Year ended 31 December 2010
	VND million	VND million
Transportation expense	46,125	49,632
Labour cost	36,639	31,371
Commission for salesmen and distributors	56,662	63,822
Depreciation	670	1,031
Other expenses	8,747	3,701
	<b>148,843</b>	<b>149,557</b>

**27 General and administration expenses**

	Year ended 31 December 2011	Year ended 31 December 2010
	VND million	VND million
Labour cost	14,881	20,190
Depreciation	347	340
Office expenses	4,832	9,939
Bank charges	725	456
Professional fees	9,478	5,572
Other expenses	3,528	8,348
	<b>33,791</b>	<b>44,845</b>

**28 Other income**

	Year ended 31 December 2011	Year ended 31 December 2010
	VND million	VND million
Refund import tax	392	-
Income from sale of scrap	1,339	-
Income from disposal of fixed assets previously written off	-	1,299
Write-off account payables and advance from customers	233	-
Promotion from suppliers	-	126
Compensation for loss of inventories	-	7,013
Other income	473	5,034
	<b>2,437</b>	<b>13,472</b>

**29 Other expenses**

	Year ended 31 December 2011	Year ended 31 December 2010
	VND million	VND million
Write-off accounts receivable and prepayments to suppliers	783	-
Depreciation of idle assets	6,522	4,061
Administration and tax penalty	1,804	4,491
Fixed assets written off	1,459	-
Others	664	1,301
	<b>11,232</b>	<b>9,853</b>

### 30 Cost by element

	Year ended 31 December 2011	Year ended 31 December 2010
	VND million	VND million
Raw materials	649,265	691,889
Labour cost	79,771	79,157
Depreciation and amortisation	31,708	29,120
Outside service costs	119,559	121,750
Other costs	63,439	76,820
	<b>943,742</b>	<b>998,736</b>

### 31 Corporate income tax

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

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

Under Decree No. 124/2008/ND-CP dated 11 December 2008 (which replaced Decree No. 24/2007/ND-CP dated 14 February 2007), the Company will continue to enjoy its tax incentives under Decree No. 24/2007/ND-CP dated 14 February 2007.

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

The reconciliation between the profit/(loss) before income tax and taxable profit/(loss) is shown below:

	Year ended 31 December 2011	Year ended 31 December 2010
	VND million	VND million
<b>Accounting profit (loss) before tax</b>	<b>(68,290)</b>	15,417
<b>Permanent differences</b>	-	-
- Expenses without appropriate supporting documents	66	79
- Fee for the Board of Management	120	254
- Depreciation of idle assets	6,522	4,061
- Administration penalties	1,804	4,498
<b>Temporary difference</b>	-	-
- Accrued expenses	8,637	8,256
- Unrealised losses from foreign exchange differences	-	95
- Severance allowances	746	865
- Accrued expenses recognised from prior years	(9,083)	(10,603)
- Unrealised loss from previous years' foreign exchange difference realised in the current year	(105)	(70)

	Year ended 31 December 2011	Year ended 31 December 2010
	VND million	VND million
<b>Taxable profit /(loss) from normal business</b>	<b>(59,583)</b>	22,852
<b>Less: Gain on capital assignment</b>	-	(5,680)
<b>Taxable profit for normal operating activities</b>	-	17,172
Income tax expenses at tax rate of 25%	-	4,293
Tax incentive on income from incremental investment and relocation	-	(1,888)
Income tax expense from normal operating activities	-	2,405
Corporate income tax expenses from disposal of capital assignment	-	1,420
Corporate income tax expense	-	3,825
Utilisation of losses carried forward	-	(3,825)
<b>Total corporate income tax expenses for the current year</b>	<b>-</b>	<b>-</b>

Tax losses can be carried forward to offset future years' taxable income of 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 a tax audit which will be carried out by the local tax authorities.

Tax losses available for offset against future taxable income are as follows:

Year	Status of tax audit	Taxable loss	Utilised	Expired	Tax losses	Year of Expiration
		VND million	VND million	VND million	carried forward VND million	
2008	Not yet performed	(221,962)	(22,852)	-	(199,110)	2013
2009	Not yet performed	(536)	-	-	(536)	2014
2010	Not yet performed	-	-	-	-	
2011	Not yet performed	(59,583)	-	-	(59,583)	2015
		<b>(282,081)</b>	<b>(22,852)</b>	<b>-</b>	<b>(259,229)</b>	

### Deferred corporate income tax

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

	Year ended 31 December 2011	Year ended 31 December 2010
	VND million	VND million
<b>Deferred tax asset</b>		
Balance, 1 January	<b>40,421</b>	41,929
Utilisation of tax losses carried forward	-	(3,825)
Write off during the year	<b>(1,681)</b>	-
Translation difference	<b>4,047</b>	2,317
<b>Balance, 31 December</b>	<b>42,787</b>	40,421

Deferred tax assets pertain mostly to the tax deductible loss in 2008 which can be carried forward to offset against taxable income within 5 years which will expire after 2013. The Management believe that the Company will have sufficient future taxable income to utilise this tax loss.

### 32 Related party transaction and balances

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

#### For year ended 31 December 2011:

Related party	Relation	Transaction	VND million
Chuan Li Can Manufacturing (Vietnam) Co., Ltd	Ex-Affiliate	Purchases of materials by the Company	22,529
Avafood Shareholding Company	Subsidiary	Loans granted by the Company (1)	68,662
		Interest income earned by the Company	10,651
		Processing fees charged to the Company (2)	37,946
		Sale of drink products by the Company	302
		Office and factory rental fee charged to the Company (3)	6,571
		Carrying value of assets pledged by Avafood for the Company's loans	109,343
		Payment for the waste water treatment system on behalf of Avafood (1)	15,430
		Advance to Avafood	2,924
Mr. Pang Tee Chiang	Ex-Chairman/ Ex - General Director	Transfer of loan to Trade Ocean Holding SDN BHD	71,459
		Prepayments other payable	2,225
		Paid interest for other payable	156
Trade Ocean Holding SDN BHD	Parent Company	Loan extended to the Company	71,459
Kirin Holding Company Limited	Ultimate parent company	Loans to the Company	395,732
		Interest expense charged to the Company	2,425
		Secondment fees paid on behalf of Company	1,975
		Other cash transferred	20,828
Vietnam Kirin Beverage Company	Affiliate	Processing fees	11,569

#### For year ended 31 December 2010:

Related party	Relation	Transaction	VND million
Crown Beverage Cans (Dong Nai) Limited.	Ex - associate	Purchases of materials	325,360
Chuan Li Can Manufacturing (Vietnam) Co Ltd	Ex-Affiliate	Purchases of materials	16,080

Avafood Shareholding Company	Subsidiary	Loans granted (1)	175,133
		Interest income (1)	8,449
		Payment by Ava on behalf of the Company	3,600
		Processing fee charged to the Company (2)	52,401
		Purchases of raw materials	20,633
		Sales of drink products	662
		Office and factory rentals fee charged to the Company	360
		Carrying value of assets pledged by Avafood for the Company's loans	174,334
Mr. Pang Tee Chiang	Chairman/ General Director	Advance	3,369

### **Transactions with Avafood Shareholding Company (“Avafood”):**

**(1)** The Company has signed two loan agreements with Avafood as follows:

In 2010, the Company signed a loan agreement with Avafood in which the Company granted a loan facility of USD 7,000,000 to Avafood. During the period from 1 January 2011 to 31 May 2011, the loan of USD 3,296,619 was disbursed in VND currency (equivalent VND 68,662 millions) with interest rates ranging from 14.72% to 16.91%. The monthly revaluation from the VND denominated loan balance to the USD reporting currency resulted in foreign exchange losses of USD 557,008 (equivalent to 11,601 millions).

In July 2011, the Company signed an Addendum to the loan agreement to convert all the VND denominated loans to USD at the date of transaction and change the interest rate to 1.731% per annum. Therefore, there were no foreign exchange differences arising after this date.

In December 2011, the Company entered into another revolving credit line with Avafood for a maximum amount of VND 24.993 billions, equivalent to USD 1,200,000 subject to interest at the rate of 1.731% per annum from the date of the loan agreement to 01 December 2012. As at 31 December 2011, the Company has disbursed to Avafood the amount of VND 24.993 billions (equivalent to USD 740,808) to finance the prepayment of its waste water treatment system and the stream boiler machine.

**(2)** Processing agreement:

In 2010, the Company and Avafood signed a processing agreement No.01-2010/IFS-Ava dated 2 January 2010 in which Avafood was appointed as the exclusive processor for all kinds of canned and bottled fruit juice products and biscuits and confectionery products of the Company.

On 1 December 2011, the Company signed an Annex to the foregoing agreement with respect to changing the method of processing fees calculation for whole year 2011. Accordingly, the processing fee of both canning products or biscuits products would be around on 102% of Avafood's monthly operating expenses while it was 7% of the Company's monthly average production cost in the previous agreement. As a result of these, the Company's loss has been decreased by USD 652,361 (equivalent VND 13,587 millions) for the period from January 2011 to November 2011.

The following balances were outstanding with related parties:

**As at 31 December 2011:**

Related party	Relation	Transaction	Receivables	Trade	Other/Accrual	Loans
			VND million	payables VND million	payables VND million	VND million
Avafood Shareholding Company	Subsidiary	Loan, net off sales	170,750	-	-	-
		Other receivable	2,924	-	-	-
Kirin Holding Company Limited	Ultimate parent company	Loan	-	-	-	395,732
		Payable interest	-	-	1,933	-
		Other payable	-	-	20,828	-
		Secondment fees payable	-	-	1,976	-
Trade Ocean Holding SDN BHD	Parent Company	Loan	-	-	-	71,459
Wonderfarm Biscuits & Confectionery Sdn. Bhd	Affiliate	Licence fee	-	-	664	-
Vietnam Kirin Beverage Company	Affiliate	Processing fee	-	8,152	-	-
Crown Beverage Cans Dong Nai Ltd	Ex –associate	Purchases of materials	-	6,237	-	-
Crown Beverage Cans Saigon Limited	Ex – Affiliate	Purchases of materials	-	6,713	-	-
Chuan Li Can Manufacturing (Vietnam) Co., Ltd	Ex-Affiliate	Purchases of materials	-	4,025	-	-
			<b>173,674</b>	<b>25,127</b>	<b>25,401</b>	<b>467,191</b>

**As at 31 December 2010:**

Related party	Relation	Transaction	Receivable	Other	Trade Payable	Loan
			VND million	payable VND million	VND million	VND million
Avafood Shareholding Company	Subsidiary	Loan	114,696	-	-	-
		Sales of products	5,147	-	-	-
Crown Beverage Cans Dong Nai Ltd	Ex –associate	Purchases of materials	-	-	22,400	-
Chuan Li Can Manufacturing (Vietnam)	Ex-Affiliate	Purchases of materials	-	-	4,019	-
Mr Pang Tee Chiang	Ex-Chairman/ General Director	Loan	-	-	-	64,954
		Other payables	-	2,023	-	-
			<b>119,843</b>	<b>2,023</b>	<b>26,419</b>	<b>64,954</b>

### 33 Segmental information

At 31 December 2011, Management determined the following reportable segments by categories of sales markets: (1) domestic sales and (2) export sales.

The results by revenue market segments for the year ended 31 December 2011 are as follows:

	Domestic VND million	Export VND million	Total VND million
Sales revenue – net	831,068	59,131	890,199
Cost of sales	(702,525)	(52,597)	(755,122)
Gross profit	128,543	6,534	135,077

The results by revenue market segments for the year ended 31 December 2010 are as follows:

	Domestic VND million	Export VND million	Total VND million
Sales revenue – net	981,226	43,863	1,025,089
Cost of sales	(767,014)	(38,877)	(805,891)
Gross profit	214,212	4,986	219,198

Management also determined the following reportable segments by categories of products: (1) drinks, (2) biscuits and (3) others.

The result of the segmentation by product for the year ended 31 December 2011 is as shown below:

	Drinks VND million	Biscuits VND million	Other VND million	Total VND million
Sales revenue – net	778,061	30,484	81,654	890,199
Cost of sales	(636,313)	(31,095)	(87,714)	(755,122)
Gross profit	141,748	(611)	(6,060)	135,077

The result of the segmentation by product for the year ended 31 December 2010 is as shown below:

	Drinks VND million	Biscuits VND million	Other VND million	Total VND million
Sales revenue – net	948,192	23,605	53,292	1,025,089
Cost of sales	(726,524)	(31,395)	(47,972)	(805,891)
Gross profit	221,668	(7,790)	5,320	219,198

### 34 Non cash transactions

Non-cash transactions occurring during the year which have an impact on the statement of cash flows include:

	2011 VND million
Interest income from loan to Avafood (Note 32)	10,651

### 35 Earning/(loss) per share and dividends

(a) *Basic*

Basic earnings (loss) per share is shown below

	Year ended 31 December 2011	Year ended 31 December 2010
Profit/(Loss) attributable to shareholders of the Company (VND million)	(69,971)	11,592
Weighted average number of ordinary shares	29,140,984	29,140,984
Basic earnings (loss) per share (VND per share)	(2,499)	398

No dividend was declared in 2011. As at 31 December 2011, the 2007 dividend payable amounting to USD 24,265 (equivalent to VND 505 million) is still outstanding and included in other payables (Note 18).



*(b) Diluted*

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

**36 Board of Directors and Management's remuneration**

During the year, the members of the Board of Directors and Management received remunerations as follows:

	VND million
Salary	6,726
	<b>6,726</b>

**37 Commitments**

As at 31 December 2011, the Company was committed under non - cancellable operating lease agreements in the following amounts:

	2011 VND million	2010 VND million
Within the next year	7,145	2,412
Within two to five years	23,926	2,649
Over five years	23,530	-
	<b>54,601</b>	<b>5,061</b>

**38 Risk management objectives and policies**

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarised below. The main types of risks are market risk, credit risk and liquidity risk.

The Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board establishes policies to identify and analyse the risks faced by the Company, to set up appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

*(a) Market risk*

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

*Foreign currency sensitivity*

The Company is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the USD. The main currency giving rise to this risk is primarily Vietnam Dong ("VND"). The Company ensures that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. The Board does not enter into currency hedging transactions since it considers that the cost of such instruments outweigh the potential risk of exchange rate fluctuations.

Foreign currency denominated financial assets and liabilities, translated into USD at the closing rate, are as follows.

	31 December 2011		31 December 2010	
	VND million		VND million	
	VND	EUR	VND	EUR
Financial assets	18,447	10	18,172	9
Financial liabilities	(80,341)	-	(115,063)	(952)
<b>Short-term exposure</b>	<b>(61,894)</b>	<b>10</b>	<b>(96,891)</b>	<b>(943)</b>
Financial assets	-	-	-	-
Financial liabilities	(2,584)	-	(2,349)	-
<b>Long-term exposure</b>	<b>(2,584)</b>	<b>-</b>	<b>(2,349)</b>	<b>-</b>
<b>Net Currency exposure</b>	<b>(64,478)</b>	<b>10</b>	<b>(99,240)</b>	<b>(943)</b>

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Company's financial assets and financial liabilities and the VND /US Dollar exchange rate and Euro/USD exchange rate.

It assumes a +/- 10% change of the US-Dollar/VND exchange rate for the year ended at 31 December 2011. A +/- 4% change is considered for the Euro/USD exchange rate. Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Company's foreign currency financial instruments held at each balance sheet date.

If the USD had strengthened against the VND and Euro by 10% and 4% respectively then this would have had the following impact:

	For the year ended		For the year ended	
	31 December 2011		31 December 2010	
	VND million		VND million	
	VND	EUR	VND	EUR
Net result for the year	10,137	-	13,558	40
Equity	10,137	-	13,558	40

If the USD had weakened against the VND and Euro by 10% and 4% respectively then this would have had the following impact:

	For the year ended		For the year ended	
	31 December 2011		31 December 2010	
	VND million		VND million	
	VND	EUR	VND	EUR
Net result for the year	(10,137)	-	(13,558)	(40)
Equity	(10,137)	-	(13,558)	(40)

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

*Interest rate sensitivity*

The Company's policy is to minimise interest rate cash flow risk exposures on short term and long-term financing. At 31 December 2011, the Company is exposed to changes in market interest rates through its related borrowings from related parties, which is subject to variable interest rates.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +2% and -2%, with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Company's financial instruments held at each balance sheet date. All other variables are held constant.

	For the year ended 31 December 2011	
	VND million	
	+2%	-2%
Net result for the year	(7,915)	7,915
Equity	(7,915)	7,915

*(b) Credit risk*

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	31 December 2011	31 December 2010
	VND million	VND million
<b>Classes of financial assets - carrying amounts</b>		
Cash and cash equivalents	40,966	2,229
Trade and other receivables	190,255	149,387

The Company continuously monitors defaults of customers and other counterparties and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

*(c) Liquidity risk*

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly.

As at 31 December 2011, the Company's liabilities have contractual maturities which are summarised below:

31 December 2011	Current		Non-current	
	Within 6	6 to 12	1 to 5 years	Later than 5
	months	months		years
	VND million	VND million	VND million	VND million
Short-term borrowing	-	395,732	-	-
Long-term borrowing	-	-	71,459	-
Trade payables	64,622	-	-	-
Other short term financial liabilities	23,575	20,828	2,584	-
	<b>88,197</b>	<b>416,560</b>	<b>74,043</b>	-

### 39 Fair value of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded approximate their fair values other than the following financial liabilities:

	31 December 2011		31 December 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	VND million	VND million	VND million	VND million
<b>Financial liabilities</b>				
Long term borrowing and debts (*)	<b>71,459</b>	<b>67,837</b>	64,954	60,602

(\*) The fair value of above financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis, in which the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

### 40 Subsequent events

Subsequently on 5 March 2012, the Vietnam Securities Depository approved the transfer of 5,499,840 unlisted shares (equivalent to 18.87% of equity interest) from Mr. Pang Tee Chiang, the former General Director, to Indochina Beverage Holdings Ltd., a company established in The British Virgin Isles. Approval was given to amend the Investment Certificate dated 22 April 2011 granted by The Board of Management of Dong Nai Industrial Zone (Note 21).

### 41 Approval for issuance of the financial statements

The separate financial statements for the year ended 31 December 2011 were approved by the Board of Directors on \_\_\_\_\_

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

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



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