

Consolidated financial statements

Quarter 1 - 2012

Consolidated financial statements Quarter 1 - 2012

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Report of the Board of Directors

The Board of Directors submits its report together with the consolidated financial statements of Interfood Shareholding Company (“the Company”) and its subsidiaries (“the Group”) for the period ended 31 March 2012.

Results

The results of the Group for the period ended 31 March 2012 are set out in the consolidated statement of income.

Financial indicators of the business

		Unit 31 March 2012	2011
Assets structure and capital structure			
Assets structure			
Fixed assets/total assets	%	66.85	70.91
Current assets/total assets	%	33.15	29.09
Capital structure			
Liabilities/total resources	%	74.07	72.40
Owner’s equity/total resources	%	10.88	11.92
Liquidity			
Total assets/liabilities	times	1.12	1.14
Current ratio	times	0.45	0.40
Quick ratio	times	0.18	0.16
Profitability			
Profit (Loss) /net sales			
Profit (Loss) before tax/net sales	%	(1.93)	(1.93)
Profit (Loss) profit/net sales	%	(1.93)	(1.93)
Profit (Loss)/total assets			
Profit (Loss) before tax/total assets	%	(0.54)	(0.56)
Net Profit (Loss) /total assets	%	(0.54)	(0.56)
Net Profit (Loss)/owner’s equity	%	(1.04)	(1.04)

Boards of Management and Directors

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

Board of Management:		Appointed:	Resigned:
Michio Nagabayashi	Chairman	31-05-2011	
Ryoichi Yonemura	Member	14-03-2011	
Hiroshi Fujikawa	Member	14-03-2011	
Nguyen Thi Kim Lien	Member	15-08-2006	
Pang Tze Wei	Member	28-08-2010	
Board of Director:			
Michio Nagabayashi	General Director	23-05-2011	
Hajime Kobayashi	Director/General Manager of Corporate Plannin	23-05-2011	
Kazufumi Nagashima	Director/General Manager of Factory	23-05-2011	
Hidefumi Matsuo	Director/Finance Controller	23-05-2011	
Nguyen Thi Kim Lien	Director/ General Manager of Finance	15-08-2006	

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 31 March 2012 and of its results of operations and cash flows for the period ended 31 March 2012 in accordance with Vietnamese Accounting Standards and system and in compliance with relevant statutory requirements

On behalf of the Board of Directors

Signed and Sealed

Michio Nagabayashi
Chairman, General Director
Dong Nai province, Vietnam

Consolidated balance sheet

	Notes	Code	31 March 2012		31 December 2011	
			USD	VND million	USD	VND million
Current assets						
Cash and cash equivalents						
Cash	7	111	2,264,522	47,165	1,978,801	41,214
Accounts receivable						
Trade accounts receivable		131	448,978	9,351	416,774	8,681
Prepayments to suppliers		132	872,896	18,181	490,192	10,210
Other receivables		135	64,141	1,336	64,141	1,336
Provision for doubtful debts		139	-	-	-	-
		130	1,386,015	28,868	971,107	20,226
Inventories						
Inventories	8	141	7,736,269	161,131	6,598,018	137,424
Provision for decline in inventory value	8	149	-	-	-	-
		140	7,736,269	161,131	6,598,018	137,424
Other current assets						
Short term prepaid expenses		151	24,490	510	12,025	250
Value added tax to be reclaimed		152	102,605	2,137	104,216	2,171
Taxes and amounts receivable from the state	9	154	106,907	2,227	106,907	2,227
Other current assets		158	37,555	782	41,884	872
		150	271,557	5,656	265,032	5,520
		100	11,658,363	242,820	9,812,958	204,384
Fixed assets						
Tangible fixed assets	10	221	18,604,946	387,504	19,056,731	396,914
<i>Historical cost</i>	10	222	34,372,272	715,906	34,296,281	714,323
<i>Accumulated depreciation</i>	10	223	(15,767,326)	(328,402)	(15,239,550)	(317,409)
Construction in progress	11	230	1,432,596	29,838	1,408,477	29,336
		220	20,037,542	417,342	20,465,208	426,249
Other non-current assets						
Long-term prepaid expenses	12	261	1,414,835	29,468	1,397,181	29,100
Deferred tax assets	13	262	2,054,327	42,788	2,054,327	42,788
Other non-current assets		268	7,020	146	7,020	146
		260	3,476,182	72,402	3,458,528	72,034
		200	23,513,724	489,744	23,923,736	498,284
		270	35,172,087	732,564	33,736,694	702,668

Consolidated balance sheet

	Notes	Code	31 March 2012		31 December 2011	
			USD	VND million	USD	VND million
RESOURCES						
Liabilities						
Current liabilities						
Short term borrowings and debts	14	311	20,000,000	416,560	19,000,000	395,732
Trade accounts payable	15	312	4,710,470	98,110	3,152,829	65,667
Advances from customers		313	261,267	5,442	151,256	3,150
Taxes and amounts payable to state budget	16	314	42,520	886	184,576	3,844
Payable to employees		315	357,379	7,443	375,276	7,816
Accrued expenses payable	17	316	626,565	13,050	468,455	9,757
Intercompany payable		317	-	-	-	-
Other payables	18	319	53,737	1,119	1,093,139	22,768
		310	26,051,938	542,610	24,425,531	508,735
Long term liabilities						
Long term deposits		331	1,258	26	1,255	26
Long term borrowings and debts	19	334	4,993,613	104,007	4,993,613	104,007
Deferred tax liabilities	20	335	138,280	2,880	138,280	2,880
Provision for severance allowance		336	131,175	2,732	132,423	2,758
		330	5,264,326	109,645	5,265,571	109,671
			31,316,264	652,255	29,691,102	618,406
Owners' equity						
Capital sources and funds						
Share capital	21	411	18,313,995	381,444	18,313,995	381,444
Share premium	22	412	4,082,759	85,036	4,082,759	85,036
Acquisition reserve		419	(1,562,092)	(32,535)	(1,562,092)	(32,535)
Accumulated losses		420	(17,006,705)	(354,216)	(16,812,730)	(350,176)
		410	3,827,957	79,729	4,021,932	83,769
Minority interest						
Minority interest	23	439	27,866	580	23,660	493
		440	3,855,823	80,309	4,045,592	84,262
			35,172,087	732,564	33,736,694	702,668
Off balance sheet items						
Foreign currencies						
Vietnamese dong (Million)			353,701		5,641	
Euro			380		383	

Date: 04 May 2012

(Signed and Sealed)

 Michio Nagabayashi
 Chairman, General Director

(Signed)

 Nguyen Hong Phong
 Chief Accountant

Consolidated statement of income-USD

	Notes	Code	Q1-2012 USD	Q1-2011 USD	YTD 2012 USD	YTD 2011 USD
Gross sales	24		10,127,128	13,008,806	10,127,128	43,905,391
Less deductions:	24		(301,039)	(337,110)	(301,039)	(1,148,305)
Net sales			9,826,089	12,671,696	9,826,089	42,757,086
Cost of sales	25		(7,807,721)	(9,634,517)	(7,807,721)	(35,600,946)
Gross profit			2,018,368	3,037,180	2,018,368	7,156,140
Financial income	26		13,090	929,252	13,090	1,599,913
Financial expenses	27		(101,093)	(726,487)	(101,093)	(2,052,684)
<i>Including: interest expense</i>			(96,013)	(417,724)	(96,013)	(1,395,373)
Selling expenses	28		(1,759,913)	(1,975,298)	(1,759,913)	(7,186,764)
G&A expenses	29		(348,529)	(541,620)	(348,529)	(1,869,546)
Operating loss			(178,077)	723,026	(178,077)	(2,352,941)
Other income	30		124,354	86,556	124,354	528,006
Other expenses	31		(136,046)	(124,722)	(136,046)	(803,180)
Profit (loss) before tax			(189,769)	684,860	(189,769)	(2,628,115)
CIT for the current year	33		-	-	-	-
Deferred CIT			-	(75,670)	-	(103,794)
Profit(loss) after tax			(189,769)	609,190	(189,769)	(2,731,909)
Minority interest			(4,206)	(48,141)	(4,206)	(23,660)
Net profit			(193,975)	561,049	(193,975)	(2,755,569)
Earning(loss) per share	36		(0.00666)	0.01925	(0.00666)	(0.09456)

Date: 04 May 2012

(Signed and Sealed)

 Michio Nagabayashi
 Chairman, General Director

(Signed)

 Nguyen Hong Phong
 Chief Accountant

Consolidated statement of income in VND

	Notes	Code	Q1-2012 VND million	Q1-2011 VND million	YTD 2012 VND million	YTD 2011 VND million
Gross sales	24		210,928	246,283	210,928	914,461
Less deductions:	24		(6,270)	(6,382)	(6,270)	(23,917)
Net sales			204,658	239,901	204,658	890,545
Cost of sales	25		(162,619)	(182,401)	(162,619)	(741,497)
Gross profit			42,039	57,500	42,039	149,048
Financial income	26		273	17,593	273	33,323
Financial expenses	27		(2,106)	(13,754)	(2,106)	(42,753)
<i>Including: interest expense</i>			<i>(2,000)</i>	<i>(7,908)</i>	<i>(2,000)</i>	<i>(29,063)</i>
Selling expenses	28		(36,655)	(37,396)	(36,655)	(149,686)
G&A expenses	29		(7,259)	(10,254)	(7,259)	(38,939)
Operating loss			(3,709)	13,688	(3,709)	(49,007)
Other income	30		2,590	1,639	2,590	10,997
Other expenses	31		(2,834)	(2,361)	(2,834)	(16,729)
Profit (loss) before tax			(3,953)	12,966	(3,953)	(54,738)
CIT for the current year	33		-	-	-	-
Deferred CIT			-	(1,433)	-	(2,162)
Profit(loss) after tax			(3,953)	11,533	(3,953)	(56,900)
			-	-	-	-
Minority interest			(88)	(911)	(88)	(493)
Net profit			(4,040)	10,622	(4,040)	(57,393)
			-	-	-	-
Earning(loss) per share	36		(139)	401	(139)	(1,969)

Date: 04 May 2012

(Signed and Sealed)

 Michio Nagabayashi
 Chairman, General Director

(Signed)

 Nguyen Hong Phong
 Chief Accountant

Consolidated statements of cash flows

	Notes	Code	31 March 2012		31 December 2011	
			USD	VND million	USD	VND million
Cash flows from operating activities						
Profit/(loss) before tax		1	(189,769)	(3,953)	(2,628,115)	(54,738)
Adjustments for:						
Depreciation and amortisation		2	527,776	10,993	2,129,663	44,357
Increase in provisions		3	-	-	(170,987)	(3,561)
Gain on foreign currency translation		4	(4,206)	(88)	2,340	49
Loss from disposal investments, fixed assets		5	-	-	70,029	1,459
Interest expense		6	96,013	2,000	1,395,373	29,063
Interest income		7	-	-	(11,234)	(234)
Operating profit/(loss) before adjustments to w		8	429,814	8,952	787,069	16,393
Change in accounts receivable		9	(408,968)	(8,518)	646,812	13,472
Change in inventory		10	(1,138,251)	(23,707)	932,282	19,418
Change in accounts payable		11	625,162	13,021	(1,956,192)	(40,744)
Change in prepaid expenses		12	(30,119)	(627)	(11,202)	(233)
Interest paid		13	(96,013)	(2,000)	(1,683,501)	(35,064)
Business income tax paid			-	-	-	-
Cash generated from operating activities		20	(618,375)	(12,880)	(1,284,732)	(26,758)
Cash flows from investing activities						
Acquisition of fixed assets and investment construct		21	(100,110)	(2,085)	(1,268,828)	(26,427)
Proceeds from disposal of investments and fixed ass		22	-	-	-	-
Additional investment in associate		25	-	-	-	-
Interest income received			4,206	88	11,234	234
Net cash inflows/(outflows) from investing acti		30	(95,904)	(1,997)	(1,257,594)	(26,193)
Cash flows from financing activities						
Proceeds from loan		33	1,000,000	20,828	44,717,957	931,386
Repayments for debt		34	-	-	(40,322,571)	(839,839)
Dividend payments to investors		36	-	-	-	-
Net cash inflows/(outflows) from financing acti		40	1,000,000	20,828	4,395,386	91,547
Net increase/(decrease) in cash		50	285,721	5,951	1,853,060	38,596
Cash and cash equivalents at beginning of the y		60	1,978,801	41,214	130,854	2,725
Effects of changes in foreign exchange rates		61	-	-	(5,113)	(106)
Cash and cash equivalents at end of the year		70	2,264,522	47,165	1,978,801	41,214

Date: 04 May 2012

(Signed and Sealed)

 Michio Nagabayashi
 Chairman, General Director

(Signed)

 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 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/GCND3 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; 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 31 March 2012, the Group had 959 employees (2011: 830 employees).

2 Fiscal year and currency

Fiscal year

The Company's fiscal year end is 31 December.

Reporting currency and foreign exchange

As approved by the Ministry of Finance in 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 consolidated financial statements.

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 subsidiary, hereinafter collectively referred to as the "Group".

Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiary by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of the minority interest. The excess of cost of acquisition over the fair value of the Group's share of identifiable assets acquired is recorded as goodwill. Goodwill is recognised in expenses (if it is of small value) and otherwise amortised in a uniform manner during its estimated useful life (if it is material). The useful life of goodwill is estimated as the time during which economic benefits are recovered by the Group. Such useful life is not beyond 10 years from the date of recognition. Negative goodwill represents the excess of the Group's interest in the fair value of identifiable net assets and liabilities, and contingent liabilities over costs of acquisition. It is recognised directly in the statement of income at the date of acquisition.

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

Inter-company balances, transactions and unrealised gains on transactions between those companies and the Group are eliminated. Unrealised losses are also eliminated unless they provide evidence of an impairment of the asset transferred. The accounting policies of 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 interests that are not owned, directly or indirectly through a subsidiary, by the parent.

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

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 above depreciation rates are not consistent with the guidelines under Decision 203/2009/TT-BTC dated 20 October 2009. However the Group 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 sole and are recognised as income or expense in the income statement.

Depreciation of assets which are not in used was recognised as part of "Other expense".

4.5 Construction in progress

Construction in progress represents the costs of the new ERP software and the cost of machinery and equipment 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 Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the Group 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 Group 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 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 quarter, the Group 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 Group 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 40.

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 Group are recorded at the proceeds received, net of direct issue costs.

Compound instruments

The component parts of compound instruments issued by the Group 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 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 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 Group 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 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 40.

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 consolidated 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.

Employee benefits

Post employment benefits

Post employment benefits are paid to retired employees of the Group by the Social Insurance Agency which belongs to the Ministry of Labor and Social Affairs. The Group 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 Group 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.

4.8 Borrowing costs

Borrowing costs comprising interest and related costs are recognised as an expense in the period in which they are incurred, except for 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.

4.9 Revenue

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

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

4.10 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.

4.11 Operating leases

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

4.12 Income taxes

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

4.13 Earnings/loss per share

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

4.14 Equity and reserves

Interfood Shareholding Company and its subsidiaries

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)

4.15 Related parties

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

4.16 Segment report

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

5 Subsidiaries

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

Subsidiary:	Amount		% equity held	
	31 Mar 2012 USD	31 Dec 2011 USD	31 Mar 2012 %	31 Dec 2011 %
AvaFood Shareholding Company (1)	4,500,000	4,500,000	90	90
	4,500,000	4,500,000		

1. AvaFood Shareholding Company

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

AvaFood Shareholding Company (formerly AvaFood Industries Ltd.) was established in 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 14,393,575 as at 31 March 2012 (31 December 2011: USD14,612,573).

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

7	Cash and cash equivalents	31 March 2012		31 December 2011	
		USD	VND million	USD	VND million
	Cash on hand	8,566	178	11,535	240
	Cash in banks	2,255,956	46,987	1,967,266	40,974
		2,264,522	47,165	1,978,801	41,214
		-	-	-	-
8	Inventories	31 March 2012		31 December 2011	
		USD	VND million	USD	VND million
	Raw materials	1,960,366	40,831	1,874,081	39,033
	Tools and supplies	272,923	5,684	410,135	8,542
	Work in progress	1,544,745	32,174	618,363	12,879
	Finished goods	3,958,234	82,442	3,695,439	76,969
		7,736,269	161,131	6,598,018	137,424
	Provision for decline in inventory value	-	-	-	-
		7,736,269	161,131	6,598,018	137,424

9 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.

10	Tangible fixed assets	Building	Machinery & Equipment	Motor vehicles	Office	Total
		USD	USD	USD	USD	USD
Historical cost						
	01/01/2012	4,783,276	28,685,916	553,265	273,824	34,296,281
	Acquisition	-	10,546	53,086	12,358	75,991
	Disposals	-	-	-	-	-
	31/03/2012	4,783,276	28,696,462	606,351	286,182	34,372,272
	31/03/2012 (VND million)	99,626	597,690	12,629	5,961	715,906
	Fully depreciated	-	1,124,509	329,272	37,930	1,491,711
	Fixed assets not in use (*)	-	7,968,583	193,237	58,082	8,219,902
Accumulated depreciation						
	01/01/2012	(785,234)	(13,818,088)	(473,791)	(162,437)	(15,239,550)
	Charge for the year	(39,492)	(473,671)	(8,666)	(5,947)	(527,776)
	Disposals	-	-	-	-	-
	31/03/2012	(824,726)	(14,291,759)	(482,457)	(168,384)	(15,767,326)
	31/03/2012 (VND million)	(17,177)	(297,669)	(10,049)	(3,507)	(328,402)
	Fixed assets not in use (*)	-	(4,714,829)	(193,068)	(55,159)	(4,963,056)
Net book value						
	01/01/2012	3,998,042	14,867,828	79,474	111,387	19,056,731
	31/03/2012	3,958,550	14,404,703	123,894	117,799	18,604,946
	31/03/2012 (VND million)	82,449	300,021	2,580	2,454	387,504
	Fixed assets not in use (*)	-	3,253,754	169	2,923	3,256,846

As at 31 March 2012, certain fixed assets with an aggregate carrying value of USD 3,813,165 (2011: USD3,852,615) have been pledged with Vietcombank as security for loan facility to be financed by Vietcombank.

(*)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.

11 Construction in progress

	31 March 2012		31 December 2011	
	USD	VND million	USD	VND million
Opening balance	1,408,477	29,336	188,895	3,934
Additions during the quarter	24,119	502	1,219,582	25,401
Transferred to tangible fixed assets	-	-	-	-
Closing balance	1,432,596	29,838	1,408,477	29,336
<i>Including:</i>				
ERP system	361,911	7,538	340,674	7,096
Waste water system	630,270	13,127	630,270	13,127
House for husk boiler	79,033	1,646	76,151	1,586
Husk boiler	361,382	7,527	361,382	7,527
Other	-	-	-	-
	1,432,596	29,838	1,408,477	29,336

12 Long term prepaid expenses

	31 March 2012		31 December 2011	
	USD	VND million	USD	VND million
Opening balance	1,397,181	29,100	1,432,197	29,830
Additions during the quarter	26,408	550	-	-
Amortisation	(8,754)	(182)	(35,016)	(729)
Closing balance	1,414,835	29,468	1,397,181	29,100

As at 31 March 2012, 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.

13 Deferred tax assets

	31 March 2012		31 December 2011	
	USD	VND million	USD	VND million
Opening balance	2,054,327	42,788	2,135,050	44,469
Utilization of tax losses brought forward	-	-	(80,723)	(1,681)
Closing balance	2,054,327	42,788	2,054,327	42,788

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

14 Short term borrowings and debts

	31 March 2012		31 December 2011	
	USD	VND million	USD	VND million
Loans from Kirin Holding Company (1)	20,000,000	416,560	19,000,000	395,732
	20,000,000	416,560	19,000,000	395,732

(1) Loans from Kirin Holding Company

	31 March 2012		31 December 2011	
	USD	VND million	USD	VND million
Denominated in USD	20,000,000	416,560	19,000,000	395,732
	20,000,000	416,560	19,000,000	395,732

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.

15 Trade accounts payable

	31 March 2012		31 December 2011	
	USD	VND million	USD	VND million
Payable to suppliers	4,435,452	92,382	1,946,420	40,540
Payable to related parties (Note 39)	275,018	5,728	1,206,409	25,127
	4,710,470	98,110	3,152,829	65,667

16 Taxes and amounts payable to state budget

	31 March 2012		31 December 2011	
	USD	VND million	USD	VND million
Value added tax	22,835	476	98,116	2,044
Corporate income tax	-	-	-	-
Personal income tax	12,664	264	20,104	419
Import, export tax	2,203	46	11,531	240
Other taxes	4,818	100	54,825	1,142
	42,520	886	184,576	3,844

17 Accrued expenses payable

	31 March 2012		31 December 2011	
	USD	VND million	USD	VND million
Transportation	197,180	4,107	143,072	2,980
Trade discounts	40,283	839	46,724	973
Related parties payable	273,295	5,692	187,668	3,909
Others	115,807	2,412	90,991	1,895
	626,565	13,050	468,455	9,757

18 Other payables

	31 March 2012		31 December 2011	
	USD	VND million	USD	VND million
Dividend payable (Note 39)	24,265	505	24,265	505
Trade union, social and health insurance	27,784	579	8,002	167
Related parties payable	-	-	1,031,901	21,492
Other payable	1,688	35	28,971	603
	53,737	1,119	1,093,139	22,768

19 Long term borrowings and debts

31 March 2012		31 December 2011	
USD	VND million	USD	VND million
-	-	-	-

Interfood Shareholding Company and its subsidiaries

19

Loan from Trade Ocean Holdings Sdn Bhd (1)	3,430,928	71,459	3,430,928	71,459
Loan from Wonderfarm Biscuits & Confectionery (2)	1,562,685	32,548	1,562,685	32,548
	4,993,613	104,007	4,993,613	104,007

(1) Loan from Trade Ocean Holdings Sdn Bhd

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.

(2) 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 2011 was 0%. This loan is unsecured.

20 Deferred tax liabilities

	31 March 2012		31 December 2011	
	USD	VND million	USD	VND million
Opening balance	138,280	2,880	138,280	2,880
Charging in the period		-		-
Deferred tax liabilities	138,280	2,880	138,280	2,880

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.

21 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)	(14,057,161)	6,777,501
Prior year’s net loss	-	-	-	(2,755,569)	(2,755,569)
Prior year’s closing balance	18,313,995	4,082,759	(1,562,092)	(16,812,730)	4,021,932
31 December 2011 (VND million)	381,444	85,036	(32,535)	(350,176)	83,769
Current year’s opening balance	18,313,995	4,082,759	(1,562,092)	(16,812,730)	4,021,932
Current year’s net profit	-	-	-	(193,975)	(193,975)
Foreign exchange differences	-	-	-	-	-
Current year’s closing balance	18,313,995	4,082,759	(1,562,092)	(17,006,705)	3,827,957
31 March 2012 (VND million)	381,444	85,036	(32,535)	(354,216)	79,729

22 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.

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

Details of shareholders as at 31 March 2012 are as follows:

Number of shares

	Listed shares	Unlisted shares	Total	Equivalent capital amount	
				VND'000	%
Trace Ocean Holding SDN BHD	-	16,684,646	16,684,646	166,846,460	57.25%
Indochina Beverage Holdings Ltd	-	5,499,840	5,499,840	54,998,400	18.87%
Yau Hau Jan	-	81,139	81,139	811,390	0.28%
Public shareholders	6,875,359	-	6,875,359	68,753,590	23.59%
	6,875,359	22,265,625	29,140,984	291,409,840	100%

On 05 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.

Details of shareholders as at 31 December 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	16,684,646	166,846,460	57.25%
Pang Tee Chiang	606,984	5,499,840	6,106,824	61,068,240	20.96%
Yau Hau Jan	-	81,139	81,139	811,390	0.28%
Nguyễn Thị Kim Liên	12,000	-	12,000	120,000	0.04%
Public shareholders	6,256,375	-	6,256,375	62,563,750	21.47%
	6,875,359	22,265,625	29,140,984	291,409,840	100%

23 Minority interest

	31 March 2012		31 December 2011	
	USD	VND million	USD	VND million
Opening balance	23,660	493	23,660	493
Minority interest in net profit of AvaFood	4,206	88	-	-
Closing balance	27,866	580	23,660	493

24 Revenues

Revenue	Q1-2012		Q1-2011	
	USD	VND million	USD	VND million
Domestic sales	9,629,558	200,564	12,516,635	236,965
Export sales	497,570	10,363	492,171	9,318
	10,127,128	210,928	13,008,806	246,283
Sales deduction:				
Sales allowance	(296,033)	(6,166)	(328,964)	(6,228)
Sales return	(5,005)	(104)	(8,146)	(154)
Net sales	9,826,089	204,658	12,671,696	239,901

25 Cost of goods sold

	Q1-2012		Q1-2011	
	USD	VND million	USD	VND million
Cost of goods sold for domestic sales	7,396,327	154,051	9,186,847	173,925
Cost of goods sold for export sales	411,394	8,569	447,670	8,475
	7,807,721	162,619	9,634,517	182,401

26 Income from financial activities

	Q1-2012		Q1-2011	
	USD	VND million	USD	VND million
Interest income from bank deposits	5,945	124	3,328	63
Interest income from disposal investment in subsidiary		-	-	-
Realised gains from foreign exchange	7,145	149	925,924	17,530
Unrealised gains from foreign exchange		-	-	-
	13,090	273	929,252	17,593

27 Expenses for financial activities

	Q1-2012		Q1-2011	
	USD	VND million	USD	VND million
Interest expense	96,013	2,000	425,794	8,061
Realised foreign exchange losses	5,080	106	300,101	5,682
UnRealised foreign exchange losses	-	-	-	-
Other finance expenses	-	-	592	11
	101,093	2,106	726,487	13,754

28 Selling expenses

	Q1-2012		Q1-2011	
	USD	VND million	USD	VND million
Transportation expense	469,372	9,776	614,859	11,641
Salary	380,077	7,916	457,674	8,665
Sale commission/promotion	741,496	15,444	758,976	14,369
Depreciation	7,157	149	12,263	232
Other expenses	161,810	3,370	131,526	2,490
	1,759,913	36,655	1,975,298	37,396

29 General and administration expenses

	Q1-2012		Q1-2011	
	USD	VND million	USD	VND million
Salary	154,786	3,224	250,074	4,734
Depreciation and amortisation	11,829	246	21,483	407
Office expenses	-	-	60,458	1,145
Bank charges	5,438	113	8,221	156
Outside services expenses	93,988	1,958	33,120	627
Consultant fee	80,378	1,674	120,331	2,278
Others	2,111	44	47,934	907
	348,529	7,259	541,620	10,254

30 Other income

	Q1-2012		Q1-2011	
	USD	VND million	USD	VND million
Other income	124,354	2,590	86,556	1,639
	124,354	2,590	86,556	1,639

31 Other expenses

	Q1-2012		Q1-2011	
	USD	VND million	USD	VND million
Depreciation of idle assets	130,645	2,721	109,277	2,069
Others	5,401	112	15,445	292
	136,046	2,834	124,722	2,361

32 Cost by element

	Q1-2012		Q1-2011	
	USD	VND million	USD	VND million
Raw materials	7,730,726	161,016	7,663,733	159,620
Labour cost	998,592	20,799	974,162	20,290
Depreciation and amortisation	300,743	6,264	381,364	7,943
Outside service costs	1,128,180	23,498	1,331,967	27,742
Other costs	1,022,903	21,305	1,037,894	21,617
	11,181,145	232,881	11,389,120	237,213

33 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 at the end of year 2009, the company has completed for the relocation the remaining production lines from Bien Hoa City to Tam Phuoc Industrial Zone.

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 31 March 2012 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

	31 March 2012		31 December 2011	
	USD	VND million	USD	VND million
Accounting profit (loss) before tax	(178,077)	(3,709)	(2,628,115)	(54,738)
Permanent differences				
- Expenses without appropriate supporting documents	-	-	15,297	319
- Fee for the Board of Management	-	-	5,761	120
- Depreciation of idle assets	130,645	2,721	524,150	10,917
- Administration penalties	-	-	86,626	1,804

Interfood Shareholding Company and its subsidiaries

- Other income pertains to reverse of Corporate income tax payable of year 2008	-	-	(118,093)	(2,460)
Temporary differences				
- Temporary differences of prior year realised in this year	-	-	(103,890)	(2,164)
- Accrued expenses	626,565	13,050	414,678	8,637
- Unrealised losses from foreign exchange difference	-	-	5,113	106
- Severances allowances	-	-	35,822	746
- Temporary differences between accounting base and tax	-	-	(92,284)	(1,922)
- Accrued expenses recognised from prior years	(468,455)	(9,757)	(436,093)	(9,083)
- Unrealised loss from previous years' foreign exchange difference realised in the current year	-	-	(5,019)	(105)
Taxable profit /(loss) from normal business comprised of:	110,678	2,305	(2,296,047)	(47,822)
Taxable profit /(loss) of the Company	(231,833)	(4,829)	(2,860,716)	(59,583)
Taxable profit /(loss) of Avafood	42,061	876	564,669	11,761
Less: Gain on capital assignment	-	-	-	-
Taxable profit for normal operating activities	42,061	876	564,669	11,761
Utilisation of losses carried forward	(42,061)	(876)	(564,669)	(11,761)
Assessable profit for the year	-	-	-	-
Corporate income tax expenses for the current year	-	-	-	-
Deferred income tax expense of the Company	-	-	-	-
Deferred Income tax expense of Avafood	-	-	(23,071)	(481)
Deferred tax asset of the Company written off	-	-	(80,723)	(1,681)
Deferred income tax expenses of the Group	-	-	(103,794)	(2,162)

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 USD	Utilised USD	Expired USD	Tax losses	Year of expiration USD
					carried forward USD	
2006	Not yet performed	(1,243,385)	564,669	678,716	-	2011
2007	Not yet performed	(286,568)	-	-	(286,568)	2012
2008	Not yet performed	(15,505,609)	1,207,060	-	(14,298,549)	2013
2009	Not yet performed	(953,095)	-	-	(953,095)	2014
2010	Not yet performed	(72,310)	-	-	(72,310)	2015
2011	Not yet performed	(2,860,716)	-	-	(2,860,716)	2016
2012	Not yet performed	(189,769)	-	-	(189,769)	2017
		(21,111,452)	1,771,729	678,716	(18,661,007)	

34 Related party transaction and balances

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

Related parties	Relation	Transaction	USD
Kirin Holding Limited	Ultimated Parent	Converted other payable to shortterm loan	1,000,000
	Company	Loan interest	96,013
		Secondment fee	84,452
Vietnam Kirin Beverage Company	Affiliate	Purchase	723,151
		Processing fee	269,986

At 31 March 2012, the following balances were outstanding with related parties:

USD USD

Interfood Shareholding Company and its subsidiaries

Related parties	Relation	Balances	Payable	Loan
Wonderfarm Biscuits & Confectionery Sdn. Bhd	Minority interest	Long-term loan	-	1,562,685
Kirin Holding Limited	Ultimated Parent Co.	Short-term loan	-	20,000,000
		Loan interest	188,842	-
		Secondment fee	84,839	-
Vietnam Kirin Beverage Company	Affiliate	Purchase	179,051	-
		Processing fee	95,508	-
Trade Ocean Holdings Sdn Bhd	Parent Company	Long-term loan	-	3,430,928
			548,240	24,993,613

35 Segmental information

At 31 March 2012, 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 1st quarter 2012 are as follows:

	Domestic USD	Export USD	Total USD
Sales revenue - net	9,328,519	497,570	9,826,089
Cost of sales	(7,396,327)	(411,394)	(7,807,721)
Gross profit	1,932,192	86,176	2,018,368
Gross profit (VND million)	40,244	1,795	42,039

The segment results for the 1st quarter 2011 are as follows:

	Domestic USD	Export USD	Total USD
Sales revenue - net	12,180,065	491,631	12,671,696
Cost of sales	(9,186,847)	(447,670)	(9,634,517)
Gross profit	2,993,218	43,961	3,037,180
Gross profit (VND million)	62,343	916	63,258

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 1st quarter 2012 are as follows:

	Drinks USD	Biscuits USD	Other USD	Total USD
Sales revenue - net	8,975,869	310,409	539,811	9,826,089
Cost of sales	(7,296,704)	(364,001)	(147,016)	(7,807,721)
Gross profit	1,679,165	(53,592)	392,794	2,018,368
Gross profit (VND million)	34,974	(1,116)	8,181	42,039

The segment results for the 1st quarter 2011 are as follows:

	Drinks USD	Biscuits USD	Other USD	Total USD
Sales revenue - net	11,613,803	289,160	768,734	12,671,696
Cost of sales	(8,944,367)	(338,334)	(351,816)	(9,634,517)
Gross profit	2,669,436	(49,174)	416,918	3,037,180
Gross profit (VND million)	55,599	(1,024)	8,684	63,258

36 Profit (Loss) per share and dividends

Basic profit(loss) per share is shown below:

	31 March 2012		31 December 2011	
	USD	VND million	USD	VND million
Profit(loss) attributable to shareholders of the Company	(193,975)	(4,040)	(2,755,569)	(57,393)
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)	(0.007)	(0.139)	(0.095)	(1.969)
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No dividend was declared in Q1-2012. As at 31/03/2012, the 2007 dividends payable amounting to USD24,265 was not paid and included in the other payables (Note 22).

37 Board of Directors and Management's remuneration

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

	31 March 2012		31 March 2011	
	USD	VND million	USD	VND million
Salary	100,259	2,088	106,403	2,216
	100,259	2,088	106,403	2,216

38 Commitments

As at 31 March 2012, the Company was committed under non cancellable operating lease agreements in the following

	31 March 2012		31 December 2011	
	USD	VND million	USD	VND million
Within the next year	35,360	736	63,615	1,325
Within two to five years	-	-	-	-
Over five years	-	-	-	-
	35,360	736	63,615	1,325

The consolidated financial statements were approved by the Board of Directors on 04 May 2012 .

(Signed and Sealed)

Michio Nagabayashi
Chairman, General Director

(Signed)

Nguyen Hong Phong
Chief Accountant