

# **Consolidated financial statements**

**Quarter 3 - 2012**

## **Consolidated financial statements**

### **Quarter 3 - 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 30 September 2012.

### Results

The results of the Group for the period ended 30 September 2012 are set out in the consolidated statement of income.

### Financial indicators of the business

	Unit	30 Sep 2012	2011
<b>Assets structure and capital structure</b>			
<b>Assets structure</b>			
Fixed assets/total assets	%	<b>65.72</b>	70.91
Current assets/total assets	%	<b>34.28</b>	29.09
<b>Capital structure</b>			
Liabilities/total resources	%	<b>56.05</b>	<b>72.40</b>
Owner’s equity/total resources	%	<b>9.92</b>	<b>11.63</b>
<b>Liquidity</b>			
Total assets/liabilities	times	1.11	1.13
Current ratio	times	0.61	0.40
Quick ratio	times	0.18	0.16
<b>Profitability</b>			
<b>Profit (Loss) /net sales</b>			
Profit (Loss) before tax/net sales	%	(8.18)	(1.46)
Profit (Loss) after tax/net sales	%	(6.83)	(1.51)
<b>Profit (Loss)/total assets</b>			
Profit (Loss) before tax/total assets	%	(2.02)	(1.33)
Net Profit (Loss) after tax/total assets	%	(1.68)	(1.38)
Net Profit (Loss) after tax /owner’s equity	%	(3.20)	(2.55)

## 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:

<b>Board of Management:</b>		<b>Appointed:</b>	<b>Resigned:</b>
Michio Nagabayashi	Chairman	31-05-2011	
Ryoichi Yonemura	Member	14-03-2011	12-04-2012
Hiroshi Fujikawa	Member	14-03-2011	
Nguyen Thi Kim Lien	Member	15-08-2006	
Pang Tze Wei	Member	28-08-2010	
Toru Yamasaki	Member	12-04-2012	
<b>Board of Director:</b>			
Michio Nagabayashi	General Director	23-05-2011	
Hajime Kobayashi	Director/General Manager of Corporate Planning	23-05-2011	
Kazufumi Nagashima	Director/General Manager of Factory	23-05-2011	
Hidefumi Matsuo	Director/General Manager of Administration	23-05-2011	
Nguyen Thi Kim Lien	Director/General Manager of Finance	15-08-2006	
Takaaki Suemitsu	Director/General Manager of Sales and Marketing	15-08-2012	

## Statement of Boards of Directors

In the opinion of the Board of Directors, the accompanying consolidated balance sheet, consolidated statement of income and statement of cash flows, together with the notes thereto, have been properly drawn up and give a true and fair view of the financial position of the Company as at 30 September 2012 and of its results of operations and cash flows for the period ended 30 September 2012 in accordance with Vietnamese Accounting Standards and system and in compliance with relevant statutory requirements

On behalf of the Board of Directors

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Michio Nagabayashi  
Chairman, General Director  
Dong Nai province, Vietnam

# Consolidated balance sheet

	Notes	Code	30 September 2012		31 December 2011	
			USD	VND million	USD	VND million
<b>Current assets</b>						
<b>Cash and cash equivalents</b>						
Cash	7	111	1,838,045	38,283	1,978,801	41,214
<b>Accounts receivable</b>						
Trade accounts receivable		131	510,812	10,639	416,774	8,681
Prepayments to suppliers		132	310,765	6,473	490,192	10,210
Other receivables		135	130,333	2,715	64,141	1,336
Provision for doubtful debts		139	-	-	-	-
		130	951,910	19,826	971,107	20,226
<b>Inventories</b>						
Inventories	8	141	8,936,512	186,130	6,598,018	137,424
Provision for decline in inventory value	8	149	(73,537)	(1,532)	-	-
		140	8,862,975	184,598	6,598,018	137,424
<b>Other current assets</b>						
Short term prepaid expenses		151	12,716	265	12,025	250
Value added tax to be reclaimed		152	41,285	860	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	113,183	2,357	41,885	872
		150	274,091	5,709	265,033	5,520
		100	11,927,021	248,416	9,812,959	204,384
<b>Fixed assets</b>						
Tangible fixed assets	10	221	18,906,832	393,791	19,056,731	396,914
<i>Historical cost</i>	10	222	35,756,223	744,731	34,296,281	714,323
<i>Accumulated depreciation</i>	10	223	(16,849,391)	(350,939)	(15,239,550)	(317,409)
Construction in progress	11	230	375,753	7,826	1,408,477	29,336
		220	19,282,585	401,618	20,465,208	426,249
<b>Other non-current assets</b>						
Long-term prepaid expenses	12	261	1,521,838	31,697	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	3,583,185	74,631	3,458,528	72,034
		200	22,865,770	476,248	23,923,736	498,284
		270	34,792,791	724,664	33,736,695	702,668

# Consolidated balance sheet

	Notes	Code	30 September 2012		31 December 2011	
			USD	VND million	USD	VND million
<b>RESOURCES</b>						
<b>Liabilities</b>						
<b>Current liabilities</b>						
Short term borrowings and debts	14	311	15,500,000	322,834	19,000,000	395,732
Trade accounts payable	15	312	2,894,279	60,282	3,152,829	65,667
Advances from customers		313	100,016	2,083	151,256	3,150
Taxes and amounts payable to state budget	16	314	62,375	1,299	184,576	3,844
Payable to employees		315	378,362	7,881	375,276	7,816
Accrued expenses payable	17	316	460,065	9,582	468,455	9,757
Intercompany payable		317	-	-	-	-
Other payables	18	319	106,299	2,214	1,093,140	22,768
		310	19,501,396	406,175	24,425,532	508,735
<b>Long term liabilities</b>						
Long term deposits		331	1,255	26	1,255	26
Long term borrowings and debts	19	334	11,493,613	239,389	4,993,613	104,007
Deferred tax liabilities	20	335	155,583	3,240	138,280	2,880
Provision for severance allowance		336	160,353	3,340	231,174	4,815
		330	11,810,804	245,995	5,364,322	111,728
			31,312,200	652,171	29,789,854	620,463
<b>Owners' equity</b>						
<b>Capital sources and funds</b>						
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	(17,384,667)	(362,088)	(16,911,481)	(352,232)
		410	3,449,995	71,856	3,923,181	81,712
<b>Minority interest</b>						
Minority interest	23	439	30,596	637	23,660	493
		440	3,480,591	72,494	3,946,841	82,205
			34,792,791	724,664	33,736,695	702,668
<b>Off balance sheet items</b>						
<b>Foreign currencies</b>						
			30 September 2012		31 December 2011	
Vietnamese dong			9,496		11,536	
Euro			492		492	

Date: 12 November 2012

*(Signed and Sealed)*

Michio Nagabayashi  
Chairman, General Director

*(Signed)*

Nguyen Hong Phong  
Chief Accountant

## Consolidated statement of income-USD

	Notes	Code	Q3-2012 USD	Q3-2011 USD	YTD 2012 USD	YTD 2011 USD
Gross sales	24		8,831,204	9,425,892	31,730,783	43,905,391
Less deductions:	24		(248,250)	(247,409)	(921,176)	(1,148,305)
Net sales			8,582,954	9,178,483	30,809,607	42,757,086
Cost of sales	25		(6,685,084)	(7,548,514)	(23,772,253)	(35,600,946)
Gross profit			1,897,870	1,629,969	7,037,354	7,156,140
Financial income	26		1,648	20,734	23,502	1,599,913
Financial expenses	27		(97,296)	(445,909)	(324,900)	(2,052,684)
<i>Including: interest expense</i>			(97,296)	(387,702)	(270,965)	(1,395,373)
Selling expenses	28		(2,050,825)	(1,588,069)	(6,316,111)	(7,186,764)
G&A expenses	29		(370,086)	(318,970)	(1,066,373)	(1,869,546)
Operating profit/(loss)			(618,689)	(686,245)	(646,528)	(2,352,941)
Other income	30		46,459	18,353	634,329	528,006
Other expenses	31		(130,205)	(111,242)	(436,819)	(803,180)
Profit (loss) before tax			(702,435)	(779,136)	(449,018)	(2,628,115)
CIT for the current year	33		121,965	-	-	-
Deferred CIT			(5,769)	11,536	(17,305)	(103,794)
Profit(loss) after tax			(586,239)	(767,600)	(466,323)	(2,731,909)
Minority interest			(3,265)	-	(6,936)	(23,660)
Net profit			(589,504)	(767,600)	(473,259)	(2,755,569)
Earning(loss) per share	36		(0.02023)	(0.02634)	(0.01624)	(0.09456)

Date: 12 November 2012

*(Signed and Sealed)*

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Michio Nagabayashi  
Chairman, General Director

*(Signed)*

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Nguyen Hong Phong  
Chief Accountant

## Consolidated statement of income in VND

	Notes	Code	Q3-2012 VND million	Q3-2011 VND million	YTD 2012 VND million	YTD 2011 VND million
Gross sales	24		183,936	178,451	660,889	914,461
Less deductions:	24		(5,171)	(4,684)	(19,186)	(23,917)
Net sales			178,766	173,767	641,702	890,545
Cost of sales	25		(139,237)	(142,908)	(495,128)	(741,497)
Gross profit			39,529	30,859	146,574	149,048
Financial income	26		34	393	489	33,323
Financial expenses	27		(2,026)	(8,442)	(6,767)	(42,753)
<i>Including: interest expense</i>			(2,026)	(7,340)	(5,644)	(29,063)
Selling expenses	28		(42,715)	(30,065)	(131,552)	(149,686)
G&A expenses	29		(7,708)	(6,039)	(22,210)	(38,939)
Operating loss			(12,886)	(12,992)	(13,466)	(49,007)
Other income	30		968	347	13,212	10,997
Other expenses	31		(2,712)	(2,106)	(9,098)	(16,729)
Profit (loss) before tax			(14,630)	(14,751)	(9,352)	(54,738)
CIT for the current year	33		2,540	-	-	-
Deferred CIT			(120)	218	(360)	(2,162)
Profit(loss) after tax			(12,210)	(14,532)	(9,713)	(56,900)
Minority interest			(68)	-	(144)	(493)
Net profit			(12,278)	(14,532)	(9,857)	(57,393)
Earning(loss) per share (VND)	36		(421)	(549)	(338)	(1,969)

Date: 12 November 2012

*(Signed and Sealed)*

\_\_\_\_\_  
Michio Nagabayashi  
Chairman, General Director

*(Signed)*

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Nguyen Hong Phong  
Chief Accountant



# Consolidated statements of cash flows

	Notes	Code	30 September 2012		31 December 2011	
			USD	VND million	USD	VND million
<b>Cash flows from operating activities</b>						
Profit/(loss) before tax		1	(449,018)	(9,352)	(2,628,115)	(54,738)
Adjustments for:						
Depreciation and amortisation		2	1,610,348	33,540	2,129,663	44,357
Increase in provisions		3	2,716	57	(170,987)	(3,561)
Gain on foreign currency translation		4	-	-	2,340	49
Loss from disposal investments, fixed assets		5	(507)	(11)	70,029	1,459
Interest expense		6	270,965	5,644	1,395,373	29,063
Interest income		7	(13,402)	(279)	(11,234)	(234)
<b>Operating profit/(loss) before adjustments to w</b>		<b>8</b>	<b>1,421,102</b>	<b>29,599</b>	<b>787,069</b>	<b>16,393</b>
Change in accounts receivable		9	10,830	226	646,812	13,472
Change in inventory		10	(2,338,494)	(48,706)	932,282	19,418
Change in accounts payable		11	(1,695,101)	(35,306)	(1,956,192)	(40,744)
Change in prepaid expenses		12	(125,348)	(2,611)	(11,202)	(233)
Interest paid		13	-	-	(1,683,501)	(35,064)
Business income tax paid			-	-	-	-
<b>Cash generated from operating activities</b>		<b>20</b>	<b>(2,727,011)</b>	<b>(56,798)</b>	<b>(1,284,732)</b>	<b>(26,758)</b>
<b>Cash flows from investing activities</b>						
Acquisition of fixed assets and investment construct		21	(427,218)	(8,898)	(1,268,828)	(26,427)
Proceeds from disposal of investments and fixed ass		22	-	-	-	-
Additional investment in associate		25	-	-	-	-
Interest income received			13,402	279	11,234	234
<b>Net cash inflows/(outflows) from investing acti</b>		<b>30</b>	<b>(413,816)</b>	<b>(8,619)</b>	<b>(1,257,594)</b>	<b>(26,193)</b>
<b>Cash flows from financing activities</b>						
Proceeds from loan		33	3,000,000	62,484	44,717,957	931,386
Repayments for debt		34	-	-	(40,322,571)	(839,839)
Dividend payments to investors		36	-	-	-	-
<b>Net cash inflows/(outflows) from financing acti</b>		<b>40</b>	<b>3,000,000</b>	<b>62,484</b>	<b>4,395,386</b>	<b>91,547</b>
<b>Net increase/(decrease) in cash</b>		<b>50</b>	<b>(140,827)</b>	<b>(2,933)</b>	<b>1,853,060</b>	<b>38,596</b>
<b>Cash and cash equivalents at beginning of the y</b>		<b>60</b>	<b>1,978,801</b>	<b>41,214</b>	<b>130,854</b>	<b>2,725</b>
Effects of changes in foreign exchange rates		61	71	1	(5,113)	(106)
<b>Cash and cash equivalents at end of the year</b>		<b>70</b>	<b>1,838,045</b>	<b>38,283</b>	<b>1,978,801</b>	<b>41,214</b>

Date: 12 November 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.

On 07 Jun 2012, Kirin increased its shares in IFS to 80.37% through acquisition of Trade Ocean Holdings Sdn Bhd to all outstanding shares in Indochina Beverage Holdings Sdn. Bhd. (“IBH”). IBH, which holds 23.12% of the total outstanding shares of IFS (included: unlisted shares: 18.87% and listed shares: 4.52%).

In addition, under the resolution of the Annual General Assembly of Shareholders dated 12 Apr 2012, the Company has extended delisting its shares currently listed on Ho Chi Minh City Stock Exchange in 2012. However, as at 30 Sep 2012, the

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

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

As at 30 September 2012, the Group had 1253 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-TCND 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 is a part of an identified portfolio of financial instruments that the Group manages together and has a recent<sup>13</sup> 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 <sup>14</sup> 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 17% 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-BLDTBXH 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.

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**

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:

	Amount		% equity held	
	30 Sep 2012	31 Dec 2011	31 Sep 2012	31 Dec 2011
	USD	USD	%	%
<b>Subsidiary:</b>				
AvaFood Shareholding Company	4,500,000	4,500,000	90	90
	<b>4,500,000</b>	<b>4,500,000</b>		

#### 1. AvaFood Shareholding Company

On 30 September 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 7,574,375 as at 30 September 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	30 September 2012	31 December 2011
		USD VND million	USD VND million

Cash in banks	1,828,549	38,085	1,967,266	407,974
	1,838,045	38,283	1,978,801	41,214

## 8 Inventories

	30 September 2012		31 December 2011	
	USD	VND million	USD	VND million
Raw materials	2,040,814	42,506	1,874,081	39,033
Tools and supplies	441,321	9,192	410,135	8,542
Work in progress	963,358	20,065	618,363	12,879
Finished goods	5,491,019	114,367	3,695,439	76,969
	8,936,512	186,130	6,598,018	137,424
Provision for decline in inventory value	(73,537)	(1,532)	-	-
	8,862,975	184,598	6,598,018	137,424

## 9 Taxes and amounts receivable from the State Budget

The amount of USD 106,907 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

	Building	Machinery & Equipment	Motor vehicles	Office	Total
	USD	USD	USD	USD	USD
<b>Historical cost</b>					
01/01/2012	4,783,276	28,685,916	553,265	273,824	34,296,281
Acquisition	-	157,779	68,977	42,487	269,243
Transfer from CIP	777,855	414,154			1,192,009
Disposals				(1,310)	(1,310)
30/09/2012	5,561,131	29,257,848	622,242	315,001	35,756,223
30/09/2012 (VND million)	115,827	609,382	12,960	6,561	744,731
Fully depreciated		990,777	259,779	37,930	1,288,486
Fixed assets not in use (*)		7,968,583	193,237	58,082	8,219,902
<b>Accumulated depreciation</b>					
01/01/2012	(785,234)	(13,818,088)	(473,791)	(162,437)	(15,239,550)
Charge for the year	(130,765)	(1,432,351)	(27,667)	(19,565)	(1,610,348)
Disposals	-	-	-	507	507
30/09/2012	(915,999)	(15,250,439)	(501,458)	(181,495)	(16,849,391)
30/09/2012 (VND million)	(19,078)	(317,636)	(10,444)	(3,780)	(350,939)
Fixed assets not in use (*)	-	(4,865,014)	(193,068)	(56,051)	(5,114,133)
<b>Net book value</b>					
01/01/2012	3,998,042	14,867,828	79,474	111,387	19,056,731
30/09/2012	4,645,132	14,007,410	120,784	133,506	18,906,832
30/09/2012 (VND million)	96,749	291,746	2,516	2,781	393,791
Fixed assets not in use (*)	-	3,103,570	168	2,031	3,105,769

(\*)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

	30 September 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	159,286	3,318	1,219,582	25,401
Transferred to tangible fixed assets	(1,192,010)	(24,827)	-	-
Closing balance	375,753	7,826	1,408,477	29,336
	-	-	-	-
<b>Including:</b>				
ERP system	375,753	7,826	340,674	7,096
Waste water system	-	-	630,270	13,127
House for husk boiler	-	-	76,151	1,586
Husk boiler	-	-	361,382	7,527
	375,753	7,826	1,408,477	29,336

## 12 Long term prepaid expenses

	30 September 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	165,744	3,452	-	-
Amortisation	(41,087)	(856)	(35,016)	(729)
Closing balance	1,521,838	31,697	1,397,181	29,100
	-	-	-	-

As at 30 September 2012, the carrying value of long term prepaid expenses represents the prepaid land rentals

## 13 Deferred tax assets

	30 September 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

	30 September 2012		31 December 2011	
	USD	VND million	USD	VND million
Short-term Loans from Kirin Holding Company (1)	5,500,000	114,554	19,000,000	395,732
Current portion of mid-term loans from Kirin Holding Company (2)	10,000,000	208,280	-	-
	15,500,000	322,834	19,000,000	395,732
	-	-	-	-

### (1) Loans from Kirin Holding Company

	30 September 2012		31 December 2011	
	USD	VND million	USD	VND million
Denominated in USD	5,500,000	114,554	19,000,000	395,732
	5,500,000	114,554	19,000,000	395,732
	-	-	-	-

The company has obtained the short term loan facility from Kirin Holdings Company Ltd amounting to USD 27.5 million, including of:

- The revolving loan agreement amounting to USD 2.5 million signed on 28 Oct 2011 interest based on the base rate plus 1% per annum.

- The revolving loan agreement amounting to USD 6 million signed on 28 November 2011 interest based on the base rate plus 1% per annum.

-The new revolving loan agreement amounting to USD 9 million signed on 06 June 2012 with interest based on the base rate plus 0.8% per annum.

Besides, the Company have an available credit line VND 120 billion from Vietcombank Dong Nai covered by the principal Agreement No. 2010047/KHDN/ NHNT dated 24 November 2011 for the term of 60 months. This Loan is secured by the factory and land use rights of Avafood Shareholding Company with net book value of USD 5,153,388 as of 30 June 2012. As at 30 September 2012 this credit facility will be reduced to VND 40 billion without collateral (Notes 38)

## (2) Current portion of mid-term loans from Kirin Holding Company

	30 September 2012		31 December 2011	
	USD	VND million	USD	VND million
Denominated in USD	10,000,000	208,280	-	-
	10,000,000	208,280	-	-
	-	-	-	-

In Oct'2012, the Company has completed registered mid-term loan with local State Bank for renewal of revolving credit agreements for additional 12 months as following:

- The revolving loan agreement amounting to USD 3 million renewal on 01 June 2012 interest based on the base rate plus 1% per annum.

- The renewal revolving loan agreement amounting to USD 7 million renewal on 30 May 2012 interest based on the base rate plus 0.8% per annum.

## 15 Trade accounts payable

	30 September 2012		31 December 2011	
	USD	VND million	USD	VND million
Payable to suppliers	2,601,984	54,194	1,946,420	40,540
Payable to related parties (Note 34)	292,295	6,088	1,206,409	25,127
	2,894,279	60,282	3,152,829	65,667
	-	-	-	-

## 16 Taxes and amounts payable to state budget

	30 September 2012		31 December 2011	
	USD	VND million	USD	VND million
Value added tax	-	-	98,116	2,044
Corporate income tax	-	-	-	-
Personal income tax	23,163	482	20,104	419
Import, export tax	7,005	146	11,531	240
Other taxes	32,207	671	54,825	1,142
	62,375	1,299	184,576	3,844
	-	-	-	-

## 17 Accrued expenses payable

	30 September 2012		31 December 2011	
	USD	VND million	USD	VND million
Transportation	94,520	1,969	143,072	2,980
Trade discounts	43,057	897	46,724	973
Related parties payable	296,447	6,174	187,668	3,909

Others	26,040	542	90,991	2,895
	460,065	9,582	468,455	9,757

	-	-	-	-
<b>18 Other payables</b>				
	<b>30 September 2012</b>		<b>31 December 2011</b>	
	<b>USD</b>	<b>VND million</b>	<b>USD</b>	<b>VND million</b>
Dividend payable (Note 36)	24,265	505	24,265	505
Trade union, social and health insurance	10,407	217	8,002	167
Related parties payable	-	-	1,031,901	21,492
Other payable	71,628	1,492	28,972	603
	106,299	2,214	1,093,140	22,768

	-	-	-	-
<b>19 Long term borrowings and debts</b>				
	<b>30 September 2012</b>		<b>31 December 2011</b>	
	<b>USD</b>	<b>VND million</b>	<b>USD</b>	<b>VND million</b>
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
Loans from Kirin Holding Company (3)	6,500,000	135,382	-	-
	11,493,613	239,389	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 Aavafood 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.

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

In May 2012, the Company entered into a mid-term loan agreement with Kirin Holdings Company Ltd amounting to USD 6.5 millions by partial conversion the current shorter term loan agreement. The credit facility is subject to interest of 1.896 % per annum. The fixed interest rate is based on the basis of USD Swap Semi 30/360 5 year plus 0.8% per annum based on current Kirin Group financial rule.

**20 Deferred tax liabilities**

	<b>30 September 2012</b>		<b>31 December 2011</b>	
	<b>USD</b>	<b>VND million</b>	<b>USD</b>	<b>VND million</b>
Opening balance	138,280	2,880	138,280	2,880
Charging in the period	17,303	360	-	-
<b>Deferred tax liabilities</b>	<b>155,583</b>	<b>3,240</b>	<b>138,280</b>	<b>2,880</b>

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

**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 adjustment				(98,751)	(98,751)
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)	(16,911,481)	3,923,181
31 December 2011 (VND million)	381,444	85,036	(32,535)	(352,232)	81,712
Current year's opening balance	18,313,995	4,082,759	(1,562,092)	(16,911,481)	3,923,181
Current year's net profit	-	-	-	(473,259)	(473,259)
Foreign exchange differences	-	-	-	73	73
Current year's closing balance	18,313,995	4,082,759	(1,562,092)	(17,384,667)	3,449,995
30 September 2012 (VND million)	381,444	85,036	(32,535)	(362,088)	71,856

## 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. Each share is entitled to one vote at meetings of the Group. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Group's residual assets. In respect of shares bought back by the Group, all rights are suspended until those shares are reissued.

	30-Jun-12		USD
	Number of shares	VND'000	equivalent
Authorized	29,140,992	291,409,920	18,314,000
Issued and fully paid	29,140,984	291,409,840	18,313,995

There were no movements in share capital during the period.

Details of shareholders as at 30 September 2012 are as follows:

	Number of shares			Equivalent capital amount	
	Listed shares	Unlisted shares	Total	VND'000	%
Trade Ocean Holding Sdn Bhd	-	16,684,646	16,684,646	166,846,460	57.25%
Indochina Beverage Holdings Ltd	1,237,469	5,499,840	6,737,309	67,373,090	23.12%
Yau Hau Jan	-	81,139	81,139	811,390	0.28%
Public shareholders	5,637,890	-	5,637,890	56,378,900	19.35%
	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 Islands. Approval was given to amend the Investment Certificate dated 22 April 2011 granted by The Board of Management of Dong Nai Industrial Zone.

On June 7, 2012, Kirin Holding Limited increased its shares in IFS to 80.37% (equivalent to 23,421,955 shares) through Trade Ocean Holding Sdn Bhd acquired all outstanding shares in Indochina Beverage Holdings, which holds 23.12% (equivalent to 6,737,309 shares) of the total outstanding shares of IFS.

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

	Listed shares	Unlisted shares	Total	Equivalent capital amount VND'000	%
Trade 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

	30 September 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	6,936	144	-	-
Closing balance	30,596	637	23,660	493

### 24 Revenues

	Q3-2012		Q3-2011	
Revenue	USD	VND million	USD	VND million
Domestic sales	8,327,217	173,439	8,750,933	165,673
Export sales	503,987	10,497	674,959	12,778
	8,831,204	183,936	9,425,892	178,451
Sales deduction:				
Sales allowance	(247,168)	(5,148)	(240,356)	(4,550)
Sales return	(1,082)	(23)	(7,053)	(134)
	8,582,954	178,766	9,178,483	173,767
<b>Net sales</b>	<b>8,582,954</b>	<b>178,766</b>	<b>9,178,483</b>	<b>173,767</b>

### 25 Cost of goods sold

	Q3-2012		Q3-2011	
	USD	VND million	USD	VND million
Cost of goods sold for domestic sales	6,233,891	129,839	6,955,405	131,680
Cost of goods sold for export sales	451,193	9,397	593,109	11,229
	6,685,084	139,237	7,548,514	142,908

### 26 Income from financial activities

	Q3-2012		Q3-2011	
	USD	VND million	USD	VND million
Interest income from bank deposits	1,648	34	2,273	43
Interest income from disposal investment in subsidiary	-	-	-	-
Realised gains from foreign exchange	-	-	18,461	349
Unrealised gains from foreign exchange	-	-	-	-
	1,648	34	20,734	393

### 27 Expenses for financial activities

	Q3-2012		Q3-2011	
	USD	VND million	USD	VND million
Interest expense	97,296	2,026	387,702	7,340
Realised foreign exchange losses	-	-	58,056	1,099

Other finance expenses	-	-	151	23	3
	<b>97,296</b>	<b>2,026</b>	445,909	8,442	
	-	-	-	-	-
<b>28</b>	<b>Selling expenses</b>				
	<b>Q3-2012</b>		<b>Q3-2011</b>		
	<b>USD</b>	<b>VND million</b>	<b>USD</b>	<b>VND million</b>	
Transportation expense	461,923	9,621	524,950	9,938	
Salary	691,805	14,409	429,631	8,134	
Sale commission/promotion	498,391	10,380	509,700	9,650	
Depreciation	8,616	179	33,247	629	
Other expenses	390,090	8,125	90,542	1,714	
	<b>2,050,825</b>	<b>42,715</b>	1,588,069	30,065	
	-	-	-	-	-
<b>29</b>	<b>General and administration expenses</b>				
	<b>Q3-2012</b>		<b>Q3-2011</b>		
	<b>USD</b>	<b>VND million</b>	<b>USD</b>	<b>VND million</b>	
Salary	131,564	2,740	150,382	2,847	
Depreciation and amortisation	15,309	319	12,035	228	
Office expenses	82,624	1,721	47,757	904	
Bank charges	9,385	195	7,855	149	
Outside services expenses	46,672	972	24,109	456	
Consultant fee	73,428	1,529	41,148	779	
Others	11,105	231	35,683	676	
	<b>370,086</b>	<b>7,708</b>	318,970	6,039	
	-	-	-	-	-
<b>30</b>	<b>Other income</b>				
	<b>Q3-2012</b>		<b>Q3-2011</b>		
	<b>USD</b>	<b>VND million</b>	<b>USD</b>	<b>VND million</b>	
Write-off account payables and advance from customers	-	-	-	-	
Other income	46,459	968	18,353	347	
	<b>46,459</b>	<b>968</b>	18,353	347	
	-	-	-	-	-
<b>31</b>	<b>Other expenses</b>				
	<b>Q3-2012</b>		<b>Q3-2011</b>		
	<b>USD</b>	<b>VND million</b>	<b>USD</b>	<b>VND million</b>	
Depreciation of idle assets	129,339	2,694	110,652	2,095	
Write-off unaccounted accounts receivable and prepayments	-	-	-	-	
Net book value of written-off fixed assets	-	-	-	-	
Others	866	18	589	11	
	<b>130,205</b>	<b>2,712</b>	111,242	2,106	
	-	-	-	-	-
<b>32</b>	<b>Cost by element</b>				
	<b>Q3-2012</b>		<b>Q3-2011</b>		
	<b>USD</b>	<b>VND million</b>	<b>USD</b>	<b>VND million</b>	
Raw materials	6,320,792	131,649	7,663,733	159,620	
Labour cost	1,211,314	25,229	974,162	20,290	
Depreciation and amortisation	307,390	6,402	381,364	7,943	
Outside service costs	1,358,791	28,301	1,331,967	27,742	
Other costs	1,068,088	22,246	1,037,894	21,617	
	<b>10,266,375</b>	<b>213,828</b>	11,389,120	237,213	



**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 (2012: 25%; 2011: 25%).

**The Group:**

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the tax rate regulated in the Investment Certificate of each company within the Group as follows

	30 September 2012		31 December 2011	
	USD	VND million	USD	VND million
<b>Accounting profit (loss) before tax</b>	-	-	(2,628,115)	(54,738)
<b>Permanent differences</b>	-	-		
- Expenses without appropriate supporting documents	-	-	15,297	319
- Fee for the Board of Management	-	-	5,761	120
- Depreciation of idle assets	-	-	524,150	10,917
- Administration penalties	-	-	86,626	1,804
- Other income pertains to reverse of Corporate income tax payable of year 2008	-	-	(118,093)	(2,460)
<b>Temporary differences</b>				
- Temporary differences of prior year realised in this year	-	-	(103,890)	(2,164)
- Accrued expenses	-	-	414,678	8,637
- Unrealised losses from foreign exchange difference	-	-	5,113	106
- Government allowances			25,822	716

- Temporary differences between accounting base and tax	-	-	(92,284)	(45,922)
- Accrued expenses recognised from prior years	-	-	(436,093)	(9,083)
- Unrealised loss from previous years' foreign exchange difference realised in the current year	-	-	(5,019)	(105)
<b>Taxable profit / (loss) from normal business comprised of:</b>	-	-	(2,296,047)	(47,822)
Taxable profit / (loss) of the Company	-	-	(2,860,716)	(59,583)
Taxable profit / (loss) of Avafood	-	-	564,669	11,761
<b>Less: Gain on capital assignment</b>	-	-	-	-
<b>Taxable profit for normal operating activities</b>	-	-	564,669	11,761
Utilisation of losses carried forward	-	-	(564,669)	(11,761)
<b>Assessable profit for the year</b>	-	-	-	-
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)
<b>Deferred income tax expenses of the Group</b>	-	-	(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	(449,018)	-	-	(449,018)	2017
		<b>(21,370,701)</b>	<b>1,771,729</b>	<b>678,716</b>	<b>(18,920,256)</b>	

#### 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 Company	Converted other payable to shortterm loan	1,000,000
		Converted short-term loan to mid term loan	6,500,000
		Converted short-term loan to current portion of longterm loan	10,000,000
		Received additional short-term loan	2,000,000
		Loan interest	270,965
		Secondment fee	289,727
Kirin Holding Singapore Pte, Ltd	Affiliate	Supporting for marketing expenditure	309,185
		Other support	30,202

At 30 September 2012, the following balances were outstanding with related parties:

Related parties	Relation	Balances	Receivable	USD Payable	USD Loan
Wonderfarm Biscuits & Confectionery Sdn. Bhd	Minority interest	Mid-term loan		-	1,562,685
Kirin Holding Limited		Short term loan		-	5,500,000
	Ultimated Parent Co.	Current Portion of mid-term loan		-	10,000,000
		Mid term loan			6,500,000
		Loan interest		158,305	-
		Secondment fee		276,150	-
Kirin Holding Singapore Pte, Ltd	Affiliate	Supporting for marketing	309,185		
		Other support	30,202		
Vietnam Kirin Beverage Company	Affiliate	Purchase		-	-
		Processing fee		126,920	-
Trade Ocean Holdings Sdn Bhd	Parent Company	Mid-term loan		-	3,430,928
			<b>339,387</b>	<b>561,375</b>	<b>26,993,613</b>

### 35 Segmental information

At 30 September 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 3th Quarter 2012 are as follows:

	Domestic USD	Export USD	Total USD
Sales revenue - net	8,078,967	503,987	8,582,954
Cost of sales	(6,233,891)	(451,193)	(6,685,084)
Gross profit	1,845,076	52,794	1,897,870
Gross profit (VND million)	38,429	1,100	39,529

The segment results for the 3th Quarter 2011 are as follows:

	Domestic USD	Export USD	Total USD
Sales revenue - net	8,504,272	674,211	9,178,483
Cost of sales	(6,955,405)	(593,109)	(7,548,514)
Gross profit	1,548,866	81,103	1,629,969
Gross profit (VND million)	29,323	1,535	30,859

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 3th Quarter 2012 are as follows:

	Drinks USD	Biscuits USD	Other USD	Total USD
Sales revenue - net	7,954,662	342,906	285,386	8,582,954
Cost of sales	(6,065,519)	(408,193)	(211,372)	(6,685,084)
Gross profit	1,889,143	(65,287)	74,014	1,897,870
Gross profit (VND million)	39,347	(1,360)	1,542	39,529

The segment results for the 3th Quarter 2011 are as follows:

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	Drinks USD	Biscuits USD	Other USD	Total USD
Sales revenue - net	6,937,476	233,487	2,007,520	<b>9,178,483</b>
Cost of sales	(5,873,914)	(205,222)	(1,469,379)	<b>(7,548,514)</b>
Gross profit	1,063,562	28,266	538,142	<b>1,629,969</b>
Gross profit (VND million)	20,135	535	10,188	<b>30,859</b>

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

Basic profit(loss) per share is shown below:

	Q3-2012		31 December 2011	
	USD	VND million	USD	VND million
Profit(loss) attributable to shareholders of the Company	<b>(473,259)</b>	<b>(9,857)</b>	(2,755,569)	(57,393)
Weighted average number of ordinary shares on issue	<b>29,140,984</b>	<b>29,140,984</b>	29,140,984	29,140,984
Basic profit (loss) per share (USD/VND thousand)	<b>(0.016)</b>	<b>(0.338)</b>	(0.095)	(1.969)

No dividend was declared in Q3-2012. As at 30th September 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 salary

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

	Q3-2012		Q3-2011	
	USD	VND million	USD	VND million
Salary	<b>15,655</b>	<b>326</b>	<b>15,655</b>	326
Secondment fee	<b>110,775</b>	<b>2,307</b>	<b>69,000</b>	1,437
	<b>126,430</b>	<b>2,633</b>	<b>84,655</b>	<b>1,763</b>

### 38 Commitments

As at 30 September 2012, the Company was committed under non cancellable operating lease agreements in the following

	30 September 2012		31 December 2011	
	USD	VND million	USD	VND million
Within the next year	<b>242,121</b>	<b>5,043</b>	63,615	1,325
Within two to five years	<b>419,512</b>	<b>8,738</b>	-	-
Over five years	-	-	-	-
	<b>661,634</b>	<b>13,781</b>	63,615	1,325

The consolidated financial statements were approved by the Board of Directors on 12 November 2012 .

*(Signed and Sealed)*

\_\_\_\_\_  
Michio Nagabayashi  
Chairman, General Director

*(Signed)*

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Nguyen Hong Phong  
Chief Accountant