

Interfood Shareholding Company

Separate Interim Financial Statements for the
six-month period ended
30 June 2012

Interfood Shareholding Company

Corporate information

Investment Licence No. 270/GP 16 November 1991

Investment Certificate No. 472033000328 (1st amendment) 28 November 2007
472033000328 (2nd amendment) 20 May 2010
472033000328 (3rd amendment) 22 April 2011
472033000328 (4th amendment) 18 October 2011

The Company's investment licence has been amended several times, the most recent of which is by investment licence No. 270 CPH/GCNDDC3-BHK dated 23 August 2006. The investment licence and its amendments were issued by the Ministry of Planning and Investment and are valid for 50 years.

The investment certificates were issued by the Dong Nai Industrial Zone Authority and are valid for 50 years from the date of the initial investment licence.

Board of Management	Michio Nagabayashi	Chairman
	Ryoichi Yonemura	Member (until 12 April 2012)
	Hiroshi Fujikawa	Member
	Nguyen Thi Kim Lien	Member
	Pang Tze Wei	Member
	Toru Yamasaki	Member (from 12 April 2012)

Board of Directors	Michio Nagabayashi	General Director
	Hajime Kobayashi	Director/General Manager of Corporate Planning
	Kazufumi Nagashima	Director/General Manager of Factory
	Hidefumi Matsuo	Director/Financial Controller
	Nguyen Thi Kim Lien	Director/General Manager of Finance

Registered Office Lot 13, Tam Phuoc Industrial Zone
Bien Hoa City
Dong Nai Province
Vietnam

Auditors KPMG Limited
Vietnam

Interfood Shareholding Company
Statement of the Board of Management

**STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITY IN
RESPECT OF THE SEPERATE INTERIM FINANCIAL STATEMENTS**

The Board of Management and Board of Directors are responsible for the separate interim financial statements of the Company, prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements of each financial period which gives a true and fair view of the state of affairs of the Company and of its results of operations and cash flows for the period. In preparing those separate interim financial statements, the Board of Management and Board of Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the separate interim financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of Management and Board of Directors are also responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial information of the Company and to ensure that the accounting records comply with the requirements of Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management and Board of Directors confirm that they have complied with the above requirements in preparing the separate interim financial statements.

APPROVAL OF THE SEPERATE INTERIM FINANCIAL STATEMENTS

We hereby approve the accompanying separate interim financial statements which give a true and fair view of the financial position of the Company as of 30 June 2012 and of the results of operations, changes in equity and cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements applicable to interim financial statements.

On behalf of the Board of Management

Michio Nagabayashi
Chairman – cum General Director

Ho Chi Minh City, 28 August 2012

INDEPENDENT AUDITORS' REPORT ON REVIEW OF SEPARATE INTERIM FINANCIAL INFORMATION

To the Shareholders Interfood Shareholding Company

Scope

We have reviewed the accompanying separate balance sheet of Interfood Shareholding Company ("the Company") as of 30 June 2012, the related separate statements of income, changes in equity and cash flows for the six-month period then ended and the explanatory notes thereto which were authorised for issue by the Company's management on 28 August 2012, as set out on pages 4 to 35. The separate interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these separate interim financial statements based on our review. The separate financial statements of the Company as of and for the year ended 31 December 2011 were audited by another firm of auditors whose report dated 24 March 2012 expressed an unqualified opinion on these financial statements. Additionally, the separate interim financial statements for the six-month period ended 30 June 2011 and the explanatory notes thereto were reviewed by another firm of auditors whose report dated 5 September 2011 expressed an unqualified review conclusion on those statements.

We conducted our review in accordance with Vietnamese Standards on Auditing No. 910 on Engagement to Review Financial Statements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited to primarily inquiries of Company's personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements do not give a true and fair view of the unconsolidated financial position of the Company as of 30 June 2012 and the unconsolidated results of operations and cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements applicable to interim financial statements.

KPMG Limited

Vietnam

Investment Licence No: 011043000345

Review Report No: 12-01-204

Nguyen Thanh Nghi
CPA No. N0304/KTV
Deputy General Director

Chong Kwang Puay
CPA No. N0864/KTV

Ho Chi Minh City, 28 August 2012

Interfood Shareholding Company
Separate balance sheet as at 30 June 2012

Form B 01a – DN

	Code	Note	30/6/2012 USD	31/12/2011 USD (Restated)
ASSETS				
Current assets (100 = 110 + 130 + 140 + 150)	100		18,126,164	17,702,792
Cash	110	4	1,713,502	1,966,861
Accounts receivable	130	5	8,199,592	8,985,798
Accounts receivable – trade	131		570,025	416,546
Prepayments to suppliers	132		371,517	226,336
Intra-company receivables	133		6,914,237	8,338,485
Other receivables	135		343,813	4,431
Inventories	140	6	8,011,694	6,598,018
Inventories	141		8,085,231	6,598,018
Allowance for inventories	149		(73,537)	-
Other current assets	150		201,376	152,115
Short-term prepayments	151		11,099	3,323
Taxes and other receivables from State				
Treasury	154	7	106,907	106,907
Other current assets	158		83,370	41,885
Long-term assets (200 = 210 + 220 + 250 + 260)	200		19,078,044	18,418,110
Accounts receivable – long-term	210	5	1,200,000	-
Intra-company long-term receivables	213		1,200,000	-
Fixed assets	220		11,407,775	11,863,783
Tangible fixed assets	221	8	11,035,924	11,523,109
<i>Cost</i>	222		23,820,444	23,553,248
<i>Accumulated depreciation</i>	223		(12,784,520)	(12,030,139)
Construction in progress	230	9	371,851	340,674
Long-term investments	250	10	4,500,000	4,500,000
Investments in subsidiary	251		4,500,000	4,500,000
Other long-term assets	260		1,970,269	2,054,327
Long-term prepayments	261		37,907	-
Deferred tax assets	262	11	1,932,362	2,054,327
TOTAL ASSETS (270 = 100 + 200)	270		37,204,208	36,120,902

The accompanying notes are an integral part of these separate interim financial statements

Interfood Shareholding Company
Separate balance sheet as at 30 June 2012 (continued)

Form B 01a – DN

	Code	Note	30/6/2012 USD	31/12/2011 USD (Restated)
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		28,872,149	27,872,047
Current liabilities	310		18,773,650	24,234,562
Short-term borrowings	311	12	13,500,000	19,000,000
Accounts payable – trade	312	13	4,058,476	3,102,650
Advances from customers	313		168,600	151,256
Taxes payable to State Treasury	314	14	37,477	136,574
Payables to employees	315		331,980	336,314
Accrued expenses	316	15	594,753	414,678
Other payables	319	16	82,364	1,093,090
Long-term borrowings and liabilities	330		10,098,499	3,637,485
Other long-term liabilities	333		1,255	1,255
Long-term borrowings	334	17	9,930,928	3,430,928
Provision for severance allowance	336	18	166,316	205,302
EQUITY (400 = 410)	400		8,332,059	8,248,855
Equity	410		8,332,059	8,248,855
Share capital	411	19	18,313,995	18,313,995
Share premium	412		4,082,759	4,082,759
Accumulated losses	420		(14,064,695)	(14,147,899)
TOTAL RESOURCES (440 = 300 + 400)	440		37,204,208	36,120,902

OFF BALANCE SHEET ITEMS

	30/6/2012 USD	31/12/2011 USD
Foreign currency (VND)	675,296	259,608

Prepared by:

Approved by:

Nguyen Hong Phong
Chief Accountant

Michio Nagabayashi
Chairman – cum General Director

28 August 2012

The accompanying notes are an integral part of these separate interim financial statements

Interfood Shareholding Company

Separate statement of income for the six-month period ended 30 June 2012

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	Code	Note	Six-month period from 1/1/2012 to 30/6/2012 USD	Six-month period from 1/1/2011 to 30/6/2011 USD
Total revenue	01	20	22,899,476	24,777,211
Less revenue deductions	02	20	(672,926)	(633,556)
Net revenue (10 = 01 + 02)	10	20	22,226,550	24,143,655
Cost of sales	11	21	(17,394,887)	(19,885,546)
Gross profit (20 = 10 + 11)	20		4,831,663	4,258,109
Financial income	21	22	90,194	1,736,594
Financial expenses	22	23	(227,505)	(1,853,494)
<i>In which: Interest expenses</i>	23		(173,668)	(794,304)
Selling expenses	24		(4,264,970)	(3,998,495)
General and administration expenses	25		(636,507)	(890,711)
Net operating loss (30 = 20 + 21 + 22 + 24 + 25)	30		(207,125)	(747,997)
Other income	31	24	583,902	54,820
Other expenses	32		(171,608)	(119,961)
Results of other activities (40 = 31 + 32)	40		412,294	(65,141)
Profit/(loss) before tax (50 = 30 + 40)	50		205,169	(813,138)
Income tax expense – current	51	25	(121,965)	-
Income tax expense – deferred	52	25	-	-
Net profit/(loss) after tax (60 = 50 + 51 + 52)	60		83,204	(813,138)

Prepared by:

Approved by:

Nguyen Hong Phong
Chief Accountant

Michio Nagabayashi
Chairman – cum General Director

28 August 2012

The accompanying notes are an integral part of these separate interim financial statements

Interfood Shareholding Company**Separate statement of changes in equity for the six-month period ended 30 June 2012**

	Share capital USD	Share premium USD	Accumulated losses USD	Total USD
Balance at 31 December 2010 – as previously stated	18,313,995	4,082,759	(10,705,863)	11,690,891
Impact of prior year adjustment (Note 30)	-	-	(82,500)	(82,500)
Balance at 31 December 2010 – as restated	18,313,995	4,082,759	(10,788,363)	11,608,391
Net loss for the period	-	-	(813,138)	(813,138)
Balance at 30 June 2011	18,313,995	4,082,759	(11,601,501)	10,795,253
Balance at 31 December 2011 – as restated	18,313,995	4,082,759	(14,147,899)	8,248,855
Net profit for the period	-	-	83,204	83,204
Balance at 30 June 2012	18,313,995	4,082,759	(14,064,695)	8,332,059

Prepared by:

Approved by:

Nguyen Hong Phong
*Chief Accountant*Michio Nagabayashi
Chairman – cum General Director

28 August 2012

The accompanying notes are an integral part of these separate interim financial statements

Interfood Shareholding Company
Separate statement of cash flows for the six-month period ended 30 June 2012 –
Indirect method

Form B 03a – DN

	Code	Note	Six-month period from 1/1/2012 to 30/6/2012 USD	Six-month period from 1/1/2011 to 30/6/2011 USD
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	01		205,169	(813,138)
Adjustments for				
Depreciation and amortisation	02		756,288	762,262
Allowances and provisions	03		122,687	159,320
Unrealised foreign exchange losses	04		-	561,796
Interest income	05		(81,271)	(457,491)
Interest expense	06		173,668	794,304
Operating profit before changes in working capital	08		1,176,541	1,007,053
Change in receivables and other current assets	09		(384,361)	(582,157)
Change in inventories	10		(1,487,213)	(215,236)
Change in payables and other liabilities	11		930,159	(1,727,442)
Change in prepayments	12		(7,776)	(39,006)
			227,350	(1,556,788)
Interest paid	13		(152,875)	(784,179)
Net cash flows from operating activities	20		74,475	(2,340,967)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(338,187)	(143,212)
Receipts of interests	27		10,353	6,901
Net cash flows from investing activities	30		(327,834)	(136,311)

The accompanying notes are an integral part of these separate interim financial statements

Interfood Shareholding Company
Separate statement of cash flows for the six-month period ended 30 June 2012 –
Indirect method (continued)

Form B 03a – DN

	Code	Note	Six-month period from 1/1/2012 to 30/6/2012 USD	Six-month period from 1/1/2011 to 30/6/2011 USD
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from short-term and long-term borrowings	33		-	24,190,387
Payments to settle debts	34		-	(21,260,203)
Net cash flows from financing activities	40		-	2,930,184
Net cash flows during the period (50 = 20 + 30 + 40)	50		(253,359)	452,906
Cash at the beginning of the period	60		1,966,861	117,731
Cash at the end of the period (70 = 50 + 60)	70	4	1,713,502	570,637

NON-CASH INVESTING AND FINANCING ACTIVITIES

	Six-month period from 1/1/2012 to 30/6/2012 USD	Six-month period from 1/1/2011 to 30/6/2011 USD
Net off trade receivables against payments for loan principal from the subsidiary	299,934	231,523
Transfer from other payables to short-term borrowings	1,000,000	-

Prepared by:

Approved by:

Nguyen Hong Phong
Chief Accountant

Michio Nagabayashi
Chairman – cum General Director

28 August 2012

The accompanying notes are an integral part of these separate interim financial statements

Interfood Shareholding Company
Notes to the separate interim financial statements for the six-month period ended
30 June 2012

Form B 09a – DN

These notes form an integral part of and should be read in conjunction with the accompanying separate interim financial statements.

1. Reporting Entity

Interfood Shareholding Company (“the Company”) is a joint stock company incorporated in Vietnam. The principal activities of the Company are to process agricultural and aquatic products into canned, dried, frozen, salted, and pickled products and the production of biscuits and snack food, carbonated fruit juice and fruit juice with 5% alcohol content, bottled filtered water and PET bottle; and to manufacture packaging for foods and beverages.

The Company’s shares are listed on the Ho Chi Minh Stock Exchange in accordance with the Listing License No. 61/UBCK-GPNY issued by the Ho Chi Minh City Stock Exchange on 29 September 2006.

As at 30 June 2012, the Company and its subsidiary had 1,088 employees (31/12/2011: 674 employees).

2. Basis of preparation

(a) Statement of compliance

The separate interim financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements applicable to interim financial statements.

(b) Basis of measurement

The separate interim financial statements, except for the statement of cash flows, are prepared on the accrual basis using the historical cost concept. The statement of cash flows is prepared using the indirect method.

(c) Annual accounting period

The annual accounting period of the Company is from 1 January to 31 December.

(d) Accounting currency

The Company maintains its accounting records in United States Dollars (“USD”) and presents its financial statements in USD as approved by the Ministry of Finance in its Official Letter No. 550 TC/CDKT dated 5 September 1998.

Interfood Shareholding Company
Notes to the separate interim financial statements for the six-month period ended
30 June 2012 (continued)

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3. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Company in the preparation of the accompanying separate interim financial statements.

(a) Foreign currency transactions

Monetary assets and liabilities denominated in currencies other than USD are translated into USD at rates of exchange ruling at the balance sheet date. Transactions in currencies other than USD during the period have been translated into USD at rates approximating those ruling at the transaction dates.

All foreign exchange differences are recorded in the statement of income in accordance with Vietnamese Accounting Standard No. 10 (“VAS 10”) – The Effects of Changes in Foreign Exchange Rates.

(b) Cash

Cash comprises cash balances and call deposits.

(c) Investments

Investments are stated at cost. An allowance is made for reductions in investment values if market value of the investment falls below cost or if the investee has suffered a loss. The allowance is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the allowance was recognised. An allowance is reversed only to the extent that the investment’s carrying amount does not exceed the carrying amount that has been determined if no allowance had been recognised.

(d) Accounts receivable

Trade and other receivables are stated at cost less allowance for doubtful debts.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs incurred in bringing the inventories to their present location and condition. Cost in the case of finished goods and work in progress includes raw materials, direct labour and attributable manufacturing overheads. Net realisable value is the estimated selling price of inventory items, less the estimated costs of completion and selling expenses.

The Company applies the perpetual method of accounting for inventory.

Interfood Shareholding Company
Notes to the separate interim financial statements for the six-month period ended
30 June 2012 (continued)

Form B 09a – DN

(f) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, and the cost of dismantling and removing the asset and restoring the site on which they are located. Expenditures incurred after tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is charged to the statement of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follow:

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

(g) Construction in progress

Construction in progress represents the cost of construction and machinery which have not been fully completed or installed. No depreciation is provided for construction in progress during the period of construction and installation.

(h) Long-term prepayments

Tools and supplies

Tools and supplies which do not qualify for recognition of tangible fixed assets under Vietnamese regulation as their cost is less than VND10 million are classified as long-term prepayments and are amortised on a straight line basis over 3 years.

(i) Trade and other payables

Trade and other payables are stated at their cost.

Interfood Shareholding Company
Notes to the separate interim financial statements for the six-month period ended
30 June 2012 (continued)

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(j) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) *Provision for severance allowance*

Under the Vietnamese Labour Code, when employees who have worked for 12 months or more (“eligible employees”) voluntarily terminates his/her labour contract, the employer is required to pay the eligible employee severance allowance calculated based on years of service and employees’ compensation at termination. Provision for severance allowance has been provided based on employees’ years of service and their current salary level.

Pursuant to Law on Social Insurance, effective from 1 January 2009 the Company and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. The contribution to be paid by each party is calculated at 1% of the lower of the employees’ basic salary and 20 times the general minimum salary level as specified by the Government from time to time. With the implementation of unemployment insurance scheme, the Company is no longer required to provide severance allowance for the service period after 1 January 2009. However, severance allowance to be paid to the existing eligible employees as of 30 June 2012 will be determined based on the eligible employees’ years of service as of 31 December 2008 and their average salary for the six-month period prior to the termination date.

(k) Classification of financial instruments

Solely for the purpose of providing disclosures about the significance of financial instruments to the Company’s financial position and results of operations and the nature and extent of risk arising from financial instruments, the Company classifies its financial instruments as follow:

(i) *Financial assets*

Financial assets at fair value through profit or loss

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

- It is considered by management as held for trading. A financial asset is considered as held for trading if:
 - acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
 - there is evidence of a recent pattern of short-term profit-taking; or
 - a derivative (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument).

Interfood Shareholding Company
Notes to the separate interim financial statements for the six-month period ended
30 June 2012 (continued)

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- Upon initial recognition, it is designated by the Company as financial assets at fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Company has the positive intention and ability to hold to maturity, other than:

- those that the Company on initial recognition designates as at fair value through profit or loss;
- those that the Company designates as available-for-sale; and
- those that meet the definition of loans and receivables.

Loans and receivables

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

- that the Company intends to sell immediately or in the near term, which are classified as held for trading, and those that the entity on initial recognition designates as at fair value through profit or loss;
- that the Company on initial recognition designates as available-for-sale; or
- for which the Company may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or that is not classified as:

- financial assets at fair value through profit or loss;
- held-to-maturity investments; or
- loans and receivables.

Under the above disclosure requirements, cash in bank are under the category of held-to-maturity assets and all other financial assets are under the category of loans and receivables.

(ii) *Financial liabilities*

Financial liabilities at fair value through profit or loss

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

- It is considered by management as held for trading. A financial liability is considered as held for trading if:
 - acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
 - there is evidence of a recent pattern of short-term profit-taking; or

Interfood Shareholding Company
Notes to the separate interim financial statements for the six-month period ended
30 June 2012 (continued)

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- a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
- Upon initial recognition, it is designated by the Company as financial liabilities at fair value through profit or loss.

Financial liabilities carried at amortised cost

Financial liabilities which are not classified as financial liabilities at fair value through profit or loss are classified as financial liabilities carried at amortised costs.

Under the above disclosure requirements, all financial liabilities are under the category of financial liabilities carried at amortised cost.

The above described classification of financial instruments is solely for presentation and disclosure purpose and is not intended to be a description of how the instruments are measured. Accounting policies for measurement of financial instruments are disclosed in other relevant notes.

(1) Taxation

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Interfood Shareholding Company
Notes to the separate interim financial statements for the six-month period ended
30 June 2012 (continued)

Form B 09a – DN

(m) Revenue

Revenue from the sale of goods is recognised in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

(n) Operating lease payments

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of income as an integral part of the total lease expense.

(o) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except where the borrowing costs relate to borrowings in respect of the construction of qualifying assets, in which case the borrowing costs incurred during the period of construction are capitalised as part of the cost of the assets concerned.

(p) Related companies

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.

(q) Off balance sheet items

Amounts which are defined as off balance sheet items under the Vietnamese Accounting System are disclosed in the relevant notes to these financial statements.

4. Cash

	30/6/2012	31/12/2011
	USD	USD
Cash on hand	9,527	9,014
Cash in bank	1,703,975	1,957,847
	<hr/>	<hr/>
	1,713,502	1,966,861
	<hr/> <hr/>	<hr/> <hr/>

Cash at 30 June 2012 included amounts denominated in currencies other than VND amounting to USD1,038,206 (31/12/2011: USD1,707,253).

Interfood Shareholding Company
Notes to the separate interim financial statements for the six-month period ended
30 June 2012 (continued)

Form B 09a – DN

5. Accounts receivable short-term and long-term

Related company receivables comprised:

	30/6/2012	31/12/2011
	USD	USD
Short-term		
Short-term loan granted to a related company (a)	6,914,237	8,198,121
Others	-	140,364
	<hr/>	<hr/>
	6,914,237	8,338,485
	<hr/>	<hr/>
Long-term		
Long-term loan granted to a related company (b)	1,200,000	-
	<hr/>	<hr/>

- (a) The amount due from a related company represented a short-term loan receivable from Avafood Shareholding Company (“Avafood”), a subsidiary.

The short-term loan to Avafood with credit limit of USD7 million was unsecured and earns interest at Libor plus 1% per annum. The applicable interest rates range from 1.731% to 1.896% per annum during the period (year ended 31 December 2011: 1.732% per annum for loans in USD).

- (b) Long-term loan granted to a related company represented long-term loan to Avafood which was unsecured and earns fixed interest rate of 1.896% per annum during the period. The principal and related interest is due in May 2017.

Other receivables comprised:

	30/6/2012	31/12/2011
	USD	USD
Marketing support receivable from Kirin Holdings Singapore Pte, Ltd. (c)	309,185	-
Others	34,628	4,431
	<hr/>	<hr/>
	343,813	4,431
	<hr/>	<hr/>

- (c) The amount represented the financial support for marketing activities by Kirin Holdings Singapore Pte, Ltd., a related company, which is expected to be received within 2012.

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Notes to the separate interim financial statements for the six-month period ended
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6. Inventories

	30/6/2012	31/12/2011
	USD	USD
Raw materials	2,177,827	1,874,082
Tools and supplies	405,603	410,133
Work in progress	1,204,296	618,363
Finished goods	4,297,505	3,695,440
	<hr/>	<hr/>
	8,085,231	6,598,018
Allowance for inventories	(73,537)	-
	<hr/>	<hr/>
	8,011,694	6,598,018
	<hr/>	<hr/>

The outstanding balance of the allowance for inventories represented allowance made during the period.

7. Taxes and other receivables from State Treasury

Taxes and other receivables from State Treasury represented corporate income tax overpaid in prior years which will be netted-off with tax liabilities in the succeeding years.

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Notes to the separate interim financial statements for the six-month period ended
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8. Tangible fixed assets

	Machinery and Equipment USD	Motor vehicles USD	Office equipment USD	Total USD
Cost				
Opening balance	22,829,655	501,033	222,560	23,553,248
Additions	149,594	80,776	36,826	267,196
Closing balance	22,979,249	581,809	259,386	23,820,444
Accumulated depreciation				
Opening balance	11,455,448	441,581	133,110	12,030,139
Charge for the period	728,266	16,004	10,111	754,381
Closing balance	12,183,714	457,585	143,221	12,784,520
Net book value				
Opening balance	11,374,207	59,452	89,450	11,523,109
Closing balance	10,795,535	124,224	116,165	11,035,924

Included in the cost of tangible fixed assets were assets costing USD1,792,087 which were fully depreciated as of 30 June 2012 (31/12/2011: USD1,491,711), but which are still in active use.

The carrying amount of temporarily idle tangible fixed assets amounted to USD1,415,447 as of 30 June 2012 (31/12/2011: USD1,566,524).

9. Construction in progress

	Six-month period from 1/1/2012 to 30/6/2012 USD	Six-month period from 1/1/2011 to 30/6/2011 USD
Opening balance	340,674	188,896
Additions during the period	31,177	299,913
Closing balance	371,851	488,809

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10. Investments

Investment in subsidiary represented 90% shareholding investment in Avafood Shareholding Company whose principal activities are to provide processing service and produce products including fruit juice, bottled filtered water, biscuits, jams and sweets of all kinds, and from agricultural and aquatic products as well as livestock and lease a workshop under the Investment Licence No. 48/GP-ĐN issued by the People's Committee of Dong Nai Province on 19 July 2002.

11. Deferred tax assets

(i) Recognised deferred tax assets

Deferred tax assets are attributable to tax loss carry-forwards.

(ii) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	30/6/2012		31/12/2011	
	Temporary difference USD	Tax value USD	Temporary difference USD	Tax value USD
Deductible temporary differences	651,150	162,788	519,545	129,886
Tax losses	6,540,512	1,635,128	6,540,512	1,635,128
	<hr/>	<hr/>	<hr/>	<hr/>
	7,191,662	1,797,916	7,060,057	1,765,014

The tax losses expire in the following years:

Year of expiry	Status of tax review	Tax losses available USD
2013	Outstanding	11,379,352
2014	Outstanding	29,892
2016	Outstanding	2,860,716
		<hr/>
		14,269,960

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Interfood Shareholding Company
Notes to the separate interim financial statements for the six-month period ended
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12. Short-term borrowings

	30/6/2012	31/12/2011
	USD	USD
Loans from Kirin Holdings Company, Limited	13,500,000	19,000,000

Terms and conditions of unsecured outstanding short-term borrowings were as follow:

	Currency	Nominal interest rate	30/6/2012	31/12/2011
			USD	USD
Loan 1	USD	LIBOR plus 0.8% p.a.	7,000,000	7,000,000
Loan 2	USD	LIBOR plus 1% p.a.	2,500,000	2,500,000
Loan 3	USD	LIBOR plus 1% p.a.	3,000,000	3,000,000
Loan 4	USD	LIBOR plus 1% p.a.	-	6,500,000
Loan 5	USD	LIBOR plus 1% p.a.	1,000,000	-
			<hr/> 13,500,000	<hr/> 19,000,000

The applicable interest rates of these loans range from 1.456% to 1.928% per annum during the period (year ended 31 December 2011: 1.425% to 1.749%).

13. Accounts payable - trade

Accounts payable - trade included the following amounts due to related companies:

	30/6/2012	31/12/2011
	USD	USD
Amounts due to Vietnam Kirin Beverage Company, Limited	175,841	-
Amount due other related parties	-	1,206,409

The amount due to Vietnam Kirin Beverage Company, Limited, was the processing fee payable, which was unsecured, interest free and are payable on demand.

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Notes to the separate interim financial statements for the six-month period ended
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14. Taxes payable to State Treasury

	30/6/2012	31/12/2011
	USD	USD
Value added tax	9,756	98,116
Import-export tax	3,421	-
Personal income tax	9,397	19,729
Foreign contractor tax	14,903	18,729
	<hr/>	<hr/>
	37,477	136,574
	<hr/> <hr/>	<hr/> <hr/>

15. Accrued expenses

	30/6/2012	31/12/2011
	USD	USD
Transportation fees	227,843	143,072
Sales discounts and commission	56,091	46,724
Loans interest payable	113,623	92,830
Secondment fee payable (*)	178,953	94,838
Others	18,243	37,214
	<hr/>	<hr/>
	594,753	414,678
	<hr/> <hr/>	<hr/> <hr/>

(*) According to the Secondment Agreement dated 1 July 2011, the Company agreed to pay the secondment fee to Kirin Holdings Company, Limited, who provides strategic and management advice and assistance to the Company at fixed amounts stipulated in the agreement with each seconded employee.

16. Other payables

Other payables comprised:

	30/6/2012	31/12/2011
	USD	USD
Dividends payable	24,265	24,265
Trade union, social and health insurance	58,099	8,002
Payable to related companies	-	1,031,901
Others	-	28,922
	<hr/>	<hr/>
	82,364	1,093,090
	<hr/> <hr/>	<hr/> <hr/>

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Notes to the separate interim financial statements for the six-month period ended
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Other payables included the following amounts due to related companies:

	30/06/2012	31/12/2011
	USD	USD
Amounts due to Kirin Holdings Company, Limited (*)	-	1,000,000
Amounts due to Wonderfarm Biscuits & Confectionery Sdn. Bhd.	-	31,901
	<hr/>	<hr/>

(*) During the period, this amount was converted to short-term loan according to the revolving loan agreement dated 27 November 2011 (Note 12).

17. Long-term borrowings

	Currency	Interest rate	Year of maturity	30/6/2012	31/12/2011
				USD	USD
Loan from Trade Ocean Holdings Sdn. Bhd. (a)	USD	three-month SIBOR minus 1% p.a.	2014	3,430,928	3,430,928
Unsecured loan from Kirin Holdings Company, Limited (b)	USD	1.896% p.a.	2017	6,500,000	-
				<hr/>	<hr/>
				9,930,928	3,430,928
				<hr/>	<hr/>

(a) The loan was unsecured and bore effective interest at 0% during the period as the interest at three-month SIBOR minus 1% was negative (year ended 31 December 2011: 0%).

(b) The unsecured loans bears fixed interest rate of 1.986% p.a., which is based on USD Swap Semi 30/360 5-year plus 0.8% per annum according to current Kirin Group's financial rules.

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Notes to the separate interim financial statements for the six-month period ended
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18. Severance allowance

Movements of severance allowance during the period were as follow:

	Six-month period from 1/1/2012 to 30/6/2012 USD
Opening balance – as restated	205,302
Provision made during the period	49,150
Utilised during the period	(88,136)
	<hr/>
Closing balance	<u>166,316</u>

During the period, the Company contributed USD18,240 (year ended 31 December 2011: USD44,620) to the unemployment insurance fund and the amount is recorded as part of labour and staff costs in the statement of income.

19. Share capital

The Company's authorised and issued share capital are:

	30/6/2012		31/12/2011	
	Number of shares	USD	Number of shares	USD
Authorised and issued share capital				
Ordinary shares	291,409,992	18,314,000	291,409,992	18,314,000
Shares in circulation				
Ordinary shares	291,409,984	18,313,995	291,409,984	18,313,995

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at meetings of the Company. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

There were no movements in share capital during the period.

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20. Total revenue

Total revenue represents the gross value of goods sold exclusive of value added tax.

Net sales comprised:

	Six-month period from 1/1/2012 to 30/6/2012 USD	Six-month period from 1/1/2011 to 30/6/2011 USD
Total revenue		
▪ Sales of drinks	20,925,789	21,961,557
▪ Sales of biscuits	644,344	683,210
▪ Sales of other products	1,329,343	2,132,444
Less sales deductions		
▪ Sales allowance	(662,408)	(622,828)
▪ Sales returns	(10,518)	(10,728)
Net sales	22,226,550	24,143,655

21. Cost of sales

	Six-month period from 1/1/2012 to 30/6/2012 USD	Six-month period from 1/1/2011 to 30/6/2011 USD
Total cost of sales		
▪ Cost of drinks	15,796,192	16,733,259
▪ Cost of biscuit	709,758	748,327
▪ Cost of other products	888,937	2,403,960
	17,394,887	19,885,546

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22. Financial income

	Six-month period from 1/1/2012 to 30/6/2012 USD	Six-month period from 1/1/2011 to 30/6/2011 USD
Interest income from bank deposits	10,353	6,901
Interest income from loan to Avafood	70,918	450,590
Realised gains from foreign exchange	8,923	1,279,103
	90,194	1,736,594
	90,194	1,736,594

23. Financial expenses

	Six-month period from 1/1/2012 to 30/6/2012 USD	Six-month period from 1/1/2011 to 30/6/2011 USD
Interest expense	173,668	794,304
Realised foreign exchange losses	53,837	489,516
Unrealised foreign exchange losses	-	561,796
Other finance expenses	-	7,878
	227,505	1,853,494
	227,505	1,853,494

24. Other income

	Six-month period from 1/1/2012 to 30/6/2012 USD	Six-month period from 1/1/2011 to 30/6/2011 USD
Support for marketing activities from Kirin Holdings Singapore Pte, Ltd. (Note 5)	309,185	-
Others	274,717	54,820
	583,902	54,820
	583,902	54,820

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Notes to the separate interim financial statements for the six-month period ended
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25. Income tax

(a) Recognised in the statement of income

	Six-month period from 1/1/2012 to 30/6/2012 USD	Six-month period from 1/1/2011 to 30/6/2011 USD
Current tax expense		
Current period	121,965	-

(b) Reconciliation of effective tax rate

	Six-month period from 1/1/2012 to 30/6/2012 USD	Six-month period from 1/1/2011 to 30/6/2011 USD
Profit/(loss) before tax	205,169	(813,138)
Tax at the Company's tax rate	51,292	(203,285)
Non-deductible expenses	37,771	32,432
Deferred tax assets not recognised	32,902	170,853
	121,965	-

(c) Applicable tax rates

Under the terms of the Company's Investment Certificate, the Company has an obligation to pay the government income tax at the rate of 15% of taxable profits for the first 12 years starting from the first year of operation (1994). Thereafter, from 2006 onwards the Company is subject to income tax at the rate of 25%.

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

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new production lines.

Under Decree No. 124/2008/ND-CP dated 11 December 2008 (which replaced Decree No. 24/2007/ND-CP dated 14 February 2007) and Decree 122/2011ND-CP dated 27 December 2012 (which provided a number of amendments to prevailing Decree No. 124/2008/ND-CP), the Company will continue to enjoy its tax incentives under Decree No. 24/2007/ND-CP dated 14 February 2007.

According 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.

26. Financial instruments

(a) Financial risk management

(i) Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

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(i) Exposure to credit risk

The total of carrying amounts of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follow:

	Note	30/6/2012 USD	31/12/2011 USD
Cash in bank	(ii)	1,703,975	1,957,847
Trade and other receivables	(iii)	7,828,075	8,759,462
Long-term loan receivable	(iv)	1,200,000	-
		10,732,050	10,717,309
		10,732,050	10,717,309

(ii) Cash in bank

The cash at bank of the Company is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Company.

(iii) Trade and other receivables

The carrying amount of receivables represents the maximum credit risk pertaining to receivables.

The Company's exposure to credit risk in relation with receivables is mainly influenced by the individual characteristics of each customer. In response to the risk, the Company has established a credit policy under which most customers have to settle payment in advance before the goods delivery is carried out. Only customers considered with high creditworthiness by the management are offered credit terms. Receivables are due within 30 days to 45 days from the date of billing. Debtors with balances that are overdue more than 1 day are requested to settle the balances before further credit is granted. No collateral is collected from the customers.

Based on historic default rates, the Company believes that no allowance for doubtful debts is necessary in respect of the outstanding trade and other receivables as of 30 June 2012.

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The ageing analysis of the receivables is as follow:

	30/6/2012	31/12/2011
	USD	USD
Not past due	8,695,932	8,602,581
Past due 0 – 30 days	227,862	105,435
Past due 31 – 180 days	68,801	47,337
Over 180 days	35,480	4,109
	<hr/>	<hr/>
	9,028,075	8,759,462
	<hr/> <hr/>	<hr/> <hr/>

(iv) Long-term loan receivables and receivable from subsidiary

The Company believes that the amounts receivable from its subsidiary will be receivable by the due date in 2017.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company also manages its borrowings from related companies by managing the financing terms with the related companies.

As at 30 June 2012, current financial liabilities are due within one year. Non-current financial liabilities with fixed or determinable payments have the following contractual maturities including the estimated interest payments:

	Carrying amount USD	Contractual cash flows USD	Within 1 year USD	1 – 2 years USD	2 – 5 years USD
Long-term borrowings	9,930,928	10,424,915	10,270	123,240	10,291,405
	<hr/>				

The Company manages its ability to meet the expected operational expenses and servicing its debts by investing its cash surpluses in short-term investment and maintaining several financial facilities as follow:

- USD5 million unused short-term loan facility and USD9 million unused long-term loan facility which renew automatically at the option of the Company. Interest would be payable at rates of Libor + 1% and Libor + 0.8% per annum, respectively.

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(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the accounting currency of Group. The currency in which these transactions primarily are denominated is VND.

The Company's exposure to currency risk is managed by keeping the exposure to an acceptable level by entering into currency transactions to address short-term over-exposures.

Exposure to currency risk

At 30 June 2012, the Company had the following net monetary liability position exposed to currency risk. The following balances are presented in original currency:

	VND
Cash and cash equivalents	14,064,869,924
Accounts receivable – trade	9,044,497,621
Other receivables	9,883,993
Short-term deposit	1,570,840,914
Accounts payable – trade	(42,635,546,686)
Other payables	(1,690,888,246)
Payables to employees	(6,914,479,440)
	<hr/>
	(26,550,821,920)
	<hr/> <hr/>

The followings are the significant exchange rates applied by the Company:

	Exchange rate as at	
	30/6/2012	30/6/2011
USD 1	20,828	20,618
	<hr/> <hr/>	<hr/> <hr/>

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Below is an analysis of the possible impact on the net profit of the Company, after taking into account the current level of exchange rates and the historical volatility as well as market expectations as at 30 June 2012. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Increase to net profit as at 30/6/2012 USD
VND (1% weakening)	9,738

The opposite movement of the currencies would have the equal but opposite effect to the net profit of the Company as at 30 June 2012.

(ii) Interest rate risk

As at 30 June 2012, USD6,914,237 of loan granted to a related company, USD13,500,000 of short-term borrowings and USD3,430,928 of long-term borrowings due to a related company were at variable interest rate. No policy was in place pertaining to the mitigation of any potential volatility of the interest rate.

A change of 100 basis points in interest rates would have decreased by approximately USD38,000 for the period ended 30 June 2012.

(e) Fair values

The Company has not determined fair values of financial assets and liabilities in accordance with Article 28 of Circular No. 210/2009/TT-BTC dated 6 November 2009 of the Ministry of Finance because (i) quoted prices in active market is not available for these financial assets and liabilities and (ii) Vietnamese Accounting Standards and the Vietnamese Accounting System do not provide guidance on measurement of fair values in the case where quoted prices in active market is not available. Fair values of these financial instruments may be different from their carrying values.

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Notes to the separate interim financial statements for the six-month period ended
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27. Significant transactions with related parties

In addition to related party balances disclosed in other notes to the separate interim financial statements, during the period there were the following significant transactions with related parties:

	Transaction value	
	Six-month period from 1/1/2012 to 30/6/2012 USD	Six-month period from 1/1/2011 to 30/6/2011 USD
<i>Shareholders</i>		
Trade Ocean Holdings Sdn. Bhd.		
Parent company		
Long-term loan	-	3,430,928
<i>Related companies</i>		
Kirin Holding Company, Limited		
Ultimate Parent Company		
Short-term loan received	-	7,000,000
Convert other payable to short-term loan	1,000,000	-
Transfer from short-term to long-term loan	6,500,000	-
Interest expenses	173,668	10,125
Secondment fee	178,953	-
Avafood Shareholding Company		
Short-term loan granted	777,799	2,431,269
Interest income	70,918	438,531
Processing service	835,718	1,258,461
Office and factory rentals fee	142,304	143,240
Sale of drink products	-	14,149
Carrying value of assets pledged by Avafood for the Company's loans	-	8,907,328
Kirin Holding Singapore Pte, Ltd.		
Financial support for marketing activities	309,185	-
Other support	30,202	-
Vietnam Kirin Beverage Company, Limited		
Purchase	756,786	-
Processing fee	625,023	-
Board of Management		
Remuneration	-	4,001
Board of management fees	-	7,275

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	Transaction value	
	Six-month period from 1/1/2012 to 30/6/2012 USD	Six-month period from 1/1/2011 to 30/6/2011 USD
Board of Directors		
Secondment fees	108,000	-
Salary	43,643	268,300

28. Commitments

The future minimum lease payments under non-cancellable operating leases were:

	Six-month period from 1/1/2012 to 30/6/2012 USD	Six-month period from 1/1/2011 to 30/6/2011 USD
Within one year	527,529	395,710
Within two to five years	1,138,430	1,139,229
Over five years	1,437,552	939,066
	<hr/> 3,103,511	<hr/> 2,474,005

29. Production and business costs by element

	Six-month period from 1/1/2012 to 30/6/2012 USD	Six-month period from 1/1/2011 to 30/6/2011 USD
Raw material costs included in production costs	16,212,053	17,144,678
Labour costs and staff costs	2,192,136	2,002,796
Depreciation and amortisation	605,204	643,168
Outside services	3,521,272	3,080,144
Other expenses	1,551,581	2,062,633

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30. Prior year adjustment

The Company had retrospectively adjusted the prior year's financial statements to correct the misstatements relating to the understatement of allowance for severance allowance.

Balance sheet

	31/12/2011 (as previously reported) USD	Adjustments USD	31/12/2011 (as restated) USD
Severance allowance	122,802	82,500	205,302
Accumulated losses	(14,065,399)	(82,500)	(14,147,899)

Prepared by:

Approved by:

Nguyen Hong Phong
Chief Accountant

Michio Nagabayashi
Chairman – cum General Director

28 August 2012