

**Interfood Shareholding Company  
and its subsidiary**

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

**Interfood Shareholding Company and its subsidiary**  
**Corporate information**

**Investment Licence No.** 270/GP 16 November 1991

**Investment Certificate No.** 472033000328 (1<sup>st</sup> amendment) 28 November 2007  
472033000328 (2<sup>nd</sup> amendment) 20 May 2010  
472033000328 (3<sup>rd</sup> amendment) 22 April 2011  
472033000328 (4<sup>th</sup> 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.

<b>Board of Management</b>	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)

<b>Board of Directors</b>	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 and its subsidiary Statement of the Board of Management**

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

The Board of Management and Board of Directors are responsible for the consolidated interim financial statements of Interfood Shareholding Company (“the Company”) and its subsidiary (collectively “the Group”), 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 Group and of its results of operations and cash flows for the period. In preparing those consolidated 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 consolidated interim financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 Group 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 Group 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 consolidated interim financial statements.

### **APPROVAL OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

We hereby approve the accompanying consolidated interim financial statements which give a true and fair view of the consolidated financial position of the Group as of 30 June 2012 and of the consolidated 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

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Michio Nagabayashi  
*Chairman – cum General Director*

Ho Chi Minh City, 28 August 2012

# **INDEPENDENT AUDITORS' REPORT ON RESULTS OF CONSOLIDATED FINANCIAL STATEMENTS REVIEW**

## **To the Shareholders Interfood Shareholding Company**

### **Scope**

We have reviewed the accompanying consolidated balance sheet of Interfood Shareholding Company ("the Company") and its subsidiary (collectively "the Group") as of 30 June 2012, the related consolidated 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 40. The consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our review. The consolidated financial statements of the Group 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 consolidated 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 19 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 Group'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 consolidated interim financial statements do not give a true and fair view of the consolidated financial position of the Group as of 30 June 2012 and the consolidated 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

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

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Chong Kwang Puay  
CPA No. N0864/KTV

Ho Chi Minh City, 28 August 2012

**Interfood Shareholding Company and its subsidiary**  
**Consolidated balance sheet as at 30 June 2012**

Form B 01a – DN

	Code	Note	30/6/2012 USD	31/12/2011 USD (Restated)
<b>ASSETS</b>				
<b>Current assets</b> (100 = 110 + 130 + 140 + 150)	<b>100</b>		<b>11,591,843</b>	<b>9,812,959</b>
<b>Cash</b>	<b>110</b>	<b>5</b>	<b>1,891,894</b>	<b>1,978,801</b>
<b>Accounts receivable</b>	<b>130</b>	<b>6</b>	<b>1,430,537</b>	<b>971,107</b>
Accounts receivable – trade	131		570,025	416,774
Prepayments to suppliers	132		516,699	490,192
Other receivables	135		343,813	64,141
<b>Inventories</b>	<b>140</b>	<b>7</b>	<b>8,011,694</b>	<b>6,598,018</b>
Inventories	141		8,085,231	6,598,018
Allowance for inventories	149		(73,537)	-
<b>Other current assets</b>	<b>150</b>		<b>257,718</b>	<b>265,033</b>
Short-term prepayments	151		18,186	12,025
Deductible value added tax	152		49,255	104,216
Taxes and other receivables from State Treasury	154	8	106,907	106,907
Other current assets	158		83,370	41,885
<b>Long-term assets (200 = 220 + 260)</b>	<b>200</b>		<b>23,182,192</b>	<b>23,923,736</b>
<b>Fixed assets</b>	<b>220</b>		<b>19,825,230</b>	<b>20,465,208</b>
Tangible fixed assets	221	9	19,453,379	19,056,730
Cost	222		35,755,485	34,296,280
Accumulated depreciation	223		(16,302,106)	(15,239,550)
Construction in progress	230	10	371,851	1,408,478
<b>Other long-term assets</b>	<b>260</b>		<b>3,356,962</b>	<b>3,458,528</b>
Long-term prepayments	261	11	1,417,580	1,397,181
Deferred tax assets	262	12	1,932,362	2,054,327
Other non-current asset	268		7,020	7,020
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>34,774,035</b>	<b>33,736,695</b>

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

**Interfood Shareholding Company and its subsidiary**  
**Consolidated balance sheet as at 30 June 2012 (continued)**

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	Code	Note	30/6/2012 USD	31/12/2011 USD (Restated)
<b>RESOURCES</b>				
<b>LIABILITIES (300 = 310 + 330)</b>	<b>300</b>		<b>30,707,277</b>	<b>29,789,853</b>
<b>Current liabilities</b>	<b>310</b>		<b>18,886,663</b>	<b>24,425,532</b>
Short-term borrowings	311	13	13,500,000	19,000,000
Accounts payable – trade	312	14	4,098,888	3,152,829
Advances from customers	313		168,600	151,256
Taxes payable to State Treasury	314	15	38,426	184,576
Payables to employees	315		371,086	375,276
Accrued expenses	316	16	617,219	468,455
Other payables	319	17	92,444	1,093,140
<b>Long-term borrowings and liabilities</b>	<b>330</b>		<b>11,820,614</b>	<b>5,364,321</b>
Other long-term liabilities	333		1,255	1,255
Long-term borrowings	334	18	11,493,613	4,993,613
Deferred tax liabilities	335	12	149,816	138,280
Provision for severance allowance	336	19	175,930	231,173
<b>EQUITY (400 = 410)</b>	<b>400</b>		<b>4,039,427</b>	<b>3,923,182</b>
<b>Owners' equity</b>	<b>410</b>		<b>4,039,427</b>	<b>3,923,182</b>
Share capital	411	20	18,313,995	18,313,995
Share premium	412		4,082,759	4,082,759
Acquisition reserve	419	21	(1,562,092)	(1,562,092)
Accumulated losses	420		(16,795,235)	(16,911,480)
<b>MINORITY INTEREST</b>	<b>439</b>		<b>27,331</b>	<b>23,660</b>
<b>TOTAL RESOURCES</b> <b>(440 = 300 + 400 + 439)</b>	<b>440</b>		<b>34,774,035</b>	<b>33,736,695</b>

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

**Interfood Shareholding Company and its subsidiary  
Consolidated balance sheet as at 30 June 2012 (continued)**

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**OFF BALANCE SHEET ITEMS**

	<b>30/6/2012 USD</b>	<b>31/12/2011 USD</b>
Foreign currency (VND)	705,406	270,824

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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 consolidated interim financial statements*

**Interfood Shareholding Company and its subsidiary**  
**Consolidated 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
<b>Total revenue</b>	<b>01</b>	<b>22</b>	<b>22,899,579</b>	<b>24,788,491</b>
<b>Less revenue deductions</b>	<b>02</b>	<b>22</b>	<b>(672,926)</b>	<b>(633,556)</b>
<b>Net revenue (10 = 01 + 02)</b>	<b>10</b>	<b>22</b>	<b>22,226,653</b>	<b>24,154,935</b>
<b>Cost of sales</b>	<b>11</b>	<b>23</b>	<b>(17,087,169)</b>	<b>(19,267,717)</b>
<b>Gross profit (20 = 10 + 11)</b>	<b>20</b>		<b>5,139,484</b>	<b>4,887,218</b>
Financial income	21	24	21,854	1,474,040
Financial expenses	22	25	(227,604)	(1,403,357)
<i>In which: Interest expenses</i>	23		(173,668)	(823,181)
Selling expenses	24		(4,265,286)	(4,028,789)
General and administration expenses	25		(696,287)	(1,036,631)
<b>Net operating loss (30 = 20 + 21 + 22 + 24 + 25)</b>	<b>30</b>		<b>(27,839)</b>	<b>(107,519)</b>
Other income	31	26	587,870	297,311
Other expenses	32		(306,614)	(239,797)
<b>Results of other activities (40 = 31 + 32)</b>	<b>40</b>		<b>281,256</b>	<b>57,514</b>
<b>Profit/(loss) before tax (50 = 30 + 40)</b>	<b>50</b>		<b>253,417</b>	<b>(50,005)</b>
<b>Income tax expense – current</b>	<b>51</b>	<b>27</b>	<b>(121,965)</b>	<b>-</b>
<b>Income tax expense – deferred</b>	<b>52</b>	<b>27</b>	<b>(11,536)</b>	<b>(11,536)</b>
<b>Net profit/(loss) after tax (60 = 50 + 51 + 52)</b>	<b>60</b>		<b>119,916</b>	<b>(61,541)</b>

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



**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of income for the six-month period ended 30 June 2012**  
**(continued)**

Form B 02a – 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
<b>Attributable to:</b>				
Minority interest	61		3,671	47,682
Equity holders of the Company	62		116,245	(109,223)
<b>Earnings per share</b>		<b>28</b>		
Basic earnings/(loss) per share	70		0.00040	(0.00037)

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 consolidated interim financial statements*

**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of changes in equity for the six-month period ended 30 June 2012**

	Share capital USD	Share premium USD	Acquisition reserve USD	Accumulated losses USD	Total USD
<b>Balance at 31 December 2010 – as previously stated</b>	18,313,995	4,082,759	(1,562,092)	(14,057,161)	6,777,501
Impact of prior year adjustment (Note 33)	-	-	-	(98,750)	(98,750)
<b>Balance at 31 December 2010 – as restated</b>	18,313,995	4,082,759	(1,562,092)	(14,155,911)	6,678,751
Net loss for the period	-	-	-	(109,223)	(109,223)
<b>Balance at 30 June 2011</b>	18,313,995	4,082,759	(1,562,092)	(14,265,134)	6,569,528
<b>Balance at 31 December 2011 – as restated</b>	18,313,995	4,082,759	(1,562,092)	(16,911,480)	3,923,182
Net profit for the period	-	-	-	116,245	116,245
<b>Balance at 30 June 2012</b>	18,313,995	4,082,759	(1,562,092)	(16,795,235)	4,039,427

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 consolidated interim financial statements*

**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of cash flows for the six-month period ended 30 June 2012 –**  
**Indirect method**

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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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Profit/(loss) before tax</b>	<b>01</b>		<b>253,417</b>	<b>(50,005)</b>
<b>Adjustments for</b>				
Depreciation and amortisation	02		1,081,971	1,083,497
Allowances and provisions	03		122,994	159,320
Unrealised foreign exchange losses	04		-	28,494
Interest income	05		(12,209)	(249,363)
Interest expense	06		173,668	823,181
<b>Operating profit before changes in working capital</b>	<b>08</b>		<b>1,619,841</b>	<b>1,795,124</b>
Change in receivables and other current assets	09		(445,954)	341,303
Change in inventories	10		(1,487,213)	(200,290)
Change in payables and other liabilities	11		835,638	(1,763,260)
Change in prepayments	12		(6,161)	(42,354)
			<b>516,151</b>	<b>130,523</b>
Interest paid	13		(152,875)	(813,055)
<b>Net cash flows from operating activities</b>	<b>20</b>		<b>363,276</b>	<b>(682,532)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for additions to fixed assets and other long-term assets	21		(462,392)	(146,329)
Receipt of long-term deposit	24		-	1,048
Receipts of interests	27		12,209	7,091
<b>Net cash flows from investing activities</b>	<b>30</b>		<b>(450,183)</b>	<b>(138,190)</b>

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

**Interfood Shareholding Company and its subsidiary**  
**Consolidated 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
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from short-term and long-term borrowings	33		-	24,190,387
Payments to settle debts	34		-	(22,875,429)
<b>Net cash flows from financing activities</b>	<b>40</b>		<b>-</b>	<b>1,314,958</b>
<b>Net cash flows during the period (50 = 20 + 30 +40)</b>	<b>50</b>		<b>(86,907)</b>	<b>494,236</b>
<b>Cash at the beginning of the period</b>	<b>60</b>		<b>1,978,801</b>	<b>130,854</b>
<b>Cash at the end of the period (70 = 50 + 60)</b>	<b>70</b>	<b>5</b>	<b>1,891,894</b>	<b>625,090</b>

**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
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 consolidated interim financial statements*

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated 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 consolidated interim financial statements.

**1. Reporting Entity**

Interfood Shareholding Company (“the Company”) is a joint stock company incorporated in Vietnam. The consolidated interim financial statements for the six-month period ended 30 June 2012 comprises the Company and its subsidiary, Avafood Shareholding Company (“Avafood”) (collectively “the Group”). The principal activities of the Group 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 owns 90% of the equity interests in Avafood, 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.

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 Group had 1,253 employees (the year ended 31 December 2011: 828 employees).

**2. Basis of preparation**

**(a) Statement of compliance**

The consolidated 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 consolidated 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 Group is from 1 January to 31 December.

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated interim financial statements for the six-month period**  
**ended 30 June 2012 (continued)**

**Form B 09a – DN**

**(d) Accounting currency**

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

**3. Summary of significant accounting policies**

The following significant accounting policies have been adopted by the Group in the preparation of these consolidated interim financial statements.

**(a) Basis of consolidation**

**(i) Subsidiaries**

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control commences until the date that control ceases.

**(ii) Transactions eliminated on consolidation**

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated interim financial statements.

**(b) 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 year 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.

**(c) Cash**

Cash comprises cash balances and call deposits.

**(d) Accounts receivable**

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

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated interim financial statements for the six-month period**  
**ended 30 June 2012 (continued)**

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**(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 Group applies the perpetual method of accounting for inventory.

**(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, are charged to the statement of income in the year 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:

▪ Buildings	15 – 30 years
▪ Machinery and equipment	10 – 15 years
▪ Motor vehicles	6 years
▪ Office equipment	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.

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated interim financial statements for the six-month period**  
**ended 30 June 2012 (continued)**

**Form B 09a – DN**

**(h) Long-term prepayments**

**(i) 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.

**(ii) Prepaid land costs**

Prepaid land costs comprise prepaid land lease rentals and other costs incurred in conjunction with securing the use of leased land. These costs are recognised in the statement of income on a straight-line basis over the term of the lease of 45.5 years.

**(i) Trade and other payables**

Trade and other payables are stated at their cost.

**(j) Provisions**

A provision is recognised if, as a result of a past event, the Group 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.

**(k) 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 Group 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 Group 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.



**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated interim financial statements for the six-month period**  
**ended 30 June 2012 (continued)**

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**(1) Classification of financial instruments**

Solely for the purpose of providing disclosures about the significance of financial instruments to the Group's financial position and results of operations and the nature and extent of risk arising from financial instruments, the Group 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).
- Upon initial recognition, it is designated by the Group 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 Group has the positive intention and ability to hold to maturity, other than:

- those that the Group on initial recognition designates as at fair value through profit or loss;
- those that the Group 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 Group 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 Group on initial recognition designates as available-for-sale; or
- for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

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*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
  - 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 Group 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.

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**(m) 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 years.

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.

**(n) Acquisition reserve**

Acquisition reserve represents the difference between the consideration given and the aggregate value of the assets and liabilities of the acquired entity in a business combination involving entities under common control.

**(o) 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.

**(p) 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.

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**(q) 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.

**(r) Earnings per share**

The Group presents basic earnings per share (“EPS”) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. The Group does not present diluted EPS as it has no potential ordinary shares.

**(s) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

**(t) 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.

**(u) 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 consolidated interim financial statements.

**4. Segment reporting**

The Group mainly operates in one business segment, which is the production and sales of beverage and in one geographical segment, which is Vietnam. During the period, the Group was involved in certain production and trading transactions of biscuits and other related products which do not qualify as separate segments.

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**5. Cash**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>USD</b>	<b>USD</b>
Cash on hand	10,894	11,535
Cash in bank	1,881,000	1,967,266
	<hr/>	<hr/>
	1,891,894	1,978,801
	<hr/>	<hr/>

Cash at 30 June 2012 included amounts denominated in currencies other than VND amounting to USD1,186,488 (31/12/2011: USD1,707,977).

**6. Accounts receivable**

Other receivables comprised:

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>USD</b>	<b>USD</b>
Marketing support receivable from Kirin Holdings Singapore Pte, Ltd. (*)	309,185	-
Others	34,628	64,141
	<hr/>	<hr/>
	343,813	64,141
	<hr/>	<hr/>

(\*) 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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**7. Inventories**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>USD</b>	<b>USD</b>
Raw materials	2,177,827	1,874,081
Tools and supplies	405,603	410,135
Work in progress	1,204,296	618,363
Finished goods	4,297,505	3,695,439
	<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.

**8. 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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**9. Tangible fixed assets**

	<b>Buildings USD</b>	<b>Machinery and equipment USD</b>	<b>Motor vehicles USD</b>	<b>Office equipment USD</b>	<b>Total USD</b>
<b>Cost</b>					
Opening balance	4,783,275	28,685,916	553,265	273,824	34,296,280
Additions	-	149,594	80,776	36,825	267,195
Transfer from construction in progress	777,856	414,154	-	-	1,192,010
Closing balance	5,561,131	29,249,664	634,041	310,649	35,755,485
<b>Accumulated depreciation</b>					
Opening balance	785,234	13,818,088	473,791	162,437	15,239,550
Charge for the period	83,577	948,263	18,045	12,671	1,062,556
Closing balance	868,811	14,766,351	491,836	175,108	16,302,106
<b>Net book value</b>					
Opening balance	3,998,041	14,867,828	79,474	111,387	19,056,730
Closing balance	4,692,320	14,483,313	142,205	135,541	19,453,379

Included in the cost of tangible fixed assets were assets costing USD1,804,187 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 equipment in tangible fixed assets amounted to USD2,987,188 as of 30 June 2012 (31/12/2011: USD3,256,846).

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**10. Construction in progress**

	<b>Six-month period from 1/1/2012 to 30/6/2012 USD</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 USD</b>
Opening balance	1,408,478	188,896
Additions during the period	155,383	299,913
Transfers to tangible fixed assets	(1,192,010)	-
	<hr/>	<hr/>
Closing balance	371,851	488,809
	<hr/> <hr/>	<hr/> <hr/>

**11. Long-term prepayments**

	<b>Prepaid land costs USD</b>	<b>Tools and equipment USD</b>	<b>Total USD</b>
Opening balance	1,397,181	-	1,397,181
Additions	-	39,814	39,814
Amortisation for the period	(17,508)	(1,907)	(19,415)
	<hr/>	<hr/>	<hr/>
Closing balance	1,379,673	37,907	1,417,580
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**12. Deferred tax assets and liabilities**

*(i) Recognised deferred tax assets and liabilities*

	<b>30/6/2012 USD</b>	<b>31/12/2011 USD</b>
<b>Deferred tax assets</b>		
Tax loss carry-forwards	1,932,362	2,054,327
	<hr/>	<hr/>
<b>Deferred tax liabilities:</b>		
Fixed assets	(149,816)	(138,280)
	<hr/>	<hr/>
Net deferred tax assets	1,782,546	1,916,047
	<hr/> <hr/>	<hr/> <hr/>



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**(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	10,142,425	2,535,606	10,253,930	2,563,483
	<u>10,793,575</u>	<u>2,698,394</u>	<u>10,773,475</u>	<u>2,693,369</u>

The tax losses expire in the following years:

Year of expiry	Status of tax review	Tax losses available USD
2012	Outstanding	286,568
2013	Outstanding	13,699,184
2014	Outstanding	953,095
2015	Outstanding	72,310
2016	Outstanding	2,860,716
		<u>17,871,873</u>

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.

**13. Short-term borrowings**

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

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

	<b>Currency</b>	<b>Nominal interest rate</b>	<b>30/6/2012 USD</b>	<b>31/12/2011 USD</b>
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/>	<hr/>
			13,500,000	19,000,000
			<hr/>	<hr/>

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%).

**14. Accounts payable - trade**

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

	<b>30/6/2012 USD</b>	<b>31/12/2011 USD</b>
Amounts due to Vietnam Kirin Beverage Company, Limited	175,841	-
Amounts due to other related companies	-	1,206,409
	<hr/>	<hr/>

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

**15. Taxes payable to State Treasury**

	<b>30/6/2012 USD</b>	<b>31/12/2011 USD</b>
Value added tax	9,756	98,116
Import-export tax	3,421	11,531
Personal income tax	10,490	20,104
Foreign contractor tax	14,759	54,825
	<hr/>	<hr/>
	38,426	184,576
	<hr/>	<hr/>

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**16. Accrued expenses**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>USD</b>	<b>USD</b>
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	40,709	90,991
	<hr/>	<hr/>
	617,219	468,455
	<hr/> <hr/>	<hr/> <hr/>

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

**17. Other payables**

Other payables comprised:

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>USD</b>	<b>USD</b>
Dividends payable	24,265	24,265
Trade union, social and health insurance	66,515	8,002
Payable to related parties	-	1,031,901
Others	1,664	28,972
	<hr/>	<hr/>
	92,444	1,093,140
	<hr/> <hr/>	<hr/> <hr/>

Other payables include the following amounts due to related parties:

	<b>30/06/2012</b>	<b>31/12/2011</b>
	<b>USD</b>	<b>USD</b>
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 13).

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**18. Long-term borrowings**

	<b>Currency</b>	<b>Interest rate</b>	<b>Year of maturity</b>	<b>30/6/2012 USD</b>	<b>31/12/2011 USD</b>
Loan from Trade Ocean Holdings Sdn. Bhd. (a)	USD	three-month SIBOR minus 1% p.a.	2014	3,430,928	3,430,928
Loan from Wonderfarm Biscuits & Confectionery Sdn. Bhd. (a)	USD	three-month SIBOR minus 1% p.a.	2014	1,562,685	1,562,685
Unsecured loan from Kirin Holdings Company, Limited (b)	USD	1.896% p.a.	2017	6,500,000	-
				11,493,613	4,993,613
				11,493,613	4,993,613

- (a) The loans were unsecured and bore effective interest at 0% during the period as the interest at SIBOR three-month period less 1% p.a 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.

**19. Severance allowance**

Movements of severance allowance during the period were as follow:

	<b>Six-month period from 1/1/2012 to 30/6/2012 USD</b>
Opening balance – as restated	231,173
Provision made during the period	49,457
Utilised during the period	(104,700)
	175,930
Closing balance	175,930

During the period, the Group contributed USD20,374 (year ended 31 December 2011: USD48,281) to the unemployment insurance fund and the amount is recorded as part of labour and staff costs in the statement of income.

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**20. Share capital**

The Group's authorised and issued share capital are:

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

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All ordinary shares have a par value of VND10,000. 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.

There were no movements in share capital during the period.

**21. Acquisition reserve**

In 2007, the Company acquired 90% shareholding of Avafood in a business combination under common control. This amount represents the difference between consideration given and the net amounts of assets and liabilities of Avafood attributable to the Company at the acquisition date.

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**22. Total revenue**

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

Net sales comprised

	<b>Six-month period from 1/1/2012 to 30/6/2012 USD</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 USD</b>
Total revenue		
▪ Sales of drinks	20,925,892	21,972,837
▪ 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	22,226,653	24,154,935

**23. Cost of sales**

	<b>Six-month period from 1/1/2012 to 30/6/2012 USD</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 USD</b>
Total cost of sales		
▪ Cost of drinks	15,488,474	16,175,997
▪ Cost of biscuit	709,758	695,340
▪ Cost of other products	888,937	2,396,380
	17,087,169	19,267,717

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**24. Financial income**

	<b>Six-month period from 1/1/2012 to 30/6/2012 USD</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 USD</b>
Interest income from bank deposits	12,209	7,091
Realised gains from foreign exchange	9,645	1,466,949
	<hr/>	<hr/>
	21,854	1,474,040
	<hr/> <hr/>	<hr/> <hr/>

**25. Financial expenses**

	<b>Six-month period from 1/1/2012 to 30/6/2012 USD</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 USD</b>
Interest expense	173,668	823,181
Realised foreign exchange losses	53,936	543,804
Unrealised foreign exchange losses	-	28,494
Other finance expenses	-	7,878
	<hr/>	<hr/>
	227,604	1,403,357
	<hr/> <hr/>	<hr/> <hr/>

**26. Other income**

	<b>Six-month period from 1/1/2012 to 30/6/2012 USD</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 USD</b>
Support for marketing activities from Kirin Holdings Singapore Pte, Ltd. (Note 6)	309,185	-
Loan interest exemption	-	242,272
Others	278,685	55,039
	<hr/>	<hr/>
	587,870	297,311
	<hr/> <hr/>	<hr/> <hr/>

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**27. Income tax**

**(a) Recognised in the statement of income**

	<b>Six-month period from 1/1/2012 to 30/6/2012 USD</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 USD</b>
<b>Current tax expense</b>		
Current period	121,965	-
<b>Deferred tax income</b>		
Origination and reversal of temporary differences	11,536	11,536
	<u>133,501</u>	<u>11,536</u>

**(b) Reconciliation of effective tax rate**

	<b>Six-month period from 1/1/2012 to 30/6/2012 USD</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 USD</b>
Profit/(loss) before tax	253,417	(50,005)
Tax at the Company's tax rate	63,354	(12,501)
Non-deductible expenses	65,122	64,066
Tax losses not previously recognised utilised	(27,877)	(208,512)
Deferred tax assets not recognised	32,902	168,483
	<u>133,501</u>	<u>11,536</u>

**(c) Applicable tax rates**

Under the terms of the Group's Investment Certificate, the Group 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 Group is subject to income tax at the rate of 25%.



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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 Group is entitled to tax incentives in relation to the relocation of its business activities out of an urban area. In 2006, the Group 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 Group is entitled to tax incentives in relation to investments made in new production lines that are qualified under this Decree. The tax incentives include one year of exemption from corporate income tax and a reduction of 50% for the following four years applied to profit derived from the new production lines.

Under Decree No. 124/2008/ND-CP dated 11 December 2008 (which replaced Decree No. 24/2007/ND-CP dated 14 February 2007) and Decree 122/2011ND-CP dated 27 December 2012 (which provided a number of amendments to prevailing Decree No124/2008/ND-CP), the Group 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 Group is entitled to a 50% reduction for two years after listing its shares in Ho Chi Minh City Securities Trading Centre. The Group has completed the registration with the tax authority to apply the incentives commencing from 2007.

## **28. Earnings per share**

### **(a) Basic earnings per share**

The calculation of basic earnings per share at 30 June 2012 was based on the profit or loss attributable to ordinary shareholders of the Group and a weighted average number of ordinary shares outstanding during the period, calculated as follows:

#### **(i) Net profit attributable to ordinary shareholders**

	<b>Six-month period from 1/1/2012 to 30/6/2012 USD</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 USD</b>
Net profit/(loss) attributable to ordinary shareholders	116,245	(109,223)

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**(ii) Weighted average number of ordinary shares**

	<b>Six-month period from 1/1/2012 to 30/6/2012</b>	<b>Six-month period from 1/1/2011 to 30/6/2011</b>
Ordinary shares issued in the previous year carried forward	291,409,984	291,409,984
Weighted average number of ordinary shares for the six-month period	291,409,984	291,409,984

**29. Financial instruments**

**(a) Financial risk management**

**(i) Overview**

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

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group'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 Group'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 Group 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:

	<b>Note</b>	<b>30/6/2012</b> <b>USD</b>	<b>31/12/2011</b> <b>USD</b>
Cash in bank	(ii)	1,881,000	1,967,266
Trade and other receivables	(iii)	913,838	480,915
		2,794,838	2,448,181

**(ii) Cash in bank**

The cash at bank of the Group 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 Group.

**(iii) Trade and other receivables**

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

The Group'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 Group 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 Group 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:

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>USD</b>	<b>USD</b>
Not past due	581,695	324,034
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/>
	913,838	480,915
	<hr/>	<hr/>

**(c) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation. The Group 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:

	<b>Carrying</b>	<b>Contractual</b>	<b>Within 1</b>	<b>1 – 2 years</b>	<b>2 – 5 years</b>
	<b>amount</b>	<b>cash flows</b>	<b>year</b>		
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
Long-term borrowings	11,493,613	11,987,600	10,270	123,240	11,854,090
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The Group 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 Group. 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 Group'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 Group 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 Group'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 Group had the following net monetary liability position exposed to currency risk. The following balances are presented in original currency:

	<b>VND</b>
Cash	14,691,992,129
Accounts receivable – trade	9,044,497,621
Other receivables	9,883,993
Short-term deposit	1,570,840,914
Accounts payable – trade	(43,477,243,714)
Other payables	(1,900,845,108)
Payables to employees	(7,686,510,237)
	<hr/>
	(27,747,384,402)
	<hr/>

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

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

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Below is an analysis of the possible impact on the net profit of the Group, 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.

	<b>Increase to net profit as at 30/6/2012 USD</b>
VND (1% weakening)	10,177

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

**(ii) Interest rate risk**

As at 30 June 2012, USD13,500,000 of short-term borrowings and USD4,993,613 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 net profit by approximately USD69,000 for the period ended 30 June 2012.

**(e) Fair values**

The Group 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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**30. Significant transactions with related parties**

In addition to related party balances disclosed in other notes to the consolidated 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 1/1/2012 to 30/6/2012 USD
<i>Shareholders</i>		
<b>Trade Ocean Holdings Sdn. Bhd.</b>		
<b>Parent company</b>		
Long-term loan	-	3,430,928
<i>Related companies</i>		
<b>Kirin Holding Company, Limited</b>		
<b>Ultimate Parent Company</b>		
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	-
<b>Kirin Holding Singapore Pte, Ltd.</b>		
Financial support for marketing activities	309,185	-
Other support	30,202	-
<b>Vietnam Kirin Beverage Company, Limited</b>		
Purchase	756,786	-
Processing fee	625,023	-
<b>Board of Management</b>		
Remuneration	-	4,001
Board of management fees	-	7,275
<b>Board of Directors</b>		
Secondment fees	108,000	-
Salary	43,643	268,300

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**31. Commitments**

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

	<b>Six-month period from 1/1/2012 to 30/6/2012 USD</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 USD</b>
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
	3,103,511	2,474,005

**32. Production and business costs by element**

	<b>Six-month period from 1/1/2012 to 30/6/2012 USD</b>	<b>Six-month period from 1/1/2012 to 30/6/2012 USD</b>
Raw material costs included in production costs	16,212,053	17,161,781
Labour costs and staff costs	2,387,976	2,253,702
Depreciation and amortisation	821,800	859,888
Outside services	2,848,975	2,128,474
Other expenses	1,555,442	2,087,264



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**33. Prior year adjustment**

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

**Balance sheet**

	<b>31/12/2011</b> <b>(as previously</b> <b>reported)</b> <b>USD</b>	<b>Adjustments</b> <b>USD</b>	<b>31/12/2011</b> <b>(as restated)</b> <b>USD</b>
Severance allowance	132,423	98,750	231,173
Accumulated losses	(16,812,730)	(98,750)	(16,911,480)

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Prepared by:

Approved by:

Nguyen Hong Phong  
*Chief Accountant*

Michio Nagabayashi  
*Chairman – cum General Director*

28 August 2012