

Interfood Shareholding Company and its subsidiaries

**Consolidated financial statements
Quarter 2 - 2013**

Interfood Shareholding Company and its subsidiaries
Corporate information

| | | |
|----------------------------|------------------------------|------------|
| Investment Licence No. | 270/GP | 16/11/1991 |
| Investment Certificate No. | 472033000328 (1st amendment) | 28/11/2007 |
| | 472033000328 (2nd amendment) | 20/05/2010 |
| | 472033000328 (3rd amendment) | 22/04/2011 |
| | 472033000328 (4th amendment) | 18/10/2011 |

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 |
| | Toru Yamasaki | Member |
| | Hiroshi Fujikawa | Member |
| | Nguyen Thi Kim Lien | Member |
| | Pang Tze Wei | Member |

| | | |
|---------------------------|---------------------|---|
| Board of Director: | Michio Nagabayashi | General Director |
| | Kazufumi Nagashima | Director/General Manager of Factory |
| | Hidefumi Matsuo | Director/General Manager of Administration |
| | Nguyen Thi Kim Lien | Director/General Manager of Finance |
| | Takaaki Suemitsu | Director/General Manager of Sales and Marketing |

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

Auditors
 KPMG Limited
 Vietnam

Interfood Shareholding Company and its subsidiaries
Report of the Board of Directors

The Board of Directors is responsible for the preparation and presentation of the consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements. In the opinion of the Board of Directors:

- (a) the consolidated financial statements set out on pages 4 to 28 are prepared and presented so as to give a true and fair view of the consolidated financial position of the Group as at 30 June 2013, and of the consolidated results of operations and the consolidated cash flows of the Group for the year then ended in accordance with the Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements; and
- (b) at the date of this statement, there are no reasons to believe that the Group will not be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these consolidated financial statements for issue.

On behalf of the Board of Directors

Signed and sealed

Michio Nagabayashi
Chairman, General Director
Dong Nai province, dated 14 August 2013.

Interfood Shareholding Company and its subsidiaries
Consolidated balance sheet

| ASSETS | Code | Notes | 30/06/2013 VND'000 | 31/12/2012 VND'000 |
|--|------------|----------|-----------------------|-----------------------|
| Current assets (100=110+130+140+150) | 100 | | 243,836,550 | 267,847,456 |
| Cash | 110 | 5 | 30,813,499 | 82,201,930 |
| Accounts receivable | 130 | 6 | 24,569,523 | 25,804,851 |
| Trade accounts receivable - trade | 131 | | 14,419,380 | 14,959,024 |
| Prepayments to suppliers | 132 | | 9,504,002 | 5,657,510 |
| Other receivables | 135 | | 646,141 | 5,188,317 |
| Inventories | 140 | 7 | 182,622,707 | 157,649,819 |
| Inventories | 141 | | 189,098,403 | 164,125,515 |
| Allowance for inventories | 149 | | (6,475,696) | (6,475,696) |
| Other current assets | 150 | | 5,830,821 | 2,190,856 |
| Short term prepayments | 151 | | 2,414,201 | 76,355 |
| Deductible value added tax | 152 | | 2,996,496 | 1,365,672 |
| Taxes receivable from State Treasury | 154 | | - | 2,999 |
| Other current assets | 158 | | 420,124 | 745,830 |
| Long-term assets (200=220+260) | 200 | | 370,602,302 | 384,797,320 |
| Fixed assets | 220 | | 363,879,104 | 351,226,439 |
| Tangible fixed assets | 221 | 8 | 324,026,918 | 342,828,214 |
| Cost | 222 | | 599,525,594 | 601,920,515 |
| Accumulated depreciation | 223 | | (275,498,676) | (259,092,301) |
| Intangible fixed assets | 227 | | 36,097,086 | - |
| Cost | 228 | | 43,119,492 | - |
| Accumulated depreciation | 229 | | (7,022,406) | - |
| Construction in progress | 230 | 9 | 3,755,100 | 8,398,225 |
| Other long-term assets | 260 | | 6,723,198 | 33,570,881 |
| Long-term prepayments | 261 | 10 | 5,208,440 | 32,056,123 |
| Deferred tax assets | 262 | 11 | - | - |
| Other long-term assets | 268 | | 1,514,758 | 1,514,758 |
| TOTAL ASSETS (270=100+200) | 270 | | 614,438,852 | 652,644,776 |

Interfood Shareholding Company and its subsidiaries

Consolidated balance sheet

| | | | 30/06/2013 | 31/12/2012 |
|--|------------|-----------|---------------------------|---------------------------|
| RESOURCES | Code | Notes | VND'000 | VND'000 |
| LIABILITIES (300=310+330) | 300 | | 646,716,059 | 715,066,230 |
| Current liabilities | 310 | | 503,067,005 | 468,962,998 |
| Short-term borrowings | 311 | 12 | 347,094,000 | 364,490,000 |
| Trade accounts payable-trade | 312 | 13 | 121,713,436 | 67,219,267 |
| Advances from customers | 313 | | 5,341,555 | 6,552,905 |
| Taxes payable to State Treasury | 314 | 14 | 426,860 | 2,521,875 |
| Payable to employees | 315 | | 10,135,509 | 9,446,623 |
| Accrued expenses | 316 | 15 | 17,395,260 | 17,526,866 |
| Other payables | 319 | 16 | 960,385 | 1,205,462 |
| Long term liabilities | 330 | | 143,649,054 | 246,103,232 |
| Long-term deposits | 331 | | 26,139 | 26,139 |
| Long-term borrowings | 334 | 17 | 136,734,000 | 239,388,971 |
| Deferred tax liabilities | 335 | 11 | 3,600,870 | 3,360,619 |
| Provision for severance allowance | 337 | 18 | 3,288,045 | 3,327,503 |
| EQUITY (400=410) | 400 | | (35,074,111) | (61,806,299) |
| Owners' equity | 410 | 19 | (35,074,111) | (61,806,299) |
| Share capital | 411 | 20 | 381,443,888 | 381,443,888 |
| Share premium | 412 | | 85,035,704 | 85,035,704 |
| Difference of exchange rate | 413 | | - | - |
| Other reserves | 418 | 21 | (32,535,252) | (32,535,252) |
| Accumulated losses | 420 | | (469,018,451) | (495,750,639) |
| MINORITY INTEREST | 439 | | 2,796,904 | (615,155) |
| TOTAL RESOURCES (440=300+400+439) | | | <u>614,438,852</u> | <u>652,644,776</u> |
| | | | - | - |
| OFF BALANCE SHEET ITEMS | | | | |
| Foreign currencies | | | | |
| US dollar | | | 8,382,299 | 33,479,357 |
| Euro | | | 10,030 | 13,546 |

14 August 2013

Prepared by:

Approved by:

Signed

Signed and sealed

Nguyễn Hồng Phong
Chief Accountant

Michio Nagabayashi
Chairman, General Director

Interfood Shareholding Company and its subsidiaries
Consolidated statement of income

| | Code | Notes | Q2-2013 VND'000 | Q2-2012 VND'000 | YTD2013 VND'000 | YTD2012 VND'000 |
|--|-----------|-----------|---------------------|--------------------|---------------------|----------------------|
| Total revenue | 01 | 22 | 281,521,217 | 266,024,609 | 511,218,295 | 879,384,174 |
| Less revenue deductions: | 02 | 22 | 7,903,493 | 7,745,662 | 14,446,401 | 25,594,821 |
| Net revenue (10=01-02) | 10 | 22 | 273,617,724 | 258,278,947 | 496,771,894 | 853,789,353 |
| Cost of sales | 11 | 23 | 198,824,552 | 193,272,343 | 347,527,703 | 660,151,687 |
| Gross profit (20=10-11) | 20 | | 74,793,172 | 65,006,604 | 149,244,191 | 193,637,666 |
| Financial income | 21 | 24 | 490,533 | 182,537 | 800,495 | 1,125,795 |
| Financial expenses | 22 | 25 | 6,960,943 | 2,634,971 | 9,148,404 | 9,967,948 |
| <i>In which: Interest expenses</i> | 23 | | <i>2,090,789</i> | <i>1,617,419</i> | <i>4,278,250</i> | <i>7,902,206</i> |
| Selling expenses | 24 | | 122,117,672 | 52,181,909 | 197,782,484 | 215,089,569 |
| G&A expenses | 25 | | 8,401,323 | 7,243,104 | 17,801,749 | 31,506,661 |
| Operating profit/(loss) {30=20+(21-22)-(24+25)} | 30 | | (62,196,233) | 3,129,157 | (74,687,951) | (61,800,717) |
| Other income | 31 | 26 | 725,504 | 9,654,111 | 108,454,793 | 26,364,707 |
| Other expenses | 32 | 27 | 1,837,750 | 3,552,590 | 3,382,334 | 61,773,265 |
| Result of other activities (40 = 31 - 32) | 40 | | (1,112,246) | 6,101,521 | 105,072,459 | (35,408,558) |
| Profit (loss) before tax | 50 | | (63,308,479) | 9,230,678 | 30,384,508 | (97,209,275) |
| Income tax expenses - current | 51 | 28 | - | 2,540,287 | - | 4,148,958 |
| Income tax expenses - deferred | 52 | 28 | 120,125 | 240,272 | 240,261 | 43,268,046 |
| Profit(loss) after tax | 60 | | (63,428,604) | 6,450,119 | 30,144,247 | (144,626,279) |
| Attributable to: | | | | | | |
| Minority interest | 61 | | (41,265) | (11,143) | 3,412,059 | (1,107,945) |
| Equity holders of the Company | 62 | | (63,387,339) | 6,461,262 | 26,732,188 | (143,518,334) |
| Earning(loss) per share | 36 | | (2.175) | 0.222 | 0.917 | (4.925) |

14 August 2013

Prepared by:

Approved by:

Signed

Signed and sealed

Nguyễn Hồng Phong
Chief Accountant

Michio Nagabayashi
Chairman, General Director

Interfood Shareholding Company and its subsidiaries**Consolidated statements of cash flows**

| | Notes | Code | 30/06/2013 VND'000 | 31/12/2012 VND'000 |
|---|-------|-----------|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit/(loss) before tax | | 01 | 30,384,508 | (97,209,275) |
| Adjustments for: | | | | |
| Depreciation and amortisation | | 02 | 18,891,921 | 45,004,476 |
| Increase in provisions | | 03 | 28,418 | 7,533,467 |
| Gain on foreign currency translation | | 04 | 4,686,675 | (50,216) |
| Income from loan waiving | | 05 | (104,006,972) | - |
| Interest income | | 05 | (617,016) | (463,423) |
| Loss from disposal fixed assets | | 05 | - | 42,024,010 |
| Interest expense | | 06 | 4,278,250 | 7,902,206 |
| Operating profit/(loss) before adjustments to w | | 8 | (46,354,216) | 4,741,245 |
| Change in accounts receivable | | 09 | 34,173 | (4,650,143) |
| Change in inventory | | 10 | (24,972,888) | (26,701,996) |
| Change in accounts payable | | 11 | 53,960,078 | 6,155,256 |
| Change in prepaid expenses | | 12 | (1,928,515) | (2,781,536) |
| Interest paid | | 13 | (6,892,360) | (4,279,925) |
| Business income tax paid | | 14 | - | (1,922,299) |
| Other payable | | 16 | - | (1,368,545) |
| Cash generated from operating activities | | 20 | (26,153,728) | (30,807,943) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Acquisition of fixed assets and investment constru | | 21 | (5,106,234) | (12,005,573) |
| Interest income received | | 27 | 617,016 | 463,423 |
| Net cash inflows/(outflows) from investing activ | | 30 | (4,489,218) | (11,542,150) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from loan | | 33 | | 83,312,000 |
| Repayments for debt | | 34 | (20,828,000) | - |
| Net cash inflows/(outflows) from financing acti | | 40 | (20,828,000) | 83,312,000 |
| Net increase/(decrease) in cash | | 50 | (51,470,946) | 40,961,907 |
| Cash at beginning of the year | | 60 | 82,201,930 | 41,214,467 |
| Effects of changes in foreign exchange rates | | 61 | 82,515 | 25,556 |
| Cash at end of the year | | 70 | 30,813,499 | 82,201,930 |

14 August 2013

Prepared by:

Approved by:

Signed

Signed and sealed

Nguyễn Hồng Phong
Chief Accountant

Michio Nagabayashi
Chairman, General Director

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements

1. Reporting Entity

Interfood Shareholding Company (“the Company”) is a joint stock company incorporated in Vietnam. The consolidated financial statements for the year ended 30 June 2013 comprises the Company and its subsidiary, Avafood Shareholding Company (“Avafood”) (collectively “the Group”). The principal activities of the Group are to produce 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 90.4% 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 2013, the Group had 1,433 employees (the year ended 31 December 2012: 1,351 employees).

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated 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) Going concern assumption

The consolidated financial statements have been prepared on a going concern basis. The Group has made profit after tax of Million VND 34,144 (2012: Loss Million VND 144,626) during the year and at the balance sheet date, current liabilities still exceeded current assets by Million VND 259,230 (31/12/2012: Million VND 201,115) but total assets has exceeded total liabilities by Million VND 32,277 (31/12/2012: total liabilities exceeded total assets Million VND 62,421). Furthermore, the Group has significant loans that will require refinancing within the next 12 months (Note 12). The validity of the going concern assumption fundamentally depends on the ultimate majority shareholder continuing to provide such financial assistance as is necessary to enable the Group to meet its liabilities as and when they fall due and to maintain the Group in existence as a going concern for the foreseeable future.

At the time of this report, there is no reason for the management to believe that the ultimate majority shareholder will not continue its support.

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

(d) Annual accounting period

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

(e) Accounting currency

The Group maintains its accounting records in Vietnam Dong (“VND”) and presents its consolidated financial statements in VND.

3. Summary of significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated 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 financial statements.

(b) Foreign currency transactions

From year 2012 onward, monetary assets and liabilities denominated in currencies other than VND are translated into VND at rates of exchange ruling at the balance sheet date. Transactions in currencies other than VND during the year have been translated into VND at rates approximating those ruling at the transaction dates.

All foreign exchange differences are recorded in the consolidated statement of income.

(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.

(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.

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

(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 for its intended use. Expenditure incurred after tangible fixed assets have been put into operation, such as repair, maintenance and overhaul cost, is charged to the consolidated statement of income in the year in which the cost is incurred. In situations where it can be clearly demonstrated that the expenditure has 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 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 |
| ERP System | 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

(i) 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 consolidated statement of income on a straight-line basis over the term of the lease of 45.5 years.

(ii) Renovation expenses

Renovation expenses are initially stated at cost and are amortised on a straight line basis over 3 years starting from the date of completion of the renovation.

(i) Trade and other payables

Trade and other payables are stated at their cost.

(j) Provisions

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

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.

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 2013 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 Group’s consolidated financial position and consolidated 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:
 - it is acquired principally for the purpose of selling 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 at fair value through profit or loss.

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

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 upon 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 upon 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

Available-for-sale financial assets

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

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

The Company's financial assets, comprising cash in bank, accounts receivable and other receivables, 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:
 - it is incurred principally for the purpose of 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

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

Interfood Shareholding Company and its subsidiaries
Notes to the consolidated financial statements (continues)

- Upon initial recognition, it is designated by the Group as 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 cost.

The Group's financial liabilities, comprising borrowings, accounts payables and other payables, 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.

(l) Taxation

Income tax on the consolidated profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated 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 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 amounts of assets and liabilities using the 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.

(m) 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.

(n) Revenue

Goods sold

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

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

(o) Operating lease payments

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

(p) Borrowing costs

Borrowing costs are recognised as an expense in the year 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.

(q) 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.

(r) 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. The Group’s primary format for segment reporting is based on business segments.

(s) Related companies

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 year, the Group was involved in certain production and trading transactions of biscuits and other related products which do not qualify as separate segments.

4. Summary of significant accounting policies

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 year, the Group was involved in certain production and trading transactions of biscuits and other related products which do not qualify as separate segments

| 5. Cash | 30/06/2013 | 31/12/2012 |
|---------------|-------------------|-------------------|
| | VND'000 | VND'000 |
| Cash on hand | 164,141 | 125,780 |
| Cash in banks | 30,649,358 | 82,076,150 |
| | <u>30,813,499</u> | <u>82,201,930</u> |
| | - | - |

Interfood Shareholding Company and its subsidiaries
Notes to the consolidated financial statements (continues)

| 6. Accounts receivable | 30/06/2013 | 31/12/2012 |
|--|-------------------|-------------------|
| Other receivables comprised: | VND'000 | VND'000 |
| Marketing support receivable from KHSPL* | - | 5,087,364 |
| Received for expenses pay | 288,469 | - |
| Other receivable | 357,672 | 100,953 |
| | <u>646,141</u> | <u>5,188,317</u> |

(*) The amount represented the financial support for marketing activities by Kirin Holdings Singapore Pte, Ltd., (KHSPL), a related company, which was received in 2013

| 7. Inventories | 30/06/2013 | 31/12/2012 |
|--|---------------------------|---------------------------|
| | VND'000 | VND'000 |
| Raw materials | 60,973,968 | 63,741,782 |
| Tools and supplies | 10,348,159 | 8,727,411 |
| Work in progress | 7,253,090 | 4,413,016 |
| Finished goods | 110,523,186 | 87,243,306 |
| | <u>189,098,403</u> | <u>164,125,515</u> |
| Provision for decline in inventory value | (6,475,696) | (6,475,696) |
| | <u>182,622,707</u> | <u>157,649,819</u> |

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

8. Fixed assets

(i) Tangible fixed assets

| | Building | Machinery & Equipment | Motor vehicles | Office | Total |
|---------------------------------|--------------------|----------------------------------|-----------------------|------------------|---------------------------|
| | VND'000 | VND'000 | VND'000 | VND'000 | VND'000 |
| Historical cost | | | | | |
| Opening balance | 115,827,236 | 470,647,484 | 10,130,302 | 5,315,493 | 601,920,515 |
| Additions | - | 799,966 | - | 20,401 | 820,367 |
| Transfer from CIP | 39,118 | 520,308 | - | - | 559,426 |
| Disposals(*) | (52,333) | (2,788,119) | (42,559) | (891,703) | (3,774,714) |
| Closing balance | <u>115,814,021</u> | <u>469,179,639</u> | <u>10,087,743</u> | <u>4,444,191</u> | <u>599,525,594</u> |
| Accumulated depreciation | | | | | |
| Opening balance | 20,061,342 | 230,120,344 | 6,291,077 | 2,619,538 | 259,092,301 |
| Charge for the year | 1,966,671 | 15,811,976 | 546,204 | 288,084 | 18,612,935 |
| Disposals(*) | (11,008) | (1,764,872) | (7,527) | (423,153) | (2,206,560) |
| Closing balance | <u>22,017,005</u> | <u>244,167,448</u> | <u>6,829,754</u> | <u>2,484,469</u> | <u>275,498,676</u> |
| Net book value | | | | | |
| Opening balance | 95,765,894 | 240,527,140 | 3,839,225 | 2,695,955 | 342,828,214 |
| Closing balance | <u>93,797,016</u> | <u>225,012,191</u> | <u>3,257,989</u> | <u>1,959,722</u> | <u>324,026,918</u> |

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

Included in the cost of tangible fixed assets were assets costing 21,319 million VND which were fully depreciated as of 30 June 2013 (31/12/2012: 16,687 million VND), but are still in active use.

The carrying amount of temporarily idle tangible fixed assets amounted to 33,843 million VND as of 30 June 2013 (31/12/2012: 19,352 million VND).

(*) During this quarter, the fixed asset carrying history cost lower than 30 million VND has been transferred to the prepayment expenses account in accordance to the Circular No 45/2013/TT-BTC dated 25/4/2013

| (ii) | Intangible fixed assets | | | | Total |
|---------------------------------|-------------------------|----------|---|---|------------|
| | ERP | Land | | | |
| | VND'000 | VND'000 | | | VND'000 |
| Historical cost | | | | | |
| Opening balance | | | | | - |
| Transfer from CIP | 8,369,565 | 0 | | | 8,369,565 |
| Transfer from PPE(*) | | 34749927 | | | 34,749,927 |
| Written off | | | | | - |
| Closing balance | 8,369,565 | 34749927 | - | - | 43,119,492 |
| Accumulated depreciation | | | | | |
| Opening balance | - | 0 | | | - |
| Transfer from PPE(*) | 0 | 6743420 | | | 6,743,420 |
| Charge for the year | 278,986 | 0 | | | 278,986 |
| Disposals | - | 0 | | | - |
| Closing balance | 278,986 | 6743420 | - | - | 7,022,406 |
| Net book value | | | | | |
| Opening balance | - | 0 | - | - | - |
| Closing balance | 8,090,579 | 28006507 | - | - | 36,097,086 |

(*) This is present for the history cost and accumulated amortized value of the land rental fee prepayment expenses (PPE) which was transferred to Intangible fixed asset as accordance to the Circular No 45/2013/TT-BTC dated 25/4/2013

| 9. | Construction in progress | 30/06/2013 | 31/12/2012 |
|----|------------------------------|------------------|------------------|
| | | VND'000 | VND'000 |
| | Opening balance | 8,398,225 | 29,335,779 |
| | Additions during the quarter | 4,285,867 | 3,889,630 |
| | Disposals | (559,426) | - |
| | Transferred to fixed assets | (8,369,566) | (24,827,184) |
| | Closing balance | 3,755,100 | 8,398,225 |
| | | - | - |

Interfood Shareholding Company and its subsidiaries
Notes to the consolidated financial statements (continues)

10. Long-term prepayment

| | Prepaid land costs VND'000 | Other expenses VND'000 | Total VND'000 |
|------------------------------------|----------------------------------|------------------------------|-------------------------|
| Opening balance | 28,371,171 | 3,684,952 | 32,056,123 |
| Additions | - | 2,291,422 | 2,291,422 |
| Conversion to Intangible asset (*) | (28,006,507) | - | (28,006,507) |
| Amortisation | (364,664) | (767,934) | (1,132,598) |
| Closing balance | - | 5,208,440 | 5,208,440 |

(*) This is present for the net book value of the land rental fee prepayment expenses (PPE) which was transferred to Intangible fixed asset as accordance to the Circular No 45/2013/TT-BTC dated 25/4/2013

11. 11. Deferred tax assets and liabilities

(i). 11. Recognised deferred tax assets and liabilities

| | 30/06/2013 VND'000 | 31/12/2012 VND'000 |
|----------------------------------|------------------------------|------------------------------|
| Deferred tax assets: | | |
| Tax losses carry-forwards | - | - |
| Deferred tax liabilities: | | |
| Fixed assets | (3,600,870) | (3,360,619) |

(ii). 11. Recognised deferred tax assets and liabilities

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

| | 30/06/2013 Temporary differences VND'000 | 30/06/2013 Tax value VND'000 | 31/12/2012 Temporary differences VND'000 | 31/12/2012 Tax value VND'000 |
|----------------------------------|--|---|--|---|
| Deductible temporary differences | - | - | 48,587,663 | 12,146,916 |
| Tax losses | - | - | 159,044,316 | 39,761,079 |
| | - | - | 207,631,979 | 51,907,995 |

The tax losses expire in the following years:

| Year of expiry | Status of tax review | Tax losses available VND'000 |
|----------------|----------------------|---------------------------------|
| 2013 | Outstanding | 15,147,103 |
| 2014 | Outstanding | 19,228,472 |
| 2015 | Outstanding | 1,506,073 |
| 2016 | Outstanding | 59,582,993 |
| 2017 | Outstanding | 19,615,310 |
| | | 115,079,951 |

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

During the year, the Group's 2007, 2008 and 2009 open tax years were reviewed and finalised by the Tax Authorities. Based on the assessments made, the Group's previous tax losses were reduced by VND 239,522 million. The Group annually assesses changes that impact its projected performance and resulting projected taxable profits of its business.

The deductible temporary differences other than tax losses 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.

| 12. Short-term borrowings | 30/06/2013 | 31/12/2012 |
|--|-------------------|-------------------|
| | VND'000 | VND'000 |
| Short-term Loans from Kirin Holding Company, Limited | 347,094,000 | 364,490,000 |
| | - | - |

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

| | | | 30/06/2013 | 31/12/2012 |
|--------|----------|-----------------------|--------------------|--------------------|
| | Currency | Nominal interest rate | VND'000 | VND'000 |
| Loan 1 | USD | LIBOR + 0,8%/năm | 126,216,000 | 145,796,000 |
| Loan 2 | USD | LIBOR + 0,8%/năm | 52,590,000 | 52,070,000 |
| Loan 3 | USD | LIBOR + 0,8%/năm | 63,108,000 | 62,484,000 |
| Loan 4 | USD | LIBOR + 0,8%/năm | - | - |
| Loan 5 | USD | LIBOR + 0,8%/năm | 105,180,000 | 104,140,000 |
| | | | 347,094,000 | 364,490,000 |

| 13. Accounts payable – trade | 30/06/2013 | 31/12/2012 |
|---|-------------------|-------------------|
| | VND'000 | VND'000 |
| Accounts payable - trade included the following amounts due to related companies: | | |
| Amounts due to Vietnam Kirin Beverage Company, Limited | 15,692,627 | 3,176,332 |
| Amounts due to other related companies | - | - |

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

| 14. Taxes payable to State Treasury | 30/06/2013 | 31/12/2012 |
|--|-------------------|-------------------|
| | VND'000 | VND'000 |
| Value added tax | - | 1,580,137 |
| Import, export tax | 166,670 | 591,661 |
| Personal income tax | 163,835 | 249,728 |
| Foreign contractor tax | - | 100,349 |
| Other tax | 96,355 | - |
| | 426,860 | 2,521,875 |

Interfood Shareholding Company and its subsidiaries
Notes to the consolidated financial statements (continues)

| 15. | Accrued expenses | 30/06/2013 | 31/12/2012 |
|------------|--------------------------------|-------------------|-------------------|
| | | VND'000 | VND'000 |
| | Transportation fee | 6,268,662 | 3,802,151 |
| | Sales discounts and commission | 2,499,332 | 2,021,795 |
| | Loans interest payable | 2,941,634 | 5,555,744 |
| | Secondment fee payable (*) | 4,563,918 | 5,021,464 |
| | Others | 1,121,714 | 1,125,712 |
| | | <u>17,395,260</u> | <u>17,526,866</u> |

(*) 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.

| 16. | Other payables | 30/06/2013 | 31/12/2012 |
|------------|--|-------------------|-------------------|
| | | VND'000 | VND'000 |
| | Dividend payable (Note 36) | 505,391 | 505,391 |
| | Trade union, social and health insurance | 169,176 | 184,619 |
| | Related parties payable | - | - |
| | Other payable | 285,818 | 515,452 |
| | | <u>960,385</u> | <u>1,205,462</u> |
| | | - | - |

| 17. | Long-term borrowings | | | 31/12/2013 | 31/12/2012 |
|------------|---|--|-------------------------|--------------------|--------------------|
| | Currency | Interest rate | Year of maturity | VND'000 | VND'000 |
| | Loan from Trade Ocean Holdings Sdn Bhd (a) | three-month SIBOR USD minus 1% p.a. | 2014 | - | 71,459,368 |
| | Loan from Wonderfarm Biscuits & Confectionery (a) | three-month SIBOR USD minus 1% p.a. | 2014 | - | 32,547,603 |
| | Holdings Company, Limited (b) | 1.896% p.a. USD | 2017 | 136,734,000 | 135,382,000 |
| | | | | <u>136,734,000</u> | <u>239,388,971</u> |

(a) The loans were unsecured and bore effective interest at 0% during the year as the interest at SIBOR three-month period less 1% p.a was negative (year ended 31 December 2012: 0%).

(b) The unsecured loans bears fixed interest rate of 1.896% 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.

Interfood Shareholding Company and its subsidiaries
Notes to the consolidated financial statements (continues)

On 1 March 2013, Trade Ocean Holding Sdn. Bhd. and Wonderfarm Biscuits & Confectionery Sdn. Bhd., shareholders (“the Lenders”), issued Deeds of Release (“Deeds”) to waive the loans of Million VND 71,459 and Million VND 32,548 (“the Loans”) granted to the Group under the Loan Novation Agreement date 28 February 2011 and loan contract dated 30 July 2009, respectively. According to the Deeds, the Lenders irrevocably releases and discharges the Group, without any representation or warranty and without any recourse of any nature whatsoever (whether past, present or future and whether actual or contingent), from any and all of its obligations to repay the Loans to the Lenders and also releases the Group from all of its liabilities (including the interest) in all aspects whatsoever in respect of the Loans.

18. Provision for severance allowance

Movements of provision during the year were as follow:

| | 30/06/2013 | 31/12/2012 |
|--------------------------------|-------------------------|-------------------------|
| | VND'000 | VND'000 |
| Opening balance | 3,327,503 | 4,814,871 |
| Provision made during the year | 28,418 | 1,057,771 |
| Utilised during the year | (67,876) | (2,545,139) |
| Closing balance | <u>3,288,045</u> | <u>3,327,503</u> |
| | - | - |

During the year, the Group contributed 514 million VND (year ended 31 December 2012: 748 million VND) to the unemployment insurance fund and the amount is recorded as part of labour and staff costs in the consolidated statement of income.

19. Movement in owner’s equity

| | Paid in capital | Share premium | Acquisition Reserves | Undistributed earnings | Total |
|--------------------------------|---------------------------|--------------------------|----------------------------|-----------------------------|----------------------------|
| | VND'000 | VND'000 | VND'000 | VND'000 | VND'000 |
| Prior year’s opening balance | 381,443,888 | 85,035,704 | (32,535,252) | (495,750,639) | (61,806,299) |
| Prior year’s adjustment | | | | - | - |
| Prior year’s net loss | - | - | - | - | - |
| Prior year’s closing balance | <u>381,443,888</u> | <u>85,035,704</u> | <u>(32,535,252)</u> | <u>(495,750,639)</u> | <u>(61,806,299)</u> |
| Current year’s opening balance | 381,443,888 | 85,035,704 | (32,535,252) | (495,750,639) | (61,806,299) |
| Current year’s net profit | - | - | - | 26,732,188 | 26,732,188 |
| Foreign exchange differences | - | - | - | - | - |
| Current year’s closing balance | <u>381,443,888</u> | <u>85,035,704</u> | <u>(32,535,252)</u> | <u>(469,018,451)</u> | <u>(35,074,111)</u> |

Interfood Shareholding Company and its subsidiaries
Notes to the consolidated financial statements (continues)

20. Share capital

The Group's authorised and issued share capital is:

| | 30/06/2013 | | 31/12/2012 | |
|--|------------------|-------------|------------------|-------------|
| | Number of shares | VND'000 | Number of shares | VND'000 |
| Authorised and issued share capital | | | | |
| Ordinary shares | 29,140,992 | 381,443,992 | 29,140,992 | 381,443,992 |
| Shares in circulation | | | | |
| Ordinary shares | 29,140,984 | 381,443,888 | 29,140,984 | 381,443,888 |

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 year.

21. Acquisition reserve

In 2007, the Group acquired 90% shareholding of Avafood in a business combination under common control. In 2012, the Group increased its shareholding of Avafood to 90.4%. This amount represents the difference between consideration given and the net amounts of assets and liabilities of Avafood attributable to the Group at the acquisition date.

22. Revenues

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

Net sales comprised.

| | Q2-2013 | Q2-2012 | YTD2013 | YTD2012 |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|
| | VND'000 | VND'000 | VND'000 | VND'000 |
| Total revenue | | | | |
| ■ Sales of drinks | 248,403,555 | 248,892,934 | 448,604,147 | 795,969,367 |
| ■ Sales of biscuits | 2,530,332 | 6,955,196 | 12,639,173 | 29,870,330 |
| ■ Sales of other products | 30,587,331 | 10,176,479 | 49,974,975 | 53,544,477 |
| | 281,521,217 | 266,024,609 | 511,218,295 | 879,384,174 |
| | - | - | - | - |
| Less sales deductions: | | | | |
| ■ Sales allowances | 7,903,493 | 7,630,847 | 14,446,401 | 25,180,156 |
| ■ Sales return | - | 114,815 | - | 414,665 |
| | 7,903,493 | 7,745,662 | 14,446,401 | 25,594,821 |
| Net sales | 273,617,724 | 258,278,947 | 496,771,894 | 853,789,353 |
| | 0 | - | - | - |

Interfood Shareholding Company and its subsidiaries
Notes to the consolidated financial statements (continues)

| 23. Cost of goods sold | Q2-2013 | Q2-2012 | YTD2013 | YTD2012 |
|--|--------------------|--------------------|--------------------|--------------------|
| | VND'000 | VND'000 | VND'000 | VND'000 |
| Total cost of sales | | | | |
| ■ Cost of drinks | 174,461,590 | 180,737,571 | 312,432,941 | 590,561,486 |
| ■ Cost of biscuit | 2,904,923 | 7,122,168 | 12,396,398 | 31,801,586 |
| ■ Cost of other products | 21,458,039 | 5,412,605 | 22,698,364 | 37,788,615 |
| | 198,824,552 | 193,272,343 | 347,527,703 | 660,151,687 |
| | 0 | - | - | - |
| 24. Income from financial activities | | | | |
| | Q2-2013 | Q2-2012 | YTD2013 | YTD2012 |
| | VND'000 | VND'000 | VND'000 | VND'000 |
| Interest income from bank deposits | 307,054 | 108,112 | 617,016 | 463,423 |
| Realised gains from foreign exchange | 183,479 | - | 183,479 | 610,032 |
| Unrealised gains from foreign exchange | - | 74,424 | - | 52,340 |
| | 490,533 | 182,537 | 800,495 | 1,125,795 |
| | 0 | - | - | - |
| 25. Financial expenses | | | | |
| | Q2-2013 | Q2-2012 | YTD2013 | YTD2012 |
| | VND'000 | VND'000 | VND'000 | VND'000 |
| Interest expenses | 2,090,789 | 1,617,418 | 4,278,250 | 7,902,206 |
| Realised foreign exchange losses | 4,870,154 | 1,017,554 | 4,870,154 | 1,643,808 |
| Unrealised foreign exchange losses | - | - | - | 2,124 |
| Other finance expenses | - | - | - | 419,810 |
| | 6,960,943 | 2,634,971 | 9,148,404 | 9,967,948 |
| | 0 | - | - | - |
| 26. Other income | | | | |
| | Q2-2013 | Q2-2012 | YTD2013 | YTD2012 |
| | VND'000 | VND'000 | VND'000 | VND'000 |
| Support for marketing activities from Kirin Hold | - | - | - | 10,244,668 |
| Reimbursement received for tax penalty paymen | - | - | - | 10,026,016 |
| Internal Loan waiver | - | - | 104,006,971 | - |
| Others | 725,504 | 9,654,111 | 4,447,822 | 6,094,023 |
| | 725,504 | 9,654,111 | 108,454,793 | 26,364,707 |
| | 0 | - | - | - |
| 27. Other expenses | | | | |
| | Q2-2013 | Q2-2012 | YTD2013 | YTD2012 |
| | VND'000 | VND'000 | VND'000 | VND'000 |
| Book value of tangible fixed assets written off | - | - | - | 42,024,010 |
| Tax penalties | - | - | - | 7,605,365 |
| Depreciation of idle fixed assets | 608,197 | 3,576,049 | 1,216,674 | 10,805,587 |
| Others | 1,229,553 | (23,459) | 2,165,660 | 1,338,303 |
| | 1,837,750 | 3,552,590 | 3,382,334 | 61,773,265 |
| | 0 | - | - | - |

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

| | | | |
|------------|---|----------------|-------------------|
| 28. | Corporate Income Taxes | | |
| (a) | Recognised in the consolidated statement of income | | |
| | | 2013 | 2012 |
| | | VND'000 | VND'000 |
| | Current tax expense | | |
| | Under provision in prior years | - | 4,148,958 |
| | Deferred tax income | | |
| | Written down of deferred tax asset | 240,261 | 42,787,523 |
| | Origination and reversal of temporary | - | 480,523 |
| | | 240,261 | 43,268,046 |
| | Income tax expense | 240,261 | 47,417,004 |
| | | 240,261 | 47,417,004 |
| (b) | Reconciliation of effective tax rate | | |
| | | 2013 | 2012 |
| | | VND'000 | VND'000 |
| | Loss before tax | 30,384,508 | (97,209,275) |
| | Tax at the Group's tax rate | 7,596,127 | (24,302,319) |
| | Non-deductible expenses | 14,397,009 | 10,437,380 |
| | Deferred tax assets not recognised | (7,146,116) | 14,345,462 |
| | Tax losses not previously recognised utilised | (14,606,759) | - |
| | Written down of deferred tax assets | - | 42,787,523 |
| | Under provision in prior years | - | 4,148,958 |
| | | 240,261 | 47,417,004 |
| | | 240,261 | 47,417,004 |
| (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 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.

Interfood Shareholding Company and its subsidiaries
Notes to the consolidated financial statements (continues)

29. Loss per share
(a) Basic earnings per share

The calculation of basic earnings per share at 30 June 2013 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>(i) Net/(loss) profit attributable to ordinary shareholders</i> | 2013 VND'000 | 2012 VND'000 |
|--|-------------------------------|-------------------------------|
| Net profit/(loss) attributable to ordinary shareholders | <u>26,732,188</u> | <u>(143,518,334)</u> |
| <i>(ii) Weighted average number of ordinary shares</i> | 2013 VND'000 | 2012 VND'000 |
| Weighted average number of ordinary shares for the year | <u>29,140,984</u> | <u>29,140,984</u> |

30. 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; and
- 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

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.

(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:

| | Notes | 2013 VND'000 | 2012 VND'000 |
|-----------------------------|--------------|-------------------------------|-------------------------------|
| Cash in bank | | 30,649,358 | 82,076,150 |
| Trade and other receivables | | <u>15,065,521</u> | <u>20,147,341</u> |
| | | <u>45,714,879</u> | <u>102,223,491</u> |

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

(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 to 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 are requested to settle the balances and management will perform an assessment 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 2013.

The aging of trade and other receivables at year-end that were past due but not impaired is as follows:

| | 2013 | 2012 |
|------------------------|--------------------------|--------------------------|
| | VND'000 | VND'000 |
| Non past due | 711,726 | 12,784,142 |
| Past due 0 – 30 days | 9,309,860 | 3,466,342 |
| Past due 31 – 180 days | 3,652,474 | 3,090,709 |
| Over 180 days | 1,391,461 | 806,148 |
| | <u>15,065,521</u> | <u>20,147,341</u> |

(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.

Financial liabilities with fixed or determinable payments have the following contractual maturities including the estimated interest payments:

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

| 30/06/2013 | Carrying | Contractual | Within 1 year | 1 – 2 years | 2 – 5 years |
|---------------------------|--------------------|--------------------|--------------------|------------------|--------------------|
| | amount. | cash flows | | | |
| | VND'000 | VND'000 | VND'000 | VND'000 | VND'000 |
| Trade and other payables. | 150,204,590 | 150,204,590 | 150,204,590 | - | - |
| Short-term borrowings. | 347,094,000 | 349,959,847 | 349,959,847 | - | - |
| Long-term borrowings. | 136,734,000 | 146,755,876 | 2,599,579 | 2,599,579 | 141,556,717 |
| | 634,032,590 | 646,920,313 | 502,764,016 | 2,599,579 | 141,556,717 |

| 31/12/2012 | Carrying | Contractual | Within 1 year | 1 – 2 years | 2 – 5 years |
|---------------------------|--------------------|--------------------|--------------------|------------------|--------------------|
| | amount. | cash flows | | | |
| | VND'000 | VND'000 | VND'000 | VND'000 | VND'000 |
| Trade and other payables. | 95,398,218 | 95,398,218 | 95,398,218 | - | - |
| Short-term borrowings. | 364,490,000 | 368,196,343 | 368,196,343 | - | - |
| Long-term borrowings. | 239,388,971 | 218,037,043 | 74,033,250 | 2,573,883 | 141,429,910 |
| | 699,277,189 | 681,631,604 | 537,627,811 | 2,573,883 | 141,429,910 |

The Group manages its ability to meet the expected operational expenses and servicing its debts by maintaining several financial facilities as follow:

- USD19 million unused short-term loan facility which renew automatically at the option of Group. Interest would be payable at rates of Libor + 0.8% per annum.

(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 the 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 2013 and year 2012, the Group had the following net monetary liability position exposed to currency risk. The following balances are presented in original currency:

Interfood Shareholding Company and its subsidiaries
Notes to the consolidated financial statements (continues)

| | USD | VND'000 |
|------------------------------|---------------------|--------------------|
| | 30/06/2013 | 31/12/2012 |
| Cash | 398,474 | 48,679,339 |
| Accounts receivable – trade. | 299,830 | 11,653,021 |
| Account payables. | (468,030) | (62,733,634) |
| Short-term borrowings | (16,500,000) | |
| Long-term borrowings | (6,500,000) | |
| Other receivables. | - | 100,953 |
| Short-term deposit. | - | 279,344 |
| Long-term deposit. | - | 1,514,758 |
| Payables to employees. | - | (7,877,854) |
| Other payables. | - | (1,109,819) |
| | <u>(22,769,726)</u> | <u>(9,493,892)</u> |

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

| | VND | VND |
|-------|-------------------|-------------------|
| | 30/06/2013 | 31/12/2012 |
| 1 USD | <u>21,104</u> | <u>20,828</u> |

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 2013. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

| | |
|-------------------------------|-----------------------|
| | Increase in net loss. |
| | USD |
| 30/06/2013. | 30/06/2013 |
| USD (1% strengthening of USD) | <u>3,603,309</u> |
| | Increase in net loss. |
| | VND |
| 31/12/2012. | 31/12/2012 |
| USD (1% weakening) | <u>(4,240,030)</u> |

The opposite movement of the currencies would have the equal but opposite effect to the net loss of the Group.

(ii) Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

| | Carrying amount | |
|-----------------------------------|----------------------|----------------------|
| | 30/06/2013 | 31/12/2012 |
| | VND'000 | VND'000 |
| Fixed rate instruments. | | |
| Financial liabilities. | <u>136,734,000</u> | <u>(135,382,000)</u> |
| Variable rate instruments. | | |
| Financial assets. | 30,649,358 | 82,076,150 |
| Financial liabilities. | <u>(347,094,000)</u> | <u>(468,496,972)</u> |
| | <u>(316,444,642)</u> | <u>(386,420,822)</u> |

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

A change of 100 basis points in interest rates would have increased net losses of the Company by Million VND 2.373 (2012: Million USD2.898). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

No policy was in place pertaining to the mitigation of potential volatility of the interest rate.

(e) Fair value

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 are 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 are not available. Fair values of these financial instruments may be different from their carrying values.

31. Significant transactions with related parties

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

| | Carrying amount | |
|---|-----------------|------------|
| | 30/06/2013 | 31/12/2012 |
| | VND'000 | VND'000 |
| Related companies | | |
| Kirin Holding Company, Limited | | |
| Ultimate Parent Company | | |
| Short-term loan repayment | 20,828,000 | 83,312,000 |
| Interest expenses | 4,278,250 | 7,902,206 |
| Secondment fee | 4,642,731 | 8,718,434 |
| Kirin Holding Singapore Pte, Ltd. | | |
| Financial support for marketing activities | - | 10,244,668 |
| Vietnam Kirin Beverage Company, Limited | | |
| Purchase of goods | - | 17,209,468 |
| Processing fee | 23,692,931 | 21,552,564 |
| Board of Directors and Board of Management | | |
| Secondment fees | 2,253,168 | 8,582,386 |
| Salary | 652,200 | 1,304,270 |

32. Commitments

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

| | VND'000 | VND'000 |
|--------------------------|-------------------|-------------------|
| | 30/06/2013 | 31/12/2012 |
| Within one year | 12,530,771 | 11,271,343 |
| Within two to five years | 30,800,566 | 31,492,769 |
| Over five years | 14,423,608 | 17,387,506 |
| | 57,754,945 | 60,151,618 |

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

33. Production and business costs by element

| | VND'000 | VND'000 |
|---|---------------------------|---------------------------|
| | 30/06/2013 | 31/12/2012 |
| Raw material costs included in production costs | 271,766,724 | 601,653,437 |
| Labour costs and staff costs | 83,135,843 | 106,537,511 |
| Depreciation and amortisation | 17,679,435 | 45,004,476 |
| Outside services | 176,703,008 | 131,287,340 |
| Other expenses | 13,826,926 | 87,346,967 |
| | <u>563,111,936</u> | <u>971,829,731</u> |

14 August 2013

Prepared by:

Approved by:

Signed

Signed and sealed

Nguyễn Hồng Phong
Chief Accountant

Michio Nagabayashi
Chairman, General Director