

Interfood Shareholding Company

Separated financial statements
Quarter 2 - 2016



Interfood Shareholding Company

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
	472033000328 (5th amendment)	14/05/2014
	472033000328 (6th amendment)	30/12/2015
	6525867086 (7th amendment)	05/02/2016

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:

Toru Yamasaki	Chairman
Nguyen Thi Kim Lien	Member
Takayuki Morisawa	Member
Hajime Kobayashi	Member
Hirotsugu Otani	Member

Board of Director:

Toru Yamasaki	General Director/General Manager of Marketing
Nguyen Thi Kim Lien	Director/General Manager of Internal Control
Yutaka Ogami	Director/General Manager of Planning
Takayuki Morisawa	Director/General Manager of Administration
Yoshihisa Fujiwara	Director/General Manager of Factory
Taiichiro Iizumi	Director/General Manager of Sales

Registered Office

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

Auditors

KPMG Limited
Vietnam

Interfood Shareholding Company

Report of the Board of Directors

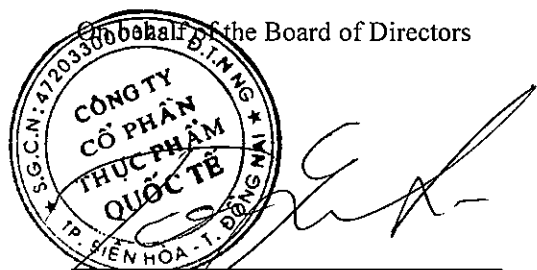
The Board of Directors of Interfood Shareholding Company (“the Company”) presents this statement and the accompanying separate financial statements of the Company for the year ended 30 June 2016.

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

- (a) (a) the separate financial statements set out on pages 4 to 26 give a true and fair view of the unconsolidated financial position of the Company as at 30 June 2016, and of its unconsolidated results of operations and its unconsolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the Company 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 the accompanying separate financial statements for issue.

On behalf of the Board of Directors



Toru Yamasaki

Chairman, General Director

Dong Nai province, dated 27th July 2016.

Interfood Shareholding Company

Separated balance sheet

ASSETS	Code	Notes	30/06/2016 VND'000	31/12/2015 VND'000
Current assets (100=110+130+140+150)	100		470,883,225	463,367,290
Cash	110	5	163,384,087	172,256,452
Cash	111		163,384,087	172,256,452
Accounts receivable – short-term	130		99,998,077	106,669,822
Accounts receivable from customers	131	6	17,696,962	22,218,569
Prepayments to suppliers	132		4,602,377	3,301,691
Loan receivables – short-term	135	7	79,185,319	82,726,107
Other receivables – short-term	136		809,511	719,547
Allowance for doubtful debts	137	8	(2,296,092)	(2,296,092)
Inventories	140	9	205,044,222	183,485,382
Inventories	141		205,164,732	185,404,269
Allowance for inventories	149		(120,510)	(1,918,887)
Other current assets	150		2,456,839	955,634
Short-term prepaid expenses	151		2,418,769	881,723
Deductible value added tax	152		-	-
Taxes receivable from State Treasury	153		38,070	73,911
Long-term assets (200 = 210 + 220 + 240 + 260)	200		225,445,578	256,980,953
Accounts receivable – long-term	210		26,568,962	26,568,962
Loan receivables – long-term	215	7	24,993,600	24,993,600
Other receivables – long-term	216		1,575,362	1,575,362
Fixed assets	220		101,318,691	131,725,663
Tangible fixed assets	221	10	92,188,478	121,964,494
Cost	222		324,908,668	384,694,679
Accumulated depreciation	223		(232,720,190)	(262,730,185)
Intangible fixed assets	227	11	9,130,213	9,761,169
Cost	228		13,042,688	12,913,118
Accumulated depreciation	229		(3,912,475)	(3,151,949)
Long-term work in progress	240		131,745	107,897
Construction in progress	242	12	131,745	107,897
Long-term financial investments	250		94,145,809	94,145,809
Investment in subsidiary	251	13	94,145,809	94,145,809
Other long-term assets	260		3,280,371	4,432,622
Long-term prepaid expenses	261	14	3,280,371	4,432,622
TOTAL ASSETS (270=100+200)	270		696,328,803	720,348,243

Interfood Shareholding Company

Separated balance sheet

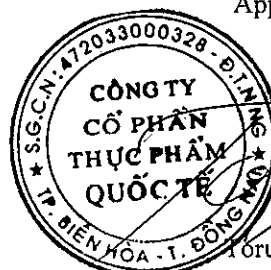
RESOURCES	Code	Notes	30/06/2016 VND'000	31/12/2015 VND'000
LIABILITIES (300=310+330)	300		469,075,334	501,490,256
Current liabilities	310		320,332,041	352,721,929
Accounts payable to suppliers	311	15	85,328,167	72,199,918
Advances from customers	312		4,626,724	3,116,598
Taxes payable to State Treasury	313	16	3,617,163	10,146,490
Payable to employees	314		9,073,510	9,983,488
Accrued expenses	315	17	38,321,042	75,212,784
Other payables – short-term	319	18	645,435	1,742,651
Short-term borrowings	320	19(a)	178,720,000	180,320,000
Long term liabilities	330		148,743,293	148,768,327
Long-term borrowings	338	19(b)	145,210,000	146,510,000
Deferred tax liabilities	341		-	-
Provision – long-term	342	20	3,533,293	2,258,327
EQUITY (400=410)	400		227,253,469	218,857,987
Owners' equity	410	21	227,253,469	218,857,987
Share capital	411	22	871,409,840	871,409,840
- Ordinary shares with voting rights	411a		871,409,840	871,409,840
Share premium	412		85,035,704	85,035,704
Other reserves	420	23	90,034,048	90,034,048
Accumulated losses	420		(819,226,123)	(827,621,605)
- Accumulated losses brought forward	421a		(827,621,605)	(726,418,882)
- Net profit (loss) for the current year	421b		8,395,482	(101,202,723)
TOTAL RESOURCES (440=300+400)			696,328,803	720,348,243

27th July 2016

Prepared by:


Nguyễn Hồng Phong
Chief Accountant

Approved by:

Tōru Yamasaki
Chairman, General Director


Interfood Shareholding Company

Separated statement of income

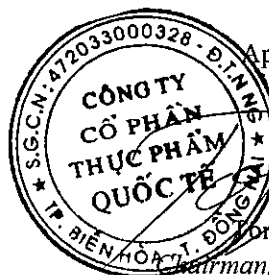
	Code	Notes	Q2-2016 VND'000	Q2-2015 VND'000	YTD2016 VND'000	YTD2015 VND'000
Revenue from sale of goods	01	25	355,920,343	350,840,089	611,018,365	1,318,377,515
Revenue deductions	02	25	20,491,957	9,676,398	28,562,326	38,218,537
Net revenue (10=01-02)	10	25	335,428,386	341,163,691	582,456,039	1,280,158,978
Cost of sales	11	26	237,693,787	254,677,217	410,036,337	954,346,345
Gross profit (20=10-11)	20		97,734,599	86,486,474	172,419,702	325,812,633
Financial income	21	27	2,468,903	7,674,392	9,302,712	19,744,033
Financial expenses	22	28	3,359,220	13,821,238	7,880,686	43,748,235
<i>In which: Interest expenses</i>	23		1,443,078	1,399,597	2,736,102	5,933,545
Selling expenses	25	29	69,121,246	107,143,528	127,731,031	360,120,414
G&A expenses	26	30	7,824,565	8,657,236	16,990,350	38,579,001
Operating profit/(loss) {30=20+(21-22)-(25+26)}	30		19,898,471	(35,461,136)	29,120,347	(96,890,984)
Other income	31	31	399,077	2,914,517	3,079,467	6,556,299
Other expenses	32	32	532,618	995,422	23,804,332	8,140,367
Results of other activities (40 = 31 - 32)	40		(133,541)	1,919,095	(20,724,865)	(1,584,068)
Profit (loss) before tax (50 = 30 + 40)	50		19,764,930	(33,542,041)	8,395,482	(98,475,052)
Income tax expenses - current	51	34	-	-	-	2,727,671
Income tax expenses - deferred	52	34	-	-	-	-
Profit (loss) after tax (60= 50 - 51- 52)	60		19,764,930	(33,542,041)	8,395,482	(101,202,723)

27th July 2016

Prepared by:


Nguyễn Hồng Phong
Chief Accountant

Approved by:

Toru Yamasaki
Chairman, General Director


Interfood Shareholding Company

Separated statements of cash flows
(Indirect method)

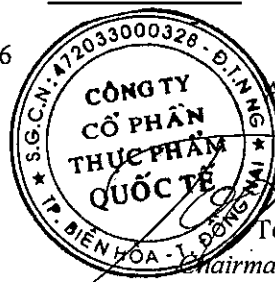
	Code	Notes	30/06/2016 VND'000	31/12/2015 VND'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	01		8,395,482	(98,475,052)
Adjustments for:				
Depreciation and amortisation	02		10,689,479	26,525,584
Allowances and provisions	03		899,348	11,582,489
Exchange losses arising from revaluation of monetary	04		(2,900,000)	14,815,424
Profits from investing activities	05		19,546,708	(3,182,827)
Interest income	05		(1,438,265)	-
Interest expense	06		2,736,102	5,933,545
Operating profit/(loss) before changes in working capital	08		37,928,854	(42,800,837)
Change in receivable	09		6,707,586	13,692,545
Change in inventories	10		(22,458,188)	(13,295,688)
Change in payables and other liabilities	11		(29,680,120)	61,324,550
Change in prepaid expenses	12		890,171	(1,584,114)
Interest paid	14		(3,845,870)	(5,596,531)
Income tax paid	15		-	(2,727,671)
Other payments for operating activities	17		-	-
Net cash flow from operating activities	20		(10,457,567)	9,012,254
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets	21		(2,430,336)	(4,270,694)
Proceeds from disposals of fixed assets	22		2,577,273	645,455
Payment for granting loans	23		-	(32,110,000)
Receipts of interests	27		1,438,265	381,906
Net cash inflows/(outflows) from investing activities	30		1,585,202	(35,353,333)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from shares issued	31		-	160,000,000
Proceeds from borrowings	33		-	77,250,000
Payments to settle loan principals	34		-	(149,930,000)
Net cash inflows/(outflows) from financing activities	40		-	87,320,000
Net increase/(decrease) in cash	50		(8,872,365)	60,978,921
(50= 20 +30 + 40)				
Cash at beginning of the year	60		172,256,452	111,277,531
Cash at end of the year (70= 50 + 60)	70	5	163,384,087	172,256,452

27th July 2016

Prepared by:


Nguyễn Hồng Phong
Chief Accountant

Approved by:

Toru Yamasaki
Chairman, General Director

Interfood Shareholding Company

Notes to the separate financial statements

1. Reporting Entity **(a) Ownership structure**

Interfood Shareholding Company (“the Company”) is incorporated as a joint stock company in Vietnam.

The Company’s shares were 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.

According to the Announcement No. 395/2013 of Ho Chi Minh Stock Exchange, the Company’s shares were delisted from 3 May 2013 and thereafter trading on Vietnam Security Depository.

(b) Principal activities

The principal activities of the Company are to process agricultural and aquatic products into canned, dried, frozen, salted, and pickled products; the production of biscuits and snack food; carbonated and non-carbonated fruit juice, non-carbonated and carbonated beverages, with or without low level of alcohol (less than 10%); bottled filtered water; packaging for foods and beverages; and to export, import products in accordance with business operation.

(c) Normal operating cycle

The normal operating cycle of the Company is generally within 12 months.

(d) Company structure

As at 30 June 2016, the Company had 1,261 employees (31/12/2015: 1,323 employees).

2. Basis of preparation

(a) Statement of compliance

The separate financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for the enterprises and the relevant statutory requirements applicable for financial reporting. The company prepares and issues its consolidated financial statements separately. For a comprehensive understanding of the Company's consolidated financial position, its consolidated results of operations and its consolidated cash flows. These separate financial statements should be read in conjunction with the consolidated financial statements

(b) Basis of measurement

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

Interfood Shareholding Company

Notes to the separate financial statements

(c) Going concern assumption

The separate financial statements have been prepared on a going concern basis. The Company incurred net profit after tax of VND 8,395 million (2015: Loss VND101,203 million) during the year. Furthermore, the Company had significant loans that will require refinancing within the next 12 months (Note 19). The validity of the going concern assumption fundamentally depends on the Company generating enough operating and financing cash flows to meet the operational expenses and on the ultimate majority shareholder continuing to provide such financial assistance as is necessary to enable the Company to meet its liabilities as and when they fall due and to maintain the Company in existence as a going concern for the foreseeable future.

At the time of this report, the Company had USD17.5 million unused short-term facility which can be used to meet the operational expenses and there is no reason for the management to believe that the ultimate majority shareholder will not continue its support.

(d) Annual accounting period

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

(e) Accounting and presentation currency

The Company's accounting currency is Vietnam Dong ("VND"). The separate financial statements are prepared and presented in Vietnam Dong rounded to the nearest thousand ("VND'000").

At the time of this report, the Company had USD17.5 million unused short-term facility which can be used to meet the operational expenses and there is no reason for the management to believe that the ultimate majority shareholder will not continue its support.

3. Adoption of new guidance on accounting system for enterprises

On 22 December 2014, the Ministry of Finance issued Circular No. 200/2014/TT-BTC providing guidance on Vietnamese Accounting System for enterprises ("Circular 200"). Circular 200 replaces previous guidance on Vietnamese Accounting System for enterprises under Decision No. 15/2006/QĐ-BTC dated 20 March 2006 and Circular No. 244/2009/TT-BTC dated 31 December 2009. Circular 200 is effective after 45 days from the signing date and applicable for annual accounting periods beginning on or after 1 January 2015.

On the same date of 22 December 2014, the Ministry of Finance also issued Circular No. 202/2014/TT-BTC providing guidance on preparation and presentation of consolidated financial statements ("Circular 202"). Circular 202 replaces previous guidance on preparation and presentation of consolidated financial statements provided in Part XIII of Circular No. 161/2007/TT-BTC dated 31 December 2007 of the Ministry of Finance. Circular 202 is also effective after 45 days from the signing date and applicable for annual accounting periods beginning on or after 1 January 2015.

The Company has adopted the applicable requirements of Circular 200 and Circular 202 effective from 1 January 2015 on a prospective basis. The significant changes to the Company's accounting policies and the effects on the separate financial statements, if any, are disclosed in the following note to the separate financial statements:

- Recognition of foreign exchange differences (Note 4(b)).

Interfood Shareholding Company**Notes to the separate financial statements****4. Summary of significant accounting policies****(a) Foreign currency transactions**

Transactions in currencies other than VND during the year have been translated into VND at actual rates of exchange ruling at the transaction dates. The actual rates of exchange applied to account for foreign currency transaction are determined as follows:

- Exchange rate applied to buying or selling foreign currency is the exchange rate stipulated in the currency exchange contract between the Group and the bank.:
- Exchange rate applied to capital contribution transaction is the foreign currency buying rate at the transaction date quoted by the bank through which the investor transfers funds for the capital contribution.
- Exchange rate applied to recognise trade and other receivables is the foreign currency buying rate at the transaction date quoted by the bank through which the Group receives money from the customer or counterparty.
- Exchange rate applied to recognise trade and other payables is the foreign currency selling rate at the transaction date quoted by the bank through which the Group intends to make payment for the liability.

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at actual rates of exchange ruling at the balance sheet date. The actual rates of exchange applied to retranslate monetary items denominated in foreign currency at reporting date are determined as follows:

- For monetary assets (cash and receivables): the foreign currency buying rate at the reporting date quoted by the commercial bank where the Group most frequently conducts transactions. Cash at banks and bank deposits are retranslated using the foreign currency buying rate of the bank where the Group deposits the money or maintains those bank accounts.
- For monetary liabilities (payables and borrowings): the foreign currency selling rate at reporting date quoted by the commercial bank where the Group most frequently conducts transactions.

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

- For asset acquisitions or expenses that are settled with immediate payment, the exchange rate applied is the foreign currency buying rate at the transaction date quoted by the bank through which the Group makes payment.

(b) Cash

Cash comprises cash balances and call deposits.

Interfood Shareholding Company

Notes to the separate financial statements (continues)

(c) Investment in subsidiary

For the purpose of these separate financial statements, investment in subsidiary is initially recognised at cost which includes purchase price plus any directly attributable transaction costs. Subsequent to initial recognition, the investment is stated at cost less allowance for diminution in value. An allowance is made for diminution in investment value if the subsidiary has suffered a loss, except where such a loss was anticipated by the Company's management before making the investment. The allowance is reversed if the subsidiary subsequently made a profit that offsets the previous loss for which the allowance had been made, An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.

(d) Accounts receivable

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

(e) Inventories

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

The Company applies the perpetual method of accounting for inventory.

(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:

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

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Interfood Shareholding Company

Notes to the separate financial statements (continues)

(g) Intangible fixed assets

Software

Cost of acquiring a new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software cost is amortised on a straight-line basis over 10 years.

(h) 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.

(i) Long-term prepaid expenses

(i) Renovation expense

Other 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 work.

(ii) Tools and supplies

Tools and supplies include assets held for use by the Group in the normal course of business whose costs of individual items are less than VND30 million and therefore not qualified for recognition as fixed assets under prevailing regulation. Cost of tools and supplies are amortised on a straight-line basis over 3 years.

(iii) Insurance and rental expenses

Insurance and rental expenses are initially stated at cost and are amortised on a straight-line basis over the insurance and rental terms.

(j) Trade and other payables

Trade and other payables are stated at their cost.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or contractual 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.

Interfood Shareholding Company

Notes to the separate financial statements (continues)

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 2016 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.

(l) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of shares, net of tax effects, are recognised as a deduction from share premium.

(m) 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.

(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.

Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable interest rate.

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Interfood Shareholding Company

Notes to the separate 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) 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.

5. Cash	30/06/2016 VND'000	31/12/2015 VND'000
Cash on hand	78,428	156,214
Cash in banks	163,305,659	172,100,238
Cash in the consolidated statement of cash flows	<u>163,384,087</u>	<u>172,256,452</u>

6. Accounts receivable from customers

(a) Accounts receivable from customers detailed by significant customers

	30/06/2016 VND'000	31/12/2015 VND'000
Saigon Union of Trading Co-operatives	1,316,674	5,042,063
EB Services Co., Ltd.	2,065,132	4,075,204
Others	14,315,156	13,101,302
	<u>17,696,962</u>	<u>22,218,569</u>

(b) Accounts receivable from customers classified by payment term

	30/06/2016 VND'000	31/12/2015 VND'000
Short-term	17,696,962	22,218,569
	<u>17,696,962</u>	<u>22,218,569</u>

Interfood Shareholding Company

Notes to the separate financial statements (continues)

7. Loan receivable

	30/06/2016	31/12/2015
	VND'000	VND'000
Short-term		
Short-term loans granted to a related party (i)	79,185,319	82,726,107
Long-term		
Long-term loans granted to a related party (ii)	24,993,600	24,993,600

8. Allowance for doubtful debts

Movements in the allowance for doubtful debts during the year were as follows:

	30/06/2016	31/12/2015
	VND'000	VND'000
Opening balance	2,296,092	2,045,468
Increase in allowance during the year	-	2,341,472
Allowance utilised during the year	-	(2,090,848)
Closing balance	<u>2,296,092</u>	<u>2,296,092</u>

9. Inventories

	30/06/2016		31/12/2015	
	Cost	Allowance	Cost	Allowance
	VND'000	VND'000	VND'000	VND'000
Goods in transit	-	-	790,291	-
Raw materials	50,573,849	-	39,684,219	-
Tools and supplies	8,342,079	-	9,712,514	-
Work in progress	784,331	-	4,646,405	-
Finished goods	145,464,473	(120,510)	130,570,840	(1,918,887)
	<u>205,164,732</u>	<u>(120,510)</u>	<u>185,404,269</u>	<u>(1,918,887)</u>

There was no inventories as at 30 June 2016 (31 December 2015: VND14,207 million) of finished goods carried at net realisable value.

Movements in the allowance for inventories during the year were as follows:

	30/06/2016	31/12/2015
	VND'000	VND'000
Opening balance	1,918,887	3,435,021
Increase in allowance during the year	899,348	9,241,017
Written back	(1,918,887)	-
Allowance utilised during the year	(778,838)	(10,757,151)
Closing balance	<u>120,510</u>	<u>1,918,887</u>

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Interfood Shareholding Company

Notes to the separate financial statements (continues)

10. Tangible fixed assets

	Building VND'000	Machinery & Equipment VND'000	Motor vehicles VND'000	Office equipment VND'000	Total VND'000
Historical cost					
Opening balance	-	373,078,067	7,039,094	4,577,518	384,694,679
Additions	-	840,363	110,000	973,055	1,923,418
Transfer from CIP	-	353,500	-	-	353,500
Disposals(*)	-	(62,062,929)	-	-	(62,062,929)
Closing balance	-	312,209,001	7,149,094	5,550,573	324,908,668
Accumulated depreciation					
Opening balance	-	254,655,340	5,040,664	3,034,181	262,730,185
Charge for the year	-	9,348,392	291,768	288,793	9,928,953
Disposals(*)	-	(39,938,948)	-	-	(39,938,948)
Closing balance	-	224,064,784	5,332,432	3,322,974	232,720,190
Net book value					
Opening balance	-	118,422,727	1,998,430	1,543,337	121,964,494
Closing balance	-	88,144,218	1,816,662	2,227,599	92,188,478

Included in the cost of tangible fixed assets were assets costing 51,360 million VND which were fully depreciated as of 30 June 2016 (31/12/2015: 60,372 million VND), but are still in active use.

The net book value of temporarily idle tangible fixed assets amounted to VND 2,290 million as at 30 June 2016 (1/1/2015: VND 22,737million).

11. Intangible fixed assets

	Software VND'000
Historical cost	
Opening balance	12,913,118
Additions	129,570
Written off	-
Closing balance	13,042,688
Accumulated depreciation	
Opening balance	3,151,949
Charge for the year	760,526
Disposals	-
Closing balance	3,912,475
Net book value	
Opening balance	9,761,169
Closing balance	9,130,213

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Interfood Shareholding Company
Notes to the separate financial statements (continues)

12. Construction in progress	30/06/2016	31/12/2015
	VND'000	VND'000
Opening balance	107,897	1,435,765
Additions during the year	377,348	2,714,682
Transferred to tangible fixed assets	(353,500)	(1,944,625)
Transferred to allocation expenses	-	(2,097,925)
Closing balance	<u>131,745</u>	<u>107,897</u>
	0	-

13. Investment in subsidiary

Investment in subsidiary represented 90.4% shareholding investment in Avafood Shareholding Company ("Avafood") whose principal activities are to provide processing service and produce products including fruit juice, beverage, bottled filtered water; biscuits, jams and sweets, snack food; and agricultural, aquatic and livestock products; lease a workshop, office; and to export, import products in accordance with business operation under the Investment Licence No. 48/GP-DN issued by the People's Committee of Dong Nai Province on 19 July 2002.

14. Long-term prepaid expenses

	Renovation expenses VND'000	Tool and supplies VND'000	Insurance expense VND'000	Rental expense VND'000	Total VND'000
Opening balance	1,635,787	2,474,850	280,150	41,835	4,432,622
Additions	-	47,500	-	-	47,500
Amortisation	(499,835)	(546,780)	(124,319)	(28,816)	(1,199,750)
Closing balance	<u>1,135,952</u>	<u>1,975,570</u>	<u>155,831</u>	<u>13,019</u>	<u>3,280,372</u>

15. Accounts payable to suppliers
(a) Accounts payable to suppliers detailed by significant suppliers

	30/06/2016		31/12/2015	
	Cost VND'000	Amount within payment capacity VND'000	Cost VND'000	Amount within payment capacity VND'000
Crown Beverage Cans (Dong Nai) Co., Ltd	21,948,376	21,948,376	23,567,042	23,567,042
Hoa Lam Transportation	2,600,874	2,600,874	7,034,398	7,034,398
Vietnam Kirin Beverage Company Limited	21,133,717	21,133,717	4,272,267	4,272,267
Crown Beverage Cans Saigon Limited	5,560,626	5,560,626	3,388,779	3,388,779
Others	34,084,575	34,084,575	33,937,432	33,937,432
	<u>85,328,167</u>	<u>85,328,167</u>	<u>72,199,918</u>	<u>72,199,918</u>

Interfood Shareholding Company

Notes to the separate financial statements (continues)

(b) Accounts payable to suppliers classified by payment term

	30/06/2016		30/06/2016	
	Cost	Amount within payment capacity	Cost	Amount within payment capacity
	VND'000	VND'000	VND'000	VND'000
Short-term	85,328,167	85,328,167	72,199,918	72,199,918
	<u>85,328,167</u>	<u>85,328,167</u>	<u>72,199,918</u>	<u>72,199,918</u>

(c) Accounts payable to suppliers who are related parties

	30/06/2016		31/12/2015	
	Cost	Amount within payment capacity	Cost	Amount within payment capacity
	VND'000	VND'000	VND'000	VND'000
Vietnam Kirin Beverage Company, Limited	21,133,717	21,133,717	4,272,267	4,272,267
	<u>21,133,717</u>	<u>21,133,717</u>	<u>4,272,267</u>	<u>4,272,267</u>

The amounts due to Vietnam Kirin Beverage Company Limited represented the processing fee payable, which were unsecured, interest free and payable on demand.

16. Taxes payable to State Treasury

	01/01/2016	Incurred	Netted-off	Paid	31/03/2016
	VND'000	VND'000	VND'000	VND'000	VND'000
Value added tax	9,923,699	15,200,849	-	21,770,566	3,353,983
Corporate income tax	-	-	-	-	-
Personal income tax	219,142	2,767,276	-	2,725,257	261,161
Other tax	3,649	1,022,440	-	1,024,069	2,020
	<u>29,137,056</u>	<u>18,990,566</u>	<u>-</u>	<u>25,519,892</u>	<u>3,617,163</u>

17. Accrued expenses

	30/06/2016	31/12/2015
	VND'000	VND'000
Sales discounts and commission	3,656,315	21,522,323
Promotion expenses	14,384,112	25,292,954
Transportation fee	5,698,484	6,000,705
Secondment fee payable (*)	4,966,756	5,470,153
Loans interest payable	940,438	2,179,737
Others	8,674,937	14,746,912
	<u>38,321,042</u>	<u>75,212,784</u>

Interfood Shareholding Company

Notes to the separate financial statements (continues)

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

18. Other payables - short-term

	30/06/2016 VND'000	31/12/2015 VND'000
Non-trade amounts due to a related party		852,501
Dividends payable	505,391	505,391
Other payable	140,044	384,759
	<u>645,435</u>	<u>1,742,651</u>

The non-trade amounts due to a related party were unsecured, interest free and are payable on demand.

19. Borrowings

a) Short-term borrowings

Loans from Kirin Holdings Company, Limited

31/12/2015		Movement during the period			30/06/2016	
Carrying amount VND'000	Amount within repayment capacity VND'000	Increase VND'000	Decrease VND'000	Unrealised foreign exchange losses VND'000	Carrying amount VND'000	Amount within repayment capacity VND'000
180,320,000	180,320,000	-	-	(1,600,000)	178,720,000	178,720,000

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

	Currency	Annual interest rate	30/06/2016 VND'000	31/12/2015 VND'000
Loan 1	USD	LIBOR + 0.8%	134,040,000	135,240,000
Loan 2	USD	LIBOR + 0.8%	44,680,000	45,080,000
			<u>178,720,000</u>	<u>180,320,000</u>

The applicable interest rates of these borrowings ranged from 1.336% to 1.744% per annum during the year (2015: 1.036% to 1.536% per annum).

Interfood Shareholding Company

Notes to the separate financial statements (continues)

b) Long-term borrowings

				30/06/2016	31/12/2015
	Currency	Annual Interest rate	Year of maturity	VND'000	VND'000
Unsecured loan from Kirin Holdings Company, Limited	USD	1.896%	2017	145,210,000	146,510,000
				<u>145,210,000</u>	<u>146,510,000</u>

The unsecured loans bore fixed interest rate of 1.896% per annum during the year (2014: 1.896% per annum), which is based on USD Swap Semi 30/360 5-year plus 0.8% per annum according to current Kirin Group's financial rules.

20. Provision - long-term

Movements of provision during the year were as follow:

	Severance allowance 30/06/2016 VND'000	Severance allowance 31/12/2015 VND'000
Opening balance	2,258,327	2,805,693
Provision made during the year	1,337,731	-
Utilised during the year	(62,765)	(547,366)
Closing balance	<u>3,533,293</u>	<u>2,258,327</u>

21. Changes in owners' equity

	Share capital VND'000	Share premium VND'000	Other Reserves VND'000	Accumulated losses VND'000	Total VND'000
Balance as at 01/01/2015	711,409,840	85,035,704	90,034,048	(726,418,882)	160,060,710
Share capital issued	160,000,000				160,000,000
Net profit (loss) for the year				(101,202,723)	(101,202,723)
Balance as at 31/12/2015	<u>871,409,840</u>	<u>85,035,704</u>	<u>90,034,048</u>	<u>(827,621,605)</u>	<u>218,857,987</u>
Share capital issued	-				-
Net profit (loss) for the year				8,395,482	8,395,482
Balance as at 30/06/2016	<u>871,409,840</u>	<u>85,035,704</u>	<u>90,034,048</u>	<u>(819,226,123)</u>	<u>227,253,469</u>

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Interfood Shareholding Company

Notes to the separate financial statements (continues)

22. Share capital

The Company's authorised and issued share capital is:

	30/06/2016		31/12/2015	
	Number of shares	VND'000	Number of shares	VND'000
Authorised and issued share capital				
Ordinary shares	87,140,992	871,409,920	87,140,992	871,409,920
Shares in circulation				
Ordinary shares	87,140,984	871,409,840	87,140,984	871,409,840
Treasury shares				
Treasury shares	8	80	8	80

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

Movements in share capital during the year were as follows:

	30/06/2016		31/12/2015	
	Number of shares	VND'000	Number of shares	VND'000
Balance at the beginning of the period	87,140,984	871,409,840	71,140,984	711,409,840
Shares issued during the year			16,000,000	160,000,000
Balance at the end of period:	87,140,984	871,409,840	87,140,984	871,409,840

23. Other reserves

(b) On 1 January 2013, the Company changed its accounting currency from United States Dollars (USD) to Vietnam Dong (VND) in accordance with the requirements of Circular No. 244/2010/TT/BTC dated 31 December 2009 of the Ministry of Finance (Circular 244). Accordingly, all balances in USD as at 31 December 2012 have been translated to VND at the exchange rate of VND20,828 to USD1. This amount represents the difference between the converted value and par value of ordinary shares in VND. The difference between the converted value and par value of ordinary shares of VND90,034,048,000 is reflected as other reserves.

24. Off balance sheet items

(a) Lease

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

	30/06/2016	31/12/2015
	VND'000	VND'000
Within one year	12,654,699	12,937,430
Within two to five years	27,060,402	33,384,160
Over five years	-	-
	<u>39,715,101</u>	<u>46,321,590</u>

Interfood Shareholding Company

Notes to the separate financial statements (continues)

(b) Foreign currencies

	30/06/2016		31/12/2015	
	Original currency	VND'000	Original currency	VND'000
USD	357,861	7,965,984	1,118,655	25,113,813
EUR	334	8,243	339	8,291
		<u>7,974,227</u>		<u>25,122,104</u>

25. Revenues from sales of goods

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

Net revenue comprised:

	Q2-2016 VND'000	Q2-2015 VND'000	YTD2016 VND'000	YTD2015 VND'000
Total revenue				
■ Sales of drinks	303,801,653	305,630,583	530,013,601	1,151,774,724
■ Sales of biscuits	165	1,325,731	541,741	10,625,268
■ Sales of food stuff	51,839,513	43,883,775	79,782,188	153,875,639
■ Sales of scraps	279,012	-	680,835	2,101,884
	<u>355,920,343</u>	<u>350,840,089</u>	<u>611,018,365</u>	<u>1,318,377,515</u>
	-	-	-	-
Less revenue deductions:				
■ Sales allowances	20,491,957	9,675,978	28,521,076	37,370,580
■ Sales return	-	420	41,250	847,957
	<u>20,491,957</u>	<u>9,676,398</u>	<u>28,562,326</u>	<u>38,218,537</u>
Net revenue	<u>335,428,386</u>	<u>341,163,691</u>	<u>582,456,039</u>	<u>1,280,158,978</u>
	€-	-	-	-

26. Cost of sales

	Q2-2016 VND'000	Q2-2015 VND'000	YTD2016 VND'000	YTD2015 VND'000
Total cost of sales				
■ Cost of drinks	201,232,842	222,180,733	357,826,581	845,289,291
■ Cost of biscuit	4,908	1,866,060	1,578,039	14,775,791
■ Cost of foodstuff	36,456,038	30,630,424	50,631,718	94,281,263
	<u>237,693,787</u>	<u>254,677,217</u>	<u>410,036,337</u>	<u>954,346,345</u>
	-	-	-	-

27. Financial income

	Q2-2016 VND'000	Q2-2015 VND'000	YTD2016 VND'000	YTD2015 VND'000
Interest income from bank deposits	238,575	70,977	444,729	381,906
Interest income from loans to Avafood	493,635	633,556	993,537	2,507,082
Foreign exchange gains	1,736,692	6,969,859	7,864,447	16,855,045
	<u>2,468,903</u>	<u>7,674,392</u>	<u>9,302,712</u>	<u>19,744,033</u>
€	-	-	-	-

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Interfood Shareholding Company

Notes to the separate financial statements (continues)

28. Financial expenses	Q2-2016	Q2-2015	YTD2016	YTD2015
	VND'000	VND'000	VND'000	VND'000
Interest expenses	1,443,078	1,749,920	2,736,102	6,959,861
Foreign exchange losses	1,916,142	12,071,318	5,144,584	36,788,374
	3,359,220	13,821,238	7,880,686	43,748,235
	€ -	-	-	-
29. Selling expenses	Q2-2016	Q2-2015	YTD2016	YTD2015
	VND'000	VND'000	VND'000	VND'000
Staff costs	28,504,294	30,833,996	59,412,800	163,973,427
Advertisement and promotion expenses	16,480,605	27,584,371	23,281,858	87,223,620
Transportation fee	19,163,340	23,934,636	34,990,000	86,301,552
Rental fee	1,208,797	1,934,074	2,861,089	7,607,197
Others	3,764,210	22,856,450	7,185,285	15,014,617
	69,121,246	107,143,528	127,731,031	360,120,414
	€ -	€ -	€ -	€ -
30. General and administration expenses	Q2-2016	Q2-2015	YTD2016	YTD2015
	VND'000	VND'000	VND'000	VND'000
Staff costs	3,771,752	3,369,937	7,318,084	13,966,943
Consultant fee	968,201	1,302,475	2,431,201	5,733,269
Rental fee	729,275	725,245	1,478,429	2,791,031
Depreciation and amortisation	533,507	452,902	1,017,136	1,833,585
Allowance	-	-	-	2,341,472
Others	1,821,830	2,806,676	4,745,500	11,912,702
	7,824,565	8,657,236	16,990,350	38,579,001
31. Other income	Q2-2016	Q2-2015	YTD2016	YTD2015
	VND'000	VND'000	VND'000	VND'000
Proceeds from disposals of fixed assets	-	645,455	2,577,273	590,112
Others	399,077	2,269,062	502,194	5,966,187
	399,077	2,914,517	3,079,467	6,556,299
	-	-	-	-
32. Other expenses	Q2-2016	Q2-2015	YTD2016	YTD2015
	VND'000	VND'000	VND'000	VND'000
Depreciation of idle tangible fixed assets	182,246	798,880	1,155,438	3,169,863
Loss from disposals of tangible fixed assets	-	-	22,123,979	-
Tax penalties	271,647	-	271,647	3,495,646
Others	78,725	196,542	253,267	1,474,858
	532,618	995,422	23,804,332	8,140,367
	-	-	-	-

Interfood Shareholding Company

Notes to the separate financial statements (continues)

33. Production and business costs by element

	Q2-2016 VND'000	Q2-2015 VND'000	YTD2016 VND'000	YTD2015 VND'000
Raw material costs included in production cost	148,416,680	100,219,570	291,343,695	659,990,981
Labour costs and staff costs	42,847,287	54,872,621	83,920,244	225,628,661
Depreciation and amortisation	4,930,141	6,389,423	9,808,327	26,525,584
Outside services	100,251,575	130,344,767	186,754,572	508,989,359
Other expenses	4,607,842	12,087,187	10,807,256	30,165,096
	301,053,525	303,913,569	582,634,094	1,451,299,681

34. Corporate Income Taxes

(a) Recognised in the separate statement of income

	30/06/2016 VND'000	31/12/2015 VND'000
Current tax expense		
Under provision in prior years	-	2,727,671

(b) Reconciliation of effective tax rate

	30/06/2016 VND'000	31/12/2015 VND'000
Accounting profit (loss) before tax	8,395,482	(98,475,052)
Tax at the Company's tax rate	1,679,096	(21,664,511)
Non-deductible expenses	4,886,394	3,505,046
Effect of change in tax rate	-	-
Deferred tax assets not recognised	(6,565,490)	18,159,465
Under provision in prior years	-	2,727,671
	-	2,727,671

(c) Unrecognised deferred tax assets

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

	30/06/2016		31/12/2015	
	Temporary difference VND'000	Tax value VND'000	Temporary difference VND'000	Tax value VND'000
Deductible temporary differences	40,737,644	8,147,529	79,427,763	15,885,553
Tax losses	120,537,219	24,107,444	114,674,549	22,934,910
	161,274,863	32,254,973	194,102,312	38,820,463

The tax losses expire in the following years:

Year of expiry	Status of tax review	Tax losses available
2017	Outstanding	8,084,006
2019	Outstanding	37,786,831
2020	Outstanding	68,803,712
2021	Outstanding	5,862,669
		120,537,219

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Interfood Shareholding Company

Notes to the separate financial statements (continues)

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 Company can utilise the benefits therefrom.

(d) Applicable tax rates

Under the terms of the Company's Investment Certificates, 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 rate applicable to enterprises before any incentives 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 No. 122/2011/ND-CP dated 27 December 2012 (which provided a number of amendments to prevailing Decree No. 124/2008/ND-CP), the Company will continue to enjoy its tax incentives under Decree No. 24/2007/ND-CP dated 14 February 2007.

According to Letter No. 11924/TC-CST dated 20 October 2004 issued by the Ministry of Finance, the Company is entitled to a 50% reduction for two years after listing its shares in Ho Chi Minh City Securities Trading Centre. The Company has completed the registration with the tax authority to apply the incentives commencing from 2007.

The usual income tax rate applicable to enterprises before any incentives is 22% for 2015, and will be reduced to 20% from 2016..

35. Significant transactions with related parties

In addition to related party balances disclosed in other notes to the separate financial statements, the Company had the following significant transactions with related parties during the year:

	Transaction value	
	30/06/2016 VND'000	31/12/2015 VND'000
<i>Related companies</i>		
Kirin Holding Company, Limited - Ultimate Parent Company		
Short-term loan received	-	77,250,000
Share subscription	-	-
Interest expenses	2,736,102	5,933,545
Secondment fee	5,167,619	10,693,893

Interfood Shareholding Company

Notes to the separate financial statements (continues)

Kirin Holding Singapore Pte, Ltd - Parent company

Share subscription - 160,000,000

Subsidiary

Avafood Shareholding Company.

Short-term loan granted	14,350,000	32,110,000
Interest income	993,537	2,210,809
Processing service	14,201,462	45,220,792
Office and factory rental fee	2,966,106	5,932,213

Other related parties

Vietnam Kirin Beverage Company, Limited

Processing fee	84,256,974	184,73,961
Purchases of services	1,336,900	2,021,010
Sale of finished goods	28,890	9,652

Member of Board of Directors

Secondment fees	2,947,560	5,709,669
Salary	909,000	1,848,300

36. Non-cash investing activities

30/06/2016
VND'000

31/12/2015
VND'000

Net off inter-company payables against receivables for loan principal and interest from a subsidiary

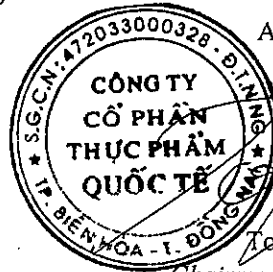
Prepared by:

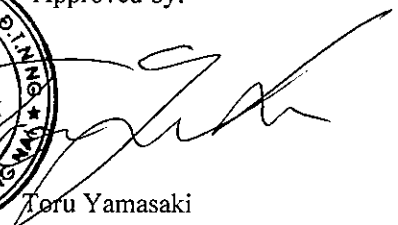
27th July 2016



Nguyễn Hồng Phong
Chief Accountant

Approved by:




Teru Yamasaki
Chairman, General Director