

**Interfood Shareholding Company**

Special-purpose Separate Interim Financial  
Statements for compliance with Circular  
No. 244/2009/TT-BTC for the  
six-month period ended 30 June 2012

## **Interfood Shareholding Company**

### **Corporate information**

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

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

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

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

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

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

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

**Auditors** KPMG Limited  
Vietnam

## **INDEPENDENT AUDITORS' REPORT ON REVIEW OF SPECIAL-PURPOSE SEPARATE INTERIM FINANCIAL INFORMATION**

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

#### **Scope**

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

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

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying special-purpose separate interim financial statements have not been prepared, in all material respect, in accordance with the basis of accounting as described in Note 2(a).

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 2(a) to the special-purpose separate interim financial statements, which describes that the Company's separate interim financial statements prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements are presented in United States Dollars. The accompanying special-purpose separate interim financial statements which are presented in Vietnam Dong have been prepared on the basis of accounting described in Note 2(a) to the special-purpose financial statements solely for the purpose of filing with the Vietnamese authorities for compliance with Circular No. 244/2009/TT-BTC issued by the Ministry of Finance on 31 December 2009. As a result, the accompanying special-purpose separate interim financial statements may not be suitable for another purpose.

This report is intended solely for the information and use of the Board of Directors of Interfood Shareholding Company for the purpose of filing with the Vietnamese authorities pursuant to the above guidance and is not intended to be and should not be used for any other purpose.

### **KPMG Limited**

Vietnam

Investment Licence No: 011043000345

Review Report No: 12-01-204

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

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Chong Kwang Puay  
CPA No. N0864/KTV

Ho Chi Minh City, 28 August 2012

**Interfood Shareholding Company**  
**Special-purpose financial statements for compliance with Circular No. 244/2009/TT-BTC**  
**Separate balance sheet as at 30 June 2012**

Form B 01a – DN

	Code	Note	30/6/2012 VND'000	31/12/2011 VND'000 (Restated)
<b>ASSETS</b>				
<b>Current assets</b> (100 = 110 + 130 + 140 + 150)	<b>100</b>		<b>377,531,744</b>	<b>368,713,752</b>
<b>Cash</b>	<b>110</b>	<b>4</b>	<b>35,688,820</b>	<b>40,965,781</b>
<b>Accounts receivable</b>	<b>130</b>	<b>5</b>	<b>170,781,102</b>	<b>187,156,201</b>
Accounts receivable – trade	131		11,872,481	8,675,820
Prepayments to suppliers	132		7,737,956	4,714,126
Intra-company receivables	133		144,009,728	173,673,966
Other receivables	135		7,160,937	92,289
<b>Inventories</b>	<b>140</b>	<b>6</b>	<b>166,867,563</b>	<b>137,423,519</b>
Inventories	141		168,399,192	137,423,519
Allowance for inventories	149		(1,531,629)	-
<b>Other current assets</b>	<b>150</b>		<b>4,194,259</b>	<b>3,168,251</b>
Short-term prepayments	151		231,170	69,211
Taxes and other receivables from State				
Treasury	154	7	2,226,659	2,226,659
Other current assets	158		1,736,430	872,381
<b>Long-term assets</b> (200 = 210 + 220 + 250 + 260)	<b>200</b>		<b>397,357,500</b>	<b>383,612,395</b>
<b>Accounts receivable – long-term</b>	<b>210</b>	<b>5</b>	<b>24,993,600</b>	<b>-</b>
Intra-company long-term receivables	213		24,993,600	-
<b>Fixed assets</b>	<b>220</b>		<b>237,601,138</b>	<b>247,098,872</b>
Tangible fixed assets	221	8	229,856,225	240,003,314
Cost	222		496,132,208	490,567,049
Accumulated depreciation	223		(266,275,983)	(250,563,735)
Construction in progress	230	9	7,744,913	7,095,558
<b>Long-term investments</b>	<b>250</b>	<b>10</b>	<b>93,726,000</b>	<b>93,726,000</b>
Investments in subsidiary	251		93,726,000	93,726,000
<b>Other long-term assets</b>	<b>260</b>		<b>41,036,762</b>	<b>42,787,523</b>
Long-term prepayments	261		789,526	-
Deferred tax assets	262	11	40,247,236	42,787,523
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>774,889,244</b>	<b>752,326,147</b>

*The accompanying notes are an integral part of these special-purpose separate interim financial statements*

**Interfood Shareholding Company**  
**Special-purpose financial statements for compliance with Circular No. 244/2009/TT-BTC**  
**Separate balance sheet as at 30 June 2012 (continued)**

Form B 01a – DN

	Code	Note	30/6/2012 VND'000	31/12/2011 VND'000 (Restated)
<b>RESOURCES</b>				
<b>LIABILITIES (300 = 310 + 330)</b>	<b>300</b>		<b>601,349,119</b>	<b>580,518,995</b>
<b>Current liabilities</b>	<b>310</b>		<b>391,017,581</b>	<b>504,757,457</b>
Short-term borrowings	311	12	281,178,000	395,732,000
Accounts payable – trade	312	13	84,529,938	64,621,994
Advances from customers	313		3,511,601	3,150,360
Taxes payable to State Treasury	314	14	780,571	2,844,563
Payables to employees	315		6,914,479	7,004,748
Accrued expenses	316	15	12,387,515	8,636,913
Other payables	319	16	1,715,477	22,766,879
<b>Long-term borrowings and liabilities</b>	<b>330</b>		<b>210,331,538</b>	<b>75,761,538</b>
Other long-term liabilities	333		26,140	26,140
Long-term borrowings	334	17	206,841,368	71,459,368
Provision for severance allowance	336	18	3,464,030	4,276,030
<b>EQUITY (400 = 410)</b>	<b>400</b>		<b>173,540,125</b>	<b>171,807,152</b>
<b>Equity</b>	<b>410</b>		<b>173,540,125</b>	<b>171,807,152</b>
Share capital	411	19	381,443,888	381,443,888
Share premium	412		85,035,704	85,035,704
Accumulated losses	420		(292,939,467)	(294,672,440)
<b>TOTAL RESOURCES (440 = 300 + 400)</b>	<b>440</b>		<b>774,889,244</b>	<b>752,326,147</b>

**OFF BALANCE SHEET ITEMS**

	30/6/2012 VND'000	31/12/2011 VND'000
Foreign currency (VND)	14,065,065	5,407,115

Prepared by:

Approved by:

Nguyen Hong Phong  
*Chief Accountant*

Michio Nagabayashi  
*Chairman – cum General Director*

28 August 2012

*The accompanying notes are an integral part of these special-purpose separate interim financial statements*

**Interfood Shareholding Company**  
**Special-purpose financial statements for compliance with Circular No. 244/2009/TT-BTC**  
**Separate statement of income for the six-month period ended 30 June 2012**

Form B 02a – DN

	Code	Note	Six-month period from 1/1/2012 to 30/6/2012 VND'000	Six-month period from 1/1/2011 to 30/6/2011 VND'000
<b>Total revenue</b>	<b>01</b>	<b>20</b>	<b>476,950,286</b>	<b>516,059,750</b>
<b>Less revenue deductions</b>	<b>02</b>	<b>20</b>	<b>(14,015,703)</b>	<b>(13,195,704)</b>
<b>Net revenue (10 = 01 + 02)</b>	<b>10</b>	<b>20</b>	<b>462,934,583</b>	<b>502,864,046</b>
<b>Cost of sales</b>	<b>11</b>	<b>21</b>	<b>(362,300,706)</b>	<b>(414,176,152)</b>
<b>Gross profit (20 = 10 + 11)</b>	<b>20</b>		<b>100,633,877</b>	<b>88,687,894</b>
Financial income	21	22	1,878,561	36,169,780
Financial expenses	22	23	(4,738,474)	(38,604,573)
<i>In which: Interest expenses</i>	23		(3,617,158)	(16,543,764)
Selling expenses	24		(88,830,796)	(83,280,654)
General and administration expenses	25		(13,257,168)	(18,551,729)
<b>Net operating loss (30 = 20 + 21 + 22 + 24 + 25)</b>	<b>30</b>		<b>(4,314,000)</b>	<b>(15,579,282)</b>
Other income	31	24	12,161,511	1,141,791
Other expenses	32		(3,574,251)	(2,498,547)
<b>Results of other activities (40 = 31 + 32)</b>	<b>40</b>		<b>8,587,260</b>	<b>(1,356,756)</b>
<b>Profit/(loss) before tax (50 = 30 + 40)</b>	<b>50</b>		<b>4,273,260</b>	<b>(16,936,038)</b>
<b>Income tax expense – current</b>	<b>51</b>	<b>25</b>	<b>(2,540,287)</b>	-
<b>Income tax expense – deferred</b>	<b>52</b>	<b>25</b>	-	-
<b>Net profit/(loss) after tax (60 = 50 + 51 + 52)</b>	<b>60</b>		<b>1,732,973</b>	<b>(16,936,038)</b>

Prepared by:

Approved by:

Nguyen Hong Phong  
*Chief Accountant*

Michio Nagabayashi  
*Chairman – cum General Director*

28 August 2012

*The accompanying notes are an integral part of these special-purpose separate interim financial statements*

**Interfood Shareholding Company****Special-purpose financial statements for compliance with Circular No. 244/2009/TT-BTC****Separate statement of changes in equity for the six-month period ended 30 June 2012**

	<b>Share capital VND'000</b>	<b>Share premium VND'000</b>	<b>Accumulated losses VND'000</b>	<b>Total VND'000</b>
<b>Balance at 31 December 2010 – as previously stated</b>	381,443,888	85,035,704	(222,981,715)	243,497,877
Impact of prior year adjustment (Note 30)	-	-	(1,718,310)	(1,718,310)
<b>Balance at 31 December 2010 – as restated</b>	381,443,888	85,035,704	(224,700,025)	241,779,567
Net loss for the period	-	-	(16,936,038)	(16,936,038)
<b>Balance at 30 June 2011</b>	381,443,888	85,035,704	(241,636,063)	224,843,529
<b>Balance at 31 December 2011 – as restated</b>	381,443,888	85,035,704	(294,672,440)	171,807,152
Net profit for the period	-	-	1,732,973	1,732,973
<b>Balance at 30 June 2012</b>	381,443,888	85,035,704	(292,939,467)	173,540,125

Prepared by:

Approved by:

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

28 August 2012

*The accompanying notes are an integral part of these special-purpose separate interim financial statements*



**Interfood Shareholding Company**  
**Special-purpose financial statements for compliance with Circular No. 244/2009/TT-BTC**  
**Separate statement of cash flows for the six-month period ended 30 June 2012 – Indirect method**

Form B 03a – DN

	Code	Note	Six-month period from 1/1/2012 to 30/6/2012 VND'000	Six-month period from 1/1/2011 to 30/6/2011 VND'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Profit/(loss) before tax</b>	<b>01</b>		<b>4,273,260</b>	<b>(16,936,038)</b>
<b>Adjustments for</b>				
Depreciation and amortisation	02		15,751,967	15,876,393
Allowances and provisions	03		2,555,325	3,318,317
Unrealised foreign exchange losses	04		-	11,701,087
Interest income	05		(1,692,713)	(9,528,623)
Interest expense	06		3,617,158	16,543,764
<b>Operating profit before changes in working capital</b>	<b>08</b>		<b>24,504,997</b>	<b>20,974,900</b>
Change in receivables and other current assets	09		(8,005,472)	(12,125,186)
Change in inventories	10		(30,975,672)	(4,482,935)
Change in payables and other liabilities	11		19,373,352	(35,979,162)
Change in prepayments	12		(161,959)	(812,417)
			<b>4,735,246</b>	<b>(32,424,800)</b>
Interest paid	13		(3,184,081)	(16,332,880)
<b>Net cash flows from operating activities</b>	<b>20</b>		<b>1,551,165</b>	<b>(48,757,680)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for additions to fixed assets and other long-term assets	21		(7,043,759)	(2,982,800)
Receipts of interests	27		215,633	143,734
<b>Net cash flows from investing activities</b>	<b>30</b>		<b>(6,828,126)</b>	<b>(2,839,066)</b>

*The accompanying notes are an integral part of these special-purpose separate interim financial statements*

**Interfood Shareholding Company**  
**Special-purpose financial statements for compliance with Circular No. 244/2009/TT-BTC**  
**Separate statement of cash flows for the six-month period ended 30 June 2012 – Indirect**  
**method (continued)**

Form B 03a – DN

	Code	Note	Six-month period from 1/1/2012 to 30/6/2012 VND'000	Six-month period from 1/1/2011 to 30/6/2011 VND'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from short-term and long-term borrowings	33		-	503,837,380
Payments to settle debts	34		-	(442,807,508)
<b>Net cash flows from financing activities</b>	<b>40</b>		<b>-</b>	<b>61,029,872</b>
<b>Net cash flows during the period</b> (50 = 20 + 30 + 40)	<b>50</b>		<b>(5,276,961)</b>	<b>9,433,126</b>
<b>Cash at the beginning of the period</b>	<b>60</b>		<b>40,965,781</b>	<b>2,452,101</b>
<b>Cash at the end of the period</b> (70 = 50 + 60)	<b>70</b>	<b>4</b>	<b>35,688,820</b>	<b>11,885,227</b>

**NON-CASH INVESTING AND FINANCING ACTIVITIES**

	Six-month period from 1/1/2012 to 30/6/2012 VND'000	Six-month period from 1/1/2011 to 30/6/2011 VND'000
Net off trade receivables against payments for loan principal from the subsidiary	6,247,025	4,822,161
Transfer from other payables to short-term borrowings	20,828,000	-

Prepared by:

Approved by:

Nguyen Hong Phong  
*Chief Accountant*

Michio Nagabayashi  
*Chairman – cum General Director*

28 August 2012

*The accompanying notes are an integral part of these special-purpose separate interim financial statements*

**Interfood Shareholding Company**  
**Special-purpose financial statements for compliance with Circular No. 244/2009/TT-BTC**  
**Notes to the separate interim financial statements for the six-month period ended**  
**30 June 2012**

**Form B 09a – DN**

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

**1. Reporting Entity**

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

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

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

**2. Basis of preparation**

**(a) Statement of compliance**

The Company maintains its accounting records in United States Dollars (“USD”) and presents its financial statements prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant regulatory requirements in USD. The accompanying special-purpose financial statements which are presented in Vietnam Dong rounded to the nearest thousand (“VND’000”) have been prepared solely for the purpose of filing with the Vietnamese authorities for compliance with Circular No. 244/2009/TT-BTC (“Circular 244”) issued by the Ministry of Finance on 31 December 2009. These VND’000 financial statements, including amounts presented for the corresponding figures, have been translated from the USD financial statements at the inter-bank exchange rate ruling at the reporting date as announced by the State bank of Vietnam of VND20,828 for USD1 in accordance with the guidance in Circular 244. This method of translation does not comply with Vietnamese Accounting Standard No. 10, “The Effect of Changes in Foreign Exchange Rates” and accordingly, the accompanying special-purpose financial statements are not intended to be a presentation in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant regulatory requirements applicable to interim financial statements.

**(b) Basis of measurement**

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

**Interfood Shareholding Company**  
**Special-purpose financial statements for compliance with Circular No. 244/2009/TT-BTC**  
**Notes to the separate interim financial statements for the six-month period ended**  
**30 June 2012 (continued)**

**Form B 09a – DN**

**(c) Annual accounting period**

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

**(d) Accounting currency**

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

**3. Summary of significant accounting policies**

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

**(a) Foreign currency transactions**

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

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

**(b) Cash**

Cash comprises cash balances and call deposits.

**(c) Investments**

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

**(d) Accounts receivable**

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

**Interfood Shareholding Company**  
**Special-purpose financial statements for compliance with Circular No. 244/2009/TT-BTC**  
**Notes to the separate interim financial statements for the six-month period ended**  
**30 June 2012 (continued)**

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**(e) Inventories**

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

The 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 and location for its intended use, and the cost of dismantling and removing the asset and restoring the site on which they are located. Expenditures incurred after tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is charged to the statement of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

**(ii) Depreciation**

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

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

**(g) Construction in progress**

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

**Interfood Shareholding Company**  
**Special-purpose financial statements for compliance with Circular No. 244/2009/TT-BTC**  
**Notes to the separate interim financial statements for the six-month period ended**  
**30 June 2012 (continued)**

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**(h) Long-term prepayments**

*Tools and supplies*

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

**(i) Trade and other payables**

Trade and other payables are stated at their cost.

**(j) Provisions**

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

**(i) Provision for severance allowance**

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

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

**(k) Classification of financial instruments**

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

**Interfood Shareholding Company**  
**Special-purpose financial statements for compliance with Circular No. 244/2009/TT-BTC**  
**Notes to the separate interim financial statements for the six-month period ended**  
**30 June 2012 (continued)**

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(i) ***Financial assets***

*Financial assets at fair value through profit or loss*

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

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

*Held-to-maturity investments*

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

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

*Loans and receivables*

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

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

*Available-for-sale financial assets*

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

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

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

**(ii) Financial liabilities**

*Financial liabilities at fair value through profit or loss*

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

- It is considered by management as held for trading. A financial liability is considered as held for trading if:
  - acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
  - there is evidence of a recent pattern of short-term profit-taking; or
  - a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
- Upon initial recognition, it is designated by the Company as financial liabilities at fair value through profit or loss.

*Financial liabilities carried at amortised cost*

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

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

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

**(I) Taxation**

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

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the



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expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

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

**(m) Revenue**

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

**(n) Operating lease payments**

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

**(o) Borrowing costs**

Borrowing costs are recognised as an expense in the 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.

**(p) Related companies**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

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**(q) Off balance sheet items**

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

**4. Cash**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>VND'000</b>	<b>VND'000</b>
Cash on hand	198,428	187,744
Cash in bank	35,490,392	40,778,037
	<hr/>	<hr/>
	35,688,820	40,965,781
	<hr/>	<hr/>

Cash at 30 June 2012 included amounts denominated in currencies other than VND amounting to VND21.6 billion (31/12/2011: VND35.6 billion).

**5. Accounts receivable short-term and long-term**

Related company receivables comprised:

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>VND'000</b>	<b>VND'000</b>
<b>Short-term</b>		
Loan granted to a related company (a)	144,009,728	170,750,464
Others	-	2,923,502
	<hr/>	<hr/>
	144,009,728	173,673,966
	<hr/>	<hr/>
<b>Long-term</b>		
Long-term loan granted to a related company (b)	24,993,600	-
	<hr/>	<hr/>

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

The short-term loan to Avafood with credit limit of VND145,8 billion was unsecured and earns interest at Libor plus 1% per annum. The applicable interest rates range from 1.731% to 1.896% per annum during the period (year ended 31 December 2011: 1.732% per annum for loans in USD).

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

Other receivables comprised:

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>VND'000</b>	<b>VND'000</b>
Marketing support receivable from Kirin Holdings Singapore Pte, Ltd. (c)	6,439,705	-
Others	721,232	92,289
	<hr/>	<hr/>
	7,160,937	92,289
	<hr/> <hr/>	<hr/> <hr/>

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

## **6. Inventories**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>VND'000</b>	<b>VND'000</b>
Raw materials	45,359,782	39,033,380
Tools and supplies	8,447,899	8,542,250
Work in progress	25,083,077	12,879,265
Finished goods	89,508,434	76,968,624
	<hr/>	<hr/>
	168,399,192	137,423,519
Allowance for inventories	(1,531,629)	-
	<hr/>	<hr/>
	166,867,563	137,423,519
	<hr/> <hr/>	<hr/> <hr/>

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

## **7. Taxes and other receivables from State Treasury**

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

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**8. Tangible fixed assets**

	<b>Machinery and Equipment VND'000</b>	<b>Motor vehicles VND'000</b>	<b>Office equipment VND'000</b>	<b>Total VND'000</b>
<b>Cost</b>				
Opening balance	475,496,054	10,435,515	4,635,480	490,567,049
Additions	3,115,744	1,682,403	767,012	5,565,159
Closing balance	478,611,798	12,117,918	5,402,492	496,132,208
<b>Accumulated depreciation</b>				
Opening balance	238,594,071	9,197,249	2,772,415	250,563,735
Charge for the period	15,168,325	333,331	210,592	15,712,248
Closing balance	253,762,396	9,530,580	2,983,007	266,275,983
<b>Net book value</b>				
Opening balance	236,901,983	1,238,266	1,863,065	240,003,314
Closing balance	224,849,402	2,587,338	2,419,485	229,856,225

Included in the cost of tangible fixed assets were assets costing VND37.3 billion which were fully depreciated as of 30 June 2012 (31/12/2011: VND31.1 billion), but which are still in active use.

The carrying amount of temporarily idle tangible fixed assets amounted to VND29.5 billion as of 30 June 2012 (31/12/2011: VND32.6 billion).

**9. Construction in progress**

	<b>Six-month period from 1/1/2012 to 30/6/2012 VND'000</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 VND'000</b>
Opening balance	7,095,558	3,934,326
Additions during the period	649,355	6,246,588
Closing balance	7,744,913	10,180,914

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**10. Investments**

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

**11. Deferred tax assets**

*(i) Recognised deferred tax assets*

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

*(ii) Unrecognised deferred tax assets*

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

	30/6/2012		31/12/2011	
	Temporary difference VND'000	Tax value VND'000	Temporary difference VND'000	Tax value VND'000
Deductible temporary differences	13,562,152	3,390,538	10,821,083	2,705,271
Tax losses	136,225,784	34,056,446	136,225,784	34,056,446
	149,787,936	37,446,984	147,046,867	36,761,717

The tax losses expire in the following years:

Year of expiry	Status of tax review	Tax losses available VND'000
2013	Outstanding	237,009,143
2014	Outstanding	622,591
2016	Outstanding	59,582,993
		297,214,727

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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.

**12. Short-term borrowings**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>VND'000</b>	<b>VND'000</b>
Loans from Kirin Holdings Company, Limited	281,178,000	395,732,000

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

	<b>Currency</b>	<b>Nominal interest rate</b>	<b>30/6/2012</b>	<b>31/12/2011</b>
			<b>VND'000</b>	<b>VND'000</b>
Loan 1	USD	LIBOR plus 0.8% p.a.	145,796,000	145,796,000
Loan 2	USD	LIBOR plus 1% p.a.	52,070,000	52,070,000
Loan 3	USD	LIBOR plus 1% p.a.	62,484,000	62,484,000
Loan 4	USD	LIBOR plus 1% p.a.	-	135,382,000
Loan 5	USD	LIBOR plus 1% p.a.	20,828,000	-
			<b>281,178,000</b>	<b>395,732,000</b>

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

**13. Accounts payable - trade**

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

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>VND'000</b>	<b>VND'000</b>
Amounts due to Vietnam Kirin Beverage Company, Limited	3,662,416	-
Amount due other related parties	-	25,127,087

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

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**14. Taxes payable to State Treasury**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>VND'000</b>	<b>VND'000</b>
Value added tax	203,197	2,043,559
Import-export tax	71,253	-
Personal income tax	195,721	410,916
Foreign contractor tax	310,400	390,088
	<hr/>	<hr/>
	780,571	2,844,563
	<hr/>	<hr/>

**15. Accrued expenses**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>VND'000</b>	<b>VND'000</b>
Transportation fees	4,745,514	2,979,904
Sales discounts and commission	1,168,263	973,167
Loans interest payable	2,366,540	1,933,463
Secondment fee payable (*)	3,727,233	1,975,286
Others	379,965	775,093
	<hr/>	<hr/>
	12,387,515	8,636,913
	<hr/>	<hr/>

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

**16. Other payables**

Other payables comprised:

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>VND'000</b>	<b>VND'000</b>
Dividends payable	505,391	505,391
Trade union, social and health insurance	1,210,086	166,667
Payable to related companies	-	21,492,434
Others	-	602,387
	<hr/>	<hr/>
	1,715,477	22,766,879
	<hr/>	<hr/>

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Other payables included the following amounts due to related companies:

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>VND'000</b>	<b>VND'000</b>
Amounts due to Kirin Holdings Company, Limited (*)	-	20,828,000
Amounts due to Wonderfarm Biscuits & Confectionery Sdn. Bhd.	-	664,434
	<hr/> <hr/>	<hr/> <hr/>

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

## 17. Long-term borrowings

	<b>Currency</b>	<b>Interest rate</b>	<b>Year of maturity</b>	<b>30/6/2012</b>	<b>31/12/2011</b>
				<b>VND'000</b>	<b>VND'000</b>
Loan from Trade Ocean Holdings Sdn. Bhd. (a)	USD	three-month SIBOR minus 1% p.a.	2014	71,459,368	71,459,368
Unsecured loan from Kirin Holdings Company, Limited (b)	USD	1.896% p.a.	2017	135,382,000	-
				<hr/> <hr/>	<hr/> <hr/>
				206,841,368	71,459,368

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

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



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**18. Severance allowance**

Movements of severance allowance during the period were as follow:

	<b>Six-month period from 1/1/2012 to 30/6/2012 VND'000</b>
Opening balance – as restated	4,276,030
Provision made during the period	1,023,696
Utilised during the period	(1,835,696)
	<hr/>
Closing balance	3,464,030
	<hr/>

During the period, the Company contributed VND380 million (year ended 31 December 2011: VND930 million) to the unemployment insurance fund and the amount is recorded as part of labour and staff costs in the statement of income.

**19. Share capital**

The Company's authorised and issued share capital are:

	<b>30/6/2012</b>		<b>31/12/2011</b>	
	<b>Number of shares</b>	<b>VND'000</b>	<b>Number of shares</b>	<b>VND'000</b>
<b>Authorised and issued share capital</b>				
Ordinary shares	291,409,992	381,443,992	291,409,992	381,443,992
<b>Shares in circulation</b>				
Ordinary shares	291,409,984	381,443,888	291,409,984	381,443,888
	<hr/>			

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

There were no movements in share capital during the period.

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**20. Total revenue**

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

Net sales comprised

	<b>Six-month period from 1/1/2012 to 30/6/2012 VND'000</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 VND'000</b>
Total revenue		
▪ Sales of drinks	435,842,333	457,415,308
▪ Sales of biscuits	13,420,397	14,229,898
▪ Sales of other products	27,687,556	44,414,544
Less sales deductions		
▪ Sales allowance	(13,796,634)	(12,972,261)
▪ Sales returns	(219,069)	(223,443)
Net sales	462,934,583	502,864,046

**21. Cost of sales**

	<b>Six-month period from 1/1/2012 to 30/6/2012 VND'000</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 VND'000</b>
Total cost of sales		
▪ Cost of drinks	329,003,086	348,520,318
▪ Cost of biscuit	14,782,840	15,586,155
▪ Cost of other products	18,514,780	50,069,679
	362,300,706	414,176,152

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**22. Financial income**

	<b>Six-month period from 1/1/2012 to 30/6/2012 VND'000</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 VND'000</b>
Interest income from bank deposits	215,633	143,734
Interest income from loan to Avafood	1,477,080	9,384,889
Realised gains from foreign exchange	185,848	26,641,157
	<hr/> 1,878,561	<hr/> 36,169,780
	<hr/> <hr/>	<hr/> <hr/>

**23. Financial expenses**

	<b>Six-month period from 1/1/2012 to 30/6/2012 VND'000</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 VND'000</b>
Interest expense	3,617,158	16,543,764
Realised foreign exchange losses	1,121,316	10,195,639
Unrealised foreign exchange losses	-	11,701,087
Other finance expenses	-	164,083
	<hr/> 4,738,474	<hr/> 38,604,573
	<hr/> <hr/>	<hr/> <hr/>

**24. Other income**

	<b>Six-month period from 1/1/2012 to 30/6/2012 VND'000</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 VND'000</b>
Support for marketing activities from Kirin Holdings Singapore Pte, Ltd. (Note 5)	6,439,705	-
Others	5,721,806	1,141,791
	<hr/> 12,161,511	<hr/> 1,141,791
	<hr/> <hr/>	<hr/> <hr/>

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**25. Income tax**

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

	<b>Six-month period from 1/1/2012 to 30/6/2012 VND'000</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 VND'000</b>
<b>Current tax expense</b>		
Current period	2,540,287	-

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

	<b>Six-month period from 1/1/2012 to 30/6/2012 VND'000</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 VND'000</b>
Profit/(loss) before tax	4,273,260	(16,936,038)
Tax at the Company's applicable tax rate	1,068,315	(4,234,010)
Non-deductible expenses	786,705	675,483
Deferred tax assets not recognised	685,267	3,558,527
	2,540,287	-

**(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

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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.

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

## **26. Financial instruments**

### **(a) Financial risk management**

#### **(i) Overview**

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

- credit risk
- liquidity risk
- market risk.

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

#### *Risk management framework*

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

### **(b) Credit risk**

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

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**(i) Exposure to credit risk**

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

	Note	30/6/2012 VND'000	31/12/2011 VND'000
Cash in bank	(ii)	35,490,392	40,778,037
Trade and other receivables	(iii)	163,043,146	182,442,075
Long-term loan receivable	(iv)	24,993,600	-
		223,527,138	223,220,112

**(ii) Cash in bank**

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

**(iii) Trade and other receivables**

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

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

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

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The ageing analysis of the receivables is as follow:

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>VND'000</b>	<b>VND'000</b>
Not past due	181,118,872	179,174,558
Past due 0 – 30 days	4,745,910	2,196,000
Past due 31 – 180 days	1,432,987	985,935
Over 180 days	738,977	85,582
	<hr/>	<hr/>
	188,036,746	182,442,075
	<hr/>	<hr/>

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

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

**(c) Liquidity risk**

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

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

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1 – 2 years</b>	<b>2 – 5 years</b>
	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
Long-term borrowings	206,841,368	217,130,130	213,904	2,566,843	214,349,383
	<hr/>				

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

- VND104.1 billion unused short-term loan facility and VND187.5 billion unused long-term loan facility which renew automatically at the option of the Company. Interest would be payable at rates of Libor + 1% and Libor + 0.8% per annum, respectively.

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**(d) Market risk**

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

**(i) Currency risk**

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

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

*Exposure to currency risk*

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

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

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

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



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

	<b>Increase to net profit as at 30/6/2012 VND'000</b>
VND (1% weakening)	202,823

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

**(ii) Interest rate risk**

As at 30 June 2012, VND144 billion of loan granted to a related company, VND281.2 billion of short-term borrowings and VND71.5 billion of long-term borrowings due to a related company were at variable interest rate. No policy was in place pertaining to the mitigation of any potential volatility of the interest rate.

A change of 100 basis points in interest rates would have decreased profit before tax by approximately VND791.5 million for the period ended 30 June 2012.

**(e) Fair values**

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

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**27. Significant transactions with related parties**

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

	<b>Transaction value</b>	
	<b>Six-month period from 1/1/2012 to 30/6/2012 VND'000</b>	<b>Six-month period from 1/1/2011 to 30/6/2011 VND'000</b>
<i>Shareholders</i>		
<b>Trade Ocean Holdings Sdn. Bhd.</b>		
<b>Parent company</b>		
Long-term loan	-	71,459,368
<i>Related companies</i>		
<b>Kirin Holding Company, Limited</b>		
<b>Ultimate Parent Company</b>		
Short-term loan received	-	145,796,000
Convert other payable to short-term loan	20,828,000	-
Transfer from short-term to long-term loan	135,382,000	-
Interest expenses	3,617,158	210,884
Secondment fee	3,727,233	-
<b>Avafood Shareholding Company</b>		
Short-term loan granted	16,199,998	50,638,471
Interest income	1,477,080	9,133,724
Processing service charged to the Company	17,406,335	26,211,226
Office and factory rentals fee charged to the Company	2,963,908	2,983,403
Sale of drink products	-	294,695
Carrying value of assets pledged by Avafood for the Company's loans	-	185,521,828
<b>Kirin Holding Singapore Pte, Ltd.</b>		
Financial support for marketing activities	6,439,705	-
Other support	629,047	-
<b>Vietnam Kirin Beverage Company, Limited</b>		
Purchase	15,762,339	-
Processing fee	13,017,979	-
<b>Board of Management</b>		
Remuneration	-	83,333
Board of management fees	-	151,524

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	Transaction value	
	Six-month period from 1/1/2012 to 30/6/2012 VND'000	Six-month period from 1/1/2011 to 30/6/2011 VND'000
<b>Board of Directors</b>		
Secondment fees	2,249,424	-
Salary	908,996	5,588,152

## 28. Commitments

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

	Six-month period from 1/1/2012 to 30/6/2012 VND'000	Six-month period from 1/1/2011 to 30/6/2011 VND'000
Within one year	10,987,374	8,241,848
Within two to five years	23,711,220	23,727,862
Over five years	29,941,333	19,558,866
	64,639,927	51,528,576

## 29. Production and business costs by element

	Six-month period from 1/1/2012 to 30/6/2012 VND'000	Six-month period from 1/1/2011 to 30/6/2011 VND'000
Raw material costs included in production costs	337,664,640	357,089,353
Labour costs and staff costs	45,657,809	41,714,235
Depreciation and amortisation	12,605,189	13,395,903
Outside services	73,341,053	64,153,239
Other expenses	32,316,329	42,960,520

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**30. Prior year adjustment**

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

**Balance sheet**

	<b>31/12/2011</b> <b>(as previously</b> <b>reported)</b> <b>VND'000</b>	<b>Adjustments</b> <b>VND'000</b>	<b>31/12/2011</b> <b>(as restated)</b> <b>VND'000</b>
Severance allowance	2,557,720	1,718,310	4,276,030
Accumulated losses	(292,954,130)	(1,718,310)	(294,672,440)

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Prepared by:

Approved by:

Nguyen Hong Phong  
*Chief Accountant*

Michio Nagabayashi  
*Chairman – cum General Director*

28 August 2012