

**Interfood Shareholding Company and its  
subsidiary**

Consolidated Interim Financial Statements  
for the six-month period ended  
30 June 2014

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

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

**Investment Certificate No.** 472033000328 (1<sup>st</sup> amendment) 28 November 2007  
 472033000328 (2<sup>nd</sup> amendment) 20 May 2010  
 472033000328 (3<sup>rd</sup> amendment) 22 April 2011  
 472033000328 (4<sup>th</sup> amendment) 18 October 2011  
 472033000328 (5<sup>th</sup> amendment) 14 May 2014

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

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

**Board of Management**

Michio Nagabayashi	Chairman
Toru Yamasaki	Member
Hiroshi Fujikawa	Member
Nguyen Thi Kim Lien	Member
Takayuki Morisawa	Member

**Board of Directors**

Michio Nagabayashi	General Director
Kazufumi Nagashima	Director/General Manager of Factory (until 24 March 2014)
Yoshihisa Fujiwara	Director/General Manager of Factory (from 24 March 2014)
Hidefumi Matsuo	Director/General Manager of Administration
Nguyen Thi Kim Lien	Director/General Manager of Finance
Taichiro Iizumi	Director/General Manager of Sales and Marketing
Yutaka Ogami	Director/General Manager of Finance Controller

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

**Auditors** KPMG Limited  
 Vietnam

**Interfood Shareholding Company and its subsidiary**  
**Statement of the Board of Directors**

The Board of Directors is responsible for the preparation and presentation of the consolidated interim financial statements in accordance with Vietnamese Accounting Standard 27 – Interim Financial Reporting, the relevant requirements of the Vietnamese Accounting System for Enterprises and the relevant statutory requirements applicable to interim financial reporting. In the opinion of the Board of Directors:

- (a) the consolidated interim financial statements set out on pages 4 to 42 give a true and fair view of the consolidated financial position of the Group as at 30 June 2014, and of the consolidated results of operations and the consolidated cash flows of the Group for the six-month period then ended in accordance with Vietnamese Accounting Standard 27 – Interim Financial Reporting, the relevant requirements of the Vietnamese Accounting System for Enterprises and the relevant statutory requirements applicable to interim financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the Group will not be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors

*(Signed and sealed)*

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Michio Nagabayashi  
*Chairman – cum General Director*

Ho Chi Minh City, 18 August 2014

## **INTERIM FINANCIAL STATEMENTS REVIEW REPORT**

### **To the Shareholders Interfood Shareholding Company and its subsidiary**

We have reviewed the accompanying consolidated interim financial statements of Interfood Shareholding Company (“the Company”) and its subsidiary (collectively “the Group”), which comprise the consolidated balance sheet as at 30 June 2014, the related consolidated statements of income and cash flows for the six-month period then ended and the explanatory notes thereto which were authorised for issue by the Company’s Board of Directors on 18 August 2014, as set out on pages 4 to 42. These consolidated interim financial statements are the responsibility of the Company’s management. Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

We conducted our review in accordance with the Vietnamese Standard on Auditing 910 - Engagements to Review Financial Statements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated interim financial statements are free of material misstatements. A review primarily involves inquiries of group 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.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the consolidated financial position of Interfood Shareholding Company and its subsidiary as at 30 June 2014 and of their consolidated results of operations and their consolidated cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standard 27 – Interim Financial Reporting, the relevant requirements of the Vietnamese Accounting System for Enterprises and the relevant statutory requirements applicable to interim financial reporting.

#### **KPMG Limited’s Branch in Ho Chi Minh City**

Vietnam

Operating registration certificate No.: 4114000230

Review Report No: 14-01-284

*(Signed)*

*(Signed and sealed)*

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Nguyen Thanh Nghi  
Practicing Auditor Registration  
Certificate No. 0304-2013-007-1  
*Deputy General Director*

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Chong Kwang Puay  
Practicing Auditor Registration  
Certificate No. 0864-2013-007-1

Ho Chi Minh City, 18 August 2014

**Interfood Shareholding Company and its subsidiary**  
**Consolidated balance sheet as at 30 June 2014**

Form B 01a – DN/HN

	Code	Note	30/6/2014 VND'000	31/12/2013 VND'000
<b>ASSETS</b>				
<b>Current assets</b> <b>(100 = 110 + 130 + 140 + 150)</b>	<b>100</b>		<b>288,418,656</b>	<b>310,139,687</b>
<b>Cash</b>	<b>110</b>	<b>5</b>	<b>68,473,871</b>	<b>97,180,048</b>
<b>Accounts receivable</b>	<b>130</b>		<b>24,600,995</b>	<b>30,435,600</b>
Accounts receivable – trade	131		19,446,476	27,402,646
Prepayments to suppliers	132		7,087,342	4,981,139
Other receivables	135		112,645	97,283
Allowance for doubtful debts	139		(2,045,468)	(2,045,468)
<b>Inventories</b>	<b>140</b>	<b>6</b>	<b>192,658,055</b>	<b>180,423,407</b>
Inventories	141		208,996,491	180,423,407
Allowance for inventories	149		(16,338,436)	-
<b>Other current assets</b>	<b>150</b>		<b>2,685,735</b>	<b>2,100,632</b>
Short-term prepayments	151		1,990,487	1,115,439
Deductible value added tax	152		34,351	509,851
Taxes receivable from State Treasury	154		60,888	19,552
Other current assets	158		600,009	455,790
<b>Long-term assets (200 = 220 + 260)</b>	<b>200</b>		<b>339,361,648</b>	<b>353,382,119</b>
<b>Fixed assets</b>	<b>220</b>		<b>305,977,210</b>	<b>346,940,878</b>
Tangible fixed assets	221	7	294,863,471	308,326,494
Cost	222		606,271,373	601,363,233
Accumulated depreciation	223		(311,407,902)	(293,036,739)
Intangible fixed assets	227	8	9,587,391	35,882,573
Cost	228		10,815,193	43,675,947
Accumulated amortisation	229		(1,227,802)	(7,793,374)
Construction in progress	230	9	1,526,348	2,731,811
<b>Other long-term assets</b>	<b>260</b>		<b>33,384,438</b>	<b>6,441,241</b>
Long-term prepayments	261	10	31,930,463	4,990,766
Other long-term assets	268		1,453,975	1,450,475
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>627,780,304</b>	<b>663,521,806</b>

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

**Interfood Shareholding Company and its subsidiary**  
**Consolidated balance sheet as at 30 June 2014 (continued)**

Form B 01a – DN/HN

	Code	Note	30/6/2014 VND'000	31/12/2013 VND'000
<b>RESOURCES</b>				
<b>LIABILITIES (300 = 310 + 330)</b>	<b>300</b>		<b>649,654,530</b>	<b>595,820,918</b>
<b>Current liabilities</b>	<b>310</b>		<b>504,598,250</b>	<b>451,830,974</b>
Short-term borrowings	311	11	362,015,000	326,740,000
Accounts payable – trade	312	12	99,988,777	86,605,589
Advances from customers	313		4,040,036	6,118,814
Taxes payable to State Treasury	314	13	400,390	456,850
Payables to employees	315		11,684,105	13,440,963
Accrued expenses	316	14	25,615,794	17,748,074
Other payables	319	15	854,148	720,684
<b>Long-term liabilities</b>	<b>330</b>		<b>145,056,280</b>	<b>143,989,944</b>
Long-term deposits	331		26,139	26,139
Long-term borrowings	334	16	138,417,500	137,020,000
Deferred tax liabilities	335	17	3,528,116	3,819,011
Provision for severance allowance	337	18	3,084,525	3,124,794
<b>EQUITY (400 = 410)</b>	<b>400</b>		<b>(25,139,044)</b>	<b>64,716,007</b>
<b>Owners' equity</b>	<b>410</b>	<b>19</b>	<b>(25,139,044)</b>	<b>64,716,007</b>
Share capital	411	20	501,409,840	591,443,888
Share premium	412		85,035,704	85,035,704
Other reserves	418	21	57,498,796	(32,535,252)
Accumulated losses	420		(669,083,384)	(579,228,333)
<b>MINORITY INTEREST</b>	<b>439</b>		<b>3,264,818</b>	<b>2,984,881</b>
<b>TOTAL RESOURCES</b> <b>(440 = 300 + 400 + 439)</b>	<b>440</b>		<b>627,780,304</b>	<b>663,521,806</b>

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

**Interfood Shareholding Company and its subsidiary  
Consolidated balance sheet as at 30 June 2014 (continued)**

**Form B 01a – DN/HN**

**OFF BALANCE SHEET ITEMS**

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Foreign currency		
• USD	34,879,197	43,676,277
• EUR	10,268	10,426

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18 August 2014

Prepared by:

Approved by:

*(Signed)*

*(Signed and sealed)*

Nguyen Hong Phong  
*Chief Accountant*

Michio Nagabayashi  
*Chairman – cum General Director*

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

**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of income for the six-month period ended 30 June 2014**

Form B 02a – DN/HN

	Code	Note	Six-month period ended	
			30/6/2014 VND'000	30/6/2013 VND'000
<b>Total revenue</b>	<b>01</b>	<b>22</b>	<b>546,199,824</b>	<b>511,218,295</b>
<b>Less revenue deductions</b>	<b>02</b>	<b>22</b>	<b>19,648,111</b>	<b>14,446,401</b>
<b>Net revenue (10 = 01 - 02)</b>	<b>10</b>	<b>22</b>	<b>526,551,713</b>	<b>496,771,894</b>
<b>Cost of sales</b>	<b>11</b>	<b>23</b>	<b>396,026,609</b>	<b>347,527,703</b>
<b>Gross profit (20 = 10 - 11)</b>	<b>20</b>		<b>130,525,104</b>	<b>149,244,191</b>
Financial income	21	24	3,339,738	800,495
Financial expenses	22	25	11,281,954	9,148,404
<i>In which: Interest expenses</i>	23		3,470,061	4,278,250
Selling expenses	24		201,950,887	197,782,484
General and administration expenses	25		17,245,930	17,801,749
<b>Net operating loss</b> <b>{30 = 20 + (21 - 22) - (24 + 25)}</b>	<b>30</b>		<b>(96,613,929)</b>	<b>(74,687,951)</b>
Other income	31	26	8,171,776	108,454,793
Other expenses	32		1,423,856	3,382,334
<b>Results of other activities (40 = 31 - 32)</b>	<b>40</b>		<b>6,747,920</b>	<b>105,072,459</b>
<b>(Loss)/profit before tax (50 = 30 + 40)</b>	<b>50</b>		<b>(89,866,009)</b>	<b>30,384,508</b>
<b>Income tax expense – current</b>	<b>51</b>	<b>27</b>	<b>-</b>	<b>-</b>
<b>Income tax (benefit)/expense – deferred</b>	<b>52</b>	<b>27</b>	<b>(290,895)</b>	<b>240,261</b>
<b>Net (loss)/profit after tax (60 = 50 - 51 - 52)</b>	<b>60</b>		<b>(89,575,114)</b>	<b>30,144,247</b>

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



**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of income for the six-month period ended 30 June 2014**  
**(continued)**

Form B 02a – DN/HN

	Code	Note	Six-month period ended	
			30/6/2014 VND'000	30/6/2013 VND'000
<b>Attributable to:</b>				
Minority interest	61		279,937	3,412,059
Equity holders of the Company	62		(89,855,051)	26,732,188
<b>(Loss)/earnings per share</b>				
Basic (loss)/earnings per share (in VND)	70	28	(1,792)	917

18 August 2014

Prepared by:

*(Signed)*

Nguyen Hong Phong  
*Chief Accountant*

Approved by:

*(Signed and sealed)*

Michio Nagabayashi  
*Chairman – cum General Director*

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

**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of cash flows for the six-month period ended 30 June 2014**  
**(Indirect method)**

Form B 03a – DN/HN

	Code	Note	Six-month period ended	
			30/6/2014	30/6/2013
			VND'000	VND'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>(Loss)/profit before tax</b>	<b>01</b>		<b>(89,866,009)</b>	<b>30,384,508</b>
<b>Adjustments for</b>				
Depreciation and amortisation	02		18,896,510	18,891,921
Allowances and provisions	03		16,367,790	28,418
Unrealised foreign exchange losses	04		4,694,629	4,686,675
Income from loan waiving	05		-	(104,006,972)
Interest income	05		(160,178)	(617,016)
Interest expense	06		3,470,061	4,278,250
<b>Operating loss before changes in working capital</b>	<b>08</b>		<b>(46,597,197)</b>	<b>(46,354,216)</b>
Change in receivables	09		6,145,307	34,173
Change in inventories	10		(28,573,084)	(24,972,888)
Change in payables and other liabilities	11		17,998,296	53,960,078
Changes in prepayments	12		174,869	(1,928,515)
			<b>(50,851,809)</b>	<b>(19,261,368)</b>
Interest paid	13		(4,058,413)	(6,892,360)
<b>Net cash flows from operating activities</b>	<b>20</b>		<b>(54,910,222)</b>	<b>(26,153,728)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for additions to fixed assets and other long-term assets	21		(5,922,456)	(5,106,234)
Receipts of interest	27		160,178	617,016
<b>Net cash flows from investing activities</b>	<b>30</b>		<b>(5,762,278)</b>	<b>(4,489,218)</b>

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

**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of cash flows for the six-month period ended 30 June 2014**  
**(Indirect method - continued)**

Form B 03a – DN/HN

	Code	Note	Six-month period ended	
			30/6/2014	30/6/2013
			VND'000	VND'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from short-term borrowings	33		31,590,000	-
Payments to settle loan principals	34		-	(20,828,000)
<b>Net cash flows from financing activities</b>	<b>40</b>		<b>31,590,000</b>	<b>(20,828,000)</b>
<b>Net cash flows during the period</b> (50 = 20 + 30 + 40)	<b>50</b>		<b>(29,082,500)</b>	<b>(51,470,946)</b>
<b>Cash at the beginning of the period</b>	<b>60</b>		<b>97,180,048</b>	<b>82,201,930</b>
<b>Effect of exchange rate fluctuations on cash</b>	<b>61</b>		<b>376,323</b>	<b>82,515</b>
<b>Cash at the end of the period</b> (70 = 50 + 60 + 61)	<b>70</b>	<b>5</b>	<b>68,473,871</b>	<b>30,813,499</b>

**NON-CASH ACTIVITIES**

	Six-month period ended	
	30/6/2014	30/6/2013
	VND'000	VND'000
Waiver of long-term loans	-	104,006,972

18 August 2014

Prepared by:

(Signed)

Nguyen Hong Phong  
*Chief Accountant*

Approved by:

(Signed and sealed)

Michio Nagabayashi  
*Chairman – cum General Director*

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

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated interim financial statements for the six-month period ended**  
**30 June 2014**

**Form B 09a – DN/HN**

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

## **1. Reporting Entity**

Interfood Shareholding Company (“the Company”) is incorporated as a joint stock company in Vietnam. The consolidated interim financial statements for the six-month period ended 30 June 2014 comprises the Company and its subsidiary, Avafood Shareholding Company (“Avafood”) (collectively “the Group”). The principal activities of the Group are to process agricultural and aquatic products into canned, dried, frozen, salted, and pickled products; and the production of biscuits and snack food; carbonated fruit juice and non-carbonated fruit juice, beverage with non-carbonated or carbonated, with or without low alcohol (less than 10%); bottled filtered water; manufactured packaging for foods and beverages; and performance of the right to export, import products in accordance with business operation as required by law.

The Company owns 90.4% of the equity interests in Avafood, whose principal activities are to provide processing service and produce products including fruit juice, beverage, bottled filtered water; biscuits, jams and sweets, snack food; and from agricultural and aquatic products, livestock; lease a workshop, office; and performance of the right to export, import products in accordance with business operation as required by law under the Investment Licence No. 48/GP-ĐN issued by the People’s Committee of Dong Nai Province on 19 July 2002.

The Company’s shares 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 on 3 May 2013 and thereafter traded on Vietnam Security Depository.

As at 30 June 2014, the Group had 1,562 employees (31/12/2013: 1,434 employees).

## **2. Basis of preparation**

### **(a) Statement of compliance**

The consolidated interim financial statements have been prepared in accordance with Vietnamese Accounting Standard 27 – Interim Financial Reporting, the relevant requirements of the Vietnamese Accounting System for Enterprises and the relevant statutory requirements applicable to interim financial reporting.

### **(b) Basis of measurement**

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

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated interim financial statements for the six-month period ended**  
**30 June 2014 (continued)**

**Form B 09a – DN/HN**

**(c) Going concern assumption**

The consolidated interim financial statements have been prepared on a going concern basis. The Group has incurred net loss after tax of VND89,575 million (six-month period ended 30/6/2013: profit of VND30,144 million) during the period and at the balance sheet date, current liabilities exceeded current assets by VND216,180 million (31/12/2013: VND141,691 million) and total liabilities exceeded total assets by VND25,139 million. Furthermore, the Group has significant loans that will require refinancing within the next 12 months (Note 11). The validity of the going concern assumption fundamentally depends on the ultimate majority shareholder continuing to provide such financial assistance as is necessary to enable the Group to meet its liabilities as and when they fall due and to maintain the Group in existence as a going concern for the foreseeable future.

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

**(d) Annual accounting period**

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

**(e) Accounting currency**

The consolidated interim financial statements are prepared and presented in Vietnam Dong (“VND”) rounded to the nearest thousand (“VND’000”).

**3. Summary of significant accounting policies**

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

**(a) Basis of consolidation**

**(i) Subsidiaries**

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

**(ii) Transactions eliminated on consolidation**

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

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated interim financial statements for the six-month period ended**  
**30 June 2014 (continued)**

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**(b) Foreign currency**

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

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

**(c) Cash**

Cash comprises cash balances and call deposits.

**(d) Accounts receivable**

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

**(e) Inventories**

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

The Group applies the perpetual method of accounting for inventory.

**(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 period 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.

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated interim financial statements for the six-month period ended**  
**30 June 2014 (continued)**

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**(ii) Depreciation**

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

▪ buildings	15 – 30 years
▪ machinery and equipment	10 – 15 years
▪ motor vehicles	6 years
▪ office equipment	10 years

**(g) Intangible fixed assets**

***Software***

Cost of acquiring 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 prepayments**

**(i) *Prepaid land costs***

Prior to 1 January 2014, rights to use leased land obtained after the effective date of Land Law (2003) were classified as intangible fixed assets and had been amortized on a straight-line basis over the terms of related land lease contracts. Effective from 1 January 2014, the Company prospectively adopted the requirement of Circular No. 45/2013/TT-BTC dated 25 April 2013 of the Ministry of Finance which provides guidance on management, use and depreciation of fixed assets (“Circular 45”) which stipulates that land use rights from land lease contract obtained after 1 July 2004, the effective date of Land Law (2003), are not recognized as intangible fixed assets and were therefore reclassified as long-term prepayments. Prepayments for land use rights under land lease contracts are initially stated at cost and amortized on a straight-line basis over the terms of related lease contracts of 45.5 years.

**(ii) *Renovation expenses***

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

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated interim financial statements for the six-month period ended**  
**30 June 2014 (continued)**

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**(iii) 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 Circular 45/2013/TT-BTC dated 25 April 2013 of the Ministry of Finance which provides guidance on management, use and depreciation of fixed assets (“Circular 45”). Cost of tools and supplies are amortised on a straight-line basis over 3 years.

**(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 constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

***Severance allowance***

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

Pursuant to Law on Social Insurance, effective from 1 January 2009 the Group and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. 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 2014 will be determined based on the eligible employees’ years of service as of 31 December 2008 and their average salary for the six-month period prior to the termination date.



**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated interim financial statements for the six-month period ended**  
**30 June 2014 (continued)**

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**(l) Classification of financial instruments**

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

**(i) *Financial assets***

*Financial assets at fair value through profit or loss*

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

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

*Held-to-maturity investments*

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

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

*Loans and receivables*

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

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

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*Available-for-sale financial assets*

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

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

The Group's financial assets, comprising cash in bank, accounts receivable and other receivables, are under the category of loans and receivables.

**(ii) Financial liabilities**

*Financial liabilities at fair value through profit or loss*

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

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

*Financial liabilities carried at amortised cost*

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

The Group's financial liabilities, comprising borrowings, accounts payable and other payables, are under the category of financial liabilities carried at amortised cost.

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

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**(m) Taxation**

Income tax on the consolidated profit or loss for the period 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 period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

**(n) Acquisition reserve**

The difference between the consideration given and the aggregate book value of assets and liabilities of the acquired entity in a business combination involving entities under common control is recorded as acquisition reserve under other reserves.

**(o) Revenue**

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.

**(p) 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.

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**(q) Borrowing costs**

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

**(r) Earnings per share**

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

**(s) Segment reporting**

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

**(t) Related companies**

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

**4. Segment reporting**

The Group mainly operates in one business segment, which is the production and sales of foods and beverage and in one geographical segment, which is Vietnam.

**5. Cash**

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>VND’000</b>	<b>VND’000</b>
Cash on hand	106,266	150,812
Cash in banks	68,367,605	97,029,236
	<hr/>	<hr/>
	<b>68,473,871</b>	<b>97,180,048</b>
	<hr/> <hr/>	<hr/> <hr/>

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**6. Inventories**

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Goods in transit	964,025	-
Raw materials	43,744,336	57,807,048
Tools and supplies	13,669,153	10,352,938
Work in progress	4,234,158	2,439,256
Finished goods	146,384,819	109,824,165
	<hr/>	<hr/>
	208,996,491	180,423,407
Allowance for inventories	(16,338,436)	-
	<hr/>	<hr/>
	192,658,055	180,423,407
	<hr/>	<hr/>

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

**Interfood Shareholding Company and its subsidiary**  
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**7. Tangible fixed assets**

	<b>Buildings</b> <b>VND'000</b>	<b>Machinery</b> <b>and</b> <b>equipment</b> <b>VND'000</b>	<b>Motor</b> <b>vehicles</b> <b>VND'000</b>	<b>Office</b> <b>equipment</b> <b>VND'000</b>	<b>Total</b> <b>VND'000</b>
<b>Cost</b>					
Opening balance	115,917,681	471,348,970	9,686,896	4,409,686	601,363,233
Additions	-	1,335,335	120,000	-	1,455,335
Transfers from construction in progress	785,355	2,525,400	-	142,050	3,452,805
Closing balance	116,703,036	475,209,705	9,806,896	4,551,736	606,271,373
<b>Accumulated depreciation</b>					
Opening balance	23,991,103	259,782,769	6,476,420	2,786,447	293,036,739
Charge for the period	1,989,594	15,747,496	398,796	235,277	18,371,163
Closing balance	25,980,697	275,530,265	6,875,216	3,021,724	311,407,902
<b>Net book value</b>					
Opening balance	91,926,578	211,566,201	3,210,476	1,623,239	308,326,494
Closing balance	90,722,339	199,679,440	2,931,680	1,530,012	294,863,471

Included in the cost of tangible fixed assets were assets costing VND24,671 million which were fully depreciated as of 30 June 2014 (31/12/2013: VND23,357 million), but are still in active use.

The carrying amount of temporarily idle tangible fixed assets amounted to VND15,614 million as of 30 June 2014 (31/12/2013: VND16,753 million).

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**8. Intangible fixed assets**

	<b>Land use rights VND'000</b>	<b>Software VND'000</b>	<b>Total VND'000</b>
<b>Cost</b>			
Opening balance	34,749,926	8,926,021	43,675,947
Additions	-	1,889,172	1,889,172
Transfer to long-term prepayments	(34,749,926)	-	(34,749,926)
	<hr/>	<hr/>	<hr/>
Closing balance	-	10,815,193	10,815,193
<b>Accumulated amortisation</b>			
Opening balance	7,090,919	702,455	7,793,374
Charge for the period	-	525,347	525,347
Transfer to long-term prepayments	(7,090,919)	-	(7,090,919)
	<hr/>	<hr/>	<hr/>
Closing balance	-	1,227,802	1,227,802
<b>Net book value</b>			
Opening balance	27,659,007	8,223,566	35,882,573
Closing balance	-	9,587,391	9,587,391
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**9. Construction in progress**

	<b>Six-month period ended</b>	
	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Opening balance	2,731,811	8,398,225
Additions during the period	2,577,949	4,285,867
Transfer to tangible fixed assets	(3,452,805)	(559,426)
Transfer to intangible fixed assets	-	(8,369,566)
Transfer to short-term prepayments	(330,607)	-
	<hr/>	<hr/>
Closing balance	1,526,348	3,755,100
	<hr/> <hr/>	<hr/> <hr/>

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**Notes to the consolidated interim financial statements for the six-month period ended**  
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**10. Long-term prepayments**

	<b>Prepaid land costs VND'000</b>	<b>Renovation expenses VND'000</b>	<b>Tools and supplies VND'000</b>	<b>Total VND'000</b>
Opening balance	-	1,350,129	3,640,637	4,990,766
Additions	-	-	1,005,864	1,005,864
Transfer from intangible fixed assets	27,659,007	-	-	27,659,007
Amortisation for the period	(347,500)	(437,143)	(940,531)	(1,725,174)
Closing balance	27,311,507	912,986	3,705,970	31,930,463

**11. Short-term borrowings**

	<b>30/6/2014 VND'000</b>	<b>31/12/2013 VND'000</b>
Loans from Kirin Holdings Company, Limited	362,015,000	326,740,000

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

	<b>Currency</b>	<b>Nominal interest rate</b>	<b>30/6/2014 VND'000</b>	<b>31/12/2013 VND'000</b>
Loan 1	USD	LIBOR plus 0.8% p.a.	149,065,000	147,560,000
Loan 2	USD	LIBOR plus 0.8% p.a.	181,007,500	179,180,000
Loan 3	USD	LIBOR plus 0.8% p.a.	31,942,500	-
			362,015,000	326,740,000

The applicable interest rates of these loans ranged from 0.990% to 1.492% per annum during the period (year ended 31 December 2013: 1.077% to 1.487%).



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**12. Accounts payable – trade**

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

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Amounts due to Vietnam Kirin Beverage Company Limited	20,390,121	2,502,632

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

**13. Taxes payable to State Treasury**

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Value added tax	281,053	221,221
Personal income tax	18,982	135,274
Foreign contractor tax	100,355	100,355
	<u>400,390</u>	<u>456,850</u>

**14. Accrued expenses**

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Transportation fees	9,369,054	5,378,039
Sales discounts and commission	3,330,029	2,110,356
Loans interest payable	2,548,834	3,137,186
Secondment fee payable (*)	4,855,191	4,591,183
Others	5,512,686	2,531,310
	<u>25,615,794</u>	<u>17,748,074</u>

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

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**15. Other payables**

Other payables comprised:

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Dividends payable	505,391	505,391
Trade union, social and health insurance	171,516	122,077
Others	177,241	93,216
	<hr/>	<hr/>
	854,148	720,684
	<hr/> <hr/>	<hr/> <hr/>

**16. Long-term borrowings**

	<b>Currency</b>	<b>Interest rate</b>	<b>Year of maturity</b>	<b>30/6/2014</b>	<b>31/12/2013</b>
				<b>VND'000</b>	<b>VND'000</b>
Unsecured loan from Kirin Holdings Company, Limited (*)	USD	1.896% p.a.	2017	138,417,500	137,020,000
				<hr/>	<hr/>

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

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**17. Deferred tax liabilities**

**(i) Recognised deferred tax liabilities**

Deferred tax liabilities related to temporary differences arising from depreciation of fixed assets.

**(ii) Unrecognised deferred tax assets**

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

	30/6/2014		31/12/2013	
	Temporary difference VND'000	Tax value VND'000	Temporary difference VND'000	Tax value VND'000
Deductible temporary differences	42,784,564	9,412,604	19,036,916	4,188,122
Tax losses	116,905,813	25,719,279	70,364,730	15,480,230
	159,690,377	35,131,883	89,401,646	19,668,352

The tax losses expire in the following years:

Year of expiry	Status of tax review	Tax losses available VND'000
2014	Finalised	16,258,601
2015	Finalised	1,506,073
2016	Finalised	30,014,879
2017	Outstanding	19,615,306
2019	Outstanding	49,510,954
		116,905,813

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

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**18. Provision for severance allowance**

Movements of provision for severance allowance during the period were as follow:

	<b>Six-month period ended</b>	
	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Opening balance	3,124,794	3,327,503
Provision made during the period	29,354	28,418
Provision utilised during the period	(69,623)	(67,876)
	<hr/>	<hr/>
Closing balance	3,084,525	3,288,045
	<hr/>	<hr/>

During the period, the Group contributed VND599 million (year ended 31 December 2013: VND1,020 million) to the unemployment insurance fund and the amount is recorded as part of labour and staff costs in the consolidated statement of income.

**19. Movement in owner's equity**

	<b>Share capital VND'000</b>	<b>Share premium VND'000</b>	<b>Other reserves VND'000</b>	<b>Accumulated losses VND'000</b>	<b>Total VND'000</b>
<b>Balance at 31 December 2012</b>	381,443,888	85,035,704	(32,535,252)	(495,750,639)	(61,806,299)
Net profit for the period	-	-	-	26,732,188	26,732,188
<b>Balance at 30 June 2013</b>	<hr/> 381,443,888	<hr/> 85,035,704	<hr/> (32,535,252)	<hr/> (469,018,451)	<hr/> (35,074,111)
<b>Balance at 31 December 2013</b>	591,443,888	85,035,704	(32,535,252)	(579,228,333)	64,716,007
Net loss for the period	-	-	-	(89,855,051)	(89,855,051)
Reclassification (Note 21(b))	(90,034,048)	-	90,034,048	-	-
<b>Balance at 30 June 2014</b>	<hr/> 501,409,840	<hr/> 85,035,704	<hr/> 57,498,796	<hr/> (669,083,384)	<hr/> (25,139,044)

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## 20. Share capital

The Group's authorised and issued share capital is:

	30/6/2014	
	Number of shares	VND'000
<b>Authorised and issued share capital</b>		
Ordinary shares	50,140,992	501,409,920
<b>Shares in circulation</b>		
Ordinary shares	50,140,984	501,409,840

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 Group's residual assets. In respect of shares bought back by the Group, all rights are suspended until those shares are reissued.

Please refer to Notes 19 and 21(b) for movement in share capital.

## 21. Other reserves

	30/6/2014 VND'000	31/12/2013 VND'000
Acquisition reserve (a)	(32,535,252)	(32,535,252)
Other reserves (b)	90,034,048	-
	57,498,796	(32,535,252)

- (a) In 2007, the Company acquired 90% shareholding of Avafood in a business combination under common control. This amount represents the difference between consideration given and the net amounts of assets and liabilities of Avafood attributable to the Group at the acquisition date.
- (b) On 1 January 2013, the Group 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. During 2014, the Company adjusted the share capital to reflect the issued capital at par. The difference between the converted value and par value of ordinary shares in VND is reflected as other reserves.

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**22. Revenue**

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

Net revenue comprised

	<b>Six-month period ended</b>	
	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Total revenue		
▪ Sales of drinks	472,484,092	448,604,147
▪ Sales of biscuits	9,881,325	12,639,173
▪ Sales of other products	63,834,407	49,974,975
Less sales deductions		
▪ Sales allowances	(15,755,789)	(14,415,858)
▪ Sales returns	(3,892,322)	(30,543)
Net revenue	526,551,713	496,771,894

**23. Cost of sales**

	<b>Six-month period ended</b>	
	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Total cost of sales		
▪ Cost of drinks	335,909,690	312,432,941
▪ Cost of biscuits	8,850,694	12,396,398
▪ Cost of other products	51,266,225	22,698,364
	396,026,609	347,527,703

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**24. Financial income**

	<b>Six-month period ended</b>	
	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Interest income from bank deposits	160,178	617,016
Realised foreign exchange gains	2,778,980	-
Unrealised foreign exchange gains	400,580	183,479
	<hr/>	<hr/>
	3,339,738	800,495
	<hr/> <hr/>	<hr/> <hr/>

**25. Financial expenses**

	<b>Six-month period ended</b>	
	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Interest expense	3,470,061	4,278,250
Realised foreign exchange losses	2,716,684	-
Unrealised foreign exchange losses	5,095,209	4,870,154
	<hr/>	<hr/>
	11,281,954	9,148,404
	<hr/> <hr/>	<hr/> <hr/>

**26. Other income**

	<b>Six-month period ended</b>	
	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Loan waiver from Trade Ocean Holdings Sdn. Bhd. and Wonderfarm Biscuits & Confectionery Sdn. Bhd.	-	104,006,971
Others	8,171,776	4,447,822
	<hr/>	<hr/>
	8,171,776	108,454,793
	<hr/> <hr/>	<hr/> <hr/>

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**27. Income tax**

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

	<b>Six-month period ended</b>	
	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
<b>Current tax expense</b>		
Current period	-	-
<b>Deferred tax income</b>		
Origination and reversal of temporary differences	167,386	240,261
Effect of change in tax rate	(458,281)	-
	<hr/>	<hr/>
	(290,895)	240,261
	<hr/>	<hr/>
Income tax (benefit)/expense	(290,895)	240,261
	<hr/>	<hr/>

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

	<b>Six-month period ended</b>	
	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
(Loss)/profit before tax	(89,866,009)	30,384,508
	<hr/>	<hr/>
Tax at the Company's tax rate	(19,770,522)	7,596,127
Effect of change in tax rate	(458,281)	-
Non-deductible expenses	4,474,377	14,397,009
Deferred tax assets not recognised	16,116,893	-
Tax losses not previously recognised utilised	(653,362)	(14,606,759)
Deferred tax assets not previously recognised relating to deductible temporary differences	-	(7,146,116)
	<hr/>	<hr/>
	(290,895)	240,261
	<hr/>	<hr/>



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**(c) Applicable tax rates**

*The Company*

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

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

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

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.

On 19 June 2013, the National Assembly approved the Law on amendments and supplements to a number of articles of the Corporate Income Tax Law. Accordingly, the highest income tax rate shall be reduced from 25% to 22% for 2014 and 2015, and to 20% from 2016.

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*Avafood Shareholding Company (“Avafood”) - the Subsidiary*

Under the terms of its Investment Certificate, Avafood has an obligation to pay the government income tax at the rate of 15% of taxable profits from manufacturing processed products, including fruit juice, bottled filtered water, biscuits, jams and sweets of all kinds, and from agricultural and aquatic products as well as livestock for the first 12 years starting from the first year of operation (from 2006 to 2018) and 25% for the succeeding years. The current tax regulations allow the Avafood to be exempt from income tax for 2 years starting from the first year it generates a taxable profit (from 2011 to 2012) and entitled to a 50% reduction in income tax for the 3 succeeding years. The income tax regulations also specify that if the Avafood does not generate any taxable profit in three consecutive years from the first year it generates revenue, the above tax exemption period will start in the fourth year despite the fact that no taxable profit has been made. All the above tax exemption and reduction are not applicable to other income which is taxed at a rate of 25%.

Corporate income tax is payable at the rate stipulated by the current regulations on annual profit from processing service, office and workshop lease activity (2014: 22%; 2013: 25%).

On 19 June 2013, the National Assembly approved the Law on amendments and supplements to a number of articles of the Corporate Income Tax Law. Accordingly, the highest income tax rate shall be reduced from 25% to 22% for 2014 and 2015, and to 20% from 2016.

## **28. Loss per share**

### **Basic earnings per share**

The calculation of basic earnings per share at 30 June 2014 was based on the profit or loss attributable to ordinary shareholders of the Company and a weighted average number of ordinary shares outstanding during the period, calculated as follows:

*(i) Net loss attributable to ordinary shareholders*

	<b>Six-month period ended</b>	
	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Net (loss)/profit attributable to ordinary shareholders	(89,855,051)	26,732,188

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

	<b>Six-month period ended</b>	
	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Weighted average number of ordinary shares for the period	50,140,984	29,140,984

**29. Financial instruments**

**(a) Financial risk management**

**(i) Overview**

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

- credit risk
- liquidity risk; and
- market risk.

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

The Company's Board of Directors oversees and monitors the Group's compliance with risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

**(ii) Risk management framework**

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

**(b) Credit risk**

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

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**(i) Exposure to credit risk**

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

	<b>Note</b>	<b>30/6/2014</b> <b>VND'000</b>	<b>31/12/2013</b> <b>VND'000</b>
Cash in bank	(ii)	68,367,605	97,029,236
Trade and other receivables	(iii)	17,513,653	25,454,461
		85,881,258	122,483,697

**(ii) Cash in bank**

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

**(iii) Trade and other receivables**

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

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

Trade and other receivables that are neither past due nor impaired are mostly due from companies with good collection track records with the Group. Management believes that those receivables are of high credit quality.

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The aging of trade and other receivables at period-end is as follows:

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Not past due	13,563,797	23,186,248
Past due 0 – 30 days	2,719,361	1,410,811
Past due 31 – 180 days	862,671	857,402
Over 180 days	2,413,292	2,045,468
	<hr/>	<hr/>
	19,559,121	27,499,929
	<hr/> <hr/>	<hr/> <hr/>

There was no movement in allowance for doubtful debts during the period.

**(c) Liquidity risk**

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

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

**30 June 2014**

	<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>
Trade and other payables	138,142,824	138,142,824	138,142,824	-	-
Short-term borrowings	362,015,000	362,959,196	362,959,196	-	-
Long-term borrowings	138,417,500	145,938,371	2,631,586	2,631,586	140,675,199
Other long-term liabilities	26,139	26,139	-	26,139	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	638,601,463	647,066,530	503,733,606	2,657,725	140,675,199
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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31 December 2013

	Carrying amount VND'000	Contractual cash flows VND'000	Within 1 year VND'000	1 – 2 years VND'000	2 – 5 years VND'000
Trade and other payables	118,515,310	118,515,310	118,515,310	-	-
Other long-term liabilities	26,139	26,139	-	26,139	-
Short-term borrowings	326,740,000	328,762,855	328,762,855	-	-
Long-term borrowings	137,020,000	145,753,212	2,605,017	2,605,017	140,543,178
	582,301,449	593,057,516	449,883,182	2,631,156	140,543,178

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

- USD8.5 million unused short-term loan facility which renews automatically at the option of the Group. Interest would be payable at rates of Libor + 0.8% per annum.

**(d) Market risk**

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

**(i) Currency risk**

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

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

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*Exposure to currency risk*

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

	<b>30/06/2014</b>	<b>31/12/2013</b>
	<b>USD</b>	<b>USD</b>
Cash	1,637,906	2,073,661
Accounts receivable – trade	316,679	306,838
Account payables	(144,476)	(129,092)
Short-term borrowings	(17,000,000)	(15,500,000)
Long-term borrowings	(6,500,000)	(6,500,000)
Other monetary liabilities	-	(3,110)
	<hr/>	<hr/>
	(21,689,891)	(19,751,703)
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>Exchange rate as at</b>	
	<b>30/06/2014</b>	<b>31/12/2013</b>
	<b>VND</b>	<b>VND</b>
USD1	21,295	21,080
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>Increase net loss VND'000</b>
<b>30 June 2014</b>	
USD (1% strengthening of USD)	4,619,947
<b>31 December 2013</b>	
USD (1% strengthening of USD)	4,167,609
	<hr/> <hr/>

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

**Interfood Shareholding Company and its subsidiary**  
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**(ii) Interest rate risk**

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

	<b>Carrying amount</b>	
	<b>30/06/2014</b>	<b>31/12/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
<b>Fixed rate instruments</b>		
Financial liabilities	(138,417,500)	(137,020,000)
<hr/>		
<b>Variable rate instruments</b>		
Financial assets	68,367,605	97,029,236
Financial liabilities	(362,015,000)	(326,740,000)
<hr/>		
	(293,647,395)	(229,710,764)
<hr/> <hr/>		

A change of 100 basis points in interest rates would have increased net losses of the Group by VND2,290 million (year ended 31 December 2013: VND1,723 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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



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**(e) Fair values**

The carrying amounts of financial assets and liabilities shown in the consolidated balance sheet, are as follow:

	30/6/2014		31/12/2013	
	Carrying amount VND'000	Fair value VND'000	Carrying amount VND'000	Fair value VND'000
Categorised as loans and receivables:				
▪ Cash in banks	68,367,605	68,367,605	97,029,236	97,029,236
▪ Trade and other receivables	17,513,653	(*)	25,454,461	(*)
Categorised as liabilities at amortised cost:				
▪ Trade and other payables	(138,142,824)	(*)	(118,515,310)	(*)
▪ Short-term borrowings	(362,015,000)	(*)	(326,740,000)	(*)
▪ Long-term borrowings	(138,417,500)	(*)	(137,020,000)	(*)
▪ Other long-term liabilities	(26,139)	(*)	(26,139)	(*)
	<hr/>		<hr/>	
	(552,720,205)		(459,817,752)	
	<hr/>		<hr/>	

(\*) The Group has not determined fair values of these financial instruments for disclosure in the consolidated interim financial statements because information about their market prices is not available and there is currently no guidance on determination of fair value using valuation techniques under the Vietnamese Accounting Standards or the relevant requirements of the Vietnamese Accounting System for enterprises. The fair values of these financial instruments may differ from their carrying amounts.

**Interfood Shareholding Company and its subsidiary**  
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**30. Significant transactions with related parties**

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

	<b>Transaction value</b>	
	<b>Six-month period ended</b>	
	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
<b>Kirin Holding Company, Limited</b>		
<b>Ultimate Parent Company</b>		
Short-term loan received	31,590,000	-
Interest expense	3,470,061	4,278,250
Secondment fees	4,837,586	4,642,731
<b>Vietnam Kirin Beverage Company, Limited</b>		
Purchase of goods	5,109	-
Processing fee	48,272,295	23,692,931
<b>Board of Directors and Board of Management</b>		
Secondment fees	2,811,544	2,253,168
Salary	659,312	652,200

**31. Commitments**

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

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Within one year	5,597,046	5,597,046
Within two to five years	2,373,301	3,772,563
	<b>7,970,347</b>	<b>9,369,609</b>

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

	<b>Six-month period ended</b>	
	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>VND'000</b>	<b>VND'000</b>
Raw material costs included in production costs	334,343,755	271,766,724
Labour costs and staff costs	91,244,524	83,135,843
Depreciation and amortisation	18,896,510	18,891,921
Outside services	223,323,045	176,703,008
Other expenses	815,930	13,826,926

18 August 2014

Prepared by:

Approved by:

*(Signed)*

*(Signed and sealed)*

Nguyen Hong Phong  
*Chief Accountant*

Michio Nagabayashi  
*Chairman – cum General Director*