

**Interfood Shareholding Company and
its subsidiary**

Consolidated Interim Financial Statements
for the six-month period ended
30 June 2015

Interfood Shareholding Company
Corporate information

Investment Licence No. 270/GP 16 November 1991

Investment Certificates No. 472033000328 (1st amendment) 28 November 2007
472033000328 (2nd amendment) 20 May 2010
472033000328 (3rd amendment) 22 April 2011
472033000328 (4th amendment) 18 October 2011
472033000328 (5th 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

| | |
|---------------------|-----------------------------|
| Toru Yamasaki | Chairman |
| Hiroshi Fujikawa | Member (until 9 April 2015) |
| Nguyen Thi Kim Lien | Member |
| Takayuki Morisawa | Member |
| Hajime Kobayashi | Member (from 9 April 2015) |
| Hirotsugu Otani | Member (from 9 April 2015) |

Board of Directors

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

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

Auditors KPMG Limited
Vietnam

Interfood Shareholding Company Statement of the Board of Directors

The Board of Directors of Interfood Shareholding Company (“the Company”) presents this statement and the accompanying consolidated interim financial statements of the Company and its subsidiary (collectively “the Group”) for the six-month period ended 30 June 2015.

The Board of Directors is responsible for the preparation and presentation of the consolidated interim financial statements of the Group 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 40 give a true and fair view of the consolidated financial position of the Group as at 30 June 2015, and of its consolidated results of operations and its 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; 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)

Toru Yamasaki
Chairman – cum General Director

Ho Chi Minh City, 28 August 2015

INTERIM FINANCIAL STATEMENTS REVIEW REPORT

To the Shareholders Interfood Shareholding Company

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 2015 and 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 28 August 2015, as set out on pages 4 to 40. 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, in all material respects, of the consolidated financial position of Interfood Shareholding Company and its subsidiary as at 30 June 2015 and of its consolidated results of operations and its 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.: 14-04-284

(Signed)

(Signed and sealed)

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

Chang Hung Chun
Practicing Auditor Registration
Certificate No. 0863-2013-007-1

Ho Chi Minh City, 28 August 2015

Interfood Shareholding Company and its subsidiary
Consolidated balance sheet as at 30 June 2015

Form B 01a – DN/HN

| | Code | Note | 30/6/2015 VND'000 | 31/12/2014 VND'000 |
|---|------------|----------|----------------------|-----------------------|
| ASSETS | | | | |
| Current assets (100 = 110 + 130 + 140 + 150) | 100 | | 284,264,810 | 339,000,879 |
| Cash | 110 | 6 | 71,747,435 | 114,345,439 |
| Accounts receivable – short-term | 130 | | 25,469,210 | 41,942,400 |
| Accounts receivable – trade | 131 | | 21,357,201 | 36,547,087 |
| Prepayments to suppliers | 132 | | 6,157,477 | 6,948,340 |
| Other receivables | 135 | | - | 492,441 |
| Allowance for doubtful debts | 139 | | (2,045,468) | (2,045,468) |
| Inventories | 140 | 7 | 184,381,683 | 179,430,711 |
| Inventories | 141 | | 189,255,506 | 182,865,732 |
| Allowance for inventories | 149 | | (4,873,823) | (3,435,021) |
| Other current assets | 150 | | 2,666,482 | 3,282,329 |
| Short-term prepayments | 151 | | 2,125,165 | 2,703,434 |
| Other current assets | 158 | | 541,317 | 578,895 |
| Long-term assets (200 = 220 + 260) | 200 | | 311,320,525 | 325,011,033 |
| Fixed assets | 220 | | 275,977,409 | 290,039,595 |
| Tangible fixed assets | 221 | 8 | 263,767,697 | 279,095,084 |
| <i>Cost</i> | 222 | | 608,332,948 | 607,104,916 |
| <i>Accumulated depreciation</i> | 223 | | (344,565,251) | (328,009,832) |
| Intangible fixed assets | 227 | 9 | 8,320,702 | 8,954,046 |
| <i>Cost</i> | 228 | | 10,815,193 | 10,815,193 |
| <i>Accumulated amortisation</i> | 229 | | (2,494,491) | (1,861,147) |
| Construction in progress | 230 | 10 | 3,889,010 | 1,990,465 |
| Other long-term assets | 260 | | 35,343,116 | 34,971,438 |
| Long-term prepayments | 261 | 11 | 33,781,614 | 33,409,936 |
| Other long-term assets | 268 | | 1,561,502 | 1,561,502 |
| TOTAL ASSETS (270 = 100 + 200) | 270 | | 595,585,335 | 664,011,912 |

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 2015 (continued)

Form B 01a – DN/HN

| | Code | Note | 30/6/2015 VND'000 | 31/12/2014 VND'000 |
|--|------------|-----------|----------------------|-----------------------|
| RESOURCES | | | | |
| LIABILITIES (300 = 310 + 330) | 300 | | 543,257,337 | 562,725,468 |
| Current liabilities | 310 | | 394,252,818 | 416,900,346 |
| Short-term borrowings | 311 | 12 | 283,920,000 | 245,870,000 |
| Accounts payable – trade | 312 | 13 | 56,357,804 | 97,422,844 |
| Advances from customers | 313 | | 3,054,988 | 3,316,859 |
| Taxes payable to State Treasury | 314 | 14 | 5,366,618 | 5,840,145 |
| Payables to employees | 315 | | 9,988,908 | 10,167,951 |
| Accrued expenses | 316 | 15 | 32,929,226 | 53,415,552 |
| Other payables | 319 | 16 | 2,635,274 | 866,995 |
| Long-term borrowings and liabilities | 330 | | 149,004,519 | 145,825,122 |
| Long-term borrowings | 334 | 17 | 141,960,000 | 138,970,000 |
| Deferred tax liabilities | 335 | 18 | 3,975,658 | 3,778,777 |
| Provision – long-term | 337 | 19 | 3,068,861 | 3,076,345 |
| EQUITY (400 = 410) | 400 | | 48,608,053 | 97,810,336 |
| Owners' equity | 410 | 20 | 48,608,053 | 97,810,336 |
| Share capital | 411 | 21 | 711,409,840 | 711,409,840 |
| Share premium | 412 | | 85,035,704 | 85,035,704 |
| Other reserves | 418 | 22 | 57,498,796 | 57,498,796 |
| Accumulated losses | 420 | | (805,336,287) | (756,134,004) |
| MINORITY INTEREST | 439 | | 3,719,945 | 3,476,108 |
| TOTAL RESOURCES (440 = 300 + 400 + 439) | 440 | | 595,585,335 | 664,011,912 |

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 2015 (continued)**

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OFF BALANCE SHEET ITEMS

| | 30/6/2015 | 31/12/2014 |
|--------------------|------------------|-------------------|
| | VND'000 | VND'000 |
| Foreign currencies | | |
| • USD | 20,591,317 | 47,696,513 |
| • EUR | 8,357 | 8,938 |

28 August 2015

Prepared by:

Approved by:

(Signed)

(Signed and sealed)

Nguyen Hong Phong
Chief Accountant

Toru Yamasaki
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 2015

Form B 02a – DN/HN

| | Code | Note | Six-month period ended | |
|---|-----------|-----------|------------------------|---------------------|
| | | | 30/6/2015 | 30/6/2014 |
| | | | VND'000 | VND'000 |
| Total revenue | 01 | 23 | 585,296,603 | 546,199,824 |
| Less revenue deductions | 02 | 23 | 16,294,245 | 19,648,111 |
| Net revenue (10 = 01 - 02) | 10 | 23 | 569,002,358 | 526,551,713 |
| Cost of sales | 11 | 24 | 406,482,796 | 396,026,609 |
| Gross profit (20 = 10 - 11) | 20 | | 162,519,562 | 130,525,104 |
| Financial income | 21 | 25 | 11,035,148 | 3,339,738 |
| Financial expenses | 22 | 26 | 21,346,571 | 11,281,954 |
| <i>In which: Interest expense</i> | 23 | | 2,691,360 | 3,470,061 |
| Selling expenses | 24 | | 184,972,298 | 201,950,887 |
| General and administration expenses | 25 | | 17,614,665 | 17,245,930 |
| Net operating loss {30 = 20 + (21 - 22) - (24 + 25)} | 30 | | (50,378,824) | (96,613,929) |
| Other income | 31 | 27 | 3,892,702 | 8,171,776 |
| Other expenses | 32 | 28 | 2,275,443 | 1,423,856 |
| Results of other activities (40 = 31 - 32) | 40 | | 1,617,259 | 6,747,920 |
| Loss before tax (50 = 30 + 40) | 50 | | (48,761,565) | (89,866,009) |
| Income tax expense – current | 51 | 29 | - | - |
| Income tax expense/(benefit) – deferred | 52 | 29 | 196,881 | (290,895) |
| Net loss after tax (60 = 50 - 51 - 52) | 60 | | (48,958,446) | (89,575,114) |

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 2015
(continued)

Form B 02a – DN/HN

| | Code | Note | Six-month period ended 30/6/2015 VND'000 | 30/6/2014 VND'000 |
|-------------------------------|------|------|--|----------------------|
| Net loss after tax | 60 | | (48,958,446) | (89,575,114) |
| Attributable to: | | | | |
| Minority interest | 61 | | 243,837 | 279,937 |
| Equity holders of the Company | 62 | | (49,202,283) | (89,855,051) |
| Loss per share | | | | |
| Basic loss per share (in VND) | 70 | 30 | (692) | (1,792) |

28 August 2015

Prepared by:

(Signed)

Nguyen Hong Phong
Chief Accountant

Approved by:

(Signed and sealed)

Toru Yamasaki
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 2015
(Indirect method)

Form B 03a – DN/HN

| | Code | Note | Six-month period ended 30/6/2015 VND'000 | 30/6/2014 VND'000 |
|---|-----------|------|--|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Loss before tax | 01 | | (48,761,565) | (89,866,009) |
| Adjustments for | | | | |
| Depreciation and amortisation | 02 | | 19,166,722 | 18,896,510 |
| Allowances and provisions | 03 | | 1,438,802 | 16,367,790 |
| Unrealised foreign exchange losses | 04 | | 8,730,936 | 4,694,629 |
| Profits from disposals of fixed assets | 05 | | (571,664) | - |
| Interest income | 05 | | (150,906) | (160,178) |
| Interest expense | 06 | | 2,691,360 | 3,470,061 |
| Operating loss before changes in working capital | 08 | | (17,456,315) | (46,597,197) |
| Change in receivables | 09 | | 16,272,853 | 6,145,307 |
| Change in inventories | 10 | | (6,389,774) | (28,573,084) |
| Change in payables and other liabilities | 11 | | (59,261,874) | 17,998,296 |
| Changes in prepayments | 12 | | 206,591 | 174,869 |
| | | | (66,628,519) | (50,851,809) |
| Interest paid | 13 | | (3,939,595) | (4,058,413) |
| Other receipts for operating activities | 15 | | 12,076 | - |
| Net cash flows from operating activities | 20 | | (70,556,038) | (54,910,222) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Payments for additions to fixed assets and other long-term assets | 21 | | (5,178,327) | (5,922,456) |
| Proceeds from disposals of fixed assets | 22 | | 645,455 | - |
| Receipts of interests | 27 | | 150,906 | 160,178 |
| Net cash flows from investing activities | 30 | | (4,381,966) | (5,762,278) |

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 2015
(Indirect method – continued)

Form B 03a – DN/HN

| | Code | Note | Six-month period ended 30/6/2015 VND'000 | 30/6/2014 VND'000 |
|--|-----------|----------|--|----------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from short-term borrowings | 33 | | 32,340,000 | 31,590,000 |
| Net cash flows from financing activities | 40 | | 32,340,000 | 31,590,000 |
| Net cash flows during the period (50 = 20 + 30 + 40) | 50 | | (42,598,004) | (29,082,500) |
| Cash at beginning of the period | 60 | | 114,345,439 | 97,180,048 |
| Effect of exchange rate fluctuations on cash | 61 | | - | 376,323 |
| Cash at end of the period (70 = 50 + 60 + 61) | 70 | 6 | 71,747,435 | 68,473,871 |

28 August 2015

Prepared by:

(Signed)

Nguyen Hong Phong
Chief Accountant

Approved by:

(Signed and sealed)

Toru Yamasaki
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 2015

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 2015 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; the production of biscuits and snack food; carbonated and non-carbonated fruit juice, non-carbonated and carbonated beverages, with or without low level of alcohol (less than 10%); bottled filtered water; packaging for foods and beverages; and to export, import products in accordance with business operation.

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 agricultural, aquatic and livestock products; lease a workshop, office; and to export, import products in accordance with business operation under the Investment Licence No. 48/GP-DN issued by the People’s Committee of Dong Nai Province on 19 July 2002.

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 the 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 2015, the Group had 1,454 employees (31/12/2014: 1,539 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 2015 (continued)

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(c) Going concern assumption

The consolidated interim financial statements have been prepared on a going concern basis. The Group incurred net loss after tax of VND48,958 million (six-month period ended 30 June 2014: loss of VND89,575 million) during the period and at the balance sheet date, current liabilities exceeded current assets by VND109,988 million (31/12/2014: VND77,899 million). Furthermore, the Group had significant loans that will require refinancing within the next 12 months (Note 12). The validity of the going concern assumption fundamentally depends on the Group to generate enough operating and financing cash flows to meet the operational expenses and on the ultimate majority shareholder continuing to provide such financial assistance as is necessary to enable the 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, the Group has USD3.5 million unused short-term facility which can be used to meet the operational expenses and there is no reason for the management to believe that the ultimate majority shareholder will not continue its support.

(d) Annual accounting period

The annual accounting period of the 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. New guidance on accounting system for enterprises not yet adopted

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

On 18 May 2015, the Ministry of Finance issued Circular No. 75/2015/TT-BTC (“Circular 75”) on amendment of Article 128 “Effective date” of Circular 200. The amendment stipulates that enterprises which are required to issue interim financial statements, including quarterly and half-year financial statements, are permitted to choose to prepare and present interim financial statements in 2015 either in accordance with Decision 15 or in accordance with Circular 200.

The Group has adopted the applicable requirements of Circular 75 and chose to prepare consolidated interim financial statements in accordance with Decision 15.

Interfood Shareholding Company and its subsidiary
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2015 (continued)

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4. 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) *Subsidiary*

Subsidiary is an entity controlled by the Group. The financial statements of subsidiary are included in the consolidated interim financial statements from the date that control commences until the date that control ceases.

(ii) *Transactions eliminated on consolidation*

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

(b) Foreign currency transactions

Monetary assets and liabilities denominated in currencies other than 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 of exchange 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 inventories.

Interfood Shareholding Company and its subsidiary
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2015 (continued)

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(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.

(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 follows:

| | |
|---------------------------|--------------|
| ▪ buildings | 6 – 30 years |
| ▪ machinery and equipment | 6 – 15 years |
| ▪ motor vehicles | 6 – 10 years |
| ▪ office equipment | 3 – 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 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

Prepaid land costs comprise prepaid land lease rentals and other costs incurred in conjunction with securing the use of leased land. These costs are recognised in the consolidated statement of income on a straight-line basis over the term of the lease of 40 years.

Interfood Shareholding Company and its subsidiary
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2015 (continued)

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(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.

(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. Cost of tools and supplies are amortised on a straight-line basis over 3 years.

(iv) Insurance and rental expenses

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

(j) Trade and other payables

Trade and other payables are stated at their cost.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or 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 2015 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 2015 (continued)

Form B 09a – DN/HN

(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 follows:

(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 financial assets at fair value through profit or loss.

Held-to-maturity investments

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

- those that the Group upon initial recognition designates as financial assets 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.

Interfood Shareholding Company and its subsidiary
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2015 (continued)

Form B 09a – DN/HN

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.

(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 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 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.

(m) *Taxation*

Income tax on the 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.

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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 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 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 value of the 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 and other income

(i) Goods sold

Revenue from sales 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.

(ii) Interest income

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

(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 Company by the weighted average number of ordinary shares outstanding during the period. The Company 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 parties

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

5. Segment reporting

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

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6. Cash

| | 30/6/2015 | 31/12/2014 |
|---------------|------------------|-------------------|
| | VND'000 | VND'000 |
| Cash on hand | 100,958 | 173,776 |
| Cash at banks | 71,646,477 | 114,171,663 |
| | <hr/> | <hr/> |
| | 71,747,435 | 114,345,439 |
| | <hr/> <hr/> | <hr/> <hr/> |

7. Inventories

| | 30/6/2015 | 31/12/2014 |
|---------------------------|------------------|-------------------|
| | VND'000 | VND'000 |
| Raw materials | 57,364,875 | 52,314,741 |
| Tools and supplies | 12,559,583 | 10,882,858 |
| Work in progress | 12,225,222 | 13,602,577 |
| Finished goods | 107,105,826 | 106,065,556 |
| | <hr/> | <hr/> |
| | 189,255,506 | 182,865,732 |
| Allowance for inventories | (4,873,823) | (3,435,021) |
| | <hr/> | <hr/> |
| | 184,381,683 | 179,430,711 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

| | Six-month period ended | |
|---|-------------------------------|------------------|
| | 30/6/2015 | 30/6/2014 |
| | VND'000 | VND'000 |
| Opening balance | 3,435,021 | - |
| Increase in allowance during the period | 4,790,762 | 16,338,436 |
| Written back | (3,351,960) | - |
| | <hr/> | <hr/> |
| Closing balance | 4,873,823 | 16,338,436 |
| | <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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8. Tangible fixed assets

| | Buildings VND'000 | Machinery and equipment VND'000 | Motor vehicles VND'000 | Office equipment VND'000 | Total VND'000 |
|--|------------------------------|--|---------------------------------------|---|--------------------------|
| Cost | | | | | |
| Opening balance | 116,703,036 | 475,041,079 | 9,916,896 | 5,443,905 | 607,104,916 |
| Additions | - | 819,899 | - | 132,937 | 952,836 |
| Transfers from construction in progress | 425,096 | 1,854,030 | - | 47,820 | 2,326,946 |
| Disposals | - | - | (2,051,750) | - | (2,051,750) |
| Closing balance | 117,128,132 | 477,715,008 | 7,865,146 | 5,624,662 | 608,332,948 |
| Accumulated depreciation | | | | | |
| Opening balance | 27,980,435 | 289,323,730 | 7,227,510 | 3,478,157 | 328,009,832 |
| Charge for the period | 2,017,449 | 15,834,439 | 356,877 | 324,613 | 18,533,378 |
| Disposals | - | - | (1,977,959) | - | (1,977,959) |
| Closing balance | 29,997,884 | 305,158,169 | 5,606,428 | 3,802,770 | 344,565,251 |
| Net book value | | | | | |
| Opening balance | 88,722,601 | 185,717,349 | 2,689,386 | 1,965,748 | 279,095,084 |
| Closing balance | 87,130,248 | 172,556,839 | 2,258,718 | 1,821,892 | 263,767,697 |

Included in the cost of tangible fixed assets were assets costing VND27,414 million which were fully depreciated as at 30 June 2015 (31/12/2014: VND26,515 million), but are still in active use.

The net book value of temporarily idle tangible fixed assets amounted to VND36,904 million as at 30 June 2015 (31/12/2014: VND14,455 million).

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Notes to the consolidated interim financial statements for the six-month period ended
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9. Intangible fixed assets

| | Software VND'000 |
|-------------------------------------|-----------------------------------|
| Cost | |
| Opening balance and closing balance | 10,815,193 |
| | <hr/> |
| Accumulated amortisation | |
| Opening balance | 1,861,147 |
| Charge for the period | 633,344 |
| | <hr/> |
| Closing balance | 2,494,491 |
| | <hr/> |
| Net book value | |
| Opening balance | 8,954,046 |
| Closing balance | 8,320,702 |
| | <hr/> <hr/> |

10. Construction in progress

| | Six-month period ended | |
|-------------------------------------|-------------------------------|------------------|
| | 30/6/2015 | 30/6/2014 |
| | VND'000 | VND'000 |
| Opening balance | 1,990,465 | 2,731,811 |
| Additions during the period | 4,225,491 | 2,577,949 |
| Transfers to tangible fixed assets | (2,326,946) | (3,452,805) |
| Transfers to short-term prepayments | - | (330,607) |
| | <hr/> | <hr/> |
| Closing balance | 3,889,010 | 1,526,348 |
| | <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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11. Long-term prepayments

| | Prepaid land costs VND'000 | Renovation expenses VND'000 | Tools and supplies VND'000 | Insurance expenses VND'000 | Rental expenses VND'000 | Total VND'000 |
|--------------------------------|---|--|---|---|--|--------------------------|
| Opening balance | 26,964,009 | 4,310,400 | 2,135,527 | - | - | 33,409,936 |
| Additions | - | 970,818 | 1,293,647 | 497,276 | 2,158,098 | 4,919,839 |
| Amortisation for the period | (347,499) | (1,292,671) | (945,291) | (75,673) | (1,887,027) | (4,548,161) |
| Closing balance | 26,616,510 | 3,988,547 | 2,483,883 | 421,603 | 271,071 | 33,781,614 |

12. Short-term borrowings

| | 30/6/2015 VND'000 | 31/12/2014 VND'000 |
|---|------------------------------|-------------------------------|
| Loans from Kirin Holdings Company Limited | 283,920,000 | 245,870,000 |

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

| | Currency | Annual interest rate | 30/6/2015 VND'000 | 31/12/2014 VND'000 |
|--------|-----------------|---------------------------------|------------------------------|-------------------------------|
| Loan 1 | USD | Libor plus 0.8% | 152,880,000 | 149,660,000 |
| Loan 2 | USD | Libor plus 0.8% | 131,040,000 | 96,210,000 |
| | | | 283,920,000 | 245,870,000 |

The applicable interest rates of these borrowings ranged from 1.036% to 1.200% per annum during the period (2014: 0.954% to 1.492% per annum).

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13. Accounts payable – trade

Accounts payable – trade included the following amounts due to a related party:

| | 30/6/2015 | 31/12/2014 |
|---|------------------|-------------------|
| | VND'000 | VND'000 |
| Amounts due to Vietnam Kirin Beverage Company Limited | 9,690,314 | 38,979,224 |

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

14. Taxes payable to State Treasury

| | 30/6/2015 | 31/12/2014 |
|------------------------|------------------|-------------------|
| | VND'000 | VND'000 |
| Value added tax | 5,122,991 | 5,448,172 |
| Personal income tax | 243,627 | 311,156 |
| Foreign contractor tax | - | 80,817 |
| | 5,366,618 | 5,840,145 |

15. Accrued expenses

| | 30/6/2015 | 31/12/2014 |
|--------------------------------|-------------------|-------------------|
| | VND'000 | VND'000 |
| Sales discounts and commission | 4,731,135 | 15,373,539 |
| Transportation fees | 9,505,290 | 7,920,713 |
| Secondment fee payable (*) | 5,042,103 | 4,742,113 |
| Loans interest payable | 920,337 | 2,168,572 |
| Display expenses | - | 3,090,617 |
| Promotion expenses | 5,651,735 | 5,745,365 |
| Others | 7,078,626 | 14,374,633 |
| | 32,929,226 | 53,415,552 |

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

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16. Other payables

| | 30/6/2015 | 31/12/2014 |
|--|------------------|-------------------|
| | VND'000 | VND'000 |
| Dividends payable | 505,391 | 505,391 |
| Trade union, social and health insurance | 1,986,795 | 137,776 |
| Others | 143,088 | 223,828 |
| | <hr/> | <hr/> |
| | 2,635,274 | 866,995 |
| | <hr/> <hr/> | <hr/> <hr/> |

17. Long-term borrowings

| | Currency | Annual interest rate | Year of maturity | 30/6/2015 | 31/12/2014 |
|---|-----------------|-------------------------------------|-----------------------------|------------------|-------------------|
| | | | | VND'000 | VND'000 |
| Unsecured borrowings from Kirin Holdings Company, Limited | USD | 1.896% | 2017 | 141,960,000 | 138,970,000 |
| | | | | <hr/> <hr/> | <hr/> <hr/> |

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

18. 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:

| | 30/6/2015 | | 31/12/2014 | |
|----------------------------------|---------------------------------|------------------|---------------------------------|------------------|
| | Temporary difference | Tax value | Temporary difference | Tax value |
| | VND'000 | VND'000 | VND'000 | VND'000 |
| Deductible temporary differences | 39,162,074 | 8,615,656 | 57,434,153 | 12,635,514 |
| Tax losses | 120,727,963 | 26,560,152 | 55,323,290 | 12,171,124 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 159,890,037 | 35,175,808 | 112,757,443 | 24,806,638 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

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The tax losses expire in the following years:

| Year of expiry | Status of tax review | Tax losses available VND'000 |
|-----------------------|-----------------------------|---|
| 2017 | Outstanding | 14,604,263 |
| 2019 | Outstanding | 37,786,831 |
| 2020 | Outstanding | 68,336,869 |
| | | 120,727,963 |

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

19. Provision – long-term

Movements of provision during the period were as follows:

| | Severance allowance VND'000 |
|--------------------------------------|--|
| Opening balance | 3,076,345 |
| Provision made during the period | 35,763 |
| Provision utilised during the period | (43,247) |
| | 3,068,861 |
| Closing balance | 3,068,861 |

During the six-month period ended 30 June 2015, the Group contributed VND545 million (six-month period ended 30 June 2014: VND599 million) to the unemployment insurance fund and the amount is recorded as part of labour and staff costs in the consolidated statement of income.

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20. Movements in owners' equity

| | Share capital VND'000 | Share premium VND'000 | Other reserves VND'000 | Accumulated losses VND'000 | Total VND'000 |
|---------------------------------------|----------------------------------|----------------------------------|-----------------------------------|---|--------------------------|
| Balance as at 31 December 2013 | 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 22(b)) | (90,034,048) | - | 90,034,048 | - | - |
| Balance as at 30 June 2014 | 501,409,840 | 85,035,704 | 57,498,796 | (669,083,384) | (25,139,044) |
| Share capital issued | 210,000,000 | - | - | - | 210,000,000 |
| Net loss for the period | - | - | - | (87,050,620) | (87,050,620) |
| Balance as at 31 December 2014 | 711,409,840 | 85,035,704 | 57,498,796 | (756,134,004) | 97,810,336 |
| Net loss for the period | - | - | - | (49,202,283) | (49,202,283) |
| Balance as at 30 June 2015 | 711,409,840 | 85,035,704 | 57,498,796 | (805,336,287) | 48,608,053 |

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21. Share capital

The Company's authorised and issued share capital is:

| | 30/6/2015 | |
|--|-----------------------------|----------------|
| | Number of shares | VND'000 |
| Authorised and issued share capital | | |
| Ordinary shares | 71,140,992 | 711,409,920 |
| <hr/> | | |
| Shares in circulation | | |
| Ordinary shares | 71,140,984 | 711,409,840 |
| <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 dividends 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.

Please refer to Note 20 for movements in share capital.

22. Other reserves

| | 30/6/2015 | 31/12/2014 |
|-------------------------|------------------|-------------------|
| | VND'000 | VND'000 |
| Acquisition reserve (a) | (32,535,252) | (32,535,252) |
| Other reserve (b) | 90,034,048 | 90,034,048 |
| <hr/> | | |
| | 57,498,796 | 57,498,796 |
| <hr/> | | |

- (a) In 2007, the Company acquired 90.4% shareholding of Avafood in a business combination under common control. This amount represented 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 Company changed its accounting currency from United States Dollars ("USD") to Vietnam Dong ("VND") in accordance with the requirements of Circular No. 244/2010/TT/BTC dated 31 December 2009 of the Ministry of Finance ("Circular 244"). Accordingly, all balances in USD as at 31 December 2012 have been translated to VND at the exchange rate of VND20,828 to USD1. 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 of VND90,034,048,000 is reflected as other reserves.

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23. Total revenue

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

Net revenue comprised:

| | Six-month period ended | |
|---------------------------|-------------------------------|------------------|
| | 30/6/2015 | 30/6/2014 |
| | VND'000 | VND'000 |
| Total revenue | | |
| ▪ Sales of drinks | 506,425,080 | 472,484,092 |
| ▪ Sales of biscuits | 7,689,901 | 9,881,325 |
| ▪ Sales of other products | 71,181,622 | 63,834,407 |
| | <hr/> | <hr/> |
| | 585,296,603 | 546,199,824 |
| | <hr/> | <hr/> |
| Less revenue deductions | | |
| ▪ Sales allowances | 16,293,825 | 15,755,789 |
| ▪ Sales returns | 420 | 3,892,322 |
| | <hr/> | <hr/> |
| | 16,294,245 | 19,648,111 |
| | <hr/> | <hr/> |
| Net revenue | 569,002,358 | 526,551,713 |
| | <hr/> | <hr/> |

24. Cost of sales

| | Six-month period ended | |
|--------------------------|-------------------------------|------------------|
| | 30/6/2015 | 30/6/2014 |
| | VND'000 | VND'000 |
| Total cost of sales | | |
| ▪ Cost of drinks | 365,647,824 | 335,909,690 |
| ▪ Cost of biscuits | 6,745,306 | 8,850,694 |
| ▪ Cost of other products | 34,089,666 | 51,266,225 |
| | <hr/> | <hr/> |
| | 406,482,796 | 396,026,609 |
| | <hr/> | <hr/> |

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25. Financial income

| | Six-month period ended | |
|------------------------------------|-------------------------------|------------------|
| | 30/6/2015 | 30/6/2014 |
| | VND'000 | VND'000 |
| Interest income from bank deposits | 150,906 | 160,178 |
| Realised foreign exchange gains | 10,848,210 | 2,778,980 |
| Unrealised foreign exchange gains | 36,032 | 400,580 |
| | <hr/> | <hr/> |
| | 11,035,148 | 3,339,738 |
| | <hr/> | <hr/> |

26. Financial expenses

| | Six-month period ended | |
|------------------------------------|-------------------------------|------------------|
| | 30/6/2015 | 30/6/2014 |
| | VND'000 | VND'000 |
| Interest expense | 2,691,360 | 3,470,061 |
| Realised foreign exchange losses | 9,888,243 | 2,716,684 |
| Unrealised foreign exchange losses | 8,766,968 | 5,095,209 |
| | <hr/> | <hr/> |
| | 21,346,571 | 11,281,954 |
| | <hr/> | <hr/> |

27. Other income

| | Six-month period ended | |
|---|-------------------------------|------------------|
| | 30/6/2015 | 30/6/2014 |
| | VND'000 | VND'000 |
| Proceeds from disposals of fixed assets | 645,455 | - |
| Others | 3,247,247 | 8,171,776 |
| | <hr/> | <hr/> |
| | 3,892,702 | 8,171,776 |
| | <hr/> | <hr/> |

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28. Other expenses

| | Six-month period ended | |
|---|-------------------------------|------------------|
| | 30/6/2015 | 30/6/2014 |
| | VND'000 | VND'000 |
| Depreciation of idle fixed assets | 2,008,326 | 1,298,713 |
| Net book value of disposed fixed assets | 73,791 | - |
| Others | 193,326 | 125,143 |
| | <hr/> | <hr/> |
| | 2,275,443 | 1,423,856 |
| | <hr/> | <hr/> |

29. Income tax

(a) Recognised in the consolidated statement of income

| | Six-month period ended | |
|---|-------------------------------|------------------|
| | 30/6/2015 | 30/6/2014 |
| | VND'000 | VND'000 |
| Deferred tax expense/(benefit) | | |
| Origination and reversal of temporary differences | 196,881 | 167,386 |
| Effect of change in tax rate | - | (458,281) |
| | <hr/> | <hr/> |
| | 196,881 | (290,895) |
| | <hr/> | <hr/> |

(b) Reconciliation of effective tax rate

| | Six-month period ended | |
|---|-------------------------------|------------------|
| | 30/6/2015 | 30/6/2014 |
| | VND'000 | VND'000 |
| Loss before tax | (48,761,565) | (89,866,009) |
| | <hr/> | <hr/> |
| Tax at the Group's tax rate | (10,727,544) | (19,770,522) |
| Non-deductible expenses | 555,255 | 4,474,377 |
| Effect of change in tax rate | - | (458,281) |
| Deferred tax assets not recognised | 11,014,253 | 16,116,893 |
| Tax losses not previously recognised utilised | (645,083) | (653,362) |
| | <hr/> | <hr/> |
| | 196,881 | (290,895) |
| | <hr/> | <hr/> |

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(c) Applicable tax rates

(i) *Interfood Shareholding 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 rate applicable to enterprises before any incentives of 25%.

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

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

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

The usual income tax rate applicable to enterprises before any incentives has been changed to 22% for 2014 and 2015, and will be reduced to 20% from 2016.

(ii) *Avafood Shareholding Company*

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 the tax rate applicable to enterprises before any incentives of 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 the tax rate applicable to enterprises before any incentives of 25%.

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Corporate income tax is payable at the rate stipulated by the current regulations on annual profit from processing service, office and workshop lease activity (2015 and 2014: 22%).

The usual income tax rate applicable to enterprises before any incentives has been changed to 22% for 2014 and 2015, and will be reduced to 20% from 2016.

30. Basic loss per share

The calculation of basic loss per share at 30 June 2015 was based on the net 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

| | Six-month period ended | |
|--|-------------------------------|------------------|
| | 30/6/2015 | 30/6/2014 |
| | VND'000 | VND'000 |
| Net loss attributable to ordinary shareholders | (49,202,283) | (89,855,051) |

(ii) Weighted average number of ordinary shares

| | Six-month period ended | |
|---|-------------------------------|------------------|
| | 30/6/2015 | 30/6/2014 |
| Weighted average number of ordinary shares for the period | 71,140,984 | 50,140,984 |

31. 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.

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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 of Directors is responsible for developing and monitoring the Group's risk management policies.

(b) Credit risk

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

(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 follows:

| | Note | 30/6/2015 VND'000 | 31/12/2014 VND'000 |
|-----------------------------|-------------|------------------------------------|-------------------------------------|
| Cash at banks | (ii) | 71,646,477 | 114,171,663 |
| Trade and other receivables | (iii) | 19,311,733 | 34,994,060 |
| | | 90,958,210 | 149,165,723 |

(ii) Cash at banks

Cash at banks 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.

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(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 50 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.

The aging of trade and other receivables is as follows:

| | 30/6/2015 | 31/12/2014 |
|------------------------|------------------|-------------------|
| | VND'000 | VND'000 |
| Not past due | 13,055,950 | 18,186,392 |
| Past due 1 – 30 days | 3,673,886 | 13,599,968 |
| Past due 31 – 180 days | 1,944,688 | 3,516,347 |
| Over 180 days | 2,682,677 | 1,736,821 |
| | <hr/> | <hr/> |
| | 21,357,201 | 37,039,528 |
| | <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 company by managing the financing terms with the related company.

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

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| | 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 | 101,911,212 | 101,911,212 | 101,911,212 | - | - |
| Short-term borrowings | 283,920,000 | 284,763,601 | 284,763,601 | - | - |
| Long-term borrowings | 141,960,000 | 146,974,416 | 2,706,310 | 144,268,106 | - |
| | 527,791,212 | 533,649,229 | 389,381,123 | 144,268,106 | - |

31 December 2014

| | 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 | 161,873,342 | 161,873,342 | 161,873,342 | - | - |
| Short-term borrowings | 245,870,000 | 247,045,142 | 247,045,142 | - | - |
| Long-term borrowings | 138,970,000 | 145,257,095 | 2,634,871 | 2,634,871 | 139,987,353 |
| | 546,713,342 | 554,175,579 | 411,553,355 | 2,634,871 | 139,987,353 |

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

- USD3.5 million unused short-term loan facility which renews automatically at the option of the Group. Interest would be payable at a rate of Libor + 0.8% per annum.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates 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, 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.

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

Exposure to currency risk

The Group had the following net monetary liabilities position exposed to currency risk:

| | 30/6/2015 | 31/12/2014 |
|-----------------------------|------------------|-------------------|
| | USD | USD |
| Cash | 945,424 | 2,230,894 |
| Accounts receivable – trade | 221,869 | 339,568 |
| Short-term borrowings | (13,000,000) | (11,500,000) |
| Accounts payable – trade | (234,630) | (197,469) |
| Other monetary liabilities | (272,828) | (317,543) |
| Long-term borrowings | (6,500,000) | (6,500,000) |
| | <hr/> | <hr/> |
| | (18,840,165) | (15,944,550) |
| | <hr/> <hr/> | <hr/> <hr/> |

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

| | Exchange rate as at | |
|------|----------------------------|-------------------|
| | 30/6/2015 | 31/12/2014 |
| | VND | VND |
| USD1 | 21,780 | 21,380 |
| | <hr/> <hr/> | <hr/> <hr/> |

Below is an analysis of the possible impact on the net loss after tax 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.

| | |
|-------------------------------|-----------------|
| | Increase |
| | net loss |
| | VND'000 |
| 30 June 2015 | |
| USD (2% strengthening of USD) | 6,401,285 |
| | <hr/> <hr/> |
| 31 December 2014 | |
| USD (1% strengthening of USD) | 2,658,977 |
| | <hr/> <hr/> |

The opposite movement of the currency would have the equal but opposite effect to the net loss after tax of the Group.

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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:

| | Carrying amount | |
|----------------------------------|------------------------|----------------------|
| | 30/6/2015 | 31/12/2014 |
| | VND'000 | VND'000 |
| Fixed rate instruments | | |
| Financial liabilities | (141,960,000) | (138,970,000) |
| Variable rate instruments | | |
| Financial assets | 71,646,477 | 114,171,663 |
| Financial liabilities | (283,920,000) | (245,870,000) |
| | <u>(212,273,523)</u> | <u>(131,698,337)</u> |

An increase of 100 basis points in interest rates would have increased net loss after tax of the Group by VND1,656 million (2014: VND1,027 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.

(e) Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

| | 30/6/2015 | | 31/12/2014 | |
|---|------------------------|-------------------|------------------------|-------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | VND'000 | VND'000 | VND'000 | VND'000 |
| Categorised as loans and receivables: | | | | |
| - Cash at banks | 71,646,477 | 71,646,477 | 114,171,663 | 114,171,663 |
| - Trade and other receivables | 19,311,733 | (*) | 34,994,060 | (*) |
| Categorised as liabilities at amortised cost: | | | | |
| - Trade and other payables | (101,911,212) | (*) | (161,873,342) | (*) |
| - Short-term borrowings | (283,920,000) | (*) | (245,870,000) | (*) |
| - Long-term borrowings | (141,960,000) | (*) | (138,970,000) | (*) |

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- (*) 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.

32. Significant transactions with related parties

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

| | Transaction value | |
|---|-------------------------------|------------------|
| | Six-month period ended | |
| | 30/6/2015 | 30/6/2014 |
| | VND'000 | VND'000 |
| Ultimate Parent Company | | |
| Kirin Holding Company Limited | | |
| Short-term borrowings | 32,340,000 | 31,590,000 |
| Interest expense | 2,691,360 | 3,470,061 |
| Secondment fees | 5,099,073 | 4,837,586 |
| Other related parties | | |
| Vietnam Kirin Beverage Company Limited | | |
| Sales of goods | - | 5,109 |
| Processing fee | 81,233,516 | 48,272,295 |
| Member of Board of Directors | | |
| Secondment fees | 2,847,130 | 2,811,544 |
| Salary | 939,300 | 659,312 |

33. Commitments

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

| | 30/6/2015 | 31/12/2014 |
|--------------------------|-------------------|-------------------|
| | VND'000 | VND'000 |
| Within one year | 6,720,543 | 3,331,765 |
| Within two to five years | 13,311,650 | 1,135,397 |
| | 20,032,193 | 4,467,162 |

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34. Production and business costs by element

| | Six-month period ended | |
|---|-------------------------------|------------------|
| | 30/6/2015 | 30/6/2014 |
| | VND'000 | VND'000 |
| Raw material costs included in production costs | 273,947,461 | 334,343,755 |
| Labour costs and staff costs | 93,435,031 | 91,244,524 |
| Depreciation and amortisation | 19,166,722 | 18,896,510 |
| Outside services | 253,988,309 | 223,323,045 |
| Other expenses | 16,755,065 | 815,930 |

28 August 2015

Prepared by:

(Signed)

Nguyen Hong Phong
Chief Accountant

Approved by:

(Signed and sealed)

Toru Yamasaki
Chairman – cum General Director