



INTERFOOD SHAREHOLDING COMPANY

ANNUAL REPORT 2016



Chúng tôi cam kết sẽ mang đến **"Sức khỏe và niềm vui"**
thông qua sản phẩm chất lượng cao đến người tiêu dùng Việt.

Contents

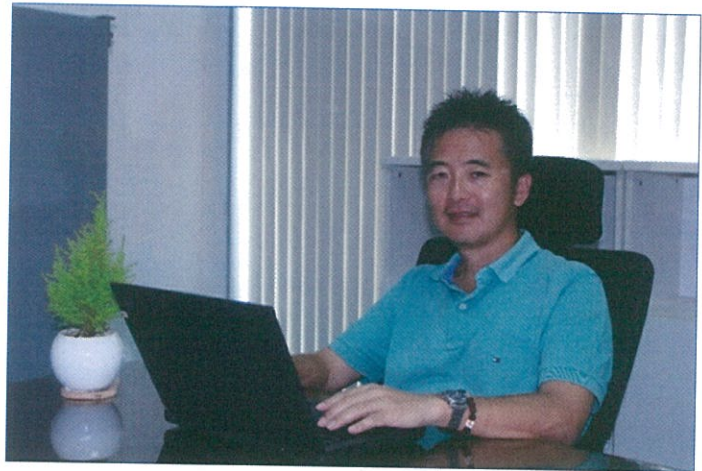
Message from Chairman of the Board.....	3
I. Company overview.....	4
1. General information.....	4
2. Company history.....	4
3. Business lines and localities	7
4. Organization and management structure	12
5. Development directions	14
II. Business operations.....	17
1. Situation of business operations	17
2. Organization structure and human resources.....	18
3. Situation of investment and project implementation	20
4. Financial situation.....	21
5. Shareholders structure and change in the owner's equity.....	22
III. Report and assessment of the board of directors	23
1. Assessment of operating results.....	23
2. Financial situation.....	23
3. Improvements in organizational structure, policies and management.....	23
4. Development plan in the future	24
5. Report on environmental and social responsibilities environmental initiatives	25
6. Corporate responsibility to the local community.....	26
IV. Assessments of the Board of Management on the company's operation	27
1. Assessment on the company's operation.....	27
2. Assessment on performance of the Board of Directors.....	27
3. Future plan of the Board of Management.....	28
V. Corporate governance	29
1. Board of Management	29
2. Supervisory Board	30
3. Remuneration and expenses on activities of the BOM and SB in 2016.....	31
4. Share transactions of internal parties, major shareholders and related parties	32
VI. Financial statements	33

MESSAGE FROM CHAIRMAN OF THE BOARD

Dear our valued Stakeholders,

On behalf of the Board of Management of Interfood Shareholding Company, I would like to deeply thank all our shareholders, customers, business partners and other agencies/organizations for your support, adherence and along with IFS to overcome obstacles and complete the set objectives in 2016.

Over the last few years, IFS has made a great effort to improve product quality, cost control, and restructuring the sales management process, etc., and overcome many production/ business difficulties by mobilizing all the IFS resources and support from Kirin Group.



In 2017, IFS would like to forward a big step to continue achieve operating profit and sustainable growth as well as carry out structural reforms that make the company transform into a solid management structure. After achieving these business plans, IFS will shift to more and more active investment and management stance and work to expand business with the aim of targeting a scale to capture to top position in the market.

Again, I sincerely thank and look forward to continue receiving support from you.

Wish you all good health and success.

Chairman cum General Director

(signed and sealed)

TORU YAMASAKI

I. COMPANY OVERVIEW

1. GENERAL INFORMATION

- Trading name: Interfood Shareholding Company (Interfood)
- Certificate of enterprise registration No.: 3600245631
- Charter capital: 871.409.920.000 VND
- Address: Lot 13, Tam Phuoc IZ, Tam Phuoc Ward, Bien Hoa, Dong Nai, Viet Nam
- Tel: 0613 511 138 - Fax: 0613 512 498
- Website: www.wonderfarmonline.com
- Securities code: IFS

2. COMPANY HISTORY

1991 Interfood Shareholding Company - formerly Interfood Processing Industry Ltd. ("IFPI") - was established on 16th November 1991 in accordance with the Investment license No. 270/GP issued by State Committee of Co-operation and Investment (now the Ministry of Plan and Investment). IFPI was a 100% FDI enterprise operating under the Vietnam Foreign Investment Law. Interfood's original owner was Trade Ocean Exporters Sdn. Bhd. (Penang, Malaysia). In 1996, Interfood's owner was changed to Trade Ocean Holdings Sdn. Bhd. (Penang, Malaysia) in accordance with the License No. 270/GPDC5 dated 26th February 1996 issued by the Ministry of Planning and Investment.

Initial main activities of the Company were processing agricultural products, seafood to canned, dried, frozen, preserved and pickled products. Total initial investment capital was US\$1,140,000.

1994 The Company's business was expanded by penetrating into the biscuits segment.

2003 The Company was approved to produce carbonated fruit juices and fruit juices with low alcohol content (5%), and its investment capital increased to US\$23,000,000.

2004 In April 2004, Interfood signed a processing agreement with AVA Food Industries Ltd. to mitigate Interfood's production, space and logistic constraints at its Bien Hoa factory whereby AVA would provide the production facilities and Interfood would provide the technology and machinery to manufacture Interfood's products

2005 In January 2005, the Company was approved to produce purified water and PET bottle, its investment capital increased to US\$30,000,000.

From 09th August 2005, IFPI was converted into a shareholding company which is now known as Interfood Shareholding Company (IFS) in accordance with License No. 270 CPH/GP granted by the Ministry of Planning and Investment. IFS was one of the first six FDI companies approved by the Ministry of Planning and Investment on conversion activities from Limited Company into Shareholding Company under Decree No. 38/2003/ND – CP of the Government. Total investment capital and charter

capital of the Company were US\$30,000,000 and US\$13,000,000 respectively.

- 2006** The Company moved its head quarter and factory to new location at Tam Phuoc Industrial Zone, Bien Hoa City, Dong Nai Province.

During this year, the Company increased its owned equity up to VND242,841,600,000 (equivalent to 24,284,160 shares with par value at VND10,000) and on 17th October 2006, listed 3,620,560 shares at the Ho Chi Minh City Securities Trading Centre (“HOSE”) under “IFS” code.

- 2007** On 16th October 2007, the Company issued bonus shares in ratio of 5:1, according to which total number of the Company’ shares are listed on the HOSE being 6,875,359 shares. Total registered capital of the Company increased to VND1,444,500,000,000 (approximately US\$90,000,000) and charter capital grew to VND291,409,920,000 (equivalent to 29,140,992 shares at par value of VND10,000).

In 2007, IFS acquired 90% contributed capital of Avafood Shareholding Company (“AVA”) and became the controlling shareholder of this company. The principal activities of AVA are to produce the processed products including fruit juice, purified water, biscuits, jams and sweets of all kinds, agricultural and aquatic products, livestock; and workshop for lease.

- 2008** Interfood Packaging Limited (formerly Interfood Packaging Shareholding Company) was established with 90% capital owned by the Company, total investment capital and charter capital registered as US\$32 million and US\$10 million respectively. The principal activity of Interfood Packaging Limited is to produce packaging materials for foods and soft drinks.

On 14th February 2008, Northern Interfood Shareholding Company was established in Bac Ninh Province with total investment capital and charter capital of US\$36 million and US\$11 million respectively and the Company owned 90% its charter capital. However, the Company could not arrange funding for the project activities and completed the termination of the project in December 2010.

- 2009** In late 2009, the Company ceased operations of its factory located in the urban area of Bien Hoa City, and relocated all production lines, equipment and inventory into its factory in Tam Phuoc Industrial Zone.

In 2009, the Company disposed 70% of its holding in Interfood Packaging Limited to Crown Packaging Investment Pte. Ltd. and became a minority shareholder holding 20% contributed capital of this company. Subsequently, Interfood Packaging Limited was renamed Crown Beverage Cans Dong Nai Ltd. (“Crown Dong Nai”).

- 2010** The Company disposed its 20% remained contributed capital at Crown Dong Nai to Crown Packaging Investment Pte. Ltd.

2011 On 11th March 2011, Kirin Holdings Company Limited (“Kirin”) acquired all shares of Trade Ocean Holding Sdn. Bhd. (“TOH”). Kirin was holding 57.25% shares in the Company through TOH. Kirin, a public company listed on the Tokyo Stock Exchange, is one of the largest beverage companies in the region.

2012 In June 2012, Kirin increased its stake in Interfood to 80.37% (equivalent to 23,421,955 shares) through TOH by acquiring all outstanding shares of Indochina Beverage Holdings (“IBH”) who holds 23.12% (equivalent to 6,737,309 shares) of total shares of Interfood.

In December 2012, all shares in Grande Indigo Global Ltd. (including 1,938,327 shares of Interfood) were bought by Kirin, Grande Indigo Global Ltd. became an associate with TOH and IBH.

2013 In 2013, the Company's charter capital increased from VND 291,409,920,000 to VND 501,409,920,000 (equivalence to 50,140,992 shares) through a private placement of shares to Kirin. After the purchase, Kirin increased its stake in Interfood to 92.46%.

2014 In 2014, the Company's charter capital increased from VND 501,409,920,000 to VND 711,409,920,000 (equivalence to 71,140,992 shares) through a private placement of 21,000,000 shares to Kirin Holdings Company Limited.

2015 In 2015, the Company's charter capital increased from VND 711,409,920,000 to VND 871,409,920,000 (equivalence to 87,140,992 shares) through a private placement of 16,000,000 shares to Kirin Kirin Holdings Singapore Pte. Limited (“KHSPL”), 100%-owned subsidiary of Kirin Holdings Company, Limited (“Kirin”).

Aiming to integrate the business operation of its subsidiaries of the Group in South East Asia, at the end of December 2015, Kirin transferred all its shares of IFS to KHSPL, pursuant to which KHSPL currently owns 83,360,282 shares of IFS equivalent to 95.66% of total outstanding shares of the Company.

2016 In 2016, pursuant to Decision No. 717/QĐ-SGDHN of Hanoi Stock Exchange regarding approval for stock trading registration of Intershood Shareholding Company, on November 16th, 2016, IFS shares were officially traded on UPCom system.

Pursuant to Resolution of Annual General Meeting of Shareholders in 2016, the Company implemented the termination of production and sales of biscuits in IFS and AVA to save its resources and focus on developing beverages business as its core business.

3. BUSINESS LINES AND LOCALITIES

❖ MAIN LINES OF BUSINESS

- Manufacturing of soft drinks, production of mineral waters and other bottled waters: processing carbonated and non-carbonated fruit-juice, processing carbonated and non-carbonated soft drinks without alcohol or with low alcohol (less than 10%); production of filtered water.
- Manufacturing of packagings for foods and soft drinks
- Processing and preserving of fruit and vegetables: Processing agricultural products into canned, dried, frozen, salted, vinegary products.
- Manufacturing of bakery products: production of cakes and snacks.
- Processing of milk and milk products.
- Exercising the right to export and import of products suitable for business and production sectors of the Company in accordance with laws.

❖ BRANDS AND PRODUCT LINES

Brand	Description
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WONDERFARM has been **long existing drinks brand** presented in Vietnamese families. With proper carefulness from Kirin Japan in selection of ingredients and manual production process, **WONDERFARM products provide a deep and full taste of traditional Vietnamese drinks.**

WONDERFARM products are made from natural fruits, which contain high nutritional facts and healthy benefits. Through the advanced technologies and strict manufacture procedures, our beverages taste so natural and mildly sweet that consumers can enjoy their daily portions of nutritious fruit juices, in a comfortable and easy way.



Over 100 year old Japanese brand KIRIN proudly brings **pleasure and healthiness** to consumer's life by providing **high quality products** produced under **advanced technology** from the group with more than **100 years of history in Japan.**

KIRIN brand products and WONDERFARM brand PET products are manufactured by ASEPTIC line - advanced aseptic filling technology of Japan in Vietnam KIRIN factory - that helps to preserve the natural flavor, ensure product quality and food safety without preservatives and artificial colorings.

- **WONDERFARM PRODUCTS**

WONDERFARM Winter Melon Tea: cooling characters that help cleanse and cool the body.



Well-known brand: popular for more than 20 years and recognized as No.1 Winter Melon Tea in Vietnam:

- Natural ingredient: made from actual winter melon fruits, hence provides natural and delightful taste and smell.
- Healthy: introducing Winter Melon Tea less sugar to capture health conscious customers.
- More choices with Winter Melon Tea in PET bottle which is easily portable for convenient use.

WONDERFARM Bird's Nest: nutrient-rich and suitable to gift to families and friends.



Bird's Nest White Fungus Drink: nutritious ingredients are balanced with real bird's nests and sugar bar to deliver a delicious and healthy drink. Drink it to recover your health or serve it to friends and family in your parties. WONDERFARM Bird's Nest is also an ideal gift.

WONDERFARM soft drinks

Our products contain the fresh and copious ingredients in Vietnam, whose origin and flavor are guaranteed and satisfactory for Vietnamese consumers.



WONDERFARM Coconut Milk: our condensed and aromatic ingredients are indispensable in the kitchens of Vietnamese ladies.



Our fresh coconut are directly selected from Ben Tre. With diverse flavors, our coconut products can be used in various ways. Each of our products can be used for many purposes.

This product was featured in Master Chef Vietnam and used in restaurants throughout VN.

- **KIRIN PRODUCTS**

KIRIN Ice+

As the first fruit water in Vietnam, **Ice+** is made by the **advanced Aseptic's Japanese technology**. Ice+ harmonizes pure water and fruit juice. Our drinks are frozen at -18°C below zero to preserve the succulence of just-picked fruits and to maintain the absolute food safety without preservatives, colorings and odorants.



KIRIN LATTE



With the Secrets of Creating Delicious Tastes from Japan, Latte combines the finest quintessence of natural extracts blended with milk. Latte delivers the pure flavors and mild after-taste to quench your thirst and gently refresh you.

KIRIN TEA BREAK



Gogo no Kocha - Best-selling product in Japan now coming to Vietnam with a new name: **Tea Break**. This product is made from real English Tea leaves with classic style mixed with modern. Light sweetness taste and rich aroma of real tea will let you feel relax whenever you drink.

NEW PRODUCTS: KIRIN TRA XANH NHAT AND WONDERFARM FRUIT AND VEGGIE

Introducing KIRIN Tra Xanh Nhat 100% Green Tea leaf, brewed and extracted for the finest tea to relax your minds.

Fresh tea leafs from Shizuoka are collected, processed and direct to Viet Nam.

- Product uses pure water.
- Produced at exact temperature required real technology.
- Only extract first brew.
- PET bottle, less or no sugar.



Introducing WONDERFARM Fruit and Veggie drink extracted from natural ingredients, ensuring nutrient facts: healthy, less additives.

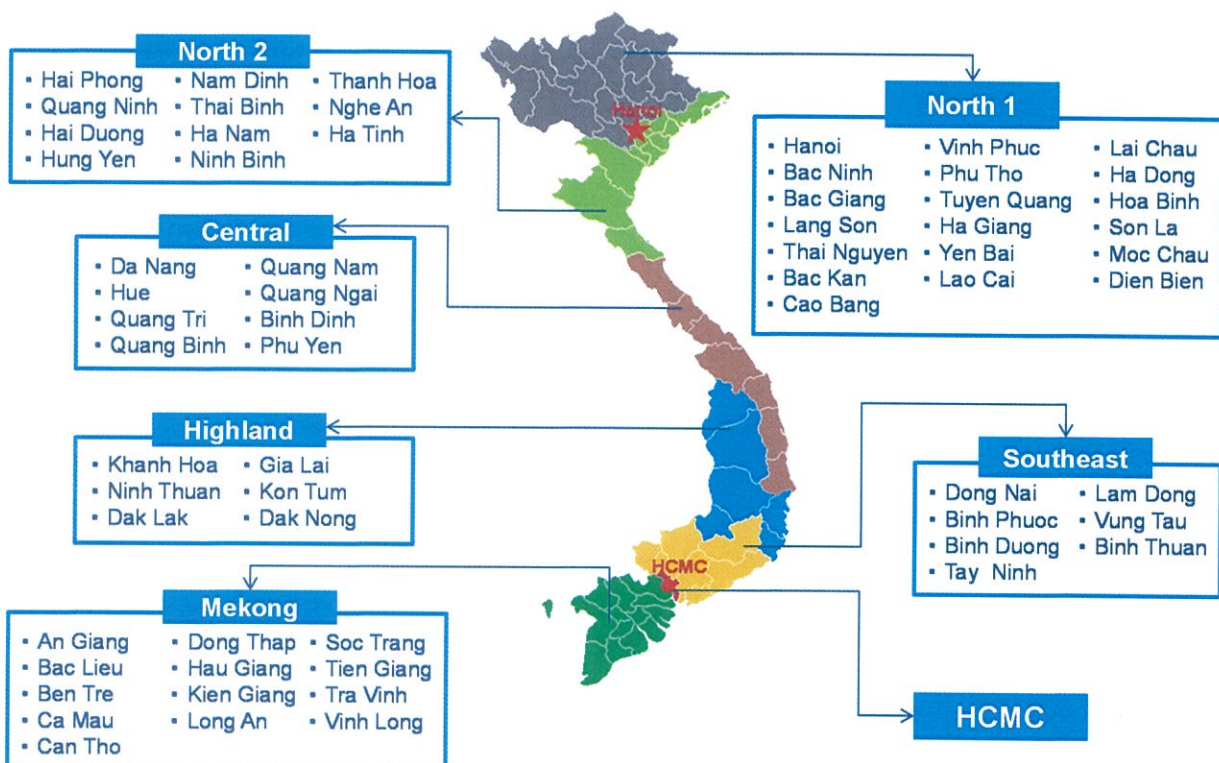
The combination of many kinds of fruit brings the unique taste and smell of the product.

- Easier to absorb vegetables and fruit
- More convenient in PET bottle
- Smaller size 280ml, suitable for breakfast

❖ LOCALITIES OF BUSINESS

Domestic market:

Domestic revenue is accounting for 98% of the total revenue of the company and considered the main market in the Company's strategy. The distribution system of Interfood covers the 64 provinces with 171 distributors, 130.000 retailers and all supermarket chains in Vietnam

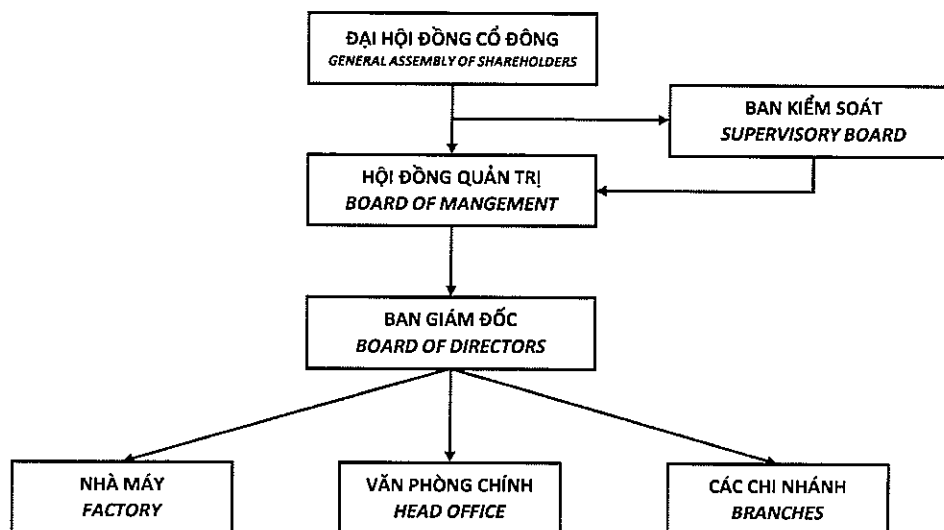


Overseas market:

Revenue from exporting market is accounting for 2% of total revenue of the Company. The main market is nations in Europe, Asia and America.

4. ORGANIZATION AND MANAGEMENT STRUCTURE

❖ ORGANIZATION STRUCTURE



❖ MANAGEMENT STRUCTURE

No	Name	Position
Board of Management (BOM)		
1	Mr. Toru Yamasaki	Chairman
2	Ms. Nguyen Thi Kim Lien	Member
3	Mr. Takayuki Morisawa	Member
4	Mr. Hajime Kobayashi	Member
5	Mr. Hirotsugu Otani	Member
Supervisory Board (SB)		
1	Ms. Thai Thu Thao	Chief of SB
2	Mr. Koji Kodama	Member
3	Mr. Yoichi Miki	Member
Board of Directors (BOD)		
1	Mr. Toru Yamasaki	General Director cum General Manager of Sales and Marketing
2	Mr. Takayuki Morisawa	Member/ General Manager of Administration
3	Ms. Nguyen Thi Kim Lien	Member/ General Manager of Internal Control
4	Mr. Yoshihisa Fujiwara	Member/ General Manager of Factory
5	Mr. Yutaka Ogami	Member/ General Manager of Planning
6	Mr. Taiichirou Iizumi	Member/ General Manager of Sales (until October 1 st , 2016)

❖ BRANCHES AND FACTORIES

Branch and Factory	Address
Hanoi Branch	11 Floor, Vinafor Building, 127 Lo Duc, Dong Mac Ward, Hai Ba Trung District, Hanoi City
Hochiminh Branch	4A Floor, Vincom Center, 72 Le Thanh Ton and 47 Ly Tu Trong, Ben Nghe Ward, District 1, Hochiminh City
Long Thanh Factory	Lot 13, Tam Phuoc IZ, Tam Phuoc Ward, Bien Hoa City, Dong Nai Province

❖ SUBSIDIARIES AND ASSOCIATED COMPANIES

Subsidiary	AVAFFOOD SHAREHOLDING COMPANY
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Address:	Lot 13, Tam Phuoc IZ, Tam Phuoc Ward, Bien Hoa, Dong Nai, Viet Nam
Major business lines:	<p>Manufacturing of foods, processing foods including biscuits, jams, candy, snacks of all kinds, products processed from poultry.</p> <p>Manufacturing of processing foods including products processed from fruits and vegetables.</p> <p>Manufacturing of bakery products.</p> <p>Manufacturing of processing foods including fruit-juices, soft drinks and filtered water.</p> <p>Leasing of redundant offices and workshops.</p>
Paid-in charter capital:	81.000.000.000 VND
Ownership rates of the Company:	90,4% (7.322.400 shares with par value of VND 10,000 per share)



Address:	Lot D-3A-CN, My Phuoc 2 IZ, My Phuoc Ward, Ben Cat Town, Binh Duong, Viet Nam
Major business lines:	Production of non-alcoholic drinks.
Paid-in charter capital:	VND 795.800.000.000
Ownership rates of the Company:	Non

5. DEVELOPMENT DIRECTIONS

❖ VISION

- To be an attractive and valuable company for customers: bringing health, pleasure and comfort to their lives through offering products based on their needs.
- To be a rewarding company for employees: becoming a company whose employees are proud to work for and enjoy a high quality of life.
- To be the leading soft drink company in Vietnam market: providing products and services that focus on customer and quality.

❖ DEVELOPMENT STRATEGIES IN MEDIUM AND LONG TERM

Interfood aims to acquire the leading position in the “Healthy and Natural Beverage” segment in 2020 by providing naturally-derived healthy beverages.

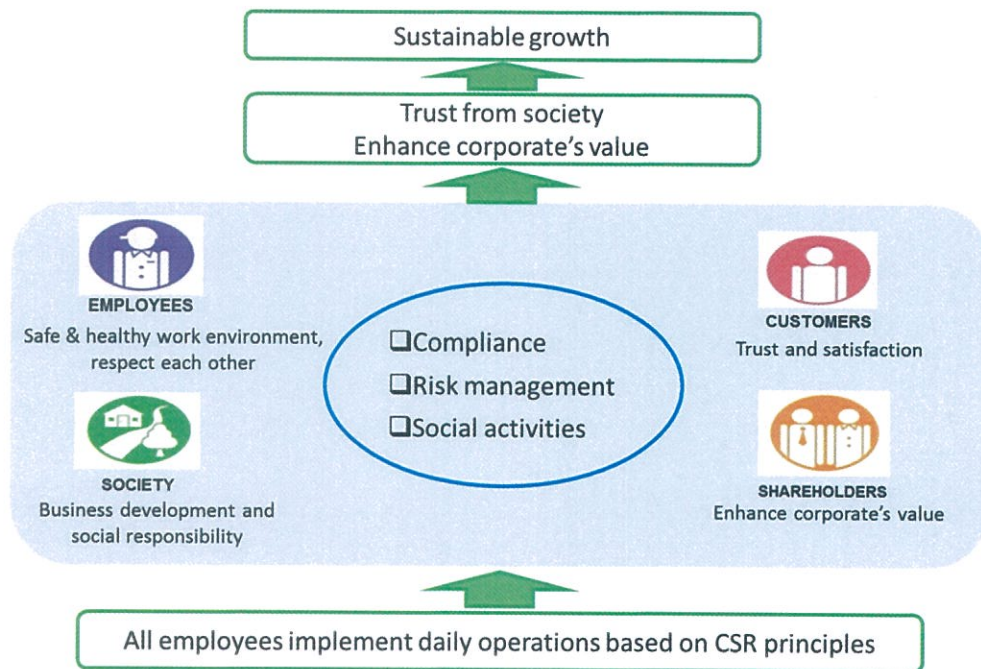
- Create a product strategy based on consumer needs and build a structure to support the achievement of this product strategy throughout the entire supply chain.
- The Company will implement the strategy for the core “Winter Melon Tea” products. After that, we will expand the strategy to promote “Kirin” brand

❖ SUSTAINABLE GROWTH OBJECTIVES

Compliance with legal and ethical requirements is the foundation for business success and sustainable growth. Developing and maintaining a culture of compliance is essential to building corporate reputation and enhancing competitiveness of the Company.

We are working to increase CSR (Corporate Social Responsibility) and compliance awareness among all IFS employees to ensure CSR-based management to be applied and observed throughout the company.

- CSR (Corporate Social Responsibility): our commitment by business to contribute to economic development while protecting the environment and improving our quality of life.
- Compliance: observe laws and regulations, internal and external rules and regulations, fulfill legal obligations and social ethical responsibilities to maintain and increase the trust of the society.
- Risk Management: a system is designed to prevent and minimize losses due to unforeseen events by identifying and managing significant risks that could affect our business operations.



6. RISK MANAGEMENT

Interfood establish risk management system as part of the management system of business activities and collaboration with the parent company to implement risk management program. Interfood and its subsidiary thoroughly implement compliance and risk management in order to prevent potential risks, through which can receive long-term trust of customers and society. Risk Management Committee, directly controlled by the Board of Directors and comprised

primarily of the heads of each business units, is established to monitor risk management activities. The Committee conducts periodic meetings twice a year and when necessary to review and oversee the implementation of risk management program and risk response plan throughout the Company.

❖ **IMPLEMENTATION OF RISK MANAGEMENT IN 2016**

- Establishment of Risk Management (RM) system and RM policy based on Kirin Group’s RM program.
- Development of RM plan and crisis response manual and conduction of RM training to target employees.
- Establishment of internal control system to follow processes and monitor RM plan execution.

❖ **IMPLEMENTATION OF RISK MANAGEMENT IN 2017**

Major Risks	Responses to Risks
<p>Strategic risks: Risk that errors in the sales strategy and in particular in pricing measures will cause a substantial decline in sales volume.</p>	<ul style="list-style-type: none"> • Review marketing expenses and plant expenses to improve profit and loss structures without relying on price increases..
<p>Market risks: Risk that costs will increase as a result of higher raw materials costs and profit targets cannot be achieved.</p>	<ul style="list-style-type: none"> • Follow up market situation and review contracts with suppliers to control base unit prices of raw materials. • Promote the use of less sugar in relation to rising health awareness.
<p>Compliance risks: Risk in misunderstanding and/or wrong application of governing laws and regulations that causes negative impacts to proper business operation of the Company</p>	<ul style="list-style-type: none"> • Follow up and update laws and regulations applicable to the business operations of the Company. • Communicate and provide guidelines for application of new laws and regulations to relevant departments..

II. BUSINESS OPERATIONS

1. SITUATION OF BUSINESS OPERATIONS

❖ RESULTS OF BUSINESS OPERATIONS IN 2016

- Sales

In 2016, with efforts from Company's top management and all employees, total sales nearly achieved planned target at 99%, total value of VND 1,438 billion. Net sales also achieved 98% target with total value of VND 1,331 billion.

- Gross profit

Cost of Goods Sold ("COGS") was below target, at VND 917 billion and 97% vs. planned target. This demonstrated the total effort of the whole Company in reducing costs.

As a result, gross profit achieved VND 413 billion, accomplished the objective.

- Net operating profit

Financial income and expense arose from devaluation of Vietnamese Dong.

Selling expenses were saved to 25% compared to the target. Reason: The Company has successfully controlled selling expenses efficiently, and reclassification of promotion goods into costs of goods sold.

Under market situation and trends during previous years, the Company had expected a loss after tax for operating year of 2016. However, in 2016, the Company implemented successfully business operations and achieved VND 43 billion of profit after tax.

❖ FINANCIAL PERFORMANCE

Description	Plan 2016		Actual 2016 (audited)		Variance vs Plan 2015 (%)
	USD	VND '000	USD	VND '000	
	Exchange rate 1 USD = 22.500 VND		Exchange rate 1 USD = 22.785 VND		
Sales	64,238,822	1,445,373,485	63,104,845	1,437,843,891	99%
Deductions	(4,026,165)	(90,588,705)	(4,710,545)	(107,329,767)	118%
Net sales and services	60,212,657	1,354,784,781	58,394,300	1,330,514,124	98%
Cost of goods sold	(41,893,944)	(942,613,744)	(40,265,603)	(917,451,772)	97%
Gross profit	18,318,713	412,171,037	18,128,697	413,062,352	100%
Financial income	-	-	1,306,805	29,775,560	-
Financial expenses	(222,000)	(4,995,000)	(1,594,480)	(36,330,220)	727%
Selling expenses	(17,556,140)	(395,013,158)	(12,930,313)	(294,617,177)	75%
G&A expenses	(1,815,720)	(40,853,691)	(1,865,533)	(42,506,175)	104%
Net operating profit (loss)	(1,275,147)	(28,690,812)	3,045,176	69,384,340	-
Other incomes	120,000	2,700,000	49,311	1,123,541	42%

Other expenses	(1,380,000)	(31,050,000)	(1,177,939)	(26,839,330)	86%
Other profit (loss), net	(1,260,000)	(28,350,000)	(1,128,628)	(25,715,789)	91%
Profit (Loss) before tax	(2,535,147)	(57,040,812)	1,916,548	43,668,551	-
Current corporate income tax expenses	-	-	(46,595)	(1,061,659)	-
Deferred corporate income tax expenses	(18,000)	(405,000)	36,531	832,367	-
Net profit (loss) after tax	(2,553,147)	(57,445,812)	1,906,485	43,439,259	-
Minority interest	(24,000)	(540,000)	(611)	(13,928)	3%
Net Profit (Loss) for the year	(2,577,147)	(57,985,812)	1,905,874	43,425,331	-

2. ORGANIZATION STRUCTURE AND HUMAN RESOURCES

❖ BOARD OF MANAGEMENT

No	Name	Position	Birth year	Nationality	ID Card/ (Passport) number	Current residence	Ratio of voting shares owned
Board of Management							
1	Mr. Toru Yamasaki	Chairman	1965	Japanese	MZ1024574	HCMC, VN	0%
2	Mr. Hajime Kobayashi	Member	1965	Japanese	TH8783816	Japan	0%
3	Mr. Hirotsugu Otani	Member	1972	Japanese	TH2738913	Japan	0%
4	Mr. Takayuki Morisawa	Member	1975	Japanese	TK5209610	HCMC, VN	0%
5	Ms. Nguyen Thi Kim Lien	Member	1967	Vietnamese	271255441	Dong Nai, VN	0,014% (12.000)
Board of Directors							
1	Mr. Toru Yamasaki	GD	1965	Japanese	MZ1024574	HCMC, VN	0%
2	Mr. Yoshihisa Fujiwara	GM of Factory	1967	Japanese	TR1350962	HCMC, VN	0%
3	Ms. Nguyen Thi Kim Lien	GM of Internal Control	1967	Vietnamese	271255441	Dong Nai, VN	0,014% (12.000)
4	Mr. Yutaka Ogami	GM of Planning	1973	Japanese	TH5379976	HCMC, VN	0%
5	Mr. Takayuki Morisawa	GM of Administration	1975	Japanese	TK5209610	HCMC, VN	0%
6	Mr. Taiichirou Iizumi	GM of Sales	1969	Japanese	TK1284537	HCMC, VN	0%

Chief Accountant							
1	Mr. Nguyen Hong Phong	Chief Accountant	1977	Vietnamese	182126771	Dong Nai, VN	0%

❖ **CHANGES IN THE BOARD OF MANAGEMENT**

No	Name	Position		Birth year	Nationality	ID Card/ (Passport) number	Current residence	Ratio of voting shares owned
		(before change)	(after change)					
Board of Management								
1	Mr. Toru Yamasaki	Chairman of BOM cum General Director	Chairman of BOM cum General Director (re-elected effective from 12/4/2016)	1965	Japanese	MZ1024574	HCM, VN	0%
2	Mr. Hajime Kobayashi	Member	Member	1965	Japanese	TH8783816	Japan	0%
3	Mr. Hirotsugu Otani	Member	Member	1972	Japanese	TH2738913	Japan	0%
4	Mr. Takayuki Morisawa	Member	Member	1975	Japanese	TK5209610	HCM, VN	0%
5	Ms. Nguyen Thi Kim Lien	Member	Member	1967	Vietnamese	271255441	Dong Nai, VN	0,014% (12.000)
Board of Directors								
1	Mr. Toru Yamasaki	General Director cum GM of Marketing	General Director cum GM of Sales & Marketing (appointed effective from 1/10/2016)	1965	Japanese	MZ1024574	HCM, VN	0%
2	Mr. Fujiwara	GM of Factory	GM of Factory	1967	Japanese	TR1350962	HCM, VN	0%
3	Ms. Nguyen Thi Kim Lien	GM of Internal Control	GM of Internal Control	1967	Vietnamese	271255441	Dong Nai, VN	0,014% (12.000)
4	Mr. Yutaka Ogami	GM of Finance	GM of Planning (appointed effective from 1/4/2016)	1973	Japanese	TH5379976	HCM, VN	0%
5	Mr. Takayuki Morisawa	GM of Administration	GM of Administration	1975	Japanese	TK5209610	HCM, VN	0%

6	Mr. Taiichiro Iizumi	GM of Sales	Resign, effective from 1/10/2016	1969	Japanese	TK1284537	HCM, VN	0%
Supervisory Board								
1	Ms. Thai Thu Thao	Chief	Chief	1966	Vietnam-ese	021680536	HCM, VN	0%
2	Mr. Akira Shimizu	Member	Resign, effective from 12/4/2016	1956	Japanese	TH7523021	Japan	0%
3	Mr. Oki Yasuhiro	Member	Resign, effective from 12/4/2016	1980	Japanese	TK6617145	Japan	0%
4	Mr. Koji Kodama		Member (appointed, effective from 12/4/2016)	1967	Japanese	MU463365	Japan	0%
5	Mr. Miki Yoichi		Member (appointed, effective from 12/4/2016)	1980	Japanese	TZ0823920	HCM, VN	0%

❖ SUMMARY AND CHANGES IN THE PERSONNEL POLICIES

- Number of employees: 1.278 (as of December 31st, 2016)
- Summary and changes in the personnel policies:
 - Development of human resources, enhancement of organizational structure and improvement of management information system.
 - Strengthen the relationship between the Company and employees through the implementation of periodically monitoring meeting, the good policies based on the results of employee satisfaction survey (ESS), improving accuracy management data and governance performance based on adherence (compliance).
 - Develop and implement training programs tailored to staffs at each level and to each department.
 - Implement the personnel transfer based on the human resources development of the Company and career development plan of individuals

3. SITUATION OF INVESTMENT AND PROJECT IMPLEMENTATION

In 2016, the Company did not implement any major investment project.

4. FINANCIAL SITUATION

❖ FINANCIAL SITUATION

Description	Actual 2015 VND'000	Actual 2016 VND'000	Variance (%)
Sales	1,318,402,242	1,437,843,891	9.06%
Deductions	-38,218,537	-107,329,767	180.83%
Net sales and services	1,280,183,705	1,330,514,124	3.93%
Cost of goods sold	-941,763,989	-917,451,772	-2.58%
Gross profit	338,419,716	413,062,352	22.06%
Financial income	17,537,953	29,775,560	69.78%
Financial expenses	-43,683,496	-36,330,220	-16.83%
Selling expenses	-360,120,414	-294,617,177	-18.19%
General & administration expenses	-41,476,966	-42,506,175	2.48%
Net operating profit (loss)	-89,323,207	69,384,340	-
Other income	6,556,299	1,123,541	-82.86%
Other expenses	-10,321,381	-26,839,330	160.04%
Other profit (loss), net	-3,765,082	-25,715,789	583.01%
Profit (Loss) before tax	-93,088,289	43,668,551	-
Current corporate income tax expenses	-2,727,671	-1,061,659	-61.08%
Deferred corporate income tax expenses	-391,621	832,367	-
Net profit (loss) after tax	-96,207,581	43,439,259	-
Minority interest	479,534	13,928	-97.10%
Net Profit (Loss) for the year	-96,687,115	43,425,331	-

❖ MAJOR FINANCIAL INDICATORS

Description	Year 2015	Year 2016	Notes
1. Solvency ratio:			
+ Current ratio	108%	95%	
+ Quick ratio	56%	64%	
2. Capital structure ratio:			
+ Debt / Total assets ratio	76%	67%	
+ Debt / Owners' Equity ratio	316%	206%	
3. Operation capability ratio:			
+ Inventory turnover	5.2	5.9	
+ Net revenue / Total assets ratio	1.9	2.1	
4. Target on Profitability			
+ Profit after tax / Net revenue Ratio	-8%	3%	

+ Profit after tax / Total capital Ratio	-60%	21%	
+ Profit after tax / Total assets Ratio	-14%	7%	
+ Operating profit / Net revenue Ratio	-7%	5%	

5. SHAREHOLDERS STRUCTURE AND CHANGE IN THE OWNER'S EQUITY

❖ NUMBER OF SHARES

No	Content	Quantity
1	Total number of shares	87.140.992
2	Treasury shares	8
3	Outstanding voting shares	87.140.984
4	Freely transferable shares	71.140.984
5	Conditionally transferable shares	16.000.000 Limited to be transferred within one (01) year as of closing date of the offering (from 30/12/2015 to 30/12/2016)

❖ SHAREHOLDERS STRUCTURE (as of March 27th 2017)

No	Shareholders	Domestic shareholders		Foreign shareholders		Total	
		Quantity	%	Quantity	%	Quantity	%
1	Major shareholders (holding 5% or more)	0	0%	83,360,282	95.66%	83,360,282	95.66%
	- Individual	0	0%	0	0%	0	0%
	- Organization	0	0%	83,360,282	95.66%	83,360,282	95.66%
2	Other shareholders (holding less than 5%)	538,592	0.62%	3,242,110	3.72%	3,780,702	4.34%
	- Individual	532,108	0.61%	205,523	0.24%	737,631	0.85%
	- Organization	6,484	0.01%	3,036,587	3.48%	3,043,071	3.49%
3	Treasury shares	0	0%	8	0%	8	0%
4	Total	538,592	0.62%	86,602,400	99.38%	87,140,992	100%

❖ CHANGE IN THE OWNER'S EQUITY

In 2016, the Company did not increase/ decrease Charter capital.

❖ TREASURY STOCKS

- Number of existing treasury stocks: 08
- Transactions of treasury stocks conducted in 2016: Non

III. REPORT AND ASSESSMENT OF THE BOARD OF DIRECTORS

1. ASSESSMENT OF OPERATING RESULTS

In 2016, the Company strived to achieve its business targets through increasing market shares for its key products, diversifying its product portfolios and expanding its distribution network to maintain and develop its business operation. Gross sales revenue was increased 9% compared to the previous year.

The Company focused on strengthening its core product WONDERFARM Winter Melon Tea as well as expanding market for KIRIN brand products. Besides, the Company developed and launched new product Fruit and Veggie 280ml, changed packaging size and renewed branding for several traditional products such as Ice Plus Peach flavor 345ml, Coconut Cream 160ml... in order to meet the needs of consumers and diversify its product portfolios.

The Company implemented cost reduction programs and effective use of promotion and marketing expenses to improve its business efficiency and competitiveness. All the planned cost reduction programs at the factory were strictly implemented to achieve the manufacturing cost target required by the Company. As a result of these activities, the Company achieved profit after tax at 43.4 billion VND.

2. FINANCIAL SITUATION

The Company had the loans denominated in USD from Kirin Holdings Singapore Pte. Ltd. The amount of this loan outstanding as of FY2016 ended was equivalent to VND 246.078.000.

Description	Year 2015 VND'000	Year 2016 VND'000	Variance (%)
Total asset	674,633,768	637,586,573	-5%
Net revenue	1,280,183,705	1,330,514,124	4%
Profit from operating activities	-89,323,207	69,384,340	-
Other profits	-3,765,082	-25,715,789	583%
Profit before tax	-93,088,289	43,668,551	-
Profit after tax	-96,207,581	43,439,259	-

3. IMPROVEMENTS IN ORGANIZATIONAL STRUCTURE, POLICIES AND MANAGEMENT

❖ MANAGEMENT ACTIVITIES

CSR-based (Corporate Social Responsibility-CSR) management is our commitment by business to contribute to economic development while protecting the environment and improving our quality of life. CSR-based management will focus on:

- Strengthen corporate governance, promote compliance and risk management system to achieve transparent management to win the trust of the society.
- Enhance environmental awareness and positively participate in local community activities to contribute to social and economic development as a responsible corporate citizen.

The Company has established Internal Control Department with personnel support from Kirin Group to help to reduce the risks associated with our business operations in Vietnam by providing independent, objective assurance and consulting activities.

❖ SALES DIVISION

- Establishment of the specialized team to reinforce maintenance and development of KA.
- Review and implementation of strategic policies for distributors and management policies for wholesalers.

❖ PRODUCTION DIVISION

- Continuous implementation for low cost operations.
- Further improvement of product quality.
- Development and introduction of new products which come from nature and promote positive health and wellbeing for customers.

❖ BACK OFFICE

- Development of human resources, enhancement of organizational structure and improvement of management information system.
- Strengthen the relationship between the Company and employees through the implementation of periodically monitoring meeting, the good policies based on the results of employee satisfaction survey (ESS), improving accuracy management data and governance performance based on adherence (compliance).
- Develop and implement training programs tailored to staffs at each level and to each department.
- Implement the personnel transfer based on the human resources development of the Company and career development plan of individuals.

4. DEVELOPMENT PLAN IN THE FUTURE

In 2017, the Company aims at increasing its sales volume, expanding its market and improving profitability as well as improve its brand equity with following strategies:

- Increase sales volume and expand market by expanding distribution system, enhance selling activities and improve competencies of its sales team.
- Implementation of manufacturing cost reduction and effective and efficient use of selling expenses.

- Build a product strategy based on consumer need and develop systems to support the implementation of that strategy throughout the supply chain, leading to strengthened IFS competitiveness in the future. In 2017, the Company invests more resources in selling activities, such as introduction of DMS (Distribution Management System) and marketing activities in order to enhance recognition of brands by consumers.

Total gross sales is expected to be approximately VND 1,535 billion (increase of approximately 7% compared to the year 2016) and profit before tax in 2017 is about VND 15 billion. Other expenses includes loss from liquidation of biscuit machineries which is recorded as idle assets.

Description	Plan 2017		Actual 2016		%(+/-)
	USD	VND'000	USD	VND'000	
Sales	67,410,858	1,535,956,392	63,104,845	1,437,843,891	7%
Net sales and services	62,853,420	1,432,115,173	58,394,300	1,330,514,124	8%
Gross profit	20,894,492	476,080,992	18,128,697	413,062,352	15%
Net operating profit	2,027,335	46,192,832	3,045,176	69,384,340	-33%
Profit (Loss) before tax	667,335	15,205,232	1,916,548	43,668,551	-65%
Profit (Loss) after tax	704,703	16,056,662	1,906,485	43,439,259	-63%

5. REPORT ON ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

ENVIRONMENTAL INITIATIVES

We observe all laws and regulations related to the environment and continue to invest in equipment and technology research and development to provide environment friendly products and services.

- Continue efforts concerning awareness of personnel and measures to achieve true safety including safety education at monthly companywide meetings, confirmation of the status of measures to prevent reoccurrence of past accidents, checks of unsafe areas by periodic patrols to achieve intrinsic safety, and measures that rank priorities.
- Take measures to continuously improve quality including periodic checks of the implementation of measures to prevent reoccurrence with a focus on priority issues, deepening understanding of ISO and HACCP by personnel, and raising the effectiveness of systems.

6. CORPORATE RESPONSIBILITY TO THE LOCAL COMMUNITY



On the occasion of the International Day of People with Disabilities (3/12), Suoi Tien Cultural Tourism and the Municipal Department of Labour, Invalids and Social Affairs co-organized the 17th Festival of People with Disabilities in 2016. Suoi Tien has held this annual social event the first time in 2000 and received support and donation from many individuals and organizations.

Responding to the sponsor invitation from Suoi Tien for this meaningful social event, Interfood provided 2,000 cases of KIRIN-WONDERFARM products to serve for buffet party and serve as door-gifts for participants.

More than 7,000 people with disabilities in HCMC and from the Protection and Advocacy for People with Disabilities Organizations in neighbouring provinces took part in the 2016 Festival of People with Disabilities.



IV. ASSESSMENTS OF THE BOARD OF MANAGEMENT ON THE COMPANY'S OPERATION

1. ASSESSMENT ON THE COMPANY'S OPERATION

In 2016, the Company strived to achieve its business targets through increasing market shares for its key products, diversifying its product portfolios and expanding its distribution network to maintain and develop its business operation. Gross sales revenue was increased 9% compared to the previous year.

- The Company focused on strengthening its core product WONDERFARM Winter Melon Tea as well as expanding market for KIRIN brand products. Besides, the Company developed and launched new product Fruit and Veggie 280ml, changed packaging size and renewed branding for several traditional products such as Ice Plus Peach flavor 345ml, Coconut Cream 160ml ...in order to meet the needs of consumers and deversify its product portfolios.
- The Company implemented cost reduction programs and effective use of promotion and marketing expenses to improve its business efficiency and competitiveness. All the planned cost reduction programs at the factory were strictly implemented to achieve the manufacturing cost target required by the Company. As a result of these activities, the Company achieved profit after tax at 43.4 billion VND.

Description	Year 2015 VND'000	Year 2016 VND'000	Variance (%)
Total asset	674,633,768	637,586,573	-5%
Net revenue	1,280,183,705	1,330,514,124	4%
Profit from operating activities	-89,323,207	69,384,340	-
Other profits	-3,765,082	-25,715,789	583%
Profit before tax	-93,088,289	43,668,551	-
Profit after tax	-96,207,581	43,439,259	-

2. ASSESSMENT ON PERFORMANCE OF THE BOARD OF DIRECTORS

- GD and BOD has fulfilled the targets and tasks assigned, conducted business operation in compliance with applicable laws and regulations of the Company.
- Under the management and direction of the GD and BOD, the Company has conducted its business activities as assigned, increased market shares for its key products, diversified its product portfolios and expanded its distribution network to maintain and develop its business operation.

3. FUTURE PLAN OF THE BOARD OF MANAGEMENT

In 2017, the BOM performs its functions, rights and obligations in compliance with laws, Company's Charter and AGM resolutions in 2017.

- To decide the strategies and business plan in 2017.
- To review and revise the Regulation on Corporate Governance of the Company in accordance with applicable laws and regulations and Company's Charter.
- To supervise, direct General Director and members of the Board of Directors to run daily business operation of the Company.
- To work closely with the management of the Company to provide appropriate business development direction, adequate support on implementation and development of business strategy and improvement of corporate governance of the Company to achieve sustainable business strategy of Interfood.
- To collaborate with Supervisory Board in supervising the activities of GD and BOD.

V. CORPORATE GOVERNANCE

1. BOARD OF MANAGEMENT

❖ INFORMATION ABOUT THE MEMBERS OF THE BOM

No	BOM's member	Position	Day becoming BOM member	Number of attendance of BOM meetings	%	Reason for absence
1	Mr. Toru Yamasaki	Chairman	09/04/2015	5/5	100%	
2	Ms. Nguyen Thi Kim Lien	Member	15/08/2006	5/5	100%	
3	Mr. Takayuki Morisawa	Member	10/04/2014	5/5	100%	
4	Mr. Hajime Kobayashi	Member	09/04/2015	5/5	100%	
5	Mr. Hirotsugu Otani	Member	09/04/2015	5/5	100%	

❖ SUPERVISION BY THE BOM OVER GENERAL DIRECTORS AND THE BOARD OF DIRECTORS

Under the Charter and Corporate Governance Regulation of the Company, the BOM conducted its supervision on activities of General Director (GD) and the Boards of Directors (BOD) in 2016 as follows::

- **Method of supervision:**

- Through BOM meetings organized periodically or as necessary, discussion and consultation conducted directly or via telephone and electronic mail.
- Through adequate, detailed and timely reports of GD and BOD reporting progress of business plan execution, pointing out its difficulties and obstacles as well as the causes and proposed solutions.
- Collaboration with Supervisory Board in supervising the activities of GD and BOD.

- **Contents of supervision:**

- Supervision and evaluation of the operational efficiency of GD and BOD on management, execution of BOM resolutions, implementation of business plan and investment project.

- **Results of supervision:**

- GD and BOD has fulfilled the targets and tasks assigned, conducted business operation in compliance with applicable laws and regulations of the Company.
- Under the management and direction of the GD and BOD, the Company has conducted its business activities as assigned, increased market shares for its key products, diversified its product portfolios and expanded its distribution network to maintain and develop its business operation.

❖ ACTIVITIES OF THE BOM'S COMMITTEES

- The BOM has conducted its activities in compliance with laws, charter and corporate governance regulation of the Company, ensure the number of the meetings, attendance of the members, procedures for adopting decisions comply with applicable rules.
- Sub-Committees of BOM has not been established. However, BOM members worked with clear assignments and close coordination; appointed BOD members in charge of Sales, Marketing, Finance, Human Resources and Internal Control respectively to support BOM in management of the Company business activities.

❖ RESOLUTIONS/DECISIONS OF THE BOM

No	Resolution No.	Date	Contents
1	RBM160118	18/01/2016	Approved the registration of increase of the charter capital from VND 711,409,920,000 to VND 871,409,920,000.
2	RBM160322	22/03/2016	Proposals of the Board of Management to the AGM-2016.
3	RBM160331	31/03/2016	Approved the list of authorized signatories of the Company for signing banking documents of the accounts of the Company and its Branch opened at banks in Vietnam from 1/4/2016.
4	RBM160912	12/09/2016	Approved to change the structure of the Board of Directors with effective from 1/10/2016.
5	RBM161031	31/10/2016	Approved the short-term offshore loan facilities without collateral from Kirin Holdings Singapore Pte., Ltd. with total amount of US\$ 10,800,000 to repay the offshore loan facilities from Kirin Holdings Company, Limited.

2. SUPERVISORY BOARD

❖ INFORMATION ABOUT MEMBERS OF SUPERVISORY BOARD (SB)

No	BOM's member	Position	Day becoming BOM member	Number of attendance of BOM meetings	%	Reason for absence
1	Ms. Thai Thu Thao	Chief	12/04/2012	2/2	100%	
2	Mr. Koji Kodama	Member	12/04/2016	2/2	100%	
3	Mr. Yoichi Miki	Member	12/04/2016	2/2	100%	

❖ SUPERVISION ACTIVITIES OF THE SUPERVISORY BOARD TOWARD THE BOARD OF MANAGEMENT, BOARD OF DIRECTORS AND SHAREHOLDERS

In 2016, the SB continued inspecting, supervising and recommending necessary changes to the BOM in order to ensure compliance with applicable laws, enhancing corporate governance and improve effectiveness of business operations of the Company. Main activities of the SB in 2016 were as follows:

- Supervision over the BOM, General Director (GD) and the Board of Directors (BOD) with respect to the management and administration of the Company to ensure the compliance with laws and Company's rules.
- Supervision over the BOM, GD and BOD with respect to the issuance and execution of the resolutions of AGM and BOM, implementation of business plan approved by the AGM.
- Review, inspection and evaluation of the effectiveness and efficiency of systems of internal control, internal audit, risk management and early warning of the Company.
- Review and inspection of the financial statements (quarterly, biannual and annual financial statement) in 2016 examined and audited by KPMG Vietnam to ensure the independency and objectiveness in auditing activities and ensure the transparency, accuracy and reliability of the financial reports.

❖ **COORDINATION AMONG THE SUPERVISORY BOARD WITH THE BOARD OF MANAGEMENT, BOARD OF DIRECTORS AND DIFFERENT MANAGERS**

- Attend and/or discuss in the BOM meetings
- Collaborate with BOM in supervising the activities of GD and BOD.

3. REMUNERATION AND EXPENSES ON ACTIVITIES OF THE BOM AND SB IN 2016

❖ **REMUNERATION AND EXPENSES ON ACTIVITIES OF THE BOM**

No	Name	Position	Amount (USD)	Remarks
1	Mr. Toru Yamasaki	Chairman	72,000	Secondment fee (from 01/01/2016 to 31/12/2016)
2	Mr. Takayuki Morisawa	Member	48,000	Secondment fee (from 01/01/2016 to 31/12/2016)
3	Ms. Nguyen Thi Kim Lien	Member	79,789	Salary (from 01/01/2016 to 31/12/2016)
	Total		199,789	

Notes: Secondment fee is the payment of the Company to Kirin Holdings Company, Limited under secondment agreement, no being paid directly to the relating members.

❖ **REMUNERATION AND EXPENSES ON ACTIVITIES OF THE SB**

- There were no expenses arising from activities of the SB in 2016.
- Besides, The BOD proposes the BOM and Annual General Meeting of Shareholders 2017 to approve that the Company not to declare and pay remuneration of all members of the BOM and SB in 2016 and retain all profit arising from business activities in 2016 to supplement the Company's working capital and SB agrees with the proposal of BOD.

4. SHARE TRANSACTIONS OF INTERNAL PARTIES, MAJOR SHAREHOLDERS AND RELATED PARTIES

There were no transaction of internal parties, major shareholders and related parties in 2016.

VI. FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31/12/2016
(ENCLOSED)

- STATEMENT OF THE BOARD OF DIRECTORS
- INDEPENDENT AUDITOR'S REPORT
- CONSOLIDATED BALANCE SHEET
- CONSOLIDATED STATEMENT OF INCOME
- CONSOLIDATED STATEMENT OF CASH FLOWS
- NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERFOOD SHAREHOLDING COMPANY
Chairman cum General Director

(signed and sealed)

TORU YAMASAKI



Công ty Cổ phần Thực phẩm Quốc tế (Interfood)

Lô 13, KCN Tam Phước, Xã Tam Phước, Biên Hòa, Đồng Nai - Tel: 061.3511138 - Fax: 061.3512498

Website: www.wonderfarmonline.com

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
 472033000328 (6th amendment) 30 December 2015
 6525867086 (7th amendment) 5 February 2016
 6525867086 (8th amendment) 28 February 2016

The Company's Investment Licence has been amended several times, the most recent of which is by the 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.

Enterprise Registration Certificate No. 3600245631 21 January 2016

The Company's Enterprise Registration Certificate was issued by the Department of Planning and Investment of Dong Nai Province.

Board of Management

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

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 (until 1 October 2016)
Yutaka Ogami	Director/General Manager of Planning

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

Auditor KPMG Limited
 Vietnam

Interfood Shareholding Company Statement of the Board of Directors

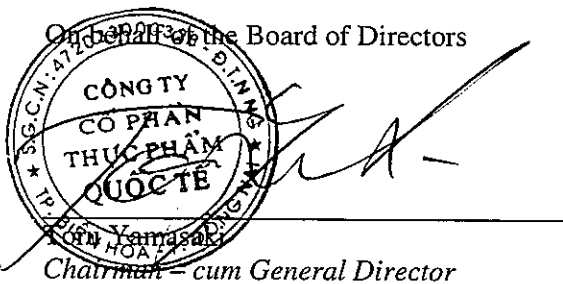
The Board of Directors of Interfood Shareholding Company (“the Company”) presents this statement and the accompanying consolidated financial statements of the Company and its subsidiary (together referred to as “the Group”) for the year ended 31 December 2016.

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

- (a) the consolidated financial statements set out on pages 5 to 41 give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting;
- (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; and
- (c) the consolidated financial statements have included all necessary disclosures relevant to the Group’s ability to continue as a going concern in the foreseeable future.

The Company’s Board of Directors has, on the date of this statement, authorised the accompanying consolidated financial statements for issue.

On behalf of the Board of Directors



Chairman = cum General Director

Ho Chi Minh City, 21 March 2017



KPMG Limited Branch
10th Floor, Sun Wah Tower
115 Nguyen Hue Street, Ben Nghe Ward
District 1, Ho Chi Minh City, Vietnam
+84-8 3821 9266 | kpmg.com.vn

INDEPENDENT AUDITOR'S REPORT

To the Shareholders Interfood Shareholding Company

We have audited the accompanying consolidated financial statements of Interfood Shareholding Company ("the Company") and its subsidiary (together referred to as "the Group"), which comprise the consolidated balance sheet as at 31 December 2016, the consolidated statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Company's Board of Directors on 21 March 2017, as set out on pages 5 to 41.

Board of Directors' Responsibility

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Auditor's Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Interfood Shareholding Company and its subsidiary as at 31 December 2016 and of its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting.

KPMG Limited's Branch in Ho Chi Minh City

Vietnam

Audit Report No.: 16-01-298(d)



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

Auvarin Phor
Practicing Auditor Registration
Certificate No. 2252-2013-007-1

Ho Chi Minh City, 21 March 2017

15/3 / 11.9 / 1

Interfood Shareholding Company and its subsidiary
Consolidated balance sheet as at 31 December 2016

Form B 01 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	31/12/2016 VND'000	1/1/2016 VND'000
ASSETS				
Current assets (100 = 110 + 130 + 140 + 150)	100		398,975,271	383,161,036
Cash	110	5	238,583,737	172,435,846
Cash	111		238,583,737	172,435,846
Accounts receivable – short-term	130		30,100,798	26,263,656
Accounts receivable from customers	131	6	25,744,256	22,218,569
Prepayments to suppliers	132		6,263,840	5,543,647
Other short-term receivables	136		984,398	797,532
Allowance for doubtful debts	137		(2,891,696)	(2,296,092)
Inventories	140	7	128,837,468	183,485,382
Inventories	141		130,128,682	185,404,269
Allowance for inventories	149		(1,291,214)	(1,918,887)
Other current assets	150		1,453,268	976,152
Short-term prepaid expenses	151		1,379,357	902,241
Taxes receivable from State Treasury	153		73,911	73,911

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

Interfood Shareholding Company and its subsidiary
Consolidated balance sheet as at 31 December 2016 (continued)

Form B 01 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	31/12/2016 VND'000	1/1/2016 VND'000
Long-term assets (200 = 210 + 220 + 240 + 260)	200		238,611,302	291,472,732
Accounts receivable – long-term	210		1,575,362	1,575,362
Other long-term receivables	216		1,575,362	1,575,362
Fixed assets	220		206,527,613	255,929,850
Tangible fixed assets	221	8	197,992,655	246,168,681
Cost	222		551,661,912	609,272,533
Accumulated depreciation	223		(353,669,257)	(363,103,852)
Finance lease tangible fixed assets	224	9	195,293	-
Cost	225		198,603	-
Accumulated depreciation	226		(3,310)	-
Intangible fixed assets	227	10	8,339,665	9,761,169
Cost	228		13,042,688	12,913,118
Accumulated amortisation	229		(4,703,023)	(3,151,949)
Long-term work in progress	240		624,341	189,670
Construction in progress	242	11	624,341	189,670
Other long-term assets	260		29,883,986	33,777,850
Long-term prepaid expenses	261	12	29,883,986	33,777,850
TOTAL ASSETS (270 = 100 + 200)	270		637,586,573	674,633,768

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

Interfood Shareholding Company and its subsidiary
Consolidated balance sheet as at 31 December 2016 (continued)

Form B 01 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	31/12/2016 VND'000	1/1/2016 VND'000
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		429,068,451	509,554,905
Current liabilities	310		421,989,493	356,330,596
Accounts payable to suppliers	311	13	75,392,219	73,591,149
Advances from customers	312		5,303,767	3,116,598
Taxes payable to State Treasury	313	14	9,510,064	10,444,482
Payable to employees	314		8,916,929	10,591,749
Accrued expenses	315	15	75,670,950	76,511,785
Other short-term payables	319	16	1,117,564	1,754,833
Short-term borrowings	320	17(a)	246,078,000	180,320,000
Long-term liabilities	330		7,078,958	153,224,309
Long-term borrowings and liabilities	338	17(b)	194,839	146,510,000
Deferred tax liabilities	341	18	3,338,031	4,170,398
Provision	342	19	3,546,088	2,543,911
EQUITY (400 = 410)	400		208,518,122	165,078,863
Owners' equity	410	20	208,518,122	165,078,863
Share capital	411	21	871,409,840	871,409,840
- Ordinary shares with voting rights	411a		871,409,840	871,409,840
Share premium	412		85,035,704	85,035,704
Other capital	420	22	57,498,796	57,498,796
Accumulated losses	421		(809,395,788)	(852,821,119)
- Accumulated losses brought forward	421a		(852,821,119)	(756,134,004)
- Net profit/(loss) for the current year	421b		43,425,331	(96,687,115)
Non-controlling interest	429		3,969,570	3,955,642
TOTAL RESOURCES (440 = 300 + 400)	440		637,586,573	674,633,768

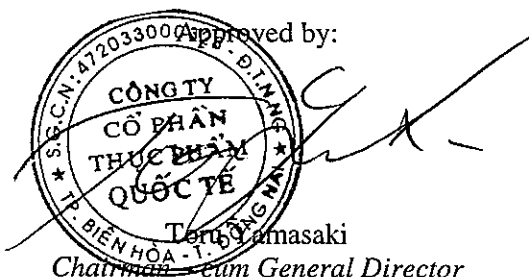
21 March 2017

Prepared by:



Nguyen Hong Phong
Chief Accountant

Approved by:



Teruyuki Masaki
Chairman - cum General Director

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

Interfood Shareholding Company and its subsidiary
Consolidated statement of income for the year ended 31 December 2016

Form B 02 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	2016 VND'000	2015 VND'000
Revenue from sale of goods	01	24	1,437,843,891	1,318,402,242
Revenue deductions	02	24	107,329,767	38,218,537
Net revenue (10 = 01 - 02)	10	24	1,330,514,124	1,280,183,705
Cost of sales	11	25	917,451,772	941,763,989
Gross profit (20 = 10 - 11)	20		413,062,352	338,419,716
Financial income	21	26	29,775,560	17,537,953
Financial expenses	22	27	36,330,220	43,683,496
<i>In which: Interest expense</i>	23		5,357,813	5,933,545
Selling expenses	25	28	294,617,177	360,120,414
General and administration expenses	26	29	42,506,175	41,476,966
Net operating profit/(loss) {30 = 20 + (21 - 22) - (25 + 26)}	30		69,384,340	(89,323,207)
Other income	31	30	1,123,541	6,556,299
Other expenses	32	31	26,839,330	10,321,381
Results of other activities (40 = 31 - 32)	40		(25,715,789)	(3,765,082)
Accounting profit/(loss) before tax (50 = 30 + 40)	50		43,668,551	(93,088,289)
Income tax expense – current	51	33	1,061,659	2,727,671
Income tax (benefit)/expense – deferred	52	33	(832,367)	391,621
Net profit/(loss) after tax (60 = 50 - 51 - 52) (carried forward)	60		43,439,259	(96,207,581)

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

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Interfood Shareholding Company and its subsidiary
Consolidated statement of income for the year ended 31 December 2016 (continued)

Form B 02 – DN/HN

(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

	Code	Note	2016 VND'000	2015 VND'000
Net profit/(loss) after tax (brought forward)	60		43,439,259	(96,207,581)
Attributable to:				
Equity holders of the Company	61		43,425,331	(96,687,115)
Non-controlling interest	62		13,928	479,534
Earnings/(losses) per share				
Basic earnings/(losses) per share (in VND)	70	34	498	(1,352)

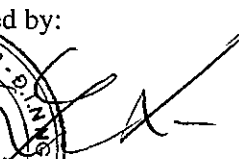
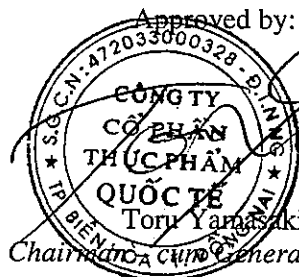
21 March 2017

Prepared by:



Nguyen Hong Phong
Chief Accountant

Approved by:

Toru Yamazaki
Chairman / General Director

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

Interfood Shareholding Company and its subsidiary
Consolidated statement of cash flows for the year ended 31 December 2016
(Indirect method)

Form B 03 – DN/HN

*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	2016 VND'000	2015 VND'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Accounting profit/(loss) before tax	01		43,668,551	(93,088,289)
Adjustments for				
Depreciation and amortisation	02		32,058,737	38,381,229
Allowances and provisions	03		1,499,287	11,618,253
Exchange losses arising from revaluation of monetary items denominated in foreign currencies	04		5,542,562	14,750,685
Losses/(profits) from investing activities	05		18,595,539	(976,747)
Interest expense	06		5,357,813	5,933,545
Operating profit/(loss) before changes in working capital	08		106,722,489	(23,381,324)
Change in receivables and other assets	09		(4,410,054)	13,836,193
Change in inventories	10		55,275,587	(13,295,688)
Change in payables and other liabilities	11		(191,752)	4,458,796
Changes in prepaid expenses	12		3,416,748	1,433,279
			160,813,018	(16,948,744)
Interest paid	14		(6,913,256)	(5,922,380)
Corporate income tax paid	16		-	(2,727,671)
Net cash flows from operating activities	20		153,899,762	(25,598,795)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(5,016,548)	(4,662,888)
Proceeds from disposals of fixed assets	22		2,577,273	645,455
Receipts of interest	27		951,168	386,635
Net cash flows from investing activities	30		(1,488,107)	(3,630,798)

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

Interfood Shareholding Company and its subsidiary
Consolidated statement of cash flows for the year ended 31 December 2016
(Indirect method – continued)

Form B 03 – DN/HN

*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	2016 VND'000	2015 VND'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from shares issued	31		-	160,000,000
Proceeds from borrowings	33		240,570,000	77,250,000
Payments to settle loan principals	34		(326,830,000)	(149,930,000)
Payments to settle finance lease liabilities	35		(3,764)	-
Net cash flows from financing activities	40		(86,263,764)	87,320,000
Net cash flows during the year (50 = 20 + 30 + 40)	50		66,147,891	58,090,407
Cash at the beginning of the year	60		172,435,846	114,345,439
Cash at the end of the year (70 = 50 + 60)	70	5	238,583,737	172,435,846

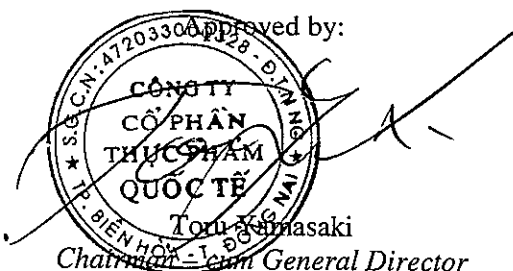
21 March 2017

Prepared by:



Nguyen Hong Phong
Chief Accountant

Approved by:



Tomiyama Masaki
Chairman - General Director

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

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016

Form B 09 – DN/HN

*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

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

1. Reporting entity

(a) Ownership structure

Interfood Shareholding Company (“the Company”) is incorporated as a joint stock company in Vietnam. The Company owns 90.4% of the equity interests in Avafood Shareholding Company (“Avafood”). The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiary, Avafood (together referred to as “the Group”).

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.

The Company’s shares were listed on the Unlisted Public Company Market in accordance with the Decision No. 717/QD-SGDHN issued by the Ha Noi Stock Exchange on 7 November 2016.

(b) Principal activities

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

The principal activities of Avafood 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.

(c) Normal operating cycle

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

(d) Group structure

As at 31 December 2016, the Group had 1,278 employees (1/1/2016: 1,422 employees).

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN

*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated 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.

(c) Going concern assumption

The consolidated financial statements have been prepared on a going concern basis. At the balance sheet date, current liabilities exceeded current assets by VND23,014 million (1/1/2016: nil). Furthermore, the Group had significant loans that will require refinancing within the next 12 months (Note 17). The validity of the going concern assumption fundamentally depends on the Group generating enough operating and financing cash flows to meet the operational expenses and on the ultimate majority shareholder and the 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 had a USD25.5 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 and the 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 and presentation currency

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

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN

*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

3. Summary of significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiary

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

(ii) Transactions eliminated on consolidation

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

(b) Foreign currency transactions

Transactions in currencies other than VND during the year have been translated into VND at rates approximating actual rates of exchange ruling at the transaction dates.

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the account transfer buying rate and the account transfer selling rate at the end of the annual accounting period, respectively, quoted by the commercial bank where the Company or its subsidiary most frequently conducts transactions.

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

(c) Cash

Cash comprises cash balances and call deposits.

(d) Accounts receivable

Accounts receivable from customers and other receivables are stated at cost less allowance for doubtful debts.

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN

*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

(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.

(f) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition for its intended use. Expenditure incurred after tangible fixed assets have been put into operation, such as repair, maintenance and overhaul cost, is charged to the consolidated statement of income in the year in which the cost is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

(ii) Depreciation

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

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

(g) Finance lease tangible fixed assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Tangible fixed assets acquired by way of finance leases are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation.

Depreciation on finance leased assets is computed on a straight-line basis over the estimated useful lives of items of the leased assets. The estimated useful lives of finance leased assets are consistent with the useful lives of tangible fixed assets as described in accounting policy 3(f).

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN

*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

(h) Intangible fixed assets

Software

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

(i) Construction in progress

Construction in progress represents the costs 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.

(j) Long-term prepaid expenses

(i) *Prepaid land costs*

Prepaid land costs comprise prepaid land lease rentals, including those for which the Group obtained land use rights certificate but are not qualified as intangible fixed assets under Circular No. 45/2013/TT-BTC dated 25 April 2013 of the Ministry of Finance providing guidance on management, use and depreciation of fixed assets, 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.

(ii) *Renovation expense*

Renovation expense is initially stated at cost and is 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 prevailing regulation. Cost of tools and supplies is 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.

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN

*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

(k) Trade and other payables

Accounts payable to suppliers and other payables are stated at their costs.

(l) 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 employees 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.

Provision for severance allowance to be paid to the existing eligible employees as of 31 December 2016 has been made based on the eligible employees’ years of service, being the total employees’ years of service less the number of years for which the employees participated in and contributed to unemployment insurance in accordance with prevailing laws and regulations and the period for which severance allowance has been paid by the Group, if any, and their average salary for the six-month period prior to the end of the annual accounting period.

(m) Share capital

Ordinary shares

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

(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 capital.

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

(o) Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the annual accounting period, and any adjustment to tax payable in respect of previous years.

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

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.

(p) Revenue and other income

(i) Goods sold

Revenue from sale of goods is recognised in the consolidated statement of income when 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. Revenue from sale of goods is recognised at the net amount after deducting sales discounts stated on the invoice.

(ii) Interest income

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

(q) 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.

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN

*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

(r) Borrowing costs

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

(s) 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 year. The Company does not present diluted EPS as it has no potentially diluted shares.

(t) 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.

(u) Related parties

Parties are considered to be related to the Group 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, or where the Group and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

4. Segment reporting

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

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

5. Cash

	31/12/2016	1/1/2016
	VND'000	VND'000
Cash on hand	128,490	161,043
Cash at banks	238,455,247	172,274,803
	238,583,737	172,435,846
Cash in the consolidated statement of cash flows	238,583,737	172,435,846

6. Accounts receivable from customers

(a) Accounts receivable from customers detailed by significant customers

	31/12/2016	1/1/2016
	VND'000	VND'000
Saigon Union of Trading Co-operatives	3,271,980	5,042,063
EB Services Co., Ltd.	3,616,366	4,075,204
MM Mega Market Vietnam Company Limited	4,046,686	1,966,796
Others	14,809,224	11,134,506
	25,744,256	22,218,569
	25,744,256	22,218,569

(b) Accounts receivable from customers classified by payment term

	31/12/2016	1/1/2016
	VND'000	VND'000
Short-term	25,744,256	22,218,569
	25,744,256	22,218,569

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

7. Inventories

	31/12/2016		1/1/2016	
	Cost VND'000	Allowance VND'000	Cost VND'000	Allowance VND'000
Goods in transit	146,300	-	790,291	-
Raw materials	47,372,082	(668,185)	39,684,219	-
Tools and supplies	7,566,599	(296,819)	9,712,514	-
Work in progress	3,602,740	-	4,646,405	-
Finished goods	71,440,961	(326,210)	130,570,840	(1,918,887)
	130,128,682	(1,291,214)	185,404,269	(1,918,887)

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

	2016 VND'000	2015 VND'000
Opening balance	1,918,887	3,435,021
Increase in allowance during the year	1,291,214	9,241,017
Written back	(1,918,887)	(10,757,151)
Closing balance	1,291,214	1,918,887

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

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	117,128,132	478,364,593	7,975,146	5,804,662	609,272,533
Additions	-	1,850,557	110,000	1,313,554	3,274,111
Transfers from construction in progress	554,955	623,241	-	-	1,178,196
Disposals	-	(62,062,928)	-	-	(62,062,928)
Closing balance	117,683,087	418,775,463	8,085,146	7,118,216	551,661,912
Accumulated depreciation					
Opening balance	32,022,544	321,006,195	5,926,408	4,148,705	363,103,852
Charge for the year	3,954,866	25,202,892	638,855	707,740	30,504,353
Disposals	-	(39,938,948)	-	-	(39,938,948)
Closing balance	35,977,410	306,270,139	6,565,263	4,856,445	353,669,257
Net book value					
Opening balance	85,105,588	157,358,398	2,048,738	1,655,957	246,168,681
Closing balance	81,705,677	112,505,324	1,519,883	2,261,771	197,992,655

Included in tangible fixed assets were assets costing VND56,474 million which were fully depreciated as of 31 December 2016 (1/1/2016: VND61,681 million), but are still in active use.

The net book value of temporarily idle tangible fixed assets amounted to VND20,363 million as of 31 December 2016 (1/1/2016: VND33,602 million).

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

9. Finance lease tangible fixed assets

	Office equipment VND'000
Cost	
Opening balance	-
Additions	198,603
	198,603
Closing balance	198,603
Accumulated depreciation	
Opening balance	-
Charge for the year	3,310
	3,310
Closing balance	3,310
Net book value	
Opening balance	-
Closing balance	195,293
	195,293

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Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

10. Intangible fixed assets

	Software VND'000
Cost	
Opening balance	12,913,118
Additions	129,570
	13,042,688
Closing balance	
	13,042,688
Accumulated amortisation	
Opening balance	3,151,949
Charge for the year	1,551,074
	4,703,023
Closing balance	
	4,703,023
Net book value	
Opening balance	9,761,169
Closing balance	8,339,665
	8,339,665

11. Construction in progress

	2016 VND'000	2015 VND'000
Opening balance	189,670	1,990,465
Additions during the year	1,612,867	2,823,245
Transfers to tangible fixed assets	(1,178,196)	(2,526,115)
Transfers to intangible fixed assets	-	(2,097,925)
	624,341	189,670
Closing balance	624,341	189,670

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN

(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

12. Long-term prepaid expenses

	Prepaid land costs VND'000	Renovation expense VND'000	Tools and supplies VND'000	Insurance expense VND'000	Rental expense VND'000	Total VND'000
Opening balance	26,269,010	4,691,077	2,495,778	280,150	41,835	33,777,850
Additions	-	409,835	574,800	-	-	984,635
Amortisation for the year	(694,998)	(2,423,976)	(1,495,533)	(231,505)	(32,487)	(4,878,499)
Closing balance	25,574,012	2,676,936	1,575,045	48,645	9,348	29,883,986

13. Accounts payable to suppliers

(a) Accounts payable to suppliers detailed by significant suppliers

	31/12/2016		1/1/2016	
	Cost VND'000	Amount within payment capacity VND'000	Cost VND'000	Amount within payment capacity VND'000
Vietnam Kirin Beverage Company Limited	16,611,852	16,611,852	4,272,267	4,272,267
Crown Beverage Cans (Dong Nai) Co., Ltd	14,348,481	14,348,481	23,567,042	23,567,042
Crown Beverage Cans Saigon Limited	8,917,371	8,917,371	3,388,779	3,388,779
Vietnam Chuanli Can Manufacturing Co., Ltd	8,192,210	8,192,210	3,914,483	3,914,483
Hoa Lam Transportation – Service – Trading Co., Ltd	4,664,580	4,664,580	7,034,398	7,034,398
Others	22,657,725	22,657,725	31,414,180	31,414,180
	75,392,219	75,392,219	73,591,149	73,591,149

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

(b) Accounts payable to suppliers classified by payment term

	31/12/2016		1/1/2016	
	Cost VND'000	Amount within payment capacity VND'000	Cost VND'000	Amount within payment capacity VND'000
Short-term	75,392,219	75,392,219	73,591,149	73,591,149

(c) Accounts payable to suppliers who are related parties

	31/12/2016		1/1/2016	
	Cost VND'000	Amount within payment capacity VND'000	Cost VND'000	Amount within payment capacity VND'000
Vietnam Kirin Beverage Company Limited, a related party	16,611,852	16,611,852	4,272,267	4,272,267

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

14. Taxes payable to State Treasury

	1/1/2016 VND'000	Incurred VND'000	Paid VND'000	Netted-off VND'000	31/12/2016 VND'000
Value added tax	10,221,365	136,662,715	(53,062,561)	(85,971,417)	7,850,102
Corporate income tax	-	1,061,659	-	-	1,061,659
Personal income tax	219,468	4,874,285	(4,503,514)	-	590,239
Others	3,649	1,695,944	(1,691,529)	-	8,064
	10,444,482	144,294,603	(59,257,604)	(85,971,417)	9,510,064

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

15. Accrued expenses

	31/12/2016	1/1/2016
	VND'000	VND'000
Sales discounts and commission	18,603,236	21,522,323
Promotion expense	33,288,771	25,292,954
Transportation expense	4,571,700	6,000,705
Secondment fee (*)	4,219,204	5,470,153
Interest expense	624,294	2,179,737
Others	14,363,745	16,045,913
	<hr/>	<hr/>
	75,670,950	76,511,785
	<hr/>	<hr/>

- (*) According to the Secondment Agreement dated 1 July 2011, the Group agreed to pay a 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.

16. Other short-term payables

	31/12/2016	1/1/2016
	VND'000	VND'000
Non-trade amounts due to a related party	459,041	852,501
Dividends payable	505,391	505,391
Others	153,132	396,941
	<hr/>	<hr/>
	1,117,564	1,754,833
	<hr/>	<hr/>

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

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

Form B 09 – DN/HN
(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

17. Borrowings and liabilities

(a) Short-term borrowings

	1/1/2016		Movements during the year			31/12/2016	
	Carrying amount VND'000	Amount within repayment capacity VND'000	Addition VND'000	Repayment VND'000	Unrealised foreign exchange losses VND'000	Carrying amount VND'000	Amount within repayment capacity VND'000
Short-term borrowings	180,320,000	180,320,000	240,570,000	(180,320,000)	5,508,000	246,078,000	246,078,000
Current portion of long-term borrowings (b)	-	-	146,510,000	(146,510,000)	-	-	-
	180,320,000	180,320,000	387,080,000	(326,830,000)	5,508,000	246,078,000	246,078,000

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

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

	Currency	Annual interest rate	31/12/2016 VND'000	1/1/2016 VND'000
Loan 1 from Kirin Holdings Singapore Pte. Ltd	USD	Libor plus 0.8%	246,078,000	-
Loan 1 from Kirin Holdings Company, Limited	USD	Libor plus 0.8%	-	135,240,000
Loan 2 from Kirin Holdings Company, Limited	USD	Libor plus 0.8%	-	45,080,000
			246,078,000	180,320,000

The applicable interest rates of these borrowings ranged from 1.336% to 2.062% per annum during the year (2015: 1.036% to 1.536% per annum).

(b) Long-term borrowings and liabilities

	31/12/2016 VND'000	1/1/2016 VND'000
Long-term borrowings (i)	-	146,510,000
Finance lease liabilities (ii)	194,839	-
	194,839	146,510,000

(i) Long-term borrowings

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

	Currency	Annual interest rate	Year of maturity	31/12/2016 VND'000	1/1/2016 VND'000
Unsecured loans from Kirin Holdings Company, Limited	USD	1.896%	2017	-	146,510,000

During the year, the Group made full repayments of long-term borrowings before their due dates.

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

(ii) Finance lease liabilities

Terms and conditions of finance lease liabilities were as follows:

	Currency	Annual interest rate	Year of maturity	31/12/2016 VND'000	1/1/2016 VND'000
Liability from Chailease International Leasing Company Limited	VND	21.6%	2021	194,839	-

The future minimum lease payments under non-cancellable finance leases are as follows:

	Payments VND'000	Interest VND'000	Principal VND'000
Within one year	69,246	43,610	25,636
Within two to five years	258,351	89,148	169,203
	327,597	132,758	194,839

18. Deferred tax liabilities

(a) Recognised deferred tax liabilities

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

(b) Unrecognised deferred tax assets

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

	31/12/2016		1/1/2016	
	Temporary difference VND'000	Tax value VND'000	Temporary difference VND'000	Tax value VND'000
Deductible temporary differences	79,198,608	15,839,722	79,427,763	15,885,553
Tax losses	68,007,014	13,601,403	118,282,854	23,728,737
	147,205,622	29,441,125	197,710,617	39,614,290

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

The tax losses expire in the following year:

Year of expiry	Status of tax review	Tax losses available VND'000
2020	Outstanding	68,007,014

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

Movements of provision during the year were as follows:

	Severance allowance VND'000
Opening balance	2,543,911
Provision made during the year	1,677,080
Provision utilised during the year	(529,179)
Provision reversed during the year	(145,724)
Closing balance	3,546,088

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

Form B 09 – DN/HN
(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

20. Changes in owners' equity

	Share capital VND'000	Share premium VND'000	Other capital VND'000	Accumulated losses VND'000	Non-controlling interest VND'000	Total VND'000
Balance as at 1 January 2015	711,409,840	85,035,704	57,498,796	(756,134,004)	3,476,108	101,286,444
Share capital issued	160,000,000	-	-	-	-	160,000,000
Net (loss)/profit for the year	-	-	-	(96,687,115)	479,534	(96,207,581)
Balance as at 1 January 2016	871,409,840	85,035,704	57,498,796	(852,821,119)	3,955,642	165,078,863
Net profit for the year	-	-	-	43,425,331	13,928	43,439,259
Balance as at 31 December 2016	871,409,840	85,035,704	57,498,796	(809,395,788)	3,969,570	208,518,122

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

21. Share capital

The Company's authorised and issued share capital are as follows:

	31/12/2016 and 1/1/2016	
	Number of shares	VND'000
Authorised and issued share capital		
Ordinary shares	87,140,992	871,409,920
Shares in circulation		
Ordinary shares	87,140,984	871,409,840

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 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.

On 21 December 2015, Kirin Holdings Company, Limited entered into a Share Transfer Agreement with Kirin Holdings Singapore Pte. Ltd ("Kirin Singapore"), a related party, to transfer its entire interest in the Company to Kirin Singapore. The share transfer was completed during the year.

There were no movements of share capital during the year.

22. Other capital

	31/12/2016 VND'000	1/1/2016 VND'000
Acquisition reserve (i)	(32,535,252)	(32,535,252)
Other capital (ii)	90,034,048	90,034,048
	57,498,796	57,498,796

- (i) In 2007, the Company acquired a 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.
- (ii) 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. Accordingly, all balances in USD as at 31 December 2012 have been translated to VND at the exchange rate of VND20,828 to USD1. The difference between the converted value and par value of ordinary shares of VND90,034,048,000 is reflected as other capital.

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

23. Off balance sheet items

(a) Lease

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

	31/12/2016	1/1/2016
	VND'000	VND'000
Within one year	6,840,524	7,005,674
Within two to five years	3,496,054	10,056,987
	10,336,578	17,062,661
	10,336,578	17,062,661

(b) Foreign currencies

	31/12/2016		1/1/2016	
	Original currency	VND'000 equivalent	Original currency	VND'000 equivalent
USD	80,113	1,818,982	1,120,316	25,151,090
EUR	328	7,834	339	8,291
		1,826,816		25,159,381
		1,826,816		25,159,381

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

24. Revenue from sale of goods

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

Net revenue comprised:

	2016	2015
	VND'000	VND'000
Total revenue		
▪ Sales of drinks	1,256,870,444	1,151,774,724
▪ Sales of biscuits	541,741	10,625,268
▪ Sales of other products	179,389,902	153,875,639
▪ Sales of scraps	1,041,804	2,126,611
	<hr/> 1,437,843,891	<hr/> 1,318,402,242
Less revenue deductions		
▪ Sales allowances	106,985,890	37,370,580
▪ Sales returns	343,877	847,957
	<hr/> 107,329,767	<hr/> 38,218,537
Net revenue	<hr/> <hr/> 1,330,514,124	<hr/> <hr/> 1,280,183,705

25. Cost of sales

	2016	2015
	VND'000	VND'000
Total cost of sales		
▪ Cost of drinks	836,829,134	845,289,291
▪ Cost of biscuits	1,578,039	14,775,791
▪ Cost of other products	79,044,599	81,698,907
	<hr/> 917,451,772	<hr/> 941,763,989

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

26. Financial income

	2016	2015
	VND'000	VND'000
Interest income from deposits at banks	951,168	386,635
Foreign exchange gains	28,824,392	17,151,318
	29,775,560	17,537,953
	29,775,560	17,537,953

27. Financial expenses

	2016	2015
	VND'000	VND'000
Interest expense	5,357,813	5,933,545
Foreign exchange losses	30,972,407	37,749,951
	36,330,220	43,683,496
	36,330,220	43,683,496

28. Selling expenses

	2016	2015
	VND'000	VND'000
Staff costs	146,587,246	163,973,427
Advertisement and promotion expenses	51,207,622	87,223,620
Transportation expense	71,957,377	86,301,552
Rental expense	8,129,459	7,607,197
Others	16,735,473	15,014,618
	294,617,177	360,120,414
	294,617,177	360,120,414

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Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

29. General and administration expenses

	2016 VND'000	2015 VND'000
Staff costs	15,998,574	15,389,946
Consultant fee	5,121,901	5,765,826
Rental expense	3,085,981	2,791,031
Depreciation and amortisation	2,620,541	2,517,059
Allowance	595,603	2,341,472
Others	15,083,575	12,671,632
	42,506,175	41,476,966

30. Other income

	2016 VND'000	2015 VND'000
Gains from disposals of tangible fixed assets	-	590,112
Others	1,123,541	5,966,187
	1,123,541	6,556,299

31. Other expenses

	2016 VND'000	2015 VND'000
Losses from disposals of tangible fixed assets	19,546,707	-
Depreciation of idle tangible fixed assets	6,144,681	5,329,383
Tax penalties	278,825	3,495,646
Others	869,117	1,496,352
	26,839,330	10,321,381

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

32. Production and business costs by elements

	2016	2015
	VND'000	VND'000
Raw material costs included in production costs	569,743,574	659,990,981
Labour and staff costs	203,833,475	235,841,385
Depreciation and amortisation	32,058,737	38,381,229
Outside services	384,045,788	530,362,350
Other expenses	28,101,622	30,351,869
	569,743,574	659,990,981

33. Income tax

(a) Recognised in the consolidated statement of income

	2016	2015
	VND'000	VND'000
Current tax expense		
Current year	1,061,659	-
Under provision in prior years	-	2,727,671
	1,061,659	2,727,671
Deferred tax (benefit)/expense		
Origination and reversal of temporary differences	(832,367)	391,621
	229,292	3,119,292

(b) Reconciliation of effective tax rate

	2016	2015
	VND'000	VND'000
Accounting profit/(loss) before tax	43,668,551	(93,088,289)
Tax at the Company's tax rate	8,733,710	(20,479,423)
Non-deductible expenses	1,668,747	3,808,243
Unrecognised deferred tax assets	(45,831)	18,348,514
Tax losses not previously recognised utilised	(10,127,334)	(1,285,713)
Under provision in prior years	-	2,727,671
	229,292	3,119,292

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Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN

*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

(c) Applicable tax rates

(i) Interfood Shareholding Company

Under the terms of the Company's Investment Certificates, the Company has an obligation to pay the government income tax at the rate of 15% of taxable profits for the first 12 years starting from the first year of operation. Thereafter, from 2006 onwards the Company is subject to income tax rate applicable to enterprises before any incentives of 25%.

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

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

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

The usual income tax rate applicable to enterprises before any incentives is 20% from 2016 onwards (2015: 22%).

(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 and the usual income tax rate applicable to enterprises before any incentives for the succeeding years. The current tax regulations allow Avafood to be exempt from income tax for 2 years starting from the first year it generates a taxable profit and entitled to a 50% reduction in income tax for the 3 succeeding years. The income tax regulations also specify that if Avafood does not generate any taxable profit in 3 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.

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN

(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

Corporate income tax is payable at the rate stipulated by the current regulations on annual profit from processing service, office and workshop lease activity (2016: 20% and 2015: 22%).

All the above tax exemption and reduction are not applicable to other income which is taxed at the usual income tax rate applicable to enterprises before any incentives. The usual income tax rate applicable to enterprises before any incentives is 20% from 2016 onwards (2015: 22%).

34. Basic earnings/(losses) per share

The calculation of basic earning per share for the year ended 31 December 2016 was based on the net profit attributable to ordinary shareholders of the Company and a weighted average number of ordinary shares outstanding during the year, calculated as follows:

(a) Net profit/(loss) attributable to ordinary shareholders

	2016 VND'000	2015 VND'000
Net profit/(loss) attributable to ordinary shareholders	43,425,331	(96,687,115)

(b) Weighted average number of ordinary shares

	2016	2015
Issued ordinary shares at the beginning of the year	87,140,984	71,140,984
Effect of shares issued during the year	-	350,685
Weighted average number of ordinary shares for the year	87,140,984	71,491,669

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

35. Significant transactions with related parties

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

	Transaction value	
	2016 VND'000	2015 VND'000
Ultimate Parent Company		
Kirin Holdings Company, Limited		
Short-term borrowings	-	77,250,000
Interest expense	4,556,838	5,933,545
Secondment fee	9,592,410	10,693,893
Parent Company		
Kirin Holdings Singapore Pte. Ltd		
Short-term borrowings	240,570,000	-
Interest expense	800,975	-
Shares issued	-	160,000,000
Other related parties		
Vietnam Kirin Beverage Company Limited		
Processing fee	165,913,334	160,073,961
Purchases of services	3,307,710	2,021,010
Sales of goods	39,291	9,652
Members of Board of Directors		
Secondment fee	5,642,680	5,709,669
Salary	1,818,000	1,848,300

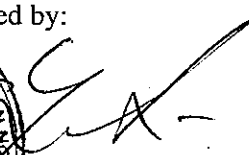
21 March 2017

Prepared by:



Nguyen Hong Phong
Chief Accountant

Approved by:



Toru Masasaki
Chairman / General Director

