

Interfood Shareholding Company

Financial statements
Quarter 3 - 2020

Interfood Shareholding Company

Corporate information

Investment Licence No.	270/GP	16/11/1991
Investment Certificate No.	472033000328 (1st amendment)	28/11/2007
	472033000328 (2nd amendment)	20/05/2010
	472033000328 (3rd amendment)	22/04/2011
	472033000328 (4th amendment)	18/10/2011
	472033000328 (5th amendment)	14/05/2014
	472033000328 (6th amendment)	30/12/2015
	6525867086 (7th amendment)	05/02/2016
	6525867086 (8th amendment)	28/12/2016
	6525867086 (9th amendment)	25/01/2017
	6525867086 (10th amendment)	08/04/2018
	6525867086 (11st amendment)	01/10/2019
	6525867086 (12nd amendment)	21/09/2020

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

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

Enterprise Registration

Certificate No.:	3600245631	21/02/2016
	3600245631	19/03/2018
	3600245631	06/07/2019
	3600245631	30/06/2020

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

Board of Management:

Takeshi Fukushima	Chairman
Yutaka Ogami	Member
Nguyen Thi Kim Lien	Member
Toru Yoshimura	Member
Koichi Ogawa	Member

Board of Director:

Yutaka Ogami	General Director cum General Manager of Administration
Takeshi Fukushima	General Manager of Marketing cum General Manager of Sales
Nguyen Thi Kim Lien	General Manager of Internal Control
Ryuta Onda	General Manager of Factory
Tomohide Ito	General Manager of Planning

Registered Office

Lot 13, Tam Phuoc IZ, Tam Phuoc Ward
Bien Hoa City, Dong Nai Province, Vietnam

Auditors

KPMG Limited Vietnam

Interfood Shareholding Company

Statement of the Board of Directors

The Board of Directors of Interfood Shareholding Company (“the Company”) presents this statement and the accompanying separate financial statements of the Company for the year ended 30 September 2020.

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

(a) the financial statements set out on pages 4 to 28 give a true and fair view of the financial position of the Company as at 30 September 2020, and of its results of operations and its cash flows for the three month period then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting; and

(b) at the date of this statement, there are no reasons to believe that the Company will not be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised the accompanying separate financial statements for issue.

On behalf of the Board of Directors

(Signed and sealed)

Yutaka Ogami

General Director

Dong Nai province, dated 22nd October 2020.

Interfood Shareholding Company

Balance sheet

			30/09/2020	31/12/2019
ASSETS	Code	Notes	VND'000	VND'000
Current assets (100=110+130+140+150)	100		908,917,219	838,133,708
Cash	110	8	669,609,442	517,046,649
Cash	111		419,609,442	517,046,649
Cash equivalent	112		250,000,000	-
Accounts receivable – short-term	130		28,157,447	111,919,864
Accounts receivable from customers	131	9	21,517,606	35,389,941
Prepayments to suppliers	132		8,169,475	8,920,595
Loan receivables – short-term	135	10	-	69,341,174
Other receivables – short-term	136		478,168	275,956
Allowance for doubtful debts	137		(2,007,802)	(2,007,802)
Inventories	140	11	209,901,274	207,482,930
Inventories	141		210,275,080	207,897,813
Allowance for inventories	149		(373,806)	(414,883)
Other current assets	150		1,249,056	1,684,265
Short-term prepaid expenses	151		1,107,833	1,226,627
Taxes receivable from State Treasury	153		141,223	457,638
Long-term assets (200 = 210 + 220 + 240 + 260)	200		148,667,934	151,877,868
Accounts receivable – long-term	210		1,750,728	1,750,728
Other receivables – long-term	216		1,750,728	1,750,728
Fixed assets	220		104,281,223	39,139,589
Tangible fixed assets	221	12	100,549,855	34,375,984
<i>Cost</i>	222		421,487,323	195,468,456
<i>Accumulated depreciation</i>	223		(320,937,468)	(161,092,472)
Finance Lease Tangible fixed assets	224	13	46,340	76,131
<i>Cost</i>	225		198,603	198,603
<i>Accumulated depreciation</i>	226		(152,263)	(122,472)
Intangible fixed assets	227	14	3,685,028	4,687,474
<i>Cost</i>	228		14,082,575	14,082,575
<i>Accumulated depreciation</i>	229		(10,397,547)	(9,395,101)
Long-term financial investments	250		-	93,031,155
Investment in subsidiary	251	15	-	94,145,809
Provision for long term investment	255		-	(1,114,654)
Other long-term assets	260		42,635,983	17,956,396
Long-term prepaid expenses	261	16	26,560,124	1,865,903
Deffered tax assets	262	17	16,075,859	16,090,493
TOTAL ASSETS (270=100+200)	270		1,057,585,153	990,011,576

Interfood Shareholding Company

Balance sheet

			30/09/2020	31/12/2019
RESOURCES	Code	Notes	VND'000	VND'000
LIABILITIES (300=310+330)	300		197,505,702	207,526,931
Current liabilities	310		193,765,965	203,992,242
Accounts payable to suppliers	311	18	79,395,972	84,825,787
Advances from customers	312		6,363,849	10,639,429
Taxes payable to State Treasury	313	19	24,006,023	26,636,285
Payable to employees	314		7,819,874	7,391,247
Accrued expenses	315	20	75,225,060	73,478,545
Other short-term payables	319	21	955,187	1,020,949
Long term liabilities	330		3,739,737	3,534,689
Long-term borrowings and finance lease	338	22(b)	62,558	98,110
Provision – long-term	342	23	3,677,179	3,436,579
EQUITY (400=410)	400		860,079,451	782,484,645
Owners' equity	410	24	860,079,451	782,484,645
Share capital	411	25	871,409,840	871,409,840
- Ordinary shares with voting rights	411a		871,409,840	871,409,840
Share premium	412		85,035,704	85,035,704
Other reserves	420	26	90,034,048	90,034,048
Accumulated losses	420		(186,400,141)	(263,994,947)
- Accumulated losses brought forward	421a		(263,994,947)	(487,188,948)
- Net profit (loss) for the current year	421b		77,594,806	223,194,001
TOTAL RESOURCES (440=300+400)			<u>1,057,585,153</u>	<u>990,011,576</u>

22th October 2020

Prepared by:

(Signed)

Nguyễn Hồng Phong
Chief Accountant

Approved by:

(Signed and sealed)

Yutaka Ogami
General Director

Interfood Shareholding Company

Statement of income

	Code	Notes	Q3-2020 VND'000	Q3-2019 VND'000	YTD2020Q3 VND'000	YTD2019Q3 VND'000
Revenue from sale of goods	01	28	402,120,438	419,924,294	1,120,412,711	1,271,264,018
Revenue deductions	02	28	39,977,168	31,359,956	102,420,544	102,233,633
Net revenue (10=01-02)	10	28	362,143,270	388,564,338	1,017,992,167	1,169,030,385
Cost of sales	11	29	220,247,380	221,919,728	620,529,941	671,704,179
Gross profit (20=10-11)	20		141,895,890	166,644,610	397,462,226	497,326,206
Financial income	21	30	835,227	847,847	3,383,212	2,508,970
Financial expenses	22	31	92,767	45,659	76,257,345	432,099
<i>In which: Interest expenses</i>	23		4,214	6,861	14,751	23,152
Selling expenses	25	32	71,175,758	85,209,911	200,077,252	248,047,182
G&A expenses	26	33	9,065,586	9,928,458	25,403,834	25,364,217
Operating profit/(loss) {30=20+(21-22)-(25+26)}	30		62,397,006	72,308,429	99,107,007	225,991,678
Other income	31	34	255,988	2,135,895	389,754	2,302,360
Other expenses	32	35	1,449,623	1,277,356	1,970,986	3,990,510
Results of other activities (40 = 31 - 32)	40		(1,193,635)	858,539	(1,581,232)	(1,688,150)
Profit (loss) before tax (50 = 30 + 40)	50		61,203,371	73,166,968	97,525,775	224,303,528
Income tax expenses - current	51	37	14,530,058	13,687,568	20,097,245	37,172,719
Income tax expenses - deferred	52	37	(2,000,012)	-	(166,276)	7,317,978
Profit (loss) after tax (60= 50 - 51- 52)	60		48,673,325	59,479,400	77,594,806	179,812,831

22th October 2020

Prepared by:

(Signed)

Nguyễn Hồng Phong
Chief Accountant

Approved by:

(Signed and sealed)

Yutaka Ogami
General Director

Interfood Shareholding Company

**Statements of cash flows
(Indirect method)**

	Code	Notes	30/09/2020 VND'000	YTD2019Q3 VND'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	01		97,525,775	224,303,529
Adjustments for:				
Depreciation and amortisation	02		11,631,001	14,399,357
Allowances and provisions	03		(502,394)	934,066
Exchange losses arising from revaluation of monetary	04		(25,439)	-
Losses/(profits) from investing activities	05		75,058,450	(2,491,320)
Interest expense	06		14,751	23,152
Operating profit/(loss) before changes in working capital	08		183,702,144	237,168,784
Change in receivable	09		32,721,095	20,076,137
Change in inventories	10		(2,854,872)	(32,669,500)
Change in payables and other liabilities	11		(11,366,146)	(28,300,293)
Change in prepaid expenses	12		2,147,963	215,161
Interest paid	14		(14,751)	(23,152)
Income tax paid	15		(20,200,009)	(41,774,097)
Net cash flow from operating activities	20		184,135,424	154,693,040
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets	21		(476,830)	(1,560,599)
Proceeds from disposals of fixed assets	22		204,182	-
Payment for granting loans	23		(14,000,000)	(20,000,000)
Recovered from investment			(17,864,657)	-
Receipts of interests	27		588,959	601,329
Net cash inflows/(outflows) from investing activities	30		(31,548,346)	(20,959,270)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments to settle loan principals	34		-	-
Payments to settle finance lease liabilities	35		(35,552)	(27,834)
Net cash inflows/(outflows) from financing activities	40		(35,552)	(27,834)
Net increase/(decrease) in cash (50= 20 +30 + 40)	50		152,551,526	133,705,936
Cash at beginning of the year	60		517,046,649	262,045,427
Effects of changes in foreign exchange rates			11,267	
Cash at end of the year (70= 50 + 60)	70	7	669,609,442	395,751,363

22th October 2020

Prepared by:

Approved by:

(Signed)

(Signed and sealed)

Nguyễn Hồng Phong
Chief Accountant

Yutaka Ogami
General Director

Interfood Shareholding Company

Notes to the financial statements

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

1 Reporting Entity

(a) Ownership structure

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

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

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

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.

(c) Normal operating cycle

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

(d) Company structure

As at 30 September 2020, the Company had 581 employees (31/12/2019: 617 employees).

2 Basis of preparation

(a) Statement of compliance

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

Interfood Shareholding Company

Notes to the financial statements

(b) Basis of measurement

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

(c) Annual accounting period

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

(d) Accounting and presentation currency

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

3 Summary of significant accounting policies

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

(a) Foreign currency transactions

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

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.

(b) Cash

Cash comprises cash balances and call deposits.

(c) Investment in subsidiary

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

Interfood Shareholding Company

Notes to the financial statements

(d) Accounts receivable

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

(e) Inventories

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

The Company applies the perpetual method of accounting for inventory.

(f) Tangible fixed assets

(i) Cost

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

(ii) Depreciation

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

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 Company 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

Notes to the financial statements

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

(j) Long-term prepaid expenses

(i) *Renovation expense*

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

(ii) *Tools and supplies*

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

(iii) *Insurance and rental expenses*

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

(k) Trade and other payables

Trade and other payables are stated at their cost.

(l) Provisions

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

Severance allowance

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

Interfood Shareholding Company

Notes to the financial statements

Provision for severance allowance to be paid to the existing eligible employees as of 30 September 2020 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 Company, 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

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

(n) Taxation

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

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

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

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

(o) Revenue

Goods sold

Revenue from sale of goods is recognised in the separate 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.

Interest income

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

Interfood Shareholding Company

Notes to the financial statements

(p) Operating lease payments

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

(q) 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.

(r) Related companies

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

4 Seasonality of operations

Total revenue of the Company typically increases in the fourth quarter of each year as distributors prepare for an anticipated increase in consumer demand in the months leading up to the Tet (Lunar New Year) holidays, which occur in the first quarter of each year. Accordingly, the Company typically increases the production and also increases advertising and promotional efforts in the fourth quarter of each year during the period leading to the festive season

5 Changes in accounting estimates

In preparing these quarterly financial statements, the Board of Directors has made several accounting estimates. Actual results may differ from these estimates. There were no significant changes in basis of accounting estimates compared to those made in the most recent annual financial statements or those made in the same quarterly period of the prior year

6 Changes in the composition of the Company

There were no changes in the composition of the Company since the end of the last annual accounting period which affect the Company's separated interim financial statements for the quarterly ended 30 September 2020

7 Merger

On 25 May 2020 the Company entered into a merger agreement with AVA. Pursuant to this merger agreement, all assets and liabilities of AVA were transferred to the Company at their book value. The merger was effective from 30 June 2020 and AVA have ceased their operation since that date.

Interfood Shareholding Company

Notes to the financial statements

The merger had the following effects on the Company's financial statements on the merger date 30 June 2020

	Financial statements as at merger date	Elimination of related parties' balance	Recognised value on merger
	30/06/2020 VND'000	30/06/2020 VND'000	30/06/2020 VND'000
Cash	1,730,047	-	1,730,047
Accounts receivable – short-term	203,262	-	203,262
Other current assets	149,170	-	149,170
Fixed assets - Net	76,845,304	-	76,845,304
Other long-term assets	26,574,220	-	26,574,220
Current liabilities	(68,694,582)	-	(68,694,582)
Long term liabilities	(291,820)	-	(291,820)
Recognised value of net asset	36,515,601	-	36,515,601
Cost of investments of IFS in Avafood	113,740,513	-	113,740,513
Losses from merger	(77,224,912)	-	(77,224,912)
8 Cash	30/09/2020 VND'000		31/12/2019 VND'000
Cash on hand	170,148		252,305
Cash in banks	419,439,294		516,794,344
Time deposit	250,000,000		-
Cash in the statement of cash flows	669,609,442		517,046,649
9 Accounts receivable from customers			
(a) Accounts receivable from customers detailed by significant customers			
	30/09/2020 VND'000		31/12/2019 VND'000
Saigon Union of Trading Co-operatives	2,049,804		2,804,313
EB Services Co., Ltd	1,838,004		7,976,751
MM Mega Market Co., Ltd (Vietnam)	3,098,969		4,789,915
VINCOMMERCE SJC	4,128,175		6,785,952
Others	10,402,654		13,033,010
	21,517,606		35,389,941

Interfood Shareholding Company

Notes to the financial statements

(b) Accounts receivable from customers classified by payment term

	30/09/2020	31/12/2019
	VND'000	VND'000
Short-term	21,517,606	35,389,941
	<u>21,517,606</u>	<u>35,389,941</u>

10 Short-term loans receivable

	30/09/2020	31/12/2019
	VND'000	VND'000
Short-term loans granted to a related party (*)	-	69,341,174
	<u>-</u>	<u>69,341,174</u>

(*) Short-term loans to Avafood Shareholding Company (“Avafood”), a subsidiary with the credit limit of USD5 million, were unsecured and earned interest at Libor plus 1.6% per annum. The interest rate was 3,3% per annum during the year (2019: 3,3% per annum).

As at 30 June 2020, the Company merged Avafood, the loan grant to Avafood was recorded by the Parent Company as a decrease in book value.

11 Inventories

	30/09/2020		31/12/2019	
	Cost	Allowance	Cost	Allowance
	VND'000	VND'000	VND'000	VND'000
Goods in transit	5,498,483	-	9,719,234	-
Raw materials	42,452,085	(73,482)	49,850,128	(64,631)
Tools and supplies	8,319,208	(296,819)	4,560,503	(296,819)
Work in progress	11,722,037	-	7,847,627	-
Finished goods	142,283,267	(3,505)	135,920,321	(53,433)
	<u>210,275,080</u>	<u>(373,806)</u>	<u>207,897,813</u>	<u>(414,883)</u>

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

	30/09/2020	31/12/2019
	VND'000	VND'000
Opening balance	414,883	300,052
Increase in allowance during the year	436,528	1,965,042
Allowance utilised during the year	(477,605)	(1,850,211)
Closing balance	<u>373,806</u>	<u>414,883</u>

Interfood Shareholding Company

Notes to the financial statements

12 Tangible fixed assets

	Building VND'000	Machinery & Equipment VND'000	Motor vehicles VND'000	Office equipment VND'000	Total VND'000
Historical cost					
Opening balance	-	178,188,596	6,574,135	10,705,725	195,468,456
Additions	-	476,830	-	-	476,830
Merged from subsidiary	117,748,737	108,888,438	252,019	1,363,182	228,252,376
Transfer from CIP	-	-	-	-	-
Disposals(*)	-	(1,357,570)	(1,352,769)	-	(2,710,339)
Closing balance	117,748,737	286,196,294	5,473,385	12,068,907	421,487,323
Accumulated depreciation					
Opening balance	-	148,222,306	5,515,014	7,355,152	161,092,472
Charge for the year	995,515	8,266,471	156,340	1,180,438	10,598,764
Merged from subsidiary	49,918,624	100,096,400	252,019	1,140,029	151,407,072
Disposals(*)	-	(1,124,275)	(1,036,565)	-	(2,160,840)
Closing balance	50,914,139	255,460,902	4,886,808	9,675,619	320,937,468
Net book value					
Opening balance	-	29,966,290	1,059,121	3,350,573	34,375,984
Closing balance	66,834,598	30,735,392	586,577	2,393,288	100,549,855

Included in the cost of tangible fixed assets were assets costing 49,044 million VND which were fully depreciated as of 30 September 2020 (31/12/2019: 38,645 million VND), but are still in active use.

The net book value of temporarily idle tangible fixed assets amounted to VND 1,926 million as at 30 September 2020 (31/12/2019: VND 114 million).

13 Finance lease tangible fixed assets

	Office equipment VND'000	Total VND'000
Historical cost		
Opening balance	198,603	198,603
Additions	-	-
Closing balance	198,603	198,603
Accumulated depreciation		
Opening balance	122,472	122,472
Charge for the year	29,791	29,791
Closing balance	152,263	152,263
Net book value		
Opening balance	76,131	76,131
Closing balance	46,340	46,340

Interfood Shareholding Company

Notes to the financial statements

14 Intangible fixed assets

	Software VND'000	Total VND'000
Historical cost		
Opening balance	14,082,575	14,082,575
Additions	-	-
Transfer from CIP	-	-
Written off	-	-
Closing balance	14,082,575	14,082,575
Accumulated depreciation		
Opening balance	9,395,101	9,395,101
Charge for the year	1,002,446	1,002,446
Disposals	-	-
Closing balance	10,397,547	10,397,547
Net book value		
Opening balance	4,687,474	4,687,474
Closing balance	3,685,028	3,685,028

Included in the cost of intangible fixed assets were assets costing VND 1,851 million which were fully amortised as of 30 September 2020 (31/12/2019: VND1,851 million), but are still in active use.

15 Investment in subsidiary

	30/09/2020		31/12/2019	
	% of equity owned	% of voting rights	Cost VND'000	Allowancet VND'000
Avafood Shareholding Company			90.4%	90.4%
			94,145,809	(1,114,654)

Detail information of a subsidiary as at 30 September 2020 and 31 December 2019 are described as follows:

Name	Address	Principal activities
Avafood Shareholding Company (Avafood)	Lot 13, Tam Phuoc Industrial Zone, Tam Phuoc Ward, Bien Hoa City, Dong Nai Province, Vietnam	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 and import products.

Interfood Shareholding Company

Notes to the financial statements

The Company has not determined the fair value of the equity investment for disclosure in the financial statements because there is currently no guidance on determination of fair value using valuation techniques under Vietnamese Accounting Standards or the Vietnamese Accounting System for enterprises. The fair value of the equity investment may differ from its carrying amounts.

On April 7, 2020, the Company signed a contract to purchase all shares of minority shareholders in AVA to become the sole shareholder in AVAFood Shareholding Company, Avafood has re-registration to be come a limited company

As at 30 September 2020, the Company merged Avafood, the entire investment in Avafood was recorded by the Parent Company as a decrease in book value and officially terminated Avafood's operation.

16 Long-term prepaid expenses

	Prepaid land costs	Tool and supplies	Other	Total
	VND'000	VND'000	VND'000	VND'000
Opening balance	-	1,865,903	-	1,865,903
Additions	23,141,517	-	3,432,703	26,574,220
Amortisation	(173,996)	(972,456)	(733,547)	(1,879,999)
Closing balance	22,967,521	893,447	2,699,156	26,560,124

17 Deferred tax assets

	Tax rate	30/09/2020 VND'000	31/12/2019 VND'000
Accruals	20%	15,045,012	14,695,709
Allowance for doubtful debts	20%	401,560	401,560
Allowance for inventories	20%	74,761	82,977
Allowance for severance allowance	20%	735,436	687,319
Allowance for long term investment	20%	(180,910)	222,928
		16,075,859	16,090,493

Interfood Shareholding Company

Notes to the financial statements

18 Accounts payable to suppliers

(a) Accounts payable to suppliers detailed by significant suppliers

	30/09/2020		31/12/2019	
	Cost VND'000	Amount within payment capacity	Cost VND'000	Amount within payment capacity
		VND'000		VND'000
Crown Beverage Cans (Dong Nai) Co., Ltd	21,726,934	21,726,934	13,976,584	13,976,584
Vietnam Kirin Beverage Company Limited	16,799,882	16,799,882	20,689,633	20,689,633
Crown Beverage Cans Saigon Limited	8,731,034	8,731,034	2,543,270	2,543,270
Vietnam Chuanli Can Manufacturing Co., Ltd	11,429,683	11,429,683	11,319,447	11,319,447
Others	20,708,439	20,708,439	36,296,853	36,296,853
	79,395,972	79,395,972	84,825,787	84,825,787

(b) Accounts payable to suppliers classified by payment term

	30/09/2020		31/12/2019	
	Cost VND'000	Amount within payment capacity	Cost VND'000	Amount within payment capacity
		VND'000		VND'000
Short-term	79,395,972	79,395,972	84,825,787	84,825,787
	79,395,972	79,395,972	84,825,787	84,825,787

(c) Accounts payable to suppliers who are related parties

	30/09/2020		31/12/2019	
	Cost VND'000	Amount within payment capacity	Cost VND'000	Amount within payment capacity
		VND'000		VND'000
Vietnam Kirin Beverage Company, Limited	16,799,882	16,799,882	20,689,633	20,689,633
	16,799,882	16,799,882	20,689,633	20,689,633

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

Interfood Shareholding Company

Notes to the financial statements

19 Taxes payable to State Treasury

	31/12/2019	Incurred	Netted-off	Paid	30/09/2020
	VND'000	VND'000	VND'000	VND'000	VND'000
Value added tax	8,835,596	101,489,815	(57,665,246)	(45,990,127)	6,670,038
Corporate income tax	16,488,491	20,542,572	-	(20,647,069)	16,383,994
Personal income tax	802,573	3,986,351	-	(3,836,933)	951,991
Other tax	509,625	2,476,307	-	(2,985,932)	-
	26,636,285	128,495,045	(57,665,246)	(73,460,061)	24,006,023

20 Accrued expenses

	30/09/2020	31/12/2019
	VND'000	VND'000
Sales discounts and commission	17,384,283	26,134,413
Promotion expenses	31,253,293	26,364,770
Transportation fee	6,422,318	6,375,434
Secondment fee payable (*)	4,584,669	2,985,832
Others	15,580,498	11,618,097
	75,225,060	73,478,545

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

21 Other short-term payables

	30/09/2020	31/12/2019
	VND'000	VND'000
Non-trade amounts due to a related party	207,009	244,354
Dividends payable	505,391	505,391
Other payable	242,787	271,204
	955,187	1,020,949

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

Interfood Shareholding Company

Notes to the financial statements

22 Long-term borrowings and finance lease

	30/09/2020	31/12/2019
	VND'000	VND'000
Finance lease liabilities	62,558	98,110
	62,558	98,110

Terms and conditions of Finance lease liabilities were as follows:

				30/09/2020	31/12/2019
	Currency	Annual Interest rate	Year of maturity	VND'000	VND'000
Liability from Chailease International Leasing Company Limited	VND	21.6%	2021	62,558	98,110
				62,558	98,110

23 Provision - long-term

	Severance allowance	Severance allowance
	30/09/2020	31/12/2019
	VND'000	VND'000
Opening balance	3,436,579	3,398,410
Provision made during the year	175,732	296,084
Merged from subsidiary	110,910	-
Utilised during the year	(46,042)	(257,915)
Closing balance	3,677,179	3,436,579

24 Changes in owners' equity

	Share capital	Share premium	Other Reserves	Accumulated losses	Total
	VND'000	VND'000	VND'000	VND'000	VND'000
Balance as at 01/01/2019	871,409,840	85,035,704	90,034,048	(487,188,948)	559,290,644
Share capital issued					-
Net profit (loss) for the year				223,194,001	223,194,001
Balance as at 31/12/2019	871,409,840	85,035,704	90,034,048	(263,994,947)	782,484,645
Share capital issued					-
Net profit (loss) for the year				77,594,806	77,594,806
Balance as at 30/09/2020	871,409,840	85,035,704	90,034,048	(186,400,141)	860,079,451

Interfood Shareholding Company

Notes to the financial statements

25 Share capital

The Company's authorised and issued share capital is:

	30/09/2020		31/12/2019	
	Number of shares	VND'000	Number of shares	VND'000
Authorised and issued share capital				
Ordinary shares	87,140,992	871,409,920	87,140,992	871,409,920
Shares in circulation				
Ordinary shares	87,140,984	871,409,840	87,140,984	871,409,840

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

Movements in share capital during the year were as follows:

	30/09/2020		31/12/2019	
	Number of shares	VND'000	Number of shares	VND'000
Balance at the beginning of the period	87,140,984	871,409,840	87,140,984	871,409,840
Shares issued during the year				
Balance at the end of period:	87,140,984	871,409,840	87,140,984	871,409,840

26 Other reserves

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

Interfood Shareholding Company

Notes to the financial statements

27 Off balance sheet items

(a) Lease

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

	30/09/2020	31/12/2019
	VND'000	VND'000
Within one year	4,970,736	12,128,526
Within two to five years	-	3,410,595
Over five years	-	-
	<u>4,970,736</u>	<u>15,539,121</u>

(b) Foreign currencies

	30/09/2020		31/12/2019	
	Original currency	VND'000	Original currency	VND'000
USD	156,809	3,647,929	30,422	702,750
EUR	-	-	295	7,628
		<u>3,647,929</u>		<u>710,378</u>

28 Revenues from sales of goods

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

Net revenue comprised:

	Q3-2020	Q3-2019	YTD2020Q3	YTD2019Q3
	VND'000	VND'000	VND'000	VND'000
Total revenue				
■ Sales of drinks	337,239,695	354,287,474	919,745,405	1,072,874,059
■ Sales of biscuits	-	-	-	-
■ Sales of food stuff	64,030,222	65,361,797	198,229,800	197,742,883
■ Sales of scraps	850,521	275,023	2,437,506	647,076
	<u>402,120,438</u>	<u>419,924,294</u>	<u>1,120,412,711</u>	<u>1,271,264,018</u>
Less revenue deductions:				
■ Sales allowances	39,977,168	31,359,956	102,420,544	102,233,633
■ Sales return	-	-	-	-
	<u>39,977,168</u>	<u>31,359,956</u>	<u>102,420,544</u>	<u>102,233,633</u>
Net revenue	<u>362,143,270</u>	<u>388,564,338</u>	<u>1,017,992,167</u>	<u>1,169,030,385</u>

Interfood Shareholding Company

Notes to the financial statements

29	Cost of sales	Q3-2020 VND'000	Q3-2019 VND'000	YTD2020Q3 VND'000	YTD2019Q3 VND'000
Total cost of sales					
■	Cost of drinks	185,248,175	194,374,602	509,155,274	600,582,983
■	Cost of other products	34,999,205	27,545,126	111,374,667	71,121,196
		220,247,380	221,919,728	620,529,941	671,704,179

30	Financial income	Q3-2020 VND'000	Q3-2019 VND'000	YTD2020Q3 VND'000	YTD2019Q3 VND'000
	Interest income from bank deposits	822,794	210,260	2,177,506	601,329
	Interest income from loans to Avafood	-	622,340	1,157,069	1,889,991
	Foreign exchange gains	12,433	15,247	48,637	17,650
		835,227	847,847	3,383,212	2,508,970

31	Financial expenses	Q3-2020 VND'000	Q3-2019 VND'000	YTD2020Q3 VND'000	YTD2019Q3 VND'000
	Interest expenses	4,214	6,861	14,751	23,152
	Foreign exchange losses	88,553	38,798	132,333	408,947
	Losses from merger	-	-	76,110,261	-
		92,767	45,659	76,257,345	432,099

32	Selling expenses	Q3-2020 VND'000	Q3-2019 VND'000	YTD2020Q3 VND'000	YTD2019Q3 VND'000
	Staff costs	32,851,282	39,764,049	100,091,185	121,224,772
	Advertisement and promotion expenses	15,277,707	18,653,114	38,498,120	51,608,412
	Transportation fee	17,693,454	18,600,342	46,778,707	54,362,004
	Rental fee	2,351,130	2,608,365	6,656,379	7,363,825
	Others	3,002,185	5,584,041	8,052,861	13,488,169
		71,175,758	85,209,911	200,077,252	248,047,182

33	General and administration expenses	Q3-2020 VND'000	Q3-2019 VND'000	YTD2020Q3 VND'000	YTD2019Q3 VND'000
	Staff costs	3,018,247	2,829,968	9,225,891	8,907,223
	Consultant fee	698,200	697,800	3,151,820	2,358,900
	Rental fee	991,792	1,056,366	2,791,353	2,879,962
	Depreciation and amortisation	824,681	729,500	2,434,931	2,296,498
	Allowance	-	22,695	175,733	286,570
	Others	3,532,666	4,592,129	7,624,106	8,635,064
		9,065,586	9,928,458	25,403,834	25,364,217

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Notes to the financial statements

34 Other income

	Q3-2020	Q3-2019	YTD2020Q3	YTD2019Q3
	VND'000	VND'000	VND'000	VND'000
Proceeds from disposals of fixed assets	-	1,950,560	-	1,950,560
Others	255,988	185,335	389,754	351,800
	255,988	2,135,895	389,754	2,302,360

35 Other expenses

	Q3-2020	Q3-2019	YTD2020Q3	YTD2019Q3
	VND'000	VND'000	VND'000	VND'000
Depreciation of idle tangible fixed assets	1,337,041	1,145,063	1,364,065	3,657,499
Loss from disposals of tangible fixed assets	-	-	-	-
Tax penalties	-	-	-	-
Others	112,582	132,293	606,921	333,011
	1,449,623	1,277,356	1,970,986	3,990,510

36 Production and business costs by element

	Q3-2020	Q3-2019	YTD2020Q3	YTD2019Q3
	VND'000	VND'000	VND'000	VND'000
Raw material costs included in production cost	158,926,804	165,197,753	400,318,447	460,762,198
Labour costs and staff costs	46,131,922	51,770,699	137,317,933	156,695,063
Depreciation and amortisation	5,932,117	4,692,713	12,194,136	14,399,356
Outside services	119,132,023	121,378,384	299,345,573	361,814,100
Other expenses	4,428,412	6,539,303	12,485,891	17,905,952
	334,551,277	349,578,852	861,661,980	1,011,576,669

37 Corporate Income Taxes

(a) Recognised in the consolidated statement of income

	30/09/2020	31/12/2019
	VND'000	VND'000
Current tax expense		
Current year	<u>20,097,245</u>	<u>63,489,408</u>
Deferred tax income		
Origination and reversal of temporary differences	<u>(166,276)</u>	<u>2,117,124</u>
	(166,276)	2,117,124
Income tax expense	<u>19,930,969</u>	<u>65,606,532</u>

Interfood Shareholding Company

Notes to the financial statements

(b) Reconciliation of effective tax rate

	30/09/2020	31/12/2019
	VND'000	VND'000
Accounting profit (loss) before tax	<u>97,525,775</u>	<u>288,800,533</u>
Tax at the Company's tax rate	19,505,155	57,760,106
Non-deductible expenses	425,814	2,275,842
Recognition of previously unrecognised deferred tax assets	-	
Under provision in prior year	-	5,570,584
Tax losses utilised	-	
	<u>19,930,969</u>	<u>65,606,532</u>

(c) Applicable tax rates

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

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

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

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

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

Interfood Shareholding Company

Notes to the financial statements

38 Significant transactions with related parties

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

	Transaction value	
	YTD2020Q3 VND'000	YTD2019Q3 VND'000
Related companies		
Kirin Holdings Company, Limited - Ultimate Parent Company		
Short-term loan received	-	-
Share subscription	-	-
Interest expenses	-	-
Secondment fee	4,683,113	4,355,205
Purchased of material	699,750	-
Kirin Holdings Singapore Pte, Ltd - Parent company		
Share subscription	-	-
Short-term loan received	-	-
Short-term loan repayment	-	-
Interest expenses	-	-
Subsidiary		
Avafood Shareholding Company.		
Short-term loan granted	14,000,000	20,000,000
Interest income	1,157,069	1,889,991
Processing service	12,499,883	18,760,151
Office and factory rental fee	2,966,106	4,498,594
Vietnam Kirin Beverage Company, Limited		
Processing fee	165,795,821	202,937,352
Purchases of services	1,932,940	1,608,210
Sale of finished goods	248,548	28,317
Purchases of goods	1,881,660	-
Purchases of AVA shares	18,779,040	-
Board of Directors and Board of Management		
Secondment fees	3,361,680	3,352,560
Salary	1,363,500	1,363,500

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Notes to the financial statements

39 Non-cash investing activities	Q3-2020 VND'000	Q3-2019 VND'000	YTD2020Q3 VND'000	YTD2019Q3 VND'000
Net off inter-company payable against receivable for loans principal and interest from a subsidiary	-	8,990,443	17,012,588	25,286,343
Convert loans interest receivable to short-term loans receivable	-	622,340	1,157,069	1,889,991
	-	9,612,783	18,169,657	27,176,334

22th October 2020

Prepared by:

(Signed)

Nguyễn Hồng Phong
Chief Accountant

Approved by:

(Signed and sealed)

Yutaka Ogami
General Director