

**Interfood Shareholding Company and its subsidiaries**

**Consolidated financial statements**  
**Quarter 3 - 2018**

## Interfood Shareholding Company and its subsidiaries

### 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

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	19/03/2018
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The Company's Enterprise Registration Certificate was issued by the Department of Planning and Investment of Dong Nai Province

### Board of Management:

Yutaka Ogami	Chairman
Nguyen Thi Kim Lien	Member
Osamu Harada	Member
Shinro Fujita	Member
Takeshi Fukushima	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 Industrial Zone  
Tam Phuoc Commune, Bien Hoa City  
Dong Nai Province, Vietnam

### Auditors

KPMG Limited  
Vietnam

## **Interfood Shareholding Company and its subsidiaries**

### **Report of the Board of Directors**

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

- (a) the consolidated financial statements set out on pages 4 to 29 are prepared and presented so as to give a true and fair view of the consolidated financial position of the Group as at 30 September 2018, and of the consolidated results of operations and the consolidated cash flows of the Group for the three month period in accordance with the Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements; and
- (b) at the date of this statement, there are no reasons to believe that the Group will not be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors

*(Signed and sealed)*

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**Yutaka Ogami**

*Chairman, General Director*

Dong Nai province, dated 29th October 2018.

**Interfood Shareholding Company and its subsidiaries**
**Consolidated balance sheet**

ASSETS	Code	Notes	30/09/2018 VND'000	31/12/2017 VND'000
<b>Current assets (100=110+130+140+150)</b>	<b>100</b>		<b>525,186,948</b>	<b>482,358,985</b>
<b>Cash</b>	<b>110</b>	<b>7</b>	<b>242,932,652</b>	<b>268,014,283</b>
Cash	111		242,932,652	268,014,283
<b>Accounts receivable – short-term</b>	<b>130</b>		<b>30,787,525</b>	<b>28,879,709</b>
Accounts receivable from customers	131	8	24,323,036	25,565,487
Prepayments to suppliers	132		7,746,044	5,683,291
Other receivables – short-term	136		726,247	522,627
Allowance for doubtful debts	137		(2,007,802)	(2,891,696)
<b>Inventories</b>	<b>140</b>	<b>9</b>	<b>250,370,459</b>	<b>184,705,251</b>
Inventories	141		250,773,215	185,019,988
Allowance for inventories	149		(402,756)	(314,737)
<b>Other current assets</b>	<b>150</b>		<b>1,096,312</b>	<b>759,742</b>
Short-term prepaid expenses	151		915,303	663,478
Deductible value added tax	152		-	-
Taxes receivable from State Treasury	153		181,009	96,264
<b>Long-term assets</b> <b>(200 = 210 + 220 + 240 + 260)</b>	<b>200</b>		<b>198,727,701</b>	<b>212,041,292</b>
<b>Accounts receivable – long-term</b>	<b>210</b>		<b>1,575,362</b>	<b>1,575,362</b>
Other receivables – long-term	216		1,575,362	1,575,362
<b>Fixed assets</b>	<b>220</b>		<b>160,762,270</b>	<b>182,322,856</b>
Tangible fixed assets	221	10	154,838,946	175,164,347
Cost	222		558,260,814	556,862,484
Accumulated depreciation	223		(403,421,868)	(381,698,137)
Finance Lease Tangible fixed assets	224	11	125,782	155,572
Cost	225		198,603	198,603
Accumulated depreciation	226		(72,821)	(43,031)
Intangible fixed assets	227	12	5,797,542	7,002,937
Cost	228		13,333,814	13,315,814
Accumulated depreciation	229		(7,536,272)	(6,312,877)
<b>Long-term work in progress</b>	<b>240</b>		<b>-</b>	<b>-</b>
Construction in progress	242	13	-	-
<b>Other long-term assets</b>	<b>260</b>		<b>36,390,069</b>	<b>28,143,074</b>
Long-term prepayments	261	14	26,348,444	28,143,074
Deffered tax assets	262	15	10,041,625	-
<b>TOTAL ASSETS</b> <b>(270=100+200)</b>	<b>270</b>		<b>723,914,649</b>	<b>694,400,277</b>

**Interfood Shareholding Company and its subsidiaries**
**Consolidated balance sheet**

<b>RESOURCES</b>	<b>Code</b>	<b>Notes</b>	<b>30/09/2018</b> <b>VND'000</b>	<b>31/12/2017</b> <b>VND'000</b>
<b>LIABILITIES (300=310+330)</b>	<b>300</b>		<b>255,344,417</b>	<b>369,817,247</b>
<b>Current liabilities</b>	<b>310</b>		<b>250,476,818</b>	<b>363,804,425</b>
Accounts payable to suppliers	311	16	111,948,809	79,089,874
Advances from customers	312		3,457,696	3,614,356
Taxes payable to State Treasury	313	17	24,698,243	14,308,692
Payable to employees	314		8,063,555	8,242,929
Accrued expenses	315	18	55,282,070	75,576,402
Other payables – short-term	319	19	1,046,445	1,092,172
Short-term borrowings	320	20(a)	45,980,000	181,880,000
<b>Long term liabilities</b>	<b>330</b>		<b>4,867,599</b>	<b>6,012,822</b>
Long-term borrowings and finance lease	338	20(b)	147,931	169,203
Deferred tax liabilities	341	21	1,641,299	2,267,180
Provision – long-term	342	22	3,078,369	3,576,439
<b>EQUITY (400=410)</b>	<b>400</b>		<b>468,570,232</b>	<b>324,583,030</b>
<b>Owners' equity</b>	<b>410</b>	<b>23</b>	<b>468,570,232</b>	<b>324,583,030</b>
Share capital	411	24	871,409,840	871,409,840
- <i>Ordinary shares with voting rights</i>	<i>411a</i>		<i>871,409,840</i>	<i>871,409,840</i>
Share premium	412		85,035,704	85,035,704
Other reserves	420	25	57,498,796	57,498,796
Accumulated losses	420		(549,268,901)	(693,306,137)
- <i>Accumulated losses brought forward</i>	<i>421a</i>		<i>(693,306,135)</i>	<i>(809,395,788)</i>
- <i>Net profit (loss) for the current year</i>	<i>421b</i>		<i>144,037,234</i>	<i>116,089,651</i>
Non-controlling interest	420		3,894,793	3,944,827
<b>TOTAL RESOURCES (440=300+400)</b>			<b><u>723,914,649</u></b>	<b><u>694,400,277</u></b>

29th October 2018

Prepared by:

*(Signed)*

Nguyễn Hồng Phong  
Chief Accountant

Approved by:

*(Signed and sealed)*

Yutaka Ogami  
Chairman, General Director

**Interfood Shareholding Company and its subsidiaries**
**Consolidated statement of income**

	Code	Notes	Q3-2018 VND'000	Q3-2017 VND'000	YTD2018Q3 VND'000	YTD2017Q3 VND'000
Revenue from sale of goods	01	27	395,463,252	362,269,705	1,206,339,593	1,047,769,923
Revenue deductions	02	27	29,807,464	20,077,768	82,708,685	61,419,010
<b>Net revenue (10=01-02)</b>	<b>10</b>	<b>27</b>	<b>365,655,788</b>	<b>342,191,937</b>	<b>1,123,630,908</b>	<b>986,350,913</b>
Cost of sales	11	28	215,831,813	212,740,859	667,470,339	632,161,565
<b>Gross profit (20=10-11)</b>	<b>20</b>		<b>149,823,975</b>	<b>129,451,078</b>	<b>456,160,569</b>	<b>354,189,348</b>
Financial income	21	29	301,289	813,353	834,731	6,958,827
Financial expenses	22	30	510,290	1,608,123	3,333,597	9,485,572
<i>In which: Interest expenses</i>	23		392,444	1,020,450	2,116,018	3,428,278
Selling expenses	24	31	86,779,902	76,935,541	258,853,718	224,074,383
G&A expenses	25	32	8,138,695	8,559,495	25,137,352	25,747,311
<b>Operating profit/(loss) {30=20+(21-22)-(24+25)}</b>	<b>30</b>		<b>54,696,377</b>	<b>43,161,272</b>	<b>169,670,633</b>	<b>101,840,909</b>
Other income	31	33	80,977	205,828	3,293,316	1,312,716
Other expenses	32	34	2,461,193	1,377,414	8,396,088	4,221,586
<b>Result of other activities (40 = 31 - 32)</b>	<b>40</b>		<b>(2,380,216)</b>	<b>(1,171,586)</b>	<b>(5,102,772)</b>	<b>(2,908,870)</b>
<b>Profit (loss) before tax</b>	<b>50</b>		<b>52,316,161</b>	<b>41,989,686</b>	<b>164,567,861</b>	<b>98,932,039</b>
Income tax expenses - current	51	36	12,164,716	432,019	31,248,166	1,355,259
Income tax expenses - deferred	52	36	(208,627)	(208,627)	(10,667,506)	(625,881)
<b>Profit(loss) after tax</b>	<b>60</b>		<b>40,360,072</b>	<b>41,766,294</b>	<b>143,987,201</b>	<b>98,202,661</b>
<b>Attributable to:</b>						
Non-controlling interest	61		(28,772)	(17,229)	(50,033)	(28,801)
Equity holders of the Company	62		40,388,844	41,783,523	144,037,234	98,231,462
Basic earnings (losses) per share (in VND)	70	37	463	479	1,653	1,127

29th October 2018

Prepared by:

*(Signed)*

Nguyễn Hồng Phong  
Chief Accountant

Approved by:

*(Signed and sealed)*

Yutaka Ogami  
Chairman, General Director

**Interfood Shareholding Company and its subsidiaries**

<b>Consolidated statements of cash flows</b>		<b>30/09/2018</b>	<b>YTD2017Q3</b>
	<b>Code</b>	<b>VND'000</b>	<b>VND'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit/(loss) before tax</b>	<b>01</b>	<b>164,567,862</b>	<b>98,932,039</b>
<b>Adjustments for:</b>			
Depreciation and amortisation	02	23,613,122	23,504,752
Allowances and provisions	03	940,912	57,311
Exchange losses/(gain)	04	933,632	(163,284)
Losses/(profits) from investing activities	05	(764,025)	(1,012,943)
Interest expense	06	2,116,018	3,428,278
<b>Operating profit/(loss) before adjustments to worki</b>	<b>08</b>	<b>191,407,521</b>	<b>124,746,153</b>
Change in receivable	09	(1,978,363)	1,415,200
Change in inventories	10	(66,606,120)	(105,954,762)
Change in payables and other liabilities	11	9,767,453	(34,249,067)
Change in prepaid expenses	12	2,572,805	2,172,760
Interest paid	14	(1,834,126)	(2,878,337)
Corporate Income tax paid	15	(19,261,018)	(1,984,899)
<b>Cash generated from operating activities</b>	<b>20</b>	<b>114,068,152</b>	<b>(16,732,952)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for additions to fixed assets	21	(3,082,536)	(5,992,204)
Proceeds from disposals of fixed assets	22	380,091	380,091
Receipts of interests	27	383,934	632,852
<b>Net cash inflows/(outflows) from investing activities</b>	<b>30</b>	<b>(2,318,511)</b>	<b>(4,979,261)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from shares issued	31	-	-
Proceeds from borrowings	33	-	-
Payments to settle loan principals	34	(136,810,000)	(63,798,000)
Payments to settle finance lease liabilities	35	(21,272)	(18,704)
<b>Net cash inflows/(outflows) from financing activities</b>	<b>40</b>	<b>(136,831,272)</b>	<b>(63,816,704)</b>
<b>Net increase/(decrease) in cash</b>	<b>50</b>	<b>(25,081,631)</b>	<b>(85,528,917)</b>
<b>Cash at beginning of the year</b>	<b>60</b>	<b>268,014,283</b>	<b>238,583,737</b>
Effects of changes in foreign exchange rates	61	-	-
<b>Cash at end of the year</b>	<b>70</b>	<b>242,932,652</b>	<b>153,054,820</b>

29th October 2018

Prepared by:

*(Signed)*

Nguyễn Hồng Phong  
Chief Accountant

Approved by:

*(Signed and sealed)*

Yutaka Ogami  
Chairman, General Director

## Interfood Shareholding Company and its subsidiaries

### Notes to the 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 period ended 30 September 2018 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 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/QĐ-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 30 September 2018, the Group had 652 employees (31/12/2017: 686 employees).

## **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 and the relevant statutory requirements.



## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements

#### (b) Basis of measurement

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

#### (c) Annual accounting period

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

#### (d) 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").

### 3 Summary of significant accounting policies

#### (a) Basis of consolidation

##### (i) Subsidiaries

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

##### (ii) Transactions eliminated on consolidation

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

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

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements

#### (e) Inventories

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

The Group applies the perpetual method of accounting for inventory.

#### (f) Tangible fixed assets

##### (i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition for its intended use. Expenditure incurred after tangible fixed assets have been put into operation, such as repair, maintenance and overhaul cost, is charged to the consolidated statement of income in the 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 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 subsidiaries

### Notes to the consolidated 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 prepayments**

**(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 are amortised on a straight-line basis over 3 years.

**(iv) Insurance and rental expenses**

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

**(k) Trade and other payables**

Trade and other payables are stated at their cost.

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### (l) Provisions

A provision is recognised if, as a result of a past event, the Group 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.

Provision for severance allowance to be paid to the existing eligible employees as of 30 September 2018 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*

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 reserves.

#### (o) 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.

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

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.

#### **(p) Revenue and other income**

##### **(i) 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.

##### **(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

#### **(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 Group by the weighted average number of ordinary shares outstanding during the year. The Group does not present diluted EPS as it has no potential ordinary shares.

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### (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 Seasonality of operations

Total revenue of the Group 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 Group 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 consolidated 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 consolidated annual financial statements or those made in the same quarterly period of the prior year

#### 6 Changes in the composition of the Group

There were no changes in the composition of the Group since the end of the last annual accounting period which affect the Group's consolidated interim financial statements for the quarterly ended 30 September 2018

7 Cash	30/09/2018 VND'000	31/12/2017 VND'000
Cash on hand	64,750	132,496
Cash in banks	242,867,902	267,881,787
Cash in the consolidated statement of cash flows	<u>242,932,652</u>	<u>268,014,283</u>

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### 8 Accounts receivable from customers

##### (a) Accounts receivable from customers detailed by significant customers

	30/09/2018	31/12/2017
	VND'000	VND'000
Saigon Union of Trading Co-operatives	2,527,493	2,798,644
EB Services Co., Ltd	2,132,397	3,744,485
MM Mega Market Co., Ltd (Vietnam)	4,135,271	3,108,148
VINCOMMERCE SJC	3,267,078	3,400,699
Others	12,260,797	12,513,511
	<u>24,323,036</u>	<u>25,565,487</u>

##### (b) Accounts receivable from customers classified by payment term

	30/09/2018	31/12/2017
	VND'000	VND'000
Short-term	24,323,036	25,565,487
	<u>24,323,036</u>	<u>25,565,487</u>

#### 9 Inventories

	30/09/2018		31/12/2017	
	Cost	Allowance	Cost	Allowance
	VND'000	VND'000	VND'000	VND'000
Goods in transit	52,908	-	53,355	-
Raw materials	60,403,183	(101,702)	56,050,954	(17,918)
Tools and supplies	6,027,985	(296,819)	5,515,174	(296,819)
Work in progress	11,970,247	-	5,558,360	-
Finished goods	172,318,892	(4,235)	117,842,145	-
	<u>250,773,215</u>	<u>(402,756)</u>	<u>185,019,988</u>	<u>(314,737)</u>

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

	30/09/2018	31/12/2017
	VND'000	VND'000
Opening balance	314,737	1,291,214
Increase in allowance during the year	940,912	17,918
Allowance utilised during the year	(852,893)	(994,395)
Closing balance	<u>402,756</u>	<u>314,737</u>

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### 10 Tangible fixed assets

	<b>Building</b> VND'000	<b>Machinery &amp; Equipment</b> VND'000	<b>Motor vehicles</b> VND'000	<b>Office equipment</b> VND'000	<b>Total</b> VND'000
<b>Historical cost</b>					
Opening balance	117,748,737	421,182,171	7,822,533	10,109,043	<b>556,862,484</b>
Additions	-	293,390	-	1,741,146	<b>2,034,536</b>
Transfer from CIP	-	-	-	-	-
Disposals(*)	-	-	(591,325)	(44,881)	<b>(636,206)</b>
Closing balance	<u>117,748,737</u>	<u>421,475,561</u>	<u>7,231,208</u>	<u>11,805,308</u>	<b><u>558,260,814</u></b>
<b>Accumulated depreciation</b>					
Opening balance	39,959,426	330,460,740	5,947,724	5,330,247	<b>381,698,137</b>
Charge for the year	2,995,240	17,841,195	449,340	1,074,162	<b>22,359,937</b>
Disposals(*)	-	-	(591,325)	(44,881)	<b>(636,206)</b>
Closing balance	<u>42,954,666</u>	<u>348,301,935</u>	<u>5,805,739</u>	<u>6,359,528</u>	<b><u>403,421,868</u></b>
<b>Net book value</b>					
Opening balance	77,789,311	90,721,431	1,874,809	4,778,796	<b>175,164,347</b>
Closing balance	<u>74,794,071</u>	<u>73,173,626</u>	<u>1,425,469</u>	<u>5,445,780</u>	<b><u>154,838,946</u></b>

Included in the cost of tangible fixed assets were assets costing VND64,708 million which were fully depreciated as of 30 September 2018 (31/12/2017: VND63,404 million), but are still in active use.

The net book value of temporarily idle tangible fixed assets amounted to VND18,267 million as at 30 September 2018 (31/12/2017: VND 14,919 million).

#### 11 Finance lease tangible fixed assets

	<b>Office equipment</b> VND'000	<b>Total</b> VND'000
<b>Historical cost</b>		
Opening balance	198,603	<b>198,603</b>
Additions	-	-
Closing balance	<u>198,603</u>	<b><u>198,603</u></b>
<b>Accumulated depreciation</b>		
Opening balance	43,031	<b>43,031</b>
Charge for the year	29,790	<b>29,790</b>
Closing balance	<u>72,821</u>	<b><u>72,821</u></b>
<b>Net book value</b>		
Opening balance	155,572	<b>155,572</b>
Closing balance	<u>125,782</u>	<b><u>125,782</u></b>



**Interfood Shareholding Company and its subsidiaries**

**Notes to the consolidated financial statements (continues)**

**12 Intangible fixed assets**

	<b>Software VND'000</b>	<b>Total VND'000</b>
<b>Historical cost</b>		
Opening balance	13,315,814	13,315,814
Additions	18,000	18,000
Transfer from CIP	-	-
Written off	-	-
Closing balance	<u>13,333,814</u>	<u>13,333,814</u>
<b>Accumulated depreciation</b>		
Opening balance	6,312,877	6,312,877
Charge for the year	1,223,395	1,223,395
Disposals	-	-
Closing balance	<u>7,536,272</u>	<u>7,536,272</u>
<b>Net book value</b>		
Opening balance	7,002,937	7,002,937
Closing balance	<u>5,797,542</u>	<u>5,797,542</u>

**13 Construction in progress**

	<b>30/09/2018 VND'000</b>	<b>31/12/2017 VND'000</b>
Opening balance	-	624,341
Additions during the year	1,030,000	1,954,854
Transfers to tangible fixed assets	-	(1,992,401)
Transfers to long-term prepaid expenses	-	(562,945)
Transfers to intangible fixed assets	(1,030,000)	(23,849)
Closing balance	<u>-</u>	<u>-</u>

**14 Long-term prepaid expenses**

	<b>Prepaid land costs VND'000</b>	<b>Renovation expenses VND'000</b>	<b>Tool and supplies VND'000</b>	<b>Insurance expenses VND'000</b>	<b>Rental expenses VND'000</b>	<b>Total VND'000</b>
Opening balance	24,879,013	184,696	3,077,498	-	1,868	28,143,075
Additions	-	-	-	-	-	-
Amortisation	(521,249)	(100,403)	(1,171,111)	-	(1,868)	(1,794,631)
Closing balance	<u>24,357,764</u>	<u>84,293</u>	<u>1,906,387</u>	<u>-</u>	<u>-</u>	<u>26,348,444</u>

**Interfood Shareholding Company and its subsidiaries**

**Notes to the consolidated financial statements (continues)**

**15 Deferred tax assets**

			<b>30/09/2018</b>	<b>31/12/2017</b>
<b>(a)</b>	<b>Deferred tax assets:</b>	Tax rate	<b>VND'000</b>	<b>VND'000</b>
	Accruals	20%	9,580,180	-
	Allowance for doubtful debts	20%	401,560	-
	Allowance for inventories	20%	59,885	-
			<u><b>10,041,625</b></u>	<u><b>-</b></u>
<b>(b)</b>	<b>Deferred tax liabilities:</b>			
	Fixed assets	20%	1,641,299	2,267,180
			<u><b>1,641,299</b></u>	<u><b>2,267,180</b></u>

**16 Accounts payable to suppliers**

**(a) Accounts payable to suppliers detailed by significant suppliers**

	<b>30/09/2018</b>		<b>31/12/2017</b>	
	<b>Cost</b>	<b>Amount within payment capacity VND'000</b>	<b>Cost</b>	<b>Amount within payment capacity VND'000</b>
Crown Beverage Cans (Dong Nai) Co., Ltd	18,261,646	18,261,646	22,311,049	22,311,049
Vietnam Kirin Beverage Company Limited	45,210,506	45,210,506	20,809,020	20,809,020
Crown Beverage Cans Saigon Limited	6,241,057	6,241,057	3,637,654	3,637,654
Vietnam Chuanli Can Manufacturing Co., Ltd	11,655,566	11,655,566	5,124,576	5,124,576
Others	30,580,034	30,580,034	27,207,575	27,207,575
	<u><b>111,948,809</b></u>	<u><b>111,948,809</b></u>	<u><b>79,089,874</b></u>	<u><b>79,089,874</b></u>

**(b) Accounts payable to suppliers classified by payment term**

	<b>30/09/2018</b>		<b>31/12/2017</b>	
	<b>Cost</b>	<b>Amount within payment capacity VND'000</b>	<b>Cost</b>	<b>Amount within payment capacity VND'000</b>
Short-term	111,948,809	111,948,809	79,089,874	79,089,874
	<u><b>111,948,809</b></u>	<u><b>111,948,809</b></u>	<u><b>79,089,874</b></u>	<u><b>79,089,874</b></u>

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### (c) Accounts payable to suppliers who are related parties

	30/09/2018		31/12/2017	
	Cost VND'000	Amount within payment capacity	Cost VND'000	Amount within payment capacity
		VND'000		VND'000
Vietnam Kirin Beverage Company, Limited	45,210,506	45,210,506	20,809,020	20,809,020
	<b>45,210,506</b>	<b>45,210,506</b>	<b>20,809,020</b>	<b>20,809,020</b>

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

#### 17 Taxes payable to State Treasury

	31/12/2017 VND'000	Incurred VND'000	Netted-off VND'000	Paid VND'000	30/09/2018 VND'000
Value added tax	8,096,949	112,910,637	(72,862,997)	(41,600,294)	6,544,295
Corporate income tax	5,296,087	31,248,166	-	(19,261,018)	17,283,235
Personal income tax	915,656	4,868,906	-	(4,913,849)	870,713
Other tax	-	3,000	-	(3,000)	-
	<b>14,308,692</b>	<b>149,030,709</b>	<b>(72,862,997)</b>	<b>(65,778,161)</b>	<b>24,698,243</b>

#### 18 Accrued expenses

	30/09/2018 VND'000	31/12/2017 VND'000
Sales discounts and commission	21,136,797	27,687,606
Promotion expenses	17,556,910	24,915,334
Transportation fee	5,817,141	3,241,023
Secondment fee payable (*)	1,370,624	2,854,337
Loans interest payable	426,934	169,602
Others	8,973,664	16,708,500
	<b>55,282,070</b>	<b>75,576,402</b>

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.

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### 19 Other short-term payables

	30/09/2018	31/12/2017
	VND'000	VND'000
Non-trade amounts due to a related party	201,817	493,867
Dividend payable	505,391	505,391
Other payable	339,237	92,914
	<u><u>1,046,445</u></u>	<u><u>1,092,172</u></u>

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

#### 20 Borrowings

##### a) Short-term borrowings

31/12/2017		Movement during the year			30/09/2018	
Carrying amount	Amount within repayment capacity	Addition	Repayment	Unrealised foreign exchange gain	Carrying amount	Amount within repayment capacity
VND'000	VND'000	VND'000	VND'000	VND'000	VND'000	VND'000
181,880,000	181,880,000	-	(136,810,000)	910,000	45,980,000	45,980,000
<u><u>181,880,000</u></u>	<u><u>181,880,000</u></u>	<u><u>-</u></u>	<u><u>(136,810,000)</u></u>	<u><u>910,000</u></u>	<u><u>45,980,000</u></u>	<u><u>45,980,000</u></u>

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

		30/09/2018	31/12/2017
	Currency	Annual interest rate	VND'000
Loans from Kirin Holdings Singapore Pte, Ltd	USD	LIBOR + 0.8%	45,980,000
			<u><u>45,980,000</u></u>
			<u><u>181,880,000</u></u>

The applicable interest rates of these borrowings was from 2.556% to 3.3% per annum during the year (2017: 1.789% to 2.556% per annum).

##### b) Long-term borrowings and liabilities

	30/09/2018	31/12/2017
	VND'000	VND'000
Finance lease liabilities	147,931	169,203
	<u><u>147,931</u></u>	<u><u>169,203</u></u>

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

Terms and conditions of Finance lease liabilities were as follows:

	Currency	Interest rate	maturity	30/09/2018 VND'000	31/12/2017 VND'000
Liability from Chailease International Leasing Company Limited	VND	21.6%	2021	147,931	169,203
				<b>147,931</b>	<b>169,203</b>

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

	Payment	Interest	Principal
Within one year	65,282	27,994	37,287
Within two to five years	136,003	27,257	108,747
	<b>201,285</b>	<b>55,251</b>	<b>146,034</b>

## 21 Deferred tax liabilities

### (a) Recognised deferred tax liabilities

	Tax rate	30/09/2018 VND'000	31/12/2017 VND'000
Fixed assets	20%	1,641,299	2,267,180
		<b>1,641,299</b>	<b>2,267,180</b>

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

**Interfood Shareholding Company and its subsidiaries**

**Notes to the consolidated financial statements (continues)**

<b>22</b>	<b>Provision - long-term</b>	<b>Severance allowance</b>	<b>Severance allowance</b>
		<b>30/09/2018</b>	<b>31/12/2017</b>
		<b>VND'000</b>	<b>VND'000</b>
Movements of provision during the year were as follow:			
Opening balance		3,576,439	3,546,088
Provision made during the year		-	844,259
Provision utilised during the year		(498,070)	(813,908)
Provision reversed during the year		-	-
Closing balance		<b>3,078,369</b>	<b>3,576,439</b>

<b>23</b>	<b>Changes in owners' equity</b>					
	<b>Share capital</b>	<b>Share premium</b>	<b>Other Reserves</b>	<b>Accumulated losses</b>	<b>Non-controlling interest</b>	<b>Total</b>
	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
<b>Balance as at 01/01/2017</b>	871,409,840	85,035,704	57,498,796	(809,395,788)	3,969,570	<b>208,518,122</b>
Share capital issued	-	-	-	-	-	-
Net profit (loss) for the year	-	-	-	116,089,651	(24,743)	<b>116,064,908</b>
<b>Balance as at 31/12/2017</b>	<b>871,409,840</b>	<b>85,035,704</b>	<b>57,498,796</b>	<b>(693,306,137)</b>	<b>3,944,827</b>	<b>324,583,030</b>
Share capital issued	-	-	-	-	-	-
Net profit (loss) for the year	-	-	-	144,037,234	(50,033)	<b>143,987,201</b>
<b>Balance as at 30/09/2018</b>	<b>871,409,840</b>	<b>85,035,704</b>	<b>57,498,796</b>	<b>(549,268,903)</b>	<b>3,894,794</b>	<b>468,570,231</b>

**24 Share capital**

The Group's authorised and issued share capital is:

	<b>30/09/2018</b>		<b>31/12/2017</b>	
	<b>Number of shares</b>	<b>VND'000</b>	<b>Number of shares</b>	<b>VND'000</b>
<b>Authorised and issued share capital</b>				
Ordinary shares	87,140,992	871,409,920	87,140,992	871,409,920
<b>Shares in circulation</b>				
Ordinary shares	87,140,984	871,409,840	87,140,984	871,409,840
<b>Treasury shares</b>				
Treasury shares	8	80	8	80

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

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

Movements in share capital during the year were as follows:

	2018		2017	
	shares	VND'000	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:	<b>87,140,984</b>	<b>871,409,840</b>	<b>87,140,984</b>	<b>871,409,840</b>

#### 25 Other reserves

	30/09/2018	31/12/2017
	VND'000	VND'000
Acquisition reserve (a)	(32,535,252)	(32,535,252)
Other capital (b)	90,034,048	90,034,048
	<b>57,498,796</b>	<b>57,498,796</b>

(a) In 2007, the Group acquired 90% shareholding of Avafood in a business combination under common control. In 2012, the Group increased its shareholding of Avafood to 90.4%. This amount represents the difference between consideration given and the net amounts of assets and liabilities of Avafood attributable to the Group at the acquisition date.

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

#### 26 Off balance sheet items

##### (a) Lease

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

	30/09/2018	31/12/2017
	VND'000	VND'000
Within one year	16,178,325	4,115,361
Within two to five years	670,916	1,135,397
	<b>16,849,241</b>	<b>5,250,758</b>

**Interfood Shareholding Company and its subsidiaries**

**Notes to the consolidated financial statements (continues)**

**(b) Foreign currencies**

	30/09/2018		31/12/2017	
	Original currency	VND'000 Equivalent	Original currency	VND'000 Equivalent
USD	15,698	378,688	67,290	1,524,451
EUR	303	8,237	317	8,600
		<b>386,925</b>		<b>1,533,051</b>

**27 Revenues from sales of goods**

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

Net revenue comprised:

	Q3-2018 VND'000	Q3-2017 VND'000	YTD2018Q3 VND'000	YTD2017Q3 VND'000
<b>Total revenue</b>				
■ Sales of drinks	333,480,427	308,606,449	1,020,011,441	897,660,854
■ Sales of biscuits	-	-	-	-
■ Sales of other product	61,743,383	53,291,342	185,702,499	148,755,777
■ Sales of scraps	239,442	371,914	625,653	1,353,292
	<b>395,463,252</b>	<b>362,269,705</b>	<b>1,206,339,593</b>	<b>1,047,769,923</b>
<b>Less revenue deductions:</b>				
■ Sales allowances	29,807,464	20,077,768	82,701,826	61,419,010
■ Sales return	-	-	6,859	-
	<b>29,807,464</b>	<b>20,077,768</b>	<b>82,708,685</b>	<b>61,419,010</b>
<b>Net revenue</b>	<b>365,655,788</b>	<b>342,191,937</b>	<b>1,123,630,908</b>	<b>986,350,913</b>

**28 Cost of sales**

	Q3-2018 VND'000	Q3-2017 VND'000	YTD2018Q3 VND'000	YTD2017Q3 VND'000
<b>Total cost of sales</b>				
■ Cost of drinks	186,430,004	184,709,529	578,829,527	555,441,981
■ Cost of biscuit	-	-	-	-
■ Cost of other products	29,401,809	28,031,330	88,640,812	76,719,584
	<b>215,831,813</b>	<b>212,740,859</b>	<b>667,470,339</b>	<b>632,161,565</b>

**29 Financial income**

	Q3-2018 VND'000	Q3-2017 VND'000	YTD2018Q3 VND'000	YTD2017Q3 VND'000
Interest income from bank deposits	133,322	158,442	383,934	632,852
Foreign exchange gains	167,967	654,911	450,797	6,325,975
	<b>301,289</b>	<b>813,353</b>	<b>834,731</b>	<b>6,958,827</b>



**Interfood Shareholding Company and its subsidiaries**

**Notes to the consolidated financial statements (continues)**

<b>30</b>	<b>Financial expenses</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>YTD2018Q3</b>	<b>YTD2017Q3</b>
		<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
	Interest expenses	392,444	1,020,450	2,116,017	3,428,278
	Foreign exchange losses	117,846	587,673	1,217,580	6,057,294
		<b>510,290</b>	<b>1,608,123</b>	<b>3,333,597</b>	<b>9,485,572</b>
<b>31</b>	<b>Selling expenses</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>YTD2018Q3</b>	<b>YTD2017Q3</b>
		<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
	Staff costs	38,515,145	37,451,741	119,152,031	113,781,958
	Advertisement and promotion expenses	22,736,582	17,792,124	63,811,734	44,429,484
	Transportation fee	18,105,123	15,446,844	54,345,244	47,890,174
	Rental fee	2,532,427	1,838,857	7,104,290	6,195,124
	Others	4,890,625	4,405,975	14,440,419	11,777,643
		<b>86,779,902</b>	<b>76,935,541</b>	<b>258,853,718</b>	<b>224,074,383</b>
<b>32</b>	<b>General and administration expenses</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>YTD2018Q3</b>	<b>YTD2017Q3</b>
		<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
	Staff costs	3,105,012	3,135,257	9,585,255	9,350,770
	Consultant fee	836,893	794,320	2,455,761	2,885,513
	Rental fee	898,441	656,501	2,679,916	2,421,884
	Depreciation and amortisation	900,109	746,385	2,573,625	1,913,909
	Allowance	-	-	-	-
	Others	2,398,240	3,227,032	7,842,795	9,175,235
		<b>8,138,695</b>	<b>8,559,495</b>	<b>25,137,352</b>	<b>25,747,311</b>
<b>33</b>	<b>Other income</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>YTD2018Q3</b>	<b>YTD2017Q3</b>
		<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
	Proceeds from disposals of fixed assets	1,273	109,091	210,364	380,091
	Others	79,704	96,737	3,082,952	932,625
		<b>80,977</b>	<b>205,828</b>	<b>3,293,316</b>	<b>1,312,716</b>
<b>34</b>	<b>Other expenses</b>	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>YTD2018Q3</b>	<b>YTD2017Q3</b>
		<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
	Depreciation of idle tangible fixed assets	2,428,658	1,206,386	6,234,239	3,932,486
	Loss from disposals of tangible fixed assets	-	-	-	-
	Tax penalties	-	-	-	-
	Others	32,535	171,028	2,161,849	289,100
		<b>2,461,193</b>	<b>1,377,414</b>	<b>8,396,088</b>	<b>4,221,586</b>

**Interfood Shareholding Company and its subsidiaries**

**Notes to the consolidated financial statements (continues)**

**35 Production and business costs by element**

	<b>Q3-2018</b>	<b>Q3-2017</b>	<b>YTD2018Q3</b>	<b>YTD2017Q3</b>
	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
Raw material costs	176,176,440	181,045,494	505,014,856	517,022,573
Labour costs and staff costs	50,397,971	50,224,744	153,673,492	151,421,438
Depreciation and amortisation	7,848,759	6,533,545	22,463,524	19,470,751
Outside services	117,834,323	94,366,643	327,821,965	267,287,580
Other expenses	6,907,681	6,334,497	23,986,536	20,922,335
	<b>359,165,175</b>	<b>338,504,922</b>	<b>1,032,960,373</b>	<b>976,124,677</b>

**36 Corporate Income Taxes**

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

	<b>30/09/2018</b>	<b>31/12/2017</b>
	<b>VND'000</b>	<b>VND'000</b>
<b>Current tax expense</b>		
Current year	31,248,166	13,921,299
<b>Deferred tax income</b>		
Written down of deferred tax so adjust CIT Tax from 22% to 20%		
Origination and reversal of temporary differences	(10,667,506)	(1,070,851)
	<b>(10,667,506)</b>	<b>(1,070,851)</b>
<b>Income tax expense</b>	<b>20,580,660</b>	<b>12,850,448</b>

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

	<b>30/09/2018</b>	<b>31/12/2017</b>
	<b>VND'000</b>	<b>VND'000</b>
Profit (loss) before tax	164,567,861	128,915,356
Tax at the Group's tax rate	32,913,572	25,783,071
Non-deductible expenses	1,679,610	875,850
Recognition of previously unrecognised deferred tax assets	(14,012,522)	-
Previously unrecognised temporary differences	-	(207,070)
Tax losses utilised	-	(13,601,403)
	<b>20,580,660</b>	<b>12,850,448</b>

**(c) Applicable tax rates**

**(i) Interfood Shareholding Company**

Under the terms of the Company's Investment Certificate, the Company has an obligation to pay the government income tax at the rate of 15% of taxable profits for the first 12 years starting from the first year of operation (1994). Thereafter, from 2006 to 2013, the Company is subject to income tax at the rate of 25% and from 2014 onward will be 22%.

## **Interfood Shareholding Company and its subsidiaries**

### **Notes to the consolidated financial statements (continues)**

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

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

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

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

#### **(ii) Avafood Shareholding Company**

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

All the above tax exemption and reduction are not applicable to other income which is taxed at the tax rate applicable to enterprises before any incentives.

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

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

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### 37 Basic earnings per share

The calculation of basic earnings per share at 30 September 2018 was based on the profit or loss attributable to ordinary shareholders of the Group and a weighted average number of ordinary shares outstanding during the period, calculated as follows:

##### (i) *Net/(loss) profit attributable to ordinary shareholders*

	<b>30/09/2018</b>	<b>31/12/2017</b>
	<b>VND'000</b>	<b>VND'000</b>
Net profit/(loss) attributable to ordinary shareholders	<u>144,037,234</u>	<u>116,089,652</u>

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

	<b>2018</b>	<b>2017</b>
	<b>VND'000</b>	<b>VND'000</b>
Weighted average number of ordinary shares for the year	<u>87,140,984</u>	<u>87,140,984</u>

#### 38 Significant transactions with related parties

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

	<b>Transaction value</b>	
	<b>YTD2018Q3</b>	<b>YTD2017Q3</b>
	<b>VND'000</b>	<b>VND'000</b>
<b>Related companies</b>		
<b>Kirin Holdings Company, Limited - Ultimate Parent Company</b>		
Short-term loan received	-	-
Share subscription	-	-
Interest expenses	-	-
Secondment fee	4,248,777	5,146,456
<b>Kirin Holdings Singapore Pte, Ltd - Parent company</b>		
Share subscription	-	-
Short-term loan received	-	-
Short-term loan repayment	136,810,000	63,476,000
Interest expenses	2,091,457	3,428,278
<b>Vietnam Kirin Beverage Company, Limited</b>		
Processing fee	164,208,742	118,443,879
Purchases of services	1,942,480	1,780,120
Sale of finished goods	12,628	14,891
Sale of materials	-	393,176

**Interfood Shareholding Company and its subsidiaries**

**Notes to the consolidated financial statements (continues)**

**Board of Directors and Board of Management**

Secondment fees	3,289,680	3,383,177
Salary	1,363,500	1,363,500

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Prepared by: 29th October 2018

Approved by:

*(Signed)*

*(Signed and sealed)*

Nguyễn Hồng Phong  
*Chief Accountant*

Yutaka Ogami  
*Chairman, General Director*