

**Interfood Shareholding Company and its subsidiaries**

**Consolidated financial statements**  
**Quarter 3 - 2019**

## 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
	6525867086 (11st amendment)	01/10/2019

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
Shinro Fujita	Member
Takeshi Fukushima	Member
Takashi Suda	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 Ward, 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 2019, 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 24th October 2019.

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

			<b>30/09/2019</b>	<b>31/12/2018</b>
<b>ASSETS</b>	<b>Code</b>	<b>Notes</b>	<b>VND'000</b>	<b>VND'000</b>
<b>Current assets (100=110+130+140+150)</b>	<b>100</b>		<b>692,748,936</b>	<b>519,707,305</b>
<b>Cash</b>	<b>110</b>	<b>7</b>	<b>397,095,979</b>	<b>262,171,897</b>
Cash	111		397,095,979	262,171,897
<b>Accounts receivable – short-term</b>	<b>130</b>		<b>38,538,305</b>	<b>33,272,625</b>
Accounts receivable from customers	131	8	32,645,039	28,741,447
Prepayments to suppliers	132		7,487,498	6,123,998
Other receivables – short-term	136		514,721	516,133
Allowance for doubtful debts	137		(2,108,953)	(2,108,953)
<b>Inventories</b>	<b>140</b>	<b>9</b>	<b>255,875,260</b>	<b>223,853,255</b>
Inventories	141		256,239,650	224,153,307
Allowance for inventories	149		(364,390)	(300,052)
<b>Other current assets</b>	<b>150</b>		<b>1,239,392</b>	<b>409,528</b>
Short-term prepaid expenses	151		1,121,613	293,467
Deductible value added tax	152		-	-
Taxes receivable from State Treasury	153		117,779	116,061
<b>Long-term assets</b>				
<b>(200 = 210 + 220 + 240 + 260)</b>	<b>200</b>		<b>173,436,198</b>	<b>201,038,294</b>
<b>Accounts receivable – long-term</b>	<b>210</b>		<b>1,750,728</b>	<b>1,750,728</b>
Other receivables – long-term	216		1,750,728	1,750,728
<b>Fixed assets</b>	<b>220</b>		<b>133,546,796</b>	<b>153,706,176</b>
Tangible fixed assets	221	10	128,439,112	147,458,258
<i>Cost</i>	222		561,233,554	558,260,814
<i>Accumulated depreciation</i>	223		(432,794,442)	(410,802,556)
Finance Lease Tangible fixed assets	224	11	86,061	115,852
<i>Cost</i>	225		198,603	198,603
<i>Accumulated depreciation</i>	226		(112,542)	(82,751)
Intangible fixed assets	227	12	5,021,623	6,132,066
<i>Cost</i>	228		14,082,575	14,082,575
<i>Accumulated depreciation</i>	229		(9,060,952)	(7,950,509)
<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>38,138,674</b>	<b>45,581,390</b>
Long-term prepayments	261	14	27,249,035	27,373,773
Deffered tax assets	262	15	10,889,639	18,207,617
<b>TOTAL ASSETS</b>	<b>270</b>		<b>866,185,134</b>	<b>720,745,599</b>
<b>(270=100+200)</b>				

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

<b>RESOURCES</b>	<b>Code</b>	<b>Notes</b>	<b>30/09/2019</b> <b>VND'000</b>	<b>31/12/2018</b> <b>VND'000</b>
<b>LIABILITIES (300=310+330)</b>	<b>300</b>		<b>182,195,357</b>	<b>216,066,835</b>
<b>Current liabilities</b>	<b>310</b>		<b>177,682,827</b>	<b>210,971,535</b>
Accounts payable to suppliers	311	16	94,338,271	89,092,470
Advances from customers	312		12,688,966	5,555,632
Taxes payable to State Treasury	313	17	9,169,753	17,847,180
Payable to employees	314		7,991,011	8,161,198
Accrued expenses	315	18	52,481,096	89,306,325
Other short-term payables	319	19	1,013,730	1,008,730
Short-term borrowings	320	20(a)	-	-
<b>Long term liabilities</b>	<b>330</b>		<b>4,512,530</b>	<b>5,095,300</b>
Long-term borrowings and finance lease	338	20(b)	108,747	136,581
Deferred tax liabilities	341	21	806,791	1,432,672
Provision – long-term	342	22	3,596,992	3,526,047
<b>EQUITY (400=410)</b>	<b>400</b>		<b>683,989,777</b>	<b>504,678,764</b>
<b>Owners' equity</b>	<b>410</b>	<b>23</b>	<b>683,989,777</b>	<b>504,678,764</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		(333,782,086)	(513,141,273)
- <i>Accumulated losses brought forward</i>	<i>421a</i>		<i>(513,141,273)</i>	<i>(693,306,137)</i>
- <i>Net profit (loss) for the current year</i>	<i>421b</i>		<i>179,359,187</i>	<i>180,164,864</i>
Non-controlling interest	420		3,827,523	3,875,697
<b>TOTAL RESOURCES (440=300+400)</b>			<b><u>866,185,134</u></b>	<b><u>720,745,599</u></b>

24th October 2019

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	Q3-2019 VND'000	Q3-2018 VND'000	YTD2019Q3 VND'000	YTD2018Q3 VND'000
Revenue from sale of goods	01	27	419,924,294	395,463,252	1,271,264,017	1,206,339,593
Revenue deductions	02	27	31,359,956	29,807,464	102,233,633	82,708,685
Net revenue (10=01-02)	10	27	<u>388,564,338</u>	<u>365,655,788</u>	<u>1,169,030,384</u>	<u>1,123,630,908</u>
Cost of sales	11	28	<u>219,429,733</u>	<u>215,831,813</u>	<u>664,152,812</u>	<u>667,470,339</u>
Gross profit (20=10-11)	20		<u>169,134,605</u>	<u>149,823,975</u>	<u>504,877,572</u>	<u>456,160,569</u>
Financial income	21	29	227,042	301,289	623,341	834,731
Financial expenses	22	30	45,659	510,290	432,099	3,333,597
<i>In which: Interest expenses</i>	23		6,861	392,444	23,153	2,116,018
Selling expenses	24	31	85,209,911	86,779,902	248,047,181	258,853,718
G&A expenses	25	32	10,618,483	8,138,695	27,409,233	25,137,352
Operating profit/(loss) {30=20+(21-22)-(24+25)}	30		<u>73,487,594</u>	<u>54,696,377</u>	<u>229,612,400</u>	<u>169,670,633</u>
Other income	31	33	2,135,895	80,977	2,308,378	3,293,316
Other expenses	32	34	2,427,448	2,461,193	7,440,787	8,396,088
Result of other activities (40 = 31 - 32)	40		<u>(291,553)</u>	<u>(2,380,216)</u>	<u>(5,132,409)</u>	<u>(5,102,772)</u>
Profit (loss) before tax	50		<u>73,196,041</u>	<u>52,316,161</u>	<u>224,479,991</u>	<u>164,567,861</u>
Income tax expenses - current	51	36	14,150,829	12,164,716	38,476,881	31,248,166
Income tax expenses - deferred	52	36	(208,627)	(208,627)	6,692,097	(10,667,506)
Profit(loss) after tax	60		<u>59,253,839</u>	<u>40,360,072</u>	<u>179,311,013</u>	<u>143,987,201</u>
<b>Attributable to:</b>						
Non-controlling interest	61		(21,653)	(28,772)	(48,174)	(50,033)
Equity holders of the Company	62		<u>59,275,492</u>	<u>40,388,844</u>	<u>179,359,187</u>	<u>144,037,234</u>
Basic earnings (losses) per share (in VND)	70	37	680	463	2,058	1,653

24th October 2019

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>30/09/2019</b>	<b>YTD2018Q3</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>224,479,991</b>	<b>164,567,862</b>
<b>Adjustments for:</b>			
Depreciation and amortisation	02	23,132,120	23,613,122
Allowances and provisions	03	970,188	940,912
Exchange losses/(gain)	04	-	933,632
Losses/(profits) from investing activities	05	(590,210)	(764,025)
Interest expense	06	23,153	2,116,018
<b>Operating profit/(loss) before adjustments to worki</b>	<b>08</b>	<b>248,015,242</b>	<b>191,407,521</b>
Change in receivable	09	(5,267,398)	(1,978,363)
Change in inventories	10	(32,669,500)	(66,606,120)
Change in payables and other liabilities	11	(28,846,313)	9,767,453
Change in prepaid expenses	12	(703,408)	2,572,805
Interest paid	14	-	(1,834,126)
Corporate Income tax paid	15	(43,194,177)	(19,261,018)
<b>Cash generated from operating activities</b>	<b>20</b>	<b>137,334,446</b>	<b>114,068,152</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for additions to fixed assets	21	(2,972,740)	(3,082,536)
Proceeds from disposals of fixed assets	22	-	380,091
Receipts of interests	27	590,210	383,934
<b>Net cash inflows/(outflows) from investing activities</b>	<b>30</b>	<b>(2,382,530)</b>	<b>(2,318,511)</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)
Payments to settle finance lease liabilities	35	(27,834)	(21,272)
<b>Net cash inflows/(outflows) from financing activities</b>	<b>40</b>	<b>(27,834)</b>	<b>(136,831,272)</b>
<b>Net increase/(decrease) in cash</b>	<b>50</b>	<b>134,924,082</b>	<b>(25,081,631)</b>
<b>Cash at beginning of the year</b>	<b>60</b>	<b>262,171,897</b>	<b>268,014,283</b>
Effects of changes in foreign exchange rates	61	-	-
<b>Cash at end of the year</b>	<b>70</b>	<b>397,095,979</b>	<b>242,932,652</b>

24th October 2019

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 2019 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/QD-SGDHN issued by the Ha Noi Stock Exchange on 7 November 2016.

##### (b) Principal activities

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

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

##### (c) Normal operating cycle

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

##### (d) Group structure

As at 30 September 2019, the Group had 622 employees (31/12/2018: 635 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 2019 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 2019

7	Cash	30/09/2019	31/12/2018
		VND'000	VND'000
	Cash on hand	203,274	84,230
	Cash in banks	396,892,705	262,087,667
	Cash in the consolidated statement of cash flows	<u>397,095,979</u>	<u>262,171,897</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

	30/09/2019	31/12/2018
	VND'000	VND'000
Saigon Union of Trading Co-operatives	2,010,431	3,898,136
EB Services Co., Ltd	3,579,799	5,572,328
MM Mega Market Co., Ltd (Vietnam)	4,469,204	3,202,498
VINCOMMERCE SJC	8,379,267	4,806,694
Others	14,206,338	11,261,791
	<u><b>32,645,039</b></u>	<u><b>28,741,447</b></u>

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

	30/09/2019	31/12/2018
	VND'000	VND'000
Short-term	32,645,039	28,741,447
	<u><b>32,645,039</b></u>	<u><b>28,741,447</b></u>

#### 9 Inventories

	30/09/2019		31/12/2018	
	Cost	Allowance	Cost	Allowance
	VND'000	VND'000	VND'000	VND'000
Goods in transit	26,972	-	26,965	-
Raw materials	51,566,722	(59,910)	61,008,990	-
Tools and supplies	4,901,319	(296,820)	5,467,593	(296,819)
Work in progress	9,389,001	-	4,284,841	-
Finished goods	190,355,636	(7,660)	153,364,918	(3,233)
	<u><b>256,239,650</b></u>	<u><b>(364,390)</b></u>	<u><b>224,153,307</b></u>	<u><b>(300,052)</b></u>

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

	30/09/2019	31/12/2018
	VND'000	VND'000
Opening balance	300,052	314,737
Increase in allowance during the year	647,495	1,205,406
Allowance utilised during the year	(583,157)	(1,220,091)
Closing balance	<u><b>364,390</b></u>	<u><b>300,052</b></u>

**Interfood Shareholding Company and its subsidiaries**

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

10	Tangible fixed assets				Office equipment VND'000	Total VND'000
		Building VND'000	Machinery & Equipment VND'000	Motor vehicles VND'000		
<b>Historical cost</b>						
Opening balance	117,748,737	421,475,561	7,231,208	11,805,308	<b>558,260,814</b>	
Additions	-	2,709,141	-	263,599	<b>2,972,740</b>	
Transfer from CIP	-	-	-	-	-	
Disposals(*)	-	-	-	-	-	
Closing balance	<u>117,748,737</u>	<u>424,184,702</u>	<u>7,231,208</u>	<u>12,068,907</u>	<b><u>561,233,554</u></b>	
	117,749	424,185	7,231	12,069		
<b>Accumulated depreciation</b>						
Opening balance	43,953,076	354,172,421	5,919,239	6,757,820	<b>410,802,556</b>	
Charge for the year	2,990,852	17,548,951	191,318	1,260,765	<b>21,991,886</b>	
Disposals(*)	-	-	-	-	-	
Closing balance	<u>46,943,928</u>	<u>371,721,372</u>	<u>6,110,557</u>	<u>8,018,585</u>	<b><u>432,794,442</u></b>	
	46,944	371,721	6,111	8,019		
<b>Net book value</b>						
Opening balance	73,795,661	67,303,140	1,311,969	5,047,488	<b>147,458,258</b>	
Closing balance	<u>70,804,809</u>	<u>52,463,330</u>	<u>1,120,651</u>	<u>4,050,322</u>	<b><u>128,439,112</u></b>	

Included in the cost of tangible fixed assets were assets costing VND 71,432 million which were fully depreciated as of 30 September 2019 (31/12/2018: VND66,418 million), but are still in active use.

The net book value of temporarily idle tangible fixed assets amounted to VND 9,923 million As at 30 September 2019 (31/12/2018: VND 16,648 million).

11	Finance lease tangible fixed assets		
		Office equipment VND'000	Total 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	82,751	<b>82,751</b>	
Charge for the year	29,791	<b>29,791</b>	
Closing balance	<u>112,542</u>	<b><u>112,542</u></b>	
<b>Net book value</b>			
Opening balance	115,852	<b>115,852</b>	
Closing balance	<u>86,061</u>	<b><u>86,061</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	14,082,575	14,082,575
Additions	-	-
Transfer from CIP	-	-
Written off	-	-
Closing balance	14,082,575	14,082,575
<b>Accumulated depreciation</b>		
Opening balance	7,950,509	7,950,509
Charge for the year	1,110,443	1,110,443
Disposals	-	-
Closing balance	9,060,952	9,060,952
<b>Net book value</b>		
Opening balance	6,132,066	6,132,066
Closing balance	5,021,623	5,021,623

**13 Construction in progress**

	<b>30/09/2019 VND'000</b>	<b>31/12/2018 VND'000</b>
Opening balance	-	-
Additions during the year	-	-
Transfers to tangible fixed assets	-	-
Transfers to long-term prepaid expenses	-	-
Transfers to intangible fixed assets	-	-
Closing balance	-	-

**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	24,184,014	64,844	3,124,915	-	-	27,373,773
Additions	-	1,633,142	390,600	-	-	2,023,742
Amortisation	(521,249)	(382,603)	(1,244,628)	-	-	(2,148,480)
Closing balance	23,662,765	1,315,383	2,270,887	-	-	27,249,035

**Interfood Shareholding Company and its subsidiaries**

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

**15 Deferred tax assets**

		<b>30/09/2019</b>	<b>31/12/2018</b>
(a)	<b>Deferred tax assets:</b>	<b>VND'000</b>	<b>VND'000</b>
		<b>Tax rate</b>	
	Accruals	20%	10,390,872
	Allowance for doubtful debts	20%	401,560
	Allowance for inventories	20%	97,207
			<u>10,889,639</u>
			<u>18,207,617</u>
<b>(b)</b>	<b>Deferred tax liabilities:</b>		
	Fixed assets	20%	806,791
			<u>806,791</u>
			<u>1,432,672</u>

**16 Accounts payable to suppliers**

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

	<b>30/09/2019</b>		<b>31/12/2018</b>	
	<b>Cost</b>	<b>Amount within payment capacity</b>	<b>Cost</b>	<b>Amount within payment capacity</b>
		<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
Crown Beverage Cans (Dong Nai) Co., Ltd	23,376,227	23,376,227	24,211,934	24,211,934
Vietnam Kirin Beverage Company Limited	23,909,246	23,909,246	17,898,147	17,898,147
Crown Beverage Cans Saigon Limited	6,523,950	6,523,950	5,060,822	5,060,822
Vietnam Chuanli Can Manufacturing Co., Ltd	10,210,644	10,210,644	10,367,798	10,367,798
Others	30,318,204	30,318,204	31,553,769	31,553,769
	<u>94,338,271</u>	<u>94,338,271</u>	<u>89,092,470</u>	<u>89,092,470</u>

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

	<b>30/09/2019</b>		<b>31/12/2018</b>	
	<b>Cost</b>	<b>Amount within payment capacity</b>	<b>Cost</b>	<b>Amount within payment capacity</b>
	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
Short-term	94,338,271	94,338,271	89,092,470	89,092,470
	<u>94,338,271</u>	<u>94,338,271</u>	<u>89,092,470</u>	<u>89,092,470</u>

## Interfood Shareholding Company and its subsidiaries

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

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

	30/09/2019		31/12/2018	
	Cost VND'000	Amount within payment capacity	Cost VND'000	Amount within payment capacity
		VND'000		VND'000
Vietnam Kirin Beverage Company, Limited	23,909,246	23,909,246	17,898,147	17,898,147
	<b>23,909,246</b>	<b>23,909,246</b>	<b>17,898,147</b>	<b>17,898,147</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

	31/12/2018 VND'000	Incurred VND'000	Netted-off VND'000	Paid VND'000	30/09/2019 VND'000
Value added tax	8,263,400	116,290,471	(71,736,047)	(47,650,684)	5,167,140
Corporate income tax	8,352,359	38,476,881	-	(43,194,177)	3,635,063
Personal income tax	949,968	4,053,157	-	(4,635,575)	367,550
Other tax	281,453	-	-	(281,453)	-
	<b>17,847,180</b>	<b>158,820,509</b>	<b>(71,736,047)</b>	<b>(95,761,889)</b>	<b>9,169,753</b>

#### 18 Accrued expenses

	30/09/2019 VND'000	31/12/2018 VND'000
Sales discounts and commission	23,065,452	33,256,071
Promotion expenses	12,871,424	35,722,939
Transportation fee	6,957,333	1,331,112
Secondment fee payable (*)	1,444,467	-
Loans interest payable	-	-
Others	8,142,420	18,996,203
	<b>52,481,096</b>	<b>89,306,325</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**

	30/09/2019	31/12/2018
	VND'000	VND'000
Non-trade amounts due to a related party	223,740	201,817
Dividend payable	505,391	505,391
Other payable	284,599	301,522
	<b><u>1,013,730</u></b>	<b><u>1,008,730</u></b>

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

**20 Borrowings**
**a) Short-term borrowings**

Carrying amount	31/12/2018	Movement during the year			30/09/2019	
	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
-	-	-	-	-	-	-
-	-	-	-	-	-	-

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

		30/09/2019	31/12/2018
	Currency	Annual interest rate	
			VND'000
Loans from Kirin Holdings Singapore Pte, Ltd	USD	LIBOR + 0.8%	-
			<u>-</u>
			<u>-</u>

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

	30/09/2019	31/12/2018
	VND'000	VND'000
Finance lease liabilities	108,747	136,581
	<b><u>108,747</u></b>	<b><u>136,581</u></b>

## 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	30/09/2019 VND'000	31/12/2018 VND'000
Liability from Chailease International Leasing Company Limited	VND	21.6%	2021	108,747	136,581
				<b>108,747</b>	<b>136,581</b>

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

	Payment	Interest	Principal
Within one year	65,282	19,093	46,188
Within two to five years	70,722	8,163	62,558
	<b>136,003</b>	<b>27,257</b>	<b>108,747</b>

## 21 Deferred tax liabilities

### (a) Recognised deferred tax liabilities

	Tax rate	30/09/2019 VND'000	31/12/2018 VND'000
Fixed assets	20%	806,791	1,432,672
		<b>806,791</b>	<b>1,432,672</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)**

22	Provision - long-term	Severance allowance	Severance allowance
		30/09/2019	31/12/2018
		VND'000	VND'000
	Movements of provision during the year were as follow:		
	Opening balance	3,526,047	3,576,439
	Provision made during the year	322,693	540,054
	Provision utilised during the year	(251,748)	(590,446)
	Provision reversed during the year	-	-
	Closing balance	<u><u>3,596,992</u></u>	<u><u>3,526,047</u></u>

23	Changes in owners' equity					
	Share capital	Share premium	Other Reserves	Accumulated losses	Non-controlling interest	Total
	VND'000	VND'000	VND'000	VND'000	VND'000	VND'000
<b>Balance as at 01/01/2018</b>	871,409,840	85,035,704	57,498,796	(693,306,137)	3,944,827	<b>324,583,030</b>
Share capital issued	-	-	-	-	-	-
Net profit (loss) for the year	-	-	-	180,164,864	(69,130)	<b>180,095,734</b>
<b>Balance as at 31/12/2018</b>	<u><u>871,409,840</u></u>	<u><u>85,035,704</u></u>	<u><u>57,498,796</u></u>	<u><u>(513,141,273)</u></u>	<u><u>3,875,697</u></u>	<u><u>504,678,764</u></u>
Share capital issued	-	-	-	-	-	-
Net profit (loss) for the year	-	-	-	179,359,187	(48,174)	<b>179,311,013</b>
<b>Balance as at 30/09/2019</b>	<u><u>871,409,840</u></u>	<u><u>85,035,704</u></u>	<u><u>57,498,796</u></u>	<u><u>(333,782,086)</u></u>	<u><u>3,827,523</u></u>	<u><u>683,989,777</u></u>

**24 Share capital**

The Group's authorised and issued share capital is:

	30/09/2019		31/12/2018	
	Number of shares	VND'000	Number of shares	VND'000
<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:

	2019		2018	
	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**

	30/09/2019	31/12/2018
	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:

	30/09/2019	31/12/2018
	VND'000	VND'000
Within one year	2,896,681	6,085,004
Within two to five years	8,231,935	9,170,109
	<b>11,128,616</b>	<b>15,255,113</b>

**Interfood Shareholding Company and its subsidiaries**  
**Notes to the consolidated financial statements (continues)**

(b) **Foreign currencies**

	30/09/2019		31/12/2018	
	Original currency	VND'000 Equivalent	Original currency	VND'000 Equivalent
USD	95,699	2,197,605	60,133	1,392,302
EUR	298	7,951	306	8,165
		<u>2,205,556</u>		<u>1,400,467</u>

**27 Revenues from sales of goods**

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

Net revenue comprised:

	Q3-2019 VND'000	Q3-2018 VND'000	YTD2019Q3 VND'000	YTD2018Q3 VND'000
<b>Total revenue</b>				
■ Sales of drinks	354,287,474	333,480,427	1,072,874,059	1,020,011,441
■ Sales of biscuits	-	-	-	-
■ Sales of other product	65,361,797	61,743,383	197,742,883	185,702,499
■ Sales of scraps	275,023	239,442	647,075	625,653
	<u>419,924,294</u>	<u>395,463,252</u>	<u>1,271,264,017</u>	<u>1,206,339,593</u>
<b>Less revenue deductions:</b>				
■ Sales allowances	31,359,956	29,807,464	102,233,633	82,701,826
■ Sales return	-	-	-	6,859
	<u>31,359,956</u>	<u>29,807,464</u>	<u>102,233,633</u>	<u>82,708,685</u>
<b>Net revenue</b>	<u>388,564,338</u>	<u>365,655,788</u>	<u>1,169,030,384</u>	<u>1,123,630,908</u>

**28 Cost of sales**

	Q3-2019 VND'000	Q3-2018 VND'000	YTD2019Q3 VND'000	YTD2018Q3 VND'000
<b>Total cost of sales</b>				
■ Cost of drinks	191,884,607	186,430,004	593,031,616	578,829,527
■ Cost of biscuit	-	-	-	-
■ Cost of other products	27,545,126	29,401,809	71,121,196	88,640,812
	<u>219,429,733</u>	<u>215,831,813</u>	<u>664,152,812</u>	<u>667,470,339</u>

**29 Financial income**

	Q3-2019 VND'000	Q3-2018 VND'000	YTD2019Q3 VND'000	YTD2018Q3 VND'000
Interest income from bank deposits	211,795	133,322	590,210	383,934
Foreign exchange gains	15,247	167,967	33,131	450,797
	<u>227,042</u>	<u>301,289</u>	<u>623,341</u>	<u>834,731</u>



**Interfood Shareholding Company and its subsidiaries**  
**Notes to the consolidated financial statements (continues)**

**30 Financial expenses**

	<b>Q3-2019</b>	<b>Q3-2018</b>	<b>YTD2019Q3</b>	<b>YTD2018Q3</b>
	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
Interest expenses	6,861	392,444	23,152	2,116,017
Foreign exchange losses	38,798	117,846	408,947	1,217,580
	<b>45,659</b>	<b>510,290</b>	<b>432,099</b>	<b>3,333,597</b>

**31 Selling expenses**

	<b>Q3-2019</b>	<b>Q3-2018</b>	<b>YTD2019Q3</b>	<b>YTD2018Q3</b>
	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
Staff costs	39,764,049	38,515,145	121,224,772	119,152,031
Advertisement and promotion expenses	18,653,114	22,736,582	51,608,412	63,811,734
Transportation fee	18,600,342	18,105,123	54,362,004	54,345,244
Rental fee	2,608,365	2,532,427	7,363,825	7,104,290
Others	5,584,041	4,890,625	13,488,168	14,440,419
	<b>85,209,911</b>	<b>86,779,902</b>	<b>248,047,181</b>	<b>258,853,718</b>

**32 General and administration expenses**

	<b>Q3-2019</b>	<b>Q3-2018</b>	<b>YTD2019Q3</b>	<b>YTD2018Q3</b>
	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
Staff costs	3,121,259	3,105,012	9,872,394	9,585,255
Consultant fee	746,965	836,893	2,456,497	2,455,761
Rental fee	1,056,366	898,441	2,879,962	2,679,916
Depreciation and amortisation	845,802	900,109	2,645,402	2,573,625
Allowance	22,695	-	286,570	-
Others	4,825,396	2,398,240	9,268,408	7,842,795
	<b>10,618,483</b>	<b>8,138,695</b>	<b>27,409,233</b>	<b>25,137,352</b>

**33 Other income**

	<b>Q3-2019</b>	<b>Q3-2018</b>	<b>YTD2019Q3</b>	<b>YTD2018Q3</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	-	210,364
Others	2,135,895	79,704	2,308,378	3,082,952
	<b>2,135,895</b>	<b>80,977</b>	<b>2,308,378</b>	<b>3,293,316</b>

**34 Other expenses**

	<b>Q3-2019</b>	<b>Q3-2018</b>	<b>YTD2019Q3</b>	<b>YTD2018Q3</b>
	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
Depreciation of idle tangible fixed assets	2,295,155	2,428,658	7,107,775	6,234,239
Loss from disposals of tangible fixed assets	-	-	-	-
Tax penalties	-	-	-	-
Others	132,293	32,535	333,012	2,161,849
	<b>2,427,448</b>	<b>2,461,193</b>	<b>7,440,787</b>	<b>8,396,088</b>

**Interfood Shareholding Company and its subsidiaries**  
**Notes to the consolidated financial statements (continues)**

**35 Production and business costs by element**

	<b>Q3-2019</b>	<b>Q3-2018</b>	<b>YTD2019Q3</b>	<b>YTD2018Q3</b>
	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
Raw material costs	165,537,407	176,176,440	462,237,967	505,014,856
Labour costs and staff costs	52,384,784	50,397,971	158,554,542	153,673,492
Depreciation and amortisation	7,614,040	7,848,759	23,120,352	22,463,524
Outside services	117,499,576	117,834,323	350,526,874	327,821,965
Other expenses	6,543,045	6,907,681	17,915,949	23,986,536
	<b>349,578,852</b>	<b>359,165,175</b>	<b>1,012,355,684</b>	<b>1,032,960,373</b>

**36 Corporate Income Taxes**

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

	<b>30/09/2019</b>	<b>31/12/2018</b>
	<b>VND'000</b>	<b>VND'000</b>
<b>Current tax expense</b>		
Current year	38,476,881	47,749,243
<b>Deferred tax income</b>		
Written down of deferred tax so adjust CIT Tax from 22% to 20%		
Origination and reversal of temporary differences	6,692,097	(19,042,125)
	<b>6,692,097</b>	<b>(19,042,125)</b>
<b>Income tax expense</b>	<b>45,168,978</b>	<b>28,707,118</b>

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

	<b>30/09/2019</b>	<b>31/12/2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Profit (loss) before tax	224,479,991	208,802,852
Tax at the Group's tax rate	44,895,998	41,760,570
Non-deductible expenses	1,533,718	2,489,898
Recognition of previously unrecognised deferred tax assets	(1,260,738)	(15,543,350)
Previously unrecognised temporary differences	-	-
Tax losses utilised	-	-
	<b>45,168,978</b>	<b>28,707,118</b>

**(c) Applicable tax rates**

**(i) Interfood Shareholding Company**

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

**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 20%.

**(ii) Avafood Shareholding Company**

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

Corporate income tax is payable at the rate stipulated by the current regulations on annual profit from processing service, office and workshop lease activity (2019 and 2018: 20%).

All the above tax exemption and reduction are not applicable to other income which is taxed at the usual income tax rate applicable to enterprises before any incentives. The usual income tax rate applicable to enterprises before any incentives is 20%.

**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 2019 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>30/09/2019</b>	<b>31/12/2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Net profit/(loss) attributable to ordinary shareholders	<u>179,359,187</u>	<u>180,164,864</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>YTD2019Q3</b>	<b>YTD2018Q3</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	4,355,205	4,248,777
<b>Kirin Holdings Singapore Pte, Ltd - Parent company</b>		
Share subscription	-	-
Short-term loan received	-	-
Short-term loan repayment	-	136,810,000
Interest expenses	-	2,091,457
<b>Vietnam Kirin Beverage Company, Limited</b>		
Processing fee	202,937,352	164,208,742
Purchases of services	1,608,210	1,942,480
Sale of finished goods	28,317	12,628
Sale of materials	-	-

**Interfood Shareholding Company and its subsidiaries**  
**Notes to the consolidated financial statements (continues)**

**Board of Directors and Board of Management**

Secondment fees	3,352,560	3,289,680
Salary	1,363,500	1,363,500

24th October 2019

Prepared by:

Approved by:

*(Signed)*

*(Signed and sealed)*

Nguyễn Hồng Phong  
*Chief Accountant*

Yutaka Ogami  
*Chairman, General Director*