

**Interfood Shareholding Company  
and its subsidiary**

Consolidated Financial Statements for the  
year ended 31 December 2019

## Interfood Shareholding Company Corporate information

**Investment Licence No.** 270/GP 16 November 1991

**Investment Certificates No.**

472033000328 (1 <sup>st</sup> amendment)	28 November 2007
472033000328 (2 <sup>nd</sup> amendment)	20 May 2010
472033000328 (3 <sup>rd</sup> amendment)	22 April 2011
472033000328 (4 <sup>th</sup> amendment)	18 October 2011
472033000328 (5 <sup>th</sup> amendment)	14 May 2014
472033000328 (6 <sup>th</sup> amendment)	30 December 2015
6525867086 (7 <sup>th</sup> amendment)	5 February 2016
6525867086 (8 <sup>th</sup> amendment)	28 December 2016
6525867086 (9 <sup>th</sup> amendment)	25 January 2017
6525867086 (10 <sup>th</sup> amendment)	8 April 2018
6525867086 (11 <sup>th</sup> amendment)	1 October 2019

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

The Investment Certificates were issued by the Dong Nai Industrial Zone Authority and are valid for 50 years from the date of the initial Investment Licence.

### Enterprise Registration Certificate No.

3600245631	21 January 2016
3600245631	19 March 2018
3600245631	5 July 2019

The Enterprise Registration Certificate and its amendments were issued by the Department of Planning and Investment of Dong Nai Province.

### Board of Management

Yutaka Ogami	Chairman
Takeshi Fukushima	Member
Nguyen Thi Kim Lien	Member
Takashi Suda	Member (from 10 April 2019)
Toru Yoshimura	Member (from 17 December 2019)
Osamu Harada	Member (until 10 April 2019)
Shinro Fujita	Member (until 17 December 2019)

**Interfood Shareholding Company  
Corporate information (continued)**

<b>Board of Directors</b>	Yutaka Ogami Ryuta Onda Nguyen Thi Kim Lien Tomohide Ito Takeshi Fukushima	General Director/General Manager of Administration Director/General Manager of Factory Director/General Manager of Internal Control Director/General Manager of Planning Director/General Manager of Marketing/General Manager of Sales
<b>Registered Office</b>	Lot 13, Tam Phuoc Industrial Zone Tam Phuoc Ward, Bien Hoa City Dong Nai Province Vietnam	
<b>Auditor</b>	KPMG Limited Vietnam	

## **Interfood Shareholding Company Statement of the Board of Directors**

The Board of Directors of Interfood Shareholding Company (“the Company”) presents this statement and the accompanying consolidated financial statements of the Company and its subsidiary (together referred to as “the Group”) for the year ended 31 December 2019.

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

- (a) the consolidated financial statements set out on pages 6 to 38 give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting; 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 Company’s Board of Directors has, on the date of this statement, authorised the accompanying consolidated financial statements for issue.

On behalf of the Board of Directors

*(Signed and sealed)*

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Yutaka Ogami  
*Chairman – cum General Director*

Dong Nai Province, 25 March 2020

**Interfood Shareholding Company and its subsidiary**  
**Consolidated balance sheet as at 31 December 2019**

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

	Code	Note	31/12/2019 VND'000	1/1/2019 VND'000
<b>ASSETS</b>				
<b>Current assets</b> (100 = 110 + 130 + 140 + 150)	<b>100</b>		<b>771,521,669</b>	<b>519,707,305</b>
<b>Cash</b>	<b>110</b>	<b>5</b>	<b>517,226,745</b>	<b>262,171,897</b>
Cash	111		517,226,745	262,171,897
<b>Accounts receivable – short-term</b>	<b>130</b>		<b>44,782,422</b>	<b>33,272,625</b>
Accounts receivable from customers	131	6	35,389,941	28,741,447
Prepayments to suppliers	132		11,215,617	6,123,998
Other short-term receivables	136		285,817	516,133
Allowance for doubtful debts	137		(2,108,953)	(2,108,953)
<b>Inventories</b>	<b>140</b>	<b>7</b>	<b>207,482,930</b>	<b>223,853,255</b>
Inventories	141		207,897,813	224,153,307
Allowance for inventories	149		(414,883)	(300,052)
<b>Other current assets</b>	<b>150</b>		<b>2,029,572</b>	<b>409,528</b>
Short-term prepaid expenses	151		1,464,091	293,467
Deductible value added tax	152		107,843	-
Taxes receivable from State Treasury	153		457,638	116,061

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

**Interfood Shareholding Company and its subsidiary**  
**Consolidated balance sheet as at 31 December 2019 (continued)**

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

	Code	Note	31/12/2019 VND'000	1/1/2019 VND'000
<b>Long-term assets</b> <b>(200 = 210 + 220 + 260)</b>	<b>200</b>		<b>168,228,978</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 long-term receivables	216		1,750,728	1,750,728
<b>Fixed assets</b>	<b>220</b>		<b>121,795,952</b>	<b>153,706,176</b>
Tangible fixed assets	221	8	117,032,347	147,458,258
Cost	222		423,720,832	558,260,814
Accumulated depreciation	223		(306,688,485)	(410,802,556)
Finance lease tangible fixed assets	224	9	76,131	115,852
Cost	225		198,603	198,603
Accumulated depreciation	226		(122,472)	(82,751)
Intangible fixed assets	227	10	4,687,474	6,132,066
Cost	228		14,082,575	14,082,575
Accumulated amortisation	229		(9,395,101)	(7,950,509)
<b>Other long-term assets</b>	<b>260</b>		<b>44,682,298</b>	<b>45,581,390</b>
Long-term prepaid expenses	261	11	28,814,736	27,373,773
Deferred tax assets	262	12	15,867,562	18,207,617
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>939,750,647</b>	<b>720,745,599</b>

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

**Interfood Shareholding Company and its subsidiary**  
**Consolidated balance sheet as at 31 December 2019 (continued)**

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

	Code	Note	31/12/2019 VND'000	1/1/2019 VND'000
<b>RESOURCES</b>				
<b>LIABILITIES (300 = 310 + 330)</b>	<b>300</b>		<b>211,619,515</b>	<b>216,066,835</b>
<b>Current liabilities</b>	<b>310</b>		<b>207,384,513</b>	<b>210,971,535</b>
Accounts payable to suppliers	311	13	87,099,271	89,092,470
Advances from customers	312		10,639,429	5,555,632
Taxes payable to State Treasury	313	14	27,056,989	17,847,180
Payable to employees	314		7,522,841	8,161,198
Accrued expenses	315	15	74,042,038	89,306,325
Other short-term payables	319	16	1,023,945	1,008,730
<b>Long-term liabilities</b>	<b>330</b>		<b>4,235,002</b>	<b>5,095,300</b>
Long-term finance lease liabilities	338	17	98,110	136,581
Deferred tax liabilities	341	12	598,164	1,432,672
Provision	342	18	3,538,728	3,526,047
<b>EQUITY (400 = 410)</b>	<b>400</b>		<b>728,131,132</b>	<b>504,678,764</b>
<b>Owners' equity</b>	<b>410</b>	<b>19</b>	<b>728,131,132</b>	<b>504,678,764</b>
Share capital	411	20	871,409,840	871,409,840
- Ordinary shares with voting rights	411a		871,409,840	871,409,840
Share premium	412		85,035,704	85,035,704
Other capital	420	21	57,498,796	57,498,796
Accumulated losses	421		(289,628,103)	(513,141,273)
- Accumulated losses brought forward	421a		(513,141,273)	(693,306,137)
- Net profit for the current year	421b		223,513,170	180,164,864
Non-controlling interest	429		3,814,895	3,875,697
<b>TOTAL RESOURCES (440 = 300 + 400)</b>	<b>440</b>		<b>939,750,647</b>	<b>720,745,599</b>

25 March 2020

Prepared by:

*(Signed)*

Nguyen Hong Phong  
*Chief Accountant*

Approved by:

*(Signed and sealed)*

Yutaka Ogami  
*Chairman – cum General Director*

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

**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of income for the year ended 31 December 2019**

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

	Code	Note	2019 VND'000	2018 VND'000
Revenue from sale of goods	01	23	1,796,760,939	1,719,312,753
Revenue deductions	02	23	162,022,816	141,768,023
<b>Net revenue (10 = 01 - 02)</b>	<b>10</b>	<b>23</b>	<b>1,634,738,123</b>	<b>1,577,544,730</b>
Cost of sales	11	24	951,411,844	953,603,017
<b>Gross profit (20 = 10 - 11)</b>	<b>20</b>		<b>683,326,279</b>	<b>623,941,713</b>
Financial income	21	25	3,085,327	8,463,045
Financial expenses	22	26	2,587,843	11,814,144
<i>In which: Interest expense</i>	23		29,403	2,444,401
Selling expenses	25	27	343,704,732	369,829,630
General and administration expenses	26	28	35,997,160	35,194,613
<b>Net operating profit</b> <b>{30 = 20 + (21 - 22) - (25 + 26)}</b>	<b>30</b>		<b>304,121,871</b>	<b>215,566,371</b>
Other income	31	29	818,098	4,073,716
Other expenses	32	30	14,768,010	10,837,235
<b>Results of other activities (40 = 31 - 32)</b>	<b>40</b>		<b>(13,949,912)</b>	<b>(6,763,519)</b>
<b>Accounting profit before tax</b> <b>(50 = 30 + 40)</b>	<b>50</b>		<b>290,171,959</b>	<b>208,802,852</b>
Income tax expense – current	51	32	65,214,044	47,749,243
Income tax expense/(benefit) – deferred	52	32	1,505,547	(19,042,125)
<b>Net profit after tax (60 = 50 - 51 - 52)</b> <b>(carried forward)</b>	<b>60</b>		<b>223,452,368</b>	<b>180,095,734</b>

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



**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of income for the year ended 31 December 2019 (continued)**

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

	<b>Code</b>	<b>Note</b>	<b>2019 VND'000</b>	<b>2018 VND'000</b>
<b>Net profit after tax (brought forward)</b>	<b>60</b>		<b>223,452,368</b>	<b>180,095,734</b>
<b>Attributable to:</b>				
Equity holders of the Company	61		223,513,170	180,164,864
Non-controlling interest	62		(60,802)	(69,130)
<b>Earnings per share</b>				
Basic earnings per share (in VND)	70	33	2,565	2,068

25 March 2020

Prepared by:

*(Signed)*

Nguyen Hong Phong  
*Chief Accountant*

Approved by:

*(Signed and sealed)*

Yutaka Ogami  
*Chairman – cum General Director*

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

**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of cash flows for the year ended 31 December 2019**  
**(Indirect method)**

**Form B 03 – DN/HN**  
*(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	2019 VND'000	2018 VND'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Accounting profit before tax</b>	<b>01</b>		<b>290,171,959</b>	<b>208,802,852</b>
<b>Adjustments for</b>				
Depreciation and amortisation	02		28,958,182	31,417,977
Allowances and provisions	03		2,279,187	1,846,611
Exchange losses/(gains) arising from revaluation of monetary items denominated in foreign currencies	04		15,190	(11,976)
Losses/(profits) from investing activities	05		4,273,118	(909,710)
Interest expense	06		29,403	2,444,401
<b>Operating profit before changes in working capital</b>	<b>08</b>		<b>325,727,039</b>	<b>243,590,155</b>
Change in receivables and other assets	09		(11,961,706)	(4,694,674)
Change in inventories	10		14,405,283	(40,353,410)
Change in payables and other liabilities	11		(12,457,728)	25,587,414
Changes in prepaid expenses	12		(2,611,587)	1,139,312
Interest paid	14		(29,403)	(2,614,003)
Corporate income tax paid	16		(56,657,438)	(44,692,971)
<b>Net cash flows from operating activities</b>	<b>20</b>		<b>256,414,460</b>	<b>177,961,823</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for additions to fixed assets	21		(3,198,040)	(2,801,297)
Proceeds from disposals of fixed assets	22		970,106	210,364
Receipts of interest	27		906,858	699,346
<b>Net cash flows from investing activities</b>	<b>30</b>		<b>(1,321,076)</b>	<b>(1,891,587)</b>

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

**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of cash flows for the year ended 31 December 2019**  
**(Indirect method – continued)**

**Form B 03 – DN/HN**  
*(Issued under Circular No. 202/2014/TT-BTC*  
*dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	2019 VND'000	2018 VND'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments to settle loan principals	34		-	(181,880,000)
Payments to settle finance lease liabilities	35		(38,471)	(32,622)
<b>Net cash flows from financing activities</b>	<b>40</b>		<b>(38,471)</b>	<b>(181,912,622)</b>
<b>Net cash flows during the year</b> <b>(50 = 20 + 30 + 40)</b>	<b>50</b>		<b>255,054,913</b>	<b>(5,842,386)</b>
<b>Cash at the beginning of the year</b>	<b>60</b>		<b>262,171,897</b>	<b>268,014,283</b>
<b>Effect of exchange rate fluctuations on cash</b>	<b>61</b>		<b>(65)</b>	<b>-</b>
<b>Cash at the end of the year</b> <b>(70 = 50 + 60 + 61)</b>	<b>70</b>	<b>5</b>	<b>517,226,745</b>	<b>262,171,897</b>

25 March 2020

Prepared by:

*(Signed)*

Nguyen Hong Phong  
*Chief Accountant*

Approved by:

*(Signed and sealed)*

Yutaka Ogami  
*Chairman – cum General Director*

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

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2019**

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

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

**1. Reporting entity**

**(a) Ownership structure**

Interfood Shareholding Company (“the Company”) is incorporated as a joint stock company in Vietnam. The Company owns 90.4% of the equity interests in Avafood Shareholding Company (“Avafood”). The consolidated financial statements for the year ended 31 December 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 City Stock Exchange in accordance with the Listing License No. 61/UBCK-GPNY issued by the Ho Chi Minh City Stock Exchange on 29 September 2006.

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

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

**(b) Principal activities**

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

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

**(c) Normal operating cycle**

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

**(d) Group structure**

As at 31 December 2019, the Group had 631 employees (1/1/2019: 635 employees).

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DN/HN**  
*(Issued under Circular No. 202/2014/TT-BTC*  
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**2. Basis of preparation**

**(a) Statement of compliance**

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

**(b) Basis of measurement**

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

**(c) 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**

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

**(a) Basis of consolidation**

**(i) *Subsidiary***

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

**(ii) *Transactions eliminated on consolidation***

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

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DN/HN**  
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**(b) Foreign currency transactions**

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

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

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

**(c) Cash**

Cash comprises cash balances and call deposits.

**(d) Accounts receivable**

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

**(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 direct selling expenses.

The Group applies the perpetual method of accounting for inventories.

**(f) Tangible fixed assets**

**(i) Cost**

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

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DN/HN**  
*(Issued under Circular No. 202/2014/TT-BTC*  
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**(ii) Depreciation**

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

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

**(g) Finance lease tangible fixed assets**

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

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

**(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 fixed asset. Software cost is amortised on a straight-line basis over 10 years.

**(i) Long-term prepaid expenses**

**(i) *Prepaid land costs***

Prepaid land costs comprise prepaid land lease rentals, including those for which the Group obtained land use rights certificate but are not qualified as intangible fixed assets under Circular No. 45/2013/TT-BTC dated 25 April 2013 of the Ministry of Finance providing guidance on management, use and depreciation of fixed assets, and other costs incurred in conjunction with securing the use of leased land. These costs are recognised in the consolidated statement of income on a straight-line basis over the term of the lease of 40 years.

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DN/HN**  
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**(ii) Tools and supplies**

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

**(iii) Others**

Other long-term prepaid expenses mainly include the renovation, repair and maintenance expenses which are initially stated at cost and amortised on a straight-line basis over 3 years.

**(j) Trade and other payables**

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

**(k) Provisions**

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

***Severance allowance***

Under the Vietnamese Labour Code, when an employee who has worked for 12 months or more (“the 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 employee’s compensation at termination. Provision for severance allowance has been provided based on employees’ years of service and their average salary for the six-month period prior to the end of the annual accounting period. For the purpose of determining the number of years of service by an employee, the period for which the employee participated in and contributed to unemployment insurance in accordance with prevailing laws and regulations and the period for which severance allowance has been paid by the Group are excluded.

**(l) Share capital**

***Ordinary shares***

Ordinary shares are recognised at issuance price less incremental costs directly attributable to the issuance of shares, net of tax effects. Such costs are recognised as a deduction from share premium. The difference between proceeds from the issuance of shares over the par value is recorded in share premium.



**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DN/HN**  
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**(m) Acquisition reserve**

Prior to 1 January 2015, the difference between the consideration given and the aggregate value of the assets and liabilities of the acquired entity in a business combination involving entities under common control is recorded as acquisition reserve under other capital.

**(n) Taxation**

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

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

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

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

**(o) Revenue and other income**

**(i) Goods sold**

Revenue from sale of goods is recognised in the consolidated statement of income when significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods. Revenue from sale of goods is recognised at the net amount after deducting sales discounts stated on the invoice.

**(ii) Interest income**

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

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**(p) Operating lease payments**

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

**(q) Borrowing costs**

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

**(r) Earnings per share**

The Group presents basic earnings per share (“EPS”) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The Company does not present diluted EPS as it has no potentially diluted shares.

**(s) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group’s primary format and secondary format for segment reporting are based on business segments and geographical segments, respectively.

**(t) Related parties**

Parties are considered to be related to the Group if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Group and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

**4. Segment reporting**

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

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**5. Cash**

	<b>31/12/2019</b>	<b>1/1/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
Cash on hand	275,716	84,230
Cash at banks	516,951,029	262,087,667
	517,226,745	262,171,897
Cash in the consolidated statement of cash flows	517,226,745	262,171,897

**6. Accounts receivable from customers**

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

	<b>31/12/2019</b>	<b>1/1/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
EB Services Company Limited	7,976,751	5,572,328
VinCommerce General Commercial Services Joint Stock Company	6,785,952	4,806,694
MM Mega Market Vietnam Company Limited	4,789,915	3,202,498
Saigon Union of Trading Co-operatives	2,804,313	3,898,136
Others	13,033,010	11,261,791
	35,389,941	28,741,447
	35,389,941	28,741,447

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

	<b>31/12/2019</b>	<b>1/1/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
Short-term	35,389,941	28,741,447
	35,389,941	28,741,447

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**7. Inventories**

	<b>31/12/2019</b>		<b>1/1/2019</b>	
	<b>Cost VND'000</b>	<b>Allowance VND'000</b>	<b>Cost VND'000</b>	<b>Allowance VND'000</b>
Goods in transit	9,719,234	-	26,967	-
Raw materials	49,850,128	(64,631)	61,008,988	-
Tools and supplies	4,560,503	(296,819)	5,467,593	(296,819)
Work in progress	7,847,627	-	4,284,841	-
Finished goods	135,920,321	(53,433)	153,364,918	(3,233)
	<b>207,897,813</b>	<b>(414,883)</b>	<b>224,153,307</b>	<b>(300,052)</b>

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

	<b>2019 VND'000</b>	<b>2018 VND'000</b>
Opening balance	300,052	314,737
Increase in allowance during the year	1,965,042	1,205,406
Allowance utilised during the year	(1,850,211)	(1,220,091)
Closing balance	<b>414,883</b>	<b>300,052</b>

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**8. Tangible fixed assets**

	<b>Buildings VND'000</b>	<b>Machinery and equipment VND'000</b>	<b>Motor vehicles VND'000</b>	<b>Office equipment VND'000</b>	<b>Total VND'000</b>
<b>Cost</b>					
Opening balance	117,748,737	421,475,561	7,231,208	11,805,308	558,260,814
Additions	-	2,934,441	-	263,599	3,198,040
Disposals	-	(137,332,968)	(405,054)	-	(137,738,022)
Closing balance	117,748,737	287,077,034	6,826,154	12,068,907	423,720,832
<b>Accumulated depreciation</b>					
Opening balance	43,953,076	354,172,421	5,919,239	6,757,820	410,802,556
Charge for the year	3,983,315	21,556,685	252,848	1,681,021	27,473,869
Disposals	-	(131,182,886)	(405,054)	-	(131,587,940)
Closing balance	47,936,391	244,546,220	5,767,033	8,438,841	306,688,485
<b>Net book value</b>					
Opening balance	73,795,661	67,303,140	1,311,969	5,047,488	147,458,258
Closing balance	69,812,346	42,530,814	1,059,121	3,630,066	117,032,347

Included in tangible fixed assets were assets costing VND43,906 million which were fully depreciated as of 31 December 2019 (1/1/2019: VND66,419 million), but which are still in active use.

Net book value of temporarily idle tangible fixed assets amounted to VND5,590 million as of 31 December 2019 (1/1/2019: VND16,648 million).

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**9. Finance lease tangible fixed assets**

	<b>Office equipment VND'000</b>
<b>Cost</b>	
Opening and closing balance	198,603
<hr/>	
<b>Accumulated depreciation</b>	
Opening balance	82,751
Charge for the year	39,721
<hr/>	
Closing balance	122,472
<hr/>	
<b>Net book value</b>	
Opening balance	115,852
Closing balance	76,131
<hr/>	

**10. Intangible fixed assets**

	<b>Software VND'000</b>
<b>Cost</b>	
Opening and closing balance	14,082,575
<hr/>	
<b>Accumulated amortisation</b>	
Opening balance	7,950,509
Charge for the year	1,444,592
<hr/>	
Closing balance	9,395,101
<hr/>	
<b>Net book value</b>	
Opening balance	6,132,066
Closing balance	4,687,474
<hr/>	

Included in intangible fixed assets were assets costing VND1,851 million which were fully amortised as of 31 December 2019 (1/1/2019: nil), but which are still in active use.

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**11. Long-term prepaid expenses**

	<b>Prepaid land costs VND'000</b>	<b>Tools and supplies VND'000</b>	<b>Others VND'000</b>	<b>Total VND'000</b>
Opening balance	24,184,015	3,124,915	64,843	27,373,773
Additions	-	390,600	4,085,901	4,476,501
Amortisation for the year	(694,999)	(1,649,612)	(690,927)	(3,035,538)
Closing balance	23,489,016	1,865,903	3,459,817	28,814,736

**12. Deferred tax assets and liabilities**

	<b>Tax rate</b>	<b>31/12/2019 VND'000</b>	<b>1/1/2019 VND'000</b>
Deferred tax assets:			
Accrued expenses	20%	14,695,709	17,746,047
Allowances and provisions	20%	1,171,853	461,570
		15,867,562	18,207,617
Deferred tax liabilities:			
Fixed assets	20%	598,164	1,432,672

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**13. Accounts payable to suppliers**

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

	<b>31/12/2019</b>		<b>1/1/2019</b>	
	<b>Cost VND'000</b>	<b>Amount within payment capacity VND'000</b>	<b>Cost VND'000</b>	<b>Amount within payment capacity VND'000</b>
Vietnam Kirin Beverage Company Limited	20,689,633	20,689,633	17,898,147	17,898,147
Crown Beverage Cans (Dong Nai) Company Limited	13,976,584	13,976,584	24,211,934	24,211,934
Vietnam Chuanli Can Manufacturing Company Limited	11,319,447	11,319,447	10,367,798	10,367,798
Others	41,113,607	41,113,607	36,614,591	36,614,591
	<b>87,099,271</b>	<b>87,099,271</b>	<b>89,092,470</b>	<b>89,092,470</b>

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

	<b>31/12/2019</b>		<b>1/1/2019</b>	
	<b>Cost VND'000</b>	<b>Amount within payment capacity VND'000</b>	<b>Cost VND'000</b>	<b>Amount within payment capacity VND'000</b>
Short-term	87,099,271	87,099,271	89,092,470	89,092,470

**(c) Accounts payable to suppliers who is a related party**

	<b>31/12/2019</b>		<b>1/1/2019</b>	
	<b>Cost VND'000</b>	<b>Amount within payment capacity VND'000</b>	<b>Cost VND'000</b>	<b>Amount within payment capacity VND'000</b>
Vietnam Kirin Beverage Company Limited, a related party	20,689,633	20,689,633	17,898,147	17,898,147



**Interfood Shareholding Company and its subsidiary**  
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The trade related amounts due to Vietnam Kirin Beverage Company Limited represented the processing fee payable, which were unsecured, interest free and are payable within 30 days from invoice date.

**14. Taxes payable to State Treasury**

	<b>1/1/2019</b> <b>VND'000</b>	<b>Incurred</b> <b>VND'000</b>	<b>Paid</b> <b>VND'000</b>	<b>Net-off</b> <b>VND'000</b>	<b>31/12/2019</b> <b>VND'000</b>
Value added tax	8,263,400	164,204,797	(68,574,589)	(95,058,011)	8,835,596
Corporate income tax	8,352,359	65,214,044	(56,657,438)	-	16,908,965
Personal income tax	949,968	6,851,703	(6,998,868)	-	802,803
Others	281,453	792,718	(564,546)	-	509,625
	<b>17,847,180</b>	<b>237,063,262</b>	<b>(132,795,441)</b>	<b>(95,058,011)</b>	<b>27,056,989</b>

**15. Accrued expenses**

	<b>31/12/2019</b> <b>VND'000</b>	<b>1/1/2019</b> <b>VND'000</b>
Sales discounts and commission	26,134,413	33,256,071
Promotion expense	26,364,770	35,722,939
Transportation expense	6,375,434	1,331,112
Secondment fee (*)	2,985,832	-
Others	12,181,589	18,996,203
	<b>74,042,038</b>	<b>89,306,325</b>

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

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**16. Other short-term payables**

	<b>31/12/2019</b>	<b>1/1/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
Dividends payable	505,391	505,391
Non-trade amounts due to a related party	244,354	201,817
Others	274,200	301,522
	1,023,945	1,008,730
	1,023,945	1,008,730

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

**17. Long-term finance lease liabilities**

	<b>31/12/2019</b>	<b>1/1/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
Finance lease liabilities	98,110	136,581
	98,110	136,581

Terms and conditions of finance lease liabilities were as follows:

		<b>Annual</b>	<b>Year of</b>	<b>31/12/2019</b>	<b>1/1/2019</b>
	<b>Currency</b>	<b>interest rate</b>	<b>maturity</b>	<b>VND'000</b>	<b>VND'000</b>
Liability from Chailease International Leasing Company Limited	VND	21.6%	2021	98,110	136,581
				98,110	136,581

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

	<b>Payments</b>	<b>Interest</b>	<b>Principal</b>
	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
Within 1 year	65,282	16,554	48,728
Within 2 to 5 years	54,402	5,020	49,382
	119,684	21,574	98,110
	119,684	21,574	98,110

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**18. Provision**

Movements of provision during the year were as follows:

	<b>Severance allowance VND'000</b>
Opening balance	3,526,047
Provision made during the year	314,145
Provision utilised during the year	(301,464)
	<hr/>
Closing balance	3,538,728
	<hr/> <hr/>

**Interfood Shareholding Company and its subsidiary****Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)****Form B 09 – DN/HN***(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)***19. Changes in owners' equity**

	<b>Share capital VND'000</b>	<b>Share premium VND'000</b>	<b>Other capital VND'000</b>	<b>Accumulated losses VND'000</b>	<b>Non-controlling interest VND'000</b>	<b>Total VND'000</b>
<b>Balance as at 1 January 2018</b>	871,409,840	85,035,704	57,498,796	(693,306,137)	3,944,827	324,583,030
Net profit/(loss) for the year	-	-	-	180,164,864	(69,130)	180,095,734
<b>Balance as at 1 January 2019</b>	871,409,840	85,035,704	57,498,796	(513,141,273)	3,875,697	504,678,764
Net profit/(loss) for the year	-	-	-	223,513,170	(60,802)	223,452,368
<b>Balance as at 31 December 2019</b>	871,409,840	85,035,704	57,498,796	(289,628,103)	3,814,895	728,131,132

**Interfood Shareholding Company and its subsidiary**  
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## 20. Share capital

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

	<b>31/12/2019 and 1/1/2019</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
<hr/>		
<b>Shares in circulation</b>		
Ordinary shares	87,140,984	871,409,840
<hr/>		

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

There were no movements of share capital during the year.

## 21. Other capital

	<b>31/12/2019</b>	<b>1/1/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
Acquisition reserve (i)	(32,535,252)	(32,535,252)
Other capital (ii)	90,034,048	90,034,048
<hr/>		
	57,498,796	57,498,796
<hr/>		

- (i) In 2007, the Company acquired a 90.4% shareholding of Avafood in a business combination under common control. This amount represented the difference between consideration given and the net amounts of assets and liabilities of Avafood attributable to the Group at the acquisition date.
- (ii) On 1 January 2013, the Company changed its accounting currency from United States Dollars ("USD") to Vietnam Dong ("VND") in accordance with the requirements of Circular No. 244/2010/TT/BTC dated 31 December 2009 of the Ministry of Finance. Accordingly, all balances in USD as at 31 December 2012 have been translated to VND at the exchange rate of VND20,828 to USD1. The difference between the converted value and par value of ordinary shares of VND90,034,048,000 is reflected as other capital.

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**22. Off balance sheet items**

**(a) Lease commitments**

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

	<b>31/12/2019</b>	<b>1/1/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
Within 1 year	6,196,770	6,085,004
Within 2 to 5 years	3,410,595	9,170,109
	9,607,365	15,255,113
	9,607,365	15,255,113

**(b) Foreign currencies**

	<b>31/12/2019</b>		<b>1/1/2019</b>	
	<b>Original currency</b>	<b>VND'000 equivalent</b>	<b>Original currency</b>	<b>VND'000 equivalent</b>
USD	31,605	730,068	60,133	1,392,302
EUR	295	7,628	306	8,165
		737,696		1,400,467
		737,696		1,400,467

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**23. Revenue from sale of goods**

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

Net revenue comprised of:

	<b>2019</b>	<b>2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Total revenue		
▪ Sale of drinks	1,526,506,783	1,467,375,905
▪ Sale of other products	269,220,149	251,100,246
▪ Sale of scraps	1,034,007	836,602
	1,796,760,939	1,719,312,753
Less revenue deductions		
▪ Sales discounts	162,022,816	141,761,164
▪ Sales returns	-	6,859
	162,022,816	141,768,023
Net revenue	1,634,738,123	1,577,544,730

**24. Cost of sales**

	<b>2019</b>	<b>2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Total cost of sales		
▪ Cost of drinks	845,443,683	837,071,202
▪ Cost of other products	105,968,161	116,531,815
	951,411,844	953,603,017

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**25. Financial income**

	<b>2019</b>	<b>2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Interest income from deposits at banks	906,858	699,346
Foreign exchange gains	2,178,469	7,763,699
	3,085,327	8,463,045
	3,085,327	8,463,045

**26. Financial expenses**

	<b>2019</b>	<b>2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Interest expense	29,403	2,444,401
Foreign exchange losses	2,558,440	9,369,743
	2,587,843	11,814,144
	2,587,843	11,814,144

**27. Selling expenses**

	<b>2019</b>	<b>2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Staff costs and support expense	165,801,063	162,681,531
Advertisement and promotion expenses	73,033,487	100,852,452
Transportation expense	75,463,451	75,374,238
Rental expense	10,324,991	9,723,778
Others	19,081,740	21,197,631
	343,704,732	369,829,630
	343,704,732	369,829,630



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**28. General and administration expenses**

	<b>2019</b>	<b>2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Staff costs	13,664,796	12,744,170
Consultant fee	3,203,700	3,143,972
Rental expense	3,852,342	3,481,041
Depreciation and amortisation	3,491,831	3,478,174
Allowances and provisions	610,229	641,205
Others	11,174,262	11,706,051
	<hr/>	<hr/>
	35,997,160	35,194,613
	<hr/> <hr/>	<hr/> <hr/>

**29. Other income**

	<b>2019</b>	<b>2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Gains from disposals of tangible fixed assets	-	210,364
Others	818,098	3,863,352
	<hr/>	<hr/>
	818,098	4,073,716
	<hr/> <hr/>	<hr/> <hr/>

**30. Other expenses**

	<b>2019</b>	<b>2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Depreciation of idle tangible fixed assets	8,331,325	8,641,790
Losses from disposals of tangible fixed assets	5,179,976	-
Others	1,256,709	2,195,445
	<hr/>	<hr/>
	14,768,010	10,837,235
	<hr/> <hr/>	<hr/> <hr/>

**Interfood Shareholding Company and its subsidiary**  
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**31. Production and business costs by elements**

	<b>2019</b>	<b>2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Raw material costs included in production costs	616,249,736	689,063,247
Labour and staff costs and support expense	216,301,155	214,535,717
Depreciation and amortisation	28,958,182	31,417,977
Outside services	476,190,492	456,639,902
Others	25,303,822	28,141,198

**32. Income tax**

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

	<b>2019</b>	<b>2018</b>
	<b>VND'000</b>	<b>VND'000</b>
<b>Current tax expense</b>		
Current year	59,643,460	47,749,243
Under provision in prior years	5,570,584	-
	65,214,044	47,749,243
<b>Deferred tax expense/(benefit)</b>		
Origination and reversal of temporary differences	1,505,547	(19,042,125)
	66,719,591	28,707,118

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

	<b>2019</b>	<b>2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Accounting profit before tax	290,171,959	208,802,852
Tax at the Company's tax rate	58,034,392	41,760,570
Non-deductible expenses	3,114,615	2,402,421
Under provision in prior years	5,570,584	-
Recognition of previously unrecognised deferred tax assets	-	(15,455,873)
	66,719,591	28,707,118

**(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.

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

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

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

The usual income tax rate applicable to enterprises before any incentives is 20%.

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**(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%.

**33. Basic earnings per share**

The calculation of basic earnings per share for the year ended 31 December 2019 was based on the net profit attributable to ordinary shareholders of the Company and a weighted average number of ordinary shares outstanding during the year, calculated as follows:

**(a) Net profit attributable to ordinary shareholders**

	<b>2019</b>	<b>2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Net profit attributable to ordinary shareholders	223,513,170	180,164,864

**(b) Weighted average number of ordinary shares**

	<b>2019</b>	<b>2018</b>
Weighted average number of ordinary shares for the year	87,140,984	87,140,984

**Interfood Shareholding Company and its subsidiary**  
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**34. Significant transactions with related parties**

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

	<b>Transaction value</b>	
	<b>2019</b>	<b>2018</b>
	<b>VND'000</b>	<b>VND'000</b>
<i>Ultimate parent company</i>		
<b>Kirin Holdings Company Limited</b>		
Secondment fee	5,896,570	5,650,277
Purchases of materials	696,100	-
<i>Parent company</i>		
<b>Kirin Holdings Singapore Pte. Ltd</b>		
Loans repaid	-	181,880,000
Interest expense	-	2,408,388
<i>Other related parties</i>		
<b>Vietnam Kirin Beverage Company Limited</b>		
Processing fee	258,849,030	217,563,476
Purchases of services	2,171,170	2,492,720
Sales of goods	387,007	29,234
Sales returns	29,967	15,685
<b>Members of Board of Directors</b>		
Secondment fee	4,473,120	4,387,680
Salary	1,818,000	1,818,000

**35. Corresponding figures**

Corresponding figures as at 1 January 2019 were derived from the balances and amounts reported in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

25 March 2020

Prepared by:

*(Signed)*

Nguyen Hong Phong  
*Chief Accountant*

Approved by:

*(Signed and sealed)*

Yutaka Ogami  
*Chairman – cum General Director*