

**Interfood Shareholding Company**

Interim Financial Statements  
for the six-month period ended  
30 June 2020

**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/GCNDCC3-BHK dated 23 August 2006. The Investment Licence and its amendments were issued by the Ministry of Planning and Investment and are valid for 50 years.

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

**Enterprise Registration Certificate No.**

3600245631 21 January 2016  
 3600245631 19 March 2018  
 3600245631 5 July 2019  
 3600245631 30 June 2020

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

**Board of Management**

Takeshi Fukushima Chairman  
 (from 10 April 2020)  
 Member  
 (until 10 April 2020)  
 Yutaka Ogami Chairman  
 (until 10 April 2020)  
 Member  
 (from 10 April 2020)  
 Toru Yoshimura Member  
 Nguyen Thi Kim Lien Member  
 Koichi Ogawa Member  
 (from 10 April 2020)  
 Takashi Suda Member  
 (until 10 April 2020)

**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 interim financial statements of the Company for the six-month period ended 30 June 2020.

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

- (a) the interim financial statements set out on pages 6 to 42 give a true and fair view of the financial position of the Company as at 30 June 2020, and of its results of operations and its cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to interim financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the Company will not be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors

*(Signed and sealed)*

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Yutaka Ogami  
*General Director*

Dong Nai Province, 18 August 2020





**Interfood Shareholding Company**  
**Balance sheet as at 30 June 2020**

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

	Code	Note	30/6/2020 VND'000	1/1/2020 VND'000
<b>ASSETS</b>				
<b>Current assets</b> (100 = 110 + 130 + 140 + 150)	<b>100</b>		<b>823,814,903</b>	<b>838,133,708</b>
<b>Cash and cash equivalents</b>	<b>110</b>	<b>9</b>	<b>614,633,295</b>	<b>517,046,649</b>
Cash	111		364,633,295	517,046,649
Cash equivalents	112		250,000,000	-
<b>Accounts receivable – short-term</b>	<b>130</b>		<b>34,011,538</b>	<b>111,919,864</b>
Accounts receivable from customers	131	10	25,751,985	35,389,941
Prepayments to suppliers	132		8,952,130	8,920,595
Short-term loans receivable	135		-	69,341,174
Other short-term receivables	136		1,315,225	275,956
Allowance for doubtful debts	137		(2,007,802)	(2,007,802)
<b>Inventories</b>	<b>140</b>	<b>11</b>	<b>173,682,850</b>	<b>207,482,930</b>
Inventories	141		174,056,524	207,897,813
Allowance for inventories	149		(373,674)	(414,883)
<b>Other current assets</b>	<b>150</b>		<b>1,487,220</b>	<b>1,684,265</b>
Short-term prepaid expenses	151		1,300,392	1,226,627
Taxes receivable from State Treasury	153		186,828	457,638

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

**Interfood Shareholding Company**  
**Balance sheet as at 30 June 2020 (continued)**

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

	Code	Note	30/6/2020 VND'000	1/1/2020 VND'000
<b>Long-term assets</b> <b>(200 = 210 + 220 + 250 + 260)</b>	<b>200</b>		<b>153,810,133</b>	<b>151,877,868</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>110,213,341</b>	<b>39,139,589</b>
Tangible fixed assets	221	12	106,137,893	34,375,984
<i>Cost</i>	222		421,487,323	195,468,456
<i>Accumulated depreciation</i>	223		(315,349,430)	(161,092,472)
Finance lease tangible fixed assets	224	13	56,271	76,131
<i>Cost</i>	225		198,603	198,603
<i>Accumulated depreciation</i>	226		(142,332)	(122,472)
Intangible fixed assets	227	14	4,019,177	4,687,474
<i>Cost</i>	228		14,082,575	14,082,575
<i>Accumulated amortisation</i>	229		(10,063,398)	(9,395,101)
<b>Long-term financial investments</b>	<b>250</b>	<b>15</b>	<b>-</b>	<b>93,031,155</b>
Investment in a subsidiary	251		-	94,145,809
Allowance for diminution in the value of long-term financial investments	254		-	(1,114,654)
<b>Other long-term assets</b>	<b>260</b>		<b>41,846,064</b>	<b>17,956,396</b>
Long-term prepaid expenses	261	16	27,770,217	1,865,903
Deferred tax assets	262	17	14,075,847	16,090,493
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>977,625,036</b>	<b>990,011,576</b>

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



**Interfood Shareholding Company**  
**Balance sheet as at 30 June 2020 (continued)**

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

	Code	Note	30/6/2020 VND'000	1/1/2020 VND'000
<b>RESOURCES</b>				
<b>LIABILITIES (300 = 310 + 330)</b>	<b>300</b>		<b>166,218,910</b>	<b>207,526,931</b>
<b>Current liabilities</b>	<b>310</b>		<b>162,438,162</b>	<b>203,992,242</b>
Accounts payable to suppliers	311	18	68,187,802	84,825,787
Advances from customers	312		10,021,438	10,639,429
Taxes payable to State Treasury	313	19	10,561,035	26,636,285
Payable to employees	314		7,629,224	7,391,247
Accrued expenses	315	20	65,095,456	73,478,545
Other short-term payables	319	21	943,207	1,020,949
<b>Long-term liabilities</b>	<b>330</b>		<b>3,780,748</b>	<b>3,534,689</b>
Long-term finance lease liabilities	338	22	75,048	98,110
Provision	342	23	3,705,700	3,436,579
<b>EQUITY (400 = 410)</b>	<b>400</b>		<b>811,406,126</b>	<b>782,484,645</b>
<b>Owners' equity</b>	<b>410</b>	<b>24</b>	<b>811,406,126</b>	<b>782,484,645</b>
Share capital	411	25	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 capital	420	26	90,034,048	90,034,048
Accumulated losses	421		(235,073,466)	(263,994,947)
- <i>Accumulated losses brought forward</i>	<i>421a</i>		<i>(263,994,947)</i>	<i>(487,188,948)</i>
- <i>Net profit for the current period/prior year</i>	<i>421b</i>		<i>28,921,481</i>	<i>223,194,001</i>
<b>TOTAL RESOURCES (440 = 300 + 400)</b>	<b>440</b>		<b>977,625,036</b>	<b>990,011,576</b>

18 August 2020

Prepared by:

*(Signed)*

Nguyen Hong Phong  
*Chief Accountant*

Approved by:

*(Signed and sealed)*

Yutaka Ogami  
*General Director*

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

**Interfood Shareholding Company**  
**Statement of income for the six-month period ended 30 June 2020**

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

	Code	Note	Six-month period ended	
			30/6/2020 VND'000	30/6/2019 VND'000
Revenue from sale of goods	01	28	718,292,273	851,339,724
Revenue deductions	02	28	62,443,376	70,873,677
<b>Net revenue (10 = 01 - 02)</b>	<b>10</b>	<b>28</b>	<b>655,848,897</b>	<b>780,466,047</b>
Cost of sales	11	29	400,282,561	449,784,451
<b>Gross profit (20 = 10 - 11)</b>	<b>20</b>		<b>255,566,336</b>	<b>330,681,596</b>
Financial income	21	30	2,547,985	1,661,123
Financial expenses	22	31	76,164,578	386,440
<i>In which: Interest expense</i>	23		10,537	16,291
Selling expenses	25	32	128,901,494	162,837,271
General and administration expenses	26	33	16,338,248	15,435,759
<b>Net operating profit</b> <b>{30 = 20 + (21 - 22) - (25 + 26)}</b>	<b>30</b>		<b>36,710,001</b>	<b>153,683,249</b>
Other income	31		133,766	166,465
Other expenses	32	34	521,363	2,713,154
<b>Results of other activities (40 = 31 - 32)</b>	<b>40</b>		<b>(387,597)</b>	<b>(2,546,689)</b>
<b>Accounting profit before tax</b> <b>(50 = 30 + 40)</b>	<b>50</b>		<b>36,322,404</b>	<b>151,136,560</b>
Income tax expense – current	51	36	5,567,187	23,485,151
Income tax expense – deferred	52	36	1,833,736	7,317,978
<b>Net profit after tax (60 = 50 - 51 - 52)</b> <b>(carried forward)</b>	<b>60</b>		<b>28,921,481</b>	<b>120,333,431</b>

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

**Interfood Shareholding Company**  
**Statement of income for the six-month period ended 30 June 2020 (continued)**

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

	Code	Note	Six-month period ended	
			30/6/2020 VND'000	30/6/2019 VND'000
<b>Net profit after tax (brought forward)</b>	<b>60</b>		<b>28,921,481</b>	<b>120,333,431</b>
<b>Earnings per share</b>				
Basic earnings per share (in VND)	70	37	332	1,381

18 August 2020

Prepared by:

Approved by:

*(Signed)*

*(Signed and sealed)*

Nguyen Hong Phong  
*Chief Accountant*

Yutaka Ogami  
*General Director*

**Interfood Shareholding Company**  
**Statement of cash flows for the six-month period ended 30 June 2020**  
**(Indirect method)**

**Form B 03a – DN**  
*(Issued under Circular No. 200/2014/TT-BTC*  
*dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	Six-month period ended	
			30/6/2020 VND'000	30/6/2019 VND'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Accounting profit before tax</b>	<b>01</b>		<b>36,322,404</b>	<b>151,136,560</b>
<b>Adjustments for</b>				
Depreciation and amortisation	02		5,698,883	9,706,645
Allowances and provisions	03		(583,846)	896,586
Exchange gains arising from revaluation of monetary items denominated in foreign currencies	04		(25,439)	-
Profits from investing activities	05		(2,166,464)	(1,658,720)
Losses from merger	05		77,224,915	-
Interest expense	06		10,537	16,291
<b>Operating profit before changes in working capital</b>	<b>08</b>		<b>116,480,990</b>	<b>160,097,362</b>
Change in receivables and other assets	09		26,821,399	7,438,662
Change in inventories	10		33,445,004	(15,418,231)
Change in payables and other liabilities	11		(28,135,371)	(53,750,957)
Change in prepaid expenses	12		745,311	(781,582)
			<b>149,357,333</b>	<b>97,585,254</b>
Interest paid	14		(10,537)	(16,291)
Corporate income tax paid	15		(20,200,009)	(12,274,097)
<b>Net cash flows from operating activities</b>	<b>20</b>		<b>129,146,787</b>	<b>85,294,866</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for additions to fixed assets	21		(476,830)	(1,455,599)
Proceeds from disposals of fixed assets	22		204,182	-
Payments for granting loans	23		(14,000,000)	(15,000,000)
Payments for investment in a subsidiary	25		(19,594,704)	-
Receipts of interest	27		588,959	391,069
Cash increased from merger	28	8	1,730,047	-
<b>Net cash flows from investing activities</b>	<b>30</b>		<b>(31,548,346)</b>	<b>(16,064,530)</b>

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

**Interfood Shareholding Company**  
**Statement of cash flows for the six-month period ended 30 June 2020**  
**(Indirect method – continued)**

**Form B 03a – DN**  
*(Issued under Circular No. 200/2014/TT-BTC*  
*dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	Six-month period ended	
			30/6/2020 VND'000	30/6/2019 VND'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments to settle finance lease liabilities	35		(23,062)	(17,751)
<b>Net cash flows from financing activities</b>	<b>40</b>		<b>(23,062)</b>	<b>(17,751)</b>
<b>Net cash flows during the period</b> <b>(50 = 20 + 30 + 40)</b>	<b>50</b>		<b>97,575,379</b>	<b>69,212,585</b>
<b>Cash and cash equivalents at the</b> <b>beginning of the period</b>	<b>60</b>		<b>517,046,649</b>	<b>262,045,427</b>
<b>Effect of exchange rate fluctuations on</b> <b>cash and cash equivalents</b>	<b>61</b>		<b>11,267</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the</b> <b>period (70 = 50 + 60 + 61)</b>	<b>70</b>	<b>9</b>	<b>614,633,295</b>	<b>331,258,012</b>

18 August 2020

Prepared by:

*(Signed)*

Nguyen Hong Phong  
*Chief Accountant*

Approved by:

*(Signed and sealed)*

Yutaka Ogami  
*General Director*

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

**Interfood Shareholding Company**  
**Notes to the interim financial statements for the six-month period ended 30 June 2020**

**Form B 09a – DN**  
*(Issued under Circular No. 200/2014/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 interim financial statements.

**1. Reporting entity**

**(a) Ownership structure**

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

The Company’s shares were listed on the Ho Chi Minh 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.

**(c) Normal operating cycle**

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

**(d) Company’s structure**

As at 30 June 2020, the Company had 610 employees (1/1/2020: 617 employees).

**Interfood Shareholding Company**  
**Notes to the interim financial statements for the six-month period ended 30 June 2020**  
**(continued)**

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

**2. Basis of preparation**

**(a) Statement of compliance**

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

**(b) Basis of measurement**

The interim 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) Merge accounting**

In May 2020, the Company's shareholders approved to merge the Company and its subsidiary, Avafood Company Limited (formerly known as "Avafood Shareholding Company") ("Avafood"). On 25 May 2020, the Company entered into a merger agreement with Avafood, in which the Company has assumed all assets and liabilities, rights and obligations, labour contracts and tax obligations of Avafood as at 30 June 2020. The surviving company in the merger is Interfood Shareholding Company. After the merger, Avafood has ceased to exist. The Company's Enterprise Registration Certificate No. 3600245631 dated 30 June 2020 has been obtained to reflect the above transaction.

The Company owned 100% of the equity interest of Avafood prior to the merger. The Company has accounted for this common-control merger by applying the merger ("carrying-over") basis of accounting. Under merger accounting, the assets and liabilities of Avafood are combined using the existing book values from the Company's perspective. The Company's results of operations and cash flows for the six-month period ended 30 June 2020 do not include the results of operations and cash flows of Avafood's business because the merger took effect on 30 June 2020. All material inter-group transactions and balances have been eliminated in this process.

**(d) Annual accounting period**

The annual accounting period of the Company is from 1 January to 31 December. The interim financial statements are prepared for the six-month period ended 30 June 2020.

**(e) Accounting and presentation currency**

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

**Interfood Shareholding Company**  
**Notes to the interim financial statements for the six-month period ended 30 June 2020**  
**(continued)**

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

**3. Summary of significant accounting policies**

The following significant accounting policies have been adopted by the Company in the preparation of the accompanying interim financial statements and are consistent with those adopted in the preparation of the latest annual financial statements.

**(a) Foreign currency transactions**

Transactions in currencies other than VND during the period 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 accounting period, respectively, quoted by the commercial bank where the Company most frequently conducts transactions.

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

**(b) Cash and cash equivalents**

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**(c) Investment in a subsidiary**

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

**(d) Accounts receivable**

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



**Interfood Shareholding Company**  
**Notes to the interim financial statements for the six-month period ended 30 June 2020**  
**(continued)**

**Form B 09a – DN**  
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**(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 Company 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 statement of income in the period in which the cost is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

**(ii) Depreciation**

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

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

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

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

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

**Interfood Shareholding Company**  
**Notes to the interim financial statements for the six-month period ended 30 June 2020**  
**(continued)**

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

**(h) Intangible fixed assets**

***Software***

Cost of acquiring a new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible 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 Company 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 statement of income on a straight-line basis over the term of the lease of 40 years.

**(ii) *Tools and supplies***

Tools and supplies include assets held for use by the Company in the normal course of business whose costs of individual items are less than VND30 million and therefore not qualified for recognition as fixed assets under prevailing regulation. Cost of tools and supplies 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 Company 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.

**Interfood Shareholding Company**  
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***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 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 Company 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.

**(m) Taxation**

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the 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 period, using tax rates enacted at the end of the accounting period, and any adjustment to tax payable in respect of previous periods.

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 end of the 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.

**Interfood Shareholding Company**  
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**(n) Revenue and other income**

**(i) Goods sold**

Revenue from sale of goods is recognised in the 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 statement of income on a time proportion basis with reference to the principal outstanding and the applicable interest rate.

**(o) Operating lease payments**

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

**(p) Borrowing costs**

Borrowing costs are recognised as an expense in the period 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.

**(q) Earnings per share**

The Company 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 period. The Company does not present diluted EPS as it has no potentially diluted shares.

**(r) Segment reporting**

A segment is a distinguishable component of the Company 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 Company’s primary format and secondary format for segment reporting are based on business segments and geographical segments, respectively.

**Interfood Shareholding Company**  
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**(s) Related parties**

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

The outbreak of the Novel Coronavirus (“COVID-19”) pandemic globally in the first quarter of 2020 has resulted in the implementation of physical distancing measures in Vietnam during certain months, which affected the opening of entertainment and food and beverage businesses. The COVID-19 pandemic had an adverse impact on the Company’s production and revenue in the first half of 2020. The Company’s management has adopted certain measures to reduce the impact, including stringent production planning and cost saving measures. The extent of the impact of the COVID-19 pandemic on the Company’s operational and financial performance will depend on the duration and spread of the outbreak, which are highly uncertain.

**5. Changes in accounting estimates**

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

**6. Changes in the composition of the Company**

During the period, Avafood Company Limited (formerly known as “Avafood Shareholding Company”), a subsidiary of the Company, was merged to the Company. Please see Note 8 for further information.

**7. Segment reporting**

The Company 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.

**Interfood Shareholding Company**  
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**8. Merger**

In March 2020, the Company’s shareholders approved to acquire the remaining shares of Avafood Company Limited (formerly known as “Avafood Shareholding Company”) (“Avafood”) from other existing shareholders.

In April 2020, the Company acquired the remaining 777,600 shares of Avafood from other existing shareholders of Avafood for a total consideration of VND19,595 million. As a result of this transaction, Avafood became a wholly owned subsidiary of the Company.

In May 2020, Avafood obtained the revised Enterprise Registration Certificate No. 1052118511 from the Department of Planning and Investment of Dong Nai Province, in which Avafood was approved to change the legal structure from a joint stock company to a limited company. Consequently, the legal name of Avafood also changed from “Avafood Shareholding Company” to “Avafood Company Limited”.

In May 2020, the Company’s shareholders approved to merge the Company and Avafood. On 25 May 2020, the Company entered into a merger agreement with Avafood. Pursuant to this merger agreement, all assets and liabilities of Avafood were transferred to the Company at their book value. The merger was completed on 30 June 2020 and Avafood has ceased its operation since that date.

The merger had the following effects on the Company’s interim financial statements on the merger date:

	<b>Recognised value on merger VND’000</b>
Cash	1,730,047
Prepayments to suppliers, net	193,401
Other short-term receivables	9,861
Other current assets	149,170
Tangible fixed assets, net	76,845,304
Long-term prepaid expenses	26,574,220
Taxes payable to State Treasury	(600,032)
Short-term borrowings	(67,485,654)
Other current liabilities	(608,899)
Deferred tax liabilities	(180,910)
Long-term provisions	(110,910)
	<hr/>
Net assets merged	36,515,598
Cost of investment in Avafood	(113,740,513)
	<hr/>
Losses from merger (Note 31)	(77,224,915)
	<hr/> <hr/>
Cash increased from merger	1,730,047
	<hr/> <hr/>

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**9. Cash and cash equivalents**

	<b>30/6/2020</b>	<b>1/1/2020</b>
	<b>VND'000</b>	<b>VND'000</b>
Cash on hand	107,494	252,305
Cash at banks	364,525,801	516,794,344
Cash equivalents	250,000,000	-
	<hr/>	<hr/>
Cash and cash equivalents in the statement of cash flows	614,633,295	517,046,649
	<hr/>	<hr/>

Cash equivalents represented term deposits at banks with original terms to maturity of three months or less from their transaction dates.

**10. Accounts receivable from customers**

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

	<b>30/6/2020</b>	<b>1/1/2020</b>
	<b>VND'000</b>	<b>VND'000</b>
EB Services Company Limited	3,541,687	7,976,751
MM Mega Market Vietnam Company Limited	4,440,106	4,789,915
Saigon Union of Trading Co-operatives	2,870,138	2,804,313
VinCommerce General Commercial Services		
Joint Stock Company	2,684,049	6,785,952
Others	12,216,005	13,033,010
	<hr/>	<hr/>
	25,751,985	35,389,941
	<hr/>	<hr/>

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

	<b>30/6/2020</b>	<b>1/1/2020</b>
	<b>VND'000</b>	<b>VND'000</b>
Short-term	25,751,985	35,389,941
	<hr/>	<hr/>

**Interfood Shareholding Company****Notes to the interim financial statements for the six-month period ended 30 June 2020  
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	<b>30/6/2020</b>		<b>1/1/2020</b>	
	<b>Cost VND'000</b>	<b>Allowance VND'000</b>	<b>Cost VND'000</b>	<b>Allowance VND'000</b>
Goods in transit	26,093	-	9,719,234	-
Raw materials	45,844,819	(27,385)	49,850,128	(64,631)
Tools and supplies	7,977,323	(296,819)	4,560,503	(296,819)
Work in progress	8,895,030	-	7,847,627	-
Finished goods	111,313,259	(49,470)	135,920,321	(53,433)
	<b>174,056,524</b>	<b>(373,674)</b>	<b>207,897,813</b>	<b>(414,883)</b>

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

	<b>Six-month period ended</b>	
	<b>30/6/2020 VND'000</b>	<b>30/6/2019 VND'000</b>
Opening balance	414,883	300,052
Increase in allowance during the period	355,076	632,711
Allowance utilised during the period	(396,285)	(446,727)
Closing balance	<b>373,674</b>	<b>486,036</b>



**Interfood Shareholding Company**  
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**12. Tangible fixed assets**

	<b>Buildings</b> <b>VND'000</b>	<b>Machinery</b> <b>and</b> <b>equipment</b> <b>VND'000</b>	<b>Motor</b> <b>vehicles</b> <b>VND'000</b>	<b>Office</b> <b>equipment</b> <b>VND'000</b>	<b>Total</b> <b>VND'000</b>
<b>Cost</b>					
Opening balance	-	178,188,596	6,574,135	10,705,725	195,468,456
Increase through merger (Note 8)	117,748,737	108,888,438	252,019	1,363,182	228,252,376
Additions	-	476,830	-	-	476,830
Disposals	-	(1,357,570)	(1,352,769)	-	(2,710,339)
<b>Closing balance</b>	<b>117,748,737</b>	<b>286,196,294</b>	<b>5,473,385</b>	<b>12,068,907</b>	<b>421,487,323</b>
<b>Accumulated depreciation</b>					
Opening balance	-	148,222,306	5,515,014	7,355,152	161,092,472
Increase through merger (Note 8)	49,918,624	100,096,400	252,019	1,140,029	151,407,072
Charge for the period	-	4,117,621	108,935	784,170	5,010,726
Disposals	-	(1,124,275)	(1,036,565)	-	(2,160,840)
<b>Closing balance</b>	<b>49,918,624</b>	<b>251,312,052</b>	<b>4,839,403</b>	<b>9,279,351</b>	<b>315,349,430</b>
<b>Net book value</b>					
Opening balance	-	29,966,290	1,059,121	3,350,573	34,375,984
Closing balance	67,830,113	34,884,242	633,982	2,789,556	106,137,893

Included in tangible fixed assets were assets costing VND43,219 million which were fully depreciated as of 30 June 2020 (1/1/2020: VND38,645 million), but which are still in active use.

Net book value of temporarily idle tangible fixed assets as of 30 June 2020 amounted to VND2,537 million (1/1/2020: VND114 million).

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**13. 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	122,472
Charge for the period	19,860
<hr/>	
Closing balance	142,332
<hr/>	
<b>Net book value</b>	
Opening balance	76,131
Closing balance	56,271
<hr/>	

**14. 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	9,395,101
Charge for the period	668,297
<hr/>	
Closing balance	10,063,398
<hr/>	
<b>Net book value</b>	
Opening balance	4,687,474
Closing balance	4,019,177
<hr/>	

Included in intangible fixed assets were assets costing VND1,851 million which were fully amortised as of 30 June 2020 (1/1/2020: VND1,851 million), but which are still in active use.

**Interfood Shareholding Company**

**Notes to the interim financial statements for the six-month period ended 30 June 2020 (continued)**

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**15. Investment in a subsidiary**

	30/6/2020				1/1/2020			
	% of equity owned	% of voting rights	Cost VND'000	Allowance VND'000	% of equity owned	% of voting rights	Cost VND'000	Allowance VND'000
Avafood Company Limited (formerly known as “Avafood Shareholding Company”) (“Avafood”) (*)	-	-	-	-	90.4%	90.4%	94,145,809	(1,114,654)

(\*) During the period, Avafood was merged to the Company. Please see Note 8 for further information.

Movements of investment in a subsidiary during the period were as follows:

	Six-month period ended	
	30/6/2020 VND'000	30/6/2019 VND'000
Opening balance	94,145,809	94,145,809
Additional investments	19,594,704	-
Decrease through merger	(113,740,513)	-
Closing balance	-	94,145,809

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Movements of the allowance for diminution in value of long-term financial investments during the period were as follows:

	<b>Six-month period ended</b>	
	<b>30/6/2020</b>	<b>30/6/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
Opening balance	1,114,654	-
Reversal of allowance during the period	(1,114,654)	-
Closing balance	-	-

**16. 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	-	1,865,903	-	1,865,903
Increase through merger (Note 8)	23,141,517	-	3,432,703	26,574,220
Amortisation for the period	-	(669,906)	-	(669,906)
Closing balance	23,141,517	1,195,997	3,432,703	27,770,217

**17. Deferred tax assets**

	<b>Tax rate</b>	<b>30/6/2020 VND'000</b>	<b>1/1/2020 VND'000</b>
Deferred tax assets recognised on:			
Accrued expenses	20%	13,019,091	14,695,709
Allowances and provisions	20%	1,237,666	1,394,784
		14,256,757	16,090,493
Deferred tax liabilities recognised on:			
Fixed assets	20%	(180,910)	-
Net deferred tax assets		14,075,847	16,090,493

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	30/6/2020		1/1/2020	
	Cost VND'000	Amount within payment capacity VND'000	Cost VND'000	Amount within payment capacity VND'000
Vietnam Kirin Beverage Company Limited	18,877,675	18,877,675	20,689,633	20,689,633
Vietnam Chuanli Can Manufacturing Company Limited	14,596,552	14,596,552	11,319,447	11,319,447
Crown Beverage Can (Dong Nai) Company Limited	12,290,072	12,290,072	13,976,584	13,976,584
Others	22,423,503	22,423,503	38,840,123	38,840,123
	68,187,802	68,187,802	84,825,787	84,825,787

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

	30/6/2020		1/1/2020	
	Cost VND'000	Amount within payment capacity VND'000	Cost VND'000	Amount within payment capacity VND'000
Short-term	68,187,802	68,187,802	84,825,787	84,825,787

**Interfood Shareholding Company****Notes to the interim financial statements for the six-month period ended 30 June 2020  
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	<b>30/6/2020</b>		<b>1/1/2020</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	18,877,675	18,877,675	20,689,633	20,689,633

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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.

**Interfood Shareholding Company****Notes to the interim financial statements for the six-month period ended 30 June 2020 (continued)****Form B 09a – DN***(Issued under Circular No. 200/2014/TT-BTC  
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	<b>1/1/2020</b>	<b>Incurred</b>	<b>Increase</b>	<b>Paid</b>	<b>Net-off</b>	<b>30/6/2020</b>
	<b>VND'000</b>	<b>VND'000</b>	<b>through merger</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
			<b>(Note 8)</b>			
			<b>VND'000</b>			
Value added tax	8,835,596	64,872,786	150,477	(32,481,414)	(33,867,737)	7,509,708
Corporate income tax	16,488,491	5,567,187	445,327	(20,200,009)	-	2,300,996
Personal income tax	802,573	3,106,071	4,228	(3,168,734)	-	744,138
Others	509,625	2,166,100	-	(2,669,532)	-	6,193
	<b>26,636,285</b>	<b>75,712,144</b>	<b>600,032</b>	<b>(58,519,689)</b>	<b>(33,867,737)</b>	<b>10,561,035</b>

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**20. Accrued expenses**

	<b>30/6/2020</b>	<b>1/1/2020</b>
	<b>VND'000</b>	<b>VND'000</b>
Sales discounts and commission	17,520,039	26,134,413
Promotion expense	25,451,041	26,364,770
Transportation expense	6,473,561	6,375,434
Secondment fee (*)	2,797,302	2,985,832
Others	12,853,513	11,618,096
	<hr/>	<hr/>
	65,095,456	73,478,545
	<hr/> <hr/>	<hr/> <hr/>

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

**21. Other short-term payables**

	<b>30/6/2020</b>	<b>1/1/2020</b>
	<b>VND'000</b>	<b>VND'000</b>
Dividends payable	505,391	505,391
Non-trade amounts due to a related party	188,606	244,354
Others	249,210	271,204
	<hr/>	<hr/>
	943,207	1,020,949
	<hr/> <hr/>	<hr/> <hr/>

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



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

	<b>30/6/2020</b>	<b>1/1/2020</b>
	<b>VND'000</b>	<b>VND'000</b>
Finance lease liabilities	75,048	98,110

Terms and conditions of finance lease liabilities were as follows:

	<b>Currency</b>	<b>Annual interest rate</b>	<b>Year of maturity</b>	<b>30/6/2020</b>	<b>1/1/2020</b>
				<b>VND'000</b>	<b>VND'000</b>
Liability from Chailease International Leasing Company Limited	VND	21.6%	2021	75,048	98,110

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	11,049	54,233
Within 2 to 5 years	21,760	945	20,815
	87,042	11,994	75,048

**23. Provision**

Movements of provision during the period were as follows:

	<b>Severance allowance</b>
	<b>VND'000</b>
Opening balance	3,436,579
Provision made during the period	175,732
Increase through merger (Note 8)	110,910
Provision utilised during the period	(17,521)
	3,705,700
Closing balance	3,705,700

**Interfood Shareholding Company****Notes to the interim financial statements for the six-month period ended 30 June 2020 (continued)****Form B 09a – DN***(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)***24. 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>Total VND'000</b>
<b>Balance as at 1 January 2019</b>	871,409,840	85,035,704	90,034,048	(487,188,948)	559,290,644
Net profit for the period	-	-	-	120,333,431	120,333,431
<b>Balance as at 30 June 2019</b>	871,409,840	85,035,704	90,034,048	(366,855,517)	679,624,075
Net profit for the period	-	-	-	102,860,570	102,860,570
<b>Balance as at 1 January 2020</b>	871,409,840	85,035,704	90,034,048	(263,994,947)	782,484,645
Net profit for the period	-	-	-	28,921,481	28,921,481
<b>Balance as at 30 June 2020</b>	871,409,840	85,035,704	90,034,048	(235,073,466)	811,406,126

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**25. Share capital**

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

	<b>30/6/2020 and 1/1/2020</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 period.

**26. Other capital**

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.

**27. Off balance sheet items**

**(a) Lease commitments**

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

	<b>30/6/2020 VND'000</b>	<b>1/1/2020 VND'000</b>
Within 1 year	6,122,142	12,128,526
Within 2 to 5 years	442,721	3,410,595
<hr/>		
	6,564,863	15,539,121
<hr/>		

**Interfood Shareholding Company****Notes to the interim financial statements for the six-month period ended 30 June 2020  
(continued)****Form B 09a – DN***(Issued under Circular No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)***(b) Foreign currencies**

	30/6/2020		1/1/2020	
	Original currency	VND'000 equivalent	Original currency	VND'000 equivalent
USD	48,330	1,126,489	30,422	702,750
EUR	-	-	295	7,628
		<hr/>		<hr/>
		1,126,489		710,378
		<hr/>		<hr/>

**28. Revenue from sale of goods**

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

Net revenue comprised of:

	Six-month period ended	
	30/6/2020 VND'000	30/6/2019 VND'000
Total revenue		
▪ Sale of drinks	582,505,710	718,586,585
▪ Sale of other products	134,199,578	132,381,086
▪ Sale of scraps	1,586,985	372,053
	<hr/>	<hr/>
	718,292,273	851,339,724
Less revenue deductions		
▪ Sales discounts	62,443,376	70,873,677
	<hr/>	<hr/>
Net revenue	655,848,897	780,466,047
	<hr/>	<hr/>

**Interfood Shareholding Company****Notes to the interim financial statements for the six-month period ended 30 June 2020  
(continued)****Form B 09a – DN***(Issued under Circular No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)***29. Cost of sales**

	<b>Six-month period ended</b>	
	<b>30/6/2020</b>	<b>30/6/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
Total cost of sales		
▪ Cost of drinks	323,907,099	406,208,381
▪ Cost of other products	76,375,462	43,576,070
	<hr/>	<hr/>
	400,282,561	449,784,451
	<hr/>	<hr/>

**30. Financial income**

	<b>Six-month period ended</b>	
	<b>30/6/2020</b>	<b>30/6/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
Interest income from deposits at banks	1,354,712	391,069
Interest income from loans to Avafood	1,157,069	1,267,651
Foreign exchange gains	36,204	2,403
	<hr/>	<hr/>
	2,547,985	1,661,123
	<hr/>	<hr/>

**31. Financial expenses**

	<b>Six-month period ended</b>	
	<b>30/6/2020</b>	<b>30/6/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
Losses from merger (Note 8)	77,224,915	-
Reversal of allowance for diminution in the value of long-term financial investments	(1,114,654)	-
Interest expense	10,537	16,291
Foreign exchange losses	43,780	370,149
	<hr/>	<hr/>
	76,164,578	386,440
	<hr/>	<hr/>

**Interfood Shareholding Company**  
**Notes to the interim financial statements for the six-month period ended 30 June 2020**  
**(continued)**

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**32. Selling expenses**

	<b>Six-month period ended</b>	
	<b>30/6/2020</b>	<b>30/6/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
Staff costs and support expense	67,239,903	81,460,723
Advertisement and promotion expenses	23,220,413	32,955,298
Transportation expense	29,085,253	35,761,662
Rental expense	4,305,249	4,755,460
Others	5,050,676	7,904,128
	<hr/>	<hr/>
	128,901,494	162,837,271
	<hr/> <hr/>	<hr/> <hr/>

**33. General and administration expenses**

	<b>Six-month period ended</b>	
	<b>30/6/2020</b>	<b>30/6/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
Staff costs	6,207,644	6,077,255
Consultant fee	2,453,620	1,661,100
Rental expense	1,799,561	1,823,596
Depreciation and amortisation	1,610,250	1,566,998
Others	4,267,173	4,306,810
	<hr/>	<hr/>
	16,338,248	15,435,759
	<hr/> <hr/>	<hr/> <hr/>

**34. Other expenses**

	<b>Six-month period ended</b>	
	<b>30/6/2020</b>	<b>30/6/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
Losses from disposals of tangible fixed assets	345,317	-
Depreciation of idle tangible fixed assets	27,024	2,512,436
Others	149,022	200,718
	<hr/>	<hr/>
	521,363	2,713,154
	<hr/> <hr/>	<hr/> <hr/>

**Interfood Shareholding Company**  
**Notes to the interim financial statements for the six-month period ended 30 June 2020**  
**(continued)**

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**35. Production and business costs by elements**

	<b>Six-month period ended</b>	
	<b>30/6/2020</b>	<b>30/6/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
Raw material costs included in production costs	241,391,642	295,564,445
Labour and staff costs and support expense	91,186,011	104,924,364
Depreciation and amortisation	5,698,883	9,706,645
Outside services	180,213,550	240,435,716
Others	8,057,479	11,366,649

**36. Income tax**

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

	<b>Six-month period ended</b>	
	<b>30/6/2020</b>	<b>30/6/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
<b>Current tax expense</b>		
Current period	5,567,187	23,485,151
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	1,833,736	7,317,978
Income tax expense	7,400,923	30,803,129

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

	<b>Six-month period ended</b>	
	<b>30/6/2020</b>	<b>30/6/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
Accounting profit before tax	36,322,404	151,136,560
Tax at the Company's tax rate	7,264,481	30,227,312
Non-deductible expenses	136,442	575,817
	7,400,923	30,803,129

**Interfood Shareholding Company**  
**Notes to the interim financial statements for the six-month period ended 30 June 2020**  
**(continued)**

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**(c) Applicable tax rates**

Under the terms of the Company's Investment Certificates, the Company has an obligation to pay the government income tax at the rate of 15% of taxable profits for the first 12 years starting from the first year of operation. 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%.



**Interfood Shareholding Company**  
**Notes to the interim financial statements for the six-month period ended 30 June 2020**  
**(continued)**

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**37. Basic earnings per share**

The calculation of basic earnings per share for the six-month period ended 30 June 2020 was based on the net profit attributable to ordinary shareholders of the Company and a weighted average number of ordinary shares outstanding during the period, calculated as follows:

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

	<b>Six-month period ended</b>	
	<b>30/6/2020</b>	<b>30/6/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
Net profit attributable to ordinary shareholders	28,921,481	120,333,431

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

	<b>Six-month period ended</b>	
	<b>30/6/2020</b>	<b>30/6/2019</b>
Weighted average number of ordinary shares for the period	87,140,984	87,140,984

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**Interfood Shareholding Company****Notes to the interim financial statements for the six-month period ended 30 June 2020  
(continued)****Form B 09a – DN***(Issued under Circular No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)***38. Significant transactions with related parties**

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

	Transaction value	
	30/6/2020	30/6/2019
	VND'000	VND'000
<b>Ultimate Parent Company</b>		
<b>Kirin Holdings Company, Limited</b>		
Secondment fee	2,895,746	2,892,851
Purchases of goods	466,750	-
<b>Subsidiary</b>		
<b>Avafood Company Limited (formerly known as “Avafood Shareholding Company”)</b>		
Short-term loans granted	14,000,000	15,000,000
Interest income	1,157,069	1,267,651
Processing fee	12,499,884	11,848,349
Office and factory rental fee	2,966,106	2,966,106
<b>Other related parties</b>		
<b>Vietnam Kirin Beverage Company Limited</b>		
Processing fee	93,557,092	141,371,745
Acquisition of investment in Avafood	18,779,040	-
Purchases of goods	1,778,783	-
Purchases of services	1,072,520	992,500
Sales of goods	5,554	19,494
<b>Members of Board of Directors</b>		
Secondment fee	2,241,120	2,232,000
Salary	909,000	909,000

**Interfood Shareholding Company**  
**Notes to the interim financial statements for the six-month period ended 30 June 2020**  
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**39. Non-cash investing activities**

	<b>Six-month period ended</b>	
	<b>30/6/2020</b>	<b>30/6/2019</b>
	<b>VND'000</b>	<b>VND'000</b>
Elimination of loans receivable and borrowings due to merger	67,485,654	-
Net-off payable against receivable for loans principal and interest from a subsidiary	17,012,589	16,295,900
Conversion of loans interest receivable to short-term loans receivable	1,157,069	1,267,651
	<b>18,654,712</b>	

**40. Corresponding figures**

Corresponding figures as at 1 January 2020 were derived from the balances and amounts reported in the Company's separate financial statements as at and for the year ended 31 December 2019.

18 August 2020

Prepared by:

Approved by:

*(Signed)*

*(Signed and sealed)*

Nguyen Hong Phong  
*Chief Accountant*

Yutaka Ogami  
*General Director*