

Interfood Shareholding Company and its subsidiaries

Consolidated financial statements
Quarter 1 - 2019

Interfood Shareholding Company and its subsidiaries

Corporate information

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

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

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

Enterprise Registration

| | | |
|------------------|------------|------------|
| Certificate No.: | 3600245631 | 19/03/2018 |
|------------------|------------|------------|

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

Board of Management:

| | |
|---------------------|----------|
| Yutaka Ogami | Chairman |
| Nguyen Thi Kim Lien | Member |
| Shinro Fujita | Member |
| Takeshi Fukushima | Member |
| Takashi Suda | Member |

Board of Director:

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

Registered Office

Lot 13, Tam Phuoc Industrial Zone
Tam Phuoc Commune, Bien Hoa City
Dong Nai Province, Vietnam

Auditors

KPMG Limited
Vietnam

Interfood Shareholding Company and its subsidiaries

Report of the Board of Directors

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

- (a) the consolidated financial statements set out on pages 4 to 29 are prepared and presented so as to give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of the consolidated results of operations and the consolidated cash flows of the Group for the three month period in accordance with the Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements; and
- (b) at the date of this statement, there are no reasons to believe that the Group will not be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors

(Signed and sealed)

Yutaka Ogami

Chairman, General Director

Dong Nai province, dated 25th April 2019.

Interfood Shareholding Company and its subsidiaries
Consolidated balance sheet

| | | | 31/03/2019 | 31/12/2018 |
|---|-------------|--------------|--------------------|--------------------|
| ASSETS | Code | Notes | VND'000 | VND'000 |
| Current assets (100=110+130+140+150) | 100 | | 567,725,211 | 519,707,305 |
| Cash | 110 | 7 | 282,495,961 | 262,171,897 |
| Cash | 111 | | 282,495,961 | 262,171,897 |
| Accounts receivable – short-term | 130 | | 37,724,989 | 33,272,625 |
| Accounts receivable from customers | 131 | 8 | 31,868,519 | 28,741,447 |
| Prepayments to suppliers | 132 | | 7,392,455 | 6,123,998 |
| Other receivables – short-term | 136 | | 572,968 | 516,133 |
| Allowance for doubtful debts | 137 | | (2,108,953) | (2,108,953) |
| Inventories | 140 | 9 | 246,186,093 | 223,853,255 |
| Inventories | 141 | | 246,527,790 | 224,153,307 |
| Allowance for inventories | 149 | | (341,697) | (300,052) |
| Other current assets | 150 | | 1,318,168 | 409,528 |
| Short-term prepaid expenses | 151 | | 1,202,107 | 293,467 |
| Deductible value added tax | 152 | | - | - |
| Taxes receivable from State Treasury | 153 | | 116,061 | 116,061 |
| Long-term assets | | | | |
| (200 = 210 + 220 + 240 + 260) | 200 | | 192,907,219 | 201,038,294 |
| Accounts receivable – long-term | 210 | | 1,750,728 | 1,750,728 |
| Other receivables – long-term | 216 | | 1,750,728 | 1,750,728 |
| Fixed assets | 220 | | 146,195,396 | 153,706,176 |
| Tangible fixed assets | 221 | 10 | 140,384,127 | 147,458,258 |
| Cost | 222 | | 558,524,413 | 558,260,814 |
| Accumulated depreciation | 223 | | (418,140,286) | (410,802,556) |
| Finance Lease Tangible fixed assets | 224 | 11 | 105,921 | 115,852 |
| Cost | 225 | | 198,603 | 198,603 |
| Accumulated depreciation | 226 | | (92,682) | (82,751) |
| Intangible fixed assets | 227 | 12 | 5,705,348 | 6,132,066 |
| Cost | 228 | | 14,082,575 | 14,082,575 |
| Accumulated depreciation | 229 | | (8,377,227) | (7,950,509) |
| Long-term work in progress | 240 | | - | - |
| Construction in progress | 242 | 13 | - | - |
| Other long-term assets | 260 | | 44,961,095 | 45,581,390 |
| Long-term prepayments | 261 | 14 | 26,753,478 | 27,373,773 |
| Deffered tax assets | 262 | 15 | 18,207,617 | 18,207,617 |
| TOTAL ASSETS | 270 | | 760,632,430 | 720,745,599 |
| (270=100+200) | | | | |

Interfood Shareholding Company and its subsidiaries

Consolidated balance sheet

| RESOURCES | Code | Notes | 31/03/2019 VND'000 | 31/12/2018 VND'000 |
|---|-------------|--------------|-------------------------------------|-------------------------------------|
| LIABILITIES (300=310+330) | 300 | | 200,258,290 | 216,066,835 |
| Current liabilities | 310 | | 195,429,382 | 210,971,535 |
| Accounts payable to suppliers | 311 | 16 | 102,294,202 | 89,092,470 |
| Advances from customers | 312 | | 13,792,315 | 5,555,632 |
| Taxes payable to State Treasury | 313 | 17 | 11,341,801 | 17,847,180 |
| Payable to employees | 314 | | 17,228,277 | 8,161,198 |
| Accrued expenses | 315 | 18 | 49,797,506 | 89,306,325 |
| Other short-term payables | 319 | 19 | 975,281 | 1,008,730 |
| Short-term borrowings | 320 | 20(a) | - | - |
| Long term liabilities | 330 | | 4,828,908 | 5,095,300 |
| Long-term borrowings and finance lease | 338 | 20(b) | 128,387 | 136,581 |
| Deferred tax liabilities | 341 | 21 | 1,224,045 | 1,432,672 |
| Provision – long-term | 342 | 22 | 3,476,476 | 3,526,047 |
| EQUITY (400=410) | 400 | | 560,374,140 | 504,678,764 |
| Owners' equity | 410 | 23 | 560,374,140 | 504,678,764 |
| Share capital | 411 | 24 | 871,409,840 | 871,409,840 |
| - <i>Ordinary shares with voting rights</i> | <i>411a</i> | | <i>871,409,840</i> | <i>871,409,840</i> |
| Share premium | 412 | | 85,035,704 | 85,035,704 |
| Other reserves | 420 | 25 | 57,498,796 | 57,498,796 |
| Accumulated losses | 420 | | (457,431,500) | (513,141,273) |
| - <i>Accumulated losses brought forward</i> | <i>421a</i> | | <i>(513,141,275)</i> | <i>(693,306,137)</i> |
| - <i>Net profit (loss) for the current year</i> | <i>421b</i> | | <i>55,709,775</i> | <i>180,164,864</i> |
| Non-controlling interest | 420 | | 3,861,300 | 3,875,697 |
| TOTAL RESOURCES (440=300+400) | | | <u>760,632,430</u> | <u>720,745,599</u> |

25th April 2019

Prepared by:

(Signed)

Nguyễn Hồng Phong
Chief Accountant

Approved by:

(Signed and sealed)

Yutaka Ogami
Chairman, General Director

Interfood Shareholding Company and its subsidiaries
Consolidated statement of income

| | Code | Notes | Q1-2019 VND'000 | Q1-2018 VND'000 | YTD2019Q1 VND'000 | YTD2018Q1 VND'000 |
|--|-----------|-----------|--------------------|--------------------|----------------------|----------------------|
| Revenue from sale of goods | 01 | 27 | 390,353,858 | 346,221,620 | 390,353,858 | 346,221,620 |
| Revenue deductions | 02 | 27 | 27,578,953 | 20,387,895 | 27,578,953 | 20,387,895 |
| Net revenue (10=01-02) | 10 | 27 | 362,774,905 | 325,833,725 | 362,774,905 | 325,833,725 |
| Cost of sales | 11 | 28 | 211,714,422 | 195,241,396 | 211,714,422 | 195,241,396 |
| Gross profit (20=10-11) | 20 | | 151,060,483 | 130,592,329 | 151,060,483 | 130,592,329 |
| Financial income | 21 | 29 | 193,415 | 206,026 | 193,415 | 206,026 |
| Financial expenses | 22 | 30 | 351,568 | 927,411 | 351,568 | 927,411 |
| <i>In which: Interest expenses</i> | 23 | | 8,852 | 929,413 | 8,852 | 929,413 |
| Selling expenses | 24 | 31 | 80,269,010 | 79,229,707 | 80,269,010 | 79,229,707 |
| G&A expenses | 25 | 32 | 7,869,884 | 8,785,782 | 7,869,884 | 8,785,782 |
| Operating profit/(loss) {30=20+(21-22)-(24+25)} | 30 | | 62,763,436 | 41,855,455 | 62,763,436 | 41,855,455 |
| Other income | 31 | 33 | 133,320 | 237,976 | 133,320 | 237,976 |
| Other expenses | 32 | 34 | 2,505,649 | 1,379,658 | 2,505,649 | 1,379,658 |
| Result of other activities (40 = 31 - 32) | 40 | | (2,372,329) | (1,141,682) | (2,372,329) | (1,141,682) |
| Profit (loss) before tax | 50 | | 60,391,107 | 40,713,773 | 60,391,107 | 40,713,773 |
| Income tax expenses - current | 51 | 36 | 4,904,356 | 3,014,182 | 4,904,356 | 3,014,182 |
| Income tax expenses - deferred | 52 | 36 | (208,627) | (208,627) | (208,627) | (208,627) |
| Profit(loss) after tax | 60 | | 55,695,378 | 37,908,218 | 55,695,378 | 37,908,218 |
| Attributable to: | | | | | | |
| Non-controlling interest | 61 | | (14,397) | (26,536) | (14,397) | (26,536) |
| Equity holders of the Company | 62 | | 55,709,775 | 37,934,754 | 55,709,775 | 37,934,754 |
| Basic earnings (losses) per share (in VND) | 70 | 37 | 639 | 435 | 639 | 435 |

25th April 2019

Prepared by:

(Signed)

Nguyễn Hồng Phong
Chief Accountant

Approved by:

(Signed and sealed)

Yutaka Ogami
Chairman, General Director

Interfood Shareholding Company and its subsidiaries

| Consolidated statements of cash flows | | 31/03/2019 | YTD2018Q1 |
|--|-------------|--------------------|---------------------|
| | Code | VND'000 | VND'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(loss) before tax | 01 | 60,391,105 | 40,713,772 |
| Adjustments for: | | | |
| Depreciation and amortisation | 02 | 7,774,379 | 7,918,539 |
| Allowances and provisions | 03 | 77,769 | (541,502) |
| Exchange losses/(gain) | 04 | - | - |
| Losses/(profits) from investing activities | 05 | (175,671) | (585,800) |
| Interest expense | 06 | 8,852 | 929,413 |
| Operating profit/(loss) before adjustments to worki | 08 | 68,076,434 | 48,434,422 |
| Change in receivable | 09 | (4,452,364) | 917,983 |
| Change in inventories | 10 | (22,410,607) | (7,219,222) |
| Change in payables and other liabilities | 11 | (12,152,572) | (22,189,299) |
| Change in prepaid expenses | 12 | (288,345) | 401,118 |
| Interest paid | 14 | - | (87,936) |
| Corporate Income tax paid | 15 | (8,352,360) | (5,296,087) |
| Cash generated from operating activities | 20 | 20,420,186 | 14,960,979 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for additions to fixed assets | 21 | (263,599) | (296,916) |
| Proceeds from disposals of fixed assets | 22 | - | 380,091 |
| Receipts of interests | 27 | 175,671 | 205,709 |
| Net cash inflows/(outflows) from investing activities | 30 | (87,928) | 288,884 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from shares issued | 31 | - | - |
| Proceeds from borrowings | 33 | - | - |
| Payments to settle loan principals | 34 | - | (45,470,000) |
| Payments to settle finance lease liabilities | 35 | (8,194) | (8,179) |
| Net cash inflows/(outflows) from financing activities | 40 | (8,194) | (45,478,179) |
| Net increase/(decrease) in cash | 50 | 20,324,064 | (30,228,316) |
| Cash at beginning of the year | 60 | 262,171,897 | 268,014,283 |
| Effects of changes in foreign exchange rates | 61 | - | - |
| Cash at end of the year | 70 | 282,495,961 | 237,785,967 |

25th April 2019

Prepared by:

(Signed)

Nguyễn Hồng Phong
Chief Accountant

Approved by:

(Signed and sealed)

Yutaka Ogami
Chairman, General Director

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements

1 Reporting Entity

(a) Ownership structure

Interfood Shareholding Company (“the Company”) is incorporated as a joint stock company in Vietnam. The Company owns 90.4% of the equity interests in Avafood Shareholding Company (“Avafood”). The consolidated financial statements for the period ended 31 March 2019 comprise the Company and its subsidiary, Avafood (together referred to as “the Group”).

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

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

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

(b) Principal activities

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

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

(c) Normal operating cycle

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

(d) Group structure

As at 31 March 2019, the Group had 642 employees (31/12/2018: 635 employees).

2 Basis of preparation

(a) Statement of compliance

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

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements

(b) Basis of measurement

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

(c) Annual accounting period

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

(d) Accounting and presentation currency

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

3 Summary of significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

(b) Foreign currency transactions

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

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

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

(c) Cash

Cash comprises cash balances and call deposits.

(d) Accounts receivable

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

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements

(e) Inventories

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

The Group applies the perpetual method of accounting for inventory.

(f) Tangible fixed assets

(i) Cost

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

(ii) Depreciation

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

| | |
|-------------------------|--------------|
| Buildings | 30 years |
| Machinery and equipment | 6 – 15 years |
| Motor vehicles | 6 – 10 years |
| Office equipment | 3 – 10 years |

(g) Finance lease tangible fixed assets

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

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

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements

(h) Intangible fixed assets
Software

Cost of acquiring a new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software cost is amortised on a straight-line basis over 10 years.

(i) Construction in progress

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

(j) Long-term prepayments

(i) Prepaid land costs

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

(ii) Renovation expense

Renovation expense is initially stated at cost and is amortised on a straight line basis over 3 years starting from the date of completion of the Renovation.

(iii) Tools and supplies

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

(iv) Insurance and rental expenses

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

(k) Trade and other payables

Trade and other payables are stated at their cost.

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

(l) Provisions

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

Severance allowance

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

Provision for severance allowance to be paid to the existing eligible employees as of 31 March 2019 has been made based on the eligible employees’ years of service, being the total employees’ years of service less the number of years for which the employees participated in and contributed to unemployment insurance in accordance with prevailing laws and regulations and the period for which severance allowance has been paid by the Company, if any, and their average salary for the six-month period prior to the end of the annual accounting period.

(m) Share capital

Ordinary shares

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

(n) Acquisition reserve

The difference between the consideration given and the aggregate value of the assets and liabilities of the acquired entity in a business combination involving entities under common control is recorded as acquisition reserve under other reserves.

(o) Taxation

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

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

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

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

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

(p) Revenue and other income

(i) Goods sold

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

(ii) Interest income

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

(q) Operating lease payments

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

(r) Borrowing costs

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

(s) Earnings per share

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

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

(t) Segment reporting

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

(u) Related parties

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

4 Seasonality of operations

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

5 Changes in accounting estimates

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

6 Changes in the composition of the Group

There were no changes in the composition of the Group since the end of the last annual accounting period which affect the Group's consolidated interim financial statements for the quarterly ended 31 March 2019

| 7 | Cash | 31/03/2019 VND'000 | 31/12/2018 VND'000 |
|---|--|-----------------------|-----------------------|
| | Cash on hand | 94,496 | 84,230 |
| | Cash in banks | 282,401,465 | 262,087,667 |
| | Cash in the consolidated statement of cash flows | <u>282,495,961</u> | <u>262,171,897</u> |

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

8 Accounts receivable from customers

(a) Accounts receivable from customers detailed by significant customers

| | 31/03/2019 | 31/12/2018 |
|---------------------------------------|--------------------------|--------------------------|
| | VND'000 | VND'000 |
| Saigon Union of Trading Co-operatives | 2,684,587 | 3,898,136 |
| EB Services Co., Ltd | 2,582,609 | 5,572,328 |
| MM Mega Market Co., Ltd (Vietnam) | 5,529,550 | 3,202,498 |
| VINCOMMERCE SJC | 5,124,407 | 4,806,694 |
| Others | 15,947,366 | 11,261,791 |
| | <u>31,868,519</u> | <u>28,741,447</u> |

(b) Accounts receivable from customers classified by payment term

| | 31/03/2019 | 31/12/2018 |
|------------|--------------------------|--------------------------|
| | VND'000 | VND'000 |
| Short-term | <u>31,868,519</u> | <u>28,741,447</u> |
| | <u>31,868,519</u> | <u>28,741,447</u> |

9 Inventories

| | 31/03/2019 | | 31/12/2018 | |
|--------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | Cost | Allowance | Cost | Allowance |
| | VND'000 | VND'000 | VND'000 | VND'000 |
| Goods in transit | 26,845 | - | 26,965 | - |
| Raw materials | 61,070,667 | (19,157) | 61,008,990 | - |
| Tools and supplies | 5,436,855 | (296,819) | 5,467,593 | (296,819) |
| Work in progress | 5,993,634 | - | 4,284,841 | - |
| Finished goods | 173,999,789 | (25,721) | 153,364,918 | (3,233) |
| | <u>246,527,790</u> | <u>(341,697)</u> | <u>224,153,307</u> | <u>(300,052)</u> |

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

| | 31/03/2019 | 31/12/2018 |
|---------------------------------------|-----------------------|-----------------------|
| | VND'000 | VND'000 |
| Opening balance | 300,052 | 314,737 |
| Increase in allowance during the year | 77,769 | 1,205,406 |
| Allowance utilised during the year | <u>(36,124)</u> | <u>(1,220,091)</u> |
| Closing balance | <u>341,697</u> | <u>300,052</u> |

Interfood Shareholding Company and its subsidiaries
Notes to the consolidated financial statements (continues)
10 Tangible fixed assets

| | Building VND'000 | Machinery & Equipment VND'000 | Motor vehicles VND'000 | Office equipment VND'000 | Total VND'000 |
|---------------------------------|----------------------------|---|----------------------------------|--|---------------------------|
| Historical cost | | | | | |
| Opening balance | 117,748,737 | 421,475,561 | 7,231,208 | 11,805,308 | 558,260,814 |
| Additions | - | - | - | 263,599 | 263,599 |
| Transfer from CIP | - | - | - | - | - |
| Disposals(*) | - | - | - | - | - |
| Closing balance | <u>117,748,737</u> | <u>421,475,561</u> | <u>7,231,208</u> | <u>12,068,907</u> | <u>558,524,413</u> |
| Accumulated depreciation | | | | | |
| Opening balance | 43,953,076 | 354,172,421 | 5,919,239 | 6,757,819 | 410,802,555 |
| Charge for the year | 997,670 | 5,851,546 | 68,258 | 420,257 | 7,337,731 |
| Disposals(*) | - | - | - | - | - |
| Closing balance | <u>44,950,746</u> | <u>360,023,967</u> | <u>5,987,497</u> | <u>7,178,076</u> | <u>418,140,286</u> |
| Net book value | | | | | |
| Opening balance | 73,795,661 | 67,303,140 | 1,311,969 | 5,047,489 | 147,458,259 |
| Closing balance | <u>72,797,991</u> | <u>61,451,594</u> | <u>1,243,711</u> | <u>4,890,831</u> | <u>140,384,127</u> |

Included in the cost of tangible fixed assets were assets costing VND 67,336 million which were fully depreciated as of 31 March 2019 (31/12/2018: VND66,418 million), but are still in active use.

The net book value of temporarily idle tangible fixed assets amounted to VND 13,471 million as at 31 March 2019 (31/12/2018: VND 16,648 million).

11 Finance lease tangible fixed assets

| | Office equipment VND'000 | Total VND'000 |
|---------------------------------|--|-------------------------|
| Historical cost | | |
| Opening balance | 198,603 | 198,603 |
| Additions | - | - |
| Closing balance | <u>198,603</u> | <u>198,603</u> |
| Accumulated depreciation | | |
| Opening balance | 82,751 | 82,751 |
| Charge for the year | 9,931 | 9,931 |
| Closing balance | <u>92,682</u> | <u>92,682</u> |
| Net book value | | |
| Opening balance | 115,852 | 115,852 |
| Closing balance | <u>105,921</u> | <u>105,921</u> |

Interfood Shareholding Company and its subsidiaries
Notes to the consolidated financial statements (continues)
12 Intangible fixed assets

| | Software VND'000 | Total VND'000 |
|---------------------------------|-----------------------------|--------------------------|
| Historical cost | | |
| Opening balance | 14,082,575 | 14,082,575 |
| Additions | - | - |
| Transfer from CIP | - | - |
| Written off | - | - |
| Closing balance | 14,082,575 | 14,082,575 |
| Accumulated depreciation | | |
| Opening balance | 7,950,509 | 7,950,509 |
| Charge for the year | 426,718 | 426,718 |
| Disposals | - | - |
| Closing balance | 8,377,227 | 8,377,227 |
| Net book value | | |
| Opening balance | 6,132,066 | 6,132,066 |
| Closing balance | 5,705,348 | 5,705,348 |

13 Construction in progress

| | 31/03/2019 VND'000 | 31/12/2018 VND'000 |
|---|-------------------------------|-------------------------------|
| Opening balance | - | - |
| Additions during the year | - | - |
| Transfers to tangible fixed assets | - | - |
| Transfers to long-term prepaid expenses | - | - |
| Transfers to intangible fixed assets | - | - |
| Closing balance | - | - |

14 Long-term prepaid expenses

| | Prepaid land costs VND'000 | Renovation expenses VND'000 | Tool and supplies VND'000 | Insurance expenses VND'000 | Rental expenses VND'000 | Total VND'000 |
|-----------------|---|--|--|---|--|--------------------------|
| Opening balance | 24,184,014 | 64,841 | 3,124,918 | - | - | 27,373,773 |
| Additions | - | - | - | - | - | - |
| Amortisation | (173,750) | (19,453) | (427,092) | - | - | (620,295) |
| Closing balance | 24,010,264 | 45,388 | 2,697,826 | - | - | 26,753,478 |

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

15 Deferred tax assets

| | | | 31/03/2019 | 31/12/2018 |
|------------|----------------------------------|----------|--------------------------|--------------------------|
| (a) | Deferred tax assets: | Tax rate | VND'000 | VND'000 |
| | Accruals | 20% | 17,746,047 | 17,746,047 |
| | Allowance for doubtful debts | 20% | 401,560 | 401,560 |
| | Allowance for inventories | 20% | 60,010 | 60,010 |
| | | | <u>18,207,617</u> | <u>18,207,617</u> |
| (b) | Deferred tax liabilities: | | | |
| | Fixed assets | 20% | 1,224,045 | 1,432,672 |
| | | | <u>1,224,045</u> | <u>1,432,672</u> |

16 Accounts payable to suppliers

(a) Accounts payable to suppliers detailed by significant suppliers

| | | 31/03/2019 | | 31/12/2018 | |
|--|---------------------------|---|--------------------------|---|--------------------------|
| | Cost | Amount within payment capacity VND'000 | Cost | Amount within payment capacity VND'000 | Cost |
| Crown Beverage Cans (Dong Nai) Co., Ltd | 26,128,111 | 26,128,111 | 24,211,934 | 24,211,934 | 24,211,934 |
| Vietnam Kirin Beverage Company Limited | 34,105,459 | 34,105,459 | 17,898,147 | 17,898,147 | 17,898,147 |
| Crown Beverage Cans Saigon Limited | 6,470,667 | 6,470,667 | 5,060,822 | 5,060,822 | 5,060,822 |
| Vietnam Chuanli Can Manufacturing Co., Ltd | 8,591,133 | 8,591,133 | 10,367,798 | 10,367,798 | 10,367,798 |
| Others | 26,998,832 | 26,998,832 | 31,553,769 | 31,553,769 | 31,553,769 |
| | <u>102,294,202</u> | <u>102,294,202</u> | <u>89,092,470</u> | <u>89,092,470</u> | <u>89,092,470</u> |

(b) Accounts payable to suppliers classified by payment term

| | | 31/03/2019 | | 31/12/2018 | |
|------------|---------------------------|---|--------------------------|---|--------------------------|
| | Cost | Amount within payment capacity VND'000 | Cost | Amount within payment capacity VND'000 | Cost |
| Short-term | 102,294,202 | 102,294,202 | 89,092,470 | 89,092,470 | 89,092,470 |
| | <u>102,294,202</u> | <u>102,294,202</u> | <u>89,092,470</u> | <u>89,092,470</u> | <u>89,092,470</u> |

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

(c) Accounts payable to suppliers who are related parties

| | 31/03/2019 | | 31/12/2018 | |
|---|-------------------|--------------------------------------|-------------------|--------------------------------------|
| | Cost VND'000 | Amount within payment capacity | Cost VND'000 | Amount within payment capacity |
| | | VND'000 | | VND'000 |
| Vietnam Kirin Beverage Company, Limited | 34,105,459 | 34,105,459 | 17,898,147 | 17,898,147 |
| | 34,105,459 | 34,105,459 | 17,898,147 | 17,898,147 |

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

17 Taxes payable to State Treasury

| | 31/12/2018 VND'000 | Incurred VND'000 | Netted-off VND'000 | Paid VND'000 | 31/03/2019 VND'000 |
|----------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|
| Value added tax | 8,263,400 | 38,757,943 | (27,642,748) | (13,780,281) | 5,598,314 |
| Corporate income tax | 8,352,359 | 4,904,356 | - | (8,352,360) | 4,904,355 |
| Personal income tax | 949,968 | 1,855,103 | - | (1,965,939) | 839,132 |
| Other tax | 281,453 | 57,148 | - | (338,601) | - |
| | 17,847,180 | 45,574,550 | (27,642,748) | (24,437,181) | 11,341,801 |

18 Accrued expenses

| | 31/03/2019 VND'000 | 31/12/2018 VND'000 |
|--------------------------------|-----------------------|-----------------------|
| Sales discounts and commission | 20,694,458 | 33,256,071 |
| Promotion expenses | 17,497,812 | 35,722,939 |
| Transportation fee | 6,115,348 | 1,331,112 |
| Secondment fee payable (*) | 1,395,000 | - |
| Loans interest payable | - | - |
| Others | 4,094,888 | 18,996,203 |
| | 49,797,506 | 89,306,325 |

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

Interfood Shareholding Company and its subsidiaries
Notes to the consolidated financial statements (continues)
19 Other short-term payables

| | 31/03/2019 | 31/12/2018 |
|--|----------------|------------------|
| | VND'000 | VND'000 |
| Non-trade amounts due to a related party | 174,757 | 201,817 |
| Dividend payable | 505,391 | 505,391 |
| Other payable | 295,133 | 301,522 |
| | <u>975,281</u> | <u>1,008,730</u> |

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

20 Borrowings
a) Short-term borrowings

| 31/12/2018 | | Movement during the year | | | 31/03/2019 | |
|-----------------|----------------------------------|--------------------------|-----------|----------------------------------|-----------------|----------------------------------|
| Carrying amount | Amount within repayment capacity | Addition | Repayment | Unrealised foreign exchange gain | Carrying amount | Amount within repayment capacity |
| VND'000 | VND'000 | VND'000 | VND'000 | VND'000 | VND'000 | VND'000 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |

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

| | | 31/03/2019 | 31/12/2018 |
|--|----------|----------------------|------------|
| | Currency | Annual interest rate | VND'000 |
| | | | VND'000 |
| Loans from Kirin Holdings Singapore Pte, Ltd | USD | LIBOR + 0.8% | - |
| | | | - |
| | | | <u>-</u> |

b) Long-term borrowings and liabilities

| | 31/03/2019 | 31/12/2018 |
|---------------------------|----------------|----------------|
| | VND'000 | VND'000 |
| Finance lease liabilities | 128,387 | 136,581 |
| | <u>128,387</u> | <u>136,581</u> |

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

Terms and conditions of Finance lease liabilities were as follows:

| | | | | 31/03/2019 | 31/12/2018 |
|--|----------|-------------------------|---------------------|----------------|----------------|
| | Currency | Annual Interest rate | Year of maturity | VND'000 | VND'000 |
| Liability from Chailease International Leasing Company Limited | VND | 21.6% | 2021 | 128,387 | 136,581 |
| | | | | 128,387 | 136,581 |

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

| | Payment | Interest | Principal |
|--------------------------|----------------|---------------|----------------|
| Within one year | 65,282 | 23,782 | 41,500 |
| Within two to five years | 103,363 | 16,475 | 86,887 |
| | 168,644 | 40,257 | 128,387 |

21 Deferred tax liabilities

(a) Recognised deferred tax liabilities

| | | 31/03/2019 | 31/12/2018 |
|--------------|----------|------------------|------------------|
| | Tax rate | VND'000 | VND'000 |
| Fixed assets | 20% | 1,224,045 | 1,432,672 |
| | | 1,224,045 | 1,432,672 |

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

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

| 22 | Provision - long-term | Severance allowance | Severance allowance |
|--|------------------------------|----------------------------|----------------------------|
| | | 31/03/2019 | 31/12/2018 |
| | | VND'000 | VND'000 |
| Movements of provision during the year were as follow: | | | |
| Opening balance | | 3,526,047 | 3,576,439 |
| Provision made during the year | | | 540,054 |
| Provision utilised during the year | | (49,571) | (590,446) |
| Provision reversed during the year | | | - |
| Closing balance | | <u><u>3,476,476</u></u> | <u><u>3,526,047</u></u> |

| 23 | Changes in owners' equity | | | | | |
|---------------------------------|----------------------------------|--------------------------|--------------------------|-----------------------------|---------------------------------|---------------------------|
| | Share capital | Share premium | Other Reserves | Accumulated losses | Non-controlling interest | Total |
| | VND'000 | VND'000 | VND'000 | VND'000 | VND'000 | VND'000 |
| Balance as at 01/01/2018 | 871,409,840 | 85,035,704 | 57,498,796 | (693,306,137) | 3,944,827 | 324,583,030 |
| Share capital issued | - | - | - | - | - | - |
| Net profit (loss) for the year | - | - | - | 180,164,864 | (69,130) | 180,095,734 |
| Balance as at 31/12/2018 | <u><u>871,409,840</u></u> | <u><u>85,035,704</u></u> | <u><u>57,498,796</u></u> | <u><u>(513,141,273)</u></u> | <u><u>3,875,697</u></u> | <u><u>504,678,764</u></u> |
| Share capital issued | - | - | - | - | - | - |
| Net profit (loss) for the year | - | - | - | 55,709,775 | (14,397) | 55,695,378 |
| Balance as at 31/03/2019 | <u><u>871,409,840</u></u> | <u><u>85,035,704</u></u> | <u><u>57,498,796</u></u> | <u><u>(457,431,498)</u></u> | <u><u>3,861,300</u></u> | <u><u>560,374,142</u></u> |

24 Share capital

The Group's authorised and issued share capital is:

| | 31/03/2019 | | 31/12/2018 | |
|--|-------------------------|----------------|-------------------------|----------------|
| | Number of shares | VND'000 | Number of shares | VND'000 |
| Authorised and issued share capital | | | | |
| Ordinary shares | 87,140,992 | 871,409,920 | 87,140,992 | 871,409,920 |
| Shares in circulation | | | | |
| Ordinary shares | 87,140,984 | 871,409,840 | 87,140,984 | 871,409,840 |
| Treasury shares | | | | |
| Treasury shares | 8 | 80 | 8 | 80 |

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

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

Movements in share capital during the year were as follows:

| | 2019 | | 2018 | |
|--|-------------------|--------------------|-------------------|--------------------|
| | Number of shares | VND'000 | Number of shares | VND'000 |
| Balance at the beginning of the period | 87,140,984 | 871,409,840 | 87,140,984 | 871,409,840 |
| Shares issued during the year | | | | |
| Balance at the end of period: | 87,140,984 | 871,409,840 | 87,140,984 | 871,409,840 |

25 Other reserves

| | 31/03/2019 VND'000 | 31/12/2018 VND'000 |
|-------------------------|-----------------------|-----------------------|
| Acquisition reserve (a) | (32,535,252) | (32,535,252) |
| Other capital (b) | 90,034,048 | 90,034,048 |
| | 57,498,796 | 57,498,796 |

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

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

26 Off balance sheet items

(a) Lease

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

| | 31/03/2019 VND'000 | 31/12/2018 VND'000 |
|--------------------------|-----------------------|-----------------------|
| Within one year | 4,572,828 | 6,085,004 |
| Within two to five years | 9,452,539 | 9,170,109 |
| | 14,025,367 | 15,255,113 |

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

(b) Foreign currencies

| | 31/03/2019 | | 31/12/2018 | |
|-----|----------------------|-----------------------|----------------------|-----------------------|
| | Original currency | VND'000 Equivalent | Original currency | VND'000 Equivalent |
| USD | 2,504 | 57,538 | 60,133 | 1,392,302 |
| EUR | 304 | 8,093 | 306 | 8,165 |
| | | 65,631 | | 1,400,467 |

27 Revenues from sales of goods

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

Net revenue comprised:

| | Q1-2019 VND'000 | Q1-2018 VND'000 | YTD2019Q1 VND'000 | YTD2018Q1 VND'000 |
|---------------------------------|--------------------|--------------------|----------------------|----------------------|
| Total revenue | | | | |
| ■ Sales of drinks | 330,209,741 | 292,910,079 | 330,209,741 | 292,910,079 |
| ■ Sales of biscuits | - | - | - | - |
| ■ Sales of other product | 59,944,919 | 53,113,961 | 59,944,919 | 53,113,961 |
| ■ Sales of scraps | 199,198 | 197,580 | 199,198 | 197,580 |
| | 390,353,858 | 346,221,620 | 390,353,858 | 346,221,620 |
| Less revenue deductions: | | | | |
| ■ Sales allowances | 27,578,953 | 20,381,036 | 27,578,953 | 20,381,036 |
| ■ Sales return | - | 6,859 | - | 6,859 |
| | 27,578,953 | 20,387,895 | 27,578,953 | 20,387,895 |
| Net revenue | 362,774,905 | 325,833,725 | 362,774,905 | 325,833,725 |

28 Cost of sales

| | Q1-2019 VND'000 | Q1-2018 VND'000 | YTD2019Q1 VND'000 | YTD2018Q1 VND'000 |
|----------------------------|--------------------|--------------------|----------------------|----------------------|
| Total cost of sales | | | | |
| ■ Cost of drinks | 187,676,641 | 169,465,108 | 187,676,641 | 169,465,108 |
| ■ Cost of biscuit | - | - | - | - |
| ■ Cost of other products | 24,037,781 | 25,776,288 | 24,037,781 | 25,776,288 |
| | 211,714,422 | 195,241,396 | 211,714,422 | 195,241,396 |

29 Financial income

| | Q1-2019 VND'000 | Q1-2018 VND'000 | YTD2019Q1 VND'000 | YTD2018Q1 VND'000 |
|------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Interest income from bank deposits | 175,671 | 205,709 | 175,671 | 205,709 |
| Foreign exchange gains | 17,744 | 317 | 17,744 | 317 |
| | 193,415 | 206,026 | 193,415 | 206,026 |

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

30 Financial expenses

| | Q1-2019 | Q1-2018 | YTD2019Q1 | YTD2018Q1 |
|-------------------------|----------------|----------------|------------------|------------------|
| | VND'000 | VND'000 | VND'000 | VND'000 |
| Interest expenses | 8,852 | 929,413 | 8,852 | 929,413 |
| Foreign exchange losses | 342,716 | (2,002) | 342,716 | (2,002) |
| | 351,568 | 927,411 | 351,568 | 927,411 |

31 Selling expenses

| | Q1-2019 | Q1-2018 | YTD2019Q1 | YTD2018Q1 |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | VND'000 | VND'000 | VND'000 | VND'000 |
| Staff costs | 45,674,089 | 39,535,442 | 45,674,089 | 39,535,442 |
| Advertisement and promotion expenses | 12,168,607 | 17,046,047 | 12,168,607 | 17,046,047 |
| Transportation fee | 16,912,247 | 16,069,523 | 16,912,247 | 16,069,523 |
| Rental fee | 2,296,222 | 2,181,994 | 2,296,222 | 2,181,994 |
| Others | 3,217,845 | 4,396,701 | 3,217,845 | 4,396,701 |
| | 80,269,010 | 79,229,707 | 80,269,010 | 79,229,707 |

32 General and administration expenses

| | Q1-2019 | Q1-2018 | YTD2019Q1 | YTD2018Q1 |
|-------------------------------|------------------|------------------|------------------|------------------|
| | VND'000 | VND'000 | VND'000 | VND'000 |
| Staff costs | 3,467,454 | 3,447,793 | 3,467,454 | 3,447,793 |
| Consultant fee | 887,500 | 768,745 | 887,500 | 768,745 |
| Rental fee | 897,525 | 873,481 | 897,525 | 873,481 |
| Depreciation and amortisation | 938,995 | 822,384 | 938,995 | 822,384 |
| Allowance | - | - | - | - |
| Others | 1,678,410 | 2,873,379 | 1,678,410 | 2,873,379 |
| | 7,869,884 | 8,785,782 | 7,869,884 | 8,785,782 |

33 Other income

| | Q1-2019 | Q1-2018 | YTD2019Q1 | YTD2018Q1 |
|---|----------------|----------------|------------------|------------------|
| | VND'000 | VND'000 | VND'000 | VND'000 |
| Proceeds from disposals of fixed assets | - | 209,091 | - | 209,091 |
| Others | 133,320 | 28,885 | 133,320 | 28,885 |
| | 133,320 | 237,976 | 133,320 | 237,976 |

34 Other expenses

| | Q1-2019 | Q1-2018 | YTD2019Q1 | YTD2018Q1 |
|--|------------------|------------------|------------------|------------------|
| | VND'000 | VND'000 | VND'000 | VND'000 |
| Depreciation of idle tangible fixed assets | 2,406,310 | 1,348,531 | 2,406,310 | 1,348,531 |
| Loss from disposals of tangible fixed assets | - | - | - | - |
| Tax penalties | - | - | - | - |
| Others | 99,339 | 31,127 | 99,339 | 31,127 |
| | 2,505,649 | 1,379,658 | 2,505,649 | 1,379,658 |

Interfood Shareholding Company and its subsidiaries
Notes to the consolidated financial statements (continues)
35 Production and business costs by element

| | Q1-2019 | Q1-2018 | YTD2019Q1 | YTD2018Q1 |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|
| | VND'000 | VND'000 | VND'000 | VND'000 |
| Raw material costs | 144,263,719 | 141,599,537 | 144,263,719 | 141,599,537 |
| Labour costs and staff costs | 57,698,769 | 50,798,033 | 57,698,769 | 50,798,033 |
| Depreciation and amortisation | 7,774,377 | 7,918,539 | 7,774,377 | 7,918,539 |
| Outside services | 113,298,414 | 90,401,512 | 113,298,414 | 90,401,512 |
| Other expenses | 5,573,059 | 8,058,624 | 5,573,059 | 8,058,624 |
| | 328,608,338 | 298,776,244 | 328,608,338 | 298,776,244 |

36 Corporate Income Taxes
(a) Recognised in the consolidated statement of income

| | 31/03/2019 | 31/12/2018 |
|--|-------------------------|--------------------------|
| | VND'000 | VND'000 |
| Current tax expense | | |
| Current year | <u>4,904,356</u> | <u>47,749,243</u> |
| Deferred tax income | | |
| Written down of deferred tax so adjust CIT Tax from 22% to 20% | | |
| Origination and reversal of temporary differences | <u>(208,627)</u> | <u>(19,042,125)</u> |
| | (208,627) | (19,042,125) |
| Income tax expense | <u>4,695,729</u> | <u>28,707,118</u> |

(b) Reconciliation of effective tax rate

| | 31/03/2019 | 31/12/2018 |
|--|-------------------------|--------------------------|
| | VND'000 | VND'000 |
| Profit (loss) before tax | <u>60,391,107</u> | <u>208,802,852</u> |
| Tax at the Group's tax rate | 12,078,221 | 41,760,570 |
| Non-deductible expenses | 530,638 | 2,402,421 |
| Recognition of previously unrecognised deferred tax assets | (7,913,130) | (15,455,873) |
| Previously unrecognised temporary differences | - | - |
| Tax losses utilised | - | - |
| | <u>4,695,729</u> | <u>28,707,118</u> |

(c) Applicable tax rates
(i) Interfood Shareholding Company

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

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

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

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

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

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

(ii) Avafood Shareholding Company

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

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

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

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

37 Basic earnings per share

The calculation of basic earnings per share at 31 March 2019 was based on the profit or loss attributable to ordinary shareholders of the Group and a weighted average number of ordinary shares outstanding during the period, calculated as follows:

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

| | 31/03/2019 | 31/12/2018 |
|---|-------------------|--------------------|
| | VND'000 | VND'000 |
| Net profit/(loss) attributable to ordinary shareholders | <u>55,709,775</u> | <u>180,164,864</u> |

(ii) *Weighted average number of ordinary shares*

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

38 Significant transactions with related parties

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

| | Transaction value | |
|--|--------------------------|------------------|
| | YTD2019Q1 | YTD2018Q1 |
| | VND'000 | VND'000 |
| Related companies | | |
| Kirin Holdings Company, Limited - Ultimate Parent Company | | |
| Short-term loan received | - | - |
| Share subscription | - | - |
| Interest expenses | - | - |
| Secondment fee | 1,395,000 | 1,468,773 |
| Kirin Holdings Singapore Pte, Ltd - Parent company | | |
| Share subscription | - | - |
| Short-term loan received | - | - |
| Short-term loan repayment | - | 45,470,000 |
| Interest expenses | - | 920,371 |
| Vietnam Kirin Beverage Company, Limited | | |
| Processing fee | 73,090,183 | 44,444,112 |
| Purchases of services | 456,940 | 755,770 |
| Sale of finished goods | 13,394 | 2,606 |
| Sale of materials | - | - |

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements (continues)

Board of Directors and Board of Management

| | | |
|-----------------|-----------|-----------|
| Secondment fees | 1,116,000 | 1,093,680 |
| Salary | 454,500 | 454,500 |

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Prepared by: 25th April 2019

Approved by:

(Signed)

(Signed and sealed)

Nguyễn Hồng Phong
Chief Accountant

Yutaka Ogami
Chairman, General Director