

Interfood Shareholding Company

Financial statements
Quarter 4 - 2020

Interfood Shareholding Company

Corporate information

Investment Licence No.	270/GP	16/11/1991
Investment Certificate No.	472033000328 (1st amendment)	28/11/2007
	472033000328 (2nd amendment)	20/05/2010
	472033000328 (3rd amendment)	22/04/2011
	472033000328 (4th amendment)	18/10/2011
	472033000328 (5th amendment)	14/05/2014
	472033000328 (6th amendment)	30/12/2015
	6525867086 (7th amendment)	05/02/2016
	6525867086 (8th amendment)	28/12/2016
	6525867086 (9th amendment)	25/01/2017
	6525867086 (10th amendment)	08/04/2018
	6525867086 (11st amendment)	01/10/2019
	6525867086 (12nd amendment)	21/09/2020

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	21/02/2016
	3600245631	19/03/2018
	3600245631	06/07/2019
	3600245631	30/06/2020

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

Board of Management:

Takeshi Fukushima	Chairman
Yutaka Ogami	Member
Nguyen Thi Kim Lien	Member
Toru Yoshimura	Member
Koichi Ogawa	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 IZ, Tam Phuoc Ward
Bien Hoa City, Dong Nai Province, Vietnam

Auditors

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 separate financial statements of the Company for the year ended 31 December 2020.

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

- (a) the financial statements set out on pages 4 to 28 give a true and fair view of the financial position of the Company as at 31 December 2020, and of its results of operations and its cash flows for the three month period then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the Company 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 the accompanying separate financial statements for issue.

On behalf of the Board of Directors

(Signed and sealed)

Yutaka Ogami

General Director

Dong Nai province, dated 21st January 2021.

Interfood Shareholding Company

Balance sheet

			31/12/2020	31/12/2019
ASSETS	Code	Notes	VND'000	VND'000
Current assets (100=110+130+140+150)	100		968,695,797	838,133,708
Cash	110	8	720,073,459	517,046,649
Cash	111		720,073,459	517,046,649
Cash equivalent	112		-	-
Accounts receivable – short-term	130		32,184,355	111,919,864
Accounts receivable from customers	131	9	29,876,650	35,389,941
Prepayments to suppliers	132		5,752,519	8,920,595
Loan receivables – short-term	135	10	-	69,341,174
Other receivables – short-term	136		631,222	275,956
Allowance for doubtful debts	137		(4,076,036)	(2,007,802)
Inventories	140	11	205,657,658	207,482,930
Inventories	141		206,026,452	207,897,813
Allowance for inventories	149		(368,794)	(414,883)
Other current assets	150		10,780,325	1,684,265
Short-term prepaid expenses	151		849,294	1,226,627
Taxes receivable from State Treasury	153		141,223	457,638
Other current assets	155	12	9,789,808	-
Long-term assets (200 = 210 + 220 + 240 + 260)	200		147,061,071	151,877,868
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		102,812,522	39,139,589
Tangible fixed assets	221	13	99,425,233	34,375,984
<i>Cost</i>	222		425,648,243	195,468,456
<i>Accumulated depreciation</i>	223		(326,223,010)	(161,092,472)
Finance Lease Tangible fixed assets	224	14	36,410	76,131
<i>Cost</i>	225		198,603	198,603
<i>Accumulated depreciation</i>	226		(162,193)	(122,472)
Intangible fixed assets	227	15	3,350,879	4,687,474
<i>Cost</i>	228		14,082,575	14,082,575
<i>Accumulated depreciation</i>	229		(10,731,696)	(9,395,101)
Long-term financial investments	250		-	93,031,155
Investment in subsidiary	251	16	-	94,145,809
Provision for long term investment	255		-	(1,114,654)
Other long-term assets	260		42,497,821	17,956,396
Long-term prepaid expenses	261	17	25,447,345	1,865,903
Deffered tax assets	262	18	17,050,476	16,090,493
TOTAL ASSETS (270=100+200)	270		1,115,756,868	990,011,576

Interfood Shareholding Company

Balance sheet

			31/12/2020	31/12/2019
	Code	Notes	VND'000	VND'000
RESOURCES				
LIABILITIES (300=310+330)	300		190,721,076	207,526,931
Current liabilities	310		186,988,167	203,992,242
Accounts payable to suppliers	311	19	62,846,973	84,825,787
Advances from customers	312		8,614,232	10,639,429
Taxes payable to State Treasury	313	20	29,883,005	26,636,285
Payable to employees	314		7,710,878	7,391,247
Accrued expenses	315	21	77,124,027	73,478,545
Other short-term payables	319	22	809,052	1,020,949
Long term liabilities	330		3,732,909	3,534,689
Long-term borrowings and finance lease	338	23	49,382	98,110
Provision – long-term	342	24	3,683,527	3,436,579
EQUITY (400=410)	400		925,035,792	782,484,645
Owners' equity	410	25	925,035,792	782,484,645
Share capital	411	26	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	27	90,034,048	90,034,048
Accumulated losses	420		(121,443,800)	(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 (loss) for the current year</i>	<i>421b</i>		<i>142,551,147</i>	<i>223,194,001</i>
TOTAL RESOURCES (440=300+400)			<u>1,115,756,868</u>	<u>990,011,576</u>

21st January 2021

Prepared by:

(Signed)

Nguyễn Hồng Phong
Chief Accountant

Approved by:

(Signed and sealed)

Yutaka Ogami
General Director

Interfood Shareholding Company

Statement of income

	Code	Notes	Q4-2020 VND'000	Q4-2019 VND'000	YTD2020Q4 VND'000	YTD2019Q4 VND'000
Revenue from sale of goods	01	28	418,909,653	525,496,921	1,539,322,364	1,796,760,939
Revenue deductions	02	28	43,325,627	59,789,183	145,746,171	162,022,816
Net revenue (10=01-02)	10	28	375,584,026	465,707,738	1,393,576,193	1,634,738,123
Cost of sales	11	29	216,794,986	289,637,490	837,324,927	961,341,669
Gross profit (20=10-11)	20		158,789,040	176,070,248	556,251,266	673,396,454
Financial income	21	30	741,644	3,014,423	4,124,856	5,523,393
Financial expenses	22	31	37,695	3,270,116	76,295,040	3,702,215
<i>In which: Interest expenses</i>	23		<i>3,458</i>	<i>6,251</i>	<i>18,209</i>	<i>29,403</i>
Selling expenses	25	32	67,320,676	95,657,550	267,397,928	343,704,732
G&A expenses	26	33	10,333,645	7,989,589	35,737,479	33,353,806
Operating profit/(loss) {30=20+(21-22)-(25+26)}	30		81,838,668	72,167,416	180,945,675	298,159,094
Other income	31	34	808,673	457,280	1,198,427	809,080
Other expenses	32	35	1,345,235	8,127,692	3,316,221	10,167,642
Results of other activities (40 = 31 - 32)	40		(536,562)	(7,670,412)	(2,117,794)	(9,358,562)
Profit (loss) before tax (50 = 30 + 40)	50		81,302,106	64,497,004	178,827,881	288,800,532
Income tax expenses - current	51	37	17,320,382	26,316,689	37,417,627	63,489,408
Income tax expenses - deferred	52	37	(974,617)	(5,200,854)	(1,140,893)	2,117,124
Profit (loss) after tax (60= 50 - 51- 52)	60		64,956,341	43,381,169	142,551,147	223,194,000

21st January 2021

Prepared by:

Approved by:

(Signed)

(Signed and sealed)

Nguyễn Hồng Phong
Chief Accountant

Yutaka Ogami
General Director

Interfood Shareholding Company
Statements of cash flows
(Indirect method)

	Code	Notes	31/12/2020 VND'000	YTD2019Q4 VND'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	01		178,827,881	288,800,533
Adjustments for:				
Depreciation and amortisation	02		17,260,622	17,302,624
Allowances and provisions	03		656,729	3,375,780
Exchange losses arising from revaluation of monetary	04		10,791	15,125
Losses/(profits) from investing activities	05		72,391,068	1,834,834
Interest expense	06		18,209	29,403
Operating profit/(loss) before changes in working capital	08		269,165,300	311,358,299
Change in receivable	09		18,114,871	22,536,583
Change in inventories	10		1,359,100	14,405,283
Change in payables and other liabilities	11		(22,525,314)	(13,853,566)
Change in prepaid expenses	12		3,519,281	311,083
Interest paid	14		(18,209)	(29,403)
Income tax paid	15		(33,147,069)	(54,774,097)
Net cash flow from operating activities	20		236,467,960	279,954,182
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets	21		(4,637,750)	(1,785,899)
Proceeds from disposals of fixed assets	22		204,182	970,106
Payment for granting loans	23		(14,000,000)	(25,000,000)
Recovered from investment			(17,864,658)	-
Receipts of interests	27		2,907,441	901,304
Net cash inflows/(outflows) from investing activities	30		(33,390,785)	(24,914,489)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments to settle loan principals	34		-	-
Payments to settle finance lease liabilities	35		(48,728)	(38,471)
Net cash inflows/(outflows) from financing activities	40		(48,728)	(38,471)
Net increase/(decrease) in cash	50		203,028,447	255,001,222
(50= 20 +30 + 40)				
Cash at beginning of the year	60		517,046,649	262,045,427
Effects of changes in foreign exchange rates			(1,637)	
Cash at end of the year (70= 50 + 60)	70	7	720,073,459	517,046,649

21st January 2021

Prepared by:

Approved by:

(Signed)

(Signed and sealed)

Nguyễn Hồng Phong
Chief Accountant

Yutaka Ogami
General Director

Interfood Shareholding Company

Notes to the financial statements

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

(c) Normal operating cycle

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

(d) Company structure

As at 31 December 2020, the Company had 584 employees (31/12/2019: 617 employees).

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for the enterprises and the relevant statutory requirements applicable for financial reporting. The company prepares and issues its consolidated financial statements separately. For a comprehensive understanding of the Company's consolidated financial position, its consolidated results of operations and its consolidated cash flows. These separate financial statements should be read in conjunction with the consolidated financial statements

Interfood Shareholding Company

Notes to the financial statements

(b) Basis of measurement

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

(c) Annual accounting period

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

(d) Accounting and presentation currency

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

3 Summary of significant accounting policies

The following significant accounting policies have been adopted by the Company in the preparation of the accompanying separate financial statements.

(a) Foreign currency transactions

Transactions in currencies other than VND during the year have been translated into VND at 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.

(b) Cash

Cash comprises cash balances, call deposits and time deposit.

(c) Investment in subsidiary

For the purpose of these separate financial statements, investment in subsidiary is initially recognised at cost which includes 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.

Interfood Shareholding Company

Notes to the financial statements

(d) Accounts receivable

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

(e) Inventories

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

The Company 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 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).

Interfood Shareholding Company

Notes to the 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 prepaid expenses

(i) *Renovation expense*

Other expenses are initially stated at cost and are amortised on a straight line basis over 3 years starting from the date of completion of the work.

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

(iii) *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.

(l) Provisions

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

Interfood Shareholding Company

Notes to the financial statements

Provision for severance allowance to be paid to the existing eligible employees as of 31 December 2020 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

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

(n) Taxation

Income tax on the profit or loss for the year 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 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.

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.

(o) Revenue

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.

Interest income

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

Interfood Shareholding Company

Notes to the financial statements

(p) 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

(q) Borrowing costs

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

(r) Related companies

Parties are considered to be related 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. Parties are also considered to be related if they are subject to common control or common significant influence.

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

5 Changes in accounting estimates

In preparing these 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 annual financial statements or those made in the same quarterly period of the prior year

6 Changes in the composition of the Company

There were no changes in the composition of the Company since the end of the last annual accounting period which affect the Company's separated interim financial statements for the quarterly ended 31 December 2020

7 Merger

On 25 May 2020 the Company entered into a merger agreement with AVA. Pursuant to this merger agreement, all assets and liabilities of AVA were transferred to the Company at their book value. The merger was effective from 30 June 2020 and AVA have ceased their operation since that date.

Interfood Shareholding Company

Notes to the financial statements

The merger had the following effects on the Company's financial statements on the merger date 30 June 2020

	Financial statements as at merger date	Elimination of related parties' balance	Recognised value on merger
	30/06/2020 VND'000	30/06/2020 VND'000	30/06/2020 VND'000
Cash	1,730,047	-	1,730,047
Accounts receivable – short-term	203,262	-	203,262
Other current assets	149,170	-	149,170
Fixed assets - Net	76,845,304	-	76,845,304
Other long-term assets	26,574,220	-	26,574,220
Current liabilities	(68,694,585)	-	(68,694,585)
Long term liabilities	(291,820)	-	(291,820)
Recognised value of net asset	36,515,598	-	36,515,598
Cost of investments of IFS in Avafood	113,740,513	-	113,740,513
Losses from merger	(77,224,915)	-	(77,224,915)
Cash increased from merger	1,730,047	-	1,730,047
8 Cash	31/12/2020 VND'000		31/12/2019 VND'000
Cash on hand	186,876		252,305
Cash in banks	719,886,583		516,794,344
Time deposit	-		-
Cash in the statement of cash flows	720,073,459		517,046,649
9 Accounts receivable from customers			
(a) Accounts receivable from customers detailed by significant customers			
	31/12/2020 VND'000		31/12/2019 VND'000
Saigon Union of Trading Co-operatives	3,849,707		2,804,313
EB Services Co., Ltd	6,967,711		7,976,751
MM Mega Market Co., Ltd (Vietnam)	2,818,191		4,789,915
VINCOMMERCE SJC	5,522,083		6,785,952
Others	10,718,958		13,033,010
	29,876,650		35,389,941

Interfood Shareholding Company

Notes to the financial statements

(b) Accounts receivable from customers classified by payment term

	31/12/2020 VND'000	31/12/2019 VND'000
Short-term	29,876,650	35,389,941
	<u>29,876,650</u>	<u>35,389,941</u>

10 Short-term loans receivable

	31/12/2020 VND'000	31/12/2019 VND'000
Short-term loans granted to a related party (*)	-	69,341,174
	<u>-</u>	<u>69,341,174</u>

(*) Short-term loans to Avafood Shareholding Company (“Avafood”), a subsidiary with the credit limit of USD5 million, were unsecured and earned interest at Libor plus 1.6% per annum. The interest rate was 3,3% per annum during the year (2019: 3,3% per annum).

As at 30 June 2020, the Company merged Avafood, the loan grant to Avafood was recorded by the Parent Company as a decrease in book value.

11 Inventories

	31/12/2020		31/12/2019	
	Cost VND'000	Allowance VND'000	Cost VND'000	Allowance VND'000
Goods in transit	592,271	-	9,719,234	-
Raw materials	40,851,018	(64,215)	49,850,128	(64,631)
Tools and supplies	6,550,036	(296,819)	4,560,503	(296,819)
Work in progress	9,310,372	-	7,847,627	-
Finished goods	148,722,755	(7,760)	135,920,321	(53,433)
	<u>206,026,452</u>	<u>(368,794)</u>	<u>207,897,813</u>	<u>(414,883)</u>

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

	31/12/2020 VND'000	31/12/2019 VND'000
Opening balance	414,883	300,052
Increase in allowance during the year	466,172	1,965,042
Allowance utilised during the year	(512,261)	(1,850,211)
Closing balance	<u>368,794</u>	<u>414,883</u>

Interfood Shareholding Company

Notes to the financial statements

12	Other current assets	31/12/2020 VND'000	31/12/2019 VND'000
	Receivable from discount of empty can price from Crown Dong Nai in 4th Quarter 2020	9,789,808	-
		<u>9,789,808</u>	<u>-</u>

13	Tangible fixed assets				
	Building	Machinery & Equipment	Motor vehicles	Office equipment	Total
	VND'000	VND'000	VND'000	VND'000	VND'000
Historical cost					
Opening balance	-	178,188,596	6,574,135	10,705,725	195,468,456
Additions	-	4,637,750	-	-	4,637,750
Merged from subsidiary	117,748,737	108,888,438	252,019	1,363,182	228,252,376
Transfer from CIP	-	-	-	-	-
Disposals(*)	-	(1,357,570)	(1,352,769)	-	(2,710,339)
Closing balance	<u>117,748,737</u>	<u>290,357,214</u>	<u>5,473,385</u>	<u>12,068,907</u>	<u>425,648,243</u>
Accumulated depreciation					
Opening balance	-	148,222,306	5,515,014	7,355,152	161,092,472
Charge for the year	1,991,105	12,155,762	203,745	1,533,694	15,884,306
Merged from subsidiary	49,918,624	100,096,400	252,019	1,140,029	151,407,072
Disposals(*)	-	(1,124,275)	(1,036,565)	-	(2,160,840)
Closing balance	<u>51,909,729</u>	<u>259,350,193</u>	<u>4,934,213</u>	<u>10,028,875</u>	<u>326,223,010</u>
Net book value					
Opening balance	-	29,966,290	1,059,121	3,350,573	34,375,984
Closing balance	<u>65,839,008</u>	<u>31,007,021</u>	<u>539,172</u>	<u>2,040,032</u>	<u>99,425,233</u>

Included in the cost of tangible fixed assets were assets costing 66,525 million VND which were fully depreciated as of 31 December 2020 (31/12/2019: 38,645 million VND), but are still in active use.

The net book value of temporarily idle tangible fixed assets amounted to VND 769 million as at 31 December 2020 (31/12/2019: VND 114 million).

Interfood Shareholding Company

Notes to the financial statements

14 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	122,472	122,472
Charge for the year	39,721	39,721
Closing balance	<u>162,193</u>	<u>162,193</u>
Net book value		
Opening balance	76,131	76,131
Closing balance	<u>36,410</u>	<u>36,410</u>

15 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	<u>14,082,575</u>	<u>14,082,575</u>
Accumulated depreciation		
Opening balance	9,395,101	9,395,101
Charge for the year	1,336,595	1,336,595
Disposals	-	-
Closing balance	<u>10,731,696</u>	<u>10,731,696</u>
Net book value		
Opening balance	4,687,474	4,687,474
Closing balance	<u>3,350,879</u>	<u>3,350,879</u>

Included in the cost of intangible fixed assets were assets costing VND 1,851 million which were fully amortised as of 31 December 2020 (31/12/2019: VND1,851 million), but are still in active use.

Interfood Shareholding Company

Notes to the financial statements

16 Investment in subsidiary

	31/12/2020				31/12/2019			
	% of equity owned	% of voting rights	Cost VND'000	Allowancet VND'000	% of equity owned	% of voting rights	Cost VND'000	Allowancet VND'000
Avafood Shareholding Company					90.4%	90.4%	94,145,809	(1,114,654)

Detail information of a subsidiary as at 31 December 2020 and 31 December 2019 are described as follows:

Name	Address	Principal activities
Avafood Shareholding Company (Avafood)	Lot 13, Tam Phuoc Industrial Zone, Tam Phuoc Ward, Bien Hoa City, Dong Nai Province, Vietnam	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 and import products.

The Company has not determined the fair value of the equity investment for disclosure in the financial statements because there is currently no guidance on determination of fair value using valuation techniques under Vietnamese Accounting Standards or the Vietnamese Accounting System for enterprises. The fair value of the equity investment may differ from its carrying amounts.

On April 7, 2020, the Company signed a contract to purchase all shares of minority shareholders in AVA to become the sole shareholder in AVAFood Shareholding Company, Avafood has re-registration to be come a limited company

As at 31 December 2020, the Company merged Avafood, the entire investment in Avafood was recorded by the Parent Company as a decrease in book value and officially terminated Avafood's operation.

17 Long-term prepaid expenses

	Prepaid land costs	Tool and supplies	Other	Total
	VND'000	VND'000	VND'000	VND'000
Opening balance	-	1,865,903	-	1,865,903
Increase through merger	23,141,517	-	3,432,703	26,574,220
Additions	-	-	-	-
Amortisation for the period	(347,993)	(1,230,006)	(1,414,779)	(2,992,778)
Closing balance	22,793,524	635,897	2,017,924	25,447,345

Interfood Shareholding Company

Notes to the financial statements

18 Deferred tax assets

		31/12/2020	31/12/2019
	Tax rate	VND'000	VND'000
Accruals	20%	15,424,805	14,695,709
Allowance for doubtful debts	20%	815,207	401,560
Allowance for inventories	20%	73,759	82,977
Allowance for severance allowance	20%	736,705	687,319
Allowance for long term investment	20%	-	222,928
		<u>17,050,476</u>	<u>16,090,493</u>

19 Accounts payable to suppliers

(a) Accounts payable to suppliers detailed by significant suppliers

	31/12/2020		31/12/2019	
	Cost	Amount within payment capacity	Cost	Amount within payment capacity
	VND'000	VND'000	VND'000	VND'000
Crown Beverage Cans (Dong Nai) Co., Ltd	6,191,366	6,191,366	13,976,584	13,976,584
Vietnam Kirin Beverage Company Limited	15,864,811	15,864,811	20,689,633	20,689,633
Crown Beverage Cans Saigon Limited	2,881,613	2,881,613	2,543,270	2,543,270
Vietnam Chuanli Can Manufacturing Co., Ltd	10,669,448	10,669,448	11,319,447	11,319,447
Others	27,239,735	27,239,735	36,296,853	36,296,853
	<u>62,846,973</u>	<u>62,846,973</u>	<u>84,825,787</u>	<u>84,825,787</u>

(b) Accounts payable to suppliers classified by payment term

	31/12/2020		31/12/2019	
	Cost	Amount within payment capacity	Cost	Amount within payment capacity
	VND'000	VND'000	VND'000	VND'000
Short-term	62,846,973	62,846,973	84,825,787	84,825,787
	<u>62,846,973</u>	<u>62,846,973</u>	<u>84,825,787</u>	<u>84,825,787</u>

Interfood Shareholding Company

Notes to the financial statements

(c) Accounts payable to suppliers who are related parties

	31/12/2020	31/12/2020	31/12/2019	31/12/2019
	Cost	Amount within payment capacity	Cost	Amount within payment capacity
	VND'000	VND'000	VND'000	VND'000
Vietnam Kirin Beverage Company, Limited	15,864,811	15,864,811	20,689,633	20,689,633
	15,864,811	15,864,811	20,689,633	20,689,633

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

20 Taxes payable to State Treasury

	31/12/2019	Incurred	Netted-off	Paid	31/12/2020
	VND'000	VND'000	VND'000	VND'000	VND'000
Value added tax	8,835,596	139,433,836	(79,624,647)	(60,516,521)	8,128,264
Corporate income tax	16,488,491	37,862,954	-	(33,147,069)	21,204,376
Personal income tax	802,573	4,767,241	-	(5,019,449)	550,365
Other tax	509,625	2,774,079	-	(3,283,704)	-
	26,636,285	184,838,110	(79,624,647)	(101,966,743)	29,883,005

21 Accrued expenses

	31/12/2020	31/12/2019
	VND'000	VND'000
Sales discounts and commission	15,502,515	26,134,413
Promotion expenses	41,343,793	26,364,770
Transportation fee	4,022,911	6,375,434
Secondment fee payable (*)	3,238,171	2,985,832
Others	13,016,637	11,618,097
	77,124,027	73,478,545

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.

22 Other short-term payables

	31/12/2020	31/12/2019
	VND'000	VND'000
Non-trade amounts due to a related party	74,393	244,354
Dividends payable	505,391	505,391
Other payable	229,268	271,204
	809,052	1,020,949

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

Interfood Shareholding Company

Notes to the financial statements

23 Long-term borrowings and finance lease

	31/12/2020	31/12/2019
	VND'000	VND'000
Finance lease liabilities	49,382	98,110
	49,382	98,110

Terms and conditions of Finance lease liabilities were as follows:

				31/12/2020	31/12/2019
	Currency	Annual Interest rate	Year of maturity	VND'000	VND'000
Liability from Chailease International Leasing Company Limited	VND	21.6%	2021	49,382	98,110
				49,382	98,110

24 Provision - long-term

Movements of provision during the year were as follow:

	Severance allowance	Severance allowance
	31/12/2020	31/12/2019
	VND'000	VND'000
Opening balance	3,436,579	3,398,410
Provision made during the year	190,557	296,084
Merged from subsidiary	110,910	-
Provision utilised during the year	(54,519)	(257,915)
Closing balance	3,683,527	3,436,579

25 Changes in owners' equity

	Share capital	Share premium	Other Reserves	Accumulated losses	Total
	VND'000	VND'000	VND'000	VND'000	VND'000
Balance as at 01/01/2019	871,409,840	85,035,704	90,034,048	(487,188,948)	559,290,644
Share capital issued					-
Net profit (loss) for the year				223,194,001	223,194,001
Balance as at 31/12/2019	871,409,840	85,035,704	90,034,048	(263,994,947)	782,484,645
Share capital issued					-
Net profit (loss) for the year				142,551,147	142,551,147
Balance as at 31/12/2020	871,409,840	85,035,704	90,034,048	(121,443,800)	925,035,792

Interfood Shareholding Company

Notes to the financial statements

26 Share capital

The Company's authorised and issued share capital is:

	31/12/2020		31/12/2019	
	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

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 dividend 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.

Movements in share capital during the year were as follows:

	31/12/2020		31/12/2019	
	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

27 Other reserves

(b) 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 (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. The difference between the converted value and par value of ordinary shares of VND90,034,048,000 is reflected as other reserves.

Interfood Shareholding Company

Notes to the financial statements

28 Off balance sheet items

(a) Lease

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

	31/12/2020	31/12/2019
	VND'000	VND'000
Within one year	4,179,845	12,128,526
Within two to five years	1,350,169	3,410,595
Over five years	-	-
	<u><u>5,530,014</u></u>	<u><u>15,539,121</u></u>

(b) Foreign currencies

	31/12/2020		31/12/2019	
	Original currency	VND'000	Original currency	VND'000
USD	68,273	1,572,669	30,422	702,750
EUR	-	-	295	7,628
		<u><u>1,572,669</u></u>		<u><u>710,378</u></u>

29 Revenues from sales of goods

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

Net revenue comprised:

	Q4-2020	Q4-2019	YTD2020Q4	YTD2019Q4
	VND'000	VND'000	VND'000	VND'000
Total revenue				
■ Sales of drinks	349,650,550	453,632,724	1,269,395,955	1,526,506,783
■ Sales of food stuff	68,604,074	71,477,266	266,833,874	269,220,149
■ Sales of scraps	655,029	386,931	3,092,535	1,034,007
	<u><u>418,909,653</u></u>	<u><u>525,496,921</u></u>	<u><u>1,539,322,364</u></u>	<u><u>1,796,760,939</u></u>
Less revenue deductions:				
■ Sales allowances	43,325,627	59,789,183	145,746,171	162,022,816
■ Sales return	-	-	-	-
	<u><u>43,325,627</u></u>	<u><u>59,789,183</u></u>	<u><u>145,746,171</u></u>	<u><u>162,022,816</u></u>
Net revenue	<u><u>375,584,026</u></u>	<u><u>465,707,738</u></u>	<u><u>1,393,576,193</u></u>	<u><u>1,634,738,123</u></u>

Interfood Shareholding Company

Notes to the financial statements

30	Cost of sales	Q4-2020 VND'000	Q4-2019 VND'000	YTD2020Q4 VND'000	YTD2019Q4 VND'000
Total cost of sales					
■	Cost of drinks	188,665,487	254,790,525	697,820,761	855,373,508
■	Cost of other products	28,129,499	34,846,965	139,504,166	105,968,161
		216,794,986	289,637,490	837,324,927	961,341,669
31	Financial income	Q4-2020 VND'000	Q4-2019 VND'000	YTD2020Q4 VND'000	YTD2019Q4 VND'000
	Interest income from bank deposits	729,935	299,975	2,907,441	901,304
	Interest income from loans to Avafood	-	553,847	1,157,069	2,443,838
	Foreign exchange gains	11,709	2,160,601	60,346	2,178,251
		741,644	3,014,423	4,124,856	5,523,393
32	Financial expenses	Q4-2020 VND'000	Q4-2019 VND'000	YTD2020Q4 VND'000	YTD2019Q4 VND'000
	Interest expenses	3,458	6,251	18,209	29,403
	Allowance for long-term financial investments	-	1,114,654	-	1,114,654
	Foreign exchange losses	34,237	2,149,211	166,570	2,558,158
	Losses from merger	-	-	76,110,261	-
		37,695	3,270,116	76,295,040	3,702,215
33	Selling expenses	Q4-2020 VND'000	Q4-2019 VND'000	YTD2020Q4 VND'000	YTD2019Q4 VND'000
	Staff costs	31,640,239	44,576,291	131,731,424	165,801,063
	Advertisement and promotion expenses	12,732,617	21,425,075	51,230,737	73,033,487
	Transportation fee	16,516,080	21,101,447	63,294,787	75,463,451
	Rental fee	2,512,081	2,961,166	9,168,460	10,324,991
	Others	3,919,659	5,593,571	11,972,520	19,081,740
		67,320,676	95,657,550	267,397,928	343,704,732
34	General and administration expenses	Q4-2020 VND'000	Q4-2019 VND'000	YTD2020Q4 VND'000	YTD2019Q4 VND'000
	Staff costs	3,102,219	3,540,051	12,328,110	12,447,274
	Consultant fee	696,900	844,800	3,848,720	3,203,700
	Rental fee	1,092,471	972,380	3,883,824	3,852,342
	Depreciation and amortisation	818,654	730,125	3,253,585	3,026,623
	Allowance	2,083,059	9,513	2,258,792	296,083
	Others	2,540,342	1,892,720	10,164,448	10,527,784
		10,333,645	7,989,589	35,737,479	33,353,806

Interfood Shareholding Company

Notes to the financial statements

35 Other income

	Q4-2020 VND'000	Q4-2019 VND'000	YTD2020Q4 VND'000	YTD2019Q4 VND'000
Proceeds from disposals of fixed assets	-	-	-	-
Others	808,673	457,280	1,198,427	809,080
	808,673	457,280	1,198,427	809,080

36 Other expenses

	Q4-2020 VND'000	Q4-2019 VND'000	YTD2020Q4 VND'000	YTD2019Q4 VND'000
Depreciation of idle tangible fixed assets	1,156,849	1,522,477	2,520,914	5,179,976
Loss from disposals of tangible fixed assets	-	5,681,519	-	3,730,959
Others	188,386	923,696	795,307	1,256,707
	1,345,235	8,127,692	3,316,221	10,167,642

37 Production and business costs by element

	Q4-2020 VND'000	Q4-2019 VND'000	YTD2020Q4 VND'000	YTD2019Q4 VND'000
Raw material costs included in production cost	159,898,071	155,487,539	560,216,517	616,249,736
Labour costs and staff costs	44,846,662	57,169,729	182,164,595	213,864,792
Depreciation and amortisation	5,629,620	2,903,268	17,823,756	17,302,624
Outside services	97,961,969	119,312,668	397,307,542	481,126,768
Other expenses	6,332,894	7,375,194	18,818,785	25,281,146
	314,669,216	342,248,397	1,176,331,196	1,353,825,066

38 Corporate Income Taxes

(a) Recognised in the consolidated statement of income

	31/12/2020 VND'000	31/12/2019 VND'000
Current tax expense		
Current year	<u>37,417,627</u>	<u>63,489,408</u>
Deferred tax income		
Origination and reversal of temporary differences	<u>(1,140,893)</u>	<u>2,117,124</u>
Income tax expense	<u>36,276,734</u>	<u>65,606,532</u>

Interfood Shareholding Company

Notes to the financial statements

(b) Reconciliation of effective tax rate

	31/12/2020	31/12/2019
	VND'000	VND'000
Accounting profit (loss) before tax	<u>178,827,881</u>	<u>288,800,533</u>
Tax at the Company's tax rate	35,765,576	57,760,106
Non-deductible expenses	511,158	2,275,842
Recognition of previously unrecognised deferred tax assets	-	-
Under provision in prior year	-	5,570,584
	<u>36,276,734</u>	<u>65,606,532</u>

(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 (1994). Thereafter, from 2006 onwards the Company is subject to income tax rate applicable to enterprises before any incentives of 25%.

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 22% for 2015, and will be reduced to 20% from 2016.

Interfood Shareholding Company

Notes to the financial statements

39 Significant transactions with related parties

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

	Transaction value	
	YTD2020Q4 VND'000	YTD2019Q4 VND'000
Related companies		
Kirin Holdings Company, Limited - Ultimate Parent Company		
Short-term loan received	-	-
Share subscription	-	-
Interest expenses	-	-
Secondment fee	6,390,686	5,896,570
Purchased of material	699,750	696,100
Kirin Holdings Singapore Pte, Ltd - Parent company		
Share subscription	-	-
Short-term loan received	-	-
Short-term loan repayment	-	-
Interest expenses	-	-
Subsidiary		
Avafood Limited Company.		
<i>(Year 2020: Transactions until 30 June 2020)</i>		
Short-term loan granted	14,000,000	25,000,000
Interest income	1,157,069	2,443,838
Processing service	12,499,883	25,296,229
Office and factory rental fee	2,966,106	5,932,212
Vietnam Kirin Beverage Company, Limited		
Processing fee	217,214,805	258,849,030
Purchases of services	2,378,550	2,171,170
Sale of finished goods	256,415	29,967
Purchases of goods	1,969,035	387,007
Purchases of AVA shares	18,779,040	-
Board of Directors and Board of Management		
Secondment fees	4,482,240	4,473,120
Salary	1,818,000	1,818,000

Interfood Shareholding Company

Notes to the financial statements

40 Non-cash investing activities

	Q4-2020 VND'000	Q4-2019 VND'000	YTD2020Q4 VND'000	YTD2019Q4 VND'000
Net off inter-company payable against receivable for loans principal and interest from a subsidiary	-	9,064,941	17,012,588	34,351,284
Convert loans interest receivable to short-term loans receivable	-	553,847	1,157,069	2,443,838
	-	9,618,788	18,169,657	36,795,122

(Transactions with Avafood Limited Company only until 30 June 2020 only)

21st January 2021

Prepared by:

Approved by:

(Signed)

(Signed and sealed)

Nguyễn Hồng Phong
Chief Accountant

Yutaka Ogami
General Director