

**Interfood Shareholding Company  
and its subsidiary**

Consolidated Financial Statements for the  
year ended 31 December 2018

## Interfood Shareholding Company Corporate information

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

**Investment Certificates No.** 472033000328 (1<sup>st</sup> amendment) 28 November 2007  
472033000328 (2<sup>nd</sup> amendment) 20 May 2010  
472033000328 (3<sup>rd</sup> amendment) 22 April 2011  
472033000328 (4<sup>th</sup> amendment) 18 October 2011  
472033000328 (5<sup>th</sup> amendment) 14 May 2014  
472033000328 (6<sup>th</sup> amendment) 30 December 2015  
6525867086 (7<sup>th</sup> amendment) 5 February 2016  
6525867086 (8<sup>th</sup> amendment) 28 December 2016  
6525867086 (9<sup>th</sup> amendment) 25 January 2017  
6525867086 (10<sup>th</sup> amendment) 8 April 2018

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

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

### **Enterprise Registration Certificate No.**

3600245631 21 January 2016  
3600245631 19 March 2018

The Company's Enterprise Registration Certificate and its amendment were issued by the Department of Planning and Investment of Dong Nai Province.

### **Board of Management**

Yutaka Ogami	Chairman (from 16 March 2018) Member (until 16 March 2018)
Toru Yamasaki	Chairman (until 16 March 2018)
Takeshi Fukushima	Member (from 27 March 2018)
Osamu Harada	Member (from 27 March 2018)
Shinro Fujita	Member (from 27 March 2018)
Yasuomi Ouchi	Member (from 27 March 2018)

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

<b>Board of Management (continued)</b>	Nguyen Thi Kim Lien	Member
	Hajime Kobayashi	Member (until 27 March 2018)
	Hirotsugu Otani	Member (until 27 March 2018)
<b>Board of Directors</b>	Yutaka Ogami	General Director/ General Manager of Administration (from 16 March 2018) Director/General Manager of Planning (until 29 March 2018)
	Toru Yamasaki	General Director (until 16 March 2018)
	Ryuta Onda	Director/General Manager of Factory (from 29 March 2018)
	Fumiaki Furuya	Director/General Manager of Factory (until 29 March 2018)
	Nguyen Thi Kim Lien	Director/General Manager of Internal Control
	Tomohide Ito	Director/General Manager of Planning (from 29 March 2018)
	Takeshi Fukushima	Director/General Manager of Marketing/General Manager of Sales
<b>Registered Office</b>	Lot 13, Tam Phuoc Industrial Zone Tam Phuoc Commune, Bien Hoa City Dong Nai Province Vietnam	
<b>Auditor</b>	KPMG Limited Vietnam	

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

The Board of Directors of Interfood Shareholding Company (“the Company”) presents this statement and the accompanying consolidated financial statements of the Company and its subsidiary (together referred to as “the Group”) for the year ended 31 December 2018.

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

- (a) the consolidated financial statements set out on pages 6 to 40 give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the Group will not be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors

*Signed and sealed*

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Yutaka Ogami  
*Chairman – cum General Director*

Dong Nai Province, 22 March 2019

**Interfood Shareholding Company and its subsidiary**  
**Consolidated balance sheet as at 31 December 2018**

**Form B 01 – DN/HN**  
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	31/12/2018 VND'000	1/1/2018 VND'000
<b>ASSETS</b>				
<b>Current assets</b> (100 = 110 + 130 + 140 + 150)	<b>100</b>		<b>519,707,305</b>	<b>482,358,985</b>
<b>Cash</b>	<b>110</b>	<b>5</b>	<b>262,171,897</b>	<b>268,014,283</b>
Cash	111		262,171,897	268,014,283
<b>Accounts receivable – short-term</b>	<b>130</b>		<b>33,272,625</b>	<b>28,879,709</b>
Accounts receivable from customers	131	6	28,741,447	25,565,487
Prepayments to suppliers	132		6,123,998	5,683,291
Other short-term receivables	136		516,133	522,627
Allowance for doubtful debts	137		(2,108,953)	(2,891,696)
<b>Inventories</b>	<b>140</b>	<b>7</b>	<b>223,853,255</b>	<b>184,705,251</b>
Inventories	141		224,153,307	185,019,988
Allowance for inventories	149		(300,052)	(314,737)
<b>Other current assets</b>	<b>150</b>		<b>409,528</b>	<b>759,742</b>
Short-term prepaid expenses	151		293,467	663,478
Taxes receivable from State Treasury	153		116,061	96,264

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

**Interfood Shareholding Company and its subsidiary**  
**Consolidated balance sheet as at 31 December 2018 (continued)**

**Form B 01 – DN/HN**  
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	31/12/2018 VND'000	1/1/2018 VND'000
<b>Long-term assets</b> (200 = 210 + 220 + 260)	<b>200</b>		<b>201,038,294</b>	<b>212,041,292</b>
<b>Accounts receivable – long-term</b>	<b>210</b>		<b>1,750,728</b>	<b>1,575,362</b>
Other long-term receivables	216		1,750,728	1,575,362
<b>Fixed assets</b>	<b>220</b>		<b>153,706,176</b>	<b>182,322,856</b>
Tangible fixed assets	221	8	147,458,258	175,164,347
Cost	222		558,260,814	556,862,484
Accumulated depreciation	223		(410,802,556)	(381,698,137)
Finance lease tangible fixed assets	224	9	115,852	155,572
Cost	225		198,603	198,603
Accumulated depreciation	226		(82,751)	(43,031)
Intangible fixed assets	227	10	6,132,066	7,002,937
Cost	228		14,082,575	13,315,814
Accumulated amortisation	229		(7,950,509)	(6,312,877)
<b>Other long-term assets</b>	<b>260</b>		<b>45,581,390</b>	<b>28,143,074</b>
Long-term prepaid expenses	261	11	27,373,773	28,143,074
Deferred tax assets	262	12	18,207,617	-
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>720,745,599</b>	<b>694,400,277</b>

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

**Interfood Shareholding Company and its subsidiary**  
**Consolidated balance sheet as at 31 December 2018 (continued)**

**Form B 01 – DN/HN**  
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	31/12/2018 VND'000	1/1/2018 VND'000
<b>RESOURCES</b>				
<b>LIABILITIES (300 = 310 + 330)</b>	<b>300</b>		<b>216,066,835</b>	<b>369,817,247</b>
<b>Current liabilities</b>	<b>310</b>		<b>210,971,535</b>	<b>363,804,425</b>
Accounts payable to suppliers	311	13	89,092,470	79,089,874
Advances from customers	312		5,555,632	3,614,356
Taxes payable to State Treasury	313	14	17,847,180	14,308,692
Payable to employees	314		8,161,198	8,242,929
Accrued expenses	315	15	89,306,325	75,576,402
Other short-term payables	319	16	1,008,730	1,092,172
Short-term borrowings	320	17(a)	-	181,880,000
<b>Long-term liabilities</b>	<b>330</b>		<b>5,095,300</b>	<b>6,012,822</b>
Long-term finance lease liabilities	338	17(b)	136,581	169,203
Deferred tax liabilities	341	12	1,432,672	2,267,180
Provision	342	18	3,526,047	3,576,439
<b>EQUITY (400 = 410)</b>	<b>400</b>		<b>504,678,764</b>	<b>324,583,030</b>
<b>Owners' equity</b>	<b>410</b>	<b>19</b>	<b>504,678,764</b>	<b>324,583,030</b>
Share capital	411	20	871,409,840	871,409,840
- Ordinary shares with voting rights	411a		871,409,840	871,409,840
Share premium	412		85,035,704	85,035,704
Other capital	420	21	57,498,796	57,498,796
Accumulated losses	421		(513,141,273)	(693,306,137)
- Accumulated losses brought forward	421a		(693,306,137)	(809,395,788)
- Net profit for the current year	421b		180,164,864	116,089,651
Non-controlling interest	429		3,875,697	3,944,827
<b>TOTAL RESOURCES (440 = 300 + 400)</b>	<b>440</b>		<b>720,745,599</b>	<b>694,400,277</b>

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Prepared by:

*Signed*

Nguyen Hong Phong  
Chief Accountant

Approved by:

*Signed and sealed*

Yutaka Ogami  
Chairman – cum General Director

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

**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of income for the year ended 31 December 2018**

**Form B 02 – DN/HN**  
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	2018 VND'000	2017 VND'000
Revenue from sale of goods	01	23	1,719,312,753	1,525,892,179
Revenue deductions	02	23	141,768,023	105,207,528
<b>Net revenue (10 = 01 - 02)</b>	<b>10</b>	<b>23</b>	<b>1,577,544,730</b>	<b>1,420,684,651</b>
Cost of sales	11	24	953,603,017	918,125,713
<b>Gross profit (20 = 10 - 11)</b>	<b>20</b>		<b>623,941,713</b>	<b>502,558,938</b>
Financial income	21	25	8,463,045	8,594,690
Financial expenses	22	26	11,814,144	11,753,484
<i>In which: Interest expense</i>	23		2,444,401	4,496,128
Selling expenses	25	27	369,829,630	330,222,418
General and administration expenses	26	28	35,194,613	35,948,250
<b>Net operating profit</b> <b>{30 = 20 + (21 - 22) - (25 + 26)}</b>	<b>30</b>		<b>215,566,371</b>	<b>133,229,476</b>
Other income	31	29	4,073,716	1,345,361
Other expenses	32	30	10,837,235	5,659,481
<b>Results of other activities (40 = 31 - 32)</b>	<b>40</b>		<b>(6,763,519)</b>	<b>(4,314,120)</b>
<b>Accounting profit before tax</b> <b>(50 = 30 + 40)</b>	<b>50</b>		<b>208,802,852</b>	<b>128,915,356</b>
Income tax expense – current	51	32	47,749,243	13,921,299
Income tax benefit – deferred	52	32	(19,042,125)	(1,070,851)
<b>Net profit after tax (60 = 50 - 51 - 52)</b> <b>(carried forward)</b>	<b>60</b>		<b>180,095,734</b>	<b>116,064,908</b>

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



**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of income for the year ended 31 December 2018 (continued)**

**Form B 02 – DN/HN**  
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	2018 VND'000	2017 VND'000
<b>Net profit after tax (brought forward)</b>	<b>60</b>		<b>180,095,734</b>	<b>116,064,908</b>
<b>Attributable to:</b>				
Equity holders of the Company	61		180,164,864	116,089,651
Non-controlling interest	62		(69,130)	(24,743)
<b>Earnings per share</b>				
Basic earnings per share (in VND)	70	33	2,068	1,332

22 March 2019

Prepared by:

Approved by:

*Signed*

*Signed and sealed*

Nguyen Hong Phong  
*Chief Accountant*

Yutaka Ogami  
*Chairman – cum General Director*

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

**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of cash flows for the year ended 31 December 2018**  
**(Indirect method)**

**Form B 03 – DN/HN**

*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)*

	<b>Code</b>	<b>Note</b>	<b>2018 VND'000</b>	<b>2017 VND'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Accounting profit before tax</b>	<b>01</b>		<b>208,802,852</b>	<b>128,915,356</b>
<b>Adjustments for</b>				
Depreciation and amortisation	02		31,417,977	31,384,662
Allowances and provisions	03		1,846,611	(132,218)
Exchange gains arising from revaluation of monetary items denominated in foreign currencies	04		(11,976)	(373,544)
Profits from investing activities	05		(909,710)	(1,229,515)
Interest expense	06		2,444,401	4,496,128
<b>Operating profit before changes in working capital</b>	<b>08</b>		<b>243,590,155</b>	<b>163,060,869</b>
Change in receivables and other assets	09		(4,694,674)	1,198,837
Change in inventories	10		(40,353,410)	(54,891,306)
Change in payables and other liabilities	11		25,587,414	1,392,731
Changes in prepaid expenses	12		1,139,312	3,019,736
			<b>225,268,797</b>	<b>113,780,867</b>
Interest paid	14		(2,614,003)	(4,950,820)
Corporate income tax paid	16		(44,692,971)	(9,686,871)
<b>Net cash flows from operating activities</b>	<b>20</b>		<b>177,961,823</b>	<b>99,143,176</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for additions to fixed assets and other long-term assets	21		(2,801,297)	(7,118,509)
Proceeds from disposals of fixed assets	22		210,364	380,091
Receipts of interest	27		699,346	849,424
<b>Net cash flows from investing activities</b>	<b>30</b>		<b>(1,891,587)</b>	<b>(5,888,994)</b>

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

**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of cash flows for the year ended 31 December 2018**  
**(Indirect method – continued)**

**Form B 03 – DN/HN**

*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)*

	<b>Code</b>	<b>Note</b>	<b>2018 VND'000</b>	<b>2017 VND'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments to settle loan principals	34		(181,880,000)	(63,798,000)
Payments to settle finance lease liabilities	35		(32,622)	(25,636)
<b>Net cash flows from financing activities</b>	<b>40</b>		<b>(181,912,622)</b>	<b>(63,823,636)</b>
<b>Net cash flows during the year (50 = 20 + 30 + 40)</b>	<b>50</b>		<b>(5,842,386)</b>	<b>29,430,546</b>
<b>Cash at the beginning of the year</b>	<b>60</b>		<b>268,014,283</b>	<b>238,583,737</b>
<b>Cash at the end of the year (70 = 50 + 60)</b>	<b>70</b>	<b>5</b>	<b>262,171,897</b>	<b>268,014,283</b>

22 March 2019

Prepared by:

Approved by:

*Signed*

*Signed and sealed*

Nguyen Hong Phong  
*Chief Accountant*

Yutaka Ogami  
*Chairman – cum General Director*

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

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2018**

**Form B 09 – DN/HN**  
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)*

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

**1. Reporting entity**

**(a) Ownership structure**

Interfood Shareholding Company (“the Company”) is incorporated as a joint stock company in Vietnam. The Company owns 90.4% of the equity interests in Avafood Shareholding Company (“Avafood”). The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiary, Avafood (together referred to as “the Group”).

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

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

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

**(b) Principal activities**

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

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

**(c) Normal operating cycle**

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

**(d) Group structure**

As at 31 December 2018, the Group had 635 employees (1/1/2018: 686 employees).

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2018**  
**(continued)**

**Form B 09 – DN/HN**  
*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)*

**2. Basis of preparation**

**(a) Statement of compliance**

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

**(b) Basis of measurement**

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

**(c) Annual accounting period**

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

**(d) Accounting and presentation currency**

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

**3. Summary of significant accounting policies**

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

**(a) Basis of consolidation**

**(i) Subsidiary**

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

**(ii) Transactions eliminated on consolidation**

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

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2018**  
**(continued)**

**Form B 09 – DN/HN**

*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)*

**(b) Foreign currency transactions**

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

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

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

**(c) Cash**

Cash comprises cash balances and call deposits.

**(d) Accounts receivable**

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

**(e) Inventories**

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

The Group applies the perpetual method of accounting for inventories.

**(f) Tangible fixed assets**

**(i) Cost**

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

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2018**  
**(continued)**

**Form B 09 – DN/HN**

*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)*

**(ii) Depreciation**

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

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

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

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

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

**(h) Intangible fixed assets**

***Software***

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

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

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

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

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2018**  
**(continued)**

**Form B 09 – DN/HN**

*(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)*

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

**(j) Trade and other payables**

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

**(k) Provisions**

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

***Severance allowance***

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

**(l) Share capital**

***Ordinary shares***

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



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**(m) Acquisition reserve**

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

**(n) Taxation**

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

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

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

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

**(o) Revenue and other income**

**(i) Goods sold**

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

**(ii) Interest income**

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

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**(p) Operating lease payments**

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

**(q) Borrowing costs**

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

**(r) Earnings per share**

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

**(s) Segment reporting**

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

**(t) Related parties**

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

**4. Segment reporting**

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

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**5. Cash**

	<b>31/12/2018</b>	<b>1/1/2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Cash on hand	84,230	132,496
Cash at banks	262,087,667	267,881,787
	<hr/>	<hr/>
Cash in the consolidated statement of cash flows	262,171,897	268,014,283
	<hr/> <hr/>	<hr/> <hr/>

**6. Accounts receivable from customers**

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

	<b>31/12/2018</b>	<b>1/1/2018</b>
	<b>VND'000</b>	<b>VND'000</b>
EB Services Company Limited	5,572,328	3,744,485
VinCommerce General Commercial Services Joint Stock Company	4,806,694	3,400,699
Saigon Union of Trading Co-operatives	3,898,136	2,798,644
MM Mega Market Vietnam Company Limited	3,202,498	3,108,148
Others	11,261,791	12,513,511
	<hr/>	<hr/>
	28,741,447	25,565,487
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>31/12/2018</b>	<b>1/1/2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Short-term	28,741,447	25,565,487
	<hr/>	<hr/>

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**7. Inventories**

	<b>31/12/2018</b>		<b>1/1/2018</b>	
	<b>Cost VND'000</b>	<b>Allowance VND'000</b>	<b>Cost VND'000</b>	<b>Allowance VND'000</b>
Goods in transit	26,965	-	53,355	-
Raw materials	61,008,990	-	56,050,954	(17,918)
Tools and supplies	5,467,593	(296,819)	5,515,174	(296,819)
Work in progress	4,284,841	-	5,558,360	-
Finished goods	153,364,918	(3,233)	117,842,145	-
	<b>224,153,307</b>	<b>(300,052)</b>	<b>185,019,988</b>	<b>(314,737)</b>

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

	<b>2018 VND'000</b>	<b>2017 VND'000</b>
Opening balance	314,737	1,291,214
Increase in allowance during the year	1,205,406	17,918
Allowance utilised during the year	(1,220,091)	(994,395)
Closing balance	<b>300,052</b>	<b>314,737</b>

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**8. Tangible fixed assets**

	<b>Buildings</b> VND'000	<b>Machinery and equipment</b> VND'000	<b>Motor vehicles</b> VND'000	<b>Office equipment</b> VND'000	<b>Total</b> VND'000
<b>Cost</b>					
Opening balance	117,748,737	421,182,171	7,822,533	10,109,043	556,862,484
Additions	-	293,390	-	1,741,146	2,034,536
Disposals	-	-	(591,325)	(44,881)	(636,206)
Closing balance	117,748,737	421,475,561	7,231,208	11,805,308	558,260,814
<b>Accumulated depreciation</b>					
Opening balance	39,959,426	330,460,740	5,947,724	5,330,247	381,698,137
Charge for the year	3,993,650	23,711,681	562,840	1,472,454	29,740,625
Disposals	-	-	(591,325)	(44,881)	(636,206)
Closing balance	43,953,076	354,172,421	5,919,239	6,757,820	410,802,556
<b>Net book value</b>					
Opening balance	77,789,311	90,721,431	1,874,809	4,778,796	175,164,347
Closing balance	73,795,661	67,303,140	1,311,969	5,047,488	147,458,258

Included in tangible fixed assets were assets costing VND66,418 million which were fully depreciated as of 31 December 2018 (1/1/2018: VND63,404 million), but are still in active use.

Net book value of temporarily idle tangible fixed assets amounted to VND16,648 million as of 31 December 2018 (1/1/2018: VND14,919 million).

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**9. Finance lease tangible fixed assets**

	<b>Office equipment VND'000</b>
<b>Cost</b>	
Opening and closing balance	198,603
<hr/>	
<b>Accumulated depreciation</b>	
Opening balance	43,031
Charge for the year	39,720
<hr/>	
Closing balance	82,751
<hr/>	
<b>Net book value</b>	
Opening balance	155,572
Closing balance	115,852
<hr/>	

**10. Intangible fixed assets**

	<b>Software VND'000</b>
<b>Cost</b>	
Opening balance	13,315,814
Additions	766,761
<hr/>	
Closing balance	14,082,575
<hr/>	
<b>Accumulated amortisation</b>	
Opening balance	6,312,877
Charge for the year	1,637,632
<hr/>	
Closing balance	7,950,509
<hr/>	
<b>Net book value</b>	
Opening balance	7,002,937
Closing balance	6,132,066
<hr/>	

**Interfood Shareholding Company and its subsidiary**  
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**11. Long-term prepaid expenses**

	<b>Prepaid land costs VND'000</b>	<b>Renovation expense VND'000</b>	<b>Tools and supplies VND'000</b>	<b>Others VND'000</b>	<b>Total VND'000</b>
Opening balance	24,879,013	184,695	3,077,498	1,868	28,143,074
Additions	-	-	1,620,000	-	1,620,000
Amortisation for the year	(694,998)	(119,855)	(1,572,580)	(1,868)	(2,389,301)
Closing balance	24,184,015	64,840	3,124,918	-	27,373,773

**12. Deferred tax assets and liabilities**

	<b>Tax rate</b>	<b>31/12/2018 VND'000</b>	<b>1/1/2018 VND'000</b>
Deferred tax assets:			
Accrued expenses	20%	17,746,047	-
Allowance for doubtful debts	20%	401,560	-
Allowance for inventories	20%	60,010	-
		18,207,617	-
Deferred tax liabilities:			
Fixed assets	20%	1,432,672	2,267,180

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**13. Accounts payable to suppliers**

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

	31/12/2018		1/1/2018	
	Cost VND'000	Amount within payment capacity VND'000	Cost VND'000	Amount within payment capacity VND'000
Crown Beverage Cans (Dong Nai) Company Limited	24,211,934	24,211,934	22,311,049	22,311,049
Vietnam Kirin Beverage Company Limited	17,898,147	17,898,147	20,809,020	20,809,020
Vietnam Chuanli Can Manufacturing Company Limited	10,367,798	10,367,798	5,124,576	5,124,576
Others	36,614,591	36,614,591	30,845,229	30,845,229
	89,092,470	89,092,470	79,089,874	79,089,874

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

	31/12/2018		1/1/2018	
	Cost VND'000	Amount within payment capacity VND'000	Cost VND'000	Amount within payment capacity VND'000
Short-term	89,092,470	89,092,470	79,089,874	79,089,874

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

	31/12/2018		1/1/2018	
	Cost VND'000	Amount within payment capacity VND'000	Cost VND'000	Amount within payment capacity VND'000
Vietnam Kirin Beverage Company Limited, a related party	17,898,147	17,898,147	20,809,020	20,809,020



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

**14. Taxes payable to State Treasury**

	<b>1/1/2018</b>	<b>Incurred</b>	<b>Paid</b>	<b>Net-off</b>	<b>31/12/2018</b>
	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
Value added tax	8,096,949	161,001,172	(60,917,772)	(99,916,949)	8,263,400
Corporate income tax	5,296,087	47,749,243	(44,692,971)	-	8,352,359
Personal income tax	915,656	6,000,540	(5,966,228)	-	949,968
Others	-	1,094,517	(813,064)	-	281,453
	<b>14,308,692</b>	<b>215,845,472</b>	<b>(112,390,035)</b>	<b>(99,916,949)</b>	<b>17,847,180</b>

**15. Accrued expenses**

	<b>31/12/2018</b>	<b>1/1/2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Sales discounts and commission	33,256,071	27,687,606
Promotion expense	35,722,939	24,915,334
Transportation expense	1,331,112	3,241,023
Secondment fee (*)	-	2,854,337
Interest expense	-	169,602
Others	18,996,203	16,708,500
	<b>89,306,325</b>	<b>75,576,402</b>

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

**Interfood Shareholding Company and its subsidiary**  
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**16. Other short-term payables**

	<b>31/12/2018</b>	<b>1/1/2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Dividends payable	505,391	505,391
Non-trade amounts due to a related party	201,817	493,867
Others	301,522	92,914
	<hr/>	<hr/>
	1,008,730	1,092,172
	<hr/> <hr/>	<hr/> <hr/>

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

**Interfood Shareholding Company and its subsidiary**

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**17. Borrowings and liabilities**

**(a) Short-term borrowings**

	<b>1/1/2018</b>		<b>Movements during the year</b>	<b>31/12/2018</b>	
	<b>Carrying amount VND'000</b>	<b>Amount within repayment capacity VND'000</b>	<b>Repayment VND'000</b>	<b>Carrying amount VND'000</b>	<b>Amount within repayment capacity VND'000</b>
Short-term borrowings	181,880,000	181,880,000	(181,880,000)	-	-

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

	<b>Currency</b>	<b>Annual interest rate</b>	<b>31/12/2018 VND'000</b>	<b>1/1/2018 VND'000</b>
Loans from Kirin Holdings Singapore Pte. Ltd	USD	Libor plus 0.8%	-	181,880,000

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**(b) Long-term finance lease liabilities**

	<b>31/12/2018 VND'000</b>	<b>1/1/2018 VND'000</b>
Finance lease liabilities	136,581	169,203

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Terms and conditions of finance lease liabilities were as follows:

	<b>Currency</b>	<b>Annual interest rate</b>	<b>Year of maturity</b>	<b>31/12/2018 VND'000</b>	<b>1/1/2018 VND'000</b>
Liability from Chailease International Leasing Company Limited	VND	21.6%	2021	136,581	169,203

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

	<b>Payments VND'000</b>	<b>Interest VND'000</b>	<b>Principal VND'000</b>
Within 1 year	65,282	25,945	39,337
Within 2 to 5 years	118,817	21,573	97,244
	<hr/> 184,099	<hr/> 47,518	<hr/> 136,581

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**Interfood Shareholding Company and its subsidiary**  
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**18. Provision**

Movements of provision during the year were as follows:

	<b>Severance allowance VND'000</b>
Opening balance	3,576,439
Provision made during the year	540,054
Provision utilised during the year	(590,446)
	<hr/>
Closing balance	3,526,047
	<hr/> <hr/>

**Interfood Shareholding Company and its subsidiary****Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)****Form B 09 – DN/HN***(Issued under Circular No. 200/2014/TT-BTC and No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)***19. Changes in owners' equity**

	<b>Share capital VND'000</b>	<b>Share premium VND'000</b>	<b>Other capital VND'000</b>	<b>Accumulated losses VND'000</b>	<b>Non-controlling interest VND'000</b>	<b>Total VND'000</b>
<b>Balance as at 1 January 2017</b>	871,409,840	85,035,704	57,498,796	(809,395,788)	3,969,570	208,518,122
Net profit for the year	-	-	-	116,089,651	(24,743)	116,064,908
<b>Balance as at 1 January 2018</b>	871,409,840	85,035,704	57,498,796	(693,306,137)	3,944,827	324,583,030
Net profit for the year	-	-	-	180,164,864	(69,130)	180,095,734
<b>Balance as at 31 December 2018</b>	871,409,840	85,035,704	57,498,796	(513,141,273)	3,875,697	504,678,764

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## 20. Share capital

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

	<b>31/12/2018 and 1/1/2018</b>	
	<b>Number of shares</b>	<b>VND'000</b>
<b>Authorised and issued share capital</b>		
Ordinary shares	87,140,992	871,409,920
<hr/>		
<b>Shares in circulation</b>		
Ordinary shares	87,140,984	871,409,840
<hr/>		

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

There were no movements of share capital during the year.

## 21. Other capital

	<b>31/12/2018</b>	<b>1/1/2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Acquisition reserve (i)	(32,535,252)	(32,535,252)
Other capital (ii)	90,034,048	90,034,048
<hr/>		
	57,498,796	57,498,796
<hr/>		

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

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**22. Off balance sheet items**

**(a) Lease commitments**

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

	<b>31/12/2018</b>	<b>1/1/2018</b>
	<b>VND'000</b>	<b>VND'000</b>
Within 1 year	6,085,004	4,115,361
Within 2 to 5 years	9,170,109	1,135,397
	15,255,113	5,250,758
	15,255,113	5,250,758

**(b) Foreign currencies**

	<b>31/12/2018</b>		<b>1/1/2018</b>	
	<b>Original currency</b>	<b>VND'000 equivalent</b>	<b>Original currency</b>	<b>VND'000 equivalent</b>
USD	60,133	1,392,302	67,290	1,524,451
EUR	306	8,165	317	8,600
		1,400,467		1,533,051
		1,400,467		1,533,051



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**23. Revenue from sale of goods**

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

Net revenue comprised of:

	<b>2018</b>	<b>2017</b>
	<b>VND'000</b>	<b>VND'000</b>
Total revenue		
▪ Sale of drinks	1,467,375,905	1,317,091,165
▪ Sale of other products	251,100,246	207,196,076
▪ Sale of scraps	836,602	1,604,938
	1,719,312,753	1,525,892,179
Less revenue deductions		
▪ Sales allowances	141,761,164	104,838,279
▪ Sales returns	6,859	369,249
	141,768,023	105,207,528
Net revenue	1,577,544,730	1,420,684,651

**24. Cost of sales**

	<b>2018</b>	<b>2017</b>
	<b>VND'000</b>	<b>VND'000</b>
Total cost of sales		
▪ Cost of drinks	837,071,202	808,052,176
▪ Cost of other products	116,531,815	110,073,537
	953,603,017	918,125,713

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**25. Financial income**

	<b>2018</b> <b>VND'000</b>	<b>2017</b> <b>VND'000</b>
Interest income from deposits at banks	699,346	849,424
Foreign exchange gains	7,763,699	7,745,266
	<hr/>	<hr/>
	8,463,045	8,594,690
	<hr/>	<hr/>

**26. Financial expenses**

	<b>2018</b> <b>VND'000</b>	<b>2017</b> <b>VND'000</b>
Interest expense	2,444,401	4,496,128
Foreign exchange losses	9,369,743	7,257,356
	<hr/>	<hr/>
	11,814,144	11,753,484
	<hr/>	<hr/>

**27. Selling expenses**

	<b>2018</b> <b>VND'000</b>	<b>2017</b> <b>VND'000</b>
Staff costs and support expense	162,681,531	156,514,297
Advertisement and promotion expenses	100,852,452	79,559,893
Transportation expense	75,374,238	67,005,502
Rental expense	9,723,778	8,523,425
Others	21,197,631	18,619,301
	<hr/>	<hr/>
	369,829,630	330,222,418
	<hr/>	<hr/>

**Interfood Shareholding Company and its subsidiary**  
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**28. General and administration expenses**

	<b>2018</b> <b>VND'000</b>	<b>2017</b> <b>VND'000</b>
Staff costs	12,744,170	12,598,325
Consultant fee	3,143,972	3,673,957
Rental expense	3,481,041	3,308,835
Depreciation and amortisation	3,478,174	2,878,746
Allowance	641,205	844,259
Others	11,706,051	12,644,128
	<hr/> 35,194,613	<hr/> 35,948,250
	<hr/> <hr/>	<hr/> <hr/>

**29. Other income**

	<b>2018</b> <b>VND'000</b>	<b>2017</b> <b>VND'000</b>
Gains from disposals of tangible fixed assets	210,364	380,091
Others	3,863,352	965,270
	<hr/> 4,073,716	<hr/> 1,345,361
	<hr/> <hr/>	<hr/> <hr/>

**30. Other expenses**

	<b>2018</b> <b>VND'000</b>	<b>2017</b> <b>VND'000</b>
Depreciation of idle tangible fixed assets	8,641,790	5,444,090
Others	2,195,445	215,391
	<hr/> 10,837,235	<hr/> 5,659,481
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2018</b>	<b>2017</b>
	<b>VND'000</b>	<b>VND'000</b>
Raw material costs included in production costs	689,063,247	686,684,046
Labour and staff costs and support expense	214,535,717	212,291,287
Depreciation and amortisation	31,417,977	31,384,662
Outside services	456,639,902	389,411,314
Others	28,141,198	25,248,474

**32. Income tax**

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

	<b>2018</b>	<b>2017</b>
	<b>VND'000</b>	<b>VND'000</b>
<b>Current tax expense</b>		
Current year	47,749,243	13,921,299
<b>Deferred tax benefit</b>		
Origination and reversal of temporary differences	(19,042,125)	(1,070,851)
Income tax expense	28,707,118	12,850,448

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

	<b>2018</b>	<b>2017</b>
	<b>VND'000</b>	<b>VND'000</b>
Accounting profit before tax	208,802,852	128,915,356
Tax at the Company's tax rate	41,760,570	25,783,071
Non-deductible expenses	2,489,898	875,850
Recognition of previously unrecognised deferred tax assets	(15,543,350)	-
Previously unrecognised temporary differences	-	(207,070)
Tax losses utilised	-	(13,601,403)
	28,707,118	12,850,448

**Interfood Shareholding Company and its subsidiary**  
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**(c) Applicable tax rates**

**(i) Interfood Shareholding Company**

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

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

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

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

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

**(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.

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Corporate income tax is payable at the rate stipulated by the current regulations on annual profit from processing service, office and workshop lease activity (2018 and 2017: 20%).

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

### **33. Basic earnings per share**

The calculation of basic earnings per share for the year ended 31 December 2018 was based on the net profit attributable to ordinary shareholders of the Company and a weighted average number of ordinary shares outstanding during the year, calculated as follows:

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

	<b>2018</b>	<b>2017</b>
	<b>VND'000</b>	<b>VND'000</b>
Net profit attributable to ordinary shareholders	180,164,864	116,089,651

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

	<b>2018</b>	<b>2017</b>
Weighted average number of ordinary shares for the year	87,140,984	87,140,984

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

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

	<b>Transaction value</b>	
	<b>2018</b>	<b>2017</b>
	<b>VND'000</b>	<b>VND'000</b>
<b>Ultimate Parent Company</b>		
<b>Kirin Holdings Company, Limited</b>		
Secondment fee	5,650,277	6,606,456
<b>Parent Company</b>		
<b>Kirin Holdings Singapore Pte. Ltd</b>		
Loans repaid	181,880,000	-
Interest expense	2,408,388	4,452,518
<b>Other related parties</b>		
<b>Vietnam Kirin Beverage Company Limited</b>		
Processing fee	217,563,476	171,134,922
Purchases of services	2,492,720	2,848,760
Purchases of goods	15,685	-
Sales of goods	29,234	419,432
<b>Members of Board of Directors</b>		
Secondment fee	4,387,680	4,474,937
Salary	1,818,000	1,818,000

**35. Corresponding figures**

Corresponding figures as at 1 January 2018 were derived from the balances and amounts reported in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

22 March 2019

Prepared by:

Approved by:

*Signed*

*Signed and sealed*

Nguyen Hong Phong  
*Chief Accountant*

Yutaka Ogami  
*Chairman – cum General Director*