

**Interfood Shareholding Company
and its subsidiary**

Consolidated Interim Financial Statements
for the six-month period ended
30 June 2019

Interfood Shareholding Company Corporate information

Investment Licence No. 270/GP 16 November 1991

Investment Certificates No.

472033000328 (1 st amendment)	28 November 2007
472033000328 (2 nd amendment)	20 May 2010
472033000328 (3 rd amendment)	22 April 2011
472033000328 (4 th amendment)	18 October 2011
472033000328 (5 th amendment)	14 May 2014
472033000328 (6 th amendment)	30 December 2015
6525867086 (7 th amendment)	5 February 2016
6525867086 (8 th amendment)	28 December 2016
6525867086 (9 th amendment)	25 January 2017
6525867086 (10 th 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
3600245631	5 July 2019

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

Board of Management

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

Interfood Shareholding Company
Corporate information (continued)

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

The Board of Directors of Interfood Shareholding Company (“the Company”) presents this statement and the accompanying consolidated interim financial statements of the Company and its subsidiary (together referred to as “the Group”) for the six-month period ended 30 June 2019.

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

- (a) the consolidated interim financial statements set out on pages 6 to 37 give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated results of operations and its consolidated cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to interim financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the 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 interim financial statements for issue.

On behalf of the Board of Directors

(Signed and sealed)

Yutaka Ogami
Chairman – cum General Director

Dong Nai Province, 22 August 2019

Interfood Shareholding Company and its subsidiary
Consolidated balance sheet as at 30 June 2019

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

	Code	Note	30/6/2019 VND'000	1/1/2019 VND'000
ASSETS				
Current assets (100 = 110 + 130 + 140 + 150)	100		617,860,577	519,707,305
Cash	110	8	334,078,167	262,171,897
Cash	111		334,078,167	262,171,897
Accounts receivable – short-term	130		43,315,695	33,272,625
Accounts receivable from customers	131	9	27,086,808	28,741,447
Prepayments to suppliers	132		17,687,687	6,123,998
Other short-term receivables	136		650,153	516,133
Allowance for doubtful debts	137		(2,108,953)	(2,108,953)
Inventories	140	10	238,638,775	223,853,255
Inventories	141		239,124,811	224,153,307
Allowance for inventories	149		(486,036)	(300,052)
Other current assets	150		1,827,940	409,528
Short-term prepaid expenses	151		1,710,161	293,467
Taxes receivable from State Treasury	153		117,779	116,061

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

Interfood Shareholding Company and its subsidiary
Consolidated balance sheet as at 30 June 2019 (continued)

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

	Code	Note	30/6/2019 VND'000	1/1/2019 VND'000
Long-term assets (200 = 210 + 220 + 260)	200		179,501,796	201,038,294
Accounts receivable – long-term	210		1,750,728	1,750,728
Other long-term receivables	216		1,750,728	1,750,728
Fixed assets	220		139,655,462	153,706,176
Tangible fixed assets	221	11	134,203,700	147,458,258
Cost	222		559,716,413	558,260,814
Accumulated depreciation	223		(425,512,713)	(410,802,556)
Finance lease tangible fixed assets	224	12	95,991	115,852
Cost	225		198,603	198,603
Accumulated depreciation	226		(102,612)	(82,751)
Intangible fixed assets	227	13	5,355,771	6,132,066
Cost	228		14,082,575	14,082,575
Accumulated amortisation	229		(8,726,804)	(7,950,509)
Other long-term assets	260		38,095,606	45,581,390
Long-term prepaid expenses	261	14	27,205,967	27,373,773
Deferred tax assets	262	15	10,889,639	18,207,617
TOTAL ASSETS (270 = 100 + 200)	270		797,362,373	720,745,599

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

Interfood Shareholding Company and its subsidiary
Consolidated balance sheet as at 30 June 2019 (continued)

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

	Code	Note	30/6/2019 VND'000	1/1/2019 VND'000
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		172,626,435	216,066,835
Current liabilities	310		167,871,421	210,971,535
Accounts payable to suppliers	311	16	71,599,449	89,092,470
Advances from customers	312		7,699,372	5,555,632
Taxes payable to State Treasury	313	17	27,144,742	17,847,180
Payable to employees	314		8,014,871	8,161,198
Accrued expenses	315	18	52,398,059	89,306,325
Other short-term payables	319	19	1,014,928	1,008,730
Long-term liabilities	330		4,755,014	5,095,300
Long-term finance lease liabilities	338	20	118,830	136,581
Deferred tax liabilities	341	15	1,015,418	1,432,672
Provision	342	21	3,620,766	3,526,047
EQUITY (400 = 410)	400		624,735,938	504,678,764
Owners' equity	410	22	624,735,938	504,678,764
Share capital	411	23	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	24	57,498,796	57,498,796
Accumulated losses	421		(393,057,578)	(513,141,273)
- Accumulated losses brought forward	421a		(513,141,273)	(693,306,137)
- Net profit for the current period/prior year	421b		120,083,695	180,164,864
Non-controlling interest	429		3,849,176	3,875,697
TOTAL RESOURCES (440 = 300 + 400)	440		797,362,373	720,745,599

22 August 2019

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 interim financial statements

Interfood Shareholding Company and its subsidiary
Consolidated statement of income for the six-month period ended 30 June 2019

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

	Code	Note	Six-month period ended	
			30/6/2019 VND'000	30/6/2018 VND'000
Revenue from sale of goods	01	26	851,339,724	810,876,341
Revenue deductions	02	26	70,873,677	52,901,221
Net revenue (10 = 01 - 02)	10	26	780,466,047	757,975,120
Cost of sales	11	27	444,723,079	451,638,526
Gross profit (20 = 10 - 11)	20		335,742,968	306,336,594
Financial income	21	28	396,299	533,442
Financial expenses	22	29	386,440	2,823,307
<i>In which: Interest expense</i>	23		16,291	1,723,574
Selling expenses	25	30	162,837,271	172,073,816
General and administration expenses	26	31	16,790,750	16,998,657
Net operating profit {30 = 20 + (21 - 22) - (25 + 26)}	30		156,124,806	114,974,256
Other income	31	32	172,483	3,212,339
Other expenses	32	33	5,013,339	5,934,895
Results of other activities (40 = 31 - 32)	40		(4,840,856)	(2,722,556)
Accounting profit before tax (50 = 30 + 40)	50		151,283,950	112,251,700
Income tax expense – current	51	35	24,326,052	19,083,450
Income tax expense/(benefit) – deferred	52	35	6,900,724	(10,458,879)
Net profit after tax (60 = 50 - 51 - 52) (carried forward)	60		120,057,174	103,627,129

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

Interfood Shareholding Company and its subsidiary
Consolidated statement of income for the six-month period ended 30 June 2019
(continued)

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

	Code	Note	Six-month period ended	
			30/6/2019	30/6/2018
			VND'000	VND'000
Net profit after tax (brought forward)	60		120,057,174	103,627,129
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Attributable to:				
Equity holders of the Company	61		120,083,695	103,648,390
Non-controlling interest	62		(26,521)	(21,261)
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Earnings per share				
Basic earnings per share (in VND)	70	36	1,378	1,189
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22 August 2019

Prepared by:

(Signed)

Nguyen Hong Phong
Chief Accountant

Approved by:

(Signed and sealed)

Yutaka Ogami
Chairman – cum General Director

Interfood Shareholding Company and its subsidiary
Consolidated statement of cash flows for the six-month period ended 30 June 2019
(Indirect method)

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

	Code	Note	Six-month period ended 30/6/2019 VND'000	30/6/2018 VND'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Accounting profit before tax	01		151,283,950	112,251,700
Adjustments for				
Depreciation and amortisation	02		15,506,313	15,764,363
Allowances and provisions	03		914,647	22,988
Exchange losses arising from revaluation of monetary items denominated in foreign currencies	04		-	942,027
Profits from investing activities	05		(393,896)	(604,595)
Interest expense	06		16,291	1,723,574
Operating profit before changes in working capital	08		167,327,305	130,100,057
Change in receivables and other assets	09		(10,044,788)	(3,647,463)
Change in inventories	10		(15,418,231)	(26,826,822)
Change in payables and other liabilities	11		(54,356,667)	14,274,213
Changes in prepaid expenses	12		(1,248,888)	1,430,524
Interest paid	14		(16,291)	(1,852,634)
Corporate income tax paid	16		(13,256,716)	(13,310,269)
Net cash flows from operating activities	20		72,985,724	100,167,606
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(1,455,599)	(2,662,916)
Proceeds from disposals of fixed assets	22		-	209,091
Receipts of interest	27		393,896	395,504
Net cash flows from investing activities	30		(1,061,703)	(2,058,321)

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

Interfood Shareholding Company and its subsidiary
Consolidated statement of cash flows for the six-month period ended 30 June 2019
(Indirect method – continued)

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

	Code	Note	Six-month period ended	
			30/6/2019 VND'000	30/6/2018 VND'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments to settle loan principals	34		-	(136,810,000)
Payments to settle finance lease liabilities	35		(17,751)	(15,894)
Net cash flows from financing activities	40		(17,751)	(136,825,894)
Net cash flows during the period (50 = 20 + 30 + 40)	50		71,906,270	(38,716,609)
Cash at the beginning of the period	60		262,171,897	268,014,283
Cash at the end of the period (70 = 50 + 60)	70	8	334,078,167	229,297,674

22 August 2019

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 interim financial statements

Interfood Shareholding Company and its subsidiary
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2019

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

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

1. Reporting entity

(a) Ownership structure

Interfood Shareholding Company (“the Company”) is incorporated as a joint stock company in Vietnam. The Company owns 90.4% of the equity interests in Avafood Shareholding Company (“Avafood”). The consolidated interim financial statements for the six-month period ended 30 June 2019 comprise the Company and its subsidiary, Avafood (together referred to as “the Group”).

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

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

The Company’s shares were listed on the Unlisted Public Company Market in accordance with the Decision No. 717/QĐ-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 30 June 2019, the Group had 631 employees (1/1/2019: 635 employees).

Interfood Shareholding Company and its subsidiary
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2019 (continued)

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

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated interim 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. The consolidated interim financial statements are prepared for the six-month period ended 30 June 2019.

(d) Accounting and presentation currency

The Group's accounting currency is Vietnam Dong ("VND"). The consolidated interim 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 interim financial statements and are consistent with those adopted in the preparation of the latest consolidated annual 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 interim financial statements from the date that control commences until the date that control ceases.

(ii) *Transactions eliminated on consolidation*

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

Interfood Shareholding Company and its subsidiary
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2019 (continued)

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

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

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the account transfer buying rate and the account transfer selling rate at the end of the accounting period, respectively, quoted by the commercial bank where the Company 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 period in which the cost is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

Interfood Shareholding Company and its subsidiary
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2019 (continued)

Form B 09a – DN/HN
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(ii) Depreciation

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

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

(g) Finance lease tangible fixed assets

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

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

(h) Intangible fixed assets

Software

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

(i) Long-term prepaid expenses

(i) *Prepaid land costs*

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

Interfood Shareholding Company and its subsidiary
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2019 (continued)

Form B 09a – DN/HN
(Issued under Circular No. 202/2014/TT-BTC
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(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 accounting period. For the purpose of determining the number of years of service by an employee, the period for which the employee participated in and contributed to unemployment insurance in accordance with prevailing laws and regulations and the period for which severance allowance has been paid by the Group are excluded.

(l) Share capital

Ordinary shares

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

Interfood Shareholding Company and its subsidiary
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2019 (continued)

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

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

(n) Taxation

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

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

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

(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.

Interfood Shareholding Company and its subsidiary
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2019 (continued)

Form B 09a – DN/HN
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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 period in which they are incurred, except where the borrowing costs relate to borrowings in respect of the construction of qualifying assets, in which case the borrowing costs incurred during the period of construction are capitalised as part of the cost of the assets concerned.

(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 period. 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. Seasonality of operations

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

Interfood Shareholding Company and its subsidiary
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2019 (continued)

Form B 09a – DN/HN
(Issued under Circular No. 202/2014/TT-BTC
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5. Changes in accounting estimates

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

6. Changes in the composition of the Group

There were no changes in the composition of the Group since the end of the last annual accounting period which affect the Group's consolidated interim financial statements for the six-month period ended 30 June 2019.

7. 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.

8. Cash

	30/6/2019	1/1/2019
	VND'000	VND'000
Cash on hand	106,986	84,230
Cash at banks	333,971,181	262,087,667
	334,078,167	262,171,897

9. Accounts receivable from customers

(a) Accounts receivable from customers detailed by significant customers

	30/6/2019	1/1/2019
	VND'000	VND'000
VinCommerce General Commercial Services Joint Stock Company	4,890,503	4,806,694
EB Services Company Limited	2,939,031	5,572,328
Saigon Union of Trading Co-operatives	2,673,490	3,898,136
MM Mega Market Vietnam Company Limited	2,576,629	3,202,498
Others	14,007,155	11,261,791
	27,086,808	28,741,447

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(b) Accounts receivable from customers classified by payment term

	30/6/2019	1/1/2019
	VND'000	VND'000
Short-term	27,086,808	28,741,447

10. Inventories

	30/6/2019		1/1/2019	
	Cost	Allowance	Cost	Allowance
	VND'000	VND'000	VND'000	VND'000
Goods in transit	3,831,736	-	26,965	-
Raw materials	58,086,269	(112,570)	61,008,990	-
Tools and supplies	4,850,572	(296,819)	5,467,593	(296,819)
Work in progress	5,676,400	-	4,284,841	-
Finished goods	166,679,834	(76,647)	153,364,918	(3,233)
	239,124,811	(486,036)	224,153,307	(300,052)

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

	Six-month period ended	
	30/6/2019	30/6/2018
	VND'000	VND'000
Opening balance	300,052	314,737
Increase in allowance during the period	632,711	2,606
Allowance utilised during the period	(446,727)	(17,918)
Closing balance	486,036	299,425

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11. Tangible fixed assets

	Buildings VND'000	Machinery and equipment VND'000	Motor vehicles VND'000	Office equipment VND'000	Total VND'000
Cost					
Opening balance	117,748,737	421,475,561	7,231,208	11,805,308	558,260,814
Additions	-	1,192,000	-	263,599	1,455,599
Closing balance	117,748,737	422,667,561	7,231,208	12,068,907	559,716,413
Accumulated depreciation					
Opening balance	43,953,076	354,172,421	5,919,239	6,757,820	410,802,556
Charge for the period	1,994,453	11,745,406	129,788	840,510	14,710,157
Closing balance	45,947,529	365,917,827	6,049,027	7,598,330	425,512,713
Net book value					
Opening balance	73,795,661	67,303,140	1,311,969	5,047,488	147,458,258
Closing balance	71,801,208	56,749,734	1,182,181	4,470,577	134,203,700

Included in tangible fixed assets were assets costing VND69,356 million which were fully depreciated as of 30 June 2019 (1/1/2019: VND66,418 million), but are still in active use.

Net book value of temporarily idle tangible fixed assets amounted to VND11,835 million as of 30 June 2019 (1/1/2019: VND16,648 million).

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12. Finance lease tangible fixed assets

	Office equipment VND'000
Cost	
Opening and closing balance	198,603
<hr/>	
Accumulated depreciation	
Opening balance	82,751
Charge for the period	19,861
<hr/>	
Closing balance	102,612
<hr/>	
Net book value	
Opening balance	115,852
Closing balance	95,991
<hr/>	

13. Intangible fixed assets

	Software VND'000
Cost	
Opening and closing balance	14,082,575
<hr/>	
Accumulated amortisation	
Opening balance	7,950,509
Charge for the period	776,295
<hr/>	
Closing balance	8,726,804
<hr/>	
Net book value	
Opening balance	6,132,066
Closing balance	5,355,771
<hr/>	

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14. Long-term prepaid expenses

	Prepaid land costs VND'000	Renovation expense VND'000	Tools and supplies VND'000	Total VND'000
Opening balance	24,184,015	64,840	3,124,918	27,373,773
Additions	-	722,875	390,597	1,113,472
Amortisation for the period	(347,499)	(103,242)	(830,537)	(1,281,278)
Closing balance	23,836,516	684,473	2,684,978	27,205,967

15. Deferred tax assets and liabilities

	Tax rate	30/6/2019 VND'000	1/1/2019 VND'000
Deferred tax assets:			
Accrued expenses	20%	10,390,872	17,746,047
Allowance for doubtful debts	20%	401,560	401,560
Allowance for inventories	20%	97,207	60,010
		10,889,639	18,207,617
Deferred tax liabilities:			
Fixed assets	20%	1,015,418	1,432,672

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16. Accounts payable to suppliers

(a) Accounts payable to suppliers detailed by significant suppliers

	30/6/2019		1/1/2019	
	Cost VND'000	Amount within payment capacity VND'000	Cost VND'000	Amount within payment capacity VND'000
Vietnam Kirin Beverage Company Limited	18,260,863	18,260,863	17,898,147	17,898,147
Crown Beverage Cans (Dong Nai) Company Limited	9,855,447	9,855,447	24,211,934	24,211,934
Vietnam Chuanli Can Manufacturing Company Limited	9,735,119	9,735,119	10,367,798	10,367,798
Others	33,748,020	33,748,020	36,614,591	36,614,591
	71,599,449	71,599,449	89,092,470	89,092,470

(b) Accounts payable to suppliers classified by payment term

	30/6/2019		1/1/2019	
	Cost VND'000	Amount within payment capacity VND'000	Cost VND'000	Amount within payment capacity VND'000
Short-term	71,599,449	71,599,449	89,092,470	89,092,470

(c) Accounts payable to suppliers who are related parties

	30/6/2019		1/1/2019	
	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	18,260,863	18,260,863	17,898,147	17,898,147

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.

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17. Taxes payable to State Treasury

	1/1/2019	Incurred	Paid	Net-off	30/6/2019
	VND'000	VND'000	VND'000	VND'000	VND'000
Value added tax	8,263,400	77,386,462	(31,164,066)	(47,212,647)	7,273,149
Corporate income tax	8,352,359	24,326,052	(13,256,716)	-	19,421,695
Personal income tax	949,968	2,852,343	(3,344,608)	(7,805)	449,898
Others	281,453	7,000	(3,000)	(285,453)	-
	17,847,180	104,571,857	(47,768,390)	(47,505,905)	27,144,742

18. Accrued expenses

	30/6/2019	1/1/2019
	VND'000	VND'000
Sales discounts and commission	22,034,782	33,256,071
Promotion expense	19,385,085	35,722,939
Transportation expense	4,758,121	1,331,112
Others	6,220,071	18,996,203
	52,398,059	89,306,325

19. Other short-term payables

	30/6/2019	1/1/2019
	VND'000	VND'000
Dividends payable	505,391	505,391
Non-trade amounts due to a related party	214,500	201,817
Others	295,037	301,522
	1,014,928	1,008,730

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

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20. Long-term finance lease liabilities

	30/6/2019	1/1/2019
	VND'000	VND'000
Finance lease liabilities	118,830	136,581

Terms and conditions of finance lease liabilities were as follows:

	Currency	Annual interest rate	Year of maturity	30/6/2019	1/1/2019
				VND'000	VND'000
Liability from Chailease International Leasing Company Limited	VND	21.6%	2021	118,830	136,581

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

	Payments	Interest	Principal
	VND'000	VND'000	VND'000
Within 1 year	65,281	21,500	43,781
Within 2 to 5 years	87,043	11,994	75,049
	152,324	33,494	118,830

21. Provision

Movements of provision during the period were as follows:

	Severance allowance
	VND'000
Opening balance	3,526,047
Provision made during the period	281,936
Provision utilised during the period	(187,217)
Closing balance	3,620,766

Interfood Shareholding Company and its subsidiary**Notes to the consolidated interim financial statements for the six-month period ended 30 June 2019 (continued)****Form B 09a – DN/HN***(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)***22. Changes in owners' equity**

	Share capital VND'000	Share premium VND'000	Other capital VND'000	Accumulated losses VND'000	Non-controlling interest VND'000	Total VND'000
Balance as at 1 January 2018	871,409,840	85,035,704	57,498,796	(693,306,137)	3,944,827	324,583,030
Net profit/(loss) for the period	-	-	-	103,648,390	(21,261)	103,627,129
Balance as at 30 June 2018	871,409,840	85,035,704	57,498,796	(589,657,747)	3,923,566	428,210,159
Net profit/(loss) for the period	-	-	-	76,516,474	(47,869)	76,468,605
Balance as at 1 January 2019	871,409,840	85,035,704	57,498,796	(513,141,273)	3,875,697	504,678,764
Net profit/(loss) for the period	-	-	-	120,083,695	(26,521)	120,057,174
Balance as at 30 June 2019	871,409,840	85,035,704	57,498,796	(393,057,578)	3,849,176	624,735,938

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23. Share capital

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

	30/6/2019 and 1/1/2019	
	Number of shares	VND'000
Authorised and issued share capital		
Ordinary shares	87,140,992	871,409,920
<hr/>		
Shares in circulation		
Ordinary shares	87,140,984	871,409,840
<hr/>		

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

There were no movements of share capital during the period.

24. Other capital

	30/6/2019	1/1/2019
	VND'000	VND'000
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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25. Off balance sheet items

(a) Lease commitments

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

	30/6/2019	1/1/2019
	VND'000	VND'000
Within 1 year	6,109,296	6,085,004
Within 2 to 5 years	6,504,134	9,170,109
	12,613,430	15,255,113
	12,613,430	15,255,113

(b) Foreign currencies

	30/6/2019		1/1/2019	
	Original currency	VND'000 equivalent	Original currency	VND'000 equivalent
USD	8,602	199,814	60,133	1,392,302
EUR	301	8,022	306	8,165
		207,836		1,400,467
		207,836		1,400,467

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26. Revenue from sale of goods

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

Net revenue comprised of:

	Six-month period ended	
	30/6/2019	30/6/2018
	VND'000	VND'000
Total revenue		
▪ Sale of drinks	718,586,585	686,531,014
▪ Sale of other products	132,381,086	123,959,116
▪ Sale of scraps	372,053	386,211
	851,339,724	810,876,341
Less revenue deductions		
▪ Sales discounts	70,873,677	52,894,362
▪ Sales returns	-	6,859
	70,873,677	52,901,221
Net revenue	780,466,047	757,975,120

27. Cost of sales

	Six-month period ended	
	30/6/2019	30/6/2018
	VND'000	VND'000
Total cost of sales		
▪ Cost of drinks	401,147,009	392,399,523
▪ Cost of other products	43,576,070	59,239,003
	444,723,079	451,638,526

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28. Financial income

	Six-month period ended	
	30/6/2019	30/6/2018
	VND'000	VND'000
Interest income from deposits at banks	393,896	395,504
Foreign exchange gains	2,403	137,938
	<hr/>	<hr/>
	396,299	533,442
	<hr/> <hr/>	<hr/> <hr/>

29. Financial expenses

	Six-month period ended	
	30/6/2019	30/6/2018
	VND'000	VND'000
Interest expense	16,291	1,723,574
Foreign exchange losses	370,149	1,099,733
	<hr/>	<hr/>
	386,440	2,823,307
	<hr/> <hr/>	<hr/> <hr/>

30. Selling expenses

	Six-month period ended	
	30/6/2019	30/6/2018
	VND'000	VND'000
Staff costs and support expense	81,460,723	80,636,886
Advertisement and promotion expenses	32,955,298	41,075,152
Transportation expense	35,761,662	36,240,121
Rental expense	4,755,460	4,571,863
Others	7,904,128	9,549,794
	<hr/>	<hr/>
	162,837,271	172,073,816
	<hr/> <hr/>	<hr/> <hr/>

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31. General and administration expenses

	Six-month period ended	
	30/6/2019	30/6/2018
	VND'000	VND'000
Staff costs	6,751,135	6,480,243
Rental expense	1,823,596	1,781,475
Depreciation and amortisation	1,799,600	1,673,516
Consultant fee	1,709,532	1,618,868
Others	4,706,887	5,444,555
	<hr/>	<hr/>
	16,790,750	16,998,657
	<hr/> <hr/>	<hr/> <hr/>

32. Other income

	Six-month period ended	
	30/6/2019	30/6/2018
	VND'000	VND'000
Gains from disposals of tangible fixed assets	-	209,091
Others	172,483	3,003,248
	<hr/>	<hr/>
	172,483	3,212,339
	<hr/> <hr/>	<hr/> <hr/>

33. Other expenses

	Six-month period ended	
	30/6/2019	30/6/2018
	VND'000	VND'000
Depreciation of idle tangible fixed assets	4,812,621	3,805,581
Others	200,718	2,129,314
	<hr/>	<hr/>
	5,013,339	5,934,895
	<hr/> <hr/>	<hr/> <hr/>

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34. Production and business costs by elements

	Six-month period ended	
	30/6/2019	30/6/2018
	VND'000	VND'000
Raw material costs included in production costs	296,700,560	328,838,415
Labour and staff costs and support expense	106,169,758	103,275,521
Depreciation and amortisation	15,506,313	15,764,363
Outside services	233,027,298	209,987,642
Others	11,372,904	17,078,854
	<hr/> <hr/>	<hr/> <hr/>

35. Income tax

(a) Recognised in the consolidated statement of income

	Six-month period ended	
	30/6/2019	30/6/2018
	VND'000	VND'000
Current tax expense		
Current period	24,326,052	19,083,450
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	6,900,724	(10,458,879)
	<hr/>	<hr/>
Income tax expense	31,226,776	8,624,571
	<hr/> <hr/>	<hr/> <hr/>

(b) Reconciliation of effective tax rate

	Six-month period ended	
	30/6/2019	30/6/2018
	VND'000	VND'000
Accounting profit before tax	151,283,950	112,251,700
	<hr/>	<hr/>
Tax at the Company's tax rate	30,256,790	22,450,340
Non-deductible expenses	969,986	1,806,883
Recognition of previously unrecognised deferred tax assets	-	(15,632,652)
	<hr/>	<hr/>
	31,226,776	8,624,571
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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 (for the six-month periods ended 30 June 2019 and 2018: 20%).

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

36. Basic earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2019 was based on the net profit attributable to ordinary shareholders of the Company and a weighted average number of ordinary shares outstanding during the period, calculated as follows:

(a) Net profit attributable to ordinary shareholders

	Six-month period ended	
	30/6/2019	30/6/2018
	VND'000	VND'000
Net profit attributable to ordinary shareholders	120,083,695	103,648,390

(b) Weighted average number of ordinary shares

	Six-month period ended	
	30/6/2019	30/6/2018
Weighted average number of ordinary shares for the period	87,140,984	87,140,984

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37. Significant transactions with related parties

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

	Transaction value	
	Six-month period ended	
	30/6/2019	30/6/2018
	VND'000	VND'000
Ultimate Parent Company		
Kirin Holdings Company, Limited		
Secondment fee	2,892,851	2,848,377
Parent Company		
Kirin Holdings Singapore Pte. Ltd		
Interest expense	-	1,723,574
Other related parties		
Vietnam Kirin Beverage Company Limited		
Processing fee	141,371,745	103,451,025
Purchases of services	992,500	1,350,000
Sales of goods	19,494	6,987
Members of Board of Directors		
Secondment fee	2,232,000	2,191,680
Salary	909,000	909,000

38. Corresponding figures

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

22 August 2019

Prepared by:

Approved by:

(Signed)

(Signed and sealed)

Nguyen Hong Phong
Chief Accountant

Yutaka Ogami
Chairman – cum General Director