

INTERFOOD SHAREHOLDING COMPANY

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

INTERFOOD SHAREHOLDING COMPANY

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FOR THE YEAR ENDED 31 DECEMBER 2006**

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INTERFOOD SHAREHOLDING COMPANY

CORPORATE INFORMATION

Investment Licence No. 270/GP, dated 16 November 1991.

The Investment Licence and subsequent amendments thereto were issued by the Ministry of Planning and Investment covering a period of 40 years from the date of the initial licence.

Board of Management	Mr Pang Tee Chiang	Chairman
	Mr Yau Hau Jan	Member
	Ms Nguyen Thi Kim Lien	Member
	Ms Pang Tze Yi	Member
	Mr Teng Po Wen	Member

Board of Directors	Mr Pang Tee Chiang	General Director
	Mr Yau Hau Jan	Deputy General Director
	Ms Nguyen Thi Kim Lien	Finance Manager

Registered Office Lot 13 Tam Phuoc Industrial Zone, Long Thanh District, Dong Nai Province.

Auditors PricewaterhouseCoopers (Vietnam) Limited.

INTERFOOD SHAREHOLDING COMPANY

STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for financial statements which present fairly the financial position of the Company as at 31 December 2006 and its financial performance and cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

We, the Board of Directors are responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and which enable financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the financial statements. We are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements set out on pages 5 to 27 which present fairly the financial position of the Company as at 31 December 2006 and its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and prevailing regulations in SR Vietnam.

On behalf of the Board of Directors

Pang Tee Chiang
General Director

Ho Chi Minh City, SR Vietnam
30 March 2007

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS
OF INTERFOOD SHAREHOLDING COMPANY**

We have audited the accompanying financial statements of Interfood Shareholding Company ("the Company"), which comprise the balance sheet as at 31 December 2006, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and prevailing regulations in SR Vietnam. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Vietnamese and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2006, and its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and prevailing regulations in SR Vietnam.

Ian S. Lydall
AC No. N.0559/KTV
Authorised signatory

Le Van Hoa
AC No. 0248/KTV

PricewaterhouseCoopers (Vietnam) Limited
Ho Chi Minh City, SR Vietnam
Audit report number HCMxxx
30 March 2007

As indicated in Note 2.1 to the financial statements, the accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam, and furthermore their utilisation is not designed for those who are not informed about SR Vietnam's accounting principles, procedures and practices.

INTERFOOD SHAREHOLDING COMPANY

Form B 01 – DN

**BALANCE SHEET
AS AT 31 DECEMBER 2006**

Code	ASSETS	Note	2006 US\$	2005 US\$
100	CURRENT ASSETS		24,577,694	21,938,313
110	Cash and cash equivalents	3	224,800	204,711
111	Cash		224,800	204,711
130	Accounts receivable		13,019,266	14,213,287
131	Trade accounts receivable	4	4,734,774	8,239,468
132	Prepayments to suppliers		2,829,550	1,885,663
133	Intercompany receivables	23(b)	5,476,078	4,051,441
135	Other receivables	5	67,955	56,746
139	Provision for doubtful debts	4	(89,091)	(20,031)
140	Inventories	6	11,152,556	7,335,659
141	Inventories		11,311,955	7,364,250
149	Provision for decline in value of inventories		(159,399)	(28,591)
150	Other current assets		181,072	184,656
151	Short-term prepayments		-	7,547
152	VAT to be reclaimed		71,896	145,802
154	Other taxes receivable	7	109,176	31,307
200	LONG-TERM ASSETS		14,233,214	13,102,808
220	Fixed assets		14,193,358	11,511,436
221	Tangible fixed assets	8(a)	14,193,358	11,511,436
222	Cost		20,282,568	16,319,052
223	Accumulated depreciation		(6,089,210)	(4,807,616)
230	Construction in progress	8(b)	39,856	1,591,372
270	TOTAL ASSETS		38,810,908	35,041,121

The notes on pages 9 to 27 are an integral part of these financial statements.

INTERFOOD SHAREHOLDING COMPANY

Form B 01 – DN

**BALANCE SHEET
AS AT 31 DECEMBER 2006
(continued)**

Code	RESOURCES	Note	2006 US\$	2005 US\$
300	LIABILITIES		14,100,533	21,827,300
310	Current liabilities		14,033,733	19,799,563
311	Short-term borrowings	9(a)	10,811,777	8,671,861
312	Trade accounts payable		2,437,930	8,720,002
313	Advances from customers		217,034	75,421
314	Taxes and other payables to the State Budget	10	234,635	280,135
315	Payable to employees		95,975	126,136
316	Accrued expenses	11	222,235	111,194
319	Other payables	12	14,147	1,814,814
330	Long-term liabilities		66,800	2,027,737
333	Long-term deposits		2,498	-
334	Long-term borrowings	9(b)	-	1,978,577
336	Provision for severance allowances		64,302	49,160
400	OWNERS' EQUITY		24,710,375	13,213,821
410	Capital and reserves		24,710,375	13,213,821
411	Share capital	13	15,300,000	13,000,000
412	Share premium	14	7,096,759	-
420	Retained earnings	14	2,313,616	213,821
430	TOTAL RESOURCES		38,810,908	35,041,121

**OFF BALANCE SHEET ITEMS
AS AT 31 DECEMBER 2006**

Included in cash and cash equivalents are balances held in currencies other than US\$ of VND2,623 million (2005: VND5,148 million).

Nguyen Thi Kim Lien
Finance Manager

Pang Tee Chiang
General Director
30 March 2007

The notes on pages 9 to 27 are an integral part of these financial statements.

INTERFOOD SHAREHOLDING COMPANY

Form B 02 – DN

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

Code		Note	2006 US\$	2005 US\$
01	Sales		40,829,388	32,462,398
02	Less deductions		(975,573)	(505,940)
10	Net sales	16(a)	39,853,815	31,956,458
11	Cost of sales	17	(32,092,758)	(24,850,303)
20	Gross profit		7,761,057	7,106,155
21	Financial income	16(b)	411,247	4,650
22	Financial expenses	18	(734,131)	(537,577)
24	Selling expenses		(1,757,443)	(1,614,077)
25	General and administration expenses	19	(1,571,428)	(1,213,279)
30	Operating profit		4,109,302	3,745,872
40	Net other income	20	481,561	22,595
50	Net accounting profit before tax		4,590,863	3,768,467
51	Business income tax - current	21(a)	(892,857)	(563,211)
52	Business income tax - deferred	21(b)	-	-
60	Net profit after tax		3,698,006	3,205,256
			2006 US\$	2005 US\$
70	Earnings per share	22	0.166	0.168

Nguyen Thi Kim Lien
Finance Manager

Pang Tee Chiang
General Director
30 March 2007

The notes on pages 9 to 27 are an integral part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006
(Indirect method)

Code	Note	2006 US\$	2005 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
01	Net profit before tax	4,590,863	3,768,467
	Adjustments for:		
02	Depreciation	1,281,594	985,094
03	Provisions	199,868	4,910
05	Profits from disposal of fixed assets	-	(209)
06	Interest expense	734,131	456,605
08	Operating profit before changes in working capital	6,806,456	5,214,867
09	Decrease/(increase) in receivables	1,124,961	(10,045,946)
10	Increase in inventories	(3,947,705)	(2,233,805)
11	(Decrease)/increase in payables	(5,826,783)	6,817,964
12	Decrease in prepaid expenses	3,584	151,533
13	Interest paid	(721,831)	(456,605)
14	Business income tax paid	(1,166,480)	(513,497)
20	Net cash outflows from operating activities	(3,727,798)	(1,065,489)
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets	(2,412,000)	(3,490,044)
22	Proceeds from disposals of fixed assets	-	1,988
30	Net cash outflows from investing activities	(2,412,000)	(3,488,056)
CASH FLOWS FROM FINANCING ACTIVITIES			
31	Proceeds from issuance of shares	9,396,759	-
33	Proceeds from borrowings	26,737,386	5,933,488
34	Repayments of borrowings	(26,576,047)	-
36	Dividends paid	(3,398,211)	(1,560,000)
40	Net cash inflows from financing activities	6,159,887	4,373,488
50	Net increase in cash and cash equivalents	20,089	(180,057)
60	Cash and cash equivalents at beginning of year	204,711	384,768
70	Cash and cash equivalents at end of year	224,800	204,711

Nguyen Thi Kim Lien
Finance Manager

Pang Tee Chiang
General Director
30 March 2007

The notes on pages 9 to 27 are an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006****1 GENERAL INFORMATION**

Interfood Shareholding Company (formerly Interfood Processing Industry Ltd.)- Vietnamese name is Công ty Cổ phần Thực phẩm Quốc tế- (“the Company”) was established in SR Vietnam for a period of 40 years pursuant to Investment Licence No. 270/GP, dated 16 November 1991. The Company was wholly owned by Trade Ocean Holdings Sdn. Bhd., a company incorporated in Malaysia.

The amended Investment Licence No. 270 CPH/GP dated 9 August 2005 allowed the Company to convert into a shareholding company with foreign owned capital under the name of Interfood Shareholding Company with the total investment capital and charter capital of US\$30,000,000 and US\$13,000,000, respectively. The Company’s total number of shares were 13,000,000 with par value of US\$1 per share and held by four founding shareholders.

The amended Investment Licence No. 270 CPH/GPDC2 dated 15 June 2006 allowed the Company to change the par value of its shares from US\$1 per share to VND10,000 per share and the Company’s charter capital changed from US\$13,000,000 to VND206,336,000 thousand. As a result, the total shares of the Company changed from 13,000,000 shares with par value of US\$1 per share to 20,633,600 shares with par value of VND10,000 per share.

The amended Investment Licence No. 270 CPH/GCNDC3 dated 23 August 2006 allowed the Company to increase its charter capital to VND242,841,600 thousand. The total shares of the Company increased to 24,284,160 by registering and issuing 3,620,560 new shares.

On 17 October 2006, the Company listed the 3,620,560 new shares mentioned above on the Ho Chi Minh City Securities Trading Centre after receiving Listing Licence No. 61/UBCK-GPNY issued by the State Security Commission on 29 September 2006. According to the Listing Licence, the founding shareholders were also allowed to sell 2,108,912 shares held by them to the public. The number of shares listed totalled 5,729,472.

The principal activities of the Company are to process agricultural and aquatic products into canned, dried, frozen, salted, and pickled products and the production of biscuits and snack food, carbonated fruit juice and fruit juice with 5% alcohol content, bottled filtered water and PET bottle.

As at 31 December 2006, the Company had 485 employees (2005: 458 employees).

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES**2.1 Basis of preparation of financial statements**

The financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and prevailing regulations in SR Vietnam. The financial statements have been prepared under the historical cost convention.

The accompanying financial statements are not intended to present the financial position and financial performance and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam. The accounting principles and practices utilised in SR Vietnam may differ from those generally accepted in countries and jurisdictions other than SR Vietnam.

In 2006, the Company adopted the following Vietnamese Accounting Standards, which were issued by the Ministry of Finance:

VAS 18: Provisions, contingent assets and liabilities

VAS 28: Segmental reporting

VAS 30: Earnings per share

The effect of adopting these new Standards is set out in the accounting policies below.

2.2 Fiscal year

The Company's fiscal year is from 1 January to 31 December.

2.3 Currency

The financial statements are prepared in United States dollar (US\$) as approved by The Ministry of Finance in Official Letter No. 550 TC/CDKT dated 5 September 1998.

Transactions arising in currencies other than US\$ are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in the income statement.

Monetary assets and liabilities denominated in currencies other than US\$ at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising from these translations are recognised in the income statement.

2.4 Form of records applied

The Company uses the general journal form to record its transactions.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit, demand deposits and other short-term investments with an original maturity of three months or less.

2.6 Trade receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review by management of all outstanding amounts at the year end. Bad debts are written off when identified.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads absorbed based on normal levels of operating activity. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. Provision is made, where necessary, for obsolete, slow-moving and defective inventory items.

2.8 Fixed assets*Tangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

Depreciation

Fixed assets are depreciated on the straight-line method to write off the cost of the assets over the shorter of their estimated useful lives or the remaining period of the Investment Licence. The principal annual rates used are:

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

Disposals

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in the income statement.

2.9 Leased assets

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.10 Borrowing costs

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the income statement when incurred.

2.11 Revenue recognition**(a) Sales of goods**

Revenue from the sale of goods is recognised in the income statement when the 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 likely return of goods.

(b) Interest income

Interest income is recognised on an earned basis.

2.12 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets relating to tax loss carry-forwards are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

2.13 Dividend distribution

The Company's net profit after tax is available for appropriation to shareholders as dividends after approval by shareholders at the Company's Annual General Meeting.

Dividends may be declared and paid based on the estimated earnings of the year to date. Dividends also may be declared and paid in the following year from undistributed earnings as at the balance sheet date based on the approval of shareholders at the Company's Annual General Meeting.

2.14 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2.15 Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

2.16 Provision for severance allowances

In accordance with Vietnamese labour laws, employees of the Company are entitled to a severance allowance based on their years of service. This will be paid as a lump sum when the employee leaves the Company. A provision for severance allowances is made for the estimated liability for employment termination as a result of services rendered by employees up to the balance sheet date. The provision is calculated on the basis of a half-month's salary for each employee for each year of service with the Company, based on salary levels at the balance sheet date.

2.17 Segmental reporting

The Company identifies its operating segments based on market segments where the risks and returns are different in each of the markets. For all periods presented, the Company operated in three segments: domestic sales, export sales and sales of contract manufactured goods.

3 CASH AND CASH EQUIVALENTS

	2006	2005
	US\$	US\$
Cash on hand	22,718	5,750
Cash at bank	202,082	198,961
	<u>224,800</u>	<u>204,711</u>
	<u><u>224,800</u></u>	<u><u>204,711</u></u>

INTERFOOD SHAREHOLDING COMPANY

Form B 09 – DN

4 TRADE ACCOUNTS RECEIVABLE

	2006 US\$	2005 US\$
Trade accounts receivable	4,734,774	8,239,468
Provision for doubtful debts	(89,091)	(20,031)
	<u>4,645,683</u>	<u>8,219,437</u>
	<u><u>4,645,683</u></u>	<u><u>8,219,437</u></u>

The trade accounts receivable include an amount of US\$3.9 million (2005: US\$7.4 million) from one customer.

5 OTHER RECEIVABLES

	2006 US\$	2005 US\$
Advances	57,123	48,060
Deposits and others	10,832	8,686
	<u>67,955</u>	<u>56,746</u>
	<u><u>67,955</u></u>	<u><u>56,746</u></u>

6 INVENTORIES

	2006 US\$	2005 US\$
Goods in transit	1,156,918	-
Raw materials	4,927,022	1,934,266
Tools and supplies	20,469	-
Work in progress	2,168,263	2,221,836
Finished goods	3,039,283	3,208,148
Provision for decline in value of inventories	(159,399)	(28,591)
	<u>11,152,556</u>	<u>7,335,659</u>
	<u><u>11,152,556</u></u>	<u><u>7,335,659</u></u>

7 OTHER TAXES RECEIVABLE

	2006 US\$	2005 US\$
Advanced payment of business income tax	89,945	-
Other taxes	19,231	31,307
	<u>109,176</u>	<u>31,307</u>
	<u><u>109,176</u></u>	<u><u>31,307</u></u>

8 FIXED ASSETS**(a) Tangible fixed assets**

	Buildings US\$	Machinery and equipment US\$	Motor vehicles US\$	Office equipment US\$	Total US\$
Historical cost					
At 1 January 2006	645,558	15,064,990	394,221	214,283	16,319,052
New purchases	-	1,096,963	32,595	1,871	1,131,429
Transferred from construction in progress	-	2,832,087	-	-	2,832,087
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	645,558	18,994,040	426,816	216,154	20,282,568
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation					
At 1 January 2006	182,900	4,265,874	257,198	101,644	4,807,616
Charge for the year	25,398	1,187,014	47,690	21,492	1,281,594
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	208,298	5,452,888	304,888	123,136	6,089,210
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 1 January 2006	462,658	10,799,116	137,023	112,639	11,511,436
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	437,260	13,541,152	121,928	93,018	14,193,358
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

As at 31 December 2006, fixed assets with a carrying value of US\$6,681,130 (2005: US\$8,939,407) have been pledged with banks as security for short-term borrowings granted to the Company by Vietcombank Dong Nai (Note 9(a)).

Total borrowing cost that has been capitalised during the year is US\$50,194 (2005: US\$107,812). The average interest rate used to determine the amount of borrowing cost capitalised is 6.9% per annum (2005: 5.93%).

Included in machinery and equipment is the biscuit production line with historical cost of US\$2,347,508 and net book value, as at 31 December 2006, of US\$1,321,225 being used by Ava Food Industries Ltd. for the production of biscuit products as part of the processing contract the Company entered into with Ava Food Industries Ltd.

Historical cost of fully depreciated fixed assets as at 31 December 2006 was US\$158,152 (2005: Nil).

8 FIXED ASSETS (continued)**(b) Construction in progress**

	2006 US\$	2005 US\$
At 1 January	1,591,372	-
Additions	1,280,571	3,129,091
Transferred to tangible fixed assets	(2,832,087)	(1,537,719)
	<u>39,856</u>	<u>1,591,372</u>
At 31 December	<u><u>39,856</u></u>	<u><u>1,591,372</u></u>

Construction in progress completed and transferred to tangible fixed assets during the year was mainly related to the PET bottle production line.

9 BORROWINGS**(a) Short-term borrowings**

		2006 US\$	2005 US\$
Loans from Vietcombank Dong Nai	(i)	8,931,856	6,978,291
Loans from ANZ Bank	(ii)	1,879,921	693,569
Current portion of long-term loan		-	1,000,001
		<u>10,811,777</u>	<u>8,671,861</u>
		<u><u>10,811,777</u></u>	<u><u>8,671,861</u></u>

(i) Loans from Vietcombank Dong Nai

	2006 US\$	2005 US\$
Denominated in US\$	4,303,297	2,804,274
Denominated in VND	4,628,559	4,174,017
	<u>8,931,856</u>	<u>6,978,291</u>
	<u><u>8,931,856</u></u>	<u><u>6,978,291</u></u>

The Company has short-term credit facilities of US\$9,000,000 from Vietcombank Dong Nai. Total short term borrowings include secured liabilities of US\$6,932,352 (2005: US\$6,978,290). The borrowings are secured by the factory building, machinery and equipment and processing line plus the insured amounts on these properties.

The interest rates for the year ranged from 6.4% to 7.3% per annum (2005: ranged from 5.2% to 6.0% per annum) on drawdowns in US\$, and 9.6% per annum (2005: 9.96% per annum) on drawdowns in VND.

9 BORROWINGS (continued)**(a) Short-term borrowings (continued)***(ii) Loans from ANZ Bank*

	2006 US\$	2005 US\$
Denominated in US\$	1,762,000	-
Denominated in VND	117,921	693,569
	<u>1,879,921</u>	<u>693,569</u>

The Company has short-term credit facilities of US\$2,000,000 from ANZ Bank. Interest is charged at SIBOR plus 1.5% per annum for drawdowns in US\$, and at VNIBOR plus 1.5% per annum for drawdowns in VND. In respect of the loans, there is a set-off arrangement over all of the Company's bank accounts with the Bank.

(b) Long-term borrowings

	2006 US\$	2005 US\$
Long-term loan	-	2,978,578
Less: Amount due within one year	-	(1,000,001)
	<u>-</u>	<u>1,978,577</u>

The Company had a three-year bank loan facility of US\$3,000,000 with Vietcombank Dong Nai. Interest was charged at a rate of 5.93% per annum. The loan was fully repaid in August 2006.

10 TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	2006 US\$	2005 US\$
Business income tax - current	-	183,678
VAT output payable	187,681	94,168
Import duties	43,770	-
Personal income tax	3,184	2,289
	<u>234,635</u>	<u>280,135</u>

INTERFOOD SHAREHOLDING COMPANY

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11 ACCRUED EXPENSES

	2006 US\$	2005 US\$
Transportation	139,091	57,264
Utilities	26,467	17,746
Interest expense	12,300	-
Others	44,377	36,184
	<u>222,235</u>	<u>111,194</u>

12 OTHER PAYABLES

	2006 US\$	2005 US\$
Dividends payable	-	1,800,000
Trade Union, Social and Health Insurance	14,147	8,851
Others	-	5,963
	<u>14,147</u>	<u>1,814,814</u>

13 PAID-IN CAPITAL

	Number of shares	Ordinary shares US\$
At 1 January 2006	20,633,600	13,000,000
Nominal value of shares issued during the year	3,650,560	2,300,000
	<u>24,284,160</u>	<u>15,300,000</u>
At 31 December 2006	<u>24,284,160</u>	<u>15,300,000</u>
	2006 Ordinary shares	2005 Ordinary shares
Number of shares registered	<u>24,284,160</u>	<u>20,633,600</u>
Number of shares issued and existing	<u>24,284,160</u>	<u>20,633,600</u>

In accordance with Decree 144/2003/ND-CP on Securities and Stock Exchange issued by the Vietnamese Government, listed shares must have par value at VND10,000. As a result, par value of the Company's shares was changed from US\$1 to VND10,000 upon listing and the total number of ordinary shares the Company issued prior to 1 January 2006 changed from 13,000,000 to 20,633,600. Shares issued during 2006 were at par value of VND10,000 per share.

14 MOVEMENTS IN OWNERS' EQUITY

	Share capital US\$	Share premium US\$	Retained earnings US\$	Total US\$
At 1 January 2005	11,400,000	-	1,968,565	13,368,565
Reinvestment of retained earnings	1,600,000	-	(1,600,000)	-
Profit for the year	-	-	3,205,256	3,205,256
Dividends paid	-	-	(1,560,000)	(1,560,000)
Dividends declared	-	-	(1,800,000)	(1,800,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	13,000,000	-	213,821	13,213,821
Capital increase during the year	2,300,000	7,096,759	-	9,396,759
Profit for the year	-	-	3,698,006	3,698,006
Dividends paid	-	-	(1,598,211)	(1,598,211)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	15,300,000	7,096,759	2,313,616	24,710,375
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

15 DIVIDENDS

On 5 June 2006, the Company's Board of Management declared interim dividends of US\$1,598,211 payable to the founding shareholders. The dividends were paid in December 2006.

Final dividends of US\$1,407,187 were proposed by the Board of Management on 14 December 2006. The final dividends require approval of the shareholders in the Company's Annual General Meeting to be held in 2007. Accordingly, the final dividends are not recognised in these financial statements.

16 REVENUE**(a) Net sales**

	2006 US\$	2005 US\$
Sales		
Domestic	26,045,397	21,028,884
Export	3,283,991	3,015,508
Contract manufactured goods	11,500,000	8,418,006
	<hr/>	<hr/>
	40,829,388	32,462,398
	<hr/>	<hr/>
Sales deductions		
Sales discounts	(958,709)	(487,270)
Sales returns	(16,864)	(18,670)
	<hr/>	<hr/>
	(975,573)	(505,940)
	<hr/>	<hr/>
	39,853,815	31,956,458
	<hr/> <hr/>	<hr/> <hr/>

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16 REVENUE (continued)

(b) Financial income

	2006	2005
	US\$	US\$
Interest income from bank deposits	17,543	4,650
Interest income from loan to a related party	359,314	-
Foreign exchange gains	34,390	-
	<u>411,247</u>	<u>4,650</u>
	<u><u>411,247</u></u>	<u><u>4,650</u></u>

17 COST OF SALES

	2006	2005
	US\$	US\$
Raw materials	28,159,712	21,541,067
Labour costs	756,601	747,545
Depreciation expense	1,212,413	934,413
Other expenses	1,964,032	1,627,278
	<u>32,092,758</u>	<u>24,850,303</u>
	<u><u>32,092,758</u></u>	<u><u>24,850,303</u></u>

18 FINANCIAL EXPENSES

	2006	2005
	US\$	US\$
Interest expense	734,131	456,605
Foreign exchange losses	-	80,972
	<u>734,131</u>	<u>537,577</u>
	<u><u>734,131</u></u>	<u><u>537,577</u></u>

19 GENERAL AND ADMINISTRATION EXPENSES

The following items have been included in general and administration expenses:

	2006	2005
	US\$	US\$
Depreciation of tangible fixed assets	60,936	45,770
Staff costs	573,121	485,468
Doubtful debts charge in the year	24,333	-
	<u>658,390</u>	<u>531,238</u>
	<u><u>658,390</u></u>	<u><u>531,238</u></u>

20 NET OTHER INCOME

		2006	2005
		US\$	US\$
Other income			
Business income tax refund	(i)	400,392	-
Sundry income		132,519	120,895
		<u>532,911</u>	<u>120,895</u>
Other expenses			
Sundry expenses		(51,350)	(98,300)
Net other income		<u>481,561</u>	<u>22,595</u>

- (i) Business income tax refund of US\$400,392 was granted and received, in cash, from the tax authority in 2006 as a result of the Company reinvesting its retained earnings of a total amount of US\$4.3 million in 2001 (US\$2.9 million) and in 2002 (US\$1.4 million). The Company recognised the tax refund in the year it received the approval from the Ministry of Finance.

21 TAXATION**(a) Provision for business income tax**

The Company was granted a business income tax (“BIT”) rate of 15% for a period of 12 years from 1994, the first year it commenced commercial operations. A BIT rate of 25% is applied from 2006 onwards.

According to Decree No. 164/2003/NĐ-CP dated 22 December 2003 issued by the Office of the Prime Minister, 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, Long Thanh District. As a result, income derived from this line is exempt from BIT for two years and a reduction of 50% for the following two years. Also 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 BIT and a reduction of 50% for the following four years applied to income derived from the new production lines.

In accordance 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 is in the process of registering with the tax authority to apply the incentives commencing from 2007. The registration has not been completed at the date of this report.

21 TAXATION (continued)**(a) Provision for business income tax (continued)**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of 25% as regulated in the Investment Licence of the Company is as follows:

	2006 US\$	2005 US\$
Net accounting profit before tax	4,590,863	3,768,467
Tax calculated at a rate of 25% (2005: 15%)	1,147,716	565,270
Effect of:		
Income not subject to tax	(304,628)	(2,546)
Expenses not deductible for tax purposes	49,769	487
Business income tax charge	<u>892,857</u>	<u>563,211</u>

The business income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustment by the tax authorities.

(b) Deferred income tax

No deferred income tax assets or liabilities were recognised as there were no major temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The Company's effective BIT rate for 2007 is insignificant due to the given tax incentives, therefore any deferred tax assets or liabilities relating to temporary differences identified in the year would not have a material impact on the Company's financial statements.

22 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year:

	2006 US\$	2005 US\$
Net profit attributable to shareholders	3,698,006	3,205,256
Weighted average number of ordinary shares in issue	22,306,773	19,046,400
Basic earnings per share	<u>0.166</u>	<u>0.168</u>

23 RELATED PARTY TRANSACTIONS

The Company is controlled by Trade Ocean Holdings Sdn. Bhd., a company incorporated in Malaysia which owns 57% of the Company's share capital as at 31 December 2006.

Other related parties that the Company conducted business with during the year included:

- Ava Food Industries Ltd., a company incorporated in Vietnam and is wholly owned by the Company's Chairman and General Director.
- Interfood Processing Industry (Can Tho) Ltd., a company incorporated in Vietnam and is wholly owned by the Company's Chairman and General Director.
- Trade Ocean Exporters Sdn. Bhd., a company incorporated in Malaysia and is controlled by Trade Ocean Holdings Sdn. Bhd.
- Wonderfarm Biscuits & Confectionery Sdn. Bhd., a company incorporated in Malaysia and is controlled by the Company's Chairman and General Director.

(a) Related party transactions

During the year, the following transactions were carried out with related parties:

i) Loans to Ava Food Industries Ltd.

	2006	2005
	US\$	US\$
Opening balance	2,984,919	246,720
Loans granted in the year	4,931,297	4,012,360
Interest charged in the year	359,314	-
Repayments received in the year	(3,776,175)	(1,274,161)
	<hr/>	<hr/>
Closing balance	4,499,355	2,984,919
	<hr/> <hr/>	<hr/> <hr/>

In 2006, the Company formalised the amounts it advanced to Ava Food Industries Ltd. into a loan facility of US\$4,000,000 charging interest at a rate of 9.6% per annum. Drawdown amounts that exceeded the facility limit are subject to the same interest rate. The total outstanding amount as at 31 December 2006 is unconditionally and irrevocably guaranteed by the Company's Chairman and General Director.

23 RELATED PARTY (continued)**(a) Related party transactions (continued)****ii) Purchases of goods and services from Ava Food Industries Ltd.**

	2006	2005
	US\$	US\$
Office, warehouse and workshop rentals	416,688	-
Materials purchased and processing fees charged	1,177,630	-
	<u>1,594,318</u>	<u>-</u>

iii) Advances to Interfood Processing Industry (Can Tho) Ltd.

	2006	2005
	US\$	US\$
Opening balance	75,382	-
Advances made during the year	977,101	75,382
Repayments received during the year	(75,760)	-
	<u>976,723</u>	<u>75,382</u>

Advances to Interfood Processing Industry (Can Tho) Ltd. are interest free and have no fixed terms of repayment. The amounts advanced are unconditionally and irrevocably guaranteed by the Company's Chairman and General Director.

iv) Dividends paid

	2006	2005
	US\$	US\$
Trade Ocean Holdings Sdn. Bhd.	2,289,870	1,051,200
Founding shareholders/Company's directors	1,108,341	508,800
	<u>3,398,211</u>	<u>1,560,000</u>

v) Others

	2006	2005
	US\$	US\$
Repayments received from advances made to:		
Trade Ocean Exporters Sdn. Bhd.	88,241	436,500
Wonderfarm Biscuits & Confectionery Sdn. Bhd.	902,899	-
	<u>991,140</u>	<u>436,500</u>

23 RELATED PARTY (continued)**(a) Related party transactions (continued)****vi) Compensation of key management**

	2006	2005
	US\$	US\$
Gross salaries and other benefits	92,671	79,903

(b) Year end balances with related parties

	2006	2005
	US\$	US\$
Receivables		
Trade Ocean Exporters Sdn. Bhd.	-	88,241
Wonderfarm Biscuits & Confectionery Sdn. Bhd.	-	902,899
Ava Food Industries Ltd.	4,499,355	2,984,919
Interfood Processing Industry (Can Tho) Ltd.	976,723	75,382
	<u>5,476,078</u>	<u>4,051,441</u>

24 SEGMENTAL INFORMATION

At 31 December 2006, management has determined reportable segments; namely domestic sales, export sales and sales of contract manufactured goods. The Company analyses segment revenue and cost of revenue.

The segment results for the year ended 31 December 2006 are as follows:

	Domestic	Export	Contract	Total
	US\$	US\$	manufactured	US\$
			goods	
			US\$	US\$
Sales revenue	25,069,824	3,283,991	11,500,000	39,853,815
Cost of sales	(19,580,461)	(2,564,797)	(9,947,500)	(32,092,758)
Gross profit	<u>5,489,363</u>	<u>719,194</u>	<u>1,552,500</u>	<u>7,761,057</u>

Contract manufactured goods are for sales outside Vietnam.

24 SEGMENTAL INFORMATION (continued)

The segment results for the year ended 31 December 2005 are as follows:

	Domestic US\$	Export US\$	Contract manufactured goods US\$	Total US\$
Sales revenue	20,522,944	3,015,508	8,418,006	31,956,458
Cost of sales	(15,318,254)	(2,250,474)	(7,281,575)	(24,850,303)
Gross profit	<u>5,204,690</u>	<u>765,034</u>	<u>1,136,431</u>	<u>7,106,155</u>

Contract manufactured goods are for sales outside Vietnam.

25 COMMITMENTS UNDER OPERATING LEASES

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

	2006 US\$	Property 2005 US\$
Within 1 year	397,300	385,988
Between 1 and 5 years	1,549,005	1,543,953
Over 5 years	1,755,940	2,141,928
Total minimum payments	<u>3,702,245</u>	<u>4,071,869</u>

Operating lease commitments represent land, office, warehouse and workshop rentals for the Company's factories and branches.

26 CAPITAL COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	2006 US\$	2005 US\$
Property, plant and equipment	<u>28,229</u>	<u>-</u>

27 OTHER COMMITMENTS

	2006 US\$	2005 US\$
Purchase commitments	965,120	-
	<u> </u>	<u> </u>

28 SUBSEQUENT EVENTS

On 5 March 2007, the Board of Management passed a resolution for the Company to acquire 90% shareholding in Ava Food Industries Ltd., a company under the common ownership of the Company's Chairman and General Director. The outcome of the negotiation will be submitted to the shareholders for approval in the Company's Annual General Meeting to be held on 25 April 2007.

29 COMPARATIVE FIGURES

Certain comparative figures in the financial statements have been reclassified to conform with the current year's presentation.

The financial statements were approved by the Board of Directors on 30 March 2007.

 Nguyen Thi Kim Lien
 Finance Manager

 Pang Tee Chiang
 General Director