INTERFOOD SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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INTERFOOD SHAREHOLDING COMPANY

CORPORATE INFORMATION

Investment Certificate No.	472033000328 dated 28 November 2007	
	The Investment Certificate was issued by the Board of Management of Dong Nai Industrial Zone covering a period of 50 years from the date of the initial investment licence No. 270/GP dated 16 November 1991 issued by the Ministry of Planning and Investment.	
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 Director
Legal Representative	Mr Pang Tee Chiang	Chairman, General Director
Registered Office	Lot 13 Tam Phuoc Industrial Zone, Long Thanh District, Dong Nai Province, Vietnam.	
Auditor	PricewaterhouseCoopers (Vietnam) Limited	

INTERFOOD SHAREHOLDING COMPANY

STATEMENT OF THE RESPONSIBILITY OF MANAGEMENT IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for consolidated financial statements which give a true and fair view of the financial position of Interfood Shareholding Company and its subsidiaries (collectively "the Group") as at 31 December 2008 and of the results of its operations and cash flows for the year then ended. In preparing these consolidated financial statements, the management is required to:

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

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

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

I hereby approve the accompanying consolidated financial statements as set out on pages 5 to 37 which give a true and fair view of the financial position of the Group as at 31 December 2008 and of the results of its operations 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

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Pang Tee Chiang
Chairman, General Director

Ho Chi Minh City, SR Vietnam
11 August 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers (Vietnam) Ltd.
4th Floor, Saigon Tower
29 Le Duan Street, District 1
Ho Chi Minh City
Vietnam
Telephone: (84-8) 3823 0796
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INTERFOOD SHAREHOLDING COMPANY

We have audited the accompanying consolidated financial statements of Interfood Shareholding Company and its subsidiaries (collectively "the Group"), which comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management of the Group is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. Except as set out under the Basis for Qualified Opinion paragraphs below, we conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

PRICEWATERHOUSECOOPERS

Basis for Qualified Opinion

During the year ended 31 December 2008, Interfood Shareholding Company ("the Company") recorded sales transactions amounting to US$1.3 million, for which proceeds were collected in cash. The Company's accounting records do not adequately explain and support these sales transactions. Accordingly, we were unable to obtain sufficient appropriate audit evidence to ensure the occurrence of these sales transactions and we were unable to satisfy ourselves by other audit procedures.

The inventory balance as at 31 December 2008 included the inventory carrying value of the Company amounting to US$6,302,404. In respect of this balance, there were differences between the physical count records and the accounting records. The Company has been unable to satisfactorily explain these differences. We were unable to satisfy ourselves as to the completeness and accuracy of the inventory balance of the Company by other audit procedures.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs above, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2008, and of 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 HCM2329
11 August 2009

As indicated in Note 2.1 to the consolidated financial statements, the accompanying consolidated 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/HN

CONSOLIDATED BALANCE SHEET

Code	ASSETS	Note	As at 31 December 2008 US$	2007 US$
100	**CURRENT ASSETS**		**10,230,649**	**14,948,717**
110	**Cash and cash equivalents**	3	**232,265**	**435,143**
111	Cash		232,265	435,143
130	**Accounts receivable**		**1,997,184**	**3,385,827**
131	Trade accounts receivable		265,376	1,050,230
132	Prepayments to suppliers		1,629,043	2,418,968
135	Other receivables	4	197,853	5,720
139	Provision for doubtful debts		(95,088)	(89,091)
140	**Inventories**	5	**7,197,738**	**10,840,183**
141	Inventories		7,558,127	11,109,566
149	Provision for decline in value of inventories		(360,389)	(269,383)
150	**Other current assets**		**803,462**	**287,564**
151	Short-term prepayments		150,222	7,380
152	Value Added Tax to be reclaimed		445,040	7,352
154	Other taxes receivable	6	106,907	193,641
158	Other current assets		101,293	79,191
200	**LONG-TERM ASSETS**		**59,283,777**	**44,913,182**
220	**Fixed assets**		**54,895,842**	**26,456,047**
221	Tangible fixed assets	7(a)	25,508,965	21,848,196
222	Cost		35,874,145	30,109,667
223	Accumulated depreciation		(10,365,180)	(8,261,471)
230	Construction in progress	7(b)	29,386,877	4,607,851
260	**Other long-term assets**		**4,387,935**	**18,457,135**
261	Long-term prepayments	8	2,050,870	2,433,377
262	Deferred income tax assets	9	2,337,065	-
268	Other long-term assets	10	-	16,023,758
270	**TOTAL ASSETS**		**69,514,426**	**59,861,899**

The notes on pages 10 to 37 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET (continued)

			As at 31 December	
			2008	2007
Code	**RESOURCES**	**Note**	**US$**	**US$**
300	**LIABILITIES**		**59,903,298**	**36,207,488**
310	**Current liabilities**		**58,115,710**	**34,639,869**
311	Short-term borrowings	11(a)	37,219,168	27,554,765
312	Trade accounts payable		10,281,541	4,506,680
313	Advances from customers		306,285	300,225
314	Taxes and other payables to the State Budget	12	821,032	29,176
315	Payable to employees		350,880	208,912
316	Accrued expenses	13	2,976,590	432,816
319	Other payables	14	6,160,214	1,607,295
330	**Long-term liabilities**		**1,787,588**	**1,567,619**
332	Long-term borrowings	11(b)	1,628,473	1,469,063
333	Long-term deposits		1,255	1,255
336	Provision for severance allowances		157,860	97,301
400	**OWNERS' EQUITY**		**9,611,128**	**23,654,411**
410	**Capital and reserves**		**8,531,788**	**23,312,080**
411	Owners' capital	15, 16	18,313,995	18,313,995
412	Share premium	16	4,082,759	4,082,759
416	Foreign exchange differences	16	623,589	-
419	Other reserves	16	(1,562,092)	(1,562,092)
420	(Accumulated losses)/undistributed earnings	16	(12,926,463)	2,477,418
500	**MINORITY INTEREST**	17	**1,079,340**	**342,331**
440	**TOTAL RESOURCES**		**69,514,426**	**59,861,899**

OFF BALANCE SHEET ITEMS

Included in cash and cash equivalents are balances held in currencies other than United States dollars of VND3,470 million and EUR250 (2007: VND4,945 million).

Nguyen Thi Kim Lien
Finance Director

Pang Tee Chiang
Chairman, General Director
11 August 2009

The notes on pages 10 to 37 are an integral part of these consolidated financial statements.

INTERFOOD SHAREHOLDING COMPANY

Form B 02 – DN/HN

CONSOLIDATED INCOME STATEMENT

Code		Note	Year ended 31 December 2008 US$	2007 US$
01	**Sales**		**52,291,527**	**47,051,809**
02	Less deductions		(3,298,256)	(2,278,262)
10	**Net sales**	18(a)	**48,993,271**	**44,773,547**
11	**Cost of sales**	19	**(46,504,631)**	**(35,024,270)**
20	**Gross profit**		**2,488,640**	**9,749,277**
21	Financial income	18(b)	760,842	288,129
22	Financial expenses	20	(3,609,186)	(1,054,599)
24	Selling expenses	21	(4,059,488)	(2,530,550)
25	General and administration expenses	22	(3,316,088)	(2,006,255)
30	**Operating (loss)/profit**		**(7,735,280)**	**4,446,002**
40	**Net other (loss)/income**	23	**(10,173,421)**	**196,507**
50	**Net accounting (loss)/profit before tax**		**(17,908,701)**	**4,642,509**
51	**Business income tax – current**	24	**(95,236)**	**(405,586)**
52	**Business income tax – deferred**	9	**2,337,065**	**-**
60	**Net (loss)/profit after tax**		**(15,666,872)**	**4,236,923**
61	**Minority interest**		**262,991**	**(15,897)**
62	**Net (loss)/profit for the year**		**(15,403,881)**	**4,221,026**
			US$	**US$**
70	**Basic (loss)/earnings per share**	25	**(0.529)**	**0.144**

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Nguyen Thi Kim Lien
Finance Director

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Pang Tee Chiang
Chairman, General Director
11 August 2009

The notes on pages 10 to 37 are an integral part of these consolidated financial statements.

INTERFOOD SHAREHOLDING COMPANY

Form B 03 – DN/HN

CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

Code		Note	Year ended 31 December 2008 US$	2007 US$
	CASH FLOWS FROM OPERATING ACTIVITIES			
01	**Net (loss)/profit before tax**		**(17,908,701)**	**4,642,509**
	Adjustments for:			
02	Depreciation and amortisation	7(a)	2,107,929	1,574,196
03	Provisions		97,003	142,254
04	Unrealised foreign exchange gains		(437,212)	-
05	Losses/(profits) from investing activities		9,804,944	(7,835)
06	Interest expense	20	3,187,054	1,054,599
08	**Operating (loss)/profit before changes in working capital**		**(3,148,983)**	**7,405,723**
09	Decrease in receivables		1,144,923	4,531,408
10	Decrease in inventories		3,551,439	1,103,457
11	Increase/(decrease) in payables		5,096,288	(130,149)
12	Decrease in prepaid expenses		239,665	1,772,850
13	Interest paid		(1,055,113)	(1,084,503)
14	Business income tax paid		-	(422,548)
20	**Net cash inflows from operating activities**		**5,828,219**	**13,176,238**
	CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets and other long-term assets		(18,353,342)	(22,453,215)
22	Proceeds from disposals of fixed assets and other long term assets		438,808	88,620
25	Investment in subsidiary		-	(1,930,769)
28	Capital contribution from minority shareholders		1,000,000	-
30	**Net cash outflows from investing activities**		**(16,914,534)**	**(24,295,364)**
	CASH FLOWS FROM FINANCING ACTIVITIES			
32	Payment for shares repurchases		-	(5)
33	Proceeds from borrowings		78,677,528	63,085,939
34	Repayments of borrowings		(68,416,503)	(47,724,683)
36	Dividends paid		(1,177)	(4,031,782)
40	**Net cash inflows from financing activities**		**10,259,848**	**11,329,469**
50	**Net (decrease)/increase in cash and cash equivalents**		**(826,467)**	**210,343**
60	**Cash and cash equivalents at beginning of year**	3	**435,143**	**224,800**
61	Effects of foreign exchange differences		623,589	-
70	**Cash and cash equivalents at end of year**	3	**232,265**	**435,143**

The notes on pages 10 to 37 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)
(continued)

Major non-cash transactions in the year were:

- Capital contribution to Interfood Packaging Limited (formerly known as Interfood Packaging Shareholding Company) in form of assets: US$9 million (Note10(b)).

- Fixed asset purchases amounting to US$4.4 million was paid directly by the Chairman on behalf of the Group. As at the balance sheet date, the amount is included in other payables due to the Chairman (Note 14).

- Fixed asset purchases amounting to US$2.2 million were not paid to the suppliers. As at the balance sheet date, the amount is included in trade accounts payable.

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Nguyen Thi Kim Lien	Pang Tee Chiang
Finance Director	Chairman, General Director
	11 August 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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 50 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 was 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 Securities 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.

Pursuant to Investment Certificate No. 472033000328 dated 28 November 2007 issued by the Board of Management of Dong Nai Industrial Zone, the total investment capital of the Company is VND144,450 billion, equivalent to US$90 million. The charter capital of the Company is VND291,409,920 thousand. The total shares of the Company increased to 29,140,992 at par value of VND10,000 per share by registering and issuing 4,820,832 new shares, in which 1,145,887 shares were allowed to be listed. This resulted in 6,875,359 shares being listed.

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; to manufacture packaging for foods and beverages.

On 30 June 2007, the Company acquired 90% of the paid-up share capital of AvaFood Shareholding Company (formerly AvaFood Industries Ltd.) (“AvaFood”) at par value per share from Wonderfarm Biscuits & Confectionery Sdn. Bhd.

1 GENERAL INFORMATION (continued)

Pursuant to Investment Certificate No. 472033000355 dated 31 December 2007 issued by the Board of Management of Dong Nai Industrial Zone, AvaFood was allowed to convert into a shareholding company under the name of AvaFood Shareholding Company with the total investment capital of VND259,200 million, equivalent to US$16,000,000. The charter capital of AvaFood is VND81,000 million, equivalent to US$5,000,000. AvaFood's total number of shares was 8,100,000 with par value of VND10,000 per share.

The principal activities of AvaFood are to produce 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; and to lease workshop.

During 2008, the Company established Interfood Packaging Limited (formerly Interfood Packaging Shareholding Company) as a 90% owned subsidiary. Interfood Packaging Limited was established in SR Vietnam pursuant to Investment Certificate No. 472033000464, dated 6 May 2008 which was issued by the Board of Management of Dong Nai Industrial Zone for a period of 46 years from the date of the initial Investment Certificate.

The amended Investment Certificate No. 472043000464 dated 24 December 2008 allowed Interfood Packaging Shareholding Company to convert into a limited company with two members or more, under the name of Interfood Packaging Limited with the total investment capital of VND513,600 million, equivalent to US$32,000,000. The charter capital of the Interfood Packaging Limited is VND160,050 million, equivalent to US$10,000,000.

The principal activity of Interfood Packaging Limited is to produce packaging materials for foods and soft drinks.

On 14 February 2008, Northern Interfood Shareholding Company received the approval from the Board of Management of Bac Ninh Industrial Park to be established for a period of 50 years pursuant to Investment Certificate No. 212032.000111 with total investment capital and charter capital of US$36 million and US$11 million respectively. As at 31 December 2008, the Company has not yet contributed the capital to Northern Interfood Shareholding Company.

The Company and its subsidiaries are hereafter collectively referred to as "the Group".

As at 31 December 2008, the Group had 1,425 employees (2007: 1,317 employees).

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES

2.1 Basis of preparation of consolidated financial statements

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

The accompanying consolidated 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.

During the year, due to the material adverse changes in financial market conditions in Vietnam, such as high inflation, credit-tightening policies of the Government and the worldwide financial crisis, the Group had certain financial difficulties and defaulted some bank loan agreements (Note 11) and a contract for purchasing of fixed assets (Note 10(a)). The Group incurred a net loss of US$15,403,881 for the year ended 31 December 2008. As of the balance sheet date, the Group's current liabilities exceeded its current assets by US$47,885,061, which mainly resulted from the short-term bank loans of US$37,219,168.

During June to August 2009, the Group received additional funding through the sale of its subsidiary (Note 10(b)) of US$21.5 million. Of which, US$4.7 million received through the sale of 70% of the shares in the subsidiary and US$16.8 million received through additional loan provided by the buyer to the subsidiary and the subsidiary used this amount to repay a loan from Interfood Shareholding Company. In August 2009, the Group repaid US$21.5 million outstanding loans and interest payables from banks using this funding. After the repayments, the defaults of all loan agreements have been resolved and the remaining 2008 bank loan balance was US$17 million. Of which, US$14.4 million was the loan from Vietcombank Dong Nai. The Group has also received a letter from Vietcombank Dong Nai expressing its intention to renew the Group's existing US$12 million short-term loan agreement due on 30 September 2009 for a period of at least 12 months from its expiry date. Based on these events, the management of the Company determined that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2.2 Fiscal year

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

2.3 Currency

The Group's consolidated financial statements are measured and presented using 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. 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.

2.3 Currency (continued)

Exchange differences arising from these translations are recognised in the income statement.

During the pre-operating phase, exchange differences arising are retained in reserves. Exchange differences are recognised in the income statement in the year of commencement of operations.

2.4 Form of records applied

The Group 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 and the remaining period of the Investment Certificate. The principal annual rates used are:

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

2.8 Fixed assets (continued)

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 Consolidation

The Group prepared its consolidated financial statements in accordance with Vietnamese Accounting Standard 25 – *Consolidated Financial Statements and Accounting for Investments in Subsidiaries*.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired ("negative goodwill"), the difference is recognised directly in the income statement.

For a business combination involving entities under common control, identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are recognised at the acquiree's carrying value at the acquisition date, irrespective of the extent of any minority interest. The difference between the consideration given and the aggregate carrying value of the assets and liabilities of the acquired entity is recorded as other reserve under shareholders' equity. No goodwill is created from a business combination of entities under common control.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.10 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.

2.11 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.

2.12 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.

2.13 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 consolidated 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.

2.14 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.

2.15 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 Group, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group 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.

2.16 Provisions

Provisions are recognised when: the Group 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 expenditures expected to be required to settle the obligation. If the time value of money is material, provisions will be measured at their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expenses.

2.17 Provision for severance allowances

In accordance with Vietnamese labour laws, employees of the Group 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 Group. 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 Group, based on salary levels at the balance sheet date.

2.18 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. In addition, there are two main kinds of product: Drinks and Biscuits.

3 CASH AND CASH EQUIVALENTS

	2008 US$	2007 US$
Cash on hand	59,151	50,466
Cash at bank	173,114	384,677
	232,265	435,143

4 OTHER RECEIVABLES

	2008 US$	2007 US$
Receivable from disposal of fixed assets (*)	156,358	-
Other receivable	41,495	5,720
	197,853	5,720

(*) Balance represents the receivable on disposal of a vehicle to An Phu My Trading Service Construction Company Limited, which is 50% owned and managed by an employee of the Company.

5 INVENTORIES

	2008 US$	2007 US$
Goods in transit	373,232	1,250,565
Raw materials	3,173,674	4,224,211
Tools and supplies	164,580	229,085
Work in progress	1,421,288	2,206,974
Finished goods	2,425,353	3,198,731
Provision for decline in value of inventories	(360,389)	(269,383)
	7,197,738	10,840,183

6 OTHER TAXES RECEIVABLE

	2008 US$	2007 US$
Advanced payment of business income tax	106,907	106,907
Import duties to be deducted	-	68,524
Other taxes	-	18,210
	106,907	193,641

7 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 2008	4,390,798	24,881,742	495,619	341,508	**30,109,667**
New purchases	200,089	1,081,735	330,639	21,569	**1,634,032**
Transfer from construction in progress	830,860	3,498,113	7,290	-	**4,336,263**
Disposal	-	(57,828)	(137,658)	(10,331)	**(205,817)**
At 31 December 2008	5,421,747	29,403,762	695,890	352,746	**35,874,145**
Accumulated depreciation					
At 1 January 2008	395,275	7,347,589	360,211	158,396	**8,261,471**
Charge for the year	177,844	1,845,911	52,338	31,836	**2,107,929**
Disposal	-	-	(3,092)	(1,128)	**(4,220)**
At 31 December 2008	573,119	9,193,500	409,457	189,104	**10,365,180**
Net book value					
At 1 January 2008	3,995,523	17,534,153	135,408	183,112	**21,848,196**
At 31 December 2008	4,848,628	20,210,262	286,433	163,642	**25,508,965**

As at 31 December 2008, buildings, machinery and equipment with a carrying value of US$18,906,614 (2007: US$11,349,241) have been pledged as security for short-term borrowings granted to the Group by Vietcombank Dong Nai (Note 11(a)).

Historical cost of fully depreciated fixed assets as at 31 December 2008 was US$1,582,688 (2007: US$363,435).

7 FIXED ASSETS (continued)

(b) Construction in progress

	2008 US$	2007 US$
At 1 January	4,607,851	39,856
Additions	29,115,289	5,223,516
Acquisition of AvaFood	-	804,808
Transferred to tangible fixed assets	(4,336,263)	(1,460,329)
At 31 December	29,386,877	4,607,851

The balance at 2008 year-end primarily related to the two-piece canning lines, plant equipments, and factory building for Interfood Packaging Limited.

Construction in progress completed and transferred to tangible fixed assets during the year was mainly related to two new canning fruit juice lines located at Lot 13, Tam Phuoc Industrial Zone, Long Thanh District, Dong Nai Province.

8 LONG-TERM PREPAYMENTS

	2008 US$	2007 US$
At 1 January	2,433,377	-
Additions	26,142	-
Acquisition of AvaFood	-	2,644,658
Amortisation for the year	(408,649)	(211,281)
At 31 December	2,050,870	2,433,377

Long-term prepayment balance consists of:

- Prepaid land rental of US$2,081,882 relates to an area of land leased at the Tam Phuoc Industrial Zone, Long Thanh District, Dong Nai Province. The prepayment is amortised on a straight-line basis over the period of 44 years, starting from 1 July 2007. As at 31 December 2008, the remaining balance was US$2,024,728 (2007: US$2,058,193).

- Pre-operating expenses of US$562,776 is amortised on a straight-line basis over the period of 1.5 years, starting from 1 July 2007. The amortisation for the year ended 31 December 2008 amounted to US$375,184. As at the balance sheet date, the amount has been fully amortised.

9 DEFERRED TAX ASSETS

The gross movement of the deferred income tax account during the year is as follows:

	2008 **US$**
At 1 January	-
Credit to the income statement	2,337,065
At 31 December	2,337,065

Deferred income tax assets are derived from 2008 tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group's tax losses can be carried forward to offset against future taxable profits for up to five years from the year in which the loss was incurred. The actual amount of tax losses that can be carried forward is subject to review and approval of the tax authorities and may be different from the figures presented. The estimated amount of tax losses available for offset against the Group's future taxable profits are:

Year of tax loss	**Status of tax authorities' review**	**Losses available US$**
2006	Outstanding	1,243,385
2007	Outstanding	286,568
2008	Outstanding	15,995,813

The Group did not recognise the deferred income tax assets amounting to US$8,177,508 in relation to the certain tax losses carried forward as shown above as the future taxable profit of the Group within next five years is assessed not to be sufficient to utilise the full amount of the tax losses carried forward.

10 OTHER LONG-TERM ASSETS

		2008 **US$**	**2007** **US$**
Prepayments for assets for Northern Interfood Shareholding Company	(a)	-	803,053
Prepayments for assets for Interfood Packaging Limited	(b)	-	14,781,897
Advance to An Phu My Trading Service Construction Company Limited	(c)	-	438,808
		-	16,023,758

10 OTHER LONG-TERM ASSETS (continued)

Pursuant to the Company's Resolution No. EGM01150907 dated 15 September 2007, the Company began investing in two 90% - owned subsidiaries: (1) Northern Interfood Shareholding Company, and (2) Interfood Packaging Shareholding Company (latterly known as Interfood Packaging Limited). The balances as at 31 December 2007 represent the prepayments to two suppliers to lease land and purchase fixed assets, which shall be transferred to the subsidiaries as capital contribution and intercompany loans when the subsidiaries receive the investment certificates from the authorities.

(a) Prepayments for assets for Northern Interfood Shareholding Company

	2008 US$	2007 US$
At 1 January	803,053	-
Additions	9,000,694	803,053
Forfeiture and write-off of prepayments for machinery (i)	(8,985,664)	-
Write-off of prepayments for land lease and other advances for expenses (ii)	(818,083)	-
At 31 December	-	803,053

(i) In September 2007, the Company signed a contract with a supplier, Summitmark Worldwide Limited, a company registered in British Virgin Island for the purchase of canning machines for two two-piece aluminium cans production lines. The prices of the first and second production lines were US$20 million and US$18 million, respectively. The contract requires instalment deposits as work progresses and forfeiture of deposits upon breach of contract by the Company. If the supplier could not deliver the machines, a penalty of 200% of the paid deposits would be compensated to the Company.

The purchase of the first production line was completed and the Company subsequently transferred this production line to its subsidiary, Interfood Packaging Limited (formerly known as Interfood Packaging Shareholding Company) (Note 10(b)).

The second production line was intended to be purchased and contributed to Northern Interfood Shareholding Company. However, due to material adverse changes in financial market conditions in Vietnam in 2008 such as high inflation, credit-tightening policies of the Government and the worldwide financial crisis, the Company could not get the committed funding from banks. Consequently, the Company was unable to make the remaining payments for the second production line under the terms of the contract.

As at June 2008, the Company had accumulative progress payments of US$9 million for the second production line. Management had several discussions and negotiations with the supplier to extend the payment terms. However, on 13 February 2009, the supplier formally notified the Company that due to the breach of terms in the contract, the US$9 million accumulative payments by the Company has been forfeited and the contract was deemed to be terminated, null, and void. As a result, the Company has written off the prepayment for the machineries (Note 23).

10 OTHER LONG-TERM ASSETS (continued)

(a) Prepayments for assets for Northern Interfood Shareholding Company (continued)

(ii) The Company entered into contract with a third party, Kinh Bac City Development Joint Stock Company on 17 March 2008 for the lease of land in the Bac Ninh Industrial Park and had made cumulative payments of US$686,798 pursuant to the contract and other advances of US$131,285. This site was intended to be the location for the Northern Interfood Shareholding Company's factory. Due to the financial difficulties noted above, the Company also could not fulfil the remaining payment obligation under the terms of the contract and therefore wrote off the prepayment.

According to Article No. 4 of the Northern Interfood Shareholding Company's Investment Certificate No. 212032000111, dated 14 February 2008 issued by the Board of Management of Bac Ninh Industrial Park, if no construction is executed within 12 months from the date of land transfer, the investment certificate shall be revoked. As at the date of issuance of the consolidated financial statements, the Company has neither began construction of the factory nor received any notice from authorities to revoke the investment certificate.

Accordingly, the Company has written-off the partial payments for the land lease and other advances relating to Northern Interfood Shareholding Company (Note 23).

(b) Prepayments for assets for Interfood Packaging Limited

	2008 US$	2007 US$
At 1 January	14,781,897	-
Additions	9,778,995	14,781,897
Transfer to fixed assets	(24,560,892)	-
At 31 December	-	14,781,897

Total borrowing cost that has been capitalised during the year ended 31 December 2008 is US$1,454,744 (2007: US$86,025). The average interest rate used to determine the amount of borrowing costs capitalised is 16% per annum (2007: 6.5%).

(c) Advance to An Phu My Trading Service Construction Company Limited ("An Phu My Company")

In November 2007, the Company entered into an agreement with An Phu My Company to establish a two-member limited company with total investment capital and charter capital of US$43 million and US$10 million respectively. As at 31 December 2007, the Company advanced US$438,808 to An Phu My Company, which is 50% owned and managed by an employee of the Company.

In June 2008, the Company and An Phu My Company terminated the agreement and the advance was returned to the Company.

11 BORROWINGS

(a) Short-term borrowings

		2008 US$	2007 US$
Loans from Vietcombank, Dong Nai	(i)	17,165,272	14,560,280
Loans from ANZ Bank	(ii)	9,069,606	5,600,591
Loans from Citibank, N.A, HCMC	(iii)	1,754,038	1,917,252
Loans from Asia Commercial Bank	(iv)	4,609,413	5,000,000
Loans from China Trust Bank – HCMC	(v)	1,943,635	-
Loans from HSBC Bank – HCMC	(vi)	1,670,283	-
Current portion of long-term loans	(vii)	1,006,921	476,642
		37,219,168	27,554,765

(i) Loans from Vietcombank Dong Nai

	2008 US$	2007 US$
Denominated in US$	3,612,909	9,931,262
Denominated in VND	13,552,363	4,629,018
	17,165,272	14,560,280

The Company has two short-term credit facilities: revolving loans of US$10 million and a short-term loan of US$3 million from Vietcombank Dong Nai. The principal repayment dates are ranging from 11 February 2009 to 30 June 2009.

AvaFood also has two short-term credit facilities: revolving loans of US$2 million and a short-term loan of US$3 million from Vietcombank Dong Nai. At the balance sheet date, AvaFood is in default of payment terms.

These loans are secured by the factory building, machinery and equipment plus the insured amounts on these properties (Note 7(a)). The interest rates ranged from 5.97% to 9.84% per annum (2007: SIBOR 3 months plus 1.2%) on drawdown in US$ and ranged from 10% to 21% per annum (2007: 9.6% per annum) on drawdown in VND.

During the year, the Company requested and the bank accepted the extension the repayment of the interest on loans. As a consequence, all outstanding loan balances were classified as non-performing loan by the bank. However, in July 2009, the Company made repayments for all overdue principal and interest to the bank and the bank has waived the VND1 billion overdue interest charge. On 6 August 2009, the Company also received a letter from the bank confirming that the status of credit facilities was back to normal and the Company was able to continue using the unused credit facilities.

On 14 July 2009, AvaFood received “Restructure of Outstanding Loan and Interest” letter from Vietcombank Dong Nai which confirmed that the short-term loan agreement due on 30 September 2009 will be renewed for a period of at least 12 months from its expiry date, subject to AvaFood making the payment of US$310 thousands on or before 30 September 2009.

11 BORROWINGS (continued)

(a) Short-term borrowings (continued)

(ii) Loans from ANZ Bank

	2008 US$	2007 US$
Denominated in US$	4,433,922	2,696,284
Denominated in VND	4,635,684	2,904,307
	9,069,606	5,600,591

The Company has short-term credit facilities of US$6 million from ANZ Bank and on 3 March 2008, the Company entered into a bridging loan facility of US $18 million to finance the investment in the Northern subsidiary. The interest rates ranged from 4.97% to 10% per annum (2007: SIBOR plus 1.5% per annum) on drawdown in US$, and from 9.2% to 21% per annum (2007: VNIBOR plus 1.5% per annum) on drawdown in VND. In the event of default, there is a set-off arrangement over all of the Company's bank accounts with the bank.

During the year, the Company could not repay the loan principals within their due date and as at the balance sheet, the Company was in default of the payment terms under the loan agreements. On 5 June 2009, ANZ Bank issued an amendment to the Debt Settlement Agreement dated 21 April 2009 which allowed the Company to settle the remaining debt by 7 August 2009. On 5 August 2009, the Company fully repaid all outstanding loan balance and related interest with the bank.

(iii) Loans from Citibank, N.A, HCMC

	2008 US$	2007 US$
Denominated in US$	1,754,038	1,917,252

The Company has short-term credit facilities of US$2,500,000 from Citibank, N.A, HCMC. Interest rates ranged from 4.22% to 8.46% per annum (2007: 5.9% to 6.73% per annum). In the event of default, there is a set-off arrangement over all of the Group's bank accounts with the bank.

During the year, the Company could not repay the loan principals within their due date and as at the balance sheet, the Company was in default of the payment terms under the loan agreements. On 21 April 2009, the bank agreed the revised repayment schedule and the loan status was back to normal condition. Under the revised repayment schedule, the loans would be repaid into 3 installments. The first installment of US$1.1 million was due on 7 August 2009. The second installment of approximately US$755 thousand is due on 21 August 2009; and the third installment of US$76 thousand is due on 4 September 2009. On 4 August 2009, the Company paid the first installment of US$1,131,565.

11 BORROWINGS (continued)

(a) Short-term borrowings (continued)

(iv) Loans from Asia Commercial Bank

	2008 US$	2007 US$
Denominated in US$	-	5,000,000
Denominated in VND	4,609,413	-

The Company has unsecured short-term credit facilities of US$5,000,000 from Asia Commercial Bank. The drawdown can be made in either US$ or VND. Interest rates ranged from 18% to 31.5% per annum (2007: 6.3% per annum).

During the year, the Company could not repay the loan principals within their due date and as at the balance sheet, the Group was in default of the payment terms under the loan agreements. On 25 June 2009, all outstanding loan balance and interest was fully repaid.

(v) Loans from Chinatrust Commercial Bank – Ho Chi Minh City

	2008 US$	2007 US$
Denominated in US$	29,070	-
Denominated in VND	1,914,565	-
	1,943,635	-

The Company has unsecured short-term credit facilities of US$2,160,693 from Chinatrust Commercial Bank - Ho Chi Minh City. The interest rates ranged from 5.79% to 11.25% per annum on drawdown in US$ and ranged from 17.19% to 18.59% per annum on drawdown in VND.

On 3 July 2009, the Company and the bank entered into an amendment facility letter in which the Company agreed to pay 60% of the outstanding balance by 30 September 2009 and the remaining 40% will be repaid in 12 monthly installments. On 4 August 2009, the Company made early repayment of 60% of the outstanding loan balance approximately amounting to US$1 million.

11 BORROWINGS (continued)

(a) Short-term borrowings (continued)

(vi) Loans from HSBC – Ho Chi Minh City

	2008 US$	2007 US$
Denominated in US$	663,517	-
Denominated in VND	1,006,766	-
	1,670,283	-

The Company has short-term credit facilities of US$2,000,000 from HSBC Bank – Ho Chi Minh City. Interest rates ranged from 4.5% to 11.7% per annum for drawdown in US$ and from 12.75% to 21% per annum on drawdown in VND. The loans are secured by the Company's trade accounts receivable valued at US$2,320,000.

According to HSBC's Letter Number CRM09003 dated 7 July 2009, the Company is required to make the first repayment of US$1,102 thousand by 6 August 2009 and repay the remaining outstanding loan principal and interest payable by 5 October 2009. On 5 August 2009, the Company repaid US$1,102 thousand.

(vii) Current portion of long-term loans

	2008 US$	2007 US$
Current portion of long-term loans	720,841	476,642
Past due portion of long-term loans	286,080	-
	1,006,921	476,642

11 BORROWINGS (continued)

(b) Long-term borrowings

	2008 US$	2007 US$
At 1 January	1,469,063	-
Amount assumed in acquisition of AvaFood	-	451,982
Add: Borrowings during the year	986,755	1,493,723
Less: Unrealised exchange gain	(106,504)	-
Less: Amount due within one year	(720,841)	(476,642)
	1,628,473	1,469,063

	2008 US$	2007 US$
Denominated in US$	88,743	125,342
Denominated in VND	1,539,730	1,343,721
	1,628,473	1,469,063

AvaFood has a five-year bank loan facility including one-year grace period of US$980,000 with Vietcombank Dong Nai. The long-term loans are secured by the factory building and the insurance amount on those properties as mentioned in Note 7(a). The interest rate was 7.2% per annum on drawdown in US$ (2007: 7.2% per annum) and 18% per annum on drawdown in VND (2007: 16.8% per annum).

The principal shall be repaid in 17 equal installments on a quarterly basis. The first schedule payment was in December 2008. As at the balance sheet date, AvaFood was in default of the payment terms. On 14 July 2009, AvaFood received “Restructure of Outstanding Loan and Interest” letter from Vietcombank Dong Nai, which allowed the outstanding balance to be repaid in monthly installment over 3 years. The first repayment amounting to US$170 thousand is due in October 2009.

12 TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	2008 US$	2007 US$
VAT on domestic sales	540,905	23,345
Import duties	26,161	-
Personal income tax	68,994	5,831
Business income tax	95,236	-
Other taxes	89,736	-
	821,032	29,176

13 ACCRUED EXPENSES

	2008 US$	2007 US$
Transportation	406,080	180,533
Interest expense	2,177,748	45,807
Trade discount	181,874	99,446
Others	210,888	107,030
	2,976,590	432,816

14 OTHER PAYABLES

		2008 US$	2007 US$
Dividends payable		24,265	25,442
Trade union, social and health insurance		128,180	19,168
Wonderfarm Biscuits & Confectionery Sdn. Bhd. (Note 26(b))		1,562,685	1,562,685
Payable to Chairman of Group (Note 26(b))	(*)	4,411,252	-
Other payables		33,832	-
		6,160,214	1,607,295

(*) The Chairman of the Group made payment directly to a supplier on behalf of the Group for fixed asset purchases.

15 OWNERS' CAPITAL

	Number of shares	Ordinary Shares VND'000	Ordinary shares equivalent US$
At 1 January and 31 December 2008	29,140,984	291,409,840	18,313,995

	2008 Ordinary shares	2007 Ordinary shares
Number of shares registered	29,140,992	29,140,992
Number of shares issued and existing	29,140,984	29,140,984

As at 31 December 2008, the charter capital has been fully contributed.

16 MOVEMENTS IN OWNERS' EQUITY

	Owners' capital US$	Share premium US$	Other reserves US$	Foreign exchange differences US$	Retained earnings US$	Total US$
At 1 January 2007	15,300,000	7,096,759	-	-	2,313,616	**24,710,375**
Issuance of bonus shares from share premium	3,014,000	(3,014,000)	-	-	-	**-**
Treasury shares	(5)	-		-	-	**(5)**
Other reserves	-	-	(1,562,092)	-	-	**(1,562,092)**
Profit for the year	-	-	-	-	4,221,026	**4,221,026**
Dividends declared	-	-	-	-	(4,057,224)	**(4,057,224)**
At 31 December 2007	18,313,995	4,082,759	(1,562,092)	-	2,477,418	**23,312,080**
Foreign exchange differences (*)	-	-	-	623,589	-	**623,589**
Loss for the year	-	-	-	-	(15,403,881)	**(15,403,881)**
At 31 December 2008	18,313,995	4,082,759	(1,562,092)	623,589	(12,926,463)	**8,531,788**

(*) During the pre-operating phase of Interfood Packaging Limited, exchange differences arising are retained in reserves. Exchange differences are recognised in the income statement in the year of commencement of operations.

17 MINORITY INTEREST

	2008 US$	2007 US$
At 1 January	342,331	-
Minority interest in AvaFood	-	326,434
Minority interest in Interfood Packaging Limited (Note 10(b))	1,000,000	-
Minority interest in net (loss)/income of AvaFood	(233,007)	15,897
Minority interest in net loss of Interfood Packaging Limited	(29,984)	-
At 31 December	1,079,340	342,331

18 REVENUE

(a) Net sales

	2008 US$	2007 US$
Sales		
Domestic	49,357,657	40,202,973
Export	2,933,870	3,963,539
Contract manufactured goods	-	2,885,297
	52,291,527	47,051,809
Sales deductions		
Sales discounts	(3,272,972)	(2,250,094)
Sales returns	(25,284)	(28,168)
	(3,298,256)	(2,278,262)
	48,993,271	44,773,547

(b) Financial income

	2008 US$	2007 US$
Interest income from bank deposits	27,058	13,111
Unrealised foreign exchange gains	733,784	275,018
	760,842	288,129

19 COST OF SALES

	2008 US$	2007 US$
Raw materials	37,693,485	31,536,347
Labour costs	1,351,065	812,348
Depreciation expense	1,907,201	1,034,484
Other expenses	5,552,880	1,641,091
	46,504,631	35,024,270

20 FINANCIAL EXPENSES

	2008 US$	2007 US$
Interest expense	3,187,054	1,054,599
Foreign exchange loss	239,463	-
Other financial expenses	182,669	-
	3,609,186	1,054,599

21 SELLING EXPENSES

The following items have been included in selling expenses:

	2008 US$	2007 US$
Transportation expenses	2,441,139	1,592,794
Staff costs	618,275	542,977

22 GENERAL AND ADMINISTRATION EXPENSES

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

	2008 US$	2007 US$
Depreciation of tangible fixed assets	48,105	82,629
Staff costs	1,023,245	615,677
Land rental and pre-operating expenses	394,612	211,281

23 NET OTHER (EXPENSES)/INCOME

	2008 US$	2007 US$
Other income		
Sundry income	166,884	238,332
Other expenses		
Write-off prepayments for machineries (Note 10(a))	(8,985,664)	-
Write-off prepayments for land lease and other advances made for Northern Interfood Shareholding Company (Note 10(a))	(818,083)	-
Other expenses	(536,558)	(41,825)
	(10,340,305)	(41,825)
Net other (expenses)/income	(10,173,421)	196,507

24 TAXATION

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. BIT rate of 25% is applied from 2006 onwards.

According to Decree No.24/2007/ND-CP dated 14 February 2007 (replaced Decree No. 164/2003/ND-CP dated 22 December 2003) of the Government, 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, profit derived from this line is exempt from BIT for two years and a reduction of 50% for the following six 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 profit 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 has completed the registration with the tax authority to apply the incentives commencing from 2007.

Pursuant to the Investment Certificate No. 472033000355 dated 31 December 2007, AvaFood has the obligation to pay business income tax (BIT) at a rate of 15% of annual profit 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 in the first twelve years from 1 January 2006 when AvaFood officially commenced business operations, and at a rate of 25% for the years thereafter. AvaFood is exempt from BIT for two years from its first year of profitable operations, and is entitled to a 50% reduction in the following three years. The BIT incentive is applicable until the end of year 2011.

BIT is payable at the rate stipulated by the current regulations on annual profit from workshop lease activity and at 28% on trading profit from import – export activities. According to Circular No 134/2007/TT-BTC dated 23 November 2007 issued by Ministry of Finance, AvaFood has the obligation to pay BIT at a rate of 20% of annual profit from workshop lease activity in the first ten years starting from 1 January 2006 when AvaFood officially commenced business operations, and at a rate of 28% for the years thereafter. AvaFood is exempt from BIT for two years from its first year of profitable operations, and is entitled to a 50% reduction in the following six years. These incentives are subject to the changes in future regulations on BIT. AvaFood is entitled to these BIT incentives due to its establishment in the investment incentive areas. The year 2006 was the first year of profitable operations from the workshop lease activity.

Pursuant to the Investment Certificate No. 472043000464 dated 24 December 2008, Interfood Packaging Limited has the obligation to pay BIT at a rate of 15% of annual profit from producing packaging materials for foods and soft drinks in the first twelve years of business operations, and at a rate of 28% for the years thereafter. Interfood Packaging Limited is exempt from BIT for three years from its first year of profitable operations, and is entitled to a 50% reduction in the following seven years. The annual BIT rate on trading activities is 28% of assessable income.

24 TAXATION (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate regulated in the Investment Certificate of each entity within the Group as follows:

	2008 US$	2007 US$
Net accounting (loss)/profit before tax	(17,908,701)	4,642,509
Tax calculated at the applicable rate	(4,467,785)	580,314
Effect of:		
Income not subject to tax	-	(199,628)
Expenses not deductible for tax purposes	795	24,900
Tax losses for which no deferred income tax asset was recognized	2,225,161	-
Business income tax (credit)/charge	(2,241,829)	405,586

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

25 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, excluding ordinary shares purchased by the Company and held as treasury shares:

	2008	2007
Net (loss)/profit attributable to shareholders (US$)	(15,403,881)	4,221,026
Weighted average number of ordinary shares in issue (shares)	29,140,984	29,140,991
Basic (loss)/earnings per share (US$)	(0.529)	0.144

There were no potential dilutive ordinary shares in issue during the year.

26 RELATED PARTY TRANSACTIONS

The Company is controlled by Trade Ocean Holdings Sdn. Bhd., a company incorporated in Malaysia and owned by the Chairman. As at 31 December 2008, Trade Ocean Holdings Sdn.Bhd. and the Chairman owned 57% and 23% of the Company's share capital respectively (2007: 57% and 23% respectively).

Other related parties that the Group has relationship with during the year included:

- Wonderfarm Biscuits & Confectionery Sdn. Bhd., a company incorporated in Malaysia and controlled by the Group's Chairman and General Director;
- Chuan Li Can Manufacturing (Vietnam) Limited Company, a company incorporated in SR Vietnam and managed by a member of the Group's Board of Management.

(a) Related party transactions

In addition to the transaction disclosed in Note 14, the following transactions were carried out with related parties:

(i) Dividends paid

	2008 US$	2007 US$
Trade Ocean Holdings Sdn. Bhd.	-	2,323,979
Founding shareholders/Company's directors	-	953,094

(ii) Other related party transactions

Related party	Description of transactions	2008 US$	2007 US$
Trade Ocean Holdings Sdn. Bhd. ("TOH")	Advance received from TOH during the year	-	1,000,000
	Repayments of advance to TOH during the year	-	1,000,000
Wonderfarm Biscuits & Confectionery Sdn. Bhd.	Acquisition of 90% of the paid-up share capital of AvaFood	-	3,600,000
	Conversion of loans to equity investment in AvaFood	-	100,000
Chuan Li Can Manufacturing (Vietnam) Limited Company	Purchases of goods and services	612,849	1,133,435

26 RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

(iii) Compensation of key management

	2008 US$	2007 US$
Gross salaries and other benefits	135,829	83,471
	======	=====

According to the Resolution of the BOM's meeting dated 25 December 2008, the Chairman has agreed to provide additional loan to the Company through the reassignment of IPL's debts, that owing to the Chairman, to the Company amounting to US$3,903,219. The payable balance will then be converted to a five-year shareholder loan.

In July 2009, Crown Dong Nai entered the agreement with the Company to transfer the a portion of 2008 debts of US$3,903,219 owed to the Chairman into the debts owed to the Company and then the Company would have the obligations to pay this amount to the Chairman.

(b) Year end balances with related parties

		2008 US$	2007 US$
Payables			
Chuan Li Can Manufacturing (Vietnam) Limited Company (included in trade accounts payable)		42,232	161,181
Wonderfarm Biscuits & Confectionery Sdn. Bhd. (included in other payables, Note 14)	(*)	1,562,685	1,562,685
		=======	=======

(*) According to the Resolution of the founding shareholders' meeting dated 25 December 2008, Avafood Shareholding Company entered a loan agreement with Wonderfarm Biscuits & Confectionery Sdn. Bhd. to restructure the current payables amount of US$1,562,685 into a 5-year shareholder loan with interest rate charged at USD SIBOR 3-month rate minus 1% per annum.

	2008 US$	2007 US$
Other payables		
Payable to the Chairman (Note 14)	4,411,252	-
	=======	======

27 SEGMENTAL INFORMATION

At 31 December 2008, management determined the following reportable segments by categories of sales: (1) domestic sales, and (2) export sales. The Group analyses segment revenue and cost of sales.

The segment results for the year ended 31 December 2008 are as follows:

	Domestic US$	Export US$	Total US$
Sales revenue - net	46,059,401	2,933,870	**48,993,271**
Cost of sales	(43,742,904)	(2,761,727)	**(46,504,631)**
Segment results	2,316,497	172,143	**2,488,640**

For the year ended 31 December 2007, the geographical segment results are as follows:

	Domestic US$	Export US$	Contract manufactured goods US$	Total US$
Sales revenue - net	37,798,857	4,089,393	2,885,297	**44,773,547**
Cost of sales	(29,422,554)	(3,105,934)	(2,495,782)	**(35,024,270)**
Segment results	8,376,303	983,459	389,515	**9,749,277**

Contract manufactured goods are for sales outside Vietnam.

Management also determined the following business segments: (1) drinks, (2) biscuits, (3) others.

For the year ended 31 December 2008, the business segment results are as follows:

	Drinks US$	Biscuits US$	Others US$	Total US$
Sales revenue - net	46,594,783	2,051,974	346,514	**48,993,271**
Cost of sales	(44,505,571)	(1,670,951)	(328,109)	**(46,504,631)**
Segment results	2,089,212	381,023	18,405	**2,488,640**

For the year ended 31 December 2007:

	Drinks US$	Biscuits US$	Others US$	Total US$
Sales revenue	40,302,167	4,071,351	400,029	**44,773,547**
Cost of sales	(31,527,167)	(3,201,059)	(296,044)	**(35,024,270)**
Segment results	8,775,000	870,292	103,985	**9,749,277**

28 COMMITMENTS UNDER OPERATING LEASES

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

	Property	
	2008	**2007**
	US$	**US$**
Within 1 year	77,456	149,564
Between 1 and 5 years	43,700	113,132
Total minimum payments	121,156	262,696

Operating lease commitments are primarily attributable to office rentals.

29 SUBSEQUENT EVENTS

(a) On 6 January 2009, the Company entered into an Agreement on Assignment of Capital Contribution with a third party for the sale of 70% of the total chartered capital of Interfood Packaging Limited ("IPL"), equivalent to US$7 million for a consideration of US$4.7 million. The buyer will also provide the shareholder's loan to IPL approximately US$18 million. The loan is to be used by IPL to repay its intercompany loans and payables. The Company incurred a loss of US$2.3 million on disposals of the subsidiary, which is determined on the cash consideration of US$4.7 million. The Company neither recognises the impairment loss in 2008 nor carries out an impairment test on the investment in subsidiaries, because the accounting standard for impairment is not mandatory under Vietnamese Accounting Standard.

(b) Subsequent to the sales of IPL, IPL has changed its name to Crown Beverage Cans (Dong Nai) Limited ("Crown Dong Nai") according to the amended Investment Certificate No. 472023000464 dated 19 June 2009 issued by the Board of Management of Dong Nai Industrial Zone.

30 COMPARATIVE FIGURES

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

The consolidated financial statements were approved by the Board of Directors on 11 August 2009.

Nguyen Thi Kim Lien	Pang Tee Chiang
Finance Director	Chairman, General Director