

Interfood Shareholding Company and its subsidiaries

Consolidated financial statements

Quarter IV-2010

Interfood Shareholding Company and its subsidiaries

Consolidated financial statements Quarter IV-2010

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Interfood Shareholding Company and its subsidiaries

Report of the Board of Directors

The Board of Directors submits its report together with the audited consolidated financial statements of Interfood Shareholding Company (“the Company”) and its subsidiaries (“the Group”) for the period ended 31 December 2010.

Results

The results of the Group for the period ended 31 December 2010 are set out in the consolidated statement of income.

Financial indicators of the business

	Unit	31-Dec-10	2009
Assets structure and capital structure			
Assets structure			
Fixed assets/total assets	%	72.62	77.32
Current assets/total assets	%	27.38	22.68
Capital structure			
Liabilities/total resources	%	405.39	523.23
Owner’s equity/total resources	%	100.00	100.00
Liquidity			
Total assets/liabilities	times	1.25	1.19
Current ratio	times	0.42	0.36
Quick ratio	times	0.12	0.10
Profitability			
Profit (Loss) /net sales			
Profit (Loss) before tax/net sales	%	1.14	(2.75)
Profit (Loss) profit/net sales	%	0.71	(2.78)
Profit (Loss)/total assets			
Profit (Loss) before tax/total assets	%	1.81	(3.83)
Net Profit (Loss) /total assets	%	1.12	(3.88)
Net Profit (Loss)/owner’s equity	%	2.09	(8.44)

Interfood Shareholding Company and its subsidiaries

Boards of Management and Directors

The members of the Boards of Management and Directors during the year and to the date of this report were:

Board of Management:		Appointed:	Resigned:
Pang Tee Chiang	Chairman	15-08-2006	
Nguyen Thi Kim Lien	Member	15-08-2006	
Pang Tze Yi	Member	15-08-2006	
Teng Po Wen	Member	15-08-2006	
Pang Tze Wei	Member	28-08-2010	
Yau Hau Jan	Member	15-08-2006	11-01-2010

Board of Director:		Appointed:	Resigned:
Pang Tee Chiang	General Director	15-08-2006	
Pang Tze Yi	1st Deputy General	15-08-2006	
Nguyen Thi Kim Lien	Finance Director	15-08-2006	
Pang Tze Wei	2nd Deputy General	29-08-2010	
Yau Hau Jan	1st Deputy General	15-08-2006	11-01-2010

Statement of Boards of Directors

In the opinion of the Board of Directors, the accompanying consolidated balance sheet, consolidated statement of income and statement of cash flows, together with the notes thereto, have been properly drawn up and give a true and fair view of the financial position of the Company as at 31 December 2010 and of its results of operations and cash flows for the period ended 31 December 2010 in accordance with Vietnamese Accounting Standards and system and in compliance with relevant statutory requirements

On behalf of the Board of Directors

Pang Tee Chiang
Chairman, General Director
Dong Nai province, Vietnam

Interfood Shareholding Company and its subsidiaries

Consolidated balance sheet

	Notes	Code	31 December 2010		31 December 2009	
			USD	VND million	USD	VND million
ASSETS						
Current assets						
Cash and cash equivalents						
Cash	8	111	130,854	2,477	248,185	4,453
Accounts receivable						
Trade accounts receivable		131	434,257	8,221	582,773	10,456
Prepayments to suppliers		132	1,114,422	21,098	217,703	3,906
Other receivables	9	135	140,650	2,663	411,237	7,378
Provision for doubtful debts		139	(24,405)	(462)	-	-
		130	1,664,924	31,520	1,211,713	21,739
Inventories						
Inventories	10	141	7,530,300	142,564	7,985,502	143,268
Provision for decline in inventory value	10	149	(146,582)	(2,775)	(744,522)	(13,357)
		140	7,383,718	139,789	7,240,980	129,910
Other current assets						
Short term prepaid expenses		151	13,555	257	170,920	3,066
Value added tax to be reclaimed		152	-	-	1,631	29
Taxes and amounts receivable from the state budget	11	154	106,907	2,024	106,907	1,918
Other current assets		158	77,129	1,460	57,207	1,026
		150	197,591	3,741	336,665	6,040
		100	9,377,087	177,527	9,037,543	162,143
Non-current assets						
Long term receivables						
Other non-current receivable	12	211	-	-	884,738	15,873
Fixed assets						
Tangible fixed assets	13	221	21,111,296	399,679	22,740,266	407,983
<i>Historical cost</i>	13	222	34,328,710	649,911	33,841,646	607,153
<i>Accumulated depreciation</i>	13	223	(13,217,414)	(250,232)	(11,101,380)	(199,170)
Construction in progress	14	230	188,896	3,576	410,742	7,369
		220	21,300,192	403,255	23,151,008	415,352
Long term investments						
Investments in associates	15	252	-	-	2,969,614	53,278
Other non-current assets						
Long-term prepaid expenses	16	261	1,432,197	27,114	1,467,213	26,323
Deferred tax assets	17	262	2,135,050	40,421	2,337,065	41,929
Other non-current assets		268	8,068	153	8,068	145
		260	3,575,315	67,688	3,812,346	68,397
		200	24,875,507	470,943	30,817,706	552,900
		270	34,252,594	648,470	39,855,249	715,043

Interfood Shareholding Company and its subsidiaries

Consolidated balance sheet

	Notes	Code	31 December 2010		31 December 2009	
			USD	VND million	USD	VND million
RESOURCES						
Liabilities						
Current liabilities						
Short term borrowings and debts	18	311	15,334,594	290,315	14,126,867	253,450
Trade accounts payable	19	312	5,050,620	95,618	7,614,265	136,608
Advances from customers		313	249,998	4,733	367,608	6,595
Taxes and amounts payable to state budget	20	314	538,567	10,196	1,496,565	26,850
Payable to employees		315	444,303	8,412	431,786	7,747
Accrued expenses payable	21	316	464,741	8,798	676,597	12,139
Other payables	22	319	160,059	3,030	59,424	1,066
		310	22,242,882	421,102	24,773,112	444,454
Long term liabilities						
Long term deposits		331	1,255	24	1,255	23
Long term borrowings and debts	23	334	4,993,613	94,539	8,487,130	152,268
Deferred tax liabilities	24	335	115,209	2,181	81,221	1,457
Provision for severance allowance		336	122,134	2,312	117,627	2,110
		330	5,232,211	99,056	8,687,233	155,858
			27,475,093	520,158	33,460,345	600,312
Owners' equity						
Capital sources and funds						
Share capital	25	411	18,313,995	346,721	18,313,995	328,571
Share premium	25,26	412	4,082,759	77,295	4,082,759	73,249
Acquisition reserve		419	(1,562,092)	(29,574)	(1,562,092)	(28,025)
Accumulated losses		420	(14,057,161)	(266,130)	(14,439,758)	(259,064)
		410	6,777,501	128,312	6,394,904	114,731
Minority interest						
Minority interest	27	439	-	-	-	-
		440	6,777,501	128,312	6,394,904	114,731
			34,252,594	648,470	39,855,249	715,043
Off balance sheet items						
			31-Dec-10		31-Dec-09	
Foreign currencies						
Vietnamese dong (Million)			1,579		4,943	
Euro			369		250	

Date: _____

Pang Tee Chiang
General Director

Nguyen Hong Phong
Chief Accountant

Interfood Shareholding Company and its subsidiaries

Consolidated statement of income

	Notes	Quarter 4		Quarter 4		Year to date		Year to date	
		2010		2009		2010		2009	
		USD	VND million	USD	VND million	USD	VND million	USD	VND million
Gross sales	28	14,299,213	270,713	15,136,389	257,182	55,610,913	1,052,826	58,121,172	1,042,752
Less deductions:	28	224,917	4,258	(309,031)	(5,251)	(1,427,294)	(27,022)	(2,515,849)	(45,137)
Net sales		14,524,130	274,971	14,827,358	251,932	54,183,619	1,025,804	55,605,323	997,615
Cost of sales	29	(10,196,120)	(193,033)	(12,752,746)	(216,682)	(41,362,168)	(783,069)	(44,092,069)	(791,056)
Gross profit		4,328,010	81,938	2,074,612	35,250	12,821,451	242,736	11,513,254	206,559
Financial income	30	(14,696)	(278)	306,428	5,207	1,748,622	33,105	1,215,110	21,800
Financial expenses	31	(774,642)	(14,666)	(1,332)	(23)	(3,261,430)	(61,745)	(6,112,961)	(109,673)
<i>Including: interest expense</i>		(506,670)	(9,592)	-	-	(1,855,247)	(35,124)	(2,793,169)	(50,112)
Selling expenses	33	(3,993,970)	(75,614)	(1,805,936)	(30,685)	(7,985,673)	(151,185)	(5,172,933)	(92,808)
G&A expenses	33	(789,254)	(14,942)	(512,352)	(8,705)	(2,682,000)	(50,776)	(2,358,677)	(42,317)
Operating loss		(1,244,552)	(23,562)	61,420	1,044	640,970	12,135	(916,207)	(16,438)
Other income	34	382,332	7,238	500,182	8,499	712,511	13,489	693,985	12,451
Other expenses	35	(441,206)	(8,353)	(1,130,528)	(19,209)	(734,880)	(13,913)	(1,305,561)	(23,423)
Profit (loss) before tax		(1,303,426)	(24,676)	(568,926)	(9,667)	618,601	11,711	(1,527,783)	(27,410)
CIT for the current year	36	33,000	625	-	-	-	-	-	-
Deferred CIT	36	(57,434)	(1,087)	(17,941)	(305)	(236,004)	(4,468)	(17,941)	(322)
Profit(loss) after tax		(1,327,860)	(25,139)	(586,867)	(9,971)	382,597	7,243	(1,545,724)	(27,732)
Minority interest		18,153	344	45,639	775	-	-	103,871	1,864
Net loss		(1,280,373)	(24,795)	(541,228)	(9,196)	382,597	7,243	(1,441,853)	(25,868)
Earning(loss) per share	41	(0.04394)	(0.00085)	(0.01857)	(0.00032)	0.01313	0.00025	(0.04948)	(0.00089)

Date: _____

Pang Tee Chiang
General Director

Nguyen Hong Phong
Chief Accountant

Interfood Shareholding Company and its subsidiaries

Consolidated statements of cash flows

	Notes	Code	31 December 2010		31 December 2009	
			USD	VND million	USD	VND million
Cash flows from operating activities						
Profit/Loss before tax		1	618,601	11,711	(1,545,724)	(27,732)
Adjustments for:						
Depreciation and amortisation		2	2,141,221	40,538	2,298,572	41,239
Increase in provisions		3	(573,535)	(10,858)	289,045	5,186
Gain on foreign currency translation		4	(236,004)	(4,468)	(616,654)	(11,063)
Loss from disposal investments, fixed assets		5	(25,187)	(477)	2,671,192	47,924
Interest expense		6	1,855,247	35,124	2,793,169	50,112
Interest income		7	(1,748,622)	(33,105)	(133,187)	(2,390)
Operating profit/(loss) before adjustments to working capital		8	2,031,721	38,465	5,756,413	103,276
Change in accounts receivable		9	388,831	7,361	479,711	8,606
Change in inventory		10	455,202	8,618	(427,375)	(7,668)
Change in accounts payable		11	(3,733,450)	(70,682)	5,219,067	93,635
Change in prepaid expenses		12	192,381	3,642	(20,698)	(371)
Interest paid		13	(1,855,247)	(35,124)	(2,793,169)	(50,112)
Interest income		14	1,748,622	33,105	133,187	2,390
Business income tax paid			236,003	4,468	-	-
Cash generated from operating activities		20	(535,937)	(10,146)	8,347,136	149,756
Cash flows from investing activities						
Acquisition of fixed assets and investment construction in progress		21	(265,218)	(5,021)	(617,838)	(11,085)
Proceeds from disposal of investments and fixed assets		22	-	-	5,117,001	91,804
Additional investment in associate		25	2,969,614	56,221	(1,000,000)	(17,941)
Capital contributions from minority interest			-	-	-	-
Net cash inflows/(outflows) from investing activities		30	2,704,396	51,200	3,499,163	62,778
Cash flows from financing activities						
Proceeds from loan		33	25,509,834	482,952	47,138,850	845,718
Repayments for debt		34	(27,795,624)	(526,227)	(58,964,155)	(1,057,876)
Dividend payments to investors		36	-	-	-	-
Net cash inflows/(outflows) from financing activities		40	(2,285,790)	(43,275)	(11,825,305)	(212,158)
Net increase/(decrease) in cash		50	(117,331)	(2,221)	20,994	377
Cash and cash equivalents at beginning of the year		60	248,185	4,699	232,265	4,167
Effects of changes in foreign exchange rates		61	-	-	(5,074)	(91)
Cash and cash equivalents at end of the year		70	130,854	2,477	248,185	4,453

Date: _____

Pang Tee Chiang
General Director

Nguyen Hong Phong
Chief Accountant

Interfood Shareholding Company and its subsidiaries

Notes to the consolidated financial statements

1 Nature of operations

Interfood Shareholding Company (formerly Interfood Processing Industry Ltd.) (“the Company”) was established in the Socialist Republic of Vietnam as a wholly owned subsidiary by Trade Ocean Holdings Sdn. Bhd., a company incorporated in Malaysia for a period of 40 years pursuant to Investment Licence No. 270/GP, dated 16 November 1991.

After the initial investment license, there were a series of amendments as follows:

Investment Licence No. 270 CPH/GP dated 9 August 2005 which allowed the Company to convert into a shareholding company with foreign owned capital under the name of Interfood Shareholding Company with a 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;

Investment Licence No. 270 CPH/GPDC2 dated 15 June 2006 allowing 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 was 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;

Investment Licence No. 270 CPH/GCND3 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.

Under the latest investment license under 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 VND1,444,500 million, equivalent to US\$90 million. The charter capital of the Company is VND291,409,920 thousand. The total shares of the Company was increased to 29,140,992 with par value of VND10,000 per share. An additional 4,820,832 new shares

were issued and registered, in which 1,145,887 shares were allowed to be listed bringing the total to 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.

Particulars of the Group’s principal subsidiaries are set out in Note 5 to the consolidated financial statements.

As at 31 December 2010, the Group had 1,092 employees (2009: 1228 employees).

2 Fiscal year and currency

Fiscal year

The Company’s fiscal year end is 31 December.

Reporting currency and foreign exchange

The Company’s separate financial statements and those of the consolidated subsidiary 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 and No. 1906 TC/CDKT dated 16 February 2005, respectively. As such, the Company used the United States dollar as its reporting currency in the preparation and presentation of its consolidated financial statements.

Transactions arising in currencies other than the reporting currency are translated at exchange rates in effect on the transaction dates. Monetary assets and liabilities denominated in currencies other than the reporting currency are translated at the exchange rates in effect at the consolidated balance sheet date. Translation gains and losses and expenses relating to foreign exchange transactions arising thereafter are recorded in the consolidated statement of income.

Interfood Shareholding Company and its subsidiaries

3 Basis of preparation of consolidated financial statements

3.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System, and relevant statutory requirements of the Ministry of Finance, which may differ in some material respects from International Financial Reporting Standards and the generally accepted accounting principles and standards of the country of the reader.

Accordingly, the consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than The Socialist Republic of Vietnam and furthermore their use is not designed for those who are not informed about Vietnam's principles, procedures and practices.

3.2 Basis of consolidation

The consolidated financial statements are composed of the accounts of the Company and its majority owned subsidiary, Avafood Shareholding Company (Avafood), hereinafter collectively referred to as the "Group".

Subsidiaries

Subsidiaries are those companies over which the Group has the power to govern the financial and operating policies. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

When the Parent company loses control of a subsidiary, it derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost; derecognises the carrying amount of any minority interest in the former subsidiary at the date when control is lost.

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, equities instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of the minority interest. The excess of cost of acquisition over the fair value of the Group's share of identifiable assets acquired is recorded as Goodwill.

Goodwill is recognised in expenses (if it is of small value) and otherwise amortised in a uniform manner during its estimated useful life (if it is of big value). Such useful life is not beyond 10 years from the date of recognition.

Negative goodwill represents the excess of the Group's interest in the fair value of identifiable net assets and liabilities, and contingent liabilities over costs of acquisition. It is recognised directly in the statement of income at the date of acquisition.

Inter-company balances, transactions and unrealised gains on transactions between those companies and the Group are eliminated. Unrealised losses also eliminated unless transaction provides evidence of an impairment of the asset transferred. The accounting policies of subsidiary have been changed where necessary to ensure the consistency with the policies adopted by the Group.

Minority interest

Minority interest is the portion of the profit or loss and net assets of a subsidiary attributable to equity interest that are not owned, directly or indirectly through subsidiaries, by the parent.

3.3 Accounting system and form of records

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

4 Accounting policies

4.1 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash in bank as well as bank deposits with the maturity term of not more than 3 months.

4.2 Inventory

Interfood Shareholding Company and its subsidiaries

Inventory is accounted for using the perpetual method and valued at the lower of cost and net realizable value. Cost of finished goods and work in progress, calculated on a weighted average basis, is composed of materials, direct labour and production overhead.

Cost of raw material, tools and supplies is valued at purchase and related costs. Net realizable value comprises estimated sales proceeds less selling expenses. A provision for decline is recorded where cost exceeds net realizable value.

4.3 Accounts receivable

Accounts receivable are carried at invoice value less a provision for doubtful debts in an amount that reflects the extent to which it is estimated that the accounts will not be collected in full.

4.4 Tangible fixed assets

Tangible fixed assets are valued at historical cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follow:

Buildings	15 – 30 years
Plant and machinery	10 – 15 years
Motor vehicles	6 years
Office equipment	10 years

The Company obtained permission from the Ministry of Finance to depreciate based on the depreciation rates above through official letter No.2536/TC-TCDN dated 20 March 2003. The said depreciation rates are not consistent with the guidelines under Decision 206/2003/QĐ - BTC dated 12 December 2003.

Gains or losses from disposals are determined by comparing the net proceeds from disposal with the carrying amounts of the assets sole and are recognised as income or expense in the income statement.

Depreciation of assets which are not in used was recognised as part of “Other expense”.

4.5 Construction in progress

Construction in progress represents the costs of new ERP software, construction cost during the period of construction and installation. No depreciation is recognized until the construction and installation is complete and until the asset is available for its intended use at which time the related costs are transferred to tangible fixed assets.

4.6 Investment in associate

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% to 50% of voting rights, but which are neither subsidiaries nor investments in joint ventures. In the consolidated financial statements, investments in associates are initially recorded at cost and subsequently accounted for using the equity method.

The equity method is a method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the investor’s share of net assets of the investee. The income statement reflects the investor’s share of the results of operations of the investee.

4.7 Borrowing costs

Borrowing costs comprising interest and related costs are recognised as an expense in the period in which they are incurred, except for borrowings costs relating to the acquisition of tangible fixed assets that are incurred during the period of construction and installation of the assets, which are capitalised as a cost of the related assets.

4.8 Revenue

Revenue from sale of goods is recognised in the consolidated statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding the ultimate receipt of the proceeds, the reasonable estimation of the associated costs of the sale or the possibility of the return of the goods.

Interest income is recognised in the consolidated statement of income on a time-proportion basis using the effective interest method.

4.9 Provision for severance allowance

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.

Interfood Shareholding Company and its subsidiaries

A provision for severance allowance is made for the estimated liability for employment termination as a result of services rendered by employees up to the consolidated balance sheet date.

The provision is calculated on the basis of a half-month salary for each employee for each year of service with the Company, based on salary levels at the consolidated balance sheet date.

Following a change in current regulation of severance allowance starting 1 January 2009, the Company is no longer liable to accrue and pay for severance allowance for period after 31 December 2008, which will be replaced by the Government's unemployment insurance scheme.

4.10 Operating leases

Leases wherein substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental payments applicable to such leases are recorded in the results of operations as incurred.

4.11 Income taxes

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the consolidated balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate based on the taxable profit for the year.

All changes to current tax assets or liabilities are recognised as a component of tax expense in the consolidated statement of income.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the consolidated balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the consolidated statement of income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

4.12 Earnings/loss per share

The Group presents basic earnings/loss per share (EPS) for its ordinary shares and this is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

4.13 Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction cost associated with the issuing of shares are deducted from premium, net of any related income tax benefits.

Acquisition reserves represents the negative goodwill when the Company acquired a subsidiary (Note 3.2)

4.14 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

4.15 Segment report

The Group 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 Group operated in two segments: domestic sales and export sales. In addition, there are two main kinds of product: Drinks and Biscuits.

Interfood Shareholding Company and its subsidiaries

5.1 Disposal of equity interest in subsidiary – Interfood Packaging Limited

On 6 January 2009, the Company entered into an agreement to sell 70% of its ownership of Interfood Packaging Shareholding Company to Crown Packaging Investment PTE. LTD, a Singaporean company. Under the agreement, the transfer has taken effect on 31 January 2009 when all of the terms in the agreement were met.

For purposes of control management believes that the Company lost control around 31 January 2009 but for consolidation purposes management decided not to include the results of operations of the said former subsidiary from 1 January 2009 due to the immateriality of amounts involved.

5.2 Subsidiaries and associate of the Company at the balance sheet date were as follows:

	Amount		% equity held	
	31-Dec-10 USD	31-Dec-09 USD	31-Dec-10 %	31-Dec-09 %
Subsidiary:				
AvaFood Shareholding Company (1)	4,500,000	4,500,000	90	90
Northern Interfood Shareholding Company (2)	-	-	-	-
Associate:				
Interfood Packaging Limited (3)	-	-	0	0
	4,500,000	4,500,000		

1. AvaFood Shareholding Company

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

AvaFood Shareholding Company (formerly AvaFood Industries Ltd.) was established in SR Vietnam for a period of 50 years pursuant to Investment Licence No. 48/GP-ĐN, dated 19 July 2002 issued by the People’s Committee of Dong Nai Province. The Company was wholly owned by Wonderfarm Biscuits & Confectionery Sdn. Bhd., a company incorporated in Malaysia.

The amended Investment Licence No. 48/GPĐC2-ĐN-KCN dated 17 September 2004 allowed Avafood to increase its investment capital to US\$11,000,000.

Pursuant to Investment Certificate No. 472033000355 dated 31 December 2007 issued by the Board of Management of Dong Nai Industrial Zone, the Subsidiary 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 the Subsidiary is VND81,000 million, equivalent to US\$5,000,000. Avafood’s total number of shares were 8,100,000 with par value of VND10,000 per share.

The principal activities of the 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; to lease workshop.

2. Northern Interfood Shareholding Company

Pursuant to Investment Certificate No. 212032000111 dated 14 Feb 2008 issued by the Board of Management of Bac Ninh Industrial Zone, the subsidiary was established a shareholding company under the name of Northern Interfood Shareholding Company (NIFS) with the total investment capital of VND583,200 million, equivalent to USD36,000,000.

The charter capital of the NIFS is VND178,200million, equivalent to USD11,000,000. As at 30 June 2010, the Company has still operated yet. There is no capital contribution up to now.

The principal activities of the NIFS are to produce carbonated fruit juice and noncarbonated fruit juice, food from agricultural product, forest product and seafood and product packing of soft drink.

3. Interfood Packaging Limited

On 6 May 2008, Interfood Packaging Limited (IPL) received the approval from the Board of Management of Dong Nai Industry Zones to establish for a period of 46 years pursuant to Investment Certificate No. 470233000646 with charter capital of USD10million.

As at 31 December 2008, the Company has fully contributed the capital, equivalent to USD9million, to Interfood Packaging Limited.

Interfood Shareholding Company and its subsidiaries

Subsequent to the Company lost of control over IPL in Jan 2009 (mentioned in Note 5.1), on 19 June 2009, Interfood Packaging Limited received its amended Investment Certificate No. 472023000464 which approved the change of its name to Crown Beverage Cans (Dong Nai) Limited (Crown Dong Nai).

Under the new license, its charter capital was increased from USD10,000,000 to USD15,000,000. The Company contributed an additional amount of USD1,000,000 to maintain its equity interest of 20% in Crown Dong Nai (Note 14).

6 Going concern assumption

The consolidated financial statements have been prepared assuming that the Group will continue as a going concern notwithstanding the fact that the Group's current liabilities exceeded current assets by USD15,735,569 as at 31 December 2009 (31 December 2008: USD47,884,248).

The Group's continued existence as a going concern is dependent on the continued financial support of its parent company and ultimately on its ability to operate profitably. The parent company issued a formal undertaking to provide financial support in connection with third party undertakings and relief from related party financial obligations.

Accordingly, the consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to amounts and classifications of liabilities that may be necessary if the Group is unable to continue as a going concern.

8 Cash and cash equivalents	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Cash on hand	37,162	704	57,284	1,028
Cash in banks	93,692	1,774	190,901	3,425
	130,854	2,477	248,185	4,453

9 Other receivables

Other receivables of USD48,813 represents the VAT input for services rendered by Avafood Shareholding Company, a subsidiary.

10 Inventories

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Goods in transit	336,401	6,369	-	-
Raw materials	2,562,539	48,514	3,018,690	54,158
Tools and supplies	277,095	5,246	178,475	3,202
Work in progress	1,173,964	22,225	1,198,945	21,510
Finished goods	3,180,301	60,209	3,589,392	64,397
	7,530,300	142,564	7,985,502	143,268
Provision for decline in inventory value	(146,582)	(2,775)	(744,522)	(13,357)
	7,383,718	139,789	7,240,980	129,910

11 Taxes and amounts receivable from the State Budget

The amount of US\$73,907 represents over- payment of the Company's corporate income tax made for the year 2007 and net off with the CIT gain from sell 20% equity interest in Crown Dong Nai in year 2010. The amounts will be net off with tax liabilities or tax filings in the succeeding years.

12 Other non – current receivables

This amount represents prepayments to a supplier, Kota Lavenda Sdn. Bhd, for the purchase of materials in 2008 and will be paid back by the supplier in 2011.

13 Tangible fixed assets

Building	Machinery & Equipment	Motor vehicles	Office	Total
USD	USD	USD	USD	USD

Interfood Shareholding Company and its subsidiaries**Historical cost**

01/01/2010	4,703,613	28,330,615	531,019	276,399	33,841,646
Acquisition	-	464,039	37,200	11,011	512,250
Disposals	-	(25,186)	-	-	(25,186)
31/12/2010	4,703,613	28,769,468	568,219	287,410	34,328,710
31 December 2010 (VND million)	89,049	544,664	10,758	5,441	649,911
Fully depreciated	-	265,675	-	1,000	266,675
Fixed assets not in use (**)	-	9,656,807	-	7,696	9,664,503

Accumulated depreciation

	USD	USD	USD	USD	USD
01/01/2010	(464,464)	(10,106,948)	(384,126)	(145,842)	(11,101,380)
Charge for the year	(157,960)	(1,899,093)	(60,495)	(23,673)	(2,141,221)
Disposals	-	25,186	-	-	25,186
31/12/2010	(622,424)	(11,980,855)	(444,621)	(169,515)	(13,217,415)
31 December 2010 (VND million)	(11,784)	(226,822)	(8,418)	(3,209)	(250,232)
Fixed assets not in use (**)	-	(4,161,802)	-	(5,704)	(4,167,506)

Net book value

	USD	USD	USD	USD	USD
01/01/2010	4,239,149	18,223,667	146,893	130,557	22,740,266
31/12/2010	4,081,189	16,788,613	123,598	117,895	21,111,295
31 December 2010 (VND million)	77,265	317,842	2,340	2,232	399,679
Fixed assets not in use (**)	-	5,495,005	-	1,992	5,496,997

As at 31 Dec 2010, certain fixed assets with an aggregate carrying value of USD18,286,168 (2009: USD16,878,540) have been pledged with Vietcombank as security for short-term and long term borrowings (Note 17 and Note 22).

(**) Those assets had been moved from the old factory located in the central of Bien Hoa City to new one located in Tam Phuoc Industrial Park, Long Thanh district, Bien Hoa City. The Company has insufficient demand to warrant bringing these assets into use at the present time.

14 Construction in progress

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Opening balance	410,742	7,776	29,386,877	527,230
Additions during the year	123,725	2,342	223,968	4,018
Elimination (*)	-	-	(29,200,103)	(523,879)
Transferred to tangible fixed assets	(345,571)	(6,542)	-	-
Closing balance	188,896	3,576	410,742	7,369
				(0.00)

(*) Elimination for consolidation purpose since 31 January 2009, a subsidiary, Interfood Packaging Limited has become an associate.

15 Investment in associate

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Opening balance	-	-	-	-
Investment in associate (Note 5)	-	-	3,000,000	53,823
Share of loss from investment in associate (Note 30)	-	-	(30,386)	(545)
	-	-	2,969,614	53,278

16 Long term prepaid expenses

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Opening balance	1,467,213	27,777	2,050,870	34,818
Elimination (*)	-	-	(548,641)	(9,844)
Amortisation	(35,016)	(663)	(35,016)	(628)

Interfood Shareholding Company and its subsidiaries

			-	1,977
Closing balance	1,432,197	27,114	1,467,213	26,323
				0.49

(*) Elimination for consolidation purpose since 31 January 2009, a subsidiary, Interfood Packaging Limited has become an associate.

17 Deferred tax assets

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Deferred tax assets	2,135,050	40,421	2,337,065	41,929

This pertains to the deferred income tax recognized in 2008 relative to the Company's net loss reported for that year.

18 Short term borrowings and debts

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Loans from Vietcombank, Dong Nai (1)	10,656,946	201,757	10,640,032	190,893
Loans from Chinatrust Commercial Bank (2)		-	448,335	8,044
Loans from Viet A Bank (3)	2,980,311	56,423	-	-
Loans from supplier (4)		-	1,000,000	17,941
Current portion of long term debts (Note 23)	1,697,337	32,134	2,038,500	36,573
	15,334,594	290,315	14,126,867	253,450

(1) Loans from Vietcombank Dong Nai

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Denominated in USD	1,643,010	31,105	1,575,772	28,271
Denominated in EUR	50,322	953	-	-
Denominated in VND	8,963,614	169,699	9,064,260	162,622
	10,656,946	201,757	10,640,032	190,893

The company has a short-term revolving credit line from Vietcombank, Dong Nai Branch under the Loan agreement No 2008148/NHNT dated 9 September 2008 which pertains to working capital credit facility with a credit limit of 162 billion VND. On 20 August 2010, Vietcombank Dong Nai increased the credit line to 200 billion VND (equivalent to USD10,564,124 as at 31 December 2010) as covered by the principal Agreement No 2010031/KHDN/NHNT dated 20 August 2010 for the term of 60 months from agreement date. The credit facility is subject to interest based on the actual rates at the time each loan is drawn and such interest is payable on the 26th day of each month.

Avafood also has a credit line with VietcomBank under loan contract number 2007145/NHNT dated 10 July 2007 to finance Avafood's working capital requirements. It was restructured to short term loan in accordance with the "Restructure of outstanding loan and Interest" letter from Vietcombank on 14 July 2009. On 15 July 2010, Avafood received a notification letter from Vietcombank to inform Avafood that all outstanding principal and interest will be paid through monthly instalments of USD 210,000 until its fully paid in 2011

The applicable interest rates of these loans in 2011 for dollar denominated loans were 6% to 7% while it was 12.0% to 15.5% for VND denominated loans. (In 2010 for dollar denominated loans were 6% to 7% while it was 12.0% to 15.5% for VND denominated loans)

All loans from Vietcombank are secured under the following mortgaged agreements:

- Agreement No. 2007114/HDBD/NHNT dated 10 Jul 2007 and Appendix No. 2 dated 20 Aug 2010, in which subject loans are secured by pledged machinery and equipment. As at 31 December 2010, the aggregate carrying values of these pledged assets amounts to USD 3,765,800 (Note 8).

Interfood Shareholding Company and its subsidiaries

- Agreement No. 139/HDBD/NHNT dated 30 Aug 2007 and Appendix No. 1 dated 20 Aug 2010, in which subject loans are secured by a building. As at 31 December 2010, the carrying value of the pledged asset is USD2,025,352 (Note 8)

- Agreement No. 09/QHKH/HD dated 24 May 2004 and Appendix No. 1 dated 20 Aug 2010, in which subject loans are secured by another building. As at 31 December 2010, the carrying value of the pledged assets is USD1,985,062 (Note 8).

- Agreement on mortgaged land lease right dated 20 Aug 2010, in which these loan are secured by all rights and interest arising from or in connection to the Land lease Agreement. As at 31 December 2010, the carrying value of the land lease rights is USD1,432,197 (Note 10).

- Agreement No. 2010020/HDBD/NHNT dated 20 August 2010 regarding mortgaged ownership of capital contribution of Interfood Shareholding Company (“Interfood”), the parent company, in the Company amounting to USD 4,500,000. In addition, Interfood also issued a guarantee which includes performance of guaranteed obligations in the event of dissolution, bankruptcy or insolvency in accordance with Agreement No. 201009/HDBL/NHNT dated 20 August 2010. This agreement will be terminated when the Company settle all outstanding debts to Vietcombank in 2011.

- Agreement No.016/QHKH/NHNT dated 24 September 2004, , in which these loans are secured by the aggregated values of certain machinery. As at 31 December 2010, the carrying value of these pledged assets amounted to USD4,113,505 (Note 10).

(2) Loans from China Trust Bank – Ho Chi Minh City

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Denominated in VND	-	-	448,335	8,044
	-	-	448,335	8,044

The loan from Chinatrust Commercial Bank Ho Chi Minh City branch under Contract No. HCMC204/2007 dated 7 January 2008 was made to finance the Company’s working capital requirements. The loans are subject to interest based on the aggregate of SIBOR plus a margin of 1.2% per annum.

In 2010, VND denominated loans carried interest at the rates at 12% per annum. These loans are unsecured.

According to the agreement dated 08 December 2009, the Company will pay back the balance on 7 monthly instalments starting on 15 December 2009. The Company settled this amount in May 2010.

(3) Loans from Viet A Bank

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Denominated in USD	2,980,311	56,423	-	-
	2,980,311	56,423	-	-

The loan from Viet A Bank under Contract No. 131/10/VAB/HDTHH dated 26 March 2010 pertains to working capital credit facility with a credit limit of USD 3,000,000. The credit facility is subject to interest based on the actual rates at the time each loan is drawn and such interest is payable on the 25th day of each month or after one month of withdrawal.

The applicable interest rate in 2011 was at rates ranging from 0.55% to 0.63% per month. The loans are secured by the aggregated values of certain machineries amounting to VND’000 47,260,000 (equivalent to USD 2,496,303 as at 31 December 2010) under contract No. No.274/10/VAB-SGD/TCDS dated on 21 December 2010 and machineries amounting to VND’000 42,000,000 (equivalent to USD 2,218,466 as at 31 December 2010) under contract No. No.242/10/VAB-SGD/TCDS dated on 11 November 2010. As at 31 December 2010, the carrying value of these pledged assets amounts to USD 5,690,096 (Note 11).

Interfood Shareholding Company and its subsidiaries

	USD	VND million	USD	VND million
Payable to suppliers	3,655,174	69,200	5,134,339	92,115
Payable to related parties (Note 39)	1,395,446	26,419	2,479,926	44,492
	5,050,620	95,618	7,614,265	136,608

20 Taxes and amounts payable to state budget

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Value added tax	289,964	5,490	1,157,623	20,769
Corporate income tax	118,093	2,236	118,093	2,119
Personal income tax	125,180	2,370	117,744	2,112
Import, export tax	2,076	39	17,933	322
Other taxes	3,253	62	85,172	1,528
	538,567	10,196	1,496,565	26,850

21 Accrued expenses payable

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Transportation	205,841	3,897	280,936	5,040
Trade discounts	83,659	1,584	250,265	4,490
Others	175,241	3,318	145,396	2,609
	464,741	8,798	676,597	12,139

22 Other payables

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Dividend payable (Note 41)	24,265	459	24,265	435
Trade union, social and health insurance	15,699	297	13,551	243
Payable to Chairman of Group (**)(Note 39)	106,851	2,023	8,033	144
Other payable	13,244	251	13,575	244
	160,059	3,030	59,424	1,066

(**) The Chairman of the Group made payment directly to a supplier on behalf of the Group for fixed asset purchases in 2008. In 2009, this payable was converted to a shareholder loan under a loan agreement dated 30 July 2009 (Note 23).

23 Long term borrowings and debts

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Loans from Vietcombank, Dong Nai (1)	1,697,337	32,134	5,405,729	96,984
Loan from Chairman (2) (Note 39))	3,430,928	64,954	3,557,216	63,820
Loan from Wonderfarm Biscuits & Confectionery Sdn. Bhd. (3)	1,562,685	29,585	1,562,685	28,036
Less: amount due within one year	(1,697,337)	(32,134)	(2,038,500)	(36,573)
	4,993,613	94,539	8,487,130	152,268

(1) Loans from Vietcombank, Dong Nai

As mentioned in Note 16, on 8 September 2009, Vietcombank, Dong Nai branch agreed to restructure the outstanding balance of the loan and the related interest (both normal and overdue interest) of Avafood. Said amounts will be repaid in 42 monthly instalments with the first instalment amounting to USD150,000 being paid on October 2009.

The details of outstanding loan from Vietcombank, Dong Nai branch of Avafood as below:

31 December 2010

Interfood Shareholding Company and its subsidiaries

	USD	VND million
Contract No.2007176/NHNT dated 30 August 2007 (a)	1,176,127	22,266
Contract No 200846/NHNT dated 21 February 2008 (b)	197,229	3,734
Overdue interest	323,981	6,134
	1,697,337	32,134

(a) This pertains to five-year loan amounting to USD1,500,000 under loan contract No.2007176/NHNT dated 30 August 2007. The loan carries interest at the rate of 10% per annum. This loan is secured by a building valued at USD2,244,014 under agreement No. 139/HDBD/NHNT dated 30 August 2007. As at 31 December 2009, the carrying value of the pledged asset is USD2,100,153 (Note 13). This represents a loan under contract No 200846/NHNT dated 21 February 2008. The loan bears interest at 10.5% per annum. This loan is secured by a factory building valued at USD2,388,379 under the agreement No.28/HDBD/NHNT dated 21 Feb 2008. As at 31 December 2009, the carrying value of this pledged asset amounts to USD2,068,062 (Note 13)

(2) Loan from Chairman

This represents an assumed loan resulting from a swap of liabilities between the Company and Crown Dong Nai. The Company assumed Crown's liability to Mr. Pang while Crown Dong Nai assumed a similar amount of the Company's liability to a creditor.

This assumed liability was subsequently converted into a five-year shareholder loan under a loan agreement dated 30 July 2009. The loan bears interest at SIBOR three months less 1%. The actual interest rate for the year 2009 was from 2% to 3% per annum (Note 39).

(3) Loan from Wonderfarm Biscuits & Confectionery Sdn. Bhd

According to a Resolution of the BOM's dated 25 December 2008, the balance of payables from Wonderfarm Biscuits & Confectionery Sdn. Bhd. of Avafood will be converted to a five-year shareholder loan. This loan bears interest at SIBOR 3 months less 1% per annum. The actual interest expense of this loan for the year 2009 was from 2% to 2.36%. This loan is unsecured.

24 Deferred tax liabilities

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Deferred tax liabilities	115,209	2,181	81,221	1,457

This pertains to temporary differences between accounting base and tax base in relation to the carrying value of fixed assets of Avafood Shareholding Company at the balance sheet date.

25 Owner's equity

	Paid in capital	Share premium	Acquisition Reserves	Foreign exchange	Undistribute d earnings	Total
	USD	USD	USD	USD	USD	USD
Prior year's opening balance	18,313,995	4,082,759	(1,562,092)	621,644	(12,997,905)	8,458,401
Prior year's net loss	-	-	-	-	(1,441,853)	(1,441,853)
Foreign exchange differences	-	-	-	(621,644)	-	(621,644)
Prior year's closing balance	18,313,995	4,082,759	(1,562,092)	-	(14,439,758)	6,394,904
31 December 2009 (VND million)	328,571	73,249	(28,025)	-	(259,064)	114,731
Current year's opening	18,313,995	4,082,759	(1,562,092)	-	(14,439,758)	6,394,904
Current year's net profit	-	-	-	-	382,597	382,597
Foreign exchange differences	-	-	-	-	-	-
Current year's closing balance	18,313,995	4,082,759	(1,562,092)	-	(14,057,161)	6,777,501
31 December 2010 (VND million)	346,721	77,295	(29,574)	-	(266,130)	128,312

23 Paid-in capital

The Company's charter capital is VND291,409,840 thousand (equivalent US\$18,313,995), which is divided into 29,140,984 ordinary shares with par value of VND10,000 each.

31-Dec-09

Interfood Shareholding Company and its subsidiaries

	Number of shares	VND'000	USD equivalent
Authorized	29,140,992	291,409,920	18,314,000
Issued and fully paid	29,140,984	291,409,840	18,313,995

Details of shareholders as at 31 December 2010 are as follows:

	Number of shares			Par value VND'000	Equivalent capital amount	
	Listed shares	shares	Total		VND'000	%
Trace Ocean Holding SDN BHD	-	16,684,646	16,684,646	10	166,846,460	57.25%
Pang Tee Chiang	1,237,469	5,499,840	6,737,309	10	67,373,090	23.12%
Ng. Eng Huat	800,403	-	800,403	10	8,004,030	2.75%
Yau Hau Jan	-	81,139	81,139	10	811,390	0.28%
Nguyen Thi Kim Lien	12,000	-	12,000	10	120,000	0.04%
Public shareholders	4,825,487	-	4,825,487	10	48,254,870	16.56%
	6,875,359	22,265,625	29,140,984		291,409,840	100%

27 Minority interest

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Opening balance	-	-	1,073,887	19,267
Minority interest in Interfood Packaging	-	-	(970,016)	(17,403)
Minority interest in net loss of AvaFood	-	-	(103,871)	(1,864)
Minority interest in net loss of Interfood Packaging Limited	-	-	-	-
Closing balance	-	-	-	0

(0.00)

28 Revenues

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Revenue				
Domestic sales	53,290,654	1,008,899	55,985,717	1,004,440
Export sales	2,320,259	43,927	2,135,455	38,312
	55,610,913	1,052,826	58,121,172	1,042,752
Sales deduction:				
Sales allowance	(1,401,257)	(26,529)	(2,499,592)	(44,845)
Sales return	(26,037)	(493)	(16,257)	(292)
	54,183,619	1,025,804	55,605,323	997,615
Net sales	54,183,619	1,025,804	55,605,323	997,615

29 Cost of goods sold

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Cost of goods sold for domestic sales	39,308,661	744,192	42,498,099	762,458
Cost of goods sold for export sales	2,053,507	38,877	1,593,970	28,597
	41,362,168	783,069	44,092,069	791,056

30 Income from financial activities

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Interest income from bank deposits	9,956	188	16,321	293
Interest income from loan to a related party (Note 38)	-	-	116,604	2,092

Interfood Shareholding Company and its subsidiaries

Interest income from disposal investment in subsidiary	330,386	6,255	-	-
Realised gains from foreign exchange	1,309,032	24,783	465,531	8,352
Unrealised gains from foreign exchange	99,248	1,879	616,654	11,063
	1,748,622	33,105	1,215,110	21,800

31 Expenses for financial activities

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Loss from disposal of equity interest in Crown Dong Nai (Note 5)	-	-	2,030,141	36,423
Interest expense	1,855,247	35,124	2,793,169	50,112
Realised foreign exchange losses	1,400,548	26,515	1,259,265	22,592
Other finance expenses	5,635	107	-	-
Share of loss from investment in associate (Note 15)		-	30,386	545
	3,261,430	61,745	6,112,961	109,673

32 Selling expenses

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Transportation expense	2,621,615	49,632	3,444,072	61,790
Salary	1,692,885	32,050	777,250	13,945
Commission for salesman	1,450,730	27,465	559,756	10,043
Depreciation	62,052	1,175	104,877	1,882
Office rental fee	2,992	57	11,531	207
Other expenses	2,155,399	40,806	275,447	4,942
	7,985,673	151,185	5,172,933	92,808

33 General and administration expenses

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Salary	1,213,473	22,973	1,362,737	24,449
Depreciation and amortisation of pre operation expenses	49,175	931	47,109	845
Office expenses	711,637	13,473	320,136	5,744
Bank charges	24,073	456	46,275	830
Outside services expenses	120,206	2,276	84,803	1,521
Consultant fee	-	-	14,382	258
Others	563,436	10,667	483,235	8,670
	2,682,000	50,776	2,358,677	42,317

34 Other income

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Income from waived liabilities from customer	-	-	214,290	3,845
Income from disposal of fixed assets	68,633	1,299	147,142	2,640
Promotion from suppliers	6,636	126	-	-
Compensation for loss of inventories	370,441	7,013	-	-
Write-off account payables and advance from customers	-	-	199,343	3,576
Other income	266,801	5,051	133,210	2,390
	712,511	13,489	693,985	12,451

35 Other expenses

Interfood Shareholding Company and its subsidiaries

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
	Write-off unaccounted accounts receivable and prepayments to suppliers	-	-	263,743
Net book value of written-off fixed assets	-	-	532,529	9,554
Net book value of disposed fixed assets	-	-	255,664	4,587
Depreciation of idle assets	426,603	8,076	237,089	4,254
Administration penalty	237,239	4,491	-	-
Others	71,038	1,345	16,536	297
	734,880	13,913	1,305,561	23,423

36 Cost by element

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
	Raw materials	37,419,433	708,425	39,102,373
Labour cost	4,675,664	88,520	3,812,552	68,401
Depreciation and amortisation	2,176,237	41,201	1,995,952	35,809
Outside service costs	3,579,763	67,772	5,947,636	106,707
Other costs	5,071,492	96,013	3,049,518	54,711
	52,922,589	1,001,930	53,908,031	967,164

37 Corporate income tax**Interfood Shareholding Company**

The Company is liable to corporate income tax at the rate of 15% for a period of 12 years from 1994, the year it commenced commercial operations. Thereafter, from 2006 onwards the Company is subject to income tax at the rate of 25%.

According to Decree No. 24/2007/NĐ-CP dated 14 February 2007 (which replaced Decree No. 164/2003/NĐ-CP dated 22 December 2003), the Company is entitled to tax incentives in relation to the relocation of its business activities out of an urban area. In 2006, the Company relocated one of its production lines from Bien Hoa City to Tam Phuoc Industrial Zone, Long Thanh District.

As a result, profit derived from this line is exempt from Corporate income tax for 2 years and a reduction of 50% for the following 6 years.

Also as stated in this Decree, the Company is entitled to tax incentives in relation to investments made in new production lines that are qualified under this Decree. The tax incentives include one year of exemption from Corporate income tax and a reduction of 50% for the following four years applied to profit derived from the new production lines

In accordance with 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.

Avafood Shareholding Company

Pursuant to the Investment Certificate No. 472033000355 dated 31 December 2007, the Company is liable to corporate income tax at 15% of its taxable income 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 the Company officially commenced business operations. Thereafter the Company is subject to corporate income tax at 25%.

The Company is entitled to corporate income tax exemption for a period of 2 years from the first profit-making year and a reduced income tax equivalent to 50% of the applicable income tax rate in the next 3 years following its full exemption.

Corporate income tax is payable at the rate stipulated by the current regulations on annual profit from workshop lease activity (2010: 25%; 2009: 25%).

The Group:

Interfood Shareholding Company and its subsidiaries

No provision for corporate income tax has been made for the period ended 31 December 2009 because of the Group has still made loss. The tax on the Group's loss before tax differs from the theoretical amount that would arise using the tax rate regulated in the Investment Certificate of each company within the Group as follows

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Accounting profit/loss before tax	618,601	11,711	(1,527,783)	(27,410)
Add:				
Estimated not yet deductible expenses for tax purposes	698,878	13,231	892,975	16,021
Estimated non deductible expenses for tax purposes	(483,145)	(9,147)	39,505	709
Less				
Temporary differences of prior year realised in this year	399,980	7,572	-	-
Diff Between accounting base and tax base of Carrying value of FA		-	-	-
Taxable loss	1,234,314	15,796	(595,303)	(10,680)
Deferred income tax income of Interfood Shareholding Company	(202,016)	(3,825)	-	-
Deferred income tax expenses of Avafood Shareholding Company	(33,988)	(643)	(17,941)	(322)
Corporate income tax payable			-	-
Loss after tax	998,310	11,328	(613,244)	(11,002)

Tax losses can be carried forward to offset future years' taxable income up to five years from the year in which they were incurred. The actual amount of accumulated losses that can be carried forward is subject to the result of tax audit carried out by the local tax authorities. Tax losses available for offset against future taxable income are as follows:

Year	Status of tax audit	Tax losses
2006	Not yet performed	1,243,385
2007	Not yet performed	286,568
2008	Not yet performed	14,514,664
2009	Not yet performed	541,481
		16,586,098

38 Related party transaction and balances

During the year, the following transactions with related parties were recorded:

Related parties	Relation	Transaction	USD
Mr. Pang Tee Chiang (Note 23)	Chairman/	Other received	177,955
		Shareholder loan	126,289
		Other repayment	79,231
Crown Beverage Cans (Dong Nai) Limited.	Affiliate	Purchases of materials	17,224,312
Chuan Li Can Manufacturing (Vietnam) Co., Ltd	Affiliate	Purchases of materials	849,354

At 31 December 2010, the following balances were outstanding with related parties:

Related parties	Relation	Transaction	Other payable	Trade payable	Loan
			USD	USD	USD
Wonderfarm Biscuits & Confectionery Sdn. Bhd. (Note 2: Minority interest)		Loan	-	-	1,562,685
		Purchases of materials	-	1,183,165	-
Crown Beverage Cans (Dong Nai) Limited (Note 19).	Affiliate	Purchases of materials	-	212,281	-
		Purchases of materials	-	-	-
Mr. Pang Tee Chiang (Note 23)	Chairman/ General Director	Loan	-	-	3,430,928
		Other payable	8,033	-	-
			8,033	2,479,926	5,119,901

39 Segmental information

At 31 December 2010, management determined the following reportable segments by categories of sales: (1) domestic sales and (2) export sales. The Company analyses segment revenue and cost of sales.

The segment results for the period ended 31 December 2010 are as follows:

Interfood Shareholding Company and its subsidiaries

	Domestic USD	Export USD	Total USD
Sales revenue - net	51,866,715	2,316,904	54,183,619
Cost of sales	(39,197,470)	(2,053,507)	(41,250,977)
Gross profit	12,669,245	263,397	12,932,642
Gross profit (VND million)	239,854	4,987	244,841

The segment results for the period ended 31 December 2009 are as follows:

	Domestic USD	Export USD	Total USD
Sales revenue - net	53,582,906	2,022,417	55,605,323
Cost of sales	(42,498,099)	(1,593,970)	(44,092,069)
Gross profit	11,084,807	428,447	11,513,254
Gross profit (VND million)	198,873	7,687	206,559

Management also determined the following reportable segments by categories of products: (1) drinks, (2) biscuits and (3) others. The Company analyses segment revenue and cost of revenue.

The segment results for the period ended 31 December 2010 are as follows:

	Drinks USD	Biscuits USD	Other USD	Total USD
Sales revenue - net	50,121,865	1,246,848	2,814,906	54,183,619
Cost of sales	(37,058,791)	(1,658,302)	(2,533,883)	(41,250,977)
Gross profit	13,063,074	(411,454)	281,023	12,932,642
Gross profit (VND million)	247,310	(7,790)	5,320	244,841

The segment results for the period ended 31 December 2009 are as follows:

	Drinks USD	Biscuits USD	Other USD	Total USD
Sales revenue - net	52,206,274	1,209,087	2,189,962	55,605,323
Cost of sales	(41,413,007)	(952,941)	(1,726,121)	(44,092,069)
Gross profit	10,793,267	256,146	463,841	11,513,254
Gross profit (VND million)	193,642	4,596	8,322	206,559

40 Profit (Loss) per share and dividends

Basic profit(loss) per share is shown below:

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Profit(Loss) attributable to shareholders of the Company	382,597	7,243	(1,413,787)	(25,365)
Weighted average number of ordinary shares on issue	29,140,984	29,140,984	29,140,984	29,140,984
Basic profit (loss) per share	0.013	0.000	(0.049)	(0.001)

No dividend was declared in 2009. As at 31 December 2009, the 2007 dividends payable amounting to USD24,265 was not paid and included in the other payables (Note 22).

41 Board of Directors and Management's remuneration

During the period, the members of Board of Directors and Management received remuneration as follows:

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Board of Management fees	13,863	262	17,553	315
Salary	459,810	8,705	287,881	5,165
	473,673	8,968	305,434	5,480

42 Commitments

As at 31 December 2010, the Company was committed under non cancellable operating lease agreements in the following amounts:

	31 December 2010	31 December 2009
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Interfood Shareholding Company and its subsidiaries

	USD	VND million	USD	VND million
Within the next year	156,685	2,966	147,921	2,654
Within two to five years	163,938	3,104	338,105	6,066
Over five years	-	-	12,672	227
	320,623	6,070	498,698	8,947

43 Subsequent event

The consolidated financial statements were approved by the Board of Directors on _____.

Pang Tea Chiang
General Director

Nguyen Hong Phong
Chief Accountant