

Consolidated financial statements and Independent  
auditors' report

Interfood Shareholding Company and its subsidiary

31 December 2010

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# 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 subsidiary ("the Group") for the year ended 31 December 2010.

## Results

The results of the Group for the year ended 31 December 2010 are presented in the consolidated statement of income.

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## Financial indicators of the business

	Unit	2010	2009
<b>Assets structure and capital structure</b>			
<b>Assets structure</b>			
Fixed assets/total assets	%	72.62	77.32
Current assets/total assets	%	27.38	22.68
<b>Capital structure</b>			
Liabilities/total resources	%	80.21	83.95
Owners' equity/ total resources	%	19.79	16.05
<b>Liquidity</b>			
Total assets/liabilities	times	1.25	1.19
Current ratio	times	0.42	0.36
Quick ratio	times	0.01	0.01
<b>Profitability</b>			
<b>Loss/net sales</b>			
Loss before tax/net sales	%	1.14	(2.75)
Loss profit/net sales	%	0.71	(2.78)
<b>Loss/total assets</b>			
Loss before tax/total assets	%	1.81	(3.83)
Net loss/total assets	%	1.12	(3.88)
<b>Net loss/owners' equity</b>	%	<b>5.65</b>	(24.17)

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## Auditors

The consolidated financial statements for the year ended 31 December 2010 have been audited by Grant Thornton (Vietnam) Ltd.

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## 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:

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### Board of Management:

Pang Tee Chiang	Chairman
Nguyen Thi Kim Lien	Member

### Appointed/Resigned on

15 August 2006
15 August 2006

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# Independent auditors' report

On the consolidated financial statements of  
Interfood Shareholding Company and its subsidiaries  
for the year ended 31 December 2010

Grant Thornton (Vietnam) Ltd.  
28<sup>th</sup> Floor, Saigon Trade Center  
37 Ton Duc Thang, District 1,  
Ho Chi Minh city, Vietnam

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No. HCM/11/128  
**To the Board of Management of Interfood Shareholding Company**

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We have audited the accompanying consolidated financial statements of Interfood Shareholding Company ("the Company") and its subsidiary ("the Group"), which comprise the consolidated balance sheet as at 31 December 2010 and the consolidated statement of income and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 6 to 31.

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## Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Vietnamese Accounting Standards and System. This responsibility includes: designing, implementing and maintaining internal control 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.

## Auditors' responsibility

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

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## Basis of opinion

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 the 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 control 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 control. 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.

As indicated in Note 3 – Basis of preparation of 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 the Socialist Republic of Vietnam.

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Interfood Shareholding Company and its subsidiary as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and in compliance with relevant statutory requirements.

**GRANT THORNTON (VIETNAM) LTD**

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**Melvyn George Crowle**  
Auditor's Certificate No. N0297/KTV  
General Director

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**Tran Vuong Vu**  
Auditor's Certificate No. 1210/KTV  
Auditor

Ho Chi Minh City, Vietnam  
Date: \_\_\_\_\_

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# Consolidated balance sheet

	Notes	Code	31 December 2010		31 December 2009	
			USD	VND million	USD	VND million
<b>ASSETS</b>						
<b>Current assets</b>						
<b>Cash and cash equivalents</b>						
Cash	7	111	130,854	2,477	248,185	4,453
<b>Accounts receivable</b>						
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	8	135	140,650	2,663	411,237	7,378
Provision for short term doubtful debts		139	(24,405)	(462)	-	←
		130	1,664,924	31,520	1,211,713	21,740
<b>Inventories</b>						
Inventories	9	141	7,530,300	142,564	7,985,502	143,268
Provision for decline in inventory's value	9	149	(146,582)	(2,775)	(744,522)	(13,357)
		140	7,383,718	139,789	7,240,980	129,911
<b>Other current assets</b>						
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 State Budget	10	154	106,907	2,024	106,907	1,918
Other current assets		158	77,129	1,460	57,207	1,027
		150	197,591	3,741	336,665	6,040
		100	9,377,087	177,527	9,037,543	162,144
<b>Non-current assets</b>						
<b>Fixed assets</b>						
Tangible fixed assets	11	221	21,111,296	399,679	22,740,266	407,983
- Historical cost		222	34,328,710	649,911	33,841,646	607,154
- Accumulated depreciation		223	(13,217,414)	(250,232)	(11,101,380)	(199,171)
Construction in progress	12	230	188,896	3,576	410,742	7,369
		220	21,300,192	403,255	23,151,008	415,352
<b>Long term receivables</b>						
Other non - current receivables		228	-	-	884,738	15,873
<b>Long term investments</b>						
Investments in associates	13	252	-	-	2,969,614	53,278
<b>Other non-current assets</b>						
Long-term prepaid expenses	14	261	1,432,197	27,114	1,467,213	26,323
Deferred tax assets	15	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	715,044

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The accompanying notes are an integral part of these financial statements

	Notes	Code	31 December 2010		31 December 2009		Formatted Table
			USD	VND million	USD	VND million	
<b>RESOURCES</b>							
<b>Liabilities</b>							
<b>Current liabilities</b>							
Short term borrowings and debts	16	311	15,334,594	290,315	14,126,867	253,450	
Trade accounts payable	17	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	18	314	538,567	10,196	1,496,565	26,850	Formatted Table
Payable to employees		315	444,303	8,412	431,786	7,747	
Accrued expenses payable	19	316	464,741	8,798	676,597	12,139	
Other payables	20	319	160,059	3,030	59,424	1,066	
		310	22,242,882	421,102	24,773,112	444,455	Formatted Table
<b>Long term liabilities</b>							
Long term deposits		331	1,255	24	1,255	23	Formatted Table
Long term borrowings and debts	21	334	4,993,613	94,539	8,487,130	152,268	
Deferred tax liabilities	22	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	600,313	
<b>Owners' equity</b>							
<b>Capital sources and funds</b>							
Share capital	23,24	411	18,313,995	346,721	18,313,995	328,571	Formatted Table
Share premium	23	412	4,082,759	77,295	4,082,759	73,249	
Other reserves	23	419	(1,562,092)	(29,574)	(1,562,092)	(28,025)	Formatted Table
Accumulated losses	23	420	(14,057,161)	(266,130)	(14,439,758)	(259,064)	Deleted: ¶
		410	6,777,501	128,312	6,394,904	114,731	Deleted: ¶
<b>Minority interest</b>							
Minority interest	25	439	-	-	-	-	Formatted Table
		440	6,777,501	128,312	6,394,904	114,731	Deleted: ¶
			34,252,594	648,470	39,855,249	715,044	Deleted: ¶

**Off balance sheet items**

	31 December 2010	31 December 2009
<b>Foreign currencies</b>		
Vietnamese dong (million)	1,568	4,943
Euro	369	250

Date: \_\_\_\_\_

\_\_\_\_\_  
Pang Tee Chiang  
General Director

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Nguyen Hong Phong  
Chief Accountant



# Consolidated statement of income

	Notes	Code	Year ended		Year ended	
			31 December 2010		31 December 2009	
			USD	VND million	USD	VND million
Gross sales	26	01	55,610,913	1,052,826	58,121,172	1,042,752
Sales deductions	26	02	(1,427,294)	(27,022)	(2,515,849)	(45,137)
Net sales		10	54,183,619	1,025,804	55,605,323	997,615
Cost of sales	27	11	(41,362,168)	(783,069)	(44,092,069)	(791,056)
Gross profit		20	12,821,451	242,735	11,513,254	206,559
Income from financial activities	28	21	1,748,622	33,105	1,215,110	21,800
Expenses for financial activities	29	22	(3,261,430)	(61,745)	(6,112,961)	(109,673)
<i>Including: interest expense</i>		23	(1,855,247)	(35,124)	(2,793,169)	(50,112)
Selling expenses	30	24	(7,985,673)	(151,185)	(5,172,933)	(92,808)
General and administration expenses	31	25	(2,682,000)	(50,776)	(2,358,677)	(42,317)
Operating profit/(loss)		30	640,970	12,134	(916,207)	(16,439)
Other income	32	31	712,511	13,489	693,985	12,451
Other expenses	33	32	(734,880)	(13,912)	(1,305,561)	(23,423)
Profit/(Loss) before tax		50	618,601	11,711	(1,527,783)	(27,411)
Corporate income tax	35	51	-	-	-	-
Deferred income tax	35	52	(236,004)	(4,468)	(17,941)	(322)
Profit/(Loss) after tax			382,597	7,243	(1,545,724)	(27,733)

Minority interest		59	-	-	103,871	1,864
<b>Net profit/(loss) attributable to the shareholders of parent company</b>		60	382,597	7,243	(1,441,853)	(25,869)
Earnings (loss) per share – Basic & Diluted (USD/ VND thousand)	39	70	0.013	0.249	(0.049)	(0.888)

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\_\_\_\_\_  
Pang Tee Chiang  
General Director

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Nguyen Hong Phong  
Chief Accountant

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Pang Tee Chiang  
General Director

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Nguyen Hong Phong  
Chief Accountant

The accompany notes are an integral part of these financial statements

# Consolidated statement of cash flows

	Code	Year ended		Year ended	
		31 December 2010		31 December 2009	
		USD	VND million	USD	VND million
<b>Cash flows from operating activities</b>					
Profit (loss) before tax	01	618,601	11,711	(1,527,783)	(27,411)
Adjustments for:					
Depreciation and amortisation	02	2,176,237	41,201	2,298,573	41,239
Increase in provisions	03	(573,535)	(10,858)	289,045	5,186
Gain on foreign currency translations	04	(99,248)	(1,879)	(616,654)	(11,063)
(Gain)/loss from disposal of investments and fixed assets	05	(330,386)	(6,255)	2,671,192	47,924
Interest expense	06	1,855,247	35,124	2,793,169	50,112
Interest income	07	(9,956)	(188)	(133,187)	(2,390)
<b>Operating profit before adjustments to working capital</b>	08	<b>3,636,960</b>	<b>68,856</b>	5,774,355	103,597
Change in accounts receivable	09	957,600	18,129	479,711	8,606
Change in inventories	10	455,202	8,618	(427,375)	(7,668)
Change in accounts payable	11	(424,660)	(8,040)	5,201,125	93,314
Change in prepaid expenses	12	164,257	3,110	(20,698)	(371)
Interest paid	13	(1,573,256)	(29,785)	(2,793,169)	(50,112)
<b>Cash generated from operating activities</b>	20	<b>3,216,103</b>	<b>60,888</b>	8,213,949	147,366
<b>Cash flows from investing activities</b>					
Acquisition of fixed assets, investment and construction in progress	21	(290,405)	(5,498)	(617,838)	(11,085)
Proceeds from disposal of investments and fixed assets	22	-	-	5,117,001	91,804
Additional investments in associates	25	-	-	(1,000,000)	(17,941)
Interest income received	27	9,956	188	133,187	2,390
<b>Net cash inflows/(outflows) from investing activities</b>	30	<b>(280,449)</b>	<b>(5,310)</b>	3,632,350	65,168

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# 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.

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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 USD30,000,000 and USD13,000,000, respectively. The Company’s total number of shares was 13,000,000 with par value of USD1 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 USD1 per share to VND10,000 per share and the Company’s charter capital was changed from USD13,000,000 to VND206,636,000 thousand. As a result, the total shares of the Company changed from 13,000,000 shares with par value of USD1 per share to 20,663,600 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.

**Comment [V2]:** Next year em nho shorten cai doan lich su tu day xuong den may cai shares etc di nha, chi cung ko muon sua nua nhung ko can phai trinh bay ca tien trinh ra day dau. Only key important inf

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On 17 October 2006, the Company listed the 3,620,560 new shares (stock code IFS) 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 Investment Licence 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 USD90 million. The charter capital of the Company is VND291,409,920 thousand. The total number of shares of the Company was increased to 29,140,992 with a par value of VND10,000 per share. An additional 4,856,832 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.

Subsequently on 11 March 2011, Trade Ocean Holdings Sdn Bhd which holds approximately 57.25% of the total outstanding shares of the Company, was acquired by Kirin Holdings Company

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Limited (“Kirin”). Kirin, a public company listed on the Tokyo Exchange, is one of the largest beverage companies in the region. Kirin is now the new ultimate parent company.

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.

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

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**2 Fiscal year and currency**

**Fiscal year**

The Company’s fiscal year end is 31 December.

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**Reporting currency and foreign exchange**

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, the Company and its subsidiary (hereinafter collectively referred to as the “Group”) used the United States Dollar as its reporting currency in the preparation and presentation of its financial statements.

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However according to the Official letter No.627/UBCK-QLPH dated 16 April 2008 of the Sate Securities Commission of Vietnam, the consolidated financial statements of the Company must be presented in Vietnam Dong for statutory reporting purposes. Consequently, the Company converted the financial statements to Vietnam Dong using the exchange rate published by the State Bank of Vietnam of VND18,932/USD (2009: VND17,941/USD).

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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 balance sheet date. Translation gains and losses and expenses relating to foreign exchange transactions arising thereafter are recorded in the consolidated statement of income.

**3 Basis of preparation of consolidated financial statements**

**3.1 Basis of preparation**

The consolidated financial statements have been prepared in accordance with the Vietnamese Accounting Standards and System, and relevant statutory requirements of the Ministry of Finance, which may differ in some material respects from the 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 accounting principles, procedures and practices.

**3.2 Basis of consolidation**

The consolidated financial statements are composed of the accounts of the Company and its subsidiary.

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**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; and derecognises the carrying amount of any minority interest in the former subsidiary at the same time.

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The purchase method of accounting is used to account for the acquisition of subsidiary by the Group. The cost of an acquisition is measured at 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 material). The useful life of goodwill is estimated as the time during which economic benefits are recovered by the Group. 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.

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 acquirer's carrying value at the acquisition date, irrespective of the extent of any minority interest. The difference between the consideration given and the aggregate 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 balances, transactions and unrealised gains on transactions between those companies and the Group are eliminated. Unrealised losses are also eliminated unless they provide 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 interests that are not owned, directly or indirectly through a subsidiary, by the parent.

The losses applicable to the minority in the subsidiary may exceed the minority interest in the equity of the subsidiary. In such cases, the excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recovered.

## **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 an original maturity term of not more than 3 months.

### **4.2 Inventory**

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:

**Comment [V3]:** Xoa vi ko applicable cho Group

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**Deleted:** 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 acquirer's carrying value at the acquisition date, irrespective of the extent of any minority interest. The difference between the consideration given and the aggregate value of the assets and liabilities of the acquired entity is recorded as other reserve under shareholders' equity

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

Interfood Shareholding 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 203/2009/TT-BTC dated 20 October 2009.

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

Depreciation of assets which are not in use was recognised as part of “Other expenses”.

#### 4.5 Construction in progress

Construction in progress represents the costs of new ERP software, machinery and equipment incurred under development. No depreciation is recognized until the project 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 Long term prepaid expenses

##### *Land rental*

Prepaid land rental relates to an area of land leased at the Tam Phuoc Industrial Zone, Long Thanh District, Dong Nai Province. The prepayment is charged to the income statement on a straight-line basis over the period of 45.5 years from 2006.

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#### 4.7 Investment in associates

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 subsidiary 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.

#### 4.8 Borrowing costs

Borrowing costs comprising interest and related costs are recognised as an expense in the period in which they are incurred, except for borrowing 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.

#### 4.9 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.

#### 4.10 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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#### 4.11 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.

#### 4.12 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 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 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.

#### 4.13 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.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

#### 4.14 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 costs associated with the issuing of shares are deducted from premium, net of any related income tax benefits.

Other reserve represents the negative goodwill carried forward after the Company acquired a subsidiary (Note 3.2).

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#### 4.15 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.

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**4.16 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.

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**5 Subsidiaries and associates**

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

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	Amount		% equity held	
	31 December 2010 USD	31 December 2009 USD	31 December 2010 %	31 December 2009 %
<b>Subsidiaries:</b>				
AvaFood Shareholding Company (1)	4,500,000	4,500,000	90	90
Northern Interfood Shareholding Company (2)	-	-	-	-
	<b>4,500,000</b>	<b>13,500,000</b>		
<b>Associates:</b>				
Interfood Packaging Limited (3)	-	3,000,000	-	20

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**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 shares from Wonderfarm Biscuits & Confectionery Sdn. Bhd.

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AvaFood Shareholding Company (formerly AvaFood Industries Ltd.) was established in the Socialist Republic of Vietnam as a limited liability company 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, wholly owned by Wonderfarm Biscuits & Confectionery Sdn. Bhd., a company incorporated in Malaysia.

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The amended Investment Licence No. 48/GPĐC2-ĐN-KCN dated 17 September 2004 allowed Avafood to increase its investment capital to USD11,000,000.

In December 2007, follows the Investment Certificate No. 472033000355 dated 31 issued by the Board of Management of Dong Nai Industrial Zone, Avafood changed its legal status from a limited liability company into a shareholding company under the name of AvaFood Shareholding Company with the total investment capital of VND259,200 million (equivalent to USD16,000,000) and charter capital of VND81,000 million (equivalent to USD5,000,000). Avafood's total number of shares were 8,100,000 with par value of VND10,000 per share.

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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 a workshop.

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**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 as a shareholding company under the name of Northern Interfood Shareholding Company ("NIFS") with a total investment capital of VND583,200 million, equivalent to USD36,000,000. The charter capital of the NIFS is VND178,200 million, equivalent to USD11,000,000.

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.

On 29 Dec 2010, The Board of Management of Bac Ninh Industry Park decided to revoke Investment Certificate No. 212032000111 granted to NIFS as the Company has not yet started operations and there had been no capital contribution since the establishment date.

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### 3. Crown Beverage Cans (Dong Nai) 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.

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"). The Company disposed of its remaining equity interests of 20% in Crown Dong Nai in May 2010 (Note 13).

### 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 USD12,865,795 as at 31 December 2010 (31 December 2009: USD15,735,569).

The Group's continued existence as a going concern is dependent on the continued financial support of its new parent company and ultimately on its ability to operate profitably. The new 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.

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### 7 Cash

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Cash on hand	37,162	703	57,284	1,028
Cash in banks	93,692	1,774	190,901	3,425
	<b>130,854</b>	<b>2,477</b>	248,185	4,453

### 8 Other receivables

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Input VAT receivables	53,480	1,013	117,771	2,113
Other receivables	87,170	1,650	293,466	5,265
	<b>140,650</b>	<b>2,663</b>	411,237	7,378

### 9 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 process	1,173,964	22,225	1,198,945	21,510
Finished goods	3,180,301	60,210	3,589,392	64,398
	<b>7,530,300</b>	<b>142,564</b>	7,985,502	143,268
Provision for decline in inventory value	(146,582)	(2,775)	(744,522)	(13,357)
	<b>7,383,718</b>	<b>139,789</b>	7,240,980	129,911

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### 10 Taxes and amounts receivable from the state budget

This represents over- payment of the Company's corporate income tax for the year 2007. This amount will be netted off against any future tax liabilities or tax filings.

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**11 Tangible fixed assets**

	Building	Machinery and Equipment	Motor vehicles	Office equipment	Total
	USD	USD	USD	USD	USD
<b>Historical cost</b>					
1 January 2010	4,703,613	28,330,615	531,019	276,399	33,841,646
Acquisition	-	118,467	37,200	11,012	166,679
Transferred from CIP	141,687	203,884	-	-	345,571
Written-off	-	(25,186)	-	-	(25,186)
Reclassifications	(65,143)	65,111	(10,326)	10,358	-
31 December 2010	4,780,157	28,692,891	557,893	297,769	34,328,710
<i>Fully depreciated</i>	-	1,023,178	262,559	52,207	1,337,944
<i>Fixed assets not in use (*)</i>	-	6,262,278	-	-	6,262,278

<b>Accumulated depreciation</b>					
1 January 2010	(464,463)	(10,106,948)	(384,127)	(145,842)	(11,101,380)
Charge for the year	(157,960)	(1,907,811)	(51,694)	(23,755)	(2,141,220)
Reclassification	(18)	517	288	(787)	-
Written-off	-	25,186	-	-	25,186
31 December 2010	(622,441)	(11,989,056)	(435,533)	(170,383)	(13,217,414)
<i>Fixed assets not in use</i>	-	(2,974,221)	-	-	(2,974,221)

<b>Net book value</b>					
1 January 2010	4,239,150	18,223,667	146,892	130,557	22,740,266
31 December 2010	4,157,716	16,703,835	122,360	127,386	21,111,296
<i>Fixed assets not in use</i>	-	3,288,057	-	-	3,288,057

**In VND**

	Building	Machinery and Equipment	Motor vehicles	Office equipment	Total
	VND million	VND million	VND million	VND million	VND million
<b>Historical cost</b>					
1 January 2010	84,388	508,280	9,527	4,959	607,154
Acquisition	-	2,243	704	208	3,155
Transferred from CIP	2,682	3,860	-	-	6,542
Written-off	-	(477)	-	-	(477)
Reclassifications	(1,233)	1,233	(195)	195	-
Translation differences	4,661	28,074	526	276	33,537
31 December 2010	90,498	543,213	10,562	5,638	649,911
<i>Fully depreciated</i>	-	19,371	4,971	988	25,330
<i>Fixed assets not in use</i>	-	118,557	-	-	118,557

<b>Accumulated depreciation</b>					
1 January 2010	(8,333)	(181,329)	(6,892)	(2,617)	(199,171)
Charge for the year	(2,990)	(36,119)	(979)	(450)	(40,538)
Reclassification	-	10	5	(15)	-
Written-off	-	477	-	-	477
Translation differences	(461)	(10,016)	(379)	(144)	(11,000)
31 December 2010	(11,784)	(226,977)	(8,245)	(3,226)	(250,232)
<i>Fixed assets not in use</i>	-	(56,308)	-	-	(56,308)

<b>Net book value</b>					
1 January 2010	76,055	326,951	2,635	2,342	407,983
31 December 2010	78,714	316,236	2,317	2,412	399,679
<i>Fixed assets not in use(*)</i>	-	62,249	-	-	62,249

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As at 31 December 2010, certain fixed assets with an aggregate carrying value of USD17,579,816 (2009: USD16,878,540) have been pledged with Vietcombank and Viet A bank as security for short-term and long term borrowings (Note 16 and Note 21).

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(\*) These assets had been moved from the old factory located in the centre of Bien Hoa City to the new one located in Tam Phuoc Industrial Park, Long Thanh District and the idle vending machine and biscuit processing lines. The Company has insufficient demand to justify their re-commissioning and bringing back these assets into its production lines at the present time.

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## 12 Construction in progress

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Opening balance	410,742	7,369	29,386,877	498,901
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)	-	-
Translation differences	-	407	-	28,329
<b>Closing balance</b>	<b>188,896</b>	<b>3,576</b>	<b>410,742</b>	<b>7,369</b>
<i>Including:</i>				
Coconut processing factory	-	-	55,772	1,000
Upgrading road surrounding factory	-	-	13,150	236
Waste water processing pool	-	-	47,864	859
Goods shelves system	-	-	160,866	2,886
ERP software	179,060	3,390	123,254	2,211
Others	9,836	186	9,836	177
	<b>188,896</b>	<b>3,576</b>	<b>410,742</b>	<b>7,369</b>

(\*) This pertains to construction in progress belonging to a former subsidiary.

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## 13 Investments in associates

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Opening balance	2,969,614	53,278	-	-
Investments in associates	-	-	3,000,000	53,823
Share in associate's net loss	-	-	(30,386)	(545)
Disposal of investment in associate (Note 28)	(2,969,614)	(56,221)	-	-
Translation differences	-	2,943	-	-
<b>Ending balance</b>	<b>-</b>	<b>-</b>	<b>2,969,614</b>	<b>53,278</b>

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On 18th May 2010, the Company entered into an agreement to sell its remaining 20% equity interest in Crown Beverage Cans (Dong Nai) Limited to Crown Packaging Investment Pte. Ltd, a Singaporean company which is the parent company of Crown Beverage Cans (Dong Nai) Limited for USD3,300,000. This transaction was approved by the shareholders under Resolution No. EGM100531 date 31 May 2010. The gain from this transaction was recognised in income from financial activities (Note 28).

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## 14 Long-term prepaid expenses

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Opening balance	1,467,213	26,323	2,050,870	34,818
Elimination (*)	-	-	(548,641)	(9,844)
Amortisation	(35,016)	(663)	(35,016)	(628)
Translation differences	-	1,454	-	1,977
<b>Closing balance</b>	<b>1,432,197</b>	<b>27,114</b>	<b>1,467,213</b>	<b>26,323</b>

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As at 31 December 2010, the carrying value of long term prepaid expenses represents the prepaid land rentals which have been pledged with Vietcombank as security for all loan contracts as mentioned in Notes 16 and 21.

(\*) This pertains to long term prepaid expenses belonging to a former subsidiary.

## 15 Deferred tax assets

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Opening balance	2,337,065	41,929	2,337,065	39,676
Utilization of tax losses brought forward	(202,015)	(3,825)	-	-
Translation differences	-	2,317	-	2,253
Closing balance	2,135,050	40,421	2,337,065	41,929

Deferred tax assets pertain mostly to the tax deductible loss which can be carried forward to offset with taxable income of the following years.

## 16 Short term borrowings and debts

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Loans from Vietcombank, Dong Nai Branch(1)	10,656,946	201,758	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	17,940
Current portion of long-term loans (Note 21)	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 branch

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Denominated in USD	1,486,633	28,145	3,190,954	57,249
Denominated in EUR	50,322	953	-	-
Denominated in VND	9,119,991	172,660	7,449,078	133,644
	10,656,946	201,758	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 VND162 billion. On 20 August 2010, Vietcombank Dong Nai increased the credit line to VND200 billion (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 26<sup>th</sup> 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 the amount is fully paid in 2011.

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¶ Loan from Vietcombank, Dong Nai Branch – Contract No 2008148/NHNT dated 9 September 2008 pertains to a working capital credit facility with a credit limit of 162 billion VND (equivalent USD8,556,941 as at 31 December 2009) [4]

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The applicable interest rate in 2010 for the dollar denominated loans was 6.0 % to 7% while it was from 12% to 15.5% per annum for VND denominated loans. (In 2009, dollar denominated loans carried interest at the rate of 4.5 % while it was 10.5% per annum for VND denominated loans.)

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

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- 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 11).
- 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 11).
- 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 11).
- Agreement on mortgaged land lease right dated 20 Aug 2010, in which these loans 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 14).
- Agreement No. 2010020/HDBD/NHNT dated 20 August 2010 regarding mortgaged ownership of capital contribution of the Company, the parent company, in Avafood amounting to USD 4,500,000. In addition, the Company 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 Avafood settles 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 11).

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**(2) Loans from Chinatrust Bank - Ho Chi Minh City**

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

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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 rate of 12% per annum. These loans are unsecured. The Company settled this amount in May 2010.

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**(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	-	-

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

The applicable interest rate in 2010 was at rates ranging from 0.55% to 0.63% per month. The loans are secured by the aggregated values of certain machinery amounting to VND 47,260,000,000 (equivalent to USD 2,496,303 as at 31 December 2010) under contract No. No.274/10/VAB-SGD/TCDS dated 21 December 2010 and machinery amounting to VND 42,000,000,000 (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 amounted to USD 5,690,096 (Note 11).

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**(4) Loan from supplier**

This loan represents the unpaid balance from the purchase of certain machinery. The machine was originally bought by the Company from Summitmark Worldwide Limited ("Summitmark") and then subsequently assigned to Crown Beverage Cans (Dong Nai) Limited (formerly known as Interfood Packaging Limited) ("Crown Dong Nai"). During the assignment, there's a remaining unpaid portion of the purchase cost amounting to USD5 million which required Crown Dong Nai to pay directly to Summitmark. The Chairman of the Company – Mr. Pang Tee Chiang paid USD4million on behalf of Crown Dong Nai to Summitmark (note 21). Crown Dong Nai assigned the remaining USD1 million to the Company with Summitmark's consent under a loan agreement dated 9 June 2009 and its annex dated 02 November 2009. The loan was supposed to be paid within ten months of 5 August 2009 and carried interest at the rate of 7% per annum.

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The Company settled this amount in June 2010.

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**17 Trade accounts payable**

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Payable to suppliers	3,655,174	69,199	5,134,339	92,116
Payable to related parties (Note 37)	1,395,446	26,419	2,479,926	44,492
	5,050,620	95,618	7,614,265	136,608

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**18 Taxes and amounts payable to State Budget**

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Value added tax	289,964	5,489	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 and export taxes	2,076	39	17,933	322
Other taxes	3,254	62	85,172	1,528
	538,567	10,196	1,496,565	26,850

**19 Accrued expenses payable**

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Transportation fees	205,841	3,897	280,936	5,040
Trade discounts	83,659	1,584	250,265	4,490
Others	175,241	3,317	145,396	2,609
	464,741	8,798	676,597	12,139

## 20 Other payables

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Dividend payable (Note 39)	24,265	459	24,265	435
Trade union, social and health insurance	15,699	297	13,551	243
Payable to Chairman of the Company (Note 37)	106,851	2,023	8,033	144
Other payables	13,244	251	13,575	244
	160,059	3,030	59,424	1,066

## 21 Long term borrowings and debts

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Loan from Vietcombank, Dong Nai branch (1)	1,697,337	32,134	5,405,729	96,984
Loan from Chairman (2) (Note 37)	3,430,928	64,954	3,557,216	63,820
Loan from Wonderfarm Biscuits & Confectionery Sdn. Bhd. (3) (Note 37)	1,562,685	29,585	1,562,685	28,037
Less: amount due within one year (Note 16)	(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 branch:

This should be read along with Note 16. The details of the outstanding loans from Vietcombank, Dong Nai branch, are as below:

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Contract No.2007176/NHNT dated 30 August 2007 (a)	1,176,127	22,266	1,356,140	24,331
Contract No 200846/NHNT dated 21 February 2008 (b)	197,229	3,734	874,310	15,686
Contract No 2007225/NHNT dated 31 December 2007	-	-	2,490,560	44,683
Overdue interest	323,981	6,134	684,719	12,284
	1,697,337	32,134	5,405,729	96,984

(a) This pertains to a 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 13.8% per annum for loans in VND and 6.8% for loans in USD.

(b) This represents outstanding interest expenses for a loan under contract No 200846/NHNT dated 21 February 2008. The loan bears interest at the rate of 15.5% per annum.

### (2) Loan from Chairman

As mentioned in Note 16, Crown Beverage Cans (Dong Nai) Limited (formerly known as Interfood Packaging Limited) ("Crown Dong Nai") owed the Chairman of the Company – Mr. Pang Tee Chiang the amount of USD4million. To finance the Company's working capital, the Company assumed Crown Dong Nai's liability to Mr. Pang while Crown Dong Nai processed payment of the Company's loans from Citi bank and ANZ bank amounting to USD2,271,435 and USD1,131,565 respectively. 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%.

Subsequently, on February 28, 2011, Trade Ocean Holdings Sdn Bhd ("TOH"), the parent company, the Company and Mr Pang Tee Chiang ("PTC"), entered into a Loan Novation Agreement whereby TOH has agreed to assume the rights and obligations of the US\$3,430,928 loan PTC had extended to the Company.



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

According to a Resolution of the BOM dated 25 December 2008, the balance of the loan from Wonderfarm Biscuits & Confectionery Sdn. Bhd, a related party, would be converted to a five-year shareholder loan which will be due in 2013. This loan bears interest at SIBOR 3 months less 1% per annum. There are no interest expenses accrued during the year as the applicable interest rate based on the foregoing calculation would have been below zero. This loan is unsecured.

**22 Deferred tax liabilities**

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Opening balance	81,221	1,457	63,280	1,135
Charged for the year	33,988	643	17,941	322
Translation difference	-	81	-	-
Closing balance	115,209	2,181	81,221	1,457

This pertains to temporary differences between the accounting base and tax base as at the balance sheet date in relation to tangible fixed assets.

**23 Owner's equity**

	Share capital	Share premium	Other Reserve	Foreign exchange differences	Accumulated losses	Total
	USD	USD	USD	USD	USD	USD
1 January 2009	18,313,995	4,082,759	(1,562,092)	621,644	(12,997,905)	8,458,401
Prior year year's net loss	-	-	-	-	(1,441,853)	(1,441,853)
Elimination (*)	-	-	-	(621,644)	-	(621,644)
31 December 2009	18,313,995	4,082,759	(1,562,092)	-	(14,439,758)	6,394,904
1 January 2010	18,313,995	4,082,759	(1,562,092)	-	(14,439,758)	6,394,904
Current year's net profit	-	-	-	-	382,597	382,597
31 December 2010	18,313,995	4,082,759	(1,562,092)	-	(14,057,161)	6,777,501

In VND:

	Share capital	Share premium	Other Reserve	Foreign exchange differences	Undistributed earnings (accumulated losses)	Total
	VND million	VND million	VND million	VND million	VND million	VND million
1 January 2009	310,917	69,313	(26,520)	10,554	(220,665)	143,599
Prior year year's net loss	-	-	-	-	(25,869)	(25,869)
Elimination (*)	-	-	-	(11,153)	-	(11,153)
Translation differences	17,654	3,936	(1,505)	599	(12,530)	8,154
31 December 2009	328,571	73,249	(28,025)	-	(259,064)	114,731
1 January 2010	328,571	73,249	(28,025)	-	(259,064)	114,731
Current year's net profit	-	-	-	-	7,243	7,243
Translation differences	18,150	4,046	(1,549)	-	(14,309)	6,338
31 December 2010	346,721	77,295	(29,574)	-	(266,130)	128,312

(\*) Elimination of net loss belonging to a former subsidiary.

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## 24 Share capital

The Company's charter capital is VND291,409,920 thousand, which is divided into 29,140,992 ordinary shares with par value of VND10,000 each.

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	31 December 2010		
	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	Unlisted shares	Total		VND'000	%
Trade 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%

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**Comment [A6]:** Did we trace this to confirmation?

Response: Traced to confirmation reply from founding shareholders.

Reconciled total listed shares with report provided by Saigon Security Committee

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## 25 Minority interest

	Year ended 31 December 2010		Year ended 31 December 2009	
	USD	VND million	USD	VND million
Opening balance	-	-	1,073,887	18,232
Minority interest in Crown Dong Nai	-	-	(970,016)	(17,403)
Minority interest in net loss of AvaFood	-	-	(103,871)	(1,864)
Translation differences	-	-	-	1,035
Closing balance	-	-	-	-

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## 26 Net sales

	Year ended 31 December 2010		Year ended 31 December 2009	
	USD	VND million	USD	VND million
<b>Revenue</b>				
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
<b>Sales deduction:</b>				
Sales allowance	(1,401,257)	(26,529)	(2,499,592)	(44,845)
Sales return	(26,037)	(493)	(16,257)	(292)
	(1,427,294)	(27,022)	(2,515,849)	(45,137)
<b>Net sales</b>	<b>54,183,619</b>	<b>1,025,804</b>	<b>55,605,323</b>	<b>997,615</b>

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**27 Cost of goods sold**

	Year ended		Year ended	
	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	762,459
Cost of goods sold for export sales	2,053,507	38,877	1,593,970	28,597
	<b>41,362,168</b>	<b>783,069</b>	<b>44,092,069</b>	<b>791,056</b>

**28 Income from financial activities**

	Year ended		Year ended	
	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	-	-	116,604	2,097
Gain from disposal of investment in associate (Note 13)	330,386	6,255	-	-
Realised gains from foreign exchange	1,309,032	24,783	465,531	8,347
Unrealised gains from foreign exchange	99,248	1,879	616,654	11,063
	<b>1,748,622</b>	<b>33,105</b>	<b>1,215,110</b>	<b>21,800</b>

**29 Expenses for financial activities**

	Year ended		Year ended	
	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Loss from disposal of equity interest in Crown Dong Nai	-	-	2,030,141	36,423
Interest expense	1,855,247	35,124	2,793,169	50,112
Realised foreign exchange losses	1,400,548	26,514	1,259,265	22,593
Share in associate's net loss	-	-	30,386	545
Other finance expenses	5,635	107	-	-
	<b>3,261,430</b>	<b>61,745</b>	<b>6,112,961</b>	<b>109,673</b>

**30 Selling expenses**

	Year ended		Year ended	
	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	32,049	777,250	13,945
Commission for salesman	1,450,730	27,465	559,756	10,043
Depreciation and amortisation	62,052	1,175	104,877	1,882
Office rental fee	2,992	57	11,531	207
Other expenses	2,155,399	40,807	275,447	4,941
	<b>7,985,673</b>	<b>151,185</b>	<b>5,172,933</b>	<b>92,808</b>

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**31 General and administration expenses**

	Year ended		Year ended	
	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Salary	1,213,473	22,973	1,362,737	24,449
Depreciation	49,175	931	47,109	845
Office expenses	711,637	13,474	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	10,666	483,235	8,670
	<b>2,682,000</b>	<b>50,776</b>	<b>2,358,677</b>	<b>42,317</b>

**32 Other income**

	Year ended		Year ended	
	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	-	-	147,142	2,640
Income from disposal of fixed assets previously written off	68,633	1,299	-	-
Write-off account payables and advance from customers	-	-	199,343	3,576
Promotion from suppliers	6,636	126	-	-
Compensation for loss of inventories	370,441	7,013	-	-
Other income	266,801	5,051	133,210	2,390
	<b>712,511</b>	<b>13,489</b>	<b>693,985</b>	<b>12,451</b>

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**33 Other expenses**

	Year ended		Year ended	
	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Write-off unaccounted accounts receivable and prepayments to suppliers	-	-	263,743	4,732
Net book value of written-off fixed assets	-	-	532,529	9,554
Net book value of disposed fixed assets	-	-	255,665	4,587
Depreciation of idle assets	426,603	8,076	237,089	4,254
Penalty for late payment of tax	237,239	4,491	-	-
Others	71,038	1,345	16,535	296
	<b>734,880</b>	<b>13,912</b>	<b>1,305,561</b>	<b>23,423</b>

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**34 Cost by element**

	Year ended		Year ended	
	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
Raw materials	37,419,433	708,425	39,102,373	701,536
Labour cost	4,675,664	88,520	3,812,552	68,401
Depreciation and amortisation	2,176,237	41,201	2,138,333	38,364
Outside service costs	3,579,763	67,772	5,805,255	104,152
Other costs	5,071,492	96,013	3,049,518	54,710
	<b>52,922,589</b>	<b>1,001,931</b>	<b>53,908,031</b>	<b>967,163</b>

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### 35 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/ND-CP dated 14 February 2007 (which replaced Decree No. 164/2003/ND-CP dated 22 December 2003), the Company was 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 two years and a reduction of 50% for the following six years. Also as stated in this Decree, the Company is entitled to tax incentives in relation to investments made in new production lines that are qualified under this Decree. The tax incentives include one year of exemption from corporate income tax and a reduction of 50% for the following four years applied to profit derived from the new production lines.

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In 2008, Decree No. 124/2008/ND-CP dated 11 December 2008 replaced the aforementioned Decree but the Company would continue to enjoy the tax incentives granted under the earlier Decree.

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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 Investment Certificate No. 472033000355 dated 31 December 2007, the Company is liable to corporate income tax at the rate of 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%).

No provision for corporate income tax has been made for the year ended 31 December 2010 because the Company incurred a net loss.

#### The Group:

No provision for corporate income tax has been made for the year ended 31 December 2010 because the Group utilized its taxable loss carried forward. The reconciliation between the Group's profit/ (loss) before income tax and taxable profit/(loss) is as shown below:

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	Year ended		Year ended	
	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)
Adjustment for:				
<b>Temporary differences</b>				
Estimated temporary differences not yet deductible expenses for tax purposes	698,878	13,231	816,654	14,652
Temporary differences of prior year realised in this year	(483,145)	(9,147)	-	-

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	Year ended 31 December 2010		Year ended 31 December 2009	
	USD	VND million	USD	VND million
Temporary differences between accounting base and tax base in relation to the carrying value of tangible fixed assets	(92,284)	(1,747)	71,764	1,288
<b>Permanent differences</b>				
Estimated non deductible expenses for tax purposes	492,264	9,320	115,825	2,078
Taxable profit/(loss)	1,234,314	23,368	(523,540)	(9,393)
Utilization of taxable loss carried forward of Interfood Shareholding Company	(202,016)	(3,825)	-	-
Deferred Income tax expense of Avafood Shareholding Company	(33,988)	(643)	(17,941)	(322)
<b>Profit after tax</b>	<b>998,310</b>	<b>18,900</b>	<b>(541,481)</b>	<b>(9,715)</b>

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 a tax audit which will be 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	
		USD	VND million
2006	Not yet performed	1,243,385	22,308
2007	Not yet performed	286,568	5,141
2008	Not yet performed	14,514,664	244,058
2009	Not yet performed	541,481	9,715
		<b>16,586,098</b>	<b>281,222</b>

### Deferred corporate income tax

The details of deferred tax recognised by the Company, and the movements thereon are as shown below:

	31 December 2010		31 December 2009	
	USD	VND million	USD	VND million
<b>Deferred tax asset</b>				
Balance, 1 January	2,337,065	41,929	2,337,065	39,676
Utilization of tax losses carried forward	(202,015)	(3,825)	-	-
Translation differences	-	2,317	-	2,253
<b>Balance, 31 December</b>	<b>2,135,050</b>	<b>40,421</b>	<b>2,337,065</b>	<b>41,929</b>
<b>Deferred tax liability</b>				
Balance, 1 January	81,221	1,457	63,280	1,135
Temporary differences on depreciation expenses of current year	23,071	437	17,941	322
Unrecorded temporary difference on depreciation expenses of previous year	10,917	206	-	-
Translation differences	-	81	-	-
<b>Balance, 31 December</b>	<b>115,209</b>	<b>2,181</b>	<b>81,221</b>	<b>1,457</b>

### 36 Non-cash transactions

Non-cash transaction occurring during the year which has impact on the statement of cash flows include:

	2010	
	USD	VND million
Proceeds from disposal of investment in associate	3,300,000	62,476

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### 37 Related party transaction and balances

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

Related party	Relation	Transaction	USD	VND million
Crown Beverage Cans (Dong Nai) Limited.	Ex - associate	Purchases of materials	17,185,713	325,360
Chuan Li Can Manufacturing (Vietnam) Co., Ltd	Affiliate	Purchases of materials	849,354	16,080
Mr. Pang Tee Chiang	Chairman/ General Director	Advance	177,955	3,369

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

Related party	Relation	Transaction	Other	Trade	Loan
			payable	Payable	
			USD	USD	USD
Crown Beverage Cans (Dong Nai) limited	Ex-Associate	Purchases of materials	-	1,183,165	-
Chuan Li Can Manufacturing (Vietnam)	Affiliate	Purchases of materials	-	212,281	-
Mr. Pang Tee Chiang	Chairman/ General Director	Loan	-	-	3,430,928
		Other payables	106,851	-	-
Wonderfarm Biscuits & Confectionery Sdn. Bhd.	Shareholder	Loan	-	-	1,562,685
<b>VND million</b>			<b>106,851</b>	<b>1,395,446</b>	<b>4,993,613</b>

### 38 Segmental information

At 31 December 2010, management determined the following reportable segments by categories of sales market: (1) domestic sales and (2) export sales.

The results by sales market segments for the year ended 31 December 2010 are as follows:

	Domestic	Export	Total
	USD	USD	USD
Sales revenue - net	51,866,715	2,316,904	54,183,619
Cost of sales	(39,308,661)	(2,053,507)	(41,362,168)
Gross profit	12,558,054	263,397	12,821,451
Gross profit - VND Million	237,749	4,987	242,736

The results by sales market segments for the year ended 31 December 2009 are as follows:

	Domestic	Export	Total
	USD	USD	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 results by product segments for the year ended 31 December 2010 are as follows:

	Drinks	Biscuits	Others	Total
	USD	USD	USD	USD
Sales revenue - net	50,121,865	1,246,848	2,814,906	54,183,619
Cost of sales	(37,244,485)	(1,583,800)	(2,533,883)	(41,362,168)
Gross profit	12,877,380	(336,952)	281,023	12,821,451
Gross profit - VND Million	243,795	(6,379)	5,320	242,736

The results by product segments for the year ended 31 December 2009 are as follows:

	Drinks	Biscuits	Others	Total
	USD	USD	USD	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

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### 39 Earnings (loss) per share and dividends

(a) Basic

Basic earnings per share are calculated by dividing the profits attributable to the shareholders of the Group by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December 2010		Year ended 31 December 2009	
	USD	VND thousand	USD	VND thousand
Profit/(loss) attributable to shareholders of the Company	382,597	7,243,326	(1,441,853)	(25,868,285)
Weighted average number of ordinary shares on issue	29,140,984	29,140,984	29,140,984	29,140,984
Basic earnings/(loss) per share (USD/VND thousand per share)	0.013	0.249	(0.049)	(0.888)

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No dividend was declared in 2010. As at 31 December 2010, the 2007 dividends payable amounting to USD24,265 are still outstanding and are included in the other payables (Note 20).

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The Group has no category of potentially dilutive ordinary shares. Therefore, diluted earnings per share are equal to basic earnings per share.

### 40 Board of Directors and Management's remuneration

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

	USD	VND million
Board of Management fees	13,863	262
Salary	459,810	8,705
	473,673	8,967

### 41 Commitments

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

	2010		2009	
	USD	VND million	USD	VND million
Within the next year	125,293	2,372	147,921	2,654
Within two to five years	71,623	1,356	338,105	6,066
Over five years	-	-	12,672	227
	196,916	3,728	498,698	8,947

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**42 Subsequent event**

Interfood Shareholding Company's immediate parent company, Trade Ocean Holdings Sdn Bhd ("TOH"), who holds approximately 57.25% of total outstanding shares of the Company, was acquired by Kirin Holding Company Limited ("Kirin") on 11 March 2011. Kirin has also acquired 100% of the total outstanding shares of Wonderfarm Biscuits & Confectionery Sdn Bhd ("WBC"), the licensor of intellectual property used by the Group. There are no significant changes at the Group level as a result of this transaction as TOH remains the founding shareholder and immediate parent company of the Group, and both TOH and WBC continue to support the Group.

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**43 Approval for issuance of the financial statements**

The consolidated financial statements for the year ended 31 December 2010 were approved by the Board of Directors on \_\_\_\_\_

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Pang Tee Chiang  
General Director

Nguyen Hong Phong  
Chief Accountant

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Nguyen Hong Phong¶  
Chief Accountant

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Loan from Vietcombank, Dong Nai Branch – Agreement No 2010031/KHDN/NHNT dated 20 August 2010 pertains to a working capital credit facility with a credit limit of 200 billion VND (equivalent to USD10,564,124 as at 31 December 2010). 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.

Loan from Vietcombank, Dong Nai Branch – Contract No 2008148/NHNT dated 9 September 2008 pertains to a working capital credit facility with a credit limit of 162 billion VND (equivalent USD8,556,941 as at 31 December 2010). 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 26<sup>th</sup> day of each month.

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The Group analyses segment revenue and cost of revenue.

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