

Interfood Shareholding Company and its subsidiaries

Consolidated financial statements

31 March 2011

Interfood Shareholding Company and its subsidiaries**Consolidated financial statements
31 March 2011**

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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 March 2011.

Results

The results of the Group for the period ended 31 March 2011 are set out in the consolidated statement of income.

Financial indicators of the business

	Unit	31-Mar-11	2010
Assets structure and capital structure			
Assets structure			
Fixed assets/total assets	%	75.20	72.62
Current assets/total assets	%	24.80	27.38
Capital structure			
Liabilities/total resources	%	333.60	405.39
Owner’s equity/total resources	%	99.35	100.00
Liquidity			
Total assets/liabilities	times	1.30	1.25
Current ratio	times	0.41	0.42
Quick ratio	times	0.14	0.12
Profitability			
Profit (Loss) /net sales			
Profit (Loss) before tax/net sales	%	5.38	1.14
Profit (Loss) profit/net sales	%	4.78	0.71
Profit (Loss)/total assets			
Profit (Loss) before tax/total assets	%	2.12	1.81
Net Profit (Loss) /total assets	%	1.89	1.12
Net Profit (Loss)/owner’s equity	%	3.33	2.09

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	14/03/2011
Teng Po Wen	Member	15-08-2006	14/03/2011
Pang Tze Wei	Member	28-08-2010	
Ryoichi Yonemura	Member	14/03/2011	
Hiroshi Fujikawa	Member	14/03/2011	
Board of Director:			
Pang Tee Chiang	General Director	15-08-2006	
Pang Tze Yi	1st Deputy General	15-08-2006	14/03/2011
Nguyen Thi Kim Lien	Finance Director	15-08-2006	
Pang Tze Wei	2nd Deputy General	29-08-2010	

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 March 2011 and of its results of operations and cash flows for the period ended 31 March 2011 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

Consolidated balance sheet

	Notes	Code	31 March 2011		31 December 2010	
			USD	VND million	USD	VND million
ASSETS						
Current assets						
Cash and cash equivalents						
Cash	7	111	469,070	9,711	130,854	2,477
Accounts receivable						
Trade accounts receivable		131	298,851	6,187	434,257	8,221
Prepayments to suppliers		132	960,305	19,881	1,114,422	21,098
Other receivables	8	135	140,652	2,912	140,650	2,663
Provision for doubtful debts		139	(24,405)	(505)	(24,405)	(462)
		130	1,375,403	28,475	1,664,924	31,520
Inventories						
Inventories	9	141	6,022,946	124,693	7,530,300	142,564
Provision for decline in inventory value	9	149	(146,582)	(3,035)	(146,582)	(2,775)
		140	5,876,364	121,658	7,383,718	139,789
Other current assets						
Short term prepaid expenses		151	47,385	981	13,555	257
Value added tax to be reclaimed		152	-	-	-	-
Taxes and amounts receivable from the state budget	10	154	106,907	2,213	106,907	2,024
Other current assets		158	134,031	2,775	77,129	1,460
		150	288,323	5,969	197,591	3,741
		100	8,009,160	165,814	9,377,087	177,527
Fixed assets						
Tangible fixed assets	11	221	20,594,336	426,365	21,111,296	399,679
<i>Historical cost</i>	<i>11</i>	<i>222</i>	<i>34,343,893</i>	<i>711,022</i>	<i>34,328,710</i>	<i>649,911</i>
<i>Accumulated depreciation</i>	<i>11</i>	<i>223</i>	<i>(13,749,557)</i>	<i>(284,657)</i>	<i>(13,217,414)</i>	<i>(250,232)</i>
Construction in progress	12	230	200,896	4,159	188,896	3,576
		220	20,795,232	430,524	21,300,192	403,255
Other non-current assets						
Long-term prepaid expenses	13	261	1,423,443	29,470	1,432,197	27,114
Deferred tax assets	14	262	2,059,380	42,635	2,135,050	40,421
Other non-current assets		268	8,068	167	8,068	153
		260	3,490,891	72,272	3,575,315	67,688
		200	24,286,123	502,796	24,875,507	470,943
		270	32,295,283	668,609	34,252,594	648,470

Consolidated balance sheet

	Notes	Code	31 March 2011		31 December 2010	
			USD	VND million	USD	VND million
RESOURCES						
Liabilities						
Current liabilities						
Short term borrowings and debts	15	311	13,055,445	270,287	15,334,594	290,315
Trade accounts payable	16	312	4,401,725	91,129	5,050,620	95,618
Advances from customers		313	191,507	3,965	249,998	4,733
Taxes and amounts payable to state budget	17	314	775,946	16,064	538,567	10,196
Payable to employees		315	359,095	7,434	444,303	8,412
Accrued expenses payable	18	316	654,067	13,541	464,741	8,798
Other payables	19	319	181,403	3,756	160,059	3,030
		310	19,619,188	406,176	22,242,882	421,102
Long term liabilities						
Long term deposits		331	1,255	26	1,255	24
Long term borrowings and debts	20	334	4,993,613	103,383	4,993,613	94,539
Deferred tax liabilities	21	335	115,209	2,385	115,209	2,181
Provision for severance allowance		336	117,929	2,441	122,134	2,312
		330	5,228,006	108,235	5,232,211	99,056
			24,847,194	514,411	27,475,093	520,158
Owners' equity						
Capital sources and funds						
Share capital	22	411	18,313,995	379,155	18,313,995	346,721
Share premium	23	412	4,082,759	84,525	4,082,759	77,295
Acquisition reserve		419	(1,562,092)	(32,340)	(1,562,092)	(29,574)
Accumulated losses		420	(13,434,714)	(278,139)	(14,057,161)	(266,130)
		410	7,399,948	153,201	6,777,501	128,312
Minority interest						
Minority interest	24	439	48,141	997	-	-
		440	7,448,089	154,198	6,777,501	128,312
			32,295,283	668,609	34,252,594	648,470
Off balance sheet items						
			31-Mar-10		31-Dec-10	
Foreign currencies						
Vietnamese dong (Million)			8,168		1,568	
Euro			369		369	

Date: _____

Pang Tee Chiang
General Director

Nguyen Hong Phong
Chief Accountant

Interfood Shareholding Company and its subsidiaries

Consolidated statement of income

	Note s	Quarter 1		Quarter 1-restated		Year to date		Year to date	
		2011		2010		2011		2010	
		USD	VND million	USD	VND million	USD	VND million	USD	VND million
Gross sales	25	13,079,984	270,795	15,075,970	279,569	13,079,984	270,795	55,610,913	1,052,826
Less deductions:	25	(337,110)	(6,979)	(380,492)	(7,056)	(337,110)	(6,979)	(1,427,294)	(27,022)
Net sales		12,742,874	263,816	14,695,478	272,513	12,742,874	263,816	54,183,619	1,025,804
Cost of sales	26	(9,766,111)	(202,188)	(11,110,443)	(206,032)	(9,766,111)	(202,188)	(41,362,168)	(783,069)
Gross profit		2,976,763	61,628	3,585,035	66,481	2,976,763	61,628	12,821,451	242,736
Financial income	27	1,512,973	31,323	519	10	1,512,973	31,323	1,748,622	33,105
Financial expenses	28	(1,259,789)	(26,081)	(364,971)	(6,768)	(1,259,789)	(26,081)	(3,261,430)	(61,745)
<i>Including: interest expense</i>		<i>(417,724)</i>	<i>(8,648)</i>	<i>(293,202)</i>	<i>(5,437)</i>	<i>(417,724)</i>	<i>(8,648)</i>	<i>(1,855,247)</i>	<i>(35,124)</i>
Selling expenses	29	(1,998,383)	(41,373)	(1,645,718)	(30,518)	(1,998,383)	(41,373)	(7,985,673)	(151,185)
G&A expenses	30	(541,621)	(11,213)	(568,268)	(10,538)	(541,621)	(11,213)	(2,682,000)	(50,776)
Operating loss		689,943	14,284	1,006,597	18,666	689,943	14,284	640,970	12,135
Other income	31	10,879	225	151	3	10,879	225	712,511	13,489
Other expenses	32	(15,445)	(320)	(5,924)	(110)	(15,445)	(320)	(734,880)	(13,913)
Profit (loss) before tax		685,377	14,189	1,000,824	18,559	685,377	14,189	618,601	11,711
CIT for the current year	34	-	-	-	-	-	-	-	-
Deferred CIT		(75,670)	(1,567)	-	-	(75,670)	(1,567)	(236,004)	(4,468)
Profit(loss) after tax		609,707	12,623	1,000,824	18,559	609,707	12,623	382,597	7,243
Minority interest		(48,141)	(997)	18,153	337	(48,141)	(997)	-	-
Net loss		561,566	11,626	1,018,977	18,896	561,566	11,626	382,597	7,243
Earning(loss) per share	37	0.01927	0.00040	0.03497	0.00065	0.01927	0.00040	0.01313	0.00025

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 March 2011		31 December 2010	
			USD	VND million	USD	VND million
Cash flows from operating activities						
Profit/(loss) before tax		1	685,378	14,189	618,601	11,711
Adjustments for:						
Depreciation and amortisation		2	532,143	11,017	2,176,237	41,201
Increase in provisions		3	-	-	(573,535)	(10,858)
Gain on foreign currency translation		4	(62,931)	(1,303)	(99,248)	(1,879)
Loss from disposal investments, fixed assets		5	-	-	(330,386)	(6,255)
Interest expense		6	417,724	8,648	1,855,247	35,124
Interest income		7	(3,328)	(69)	(9,956)	(188)
Operating profit/(loss) before adjustments to working capital		8	1,568,986	32,483	3,636,960	68,855
Change in accounts receivable		9	232,619	4,816	957,600	18,129
Change in inventory		10	1,507,354	31,207	455,202	8,618
Change in accounts payable		11	(273,080)	(5,654)	(424,660)	(8,040)
Change in prepaid expenses		12	(25,076)	(519)	164,257	3,110
Interest paid		13	(414,396)	(8,579)	(1,573,256)	(29,785)
Business income tax paid			-	-	-	-
Cash generated from operating activities		20	2,596,407	53,753	3,216,103	60,887
Cash flows from investing activities						
Acquisition of fixed assets and investment construction in progress		21	(27,183)	(563)	(290,405)	(5,498)
Proceeds from disposal of investments and fixed assets		22	-	-	-	-
Additional investment in associate		25	-	-	-	-
Capital contributions from minority interest			48,141	997	9,956	188
Net cash inflows/(outflows) from investing activities		30	20,958	434	(280,449)	(5,309)
Cash flows from financing activities						
Proceeds from loan		33	8,036,612	166,382	25,509,834	482,952
Repayments for debt		34	(10,315,761)	(213,567)	(28,562,819)	(540,751)
Dividend payments to investors		36	-	-	-	-
Net cash inflows/(outflows) from financing activities		40	(2,279,149)	(47,185)	(3,052,985)	(57,799)
Net increase/(decrease) in cash		50	338,216	7,002	(117,331)	(2,221)
Cash and cash equivalents at beginning of the year		60	130,854	2,709	248,185	4,699
Effects of changes in foreign exchange rates		61	-	-	-	-
Cash and cash equivalents at end of the year		70	469,070	9,711	130,854	2,477

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.

On 11 March 2011, Trade Ocean Holdings Sdn Bhd which hold approximately 57.25% of the total outstanding shares of the Company, was acquired by Kirin Holdings Company Limited (“Kirin”). Kirin, a public company listed on the Tokyo Exchange, is one of the largest beverage company 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.

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

As at 31 March 2011, the Group had 1253 employees (2010: 1,267 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.

Interfood Shareholding Company and its subsidiaries

However according to the Official letter No.627/UBCK-QLPH dated 16 April 2008 of the State Securities commission of Vietnam, the separate financial statements of the Company must be presented in Vietnam Dong. Consequently, the Company converted the financial statements to Vietnam Dong using the exchange rate published by the State Bank of Vietnam of VND 20,703 /USD (2010: VND18,932 /USD). All resulting foreign currency translation differences are dealt with through equity.

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.

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.

Interfood Shareholding Company and its subsidiaries

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

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 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 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.

Interfood Shareholding Company and its subsidiaries

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

14.9 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.

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

Interfood Shareholding Company and its subsidiaries

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.

5 Subsidiaries and associate

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

	Amount		% equity held	
	31-Mar-10 USD	31-Dec-10 USD	31-Mar-10 %	31-Dec-10 %
Subsidiary:				
AvaFood Shareholding Company (1)	4,500,000	4,500,000	90	90
	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.

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 USD 11,507,016 as at 31 March 2011 (31 December 2010: USD12,865,795).

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.

7 Cash and cash equivalents

	31 March 2011		31 December 2010	
	USD	million	USD	VND million
Cash on hand	21,126	437	37,162	704
Cash in banks	447,944	9,274	93,692	1,774
	469,070	9,711	130,854	2,477

8 Other receivables

	31 March 2011		31 December 2010	
	USD	million	USD	VND million
Input VAT receivable	53,480	1,107	53,480	1,012
Other receivables	87,172	1,805	87,170	1,650
	140,652	2,912	140,650	2,663

Interfood Shareholding Company and its subsidiaries

9 Inventories

	31 March 2011		31 December 2010	
	USD	million	USD	VND million
Goods in transit	-	-	336,401	6,369
Raw materials	2,746,968	56,870	2,562,539	48,514
Tools and supplies	322,563	6,678	277,095	5,246
Work in progress	1,292,323	26,755	1,173,964	22,225
Finished goods	1,661,091	34,390	3,180,301	60,209
	6,022,946	124,693	7,530,300	142,564
Provision for decline in inventory value	(146,582)	(3,035)	(146,582)	(2,775)
	5,876,364	121,658	7,383,718	139,789

10 Taxes and amounts receivable from the State Budget

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

11 Tangible fixed assets

	Building	Machinery & Equipment	Motor vehicles	Office	Total
	USD	USD	USD	USD	USD
Historical cost					
01/01/2011	4,703,613	28,769,468	568,219	287,410	34,328,710
Acquisition		15,183			15,183
Disposals					-
31/03/2011	4,703,613	28,784,651	568,219	287,410	34,343,893
31 March 2011 (VND million)	97,379	595,929	11,764	5,950	711,022
Fully depreciated	-	1,023,178	262,559	52,207	1,337,944
Fixed assets not in use (*)	-	6,262,278	-	-	6,262,278
Accumulated depreciation					
01/01/2011	(622,424)	(11,980,855)	(444,621)	(169,514)	(13,217,414)
Charge for the year	(39,491)	(474,623)	(11,645)	(6,384)	(532,143)
Disposals					-
31/03/2011	(661,915)	(12,455,478)	(456,266)	(175,898)	(13,749,557)
31 March 2011 (VND million)	(13,704)	(257,866)	(9,446)	(3,642)	(284,657)
Fixed assets not in use (*)	-	(2,974,221)	-	-	(2,974,221)
Net book value					
01/01/2011	4,081,189	16,788,613	123,598	117,896	21,111,296
31/03/2011	4,041,698	16,329,173	111,953	111,512	20,594,336
31 March 2011 (VND million)	83,675	338,063	2,318	2,309	426,365
Fixed assets not in use (*)	-	3,288,057	-	-	3,288,057

As at 31 March 2011, certain fixed assets with an aggregate carrying value of USD17,579,816 (2010: USD17,579,816) have been pledged with Vietcombank as security for short-term and long term borrowings (Note 17 and Note 21).

(*)These assets include in the assets which 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, Bien Hoa City and the idled vending machine and biscuit processing lines. The Company has insufficient demand to justify their re-commissioning and bringing back assets moved from Bien Hoa into its production lines at the present time.

12 Construction in progress

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Opening balance	188,896	3,911	410,742	7,776
Additions during the year	12,000	248	123,725	2,342

Interfood Shareholding Company and its subsidiaries

Transferred to tangible fixed assets	-	-	(345,571)	(6,542)
Closing balance	200,896	4,159	188,896	3,576
Including:				
ERP system	191,060	3,956	179,060	3,390
Other	9,836	204	9,836	186
	200,896	4,159	188,896	3,576

13 Long term prepaid expenses

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Opening balance	1,432,197	29,651	1,467,213	27,777
Amortisation	(8,754)	(181)	(35,016)	(663)
Closing balance	1,423,443	29,470	1,432,197	27,114

As at 31 March 2011, 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.

14 Deferred tax assets

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Opening balance	2,135,050	44,202	2,337,065	44,245
Utilization of tax losses brought forward	(75,670)	(1,567)	(202,015)	(3,825)
Closing balance	2,059,380	42,635	2,135,050	40,421

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

15 Short term borrowings and debts

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Loans from Vietcombank, Dong Nai (1)	9,358,958	193,759	10,656,946	201,757
Loans from Viet A Bank (2)	2,824,587	58,477	2,980,311	56,423
Current portion of long term debts (Note 23)	871,900	18,051	1,697,337	32,134
	13,055,445	270,287	15,334,594	290,315

(1) Loans from Vietcombank Dong Nai

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Denominated in USD	1,288,107	26,668	1,643,010	31,105
Denominated in EUR	90,974	1,883	50,322	953
Denominated in VND	7,979,877	165,207	8,963,614	169,699
	9,358,958	193,759	10,656,946	201,757

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.

Interfood Shareholding Company and its subsidiaries

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).

- 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).

(3) Loans from Viet A Bank

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Denominated in USD	2,980,311	61,701	-	-
	2,980,311	61,701	-	-

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).

16 Trade accounts payable

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Payable to suppliers	4,197,113	86,893	3,655,174	69,200
Payable to related parties (Note 39)	204,612	4,236	1,395,446	26,419
	4,401,725	91,129	5,050,620	95,618

Interfood Shareholding Company and its subsidiaries

17 Taxes and amounts payable to state budget

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Value added tax	474,748	9,829	289,964	5,490
Corporate income tax	118,093	2,445	118,093	2,236
Personal income tax	177,790	3,681	125,180	2,370
Import, export tax	(6,099)	(126)	2,076	39
Other taxes	11,413	236	3,253	62
	775,946	16,064	538,567	10,196

18 Accrued expenses payable

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Transportation	291,441	6,034	205,841	3,897
Trade discounts	54,856	1,136	83,659	1,584
Others	307,770	6,372	175,241	3,318
	654,067	13,541	464,741	8,798

19 Other payables

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Dividend payable (Note 39)	24,265	502	24,265	459
Trade union, social and health insurance	31,925	661	15,700	297
Payable to Chairman of Group (Note 39)	106,851	2,212	106,851	2,023
Other payable	18,362	380	13,243	251
	181,403	3,756	160,059	3,030

20 Long term borrowings and debts

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Loans from Vietcombank, Dong Nai (1)	1,697,337	35,140	1,697,337	32,134
Loan from Chairman (2) (Note 39))	3,430,928	71,031	3,430,928	64,954
Loan from Wonderfarm Biscuits & Confectionery Sdn. Bhd. (3)	1,562,685	32,352	1,562,685	29,585
Less: amount due within one year	(1,697,337)	(35,140)	(1,697,337)	(32,134)
	4,993,613	103,383	4,993,613	94,539

(1) Loans from Vietcombank, Dong Nai

This should be read along with note 16. The detail of the outstanding loan from Vietcombank, Dong Nai branch, are below:

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

	31 March 2011	
	USD	VND million
Contract No.2007176/NHNT dated 30 August 2007 (a)	1,176,127	24,349
Contract No 200846/NHNT dated 21 February 2008 (b)	197,229	4,083
Overdue interest	323,981	6,707
Less: amount due within one year	-	-
	1,697,337	35,140

(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 13.8% per annum for loan in VND and 6.8% for loan in USD.

(b) This represents a loan under contract No 200846/NHNT dated 21 February 2008. The loan bears interest at 15.5% per annum for loan in VND.

Interfood Shareholding Company and its subsidiaries

(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 proceeded payment for 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”), parent company, and The Company and Mr Pang Tee Chiang (“PTC”) have 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’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.

21 Deferred tax liabilities

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Deferred tax liabilities	115,209	2,385	115,209	2,181

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.

22 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)	-	(14,439,758)	6,394,904
Prior year’s net loss	-	-	-	-	382,597	382,597
Prior 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
Current year’s opening	18,313,995	4,082,759	(1,562,092)	-	(14,057,161)	6,777,501
Current year’s net profit	-	-	-	-	609,708	609,708
Foreign exchange differences	-	-	-	-	12,739	12,739
Current year’s closing balance	18,313,995	4,082,759	(1,562,092)	-	(13,434,714)	7,399,948
31 March 2011 (VND million)	379,155	84,525	(32,340)	-	(278,139)	153,201

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.

	Number of shares	31-Mar-11 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 March 2011 are as follows:

Number of shares

Interfood Shareholding Company and its subsidiaries

	shares	shares	Total	Par value VND'000	Equivalent capital amount 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%

24 Minority interest

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Opening balance	-	-	-	-
Minority interest in net loss of AvaFood	48,141	997	-	-
Closing balance	48,141	997	-	-

25 Revenues

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Revenue				
Domestic sales	12,587,813	260,605	53,290,654	1,008,899
Export sales	492,171	10,189	2,320,259	43,927
	13,079,984	270,795	55,610,913	1,052,826
Sales deduction:				
Sales allowance	(328,964)	(6,811)	(1,401,257)	(26,529)
Sales return	(8,146)	(169)	(26,037)	(493)
	12,742,874	263,816	54,183,619	1,025,804
Net sales	12,742,874	263,816	54,183,619	1,025,804

26 Cost of goods sold

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Cost of goods sold for domestic sales	9,318,456	192,920	39,308,661	744,192
Cost of goods sold for export sales	447,655	9,268	2,053,507	38,877
	9,766,111	202,188	41,362,168	783,069

27 Income from financial activities

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Interest income from bank deposits	3,328	69	9,956	188
Interest income from disposal investment in subsidiary	-	-	330,386	6,255
Realised gains from foreign exchange	1,509,645	31,254	1,309,032	24,783
Unrealised gains from foreign exchange	-	-	99,248	1,879
	1,512,973	31,323	1,748,622	33,105

28 Expenses for financial activities

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Interest expense	417,724	8,648	1,855,247	35,124
Realised foreign exchange losses	833,995	17,266	1,400,548	26,515
Other finance expenses	8,070	167	5,635	107

Interfood Shareholding Company and its subsidiaries

	1,259,789	26,081	3,261,430	61,745
29 Selling expenses	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Transportation expense	603,631	12,497	2,621,615	49,632
Salary	458,570	9,494	1,692,885	32,050
Sale commission/promotion	758,976	15,713	1,450,730	27,465
Depreciation	35,347	732	62,052	1,175
Office rental fee	865	18	2,992	57
Other expenses	140,993	2,919	2,155,399	40,806
	1,998,383	41,373	7,985,673	151,185

30 General and administration expenses	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Salary	250,074	5,177	1,213,473	22,973
Depreciation and amortisation of pre operation expenses	21,483	445	49,175	931
Office expenses	10,130	210	711,637	13,473
Bank charges	8,221	170	24,073	456
Outside services expenses	74,088	1,534	120,206	2,276
Others	177,626	3,677	563,436	10,667
	541,621	11,213	2,682,000	50,776

31 Other income	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Income from disposal of fixed assets	-	-	68,633	1,299
Promotion from suppliers	-	-	6,636	126
Compensation for loss of inventories	-	-	370,441	7,013
Other income	10,879	225	266,801	5,051
	10,879	225	712,511	13,489

32 Other expenses	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Depreciation of idle assets	-	-	426,603	8,076
Administration penalty	-	-	237,239	4,491
Others	15,445	320	71,038	1,345
	15,445	320	734,880	13,913

33 Cost by element	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Raw materials	9,380,312	194,201	37,419,433	708,425
Labour cost	844,397	17,482	4,675,664	88,520
Depreciation and amortisation	371,225	7,685	2,175,904	41,194
Outside service costs	1,113,255	23,048	6,366,632	120,533
Other costs	207,871	4,304	5,071,825	96,020
	11,917,060	246,719	55,709,458	1,054,691

34 Corporate income tax
Interfood Shareholding Company

Interfood Shareholding Company and its subsidiaries

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:

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 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Accounting profit/loss before tax	685,377	14,189	618,601	11,711
Temporary difference				
Estimated temporary differences not yet deductible expenses for tax purposes	598,046	12,381	698,878	13,231
Temporary differences of prior year realised in this year	(436,093)	(9,028)	(483,145)	(9,147)
Temporary differences between accounting base and tax base in relation to the carrying value of tang	-	-	(92,284)	(1,747)
Permanent differences				
Estimated non deductible expenses for tax purposes	-	-	492,264	-
Taxable profit/(loss)	847,330	17,542	1,234,314	14,048
Utilization of taxable loss carried forward of Interfood Shareholding Company	(24,896)	(515)	(202,016)	(3,825)
Deferred Income tax expense of Avafood Shareholding Company	-	-	(33,988)	(643)
Profit after tax	822,434	17,027	998,310	9,580

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

35 Related party transaction and balances

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

Interfood Shareholding Company and its subsidiaries

Related parties	Relation	Transaction	USD
Mr. Pang Tee Chiang (Note 23)	Chairman/	Other received	87,112
Chuan Li Can Manufacturing (Vietnam) Co., Ltd	Affiliate	Purchases of materials	249,856

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
Chuan Li Can Manufacturing (Vietnam) Co., Ltd (Note 1. Affiliate		Purchases of materials	-	204,612	-
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

36 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 March 2011 are as follows:

	Domestic	Export	Total
	USD	USD	USD
Sales revenue - net	12,251,243	491,631	12,742,874
Cost of sales	(9,318,456)	(447,655)	(9,766,111)
Gross profit	2,932,787	43,976	2,976,763
Gross profit (VND million)	60,717	910	61,628

The segment results for the period 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	(39,197,470)	(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

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 March 2011 are as follows:

	Drinks	Biscuits	Other	Total
	USD	USD	USD	USD
Sales revenue - net	11,613,821	289,160	839,894	12,742,874
Cost of sales	(9,388,099)	(352,404)	(25,607)	(9,766,111)
Gross profit	2,225,721	(63,244)	814,286	2,976,763
Gross profit (VND million)	46,079	(1,309)	16,858	61,628

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

	Drinks	Biscuits	Other	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

37 Profit (Loss) per share and dividends

Basic profit(loss) per share is shown below:

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Profit(Loss) attributable to shareholders of the Company	561,566	11,626	382,597	7,243
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	0.019	0.000	0.013	0.000

Interfood Shareholding Company and its subsidiaries

No dividend was declared in 2010. As at 31 December 2010, the 2007 dividends payable amounting to USD24,265 was not paid and included in the other payables (Note 22).

38 Board of Directors and Management's remuneration

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

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Board of Management fees	-	-	13,863	262
Salary	106,403	2,203	459,810	8,705
	106,403	2,203	473,673	8,968

39 Commitments

As at 31 March 2011, the Company was committed under non cancellable operating lease agreements in the following amounts:

	31 March 2011		31 December 2010	
	USD	VND million	USD	VND million
Within the next year	125,293	2,594	125,293	2,372
Within two to five years	71,623	1,483	71,623	1,356
	196,916	4,077	196,916	3,728

40 Subsequent event

On 22 April 2011, Board of Management of Dong Nai Industrial Zone has issue the Amendment for Certificate No. 472033000328, in which Mr Pang Tee Chiang transfer all of his unlisted share total 5,499,840 to Indochina Beverage Holding LTD, a company located at British Virgin Islands. Indochina Beverage Holding LTD become a shareholder with 18,78% share contributed in Interfood.

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

Pang Tea Chiang
General Director

Nguyen Hong Phong
Chief Accountant