

ANNUAL REPORT

INTERFOOD SHAREHOLDING COMPANY

Report year: 2006

A.- HISTORIAL OPERATION OF THE COMPANY

1. General information

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

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

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

The amended Investment Licence No. 270 CPH/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 3,620,560 new shares.

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

2. The principal activities of the 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.

3. Financing and trading operation status:

Finance status as at 31/12/2007 of the Company:

a. SUMMARY BALANCE SHEET

Unit: VND

NO	ASSETS	OPEN BALANCE	CLOSE BALANCE
I	CURRENT ASSETS	348,204,903,936	395,725,451,094
1	Cash and cash equivalents	3,249,172,992	3,619,504,800
2	Accounts receivable	225,593,291,264	209,623,201,866
3	Inventories	116,431,579,648	179,567,304,156
4	Other current assets	2,930,860,032	2,915,440,272
II	LONG-TERM ASSETS	207,967,768,576	229,168,978,614
1	Fixed assets	182,709,512,192	228,527,257,158
	- Tangible fixed assets	182,709,512,192	228,527,257,158
2	Construction in progress	25,258,256,384	641,721,456
III	TOTAL ASSETS	556,172,672,512	624,894,429,708
IV	LIABILITIES	346,442,905,600	227,032,681,833
1	Current liabilities	314,258,663,936	225,957,135,033
2	Long-term liabilities	32,184,241,664	1,075,546,800
V	OWNERS' EQUITY	209,729,766,912	397,861,747,875
1	Capital and reserves	209,729,766,912	397,861,747,875
1.1	- Paid-in capital	206,336,000,000	242,841,600,000
1.2	- Shared capital surplus		113,626,208,349
1.3	- Foreign exchange differences		4,191,373,319
1.4	- Undistributed earnings	3,393,766,912	37,202,566,207
VI	TOTAL RESOURCES	556,172,672,512	624,894,429,708

b. PROFIT AND LOSS ACCOUNT

NO	item	2005 VND	2006 VND
1	Sales	515,243,181,056	657,393,976,188
2	Less deductions	-8,030,279,680	-15,707,700,873
3	Net sales	507,212,901,376	641,686,275,315
4	Cost of sales	-394,424,009,216	-516,725,496,558
5	Gross profit	112,788,892,160	124,960,778,757
6	Finance income	73,804,800	6,621,487,947
7	Finance expenditure	-8,532,422,144	-11,820,243,231
8	Selling expenses	-25,618,630,144	-28,296,589,743
9	General & administration expenses	-19,257,164,288	-25,301,562,228
10	Operating profit	59,454,480,384	66,163,871,502
11	Other income	1,918,845,440	8,580,400,011
12	Other expenses	-1,560,217,600	-826,786,350
13	Other gain	358,627,840	7,753,613,661
14	Net profit /(loss) before tax	59,813,108,224	73,917,485,163
15	Business income tax	-8,939,284,992	-14,375,890,557
16	Net profit / (loss) after tax	50,873,823,232	59,541,594,606

B. REPORT OF THE BOARD OF MANAGEMENT AND BOARD OF DIRECTORS:

1. General Information of the Company:

Generally, Interfood Shareholding Company inherited the operating environment from Interfood Processing Industry Ltd. under the Investment Licence No. 270/GP dated 16 November, 1991. The Company was converted to public limited company on 9 August 2005 which subsequently had an IPO by issuance of 3,620,560 new additional shares to the general public/institutional investors to increase the Charter Capital to VND242,841,600,000.

On 17 October 2006, the Company listed 5,729,472 shares at the Ho Chi Minh City Securities Trading Centre after receiving Listing Licence No. 61/UBCK-GPNY issued by the State Security Commission on 29 September 2006.

2. List of key mans of the Company

a. Board of Management:

Item	Name in full	Position
1	PANG TEE CHIANG	Chairman
2	NGUYEN THI KIM LIEN	Member
3	YAU HAU JAN	Member
4	PANG TZE YI	Member
5	TENG PO WEN	Member

b. Control Board

Item	Name in full	Position
1	THAI NGOC DINH	Chief
2	SAW HENG SOO	Member
3	DAN SO GIANG	Member

3. Result of Business operation in 2006:

NO	Item	2005 VND	2006 VND
1	Sales	515,243,181,056	657,393,976,188
2	Less deductions	-8,030,279,680	-15,707,700,873
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6	Finance income	73,804,800	6,621,487,947
7	Finance expenditure	-8,532,422,144	-11,820,243,231
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14	Net profit /(loss) before tax	59,813,108,224	73,917,485,163
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a. Operating Income in 2006

The company attained revenue of 641 billion VND for the year 2006, an increment of 134 billion VND. The net profit after tax was increased by 8.7 billion VND over year 2005.

However in term of profit margin the revenue has declined which is attributable to the following:

The ratio Cost of Good Sold/ Net sales in 2006 increased by 2.8% in comparison with the ratio in last years because of some reasons: Fuel cost and indirect overhead have increased over 5% for year 2006 as compared to 2005; prices of all main raw materials, packing materials and logistic cost have increased from 5% to 30% as against previous years; minimum salary of employees were increased about 21% (from VND 650,000 per person to VND790,000 per person) and about 7% for trained employees

This year, the company focused on the increment in market share/position whereby promotional programs and discount on volume sale were implemented to attain higher turnover for year 2006. Turnover of 2006 increased 26.5% comparing to 2005.

The company finance, selling, general and administrative expenses increased by VND5.46 billion or 10% over the last year 2005. These increment is mainly attributable to the resultant higher turnover of the company which increased by 26.50%

During the year the company has received a tax refund of 6.359 billion for over paid business income tax in 2001 and 2002. The effective business income tax for the year is 19.45% as compare to 2005 14.95%

b. Strategies implemented to increase market shares and revenue.

During the year 2006 the management having targeted more revenue and capturing more market shares which has also taken measures to minimize the impact of direct and indirect cost and expenditures as follows:

- To apply the ISO 9001 (2000) system for all sections and depts. the head office and 2 factories to minimize risk, damage and maximum income;
- To ensure and maintain quality of core products of the company via R&D and procurement of advance technology;
- To intensify promotion and advertising programs (both of oversea and local market) to increase sales volume of new PET bottle fruit drinks
- Signing new processing contract with the traditional customers and suppliers to archive sales and profit target.
- Launching a range of new carbonated products to the market.

c. Government Incentives:

From 2006 the Company effective tax rate is 25%; however, the following tax incentives have been approved by the authorities as follows:

Reinvestment incentive

- Additional capital investment qualifies the tax exemption for 1 year and thereafter 50% reduction for the next 4 year

- Relocation the Biscuits section and its facilities out off the center of Bien Hoa city (exemption for 2 years and reduction of 50% for next 2 sequent years).

Listing Status tax incentive - A tax incentive of reduction 50% of business income tax for 2 years for the shareholding company listed Securities trading center. This incentive is available to the company and the effective year of the implementation is at the discretion of the company.

4. Strategy of investment and development

a. Performed Projects:

- During the operation, the company has continuously invested and upgraded the machines and technology in order to raise product's quality and diversify product range. The machinery and equipment are thoroughly serviced every six months to ensure high production efficiency and food safety measure. These investments are for procurement of advance production line and upgrading of existing lines in order to maintain and improve the quality of its products, attain higher yield efficiency and advance packing technology which is in compliance with the Company's HACCP status.

- New invested production lines consist of 1 canned non carbonated fruit juice drinks line, 1 canned carbonated fruit juice drinks line, 1 PET bottle hot filling production line (including fruit juice drinks and purified water), 1 reverse osmosis system and 2 PET bottle producing lines. The machineries are sourced from Germany, Japan, and China.

b. Strategy of development in 2007

- The company will negotiate on a willing buyer and willing seller basis to acquire 90% of the paid up share capital of Ava Food Industries at par value per share from Wonderfarm Biscuits and Confectionery Sdn Bhd and transfer this company to be a subsidiary company of Interfood Shareholding company when this company converts to shareholding company to expand the business operation of the company as well as appropriation of the available infrastructure and investment incentive of Ava Food Industries Ltd.,

- To relocate the canning sections and its facilities from the factory at Bien hoa city to Tam phuoc Industrial Zone, Long Thanh District, Dong nai province to prepare for termination of land leasing agreement with Dong nai People Committee expired in 2011

- Turnover and profit target for 2007 will increase about 10% comparing to 2006
- The company will set up a new subsidiary company at North of Vietnam with 100% share capital from Interfood Shareholding Company to expand the business operation to north of Vietnam and neighbouring countries under initial capital about USD4,000,000

5. Business operation planning in 2007:

Item	Particular	2006	2007
		VND	VND
1	Sales	657,393,976,188	723,133,373,807
2	Less deductions	-15,707,700,873	-17,278,470,960
3	Net sales	641,686,275,315	705,854,902,847
4	Cost of sales	-	-
		516,725,496,558	560,398,046,214
5	Gross profit	124,960,778,757	145,456,856,633
6	Finance income	6,621,487,947	7,283,636,742
7	Finance expenditure	-11,820,243,231	-13,002,267,554
8	Selling expenses	-28,296,589,743	-31,126,248,717
9	General & administration expenses	-25,301,562,228	-27,831,718,451
10	Operating profit	66,163,871,502	80,780,258,652
11	Other income	8,580,400,011	1,438,440,012
12	Other expenses	-826,786,350	-909,464,985
13	Other gain	7,753,613,661	528,975,027
14	Net profit /(loss) before tax	73,917,485,163	81,309,233,679
15	Business income tax	-14,375,890,557	-10,163,654,210
16	Net profit / (loss) after tax	59,541,594,606	71,145,579,469

6. Issuance of New Additional shares

- The company will issue new additional shares up to 10% of the charter capital of the company, the charter capital will increase about USD1,530,000 and estimated shares premium is about USD4,500,000, these new shares shall be at the discretion of the BOM. The purpose of this fund raising exercise is to finance the operational expansion of the company

7. Bonus shares

- The company will issue bonus shares from the share premium account for every 5 shares of VND10,000 per share held to be entitled for 1 bonus share of VND10,000 per share

8. Management Policies

- Innovation of technical, improvement of goods quality, satisfying demand of the customers, maintain and improvement of goods trade make in the market
- Improvement of physical and spiritual life of the employees in order to them feels secured, hearten and uphold in their jobs.

- Reverse and complement of control and management system to meet the requirement of development of the company.

C. FINANCIAL INDICATORS OF BUSINESS

Asset structure	Unit	2005	2006
- Fixed assets/ Total assets			
- Current assets/ Total assets	%	37.00	37.00
Equity structure	%	63.00	63.00
- Total liabilities / Total resources			
- Owner's equity/ Total resources	%	62.00	36.00
Liquidity	%	38.00	64.00
- Quick ratio (times)			
- Current ratio (times)	Times	0.01	0.02
Profit margin	Times	1.10	1.75
- Net profit before tax/ Total assets			
- Net profit after tax/ Revenue	%	11.00	12.00
- Net profit after tax/ Owner's equity	%	10.00	9.00
Asset structure	%	24.00	15.00

D. SHAREHOLDERS STRUCTURE

Particular	Domestic shareholders		Foreign shareholders		Total	
	Number of shares	%	Number of shares	%	Number of shares	%
Total owned equity						
1. State owned shareholders	-	0.00%	-	0.00%	-	0.0%
- Proxy shareholders		0.00%		0.00%	-	0.0%
- Granted shareholders		0.00%		0.00%		0.0%
- Other shareholders		0.00%		0.00%		0.0%
2. Special shareholders	20,100	0.08%	20,424,600	84.11%	20,444,700	84.2%
- Managing Board	20,000	0.08%		0.00%	20,000	0.1%
- Board of Directors		0.00%		0.00%		0.0%
- Control Board		0.00%	1,000	0.00%	1,100	0.0%
- Founding shareholders	-	0.00%	20,423,600	84.10%	20,423,600	84.1%
3. Shareholders working in the Company	-	0.00%	-	0.00%	-	0.0%
- Fund shares	-	0.00%		0.00%		0.0%
- Preferential shareholders		0.00%	-	0.00%		0.0%
4. Other Shareholders	2,946,856	12.13%	892,604	3.68%	3,839,460	15.8%
Total owned equity	2,966,956		21,317,204		24,284,160	100.0%

E. STRUCTURE OF LISTED SHAREHOLDERS

Share holders	Number of shares	Proportion
Shares held by BOM, Control Board, Directors	21,100	0.4%
Transferable shares held by founding shareholders.	1,868,912	32.6%
Shares held by other shareholders	3,839,460	67%
Total	5,729,472	100.0%

Structure of shareholders fixed as at 14/02/2007 that the company prepares list of shareholders receiving dividend of last 7 months in 2007. Holding ratio of shareholders groups unchanged from the Company started listing on The State Securities Trading Center – Ho Chi Minh City.

Other events relating to the annual report were disclosed in the summary finance report and audit statement in 2006 attached.

For Interfood Shareholding Company
Chairman

PANG TEE CHIANG