

Consolidated financial statements and Independent  
auditors' report

Interfood Shareholding Company and its  
subsidiaries

31 December 2009

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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 subsidiaries (“the Group”) for the year ended 31 December 2009.

## Results

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of income.

## Financial indicators of the business

	Unit	2009	2008 (Restated)
<b>Assets structure and capital structure</b>			
<b>Assets structure</b>			
Fixed assets/total assets	%	<b>77.32</b>	85.27
Current assets/total assets	%	<b>22.68</b>	14.73
<b>Capital structure</b>			
Liabilities/total resources	%	<b>83.79</b>	86.19
Owners' equity/ total resources	%	<b>16.21</b>	13.81
<b>Liquidity</b>			
Total assets/liabilities	times	<b>1.19</b>	1.16
Current ratio	times	<b>0.36</b>	0.18
Quick ratio	times	<b>0.01</b>	0.00
<b>Profitability</b>			
<b>Loss/net sales</b>			
Loss before tax/net sales	%	<b>(3.25)</b>	(36.13)
Loss profit/net sales	%	<b>(3.25)</b>	(31.61)
<b>Loss/total assets</b>			
Loss before tax/total assets	%	<b>(4.54)</b>	(25.80)
Net loss/total assets	%	<b>(4.54)</b>	(22.57)
<b>Net loss/owners' equity</b>	%	<b>(28.01)</b>	(163.41)

## Auditors

The consolidated financial statements for the year ended 31 December 2009 have been audited by Grant Thornton (Vietnam) Ltd.

### 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:

<b>Board of Management:</b>		<b>Appointed/Resigned on</b>
Pang Tee Chiang	Chairman	15 August 2006
Yau Hau Jan	Member	15 August 2006/ 11 January 2010
Nguyen Thi Kim Lien	Member	15 August 2006
Pang Tze Yi	Member	15 August 2006
Teng Po Wen	Member	15 August 2006
<b>Board of Directors:</b>		
Pang Tee Chiang	General Director	15 August 2006
Yau Hau Jan	Deputy General Director	15 August 2006/ 11 January 2010
Pang Tze Yi	Deputy General Director	11 January 2010
Nguyen Thi Kim Lien	Finance Director	15 August 2006

### Statement by the Board of Directors

The Board of Directors is responsible for ensuring that the consolidated financial statements are properly drawn up so as to give a true and fair view of the financial position of the Group as at 31 December 2009 and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards and System and in compliance with relevant statutory requirements. When preparing the consolidated financial statements, the Board of Directors is required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- comply with the disclosure requirements of Vietnamese Accounting Standards and System;
- maintain adequate accounting records and an effective system of internal control;
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to assume that the Group will continue its operations in the foreseeable future; and
- control and direct effectively the Group in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the consolidated financial statements.

The Board of Directors is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that the Group has complied with the above requirements in preparing the consolidated financial statements.

On behalf of the Board of Directors

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Pang Tee Chiang  
Chairman, General Director  
Dong Nai province, Vietnam  
Date \_\_\_\_\_



Grant Thornton

# Independent auditors' report

On the consolidated financial statements of  
Interfood Shareholding Company and its subsidiaries  
for the year ended 31 December 2009

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No. HCM/10/118

## To the Board of Management of Interfood Shareholding Company

We have audited the accompanying consolidated financial statements of Interfood Shareholding Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2009 and the consolidated statement of income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out from page 5 to 33.

The consolidated financial statements of the Group as of and for the year ended 31 December 2008 were audited by other auditors whose report dated 11 August 2009 expressed a qualified opinion with respect to certain differences between the recorded quantities of inventory and the actual quantities of inventory.

### 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 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 Vietnamese Standards on Auditing and International Standards on Auditing accepted in Vietnam. 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.

### 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.

#### **Basis for qualified opinion**

As stated in the auditor's report on the prior year's consolidated financial statements of Interfood Shareholding Company and its subsidiaries, the predecessor auditor issued a qualified opinion with respect to the carrying value of inventory stated at USD6,302,404 as at 31 December 2008 due to un-reconciled differences between the recorded quantities of inventory and the actual quantities of inventory. The differences were adjusted in the financial statements as at 31 December 2009, however, due to lack of satisfactory explanations and due to lack of documentary evidence we could not determine if the adjustments should have been taken as an adjustment to the 2008 financial statements instead of the charging them to the results of operations in the 2009 financial statements.

#### **Opinion**

In our opinion, except for the effects to the consolidated financial statements of the matter referred to in the *Basis for qualified opinion* paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards and System and in compliance with relevant statutory requirements.

Without qualifying our opinion, we draw the readers' attention to Note 6 to the consolidated financial statements. The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. The Group's total current liabilities exceeded its total current assets by USD15,735,569 as of 31 December 2009. Such matter raises substantial doubt about the Group's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. The parent company of the Group has undertaken to provide the necessary financial support to enable the Group to carry on business as a going concern for at least twelve months from the reporting date.

#### **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: \_\_\_\_\_

# Consolidated balance sheet

	Notes	Code	31 December 2009 USD	31 December 2008 USD (Restated)
<b>ASSETS</b>				
<b>Current assets</b>				
<b>Cash and cash equivalents</b>				
Cash	8	111	248,185	232,265
<b>Accounts receivable</b>				
Trade accounts receivable		131	582,773	265,376
Prepayments to suppliers		132	217,703	1,629,043
Other receivables	9	135	411,237	202,316
Provision for short term doubtful debts		139	-	(95,088)
		130	1,211,713	2,001,647
<b>Inventories</b>				
Inventories	10	141	7,985,502	7,558,127
Provision for decline in inventory	10	149	(744,522)	(360,389)
		140	7,240,980	7,197,738
<b>Other current assets</b>				
Short term prepaid expenses		151	170,920	150,222
Value added tax to be reclaimed		152	1,631	445,040
Taxes and amounts receivable from State Budget	11	154	106,907	106,907
Other current assets		158	57,207	101,293
		150	336,665	803,462
		100	9,037,543	10,235,112
<b>Non-current assets</b>				
<b>Long term receivables</b>				
Other non - current receivables	12	211	884,738	-
<b>Fixed assets</b>				
Tangible fixed assets	13	221	22,740,266	25,452,592
Construction in progress	14	230	410,742	29,386,877
		220	23,151,008	54,839,469
<b>Long term investments</b>				
Investments in associates	15	252	2,969,614	-
<b>Other non-current assets</b>				
Long-term prepaid expenses	16	261	1,467,213	2,050,870
Deferred tax assets	17	262	2,337,065	2,337,065
Other non-current assets		268	8,068	-
		260	3,812,346	4,387,935
		200	30,817,706	59,227,404
		270	39,855,249	69,462,516

The accompany notes are an integral part of these financial statements

	Notes	Code	31 December 2009 USD	31 December 2008 USD (Restated)
<b>RESOURCES</b>				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Short term borrowings and debts	18	311	14,126,867	37,219,168
Trade accounts payable	19	312	7,614,265	10,264,595
Advances from customers		313	367,608	306,285
Taxes and amounts payable to state budget	20	314	1,496,565	821,032
Payable to employees		315	431,786	350,880
Accrued expenses payable	21	316	676,597	2,976,590
Other payables	22	319	59,424	6,140,810
		310	24,773,112	58,079,360
<b>Long term liabilities</b>				
Long term deposits		331	1,255	1,255
Long term borrowings and debts	23	334	8,487,130	1,628,473
Deferred tax liabilities	24	335	81,221	63,280
Provision for severance allowance		336	117,627	157,860
		330	8,687,233	1,850,868
			33,460,345	59,930,228
<b>Owners' equity</b>				
<b>Capital sources and funds</b>				
Share capital	25,26	411	18,313,995	18,313,995
Share premium	25	412	4,082,759	4,082,759
Foreign exchange differences	25	416	-	621,644
Other reserve	25	419	(1,562,092)	(1,562,092)
Accumulated losses	25	420	(14,439,758)	(12,997,905)
		410	6,394,904	8,458,401
<b>Minority interest</b>				
Minority interest	27	439	-	1,073,887
		440	6,394,904	9,532,288
			39,855,249	69,462,516

**Off balance sheet items**

	31 December 2009	31 December 2008
<b>Foreign currencies</b>		
Vietnamese dong (million)	4,943	3,470
Euro	250	240

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

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Pang Tee Chiang  
General Director

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Nguyen Hong Phong  
Chief Accountant

# Consolidated statement of income

	Notes	Code	Year ended 31 December 2009 USD	Year ended 31 December 2008 USD (Restated)
Gross sales	28	01	58,121,172	52,291,527
Sales deductions	28	02	(2,515,849)	(2,680,103)
Net sales		10	55,605,323	49,611,424
Cost of sales	29	11	(44,092,069)	(46,523,870)
Gross profit		20	11,513,254	3,087,554
Income from financial activities	30	21	1,215,110	762,787
Expenses for financial activities	31	22	(6,112,961)	(3,620,301)
<i>Including: interest expense</i>		23	2,793,169	3,175,939
Selling expenses	33	24	(5,172,933)	(4,756,525)
General and administration expenses	33	25	(2,358,677)	(3,217,965)
Operating loss		30	(916,207)	(7,744,450)
Other income	34	31	693,985	166,884
Other expenses	35	32	(1,305,561)	(10,344,750)
Loss before tax		50	(1,527,783)	(17,922,316)
Corporate income tax for the current year	36	51	-	(95,236)
Deferred corporate income tax	36	52	(17,941)	2,296,150
Loss after tax			(1,545,724)	(15,721,402)
Minority interest		59	(103,871)	(268,444)
<b>Net loss attributable to the Parent Company</b>		60	<b>(1,441,853)</b>	<b>(15,452,958)</b>
Loss per share	41	70	(0.049)	(0.530)

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

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

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Nguyen Hong Phong  
Chief Accountant

# Consolidated statement of cash flows

	Code	Year ended 31 December 2009 USD	Year ended 31 December 2008 USD (Restated)
<b>Cash flows from operating activities</b>			
Loss before tax	01	(1,527,783)	(17,922,316)
Adjustments for:			
Depreciation and amortisation	02	2,298,573	2,107,929
Increase in provisions	03	289,045	97,003
Gain on foreign currency translation	04	(616,654)	(543,716)
Loss from disposal investments, fixed assets	05	2,671,192	9,804,944
Interest expense	06	2,793,169	3,175,939
Interest income	07	(133,187)	(27,058)
<b>Operating profit/(loss) before adjustments to working capital</b>			(3,307,275)
	08	5,774,355	
Change in accounts receivable	09	479,711	1,144,923
Change in inventories	10	(427,375)	3,551,439
Change in accounts payable	11	5,201,125	5,249,972
Change in prepaid expenses	12	(20,698)	239,665
Interest paid	13	(2,793,169)	(1,055,113)
Interest income	14	133,187	27,058
<b>Cash generated from operating activities</b>	20	8,347,136	5,850,669
<b>Cash flows from investing activities</b>			
Acquisition of fixed assets, investment and construction in progress	21	(617,838)	(18,353,342)
Proceeds from disposal of investments and fixed assets	22	5,117,001	438,808
Additional investments in associates	25	(1,000,000)	-
Capital contributions from minority interest		-	1,000,000
<b>Net cash inflows/(outflows) from investing activities</b>	30	3,499,163	(16,914,534)

		Year ended 31 December 2009	Year ended 31 December 2008
		USD	USD (Restated)
<b>Cash flows from financing activities</b>			
Proceeds from loan	33	47,138,850	78,677,528
Repayments for debt	34	(58,964,155)	(68,416,503)
Dividend payments to investors	36	-	(1,177)
<b>Net cash inflows/(outflows) from financing activities</b>	<b>40</b>	<b>(11,825,304)</b>	<b>10,259,848</b>
<b>Net increase/(decrease) in cash</b>	<b>50</b>	<b>20,994</b>	<b>(804,017)</b>
Cash and cash equivalents at beginning of the year	60	232,265	414,638
Effects of changes in foreign exchange rates	61	(5,074)	621,644
<b>Cash and cash equivalents at end of the year</b>	<b>70</b>	<b>248,185</b>	<b>232,265</b>

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

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

\_\_\_\_\_  
Nguyen Hong Phong  
Chief Accountant

# 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 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.

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 latest 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 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.

The principal activities of the Company are to process agricultural and aquatic products into canned, dried, frozen, salted, and pickled products and the production of biscuits and snack food,

carbonated fruit juice and fruit juice with 5% alcohol content, bottled filtered water and PET bottle; to manufacture packaging for foods and beverages.

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

As at 31 December 2009, the Group had 1,228 employees (2008: 1,382 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 the United States Dollar (USD) 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 Group used the United States Dollar as its reporting currency in the preparation and presentation of its consolidated financial statements.

Transactions arising in currencies other than the reporting currency are translated at exchange rates in effect on the transaction dates. Monetary assets and liabilities denominated in currencies other than the reporting currency are translated at the exchange rates in effect at the 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 and 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 subsidiaries, 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; and 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 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

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 subsidiaries 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.

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 a 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
Machinery and equipment	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 expenses”.

#### 4.5 Construction in progress

Construction in progress represents the costs of new ERP software 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 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 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 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.

#### 4.8 Revenue

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

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

#### **4.9 Provision for severance allowance**

In accordance with Vietnamese labour laws, employees of the Group are entitled to a severance allowance based on their years of service. This will be paid as a lump sum when the employee leaves the Group. A provision for severance allowance is made for the estimated liability for employment termination as a result of services rendered by employees up to the balance sheet date. The provision is calculated on the basis of a half-month salary for each employee for each year of service with the Group, based on salary levels at the balance sheet date.

Following a change in current regulation of severance allowance starting 1 January 2009, the Group is no longer liable to accrue and pay for severance allowance for periods 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 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.

#### **4.12 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 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)

#### 4.14 Related parties

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

#### 4.15 Segment report

The Group identifies its operating segments based on market segments where the risks and returns are different in each of the markets. For all periods presented, the Group operated in two segments: domestic sales and export sales. In addition, there are two main kinds of product: Drinks and Biscuits.

### 5 Subsidiaries and associates

#### 5.1 Disposal of equity interest in subsidiary – Interfood Packaging Limited

On 6 January 2009, the Company entered into an agreement to sell 70% of its ownership of Interfood Packaging Limited 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 expected to meet. For purposes of control, management believes that the Company lost control around 31 January 2009 but for consolidation purposes management decided not to include the results of operations of the said former subsidiary from 1 January 2009 due to the immateriality of amounts involved.

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

	Amount		% equity held	
	31 December 2009 USD	31 December 2008 USD	31 December 2009 %	31 December 2008 %
<b>Subsidiary:</b>				
AvaFood Shareholding Company (1)	4,500,000	4,500,000	90	90
Northern Interfood Shareholding Company (2)	-	-	-	-
Interfood Packaging Limited (3)	-	9,000,000	-	90
	<b>4,500,000</b>	<b>13,500,000</b>		
<b>Associate:</b>				
Interfood Packaging Limited (3)	2,000,000	-	20	-

#### 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.

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 USD11,000,000.

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 USD16,000,000. The charter capital of the subsidiary is 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.

The principal activities of the Avafood are to produce processed products including fruit juice, bottled filtered water, biscuits, jams and sweets of all kinds, and from agricultural and aquatic products as well as livestock; to lease workshop.

## **2. Northern Interfood Shareholding Company**

Pursuant to Investment Certificate No. 212032000111 dated 14 Feb 2008 issued by the Board of Management of Bac Ninh Industrial Zone, the subsidiary was established 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. As at 31 December 2009, the Company has still operated yet. There has been no capital contribution up to the date of this report.

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

## **3. Interfood Packaging Limited**

On 6 May 2008, Interfood Packaging Limited (IPL) received the approval from the Board of Management of Dong Nai Industry Zones to establish operations for a period of 46 years pursuant to Investment Certificate No. 470233000646 with charter capital of USD10 million. As at 31 December 2008, the Company had fully contributed the capital, equivalent to USD9 million, to Interfood Packaging Limited.

Subsequent to the Company's loss of control over IPL in Jan 2009 (mentioned in Note 5.1), on 19 June 2009, Interfood Packaging Limited received its amended Investment Certificate No. 472023000464 which approved the change of its name to Crown Beverage Cans (Dong Nai) Limited ("Crown Dong Nai"). Under the new license, its charter capital was increased from USD10,000,000 to USD15,000,000. The Company contributed an additional amount of USD1,000,000 to maintain its equity interest of 20% in Crown Dong Nai (Note 15).

## **6 Going concern assumption**

The consolidated financial statements have been prepared assuming that the Group will continue as a going concern notwithstanding the fact that the Group's current liabilities exceeded current assets by USD15,735,569 as at 31 December 2009 (31 December 2008: USD47,844,248).

The Group's continued existence as a going concern is dependent on the continued financial support of its parent company and ultimately on its ability to operate profitably. The parent company issued a formal undertaking to provide financial support in connection with third party undertakings and relief from related party financial obligations. Accordingly, the consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to amounts and classifications of liabilities that may be necessary if the Group is unable to continue as a going concern.

## 7 Comparative figures

As a result of the disposal of Interfood Packaging Limited, the Company lost control of said subsidiary and reclassified its investment from investment in subsidiary to investment in associate. Therefore the Company excluded the accounts and amounts of such former subsidiary in the 2009 consolidated financial statements. In the comparative figures, such subsidiary was included in the 2008 consolidated financial statements.

The figures for the year ended 31 December 2008, which are included in this year's consolidated financial statements for comparative purposes, have been restated and reclassified to reflect accounting errors noted after the date of issuance of the consolidated financial statements for the year ended 31 December 2008. Such adjustments resulted in the following effects on the Group's net loss and accumulated losses:

	No.	As previously reported USD	Restatements USD	As restated USD
<b>Net profit/(loss)</b>				
Year ended 31 December 2006	1	3,698,006	(17,110)	<b>3,680,896</b>
Year ended 31 December 2007	2	4,221,026	(3,019)	<b>4,218,007</b>
Year ended 31 December 2008	3,6,8,10, 11,12,13	(15,403,881)	(49,077)	<b>(15,452,958)</b>
<b>Accumulated losses</b>				
1 January 2007	1	2,313,616	(19,011)	<b>2,294,605</b>
1 January 2008	1,2	2,477,418	(22,365)	<b>2,455,053</b>
1 January 2009	3,6,8,10, 11,12,13	(12,926,463)	(71,442)	<b>(12,997,905)</b>

Details of prior years' adjustments reclassifications and their effects on each item on the consolidated financial statements in the year 2008 are as follows:

### Consolidated balance Sheet as at 31 December 2008 (extracted)

	No.	As previously reported USD	Restatements USD	As restated USD
<b>ASSETS</b>				
<b>Accounts receivable</b>				
Other receivables	5, 6, 7	197,853	4,463	<b>202,316</b>
<b>Fixed assets</b>				
Tangible fixed assets	4	25,508,965	(56,373)	<b>25,452,592</b>
Construction in progress	4, 6, 7	29,386,877	-	<b>29,386,877</b>
<b>TOTAL ASSETS</b>		<b>69,514,426</b>	<b>(51,910)</b>	<b>69,462,516</b>
<b>RESOURCES</b>				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade accounts payable	6, 7, 8	10,281,541	(16,946)	<b>10,264,595</b>
Other payables	6, 8, 9	6,160,214	(19,404)	<b>6,140,810</b>
<b>Non current liabilities</b>				
Deferred tax liabilities	1, 2, 12	-	63,280	<b>63,280</b>
<b>TOTAL LIABILITIES</b>		<b>59,903,298</b>	<b>26,930</b>	<b>59,930,228</b>

	No.	31 December 2008		As restated USD
		As previously reported USD	Restatements USD	
<b>Owners' equity</b>				
<b>Capital sources and funds</b>				
Foreign currency translation differences	11	623,589	(1,945)	<b>621,644</b>
Accumulated losses	3, 11	(12,926,463)	(71,442)	<b>(12,997,905)</b>
<b>TOTAL EQUITY</b>		<b>8,531,788</b>	<b>(73,387)</b>	<b>8,458,401</b>
<b>Minority interest</b>	13	1,079,340	(5,453)	<b>1,073,887</b>
<b>TOTAL RESOURCES</b>		<b>69,514,426</b>	<b>(51,910)</b>	<b>69,462,516</b>

**Consolidated statement of income for the year ended 31 December 2008  
(Extracted)**

	No.	Year ended 31 December 2008		As restated USD
		As previously reported USD	Restatements & reclassifications USD	
Cost of sales	3	(46,504,631)	(19,239)	<b>(46,523,870)</b>
Income from financial activities	11	760,842	1,945	<b>762,787</b>
Expenses for financial activities	6	(3,609,186)	(11,115)	<b>(3,620,301)</b>
Selling expenses	10	(4,677,641)	(78,884)	<b>(4,756,525)</b>
General and administration expenses	3,10	(3,316,088)	98,123	<b>(3,217,965)</b>
Operating loss		(7,735,280)	(9,170)	<b>(7,744,450)</b>
Other expenses	8	(10,340,305)	(4,445)	<b>(10,344,750)</b>
Deferred corporate income tax	12	-	(40,915)	<b>(40,915)</b>
<b>Loss after tax</b>		<b>(15,666,872)</b>	<b>(54,530)</b>	<b>(15,721,402)</b>
<b>Minority Interest</b>	13	(262,991)	(5,453)	<b>(268,444)</b>
<b>Net loss attributable to the Parent company</b>		<b>(15,403,881)</b>	<b>(49,077)</b>	<b>(15,452,958)</b>

Adjustments and reclassifications were made for the followings:

No.	Description	Amount USD
<b>Year 2006</b>		
1	To recognise deferred tax liabilities due to temporary difference between tax base and accounting base	19,011
<b>Year 2007</b>		
2	To recognise deferred tax liabilities due to temporary difference between tax base and accounting base	3,354
<b>Year 2008</b>		
3	To reclassify land lease expenses	19,239
4	To reclassify the disposal of fixed assets	56,373
5	To record additional output VAT from disposal of fixed assets sold in 2008	8,989
6	To net-off payable to Tan Phuoc Thinh and receivable from Crown Dong Nai in 2008	
	Decrease in other receivables	8,989
	Increase in expenses from financial activities	11,115
	Decrease in trade account payables	98,874
	Decrease in construction in progress	101,000

No.	Description	Amount USD
7	To recognise construction cost when receiving final invoice from Tasin	
	Increase in construction in progress	44,627
	Increase in other receivables	4,463
	Decrease in trade payables	49,090
8	To accrue VAT liabilities for sale of goods in September 2008 and fixed assets sold to Crown Dong Nai in 2008	
	Increase in other payables	4,445
	Increase in other expenses	4,445
9	To reclassify payable to Nguyen Hoang Phuong from other payable to trade payable	32,838
10	To reclassify location rental for vending machine from general administration expenses to selling expenses	78,884
11	To reclassify unrealised gain from foreign currency translation differences to financial income	1,945
12	To record the deferred tax liability to recognise temporary difference between tax base and accounting base	40,915
13	To adjust net effect on results to minority interest	5,453

### 8 Cash

	31 December 2009 USD	31 December 2008 USD
Cash on hand	57,284	59,151
Cash in banks	190,901	173,114
	<b>248,185</b>	<b>232,265</b>

### 9 Other receivables

Included in other receivables is an amount of USD117,771 which represents the VAT input for services rendered by Avafood Shareholding Company, a subsidiary.

### 10 Inventories

	31 December 2009 USD	31 December 2008 USD
Goods-in-transit	-	373,232
Raw materials	3,018,690	3,173,674
Tools and supplies	178,475	164,580
Work in process	1,198,945	1,421,288
Finished goods	3,589,392	2,425,353
	<b>7,985,502</b>	<b>7,558,127</b>
Provision for decline in inventory	<b>(744,522)</b>	<b>(360,389)</b>
	<b>7,240,980</b>	<b>7,197,738</b>

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

The amount of USD106,907 represents over-payment of the Company's corporate income tax made for the year 2007. The amounts will be netted-off with tax liabilities or tax filings in the succeeding years.

### 12 Other non – current receivables

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

**13 Tangible fixed assets**

	Building	Machinery and Equipment	Motor vehicles	Office equipment	Total
	USD	USD	USD	USD	USD
<b>Historical cost</b>					
1 January 2009 – Restated	5,421,747	29,347,389	695,890	352,746	<b>35,817,772</b>
Acquisition	1,277	437,052	-	2,259	<b>440,588</b>
Disposals	(719,411)	(1,449,032)	(62,236)	(77,755)	<b>(2,308,434)</b>
Elimination (*)	-	(4,794)	(102,635)	(851)	<b>(108,280)</b>
31 December 2009	4,703,613	28,330,615	531,019	276,399	<b>33,841,646</b>
<i>Fully depreciated</i>	-	265,675	-	1,000	<b>266,675</b>
<i>Fixed assets not in use (**)</i>	-	6,941,868	-	7,696	<b>6,949,564</b>
<b>Accumulated depreciation</b>					
1 January 2009	(573,119)	(9,193,500)	(409,457)	(189,104)	<b>(10,365,180)</b>
Charge for the year	(179,480)	(2,009,249)	(48,364)	(26,464)	<b>(2,263,557)</b>
Disposals	288,136	1,095,721	66,656	69,726	<b>1,520,239</b>
Elimination (*)	-	80	7,038	-	<b>7,118</b>
31 December 2009	(464,463)	(10,106,948)	(384,127)	(145,842)	<b>(11,101,380)</b>
<i>Fixed assets not in use</i>	-	(3,299,406)	-	(5,704)	<b>(3,305,110)</b>
<b>Net book value</b>					
1 January 2009	4,848,628	20,153,889	286,433	163,642	<b>25,452,592</b>
31 December 2009	4,239,150	18,223,667	146,892	130,557	<b>22,740,266</b>
<i>Fixed assets not in use</i>	-	3,642,462	-	1,992	<b>3,644,454</b>

(\*) In January 2009 the Company known at that time as Interfood Packaging Limited ceased to be a subsidiary and the fixed assets of that Company have been excluded from the present consolidated financial statements.

As at 31 December 2009, certain fixed assets with an aggregate carrying value of USD16,878,540 (2008: USD18,906,614) have been pledged with Vietcombank as security for short-term and long term borrowings (Note 18 and Note 23).

The Company's building with a carrying value of USD357,422 is located in Bien Hoa City. On 22 January 2007, the People's Committee of Dong Nai Province issued a letter to the Company asking them to relocate their manufacturing facilities out of the urbanized areas of Bien Hoa City. The Company complied with this order and made arrangements for new manufacturing facilities in Long Thanh district. The Company stopped production in Bien Hoa City around September 2009 and since then the building has been idle. As a consequence, the Company has written off the carrying amount of the building.

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

**14 Construction in progress**

	Year ended 31 December 2009	Year ended 31 December 2008
	USD	USD
Opening balance	29,386,877	4,607,851
Additions during the year	223,968	29,115,289
Elimination (*)	(29,200,103)	-
Transferred to tangible fixed assets	-	(4,336,263)
Closing balance	<u>410,742</u>	<u>29,386,877</u>

(\*) Elimination of construction in progress belonging to a former subsidiary.

**15 Investments in associates**

	Year ended 31 December 2009	Year ended 31 December 2008
	USD	USD
Opening balance	-	-
Investments in associates (Note 5)	3,000,000	-
Share of loss from investments in associate (Note 31)	(30,386)	-
	<u>2,969,614</u>	<u>-</u>

**16 Long-term prepaid expenses**

	Year ended 31 December 2009	Year ended 31 December 2008
	USD	USD
Opening balance	2,050,870	2,433,377
Additions	-	26,142
Elimination (*)	(548,641)	-
Amortisation	(35,016)	(408,649)
Closing balance	<u>1,467,213</u>	<u>2,050,870</u>

(\*) Elimination of long term prepaid expenses belonging to a former subsidiary.

**17 Deferred tax assets**

	31 December 2009	31 December 2008
	USD	USD
Deferred tax assets	<u>2,337,065</u>	<u>2,337,065</u>

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

**18 Short term borrowings and debts**

	<b>31 December 2009</b>	31 December 2008
	<b>USD</b>	USD
Loans from Vietcombank, Dong Nai branch (1)	<b>10,640,032</b>	17,165,272
Loans from ANZ Bank (2)	-	9,069,606
Loans from Citibank (3)	-	1,754,038
Loans from Asia Commercial Bank (4)	-	4,609,413
Loans from Chinatrust Commercial Bank (5)	<b>448,335</b>	1,943,635
Loans from HSBC Bank (6)	-	1,670,283
Loans from supplier (7)	<b>1,000,000</b>	-
Current portion of long term debts (Note 23)	<b>2,038,500</b>	1,006,921
	<b>14,126,867</b>	37,219,168

**(1) Loans from Vietcombank, Dong Nai branch**

	<b>31 December 2009</b>	31 December 2008
	<b>USD</b>	USD
Denominated in USD	<b>1,575,772</b>	3,612,909
Denominated in VND	<b>9,064,260</b>	13,552,363
	<b>10,640,032</b>	17,165,272

The Company has a Loan from short term credit facility with a limit of 162 billion VND (equivalent to USD9,029,597 as at 31 December 2009). During the year, the bank approved the extension of the repayment of the outstanding interest and in July 2009 the Company paid all outstanding interest charges and the bank has waived the VND1 billion overdue interest charges. On 06 August 2009, the Company also received a letter from Vietcombank confirming that the status of credit facilities was back to normal and the Company can now continue using the unused credit facilities which amounted to USD127,631 as at 31 December 2009.

Avafood also has two short term credit facilities from Vietcombank, Dong Nai branch a revolving loan credit facility of USD2,000,000 and a short term loan of USD3,000,000. Avafood defaulted on the payments of this loan as at 31 December 2008.

However, on 14 July 2009, Avafood was able to obtain the “Restructure of Outstanding loan and Interest” letter from Vietcombank, Dong Nai branch which extended the Company’s existing USD2,000,000 short-term loan agreement to 31 December 2009. The bank will continue to finance the short-term loan for a period of at least 12 months from its expiry date of 31 December 2009. The Company has to make payment of USD310,000 by 30 September 2009 and payment of monthly interest. The Company had made the required payments on 29 September 2009.

On 8 September 2009, the bank agreed to restructure the outstanding loan and interest owing by Avafood, which allowed the non-revolving short term loan plus the outstanding interest to be converted to mid-term loan and total outstanding long-term to be repaid in 42 monthly instalments with the first instalment amounting to USD150,000 being paid on October 2009.

The applicable interest rates on the loans in 2009 was 4.5% for dollar denominated loans and 10.5% for VND denominated loans. The loans are secured by the aggregated values of the buildings and certain machinery amounting to USD18,431,948. As at 31 December 2009, the carrying value of these pledged assets amounts to USD12,710,325 (Note 13).

**(2) Loans from ANZ Bank**

	<b>31 December 2009</b>	31 December 2008
	<b>USD</b>	USD
Denominated in USD	-	4,433,922
Denominated in VND	-	4,635,684
	<b>-</b>	<b>9,069,606</b>

The Company had short-term credit facilities of USD6 million from ANZ Bank and on 3 March 2008, the Company entered into a bridging loan facility of USD18 million to finance the investment in a subsidiary, Northern Interfood Shareholding Company, in Bac Ninh province. Dollar denominated loans are subject to interest based on SIBOR plus a margin of 1.25% per annum while loan denominated in VND are subject to a base rate plus a margin of 1.25% per annum. The loans are unsecured. The loans including all accrued interests were settled on 5 August 2009.

**(3) Loans from Citibank**

	<b>31 December 2009</b>	31 December 2008
	<b>USD</b>	USD
Denominated in USD	-	1,754,038

The loan from Citibank dated 30 January 2007 bears interest at the rate of 8.46% per annum. This loan is unsecured. All outstanding balances were paid on 29 October 2009.

**(4) Loans from Asia Commercial Bank, Dong Nai Branch** under Contract No DNA.DN.01291107 dated 29 November 2007, bears interest ranging from 18% to 31.5% per annum in 2009. This loan is unsecured. The loans including all accrued interests were settled on 25 June 2009.

**(5) Loans from Chinatrust Commercial Bank**

	<b>31 December 2009</b>	31 December 2008
	<b>USD</b>	USD
Denominated in USD	-	29,070
Denominated in VND	<b>448,336</b>	1,914,565
	<b>448,336</b>	<b>1,943,635</b>

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 2009, dollar denominated loans carried interest at the rates ranging from 5.79% to 11.25% per annum while VND denominated loans carried interest at the rates ranging from 17.19% to 18.59% per annum. These loans are unsecured.

On 3 July 2009, the Company and the bank entered into an amendment facility letter in which the Company agreed to pay 60% of the outstanding balance by 30 September 2009 and the remaining 40% will be repaid in 12 monthly instalments. On 4 August 2009, the Company made early repayment of the 60% of the outstanding loan balance amounting to USD1 million.

According to the agreement dated 8 December 2009, the Company will pay back the balance in 7 monthly instalments starting on 15 December 2009. Subsequently, the Company settled this amount in May 2010.

**(6) Loans from HSBC Bank**

	<b>31 December 2009</b>	31 December 2008
	<b>USD</b>	USD
Denominated in USD	-	663,517
Denominated in VND	-	1,006,766
	<b>-</b>	<b>1,670,283</b>

The loan from HSBC under Contract No. VNM CDT 080306 dated 6 June 2008 bears interest at the prevailing bank rates plus a margin of 2% per annum. In 2009, loans denominated in US dollar bore interest at rates ranging from 4.5% to 7.71% per annum while loans denominated in VND was subjected to interest at rates ranging from 10.3% to 15 % per annum. This loan is secured by the client's receivables amounting to at least USD 2,320,000. All outstanding balances were paid on 6 October 2009.

**(7) 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 IPL. During the assignment, there's a remaining unpaid portion of the purchase cost amounting to USD5 million which required IPL paid directly to Summitmark. The Chairman of the Company – Mr. Pang Tee Chiang paid USD4million on behalf of IPL to Summitmark (Note 23). The remaining USD1 million was given by IPL to the Company with Summitmark's consent under a loan agreement dated 9 June 2009 and its annex dated 2 Nov 2009. The loan was supposed to be paid within ten months from 5 August 2009 and carries interest at the rate of 7% per annum.

Subsequently, the Company settled this amount in June 2010.

**19 Trade accounts payable**

	<b>31 December 2009</b>	31 December 2008
	<b>USD</b>	USD
		(Restated)
Payable to suppliers	<b>5,134,339</b>	10,222,363
Payable to related parties (Note 39)	<b>2,479,926</b>	42,232
	<b>7,614,265</b>	<b>10,264,595</b>

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

	<b>31 December 2009</b>	31 December 2008
	<b>USD</b>	USD
Value added tax	<b>1,157,623</b>	540,905
Corporate income tax	<b>118,093</b>	95,236
Personal income tax	<b>117,744</b>	68,994
Import, export tax	<b>17,933</b>	26,161
Other taxes	<b>85,172</b>	89,736
	<b>1,496,565</b>	<b>821,032</b>

**21 Accrued expenses payable**

	<b>31 December 2009</b>	31 December 2008
	<b>USD</b>	USD
Interest expense	-	2,177,748
Transportation fees	<b>280,936</b>	406,080
Trade discounts	<b>250,265</b>	181,874
Others	<b>145,396</b>	210,888
	<b>676,597</b>	<b>2,976,590</b>

**22 Other payables**

	31 December 2009	31 December 2008
	USD	USD
Dividend payable (Note 41)	24,265	24,265
Trade union, social and health insurance	13,551	128,180
Payables to Wonderfarm Biscuit & Confectionery Sdn. Bhd. (*) (Note 39).	-	1,562,685
Payable to Chairman of Group (**) (Note 39)	8,033	4,411,252
Other payables	13,575	14,428
	<b>59,424</b>	<b>6,140,810</b>

(\*) The amount payable to Wonderfarm Biscuit & Confectionery Sdn. Bhd, related party, was transferred to long term loan under a loan agreement signed in July 2009 (Note 23).

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

**23 Long term borrowings and debts**

	31 December 2009	31 December 2008
	USD	USD
Loan from Vietcombank, Dong Nai branch (1)	5,405,729	2,635,394
Loan from Chairman (2) (Note 39)	3,557,216	-
Loan from Wonderfarm Biscuits & Confectionery Sdn. Bhd. (3) (Note 39)	1,562,685	-
Less: amount due within one year (Note 18)	(2,038,500)	(1,006,921)
	<b>8,487,130</b>	<b>1,628,473</b>

**(1) Loans from Vietcombank, Dong Nai branch:**

As mentioned in Note 18, on 8 September 2009, Vietcombank, Dong Nai branch agreed to restructure the outstanding balance of the loan and the related interest (both normal and overdue interest) of Avafood. Said amounts will be repaid in 42 monthly instalments with the first instalment amounting to USD150,000 being paid on October 2009.

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

	31 December 2009
	USD
Contract No.2007176/NHNT dated 30 August 2007 (a)	1,356,140
Contract No 200846/NHNT dated 21 February 2008 (b)	874,310
Contract No 2007225/NHNT dated 31 December 2007 (c)	2,490,560
Overdue interest	684,719
	<b>5,405,729</b>

(a) This pertains to five-year loan amounting to USD1,500,000 under loan contract No.2007176/NHNT dated 30 August 2007. The loan carries interest at the rate of 10% per annum. This loan is secured by a building valued at USD2,244,014 under agreement No. 139/HDBD/NHNT dated 30 August 2007. As at 31 December 2009, the carrying value of the pledged asset is USD2,100,153 (Note 13).

(b) This represents a loan under contract No 200846/NHNT dated 21 February 2008. The loan bears interest at 10.5% per annum. This loan is secured by a factory building valued at USD2,388,379 under the agreement No.28/HDBD/NHNT dated 21 Feb 2008. As at 31 December 2009, the carrying value of this pledged asset amounts to USD2,068,062 (Note 13)

(c) This is the remaining balance of the loan taken out under Contract No. 2007225/NHNT dated 31 December 2007 after an amount of USD2,970,000 was transferred from short-term loan to long-term loan (see Note 18). The loan bears interest at the rate of 7.2% per annum. Up to June 2010, the Company settled an amount of USD1,380,000 and remaining balance as at 30 June 2010 is USD1,590,000.

**(2) Loan from Chairman**

As mentioned in Note 18, IPL owed the Chairman of the Company – Mr. Pang Tee Chiang the amount of USD4million. To finance for Company's working capital, the Company assumed IPL's liability to Mr. Pang while IPL 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%. The actual interest rate for the year 2009 was from 2% to 3% per annum (Note 39).

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

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

**24 Deferred tax liabilities**

	31 December 2009	31 December 2008
	USD	USD
		(Restated)
Deferred tax liabilities	<b>81,221</b>	63,280

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

**25 Owner's equity**

	Share capital	Share premium	Other Reserve	Foreign exchange differences	Undistributed earnings (Accumulated losses)	Total
	USD	USD	USD	USD	USD	USD
1 January 2008, as restated	18,313,995	4,082,759	(1,562,092)	-	2,455,053	<b>23,289,715</b>
Prior year's net loss, as restated	-	-	-	-	(15,452,958)	<b>(15,452,958)</b>
Foreign exchange differences	-	-	-	621,644	-	<b>621,644</b>
<b>31 December 2008, as restated,</b>	<b>18,313,995</b>	<b>4,082,759</b>	<b>(1,562,092)</b>	<b>621,644</b>	<b>(12,997,905)</b>	<b>8,458,401</b>
1 January 2009	18,313,995	4,082,759	(1,562,092)	621,644	(12,997,905)	<b>8,458,401</b>
Current year's net loss	-	-	-	-	(1,441,853)	<b>(1,441,853)</b>
Elimination (*)	-	-	-	(621,644)	-	<b>(621,644)</b>
<b>31 December 2009</b>	<b>18,313,995</b>	<b>4,082,759</b>	<b>(1,562,092)</b>	<b>-</b>	<b>(14,439,758)</b>	<b>6,394,904</b>

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

**26 Share capital**

The Company's charter capital is VND291,409,840 thousand (equivalent to USD18,313,995), which is divided into 29,140,984 ordinary shares with par value of VND10,000 each.

	31 December 2009		
	Number of shares	VND'000	USD equivalent
Authorized	29,140,992	291,409,920	<b>18,314,000</b>
Issued and fully paid	29,140,984	291,409,840	<b>18,313,995</b>

Details of shareholders as at 31 December 2009 are as follows:

	Number of shares			Par value VND'000	Equivalent capital amount	
	Listed shares	Unlisted shares	Total		VND'000	%
Trace Ocean Holding SDN BHD	-	16,684,646	<b>16,684,646</b>	10	<b>166,846,460</b>	57.25%
Pang Tee Chiang	1,200,189	5,499,840	<b>6,700,029</b>	10	<b>67,000,290</b>	22.99%
Ng. Eng Haut	800,403	-	<b>800,403</b>	10	<b>8,004,030</b>	2.75%
Yau Hau Jan	-	81,139	<b>81,139</b>	10	<b>811,390</b>	0.28%
Nguyen Thi Kim Lien	12,000	-	<b>12,000</b>	10	<b>120,000</b>	0.04%
Public shareholders	4,862,767	-	<b>4,862,767</b>	10	<b>48,627,670</b>	16.69%
	6,875,359	22,265,625	<b>29,140,984</b>		<b>291,409,840</b>	100%

**27 Minority interest**

	Year ended 31 December 2009 USD	Year ended 31 December 2008 USD (Restated)
Opening balance	<b>1,073,887</b>	342,331
Minority interest in Interfood Packaging	<b>(970,016)</b>	1,000,000
Minority interest in net loss of AvaFood	<b>(103,871)</b>	(238,460)
Minority interest in net loss of Interfood Packaging Limited	-	(29,984)
<b>Closing balance</b>	<b>-</b>	<b>1,073,887</b>

**28 Net sales**

	Year ended 31 December 2009	Year ended 31 December 2008
	USD	USD
<b>Revenue</b>		
Domestic sales	55,985,717	49,357,657
Export sales	2,135,455	2,933,870
	<b>58,121,172</b>	<b>52,291,527</b>
<b>Sales deduction:</b>		
Sales allowance	(2,499,592)	(2,654,819)
Sales return	(16,257)	(25,284)
	<b>(2,515,849)</b>	<b>(2,680,103)</b>
<b>Net sales</b>	<b>55,605,323</b>	<b>49,611,424</b>

**29 Cost of goods sold**

	Year ended 31 December 2009	Year ended 31 December 2008
	USD	USD (Restated)
Cost of goods sold for domestic sales	42,498,099	43,762,143
Cost of goods sold for export sales	1,593,970	2,761,727
	<b>44,092,069</b>	<b>46,523,870</b>

**30 Income from financial activities**

	Year ended 31 December 2009	Year ended 31 December 2008
	USD	USD (Restated)
Interest income from bank deposits	16,321	27,057
Interest income from loan to a related party (Note 39)	116,604	-
Realised gains from foreign exchange	465,531	192,014
Unrealised gains from foreign exchange	616,654	543,716
	<b>1,215,110</b>	<b>762,787</b>

**31 Expenses for financial activities**

	Year ended 31 December 2009	Year ended 31 December 2008
	USD	USD
Loss from disposal of equity interest in Crown Dong Nai (Note 5)	2,030,141	-
Interest expense	2,793,169	3,175,939
Realised foreign exchange losses	1,259,265	444,362
Share of loss from investment in associate (Note 15)	30,386	-
	<b>6,112,961</b>	<b>3,620,301</b>

**32 Selling expenses**

	Year ended 31 December 2009	Year ended 31 December 2008
	USD	USD
Transportation expense	3,444,072	3,107,258
Salary	777,250	618,275
Commission for salesman	559,756	618,153
Depreciation	104,877	127,416
Office rental fee	11,531	10,958
Other expenses	275,447	274,465
	<b>5,172,933</b>	<b>4,756,525</b>

**33 General and administration expenses**

	Year ended 31 December 2009	Year ended 31 December 2008
	USD	USD (Restated)
Salary	1,362,737	1,111,812
Depreciation and amortisation of pre-operation expenses	47,109	423,227
Office expenses	320,136	604,003
Bank charges	46,275	182,669
Outside services expenses	84,803	122,271
Consultant fee	14,382	40,941
Others	483,235	733,042
	<b>2,358,677</b>	<b>3,217,965</b>

**34 Other income**

	Year ended 31 December 2009	Year ended 31 December 2008
	USD	USD
Income from waived liabilities from customer	214,290	-
Income from disposal of fixed assets	147,142	-
Write-off account payables and advance from customers	199,343	-
Other income	133,210	166,884
	<b>693,985</b>	<b>166,884</b>

**35 Other expenses**

	Year ended 31 December 2009	Year ended 31 December 2008
	USD	USD
Write-off of prepayments for machineries	-	8,985,664
Write-off of prepayments for land lease and others	-	818,083
Write-off unaccounted accounts receivable and prepayments to suppliers	263,743	-
Net book value of written-off fixed assets	532,529	-
Net book value of disposed fixed assets	255,664	7,239
Depreciation of idle assets	237,089	121,699
Others	16,536	412,065
	<b>1,305,561</b>	<b>10,344,750</b>

### 36 Cost by element

	Year ended 31 December 2009	Year ended 31 December 2008
	USD	USD
Raw materials	39,102,373	38,458,013
Labour cost	3,812,552	3,257,261
Depreciation and amortisation	1,995,952	2,489,169
Outside service costs	5,947,636	5,236,075
Other costs	3,049,518	3,525,519
	<b>53,908,031</b>	<b>52,966,037</b>

### 37 Corporate income tax

#### Interfood Shareholding Company

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

According to Decree No. 24/2007/NĐ-CP dated 14 February 2007 (which replaced Decree No. 164/2003/NĐ-CP dated 22 December 2003), the Company is entitled to tax incentives in relation to the relocation of its business activities out of an urban area. In 2006, the Company relocated one of its production lines from Bien Hoa City to Tam Phuoc Industrial Zone, Long Thanh District. As a result, profit derived from this line is exempt from Corporate income tax for 2 years and a reduction of 50% for the following 6 years. Also as stated in this Decree, the Company is entitled to tax incentives in relation to investments made in new production lines that are qualified under this Decree. The tax incentives include one year of exemption from Corporate income tax and a reduction of 50% for the following four years applied to profit derived from the new production lines.

In accordance with Letter No. 11924/TC-CST dated 20 October 2004 issued by the Ministry of Finance, the Company is entitled to a 50% reduction for two years after listing its shares in Ho Chi Minh City Securities Trading Centre. The Company has completed the registration with the tax authority to apply the incentives commencing from 2007.

#### Avafood Shareholding Company

Pursuant to the Investment Certificate No. 472033000355 dated 31 December 2007, Avafood 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 (2009: 25%; 2008: 28%).

**The Group:**

No provision for corporate income tax has been made for the year ended 31 December 2009 because the Group incurred a loss for this year. 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:

	Year ended 31 December 2009	Year ended 31 December 2008
	USD	USD (Restated)
Accounting loss before tax	(1,527,783)	(17,922,316)
Add:		
Estimated not yet deductible expenses for tax purposes	892,975	-
Estimated non deductible expenses for tax purposes	39,505	(95,558)
Taxable loss	(595,303)	(18,017,874)
Deferred income tax income of Interfood Shareholding Company	-	2,337,065
Deferred income tax expenses of Avafood Shareholding Company	(17,941)	(40,915)
Corporate income tax payable	-	-
<b>Loss after tax</b>	<b>(613,244)</b>	<b>(15,721,724)</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 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 USD (Restated)
2006	Not yet performed	1,243,385
2007	Not yet performed	286,568
2008	Not yet performed	15,721,724
2009	Not yet performed	613,244
		<b>17,864,921</b>

**38 Non-cash transactions**

Non-cash transactions occurring during the year which had an impact on the consolidated statement of cash flows include:

	2009
	USD
Converted amount payable to Wonderfarm Biscuits & Confectionery Sdn. Bhd. to long term loan	1,562,685

**39 Related party transaction and balances**

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

Related parties	Relation	Transaction	USD
Crown Beverage Cans (Dong Nai) Limited.	Associate	Purchases of materials	3,830,154
		Interest income	116,604
		Share of loss for the year	30,386
Chuan Li Can Manufacturing (Vietnam) Limited Company	Affiliate	Purchases of materials	800,237
		Minority	
Wonderfarm Biscuits & Confectionery Sdn. Bhd.	interest	Converted amount payable to long term loan	1,562,685

At 31 December 2009, the following balances were outstanding with related parties:

Related party	Relation	Transaction	Other payable USD	Trade payable USD	Loan USD
Wonderfarm Biscuits & Confectionery Sdn. Bhd. (Note 23)	Minority interest	Loan	-	-	1,562,685
Crown Beverage Cans (Dong Nai) Limited (Note 19)	Associate	Purchases of materials	-	2,295,092	-
Chuan Li Can Manufacturing (Vietnam) Limited Company (Note 19)	Affiliate	Purchases of materials	-	184,834	-
Mr. Pang Tee Chiang (Note 23)	Chairman/ General Director	Loan Other payable	- 8,033	-	3,557,216 -
			<b>8,033</b>	<b>2,479,926</b>	<b>5,119,901</b>

#### 40 Segmental information

At 31 December 2009, management determined the following reportable segments by categories of sales: (1) domestic sales and (2) export sales. The Group analyses segment revenue and cost of sales.

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

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

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

	Domestic USD	Export USD	Total USD
Sales revenue - net	46,677,554	2,933,870	49,611,424
Cost of sales	(43,762,143)	(2,761,727)	(46,523,870)
Gross profit	2,915,411	172,143	3,087,554

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

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

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

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

	Drinks USD	Biscuits USD	Other USD	Total USD
Sales revenue - net	47,212,936	2,051,974	346,514	49,611,424
Cost of sales	(44,524,810)	(1,670,951)	(328,109)	(46,523,870)
Gross profit	2,688,126	381,023	18,405	3,087,554

**41 Loss per share and dividends**

Basic loss per share is shown below:

	Year ended 31 December 2009	Year ended 31 December 2008 Restated
Loss attributable to shareholders of the Company (USD)	<b>(1,413,787)</b>	(15,416,135)
Weighted average number of ordinary shares on issue	<b>29,140,984</b>	29,140,984
Basic loss per share (USD per share)	<b>(0.049)</b>	(0.530)

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

**42 Board of Director and Management's remuneration**

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

	USD
Board of Management fees	<b>17,553</b>
Salary	<b>287,881</b>
	<b>305,434</b>

**43 Commitments**

As at 31 December 2009, the Group was committed under non cancellable operating lease agreements in the following amounts:

	2009 USD	2008 USD
Within the next year	<b>147,921</b>	891,453
Within two to five years	<b>338,105</b>	3,299,688
Over five years	<b>12,672</b>	2,398,262
	<b>498,698</b>	6,589,403

**44 Subsequent event**

In May 2010, the Company disposed its remaining 20% equity interest in 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.

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

The consolidated financial statements for the year ended 31 December 2009 were approved by the Board of Directors on \_\_\_\_\_

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

\_\_\_\_\_  
Nguyen Hong Phong  
Chief Accountant

