



大國際食品股份有限公司

(MST. 3600245631)

INTERFOOD SHAREHOLDING COMPANY  
CÔNG TY CỔ PHẦN THỰC PHẨM QUỐC TẾ

## REPORT OF THE BOARD OF MANAGEMENT AND BOARD OF DIRECTORS For the year: 2007

### 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.

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.

Pursuant to 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 VND144,450 billion, equivalent to US\$90 million. The charter capital of the Company is VND291,409,920 thousand. The total shares of the Company increased to 29,140,992 at par value of VND10,000 per share by registering and issuing 4,820,832 new shares, in which 1,145,887 shares were allowed to be listed. This resulted in 6,875,359 shares being listed.

As at 31 December 2007, the Company had 875 employees (2006: 485 employees).

### 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 2007:****Profit and loss account**

| NO        | Item                                 | 2006<br>VND            | 2007<br>VND            |
|-----------|--------------------------------------|------------------------|------------------------|
| <b>1</b>  | <b>Sales</b>                         | <b>657,393,976,188</b> | <b>757,993,987,352</b> |
| 2         | Less deductions                      | (15,707,700,873)       | (36,711,913,868)       |
| <b>3</b>  | <b>Net sales</b>                     | <b>641,686,275,315</b> | <b>721,282,073,484</b> |
| 4         | Cost of sales                        | -                      | (576,464,653,100)      |
| <b>5</b>  | <b>Gross profit</b>                  | <b>124,960,778,757</b> | <b>144,817,420,384</b> |
| 6         | Finance income                       | 6,621,487,947          | 8,045,559,060          |
| 7         | Finance expenditure                  | (11,820,243,231)       | (15,995,030,338)       |
| 8         | Selling expenses                     | (28,296,589,743)       | (40,777,282,700)       |
| 9         | General & administration expenses    | (25,301,562,228)       | (26,126,546,698)       |
| <b>10</b> | <b>Operating profit</b>              | <b>66,163,871,502</b>  | <b>69,964,119,708</b>  |
| 11        | Other income                         | 8,580,400,011          | 2,957,531,332          |
| 12        | Other expenses                       | (826,786,350)          | (673,968,050)          |
| 13        | Other gain                           | 7,753,613,661          | 2,283,563,282          |
| <b>14</b> | <b>Net profit /(loss) before tax</b> | <b>73,917,485,163</b>  | <b>72,247,682,990</b>  |
| 15        | Business income tax                  | (14,375,890,557)       | (6,535,612,804)        |
| <b>16</b> | <b>Net profit / (loss) after tax</b> | <b>59,541,594,606</b>  | <b>65,712,070,186</b>  |

### **a. Operating Income**

The company attained revenue of 758 billion VND for the year 2007, an increment of 101 billion VND. The net profit after tax was increased by 6.2 billion VND over year 2006.

In 2007, The Company successfully reduced manufacturing expenses, that leads to the ratio Cost of goods sold/ Net Sales decreased regardless of the cost of raw material and labor increased faster than sale price. Because The Company continuously focused on expanding market share and market position by promotion programs and discounts on total turnover, the sale price was kept at low increment. In addition, selling expenses increased remarkably, approximately 12.5 billions VND, the net profit margin decreased while the turnover increased 12.4% in comparison to 2006.

In accordance to 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. Therefore, the business income tax of The Company is 12.5% from BIT. In addition, according to Decree No.24/2007/NĐ-CP dated 14 February 2007 (replaced Decree No. 164/2003/NĐ-CP dated 22 December 2003) of the government, 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, income derived from this line is exempt from BIT for two years and a reduction of 50% for the following two years. Also 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 BIT and a reduction of 50% for the following four years applied to income derived from the new production lines. Therefore, the total tax expense in 2007 decreased 7.9 billion VND in comparison to one of 2006.

### **b. Strategies implemented to increase market shares and revenue.**

During the year 2007 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 continue applying 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 consolidate the competitive advantage of core products by not increasing the sale price.
- 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. Report of implementation of Resolutions of Annual Shareholder Meeting 2007 and Getting Shareholders' approval by mail in 31/07/2007:**

The finished resolutions:

- Pursuant to 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 VND144,450 billion, equivalent to US\$90 million. The charter capital of the Company is VND291,409,920 thousand, equivalent to US\$18,314,000.
- In 16 October 2007, The company issued the bonus share derived from share premium account with the rate 5:1 and additional amount of 6,875,359 shares had been issued. In which, 1,145,887 new shares were listed at Ho Chi Minh Stock Exchange after receiving the Approval Letter No. 936/UBCK-QLPH issued in 27/06/2007 by State Security Commission.
- Two new canned fruit juice lines with production capacities of 700 cans per minute has been imported and transported to The Company's head-office at Lot 13, Tam Phuoc Industrial Zone, Long Thanh District, Dong Nai Province. As we plan, the official operation will start in October 2008.
- So far, The Company has established a representative office in Ho Chi Minh City at 126 Nguyen Thi Minh Khai Street, Ward 6, District 3, Ho Chi Minh City – Itaxa House, floor 11.
- In June 2007, the Company acquired 90% of the paid-up share capital of AvaFood Industries Company Limited at par value per share from Wonderfarm Biscuits & Confectionery Sdn. Bhd. In 31 December 2007, with the Investment Certificate No. 472033000355 issued by Dong Nai Industrial Zones Authority, AvaFood Industries Company Limited is permitted to increase its charter capital from US\$4 million to US\$5 million and convert its activities into shareholding company.
- On 14 February 2008, Northern Interfood Shareholding Company received the approval from Bac Ninh Province's People's Committee to be established for a period of 50 years pursuant to Investment Certificate No.212032.000111 with total investment capital and charter capital of US\$36 million and US\$11 million respectively. In which, The Company contributed 90% of equity capital.
- In 2007, the turnover increased 101 billion VND, increasing approximately 12.4% in comparison to 2006, and 2.4% over the target (10%).
- Pricewaterhousecoopers (Vietnam) Ltd was still the independent audit company used for fiscal year 2007.

In-process and on-hold resolutions:

- Because the economic condition of Vietnam in 2007 is not advanced for issuing more shares of The Company, Board of Management decided to capitalize for expansion projects by other approaches.
- Based on Vietnam Business Law, The Company is recognized as a shareholding company with foreign capital, and is not permitted to invest in real estate, financial, and commercial fields in Vietnam. Therefore, the registration for adding business activities

and expansion is postponed. Besides, seeking for the suitable area for office building used by The Company is accelerated by Board of Management.

- For applying for transforming the land usage purpose of the area at No. 9, Street 5, Tan Tien Ward, Bien Hoa City, Dong Nai Province from manufacturing to building commercial center and apartments, The Company has prepared the project and application documents and sent to appropriate authorities.
- The moving manufacturing activities at the factory in Bien Hoa City, Dong Nai Province has not implemented because the expanding part of factory at Long Thanh, Dong Nai Province and the factory of Northern Interfood Shareholding Company is on construction stage. As we plan, both of two factories are going to be completed at the end of 2008, and the moving will be done at the beginning of 2009.

#### **4. Strategy of investment and development**

The plan of turnover and profit in 2008 is to increase 5% in comparison to 2007.

- Board of Management continues to accelerate the plan of building the office building for The Company so that this plan is executed as soon as possible.
- Continue responding to the replies of appropriate authorities and make some adjustments on investment details (if necessary) so that the project of building commercial center and apartments is implemented.
- Expedite the construction process of factories to facilitate the relocation of machineries and equipments from the company's factory at Bien Hoa City.

#### **5. 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.

**6. Business operation planning in 2008:**

| Code |                                     | 2007              | 2008              |
|------|-------------------------------------|-------------------|-------------------|
|      |                                     | VND               | VND               |
| 1    | Turnover                            | 757,993,987,352   | 795,893,686,720   |
| 2    | Sale deductions                     | (36,711,913,868)  | (38,547,509,561)  |
| 3    | Net sale                            | 721,282,073,484   | 757,346,177,158   |
| 4    | Cost of goods sold                  | (576,464,653,100) | (605,287,885,755) |
| 5    | Gross profit                        | 144,817,420,384   | 152,058,291,403   |
| 6    | Financial income                    | 8,045,559,060     | 8,447,837,013     |
| 7    | Financial expenses                  | (15,995,030,338)  | (16,794,781,855)  |
| 8    | Selling expenses                    | (40,777,282,700)  | (42,816,146,835)  |
| 9    | General and administration expenses | (26,126,546,698)  | (27,432,874,033)  |
| 10   | Operating profit                    | 69,964,119,708    | 73,462,325,693    |
| 11   | Net other income                    | 2,283,563,282     | 2,397,741,446     |
| 12   | Net accounting profit before tax    | 72,247,682,990    | 75,860,067,140    |
| 13   | Business income tax                 | (6,535,612,804)   | (6,814,755,626)   |
| 14   | Net profit after tax                | 65,712,070,186    | 69,045,311,514    |

**7. Financial indicators of business**

| <b>Asset structure</b>                 | <b>Unit</b> | <b>2006</b> | <b>2007</b> |
|--|-------------|-------------|-------------|
| - Fixed assets/ Total assets           | %           | 37.00       | 68.00       |
| - Current assets/ Total assets         | %           | 63.00       | 32.00       |
| <b>Equity structure</b>                |             |             |             |
| - Total liabilities / Total resources  | %           | 36.00       | 55.00       |
| - Owner's equity/ Total resources      | %           | 64.00       | 45.00       |
| <b>Liquidity</b>                       |             |             |             |
| - Quick ratio (times)                  | Times       | 0.02        | 0.014       |
| - Current ratio (times)                | Times       | 1.75        | 0.583       |
| <b>Profit margin</b>                   |             |             |             |
| - Net profit before tax/ Total assets  | %           | 12.00       | 8.24        |
| - Net profit after tax/ Revenue        | %           | 9.00        | 9.11        |
| - Net profit after tax/ Owner's equity | %           | 15.00       | 16.49       |

### 9. Shareholders structure

| Particular                                    | Domestic shareholders |               | Foreign shareholders |               | Total            |               |
|---|-----------------------|---------------|----------------------|---------------|------------------|---------------|
|   | Number of shares      | %             | Number of shares     | %             | Number of shares | %             |
| <b>Total owned equity</b>                     |                       |               |                      |               |                  |               |
| <b>1. State owned shareholders</b>            |                       | <b>0.00%</b>  |                      | <b>0.00%</b>  |                  | <b>0.0%</b>   |
| - Proxy shareholders                          |                       | 0.00%         |                      | 0.00%         |                  | 0.0%          |
| - Granted shareholders                        |                       | 0.00%         |                      | 0.00%         |                  | 0.0%          |
| - Other shareholders                          |                       | 0.00%         |                      | 0.00%         |                  | 0.0%          |
| <b>2. Special shareholders</b>                | <b>12,120</b>         | <b>0.17%</b>  | <b>2,001,792</b>     | <b>29.12%</b> | <b>2,013,912</b> | <b>29.29%</b> |
| - Managing Board                              | 12,000                | 0.17%         |                      | 0.00%         | 12,000           | 0.17%         |
| - Board of Directors                          |                       | 0.00%         |                      | 0.00%         |                  | 0.0%          |
| - Control Board                               | 120                   | 0.00%         | 1,200                | 0.02%         | 1,320            | 0.02%         |
| - Founding shareholders                       | -                     | 0.00%         | 2,000,592            | 29.10%        | 2,000,592        | 29.10%        |
| <b>3. Shareholders working in the Company</b> | <b>-</b>              | <b>0.00%</b>  | <b>-</b>             | <b>0.00%</b>  | <b>-</b>         | <b>0.0%</b>   |
| - Fund shares                                 | -                     | 0.00%         |                      | 0.00%         |                  | 0.0%          |
| - Preferential shareholders                   |                       | 0.00%         | -                    | 0.00%         |                  | 0.0%          |
| <b>4. Other Shareholders</b>                  | <b>3,483,429</b>      | <b>50.67%</b> | <b>1,378,018</b>     | <b>20.04%</b> | <b>4,861,447</b> | <b>70.71%</b> |
| <b>Total owned equity</b>                     | <b>3,495,549</b>      | <b>50.84%</b> | <b>3,379,810</b>     | <b>49.16%</b> | <b>6,875,359</b> | <b>100.0%</b> |

### 10. Structure of listed shareholders

| Share holders                                     | Number of shares | Proportion    |
|---|------------------|---------------|
| Shares held by BOM, Control Board, Directors      | 13.320           | 0,19%         |
| Transferable shares held by founding shareholders | 2.000.592        | 29,10%        |
| Shares held by other shareholders                 | 4.861.447        | 70,71%        |
| <b>Total</b>                                      | <b>6.875.359</b> | <b>100,0%</b> |

Structure of shareholders was fixed at 19/03/2008

Dong nai, Date: 19<sup>th</sup> April, 2008  
**For Interfood Shareholding Company**  
**Chairman**

PANG TEE CHIANG