

ANNUAL REPORT

INTERFOOD SHAREHOLDING COMPANY

Report year: 2007

A.- HISTORIAL OPERATION OF THE COMPANY

1. General information

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

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

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

The amended Investment Licence No. 270 CPH/GCNDC3 dated 23 August 2006 allowed the Company to increase its charter capital to VND242,841,600 thousand. The total shares of the Company increased to 24,284,160 by registering 3,620,560 new shares.

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

On 16 October 2007, the Company issued bonus share at the rate 5:1 with additional 6,875,359 shares issued. In which, the total of 1,145,887 shares was listed at Ho Chi Minh Stock Exchange according to the approval letter No. 936/UBCK-QLPH issued in 27 June 2007 by State Security Exchange Committee. In total, the number of listed share of The Company is 6,875,359.

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

2. The principal activities of the Company:

The principal activities of the Company are to process agricultural and aquatic products into canned, dried, frozen, salted, and pickled products and the production of biscuits and snack food, carbonated fruit juice and fruit juice with 5% alcohol content, bottled filtered water and PET bottle; to manufacture packaging for foods and beverages

3. Financing and trading operation status:

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

a. SUMMARY BALANCE SHEET

Unit: VND

No.	Item	Beginning balance	Ending balance
		VND	VND
I	Current assets	395,725,451,094	278,042,574,194
1	Cash and cash equivalent	3,619,504,800	6,681,476,732
2	Account receivables	209,623,201,866	109,569,415,074
3	Inventories	179,567,304,156	158,544,518,020
4	Other current assets	2,915,440,272	3,247,164,368
II	Long-term assets	229,168,978,614	599,093,785,010
1	Fixed assets	228,527,257,158	212,757,202,728
	Tangible assets	228,527,257,158	212,757,202,728
2	Construction in progress	641,721,456	55,616,745,870
3	Investment in subsidiaries		72,513,000,000
4	Other long-term assets		258,206,836,412
III	TOTAL ASSETS	624,894,429,708	877,136,359,204
IV	Liabilities	227,032,681,833	478,619,494,374
1	Current liabilities	225,957,135,033	477,158,470,222
2	Long-term debt	1,075,546,800	1,461,024,152
V	Equity	397,861,747,875	398,516,864,830
1	Owners' equity	397,861,747,875	398,516,864,830
	- Share capital	242,841,600,000	291,409,840,000
	- Share premium	113,626,208,349	65,057,888,349
	- Exchange rate fluctuation	4,191,373,319	4,433,565,607
	- Retained earnings	37,202,566,207	37,615,570,874
VI	TOTAL RESOURCES	624,894,429,708	877,136,359,204

b. PROFIT AND LOSS ACCOUNT

NO	Item	2006 VND	2007 VND
1	Sales	657,393,976,188	757,993,987,352
2	Less deductions	(15,707,700,873)	(36,711,913,868)
3	Net sales	641,686,275,315	721,282,073,484
4	Cost of sales	(516,725,496,558)	(576,464,653,100)
5	Gross profit	124,960,778,757	144,817,420,384
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)
10	Operating profit	66,163,871,502	69,964,119,708
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
14	Net profit /(loss) before tax	73,917,485,163	72,247,682,990
15	Business income tax	(14,375,890,557)	(6,535,612,804)
16	Net profit / (loss) after tax	59,541,594,606	65,712,070,186

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

1. General Information of the Company:

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

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

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 2006:

NO	Item	2006 VND	2007 VND
1	Sales	657,393,976,188	757,993,987,352
2	Less deductions	(15,707,700,873)	(36,711,913,868)

3	Net sales	641,686,275,315	721,282,073,484
4	Cost of sales	(516,725,496,558)	(576,464,653,100)
5	Gross profit	124,960,778,757	144,817,420,384
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)
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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
14	Net profit /(loss) before tax	73,917,485,163	72,247,682,990
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a. Operating Income in 2007:

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 improvement in the ratio Cost of goods sold/ Net Sales in respond to the increment of the cost of raw material and the cost of labor resultant in improvement in selling volume. The Company continuously focused on expanding market share and market position by promotion programs and discounts on total turnover. 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.

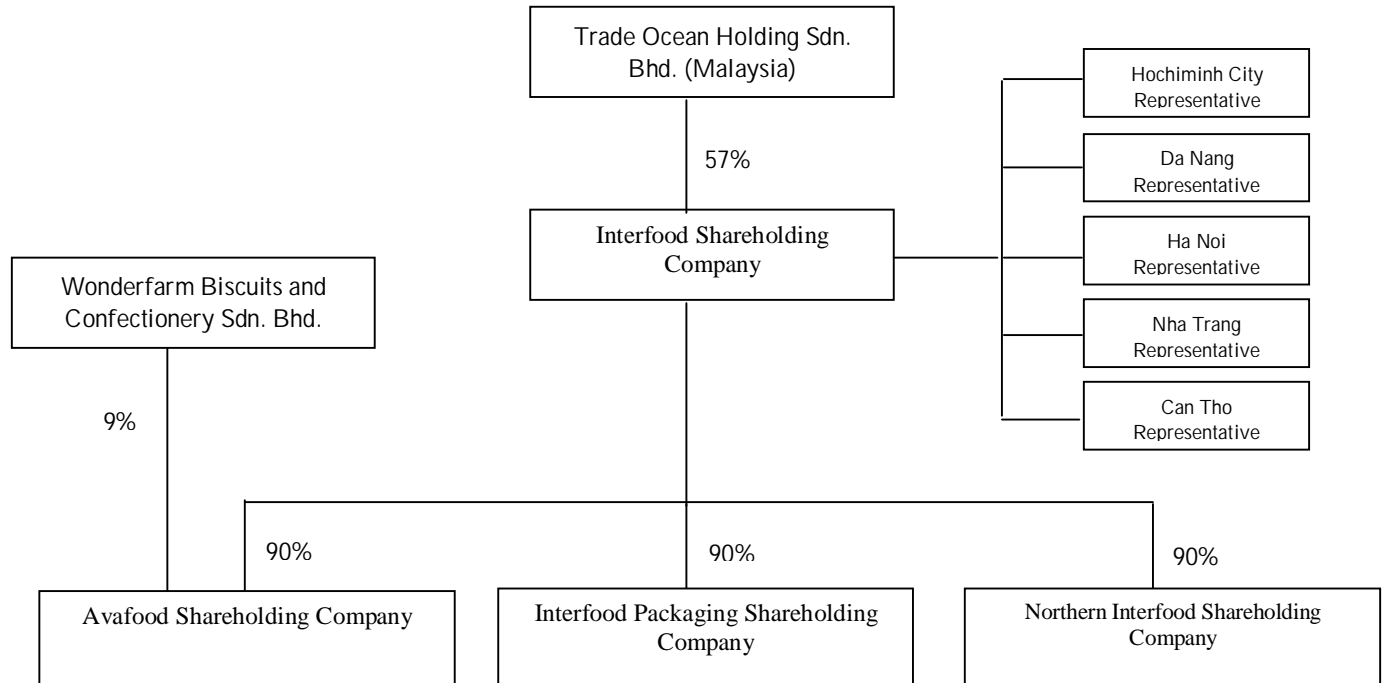
- In June 2007, the Company acquired 90% of the paid-up share capital of AvaFood Industries Company Limited at par value per share from Wonderfarm Biscuits & Confectionery Sdn. Bhd. In 31 December 2007, with the Investment Certificate No. 472033000355 issued by Dong Nai Industrial Zones Authority, AvaFood 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.

STRUCTURE OF INTERFOOD GROUP R

(After getting permission from current authorities)



In-process and on-hold resolutions:

- Because the economic condition of Vietnam in 2007 is not conducive 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.

D. Government incentives:

The Company was granted a business income tax (“BIT”) rate of 15% for a period of 12 years from 1994, the first year it commenced commercial operations. BIT rate of 25% is applied from 2006 onwards.

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.

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.

4. Strategy of investment and development in 2008

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. Business operation planning in 2008:

No.	Item	2007	2008
		VND	VND
1	Revenue	757,993,987,352	795,893,686,720
2	Sale deductions	(36,711,913,868)	(38,547,509,561)
3	Net sales	721,282,073,484	757,346,177,158
4	Cost of good 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	Administration expenses	(26,126,546,698)	(27,432,874,033)
10	Operating profit	69,964,119,708	73,462,325,693
11	Other incomes	2,283,563,282	2,397,741,446
12	Accounting profit before taxes	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

6. Issuance of New Additional shares

According to Resolution of Annual Shareholder Meeting in 2006, additional issue at 10% of charter capital in 2007 has not been done. In the event that this resolution is implemented, subject to market condition, the 10% additional shares of VND 2,914,099,200 will increase the charter capital to VND 320,550,910,000 consisting of 32,055,091 shares with the par value of VND 10,000 per share. The additional issue will be done by Board of Management at the appropriate time and the purpose of this capital increment is to finance for The Company's expansion.

7. Management Policies

- Innovation of technical, improvement of goods quality, satisfying demand of the customers, maintain and improvement of goods trade make in the market
- Improvement of physical and spiritual life of the employees in order to them feels secured, hearten and uphold in their jobs.
- Reverse and complement of control and management system to meet the requirement of development of the company.

C. FINANCIAL INDICATORS OF BUSINESS

	Unit	2006	2007
Asset structure			
- Fixed assets/ Total assets	%	37.00	68.00
- Current assets/ Total assets	%	63.00	32.00
Equity structure			
- Total liabilities / Total resources	%	36.00	55.00
- Owner's equity/ Total resources	%	64.00	45.00
Liquidity			
- Quick ratio (times)	Times	0.02	0.014
- Current ratio (times)	Times	1.75	0.583
Profit margin			
- 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

D. SHAREHOLDERS STRUCTURE

Particular	Domestic shareholders		Foreign shareholders		Total	
	Number of shares	%	Number of shares	%	Number of shares	%
Total owned equity						
1. State owned shareholders		0.00%		0.00%		0.0%
- Proxy shareholders		0.00%		0.00%		0.0%
- Granted shareholders		0.00%		0.00%		0.0%
- Other shareholders		0.00%		0.00%		0.0%
2. Special shareholders	12,120	0.17%	2,001,792	29.12%	2,013,912	29.29%
- 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%
3. Shareholders working in the Company	-	0.00%	-	0.00%	-	0.0%
- Fund shares	-	0.00%		0.00%		0.0%
- Preferential shareholders		0.00%	-	0.00%		0.0%
4. Other Shareholders	3,483,429	50.67%	1,378,018	20.04%	4,861,447	70.71%
Total owned equity	3,495,549	50.84%	3,379,810	49.16%	6,875,359	100.0%

E. 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%
Total	6.875.359	100,0%

Structure of shareholders fixed as at 19 March 2008 that the company prepares list of shareholders receiving the 2nd dividend in 2007. Holding ratio of shareholders groups unchanged from the Company started listing on The State Securities Trading Center – Ho Chi Minh City.

Other events relating to the annual report were disclosed in the summary finance report and audit statement in 2007 attached.

For Interfood Shareholding Company
Chairman