

**SUPERVISORY BOARD REPORT
INTERFOOD SHAREHOLDING COMPANY
Reporting year: 2014**

Dear Shareholders of Interfood Shareholding Company ("Interfood")

Referring to:

- Law on Enterprise of Socialist Republic of Vietnam;
- Charter of Interfood, Chapter X section relating to powers and responsibilities of the Supervisory Board ("Supervisory Board");
- Interfood's Corporate Governance, Chapter IV relating to the powers and responsibilities of the Supervisory Board.

In execution of the obligation & function of the Supervisory Board in accordance with Company's Charter, We Supervisory Board hereby reports on the control results of situations and operations in year 2014 as follows:

I. ACTIVITIES OF THE SUPERVISORY BOARD (SB)

In the fiscal year 2014, SB of Interfood is including 3 independent members, has set a target to continue performing the inspection, supervision and recommending on implementing of necessary changes in Interfood in the key areas as following:

- Holding one term of Meeting in March 2014 to review the reasonableness and supervising proposal of Board of management to amend some articles of the charter of Interfood Shareholding Company and check plan of increasing the charter capital using the injected cash;
- Control of the Strategies, Activities and Finance of the Company;
- Check and review of the Financial Statements; Annually reports on the summarizing of trading and manufacturing activities and the Company's periodic planning program;
- Check and review of the reports of Auditing Agencies;
- Assign the SB Head to participate, provide opinions and proposals to the Board.

*** Report on the remuneration payment to the SB year 2014**

In the year 2014, the Board and the Shareholders' General Meeting of the Company have decided not declare and pay the remuneration for the members of SB for year 2014 due for losses arising from business activities of the Company in 2014. SB has concurred with the decision of the Board and proposes the Shareholders' Annual General Meeting of year 2015 to approbate.

**II. TARGET AND MAJOR CONTROL SCOPE IN YEAR 2014****1. Control of Strategy:**

- a. Increasing charter capital.
- b. Kirin acquired 21,000,000 shares in Interfood by the plan of private placement.

2. Control of Activities:

- a. The formulation and implementation of upgrade AX Software system was provided by professional adviser: DI Central.
- b. Amending some articles in the Company Charter and investment certificate of Interfood Shareholding Company.
- c. Amending some articles in the Regulation on Corporate Governance of Interfood

3. Control of Finance:

- a. Execution of private placement of shares.
- b. Issuance of shares for the eligible investor and using the injected cash.
- c. Company has received internal offshore loans from Kirin.
- d. Checking the Financial Statements to evaluate the reasonableness of financial data at the same time to control the observance of regulations on management of financial investments.

III. CONTROL METHOD, THE RESULT OF EVALUATION AND PROPOSAL OF THE SB**1. Control method:**

Together with the Board, the Board of Directors (BOD) and professional & prestige consultants, the inspection and control of special members of the SB have been made directly through the functional departments and indirectly through periodic financial reports of the BOD.

2. Control results:

SB would like to report to Shareholders' General Meeting the results of control activities in the fields of strategy, operations and finances of Interfood in the fiscal year ended December 31, 2014, as follows:

2.1. Control of Strategy**a. Increasing charter capital**

The increase of the Company's charter capital with not exceed VND711,409,920,000 (in equivalence to 71,140,992 shares), to adopt the plan of increasing and using the charter capital by private placement for less than 100 investors. The actual amount of additional charter capital will be based on the actual results of issuing shares.

b. Kirin acquired 21,000,000 shares in Interfood by the plan of private placement.

In December 2014, Kirin increased its shares in Interfood. Kirin became an official major shareholder who directly holds 94,69% through acquiring 21,000,000 shares in Interfood by the plan of private placement.

2.2. Control of Activities



a. The formulation and implementation of upgrade AX software system was provided by professional advisers DI Central.

* Project of upgrade AX software system from AX2009 to AX2012 had implemented by DI Central ongoing process of active Interfood includes 3 levels: strategic planning, management control and operational control. Though largely successful in Phase 1 of upgrade AX projects is in co-ordination of the activities among the functional departments. Besides, the successful implementation of AX systems also offer other benefits for increased strategic planning and management control.

* 2014 is considered the first year of the project successfully to upgrade AX. AX Upgrade Project will continue to upgrade Phase 2 in 2015.

b. Amending some articles in the Company Charter and investment certificate of Interfood Shareholding Company

* After the SB had a special meeting to review the amendments of charter, the SB has unanimously approved and adopted the amendment of some articles of the Charter of the Company were issued on Jan 26th 2015.

c. Amending some articles in the Regulation on Corporate Governance of Interfood

* After the SB reviewed the amendments of Regulation on Corporate Governance, the SB has unanimously approved and adopted the amendment of some articles of the Regulation on Corporate Governance of the Company were issued on Feb 12th 2015.

2.3. Financial control

a. Execution of private placement of shares

The detailed plan of increasing charter capital through private placement of shares, as below:

Item	Description	Conditions
1	Type of shares to be issued:	Ordinary shares
2	Par value:	VND 10,000/share
3	Number of shares to be issued:	21,000,000 shares
4	Total par value of issuance:	210,000,000,000 VND
5	Issuance method:	Private placement
6	Subjects to be offered the shares:	The eligible investors subjected to offer the Shares: Offshore and local institutions (regardless of major shareholders, minority shareholders, insiders, related parties and other investors) that have good financial ability, capability to contribute to the business activities of the Company and commitment to the long-term benefit of the Company.
7	Conditional eligible investors:	The investors as the institutions defined in Clause 17, Article 4, Article 120 of the Law on Enterprises, Clause 2 Article 20 and Clause 4 Article 35 of the Charter of the Company approved on 10th Apr 2013.
8	Number of investors:	One (01) investor

9	Issuance price:	VND10,000/share
10	Minimum number of shares to be issued for each investor:	21,000,000 shares
11	Term of payment:	Cash and/or net-off with the liabilities of the Company
12	Limitation to transfer:	The investors subscribing shares are not allowed to transfer such shares within 01(one) year from the completion date of the issuance of new shares.
13	Expected timing of issuance:	Quarter 4/ 2014
14	Use of Proceeds from the issuance:	The proceeds raised from the shares issuance will be used for purpose of loan restructuring and additional working capital of the Company.
15	Other terms and conditions of the plan of increasing and using Charter capital that approved by AGM-2014.	Unchanged

b. Issuance of shares for the eligible investor and using injected cash

- The issuance of 21,000,000 shares of the Company to the eligible investor at the selling price of VND 10,000 per share under terms and conditions mentioned above, as below:

No.	Name of Investor	Address	No. of shares (Share)	Selling price (Dong/Share)	Total amount (Đồng)
1	Kirin Holdings Company Limited	10-2, Nakano 4-chome, Nakano-ku, Tokyo 164-0001 Japan	21.000.000	10.000	210.000.000.000

- The company is allowed to settle the short term loan worth USD10 million for Kirin from the proceeds of shares issuance stipulated above and working capital of the Company.

c. Company has received internal offshore loans from Kirin

The Company has received internal offshore loans from Kirin worth USD 23 million.

d. Checking the Financial Statements to evaluate the reasonableness of financial data at the same time to control the observance of regulations on management of financial investments.

The SB agreed with the content of the separate and consolidated Financial Statements 2014 prepared by Accounting Department and the BOD, and audited by KPMG (Vietnam). The Financial Statements reflected properly and truly the financial situation as of 31 December 2014, business performance and cash flow condition for the fiscal year from 01/01/2014 through 31/12/2014 and compliance with the current laws on accounting.

The basic data relating to business performance of the Company carried out in year 2014 according to the consolidated Financial Statements 2014 as follow (Unaudit information):

<i>Statement of income:</i>	<i>year 2014</i>
- Net sales:	1.147.211.227.000 VNĐ
- Profit before tax:	- 176.454.678.000 VNĐ
- Profit after tax:	- 176.414.444.000 VNĐ

<i>Assets:</i>	<i>as on 31 Dec 2014</i>
- Current assets:	339.000.879.000 VNĐ
- Long-term assets:	325.011.033.000 VNĐ
- Total assets:	664.011.912.000 VNĐ

IV. THE SUPERVISION RESULTS FOR MEMBERS OF THE, MEMBERS OF BOARD AND BOD, AND THE MANAGERS LEVEL.

- The Board of the Company has 5 members, eligible enough for the operation structure according to the stipulation in the Charter.
- SB is Appreciation for positive of the Board in 2014 to follow the strategy and operations of the Company; The Board issued decision-needed fast and timely to support BOD implemented their good work.
- In The context of increasing market demand is low; the pressure of competition between companies in the same industry continues to grow. Many companies in the industry with sales plummeted. However, the Board, BOD and managers of IFS has successfully completed sales volume. End of 2014, net sales of USD 54 million increased 14% compared with 2013;
- The Board and BOD has successfully implemented and have carried out the plan of increasing charter capital through private placement of shares;
- To reinforce the promotion and advertising to enhance the company image and increase sales for the product.
- Implementation of the reporting, information announcing as stipulated.
- In year 2014, the SB did not find out any irregular activities in the Company operation.
- The Company fully complies with work processing required by the internal management regulations. Comply with the requirements of the accounting standards and regulations of the current accounting policies.
- Regarding corporate governance, implementation of Circular No.121/2012/TT-BTC of the Ministry of Finance on July 26, 2012, the provisions of Corporate Governance applies to public companies, IFS has drafted and promulgated amending some articles of the charter of the Company. Next, Regulation on Corporate Governance was amended and promulgated, to guide and concretize the implementation of the provisions of the Corporate Governance rules in the new circular. That is the result from the major efforts of the Board in ensuring compliance with the law, and the determination of the Group Management Board to improve the quality of governance in 2014 and subsequent years.
- The accounting work and financial management of companies generally ensure full, honesty, objectivity recognition for all the company's activities, financial statements of the company have been audited by KPMG.



- Supervisory Board highly appreciates all members of the Board, BOD, IT Section, Accounting Department and other concerned departments have successfully implemented the first phase of the upgrade AX.

V. EVALUATION ON THE CO-OPERATION BETWEEN SB AND THE BOARD, BOD AND SHAREHOLDERS

- SB appreciates the openness and clear for disclosure to the outside of the Board and BOD to create trust and transparency for shareholders.
- Overall in 2014, SB has been sufficiently provided of information on the business operations and the finance situations of the Company. And SB has contributed many ideas to the Board, BOD in the management of the Company in 2014.
- In year 2014, SB has received none of the petition from the shareholders about the violations of The Board, BOD and/or Managers level of the Company in the implementing process of obligations.

VI. CONCLUSIONS AND RECOMMENDATIONS

1. The SB proposes the Board, BOD for focus, strengthen of planning and management to cost of sales:

- Planning closely for sales, advertising costs and budgeting accordingly to bring the best performance with the lowest cost.
- Focus on strengthening the management of sales and advertising cost suitable for each sales channel to bring profit to the company

2. The SB proposes that the Board and BOD need to focus on improving the production management:

- Pay special attention on the production quality to strengthen competition advantage, in the market, expanding the market share to achieve the target.
- Due to the big variation of materials such as electric, oil, gasoline, the Company has to grasp the information and applying flexibly in purchasing management while ensuring the compliance with current regulations and providing the highest economic efficiency.
- Checking the materials rate, waste deduction and cost savings thoroughly.
- Continue to review and complete rules and regulations of the Company to ensure compliance with the current legal documents and fluctuations in production and business activities.

The above statement of SB reports to the Annual General Meeting of Shareholders 2015. We are very thankful to the BOM, the BOD, and all the departments of Interfood for their support and cooperation which enable us to fulfill our duties.

Respectfully reported,

On behalf of the Supervisory Board

(Signed)

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