

Form CBTT-02

**SUPERVISORY BOARD REPORT
INTERFOOD SHAREHOLDING COMPANY
Reporting year: 2013**

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 2013 as follows:

I. ACTIVITIES OF THE SUPERVISORY BOARD

In the fiscal year 2013, Supervisory Board 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 July 2013 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 Supervisory Board Head to participate, provide opinions and proposals to the Board of Management.

*** Report on the Gratification payment to the Supervisory Board year 2013**

In the year 2013, the Board of Management and the Shareholders' General Meeting of the Company have decided not to enumerate and pay the gratification to the members of Supervisory Board for year 2013. Supervisory Board has concurred with the decision of the Board of Management and proposes the Shareholders' Annual General Meeting of year 2014 to approve.

II. TARGET AND MAJOR CONTROL SCOPE IN YEAR 2013**1. Control of Strategy:**

- a. Increasing charter capital.
- b. Kirin Holdings Company Limited (“Kirin”) acquired entire shares of Indochina Beverage Holdings Ltd. (“IBH”) and Grande Indigo Global Ltd (“GIG”).
- c. Kirin acquired 21,000,000 shares in Interfood by the plan of private placement.
- d. Kirin acquired entire shares of Trade Ocean Holdings Sdn Bhd. (“TOH”).

2. Control of Activities:

- a. The formulation and implementation of ERP project was provided by professional adviser: VOTIVA.
- b. Amending some articles in the Charter 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. Liquidation of the idled assets.
- d. Finance support from the major shareholders.
- e. Company has received internal offshore loans from Kirin.
- f. 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 SUPERVISORY BOARD**1. Control method:**

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

2. Control results:

Supervisory Board 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, 2013, as follows:

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

The increase of the Company's charter capital with not exceed VND 501,409,920,000 (in equivalence to 50,140,992 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 Holdings Company Limited (“Kirin”) acquired entire shares of Indochina Beverage Holdings Ltd. (“IBH”) and Grande Indigo Global Ltd (“GIG”).

In November 2013, major shareholder structure of the company has changed. Kirin Holdings Company Limited (“Kirin”) acquired entire shares of Indochina Beverage Holdings Ltd. (“IBH”) and Grande Indigo Global Ltd (“GIG”); Kirin became one of official major shareholders and directly holds 17.30% shares in Interfood.

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

Also in November 2013, Kirin increased its shares in Interfood. Kirin became an official major shareholder who directly holds 59,18% through acquiring 21,000,000 shares in Interfood (Ratio: 41,88%) by the plan of private placement.

d. Kirin acquired entire shares of Trade Ocean Holdings Sdn Bhd. (“TOH”).

In January 2014, Kirin increased its shares in Interfood. Kirin became to directly owns 92,46% through acquiring entire shares of Trade Ocean Holdings Sdn Bhd. (“TOH”) which held 33,28% of the total outstanding shares of Interfood. Thus the present time, the company's minority shareholders are holding approximately 7,54% of the total outstanding shares of Interfood.

2.2. Control of Activities

a. The formulation and implementation of ERP project was provided by professional advisers VOTIVA.

* ERP project had implemented by TECTURA for 5 years (since 2008 up to 2012) in 2011, above project was transferred to professional consultant - VOTIVA ongoing process of active Interfood includes 3 levels: strategic planning, management control and operational control, although, most of the success of EPR projects is in co-ordination of the activities among the functional departments. Besides, the successful implementation of ERP systems also offer other benefits for increased strategic planning and management control.

* 2013 was considered a year of ERP project success. ERP projects have been successful in implementing official operation from 2013.

b. Amending some articles in the Charter of Interfood

* After the Supervisory Board had a special meeting to review the amendments of charter, the Supervisory Board has unanimously approved and adopted the amendment of some articles of the Charter of the Company were issued on Apr 10th 2013.

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/ 2013
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 EGM-2013-1	Unchanged

- 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 at article 1 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

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

- Entering agreement issued 21,000,000 shares at par value of 10,000VND/share of the Company to Kirin Holdings Company Limited, Address: 10-2, Nakano 4-chome, Nakano-ku, Tokyo 164-0001 Japan (“Kirin”) with the selling price of VND 10,000 per share under payment term of cash via banking transfer.

- The Company is allowed to settle the debts worth USD10.5 million for Kirin from the proceeds of shares issuance stipulated at Article 1 above and working capital of the Company, as following details:

BOM's resolution No.	Initial Loan agreement Date	Agreement value (USD)	Payable amount (USD)
RBM110601	01/06/2011	3.000.000	3.000.000
RBM111028	28/10/2011	2.500.000	2.500.000
RBM111107	28/11/2011	6.000.000	5.000.000
Total		11.500.000	10.500.000

c. Liquidation of the idled assets

The company decided to liquidate the idled assets with net book value as at 31st Oct 2013 of VND196.775.010.

d. Finance support from the major shareholders

*Requirement of restructuring the business and manufacturing activities of Interfood Shareholding Company (“IFS”) and its subsidiary Avafood Shareholding Company (“Ava”) (hereby called as “The group”). The BOD of the Company desired the major shareholders of the group being Trade Ocean Holdings Sn Bhd (“TOH”) and Wonderfarm Biscuits and Confectionery Sdn. Bhd (“WBC”) to waive the 5-year shareholder loans (“The loan”) that financed to the group with total amount of US\$4,993,613. The BOD also desired to increase the offshore internal loans without collateral from Kirin Holdings Company, Limited (“Kirin”).

*TOH and WBC is agreeable to support finance for the business and manufacturing activities of the group by TOH waives the loan financed to IFS and WBC waives the loan financed to Ava with effective from Q1 – 2013 the amount of USD 3,430,928. and USD 1,562,685. respectively.

e. Company has received internal offshore loans from Kirin

The Company has received internal offshore loans from Kirin worth USD 33 million under the provided maximum amount of facility of USD 42 million.

f. 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 Supervisory Board agreed with the content of the separate and consolidated Financial Statements 2013 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 2013, business performance and cash flow condition for the fiscal year from 01/01/2013 through 31/12/2013 and compliance with the current laws on accounting.

The basic data relating to business performance of the Company carried out in year 2013 according to the consolidated Financial Statements 2013 as follow:

Statement of income:	year 2013
- Net sales:	993.145.886.000 VNĐ
- Profit before tax:	- 76.246.660.000 VNĐ
- Profit after tax:	- 79.877.658.000 VNĐ

<i>Assets:</i>	<i>as on 31 Dec. 2013</i>
- Current assets:	310.139.687.000 VNĐ
- Long-term assets:	353.382.119.000 VNĐ
- Total assets:	663.521.806.000 VNĐ

IV. THE SUPERVISION RESULTS FOR THE MEMBERS OF BOARD OF MANAGEMENT (BOM), MEMBERS OF BOARD OF DIRECTORS (BOD), AND THE MANAGERS LEVEL.

- Board of Management of the Company has 5 members, eligible enough for the operation structure according to the stipulation in the Charter.
- The BOM and BOD has focused on controlling growth speed, field, area and quality of revenue in 2013 as well as prioritizing capital for production and business that has effectively. It has developed in the right orientation and successfully completed the targets in 2013: Net revenue of USD47 million increased by 16 % compared to 2012;
- 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 2013, the Supervisory Board 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.
- The revision, amendment, supplement of regulations and procedures are regularly conducted to ensure the suitability of internal regulations with actual business and compliance with regulations and laws.
- 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 others concerned departments have pushing up the progress of building AX software system, which supplied by the professional consultant – VOTIVA and successfully implementing the officially operates in year 2013.

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

Year 2013 in general, Supervisory Board has been sufficiently provided of information on the Business Operations and the Finance Situations of the Company.

In year 2013, Supervisory Board has received none of the petition from the shareholders about the violations of BOM and/or Managers level of the Company in the implementing process of obligations.

VI. CONCLUSIONS AND RECOMMENDATIONS

The Supervisory Board proposes that the BOM and BOD need to focus on improving the production management:

- Maximizing the production line capacity through processing products, facilities and utilities maintenance, handling troubleshooting to ensure the stability of the operation.
- 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.
- To reinforce the promotion and advertising to enhance the Company image and increase sales for the product.
- 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 Supervisory Board reports to the Annual General Meeting of Shareholders 2013. 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)

THAI THU THAO