

REPORT OF THE BOARD OF INTERFOOD SHAREHOLDING COMPANY REPORT YEAR: 2014

1. General information of the Company:

Interfood Shareholding Company (“the Company”) is a joint stock company incorporated in Vietnam. The principal activities of the Company are to process agricultural products and aquatic products into canned, dried, frozen, salted, vinegary products; Producing cake, snack; Processing none carbonated and carbonated fruit-juice, none-carbonated beverage, carbonated beverage with or without low alcohol (less than 10%), pure water; Producing package used for food and beverage.

The Company owns 90.4% of the equity interest in Avafood, whose principal activities are to provide processing services and produce the processed food including fruit juice, beverages, pure water; biscuits, jams, sweets and snacks of all kinds, and products processed from agricultural, aquatic products and livestock; and to lease its workshop under the Investment License No. 48/GP-ĐN issued by the People’s Committee of Dong Nai Province on 19 July 2002.

The consolidated financial statements for the year ended 31 December 2014 comprises the Company and its subsidiary, Avafood Shareholding Company (“Avafood”) (collectively “the Group”).

In 2014, the Company's charter capital increased from VND 501,409,920,000 to VND 711,409,920,000 (in equivalence to 71,140,992 shares) through a private placement of shares.

As of 31 December 2014, the Group has 1539 employees (2013: 1423 employees).

2. List of key persons of the Company

a. The Board:

Item	Name in full	Position	Appointed	Resigned
1	MICHIO NAGABAYASHI	Chairman	31/05/2011	16/03/2015
2	TAKAYUKI MORISAWA	Member	11/12/2013	
3	HIROSHI FUJIKAWA	Member	14/03/2011	
4	NGUYỄN THỊ KIM LIÊN	Member	15/08/2006	
5	TORU YAMASAKI	Member (Chairman)	12/04/2012 (16/03/2015)	

(Mr. Toru Yamasaki has been appointed as Chairman cum General Director of the Company from 16/03/2015 by the Board via Resolution No.RBM150306 dated 06/03/2015)

**b. The Board of Directors:**

Item	Name in full	Position	Appointed	Resigned
1	MICHIO NAGABAYASHI	General Director	23/05/2011	16/03/2015
2	TORU YAMASAKI	General Director	16/03/2015	
3	KAZUFUMI NAGASHIMA	Director	23/05/2011	24/03/2014
4	HIDEFUMI MATSUO	Director	23/05/2011	24/09/2014
5	NGUYỄN THỊ KIM LIÊN	Director	15/08/2006	
6	YUTAKA OGAMI	Director	01/01/2014	
7	TAIICHIRO IIZUMI	Director	01/01/2014	
8	YOSHIHISA FUJIWARA	Director	24/03/2014	
9	TAKAYUKI MORISAWA	Director	24/09/2014	

c. Supervisory Board

Item	Name in full	Position	Appointed	Resigned
1	THÁI THU THẢO	Chief	28/09/2009	
5	OSAMU HARADA	Member	10/04/2013	
6	AKIRA SHIMIZU	Member	10/09/2013	

3. Remuneration and activity expenses of the Board and Supervisory Board (“SB”) in 2014**3.1. Remuneration**

The Board has approved and proposed the Annual General Assembly of Shareholders in 2015 of the Company adopt for the Company does not declare and pay remuneration for all members of the Board and Supervisory Board in 2014 due to business activities of the Company have made loses in 2014.

3.2. Activity expenses of the Board

No.	Name of the Board Members	Position	Amount (USD)	Activity expenses
1	Mr. Michio Nagabayashi	Chairman	72.000	Secondment (From 01/2014 to 12/2014)
2	Takayuki Morisawa	Member	12.533	Secondment (From 09/2014 to 12/2014)
2	Ms. Nguyễn Thị Kim Liên	Member	61.149	Salary (From 01/2014 to 12/2014)
	Total		145.682	

Remark: Secondment fee is the payment of the Company to Kirin Holdings Company, Limited (“Kirin”) under secondment agreement, the Company has not paid directly to relating members.

3.3. Activity expenses of Supervisory Board: Nil

**4. Meetings of the Board**

No	Member of the Board	Position	Meeting attendance	%	Reason no attendance
1	Mr. Michio Nagabayashi	Chairman	12	100%	
2	Ms. Nguyễn Thị Kim Liên	Member	12	100%	
3	Mr. Hiroshi Fujikawa	Member	12	100%	
4	Mr. Toru Yamasaki	Member	12	100%	
5	Mr. Takayuki Morisawa	Member	12	100%	

5. Supervision activities of the Board**5. 1. Supervision activities of the Board over the General Director:****First 06 months of 2014**

- * To consider situation of activities in quarter I & II/2014 and prepare for activities of quarter III & IV/2014;
- * Public tender of the Company's shares;
- * Business plan in 2014, audited finance statement in 2013, organization of the annual general assembly of shareholders in 2014, regulation on corporate governance, increase of charter capital and investment certificate;
- * Changing key members, adding the objectives, amending company charter and business scale of the Company;
- * Leasing the workshop, office and processing agreement with Avafood;
- * Appointing the independent audit firm for the financial years 2014-2015.

Last 06 months of 2014

- * To consider situation of activities in quarter III & IV/2014 and prepare for activities of quarter I & II/2015.
- * Issuance of shares for the eligible investor and using proceeds from shares issuance.
- * Changing key members.
- * Private placement of shares.

5.2. Inspection activities of the Board over the sub-committees and other managers:**First 06 months of 2014**

- * Organization of the annual general assembly of shareholders in 2014;
- * Closing the banking accounts, appointing the key member and banking authorized signatures;
- * Appointment of the manager and authorized signature of the Company's branch in Ha Noi.



* Short term loan facilities granting by Kirin.

Last 06 months of 2014

* Changing address of the branch in Ha Noi.

6. Resolution/ Decision of the Board in 2014:

No	Resolution No	Date	Content
1	RBM140117	17/01/2014	Public tender of the Company's shares;
2	RBM140220	20/02/2014	Business plan in 2014, audited finance statement in 2013, organization of the annual general assembly of shareholders in 2014, regulation on corporate governance, increase of charter capital and investment certificate;
3	RBM140321	21/03/2014	Changing key members, adding the objectives, amending company charter and business scale of the Company;
4	AGM-2014	10/04/2014	Resolution of the annual general assembly of shareholders in 2014.
5	RBM140414	14/04/2014	Closing the banking accounts, appointing the key member and banking authorized signatures;
6	RBM140424	24/04/2014	Appointment of the manager and authorized signature of the company's branch in Ha Noi;
7	RBM140428	28/04/2014	Leasing the workshop, office and processing agreement with Avafood;
8	RBM140520	20/05/2014	Appointing the independent audit firm for the financial years 2014-2015.
9	RBM140617	17/06/2014	Short term loan facilities granting by Kirin.
10	RBM140728	28/07/2014	Issuance of shares for the eligible investor and using proceeds from shares issuance.
11	RBM140915	15/09/2014	Changing key members.
12	RBM141027	27/10/2014	Changing address of the branch in Ha Noi.
13	RBM141112	12/11/2014	Private placement of shares.



7. Main factors affected to business results in 2014:

7.1. General economic situation

+ In the world:

Economic landscape in 2014 was not optimistic

Over the 7th year of recession after the world financial crisis in 2008, the world economy continued to face new risks threatening engulf the economic recovery still toddlers. Unlike 2008, this time the greatest threat did not come from the financial markets, banking or materials that came from the intercontinental political conflict.

General assessment of 2014, except for the US, the rest of the world was in trouble. Eurozone was still immersed in difficulties, debt piling up, unemployment is rampant. Even Germany, the most powerful nation in the block was also stagnant and not be a "locomotive" pulling the country in danger, such as Italy, Spain, Portugal, Greece, Cyprus, ...

Russia was in an economy and finance recession, it may take two years to recover back. Japan was facing difficult when deciding to raise taxes, increase defense spending. China was still struggling in the economic restructuring of investment to consumption, growth fell to around 7%.

The developing countries in Asia - Pacific (South Korea, Australia, Singapore, Taiwan, New Zealand) remained positive growth, an average of 3%. However ASEAN in 2014 was only 4.7% growth, down from 5.2% in 2013, due to Thailand's economic declined before the political events in the country. In India, after the currency crisis, the economy became unstable and growth stalled.

According to the IMF, the world economy in 2015 will recover stronger, global growth is projected to be 4% increase of 0.6 percentage points compared with 2014 growth forecast.

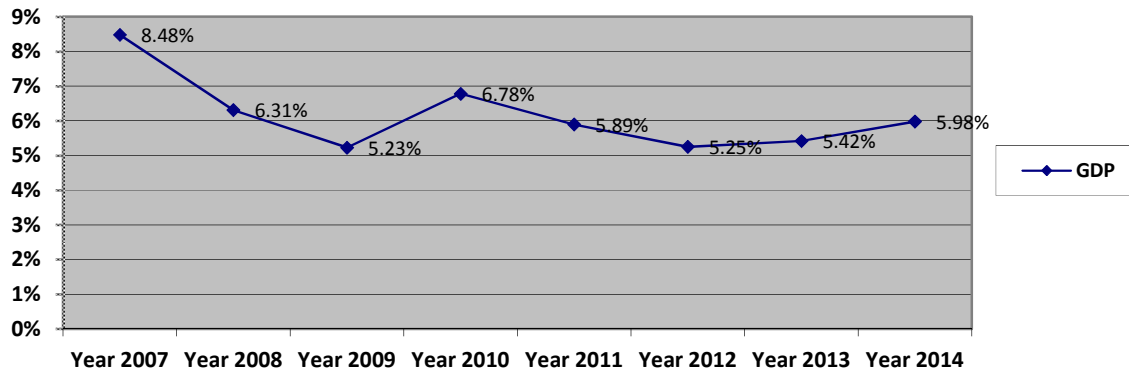
+ In Vietnam:

According to the National Financial Supervision Commission, Vietnam's economy in 2014 was positive than in 2013 with macroeconomic stability maintained solid, economic growth restored clarity and uniformity, financial market got positive changes, budget balance improved.

According to data from the General Bureau of Statistics, 2014 was the first year of the five year plan (2011-2015) from 2011 until now, economic growth was not only coming to destination but also exceeded. Comparing to the plan of 5.8% that set by the National Congress, economic growth target in 2014 reached 5.98%, the results are encouraging for Vietnam's economy. Growth in 2014 was higher than the growth rate of 5.25% in 2012 and 5.42% in 2013 showed positive signs of the economy before the context of uncertainties related to territorial disputes in South China Sea and East China Sea. The growth has shown signs of recovery have helped to macroeconomic stability - Vietnam objectives pursued for several years.



GDP GROWTH



The recovery of Vietnam's economy in 2014 is an important basis for the single economic expert opinion and set a target of 6.2% growth in 2015.

+ In Interfood:

In 2014, although the Company did not complete the business plan approved by the General Meeting of Shareholders approved in 2014, but it is also considered a successful year as the Company's net sales increased by 16% compared to 2013 together with launching a new product "Lemon Green Tea " from April 2014 and new product has contributed significantly accounting for 4% of the Company' net sales.

The Company continued to focus on improving product quality in accordance with the health and needs of consumers and focus on building four major product lines such as Winter Melon Tea, Bird's Nest, Kirin and Green Tea.

Besides the traditional products of WONDERFARM Brand, the Company has improved investment in the products under Kirin brands. This product lines are both modern ideas and production technology. Some typical product lines as follows:

+ Beverage product line under Ice+ brand

As the first fruit water in Vietnam, Ice+ is made by the advanced Japanese technology Aseptic.

Ice+ harmonizes pure water and fruit juice. Our drinks are frozen at -18⁰C below zero to preserve the succulence of just-picked fruits and to maintain the absolute food safety without preservatives, colorings and odorants...

+ Beverage product line under Latte brand

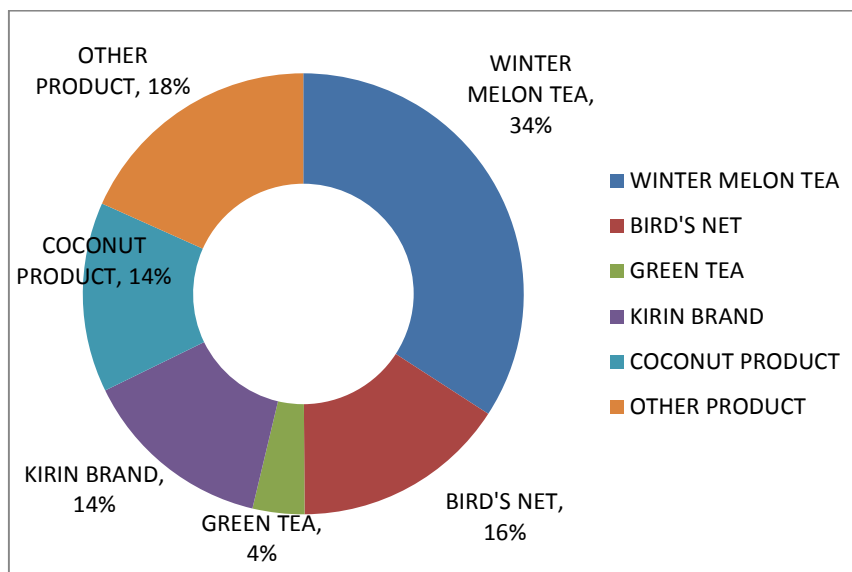
With the Secrets of Creating Delicious Tastes from Japan, Latte combines the finest quintessence of natural extracts blended with milk. Latte delivers the pure flavors and mild after-taste to quench your thirst and gently refresh you.

Through the upgrading of product quality, image-building and increase the presence in shops, as well the customer service, united price management to reduce on price conflict of channels, penetrate new distribution channels such as agencies, schools, hospitals ... The result created a firm position for the main product lines of Winter Melon Tea, Bird's Nest, coconut



products, Kirin Brand and Green Tea, lead to total revenue in 2014 increased 16% compared with 2013.

NET SALES CONTRIBUTION BY BRANDS



7.2. Main factors affected to turnover, expenditure and profit of the Company

7.2.1. Manufacturing and trading activities

DESCRIPTIONS	Actual 2013 (Audited)		Plan 2014		Actual 2014 (Audited)		Variance (%)	
	USD	Million VND	USD	Million VND	USD	Million VND	Vs 2013	Vs Plan
Sales	48,785,258	1,022,019	61,666,000	1,299,919	55,468,617	1,185,919	16%	-9%
Deductions	(1,378,214)	(28,873)	(1,366,000)	(28,795)	(1,810,467)	(38,708)	34%	34%
Net sales and services	47,407,044	993,146	60,300,000	1,271,124	53,658,150	1,147,211	16%	-10%
Cost of goods sold	(33,846,665)	(709,078)	(43,455,000)	(916,031)	(38,978,716)	(833,365)	18%	-9%
Gross profit	13,560,379	284,068	16,845,000	355,093	14,679,434	313,846	10%	-12%
Financial income	46,081	2,596	-	-	480,251	10,268	296%	-
Financial expenses	(639,834)	(15,946)	(724,000)	(15,262)	(1,118,988)	(23,924)	50%	57%
Selling expenses	(19,788,026)	(414,546)	(21,211,000)	(447,128)	(21,013,550)	(449,270)	8%	0%
General & administration expenses	(1,743,868)	(36,533)	(1,898,000)	(40,010)	(1,590,764)	(34,011)	-7%	-15%
Net operating (profit)/loss	(8,565,268)	(180,361)	(6,988,000)	(147,307)	(8,563,617)	(183,090)	2%	24%
Other loss, net	4,968,564	104,114	-	-	310,359	6,635	-94%	-
Loss before tax	(3,596,704)	(76,247)	(6,988,000)	(147,307)	(8,253,258)	(176,455)	131%	20%
Current corporate income tax expenses	(150,817)	(3,173)	-	-	-	-	-	-
Deferred corporate income tax expenses	(21,882)	(458)	-	-	1,882	40	-	-
Net profit after tax	(3,769,403)	(79,877)	(6,988,000)	(147,307)	(8,251,376)	(176,414)	121%	20%
Minority interest	(171,845)	(3,600)	-	-	(22,976)	(491)	-86%	-
Equity holders of the Company	(3,941,248)	(83,477)	(6,988,000)	(147,307)	(8,274,352)	(176,906)	112%	20%

**a/ Sales**

In 2014 the Company has expanded sales outlets across the country, launched new product, deployed additional sales programs, specially supported for customers and sales staffs in order to increasing consumers. However, due to the general economic difficulties as consumers tighten spending together with the intense competition in the beverage market, lead to the Company could not complete the planned production and sales. Results 2014, the Company' net sales reached 1,147 million, up 16% compared to 2013, but only met 90% of the plan.

b/ Cost of goods sold

In 2014, the purchase price of raw materials for some key products such as aluminum cans, sugar, coconut materials increased. However, the Company continued to maintain the plan of production cost saving, improving production capacity and holding the manufacturing cost steady at 73% of net revenue, up 1% compared with 72% as the target set.

c/ Expense from Financial activities

Financial expenses increased primarily due to fluctuations in the exchange rate difference.

d/ Selling expenditures

In 2014, the Company promoted the sales support programs such as special discount programs and promotions, bonus sales to distributors and sales team, customer loyalty programs for point of sale ... making cost of sales remained at high level reached 39% of sales.

e/ The general and administration expenditure

The general and administration expenditure in 2014 was kept steady at 3% of sales as planned

7.2.2. Financing activities:

- Maintaining internal offshore loans without collateral from Kirin valued at USD 18 million of total loan worth USD 42 million granted from 2013 to supplement working capital of the Company and its subsidiaries.
- In December 2014, the Company issued 21,000,000 shares at par value of 10,000 VND / shares for Kirin at selling price of 10,000 VND / shares in the form of private placement of shares.
- The Company has settled the debts worth US\$ 10 million to Kirin from the proceeds of shares and working capital in December 2014.

7.2.3. Investment activities:

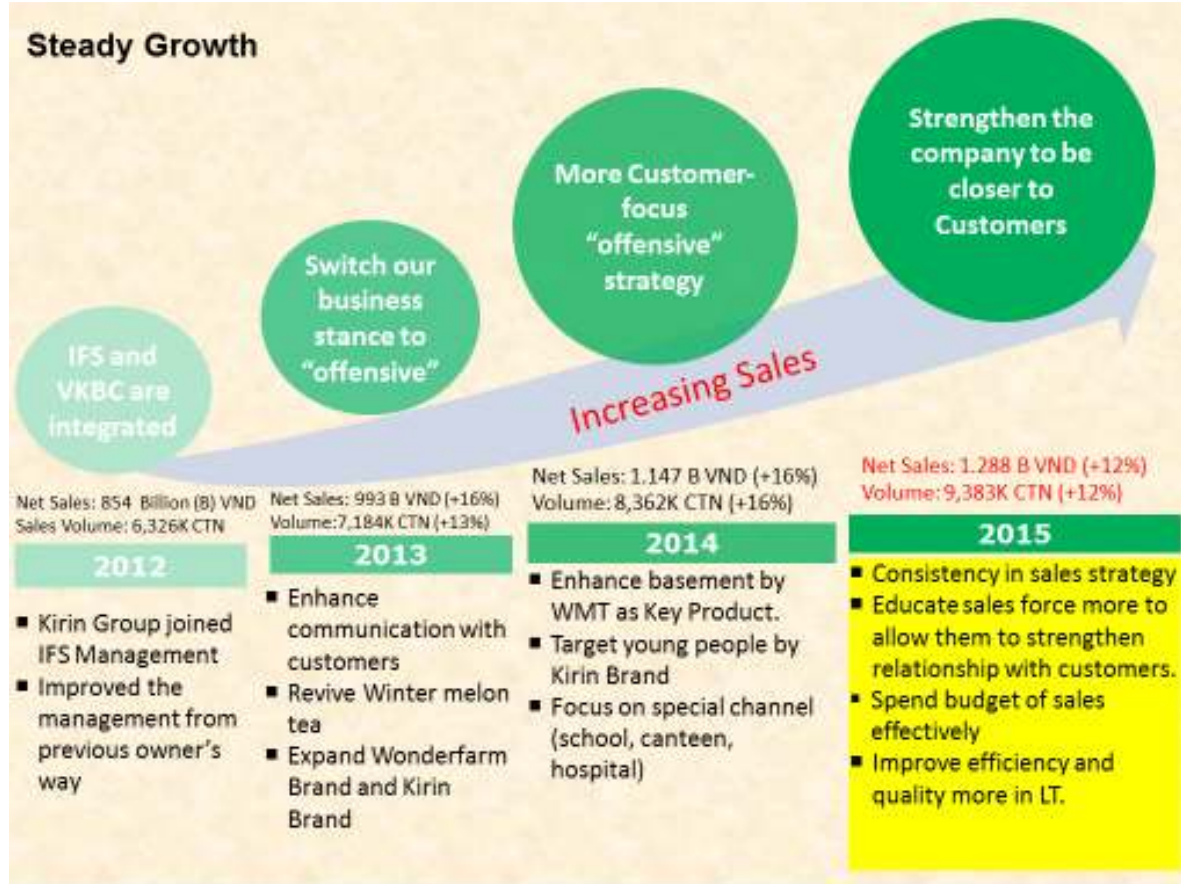
- In 2014, the Company had no investments outside which focused to improve the recovery of the market, specifically focused on the WONDERFARM Winter Melon tea and launched new product under WONDERFARM Green Tea brand.
- The Company has invested in advertising on television and other media worth US\$ 3.6 million in 2014 to maintain and increase sales volume.



8. Investment and development strategy

8.1. Completed Projection

a/ Plan:



b/ Implementation:

- Increased availability of WONDERFARM-KIRIN products everywhere
 - New KA development: in the year the Company has developed about 4,900 new outlets in total.
 - Boosted basic sales activities, increased coverage of major stores by releasing the strategic product of WONDERFARM Green Tea.
- Created a sales structure that make customers want to buy products of the Company
 - Full implementation of sampling delivery activities and television advertising to attract customers to buy the product
 - Improve gross margin by increasing production efficiency
- Quality improvement
 - Achieved the goals of quality control: no issue arisen in production processes
- Strengthen the management system



- Strengthen the relationship between the Company and employees through the implementation of monitoring mode, the good policies based on the survey results on the satisfaction level of employees (ESS), improving accuracy management data and governance performance based on adherence (compliance)

- Maximize efficiency in the Southeast Asian region by using the Kirin Group's capacity for high results

In order to restore and expand the market for products, in 2014 the Company maintained promotions, advertising, and display products, distributor support, salesmen,..., result: selling expenses in 2014 increased USD 1.2 million compared to 2013.

- Financial support from major shareholders

Maintaining the offshore internal loan facilities without collateral from Kirin with total value of USD42 million for adding operation capital of the Company and its subsidiary.

8.1.2. Changing the major shareholders structure:

- In December 2014, Kirin increased its shares in the Company and directly holds 94,69% through acquired 21,000,000 shares issuing from the Company by private placement of shares.
- Thus the present time, the Company's minority shareholders are holding approximately 4,3% of the total outstanding shares of the Company.

8.1.3. Social Responsibility

- **Mid-Autumn gifts to poor children in Can Tho and An Giang provinces**

Response to the invitation letter from Thanh Nien News to bring joy to children in remote areas on the occasion of Mid-Autumn Festival 2014, the Company joined Thanh Nien Newspaper, Can Tho School of Politics and other sponsors to visit and present Mid-Autumn gifts to poor children in Truong Thang commune, Can Tho city, and border commune of Tri Ton district, An Giang province.

8.2. Development Strategy in 2015

1. Sales Division
 - Continue to develop and expand KA
 - Increase Loyalty Shops, expand general outlet coverage
 - Review and implement strategic policies for distributors and management policies for wholesalers
2. Production Division
 - Continuous low cost operation
 - Further improvement of product quality
3. Collaboration (Production-Logistics Dept. ↔ Sales Dept.)
 - Produce appropriate quantity in a timely manner, and distribute to right places at the right time.
4. Back Office Division
 - Improve management skills for middle management
 - Develop integrated system of basic data (Sales, Production, Human Resources)



- 5. Development of human resources, improvement of organizational structure
 - Develop and implement training programs tailored to staffs at each level and to each department
 - Promote customer-oriented operation throughout the Company

8.3. Target to be achieved





8.4. Compliance policy



**9. Business planning in 2015 (consolidation)**

Pursuant to the actual business result in 2014 and business operation capacity of Interfood Shareholding Company and its subsidiary. The Board would propose the Annual General Assembly of Shareholders in 2015 ("AGM-2015") to consider and approve the business plan in 2015 of the Company as below:

DESCRIPTION	Performed in 2014		Planned in 2015	
	USD	Million VND	USD	Million VND
Sales	55,468,617	1,185,919	62,029,789	1,318,133
Deductions	(1,810,467)	(38,708)	(1,425,581)	(30,294)
Net sales and services	53,658,150	1,147,211	60,604,208	1,287,839
Cost of goods sold	(38,978,716)	(833,365)	(42,809,796)	(909,708)
Gross profit	14,679,434	313,846	17,794,412	378,131
Financial income	480,251	10,268	27,193	578
Financial expenses	(1,118,988)	(23,924)	(388,692)	(8,260)
- Include: Interest expenses	(325,531)	(6,960)	(388,692)	(8,260)
Selling expenses	(21,013,550)	(449,270)	(22,688,924)	(482,140)
General & administration expenses	(1,590,764)	(34,011)	(1,748,862)	(37,163)
Net operating profit/(loss)	(8,563,617)	(183,090)	(7,004,873)	(148,854)
Other income	497,400	10,634	249,663	5,305
Other expenses	(187,041)	(3,999)	(349,117)	(7,419)
Other loss, net	310,359	6,635	99,454	2,113
Profit/ (Loss) before tax	(8,253,258)	(176,455)	(7,104,327)	(150,967)
Current corporate income tax expenses	-	-	-	-
Deferred corporate income tax expenses	1,882	40	-	-
Net profit/(loss) after tax	(8,251,376)	(176,414)	(7,104,327)	(150,967)
Minority interest	(22,976)	(491)	-	-
Net Profit /(Loss) for the year	(8,274,352)	(176,906)	(7,104,327)	(150,967)

2015 Business plan outline

In 2015, the Company continuously plans further growth in turnover to establish a market position with reinforcement of sales force activities on the ground and launching new products. Furthermore, the Company intends to improve profitability through cost reduction in its factory and effective usage of marketing expense. The Company continues to leverage Kirin group's capability to maximize the Company's business by developing new products with the highest quality in the world which creates demand of consumers.

The Company continuously puts the first priority on its main product "Winter Melon Tea" to strengthen the brand "WONDERFARM". By establishing the strong position of the brand, IFS will develop the other products under the umbrella of "WONDERFARM" together with another strong brand "KIRIN".

The Company expects gross turnover will reach about VND 1,318 billion increasing by 11% compared to year 2014, loss before tax about VND 151.0 billion.



Other event which is related to the report of the Board is presented in the brief report and the audited finance statements of 2014 attached herewith.

**On behalf of Interfood Shareholding Company
Chairman of the Board
(Signed and sealed)**

TORU YAMASAKI