

Hai Phong, 24<sup>th</sup> April, 2019



**REPORT**  
**ON OPERATIONS OF THE BOARD OF MANAGEMENT IN 2018**  
**HA LONG CANNED FOOD JOINT STOCK CORPORATION**

**To: General Shareholders' Meeting of Ha Long Canned Food Joint Stock Corporation**

**Dear Shareholders,**

The Board of Management of Ha Long Canned Food Joint Stock Corporation would like to report to the annual General Shareholders' Meeting – 2019 about business production activities in 2018; operations of the Board of Management in 2018; Orientation and Business Production Plan in 2019 by Ha Long Canned Food Joint Stock Corporation as follows:

**1. Evaluation by BOM on Company's activities**

**1.1 General evaluation on Company's business production activities in latest 5 years (Since 2014 to end of 2018).**

First of all, Company BOM would like the General Shareholders' Meeting to have a look at Company's 2 basic criteria in the latest 5 years (in 2014; 2015; 2016; 2017; 2018) so that the General Shareholders' Meeting can give basic comments on Company's general picture – our Company's current position in the Vietnam food processing industry and our General Shareholders' Meeting will together issue Company's orientation in 2019 and next coming years...

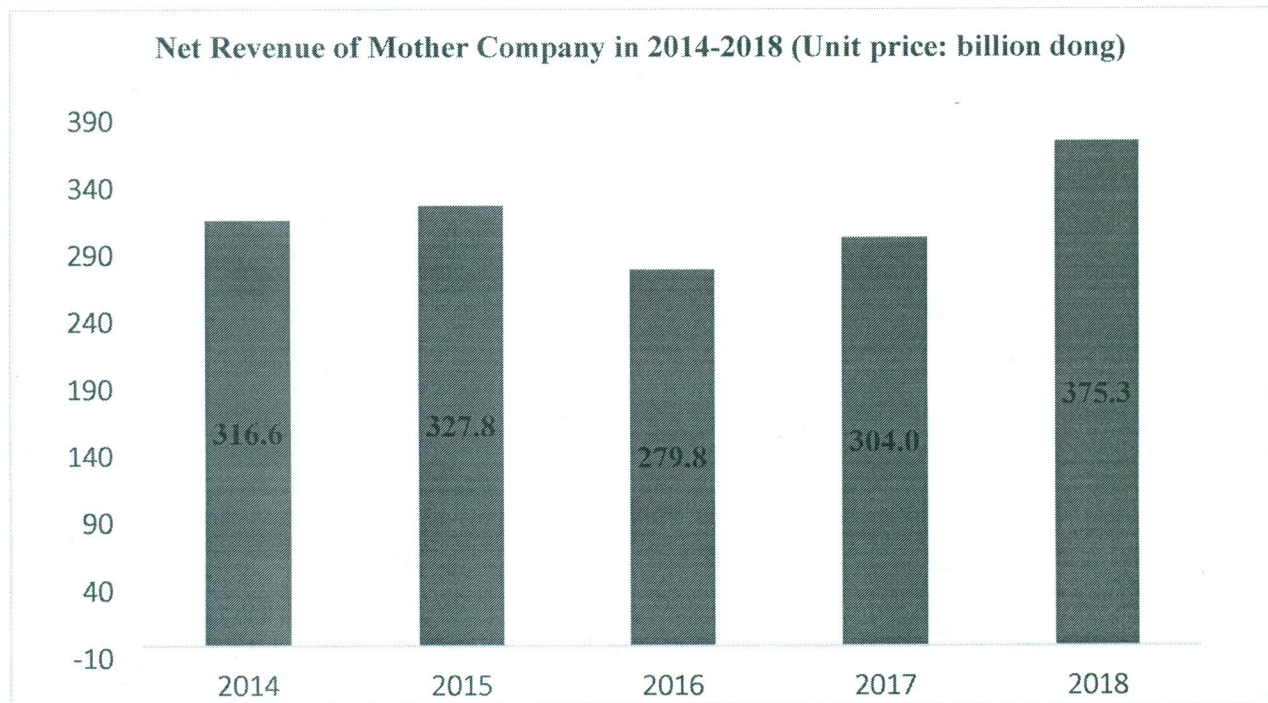
*(The following figures are taken from audited annual Financial Statement of Mother Company and consolidated Financial Statement by independent auditing companies. Price increase/decrease criteria of each group of products in 5 years has offset change which has not much impact to revenue criteria).*

In detail:

+ Net Revenue and Profits after tax of Mother Company in stage 2014 – 2018 (Billion dong)



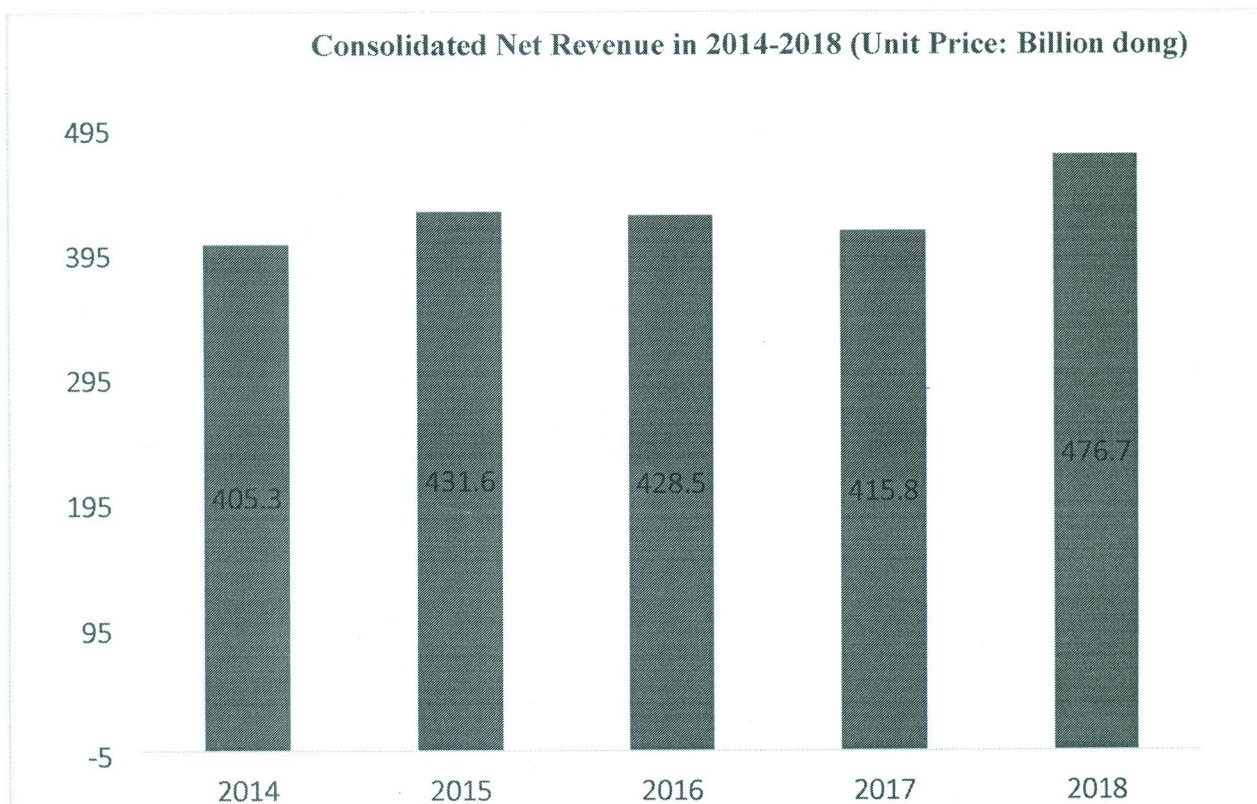
Year	2014	2015	2016	2017	2018
Net Revenue	316,6	327,8	279,8	304,0	375,3
Profits after tax	14,6	10,2	2,9	-0,1	-7,3



**+ Consolidated Net Revenue and Profits after tax in stage 2014 – 2018 (billion dong)**

Year	2014	2015	2016	2017	2018
Net Revenue	405,3	431,6	428,5	415,8	476,7
Profits after tax	17,7	13,7	0,04	5,1	-2,4





As figures on the chart, we find that, in recent 5 years:

**- Net Revenue Criteria:**

Net Revenue Criteria of Mother Company (domestic products) is not stable; Revenue criteria of domestic products increase/decrease show that Company's market share is in fierce competition with Companies of same scope of business. In 2016, Net Revenue of Mother Company decreased 15% compared with 2015; in 2017 and 2018 Net Revenue criteria gradually increased and in 2018 Net Revenue criteria increased 34% compared with 2016, this figure showed the Company's market share increased again yearly and developed...

Consolidated Net Revenue criteria including Net revenue of domestic products and exported products (Subsidiary company – Da Nang), the consolidated Net Revenue criteria in recent 5 years has been comparatively stable, not much significantly increase/decrease, in 2018 the Net Revenue increased 14,65% mainly because of increase revenue of domestic products.

**- Profits after tax Criteria:**

Profits after tax criteria of Mother Company is contrary with Net Revenue criteria. Profits after tax criteria of Mother Company gradually decreased through years, in 2017 loss 0,1 billion dong, in 2018 loss 7,3 billion dong. Consolidated Profits after tax criteria increase/decrease unstably, in 2018 loss 2,4 billion dong (in 2016 Subsidiary Company – Da Nang loss 2,7 billion dong; in 2017 Subsidiary Company – Da Nang made profits of 4,7 billion dong; in 2018 made profits of 5,6 billion dong).

(Reason of loss in year 2017 and 2018 will be analyzed in Cost criteria in Report by the Board of General Directors).

## 1.2. General Evaluation on Company's business production activities in 2018:

### 1.2.1 General Evaluation:

In 2018, besides advantages from positive result in 2017 and drastic guidelines and actions by Government; the 7,08% increase of Vietnam GDP is the highest increase since 2018 back to date. In 2018, average GDP per person estimated to achieve 58,5 million dong, equivalent to 2.587 USD, increased 198 USD compared with year 2017 and accompany with "Open" of increasingly big economy – Economy scales is more and more expanded...this is an opportunity but also a challenge for business production enterprises of Vietnam's Consumer Goods Industry.

Dear Shareholders,

As our analysis in Report on operations in 2017 by the Board of Management in the General Shareholders' Meeting in 2018, in the past 3 years, the domestic food processing Enterprises has been coping with fierce competition from foreign Enterprises who come into domestic market, through modern distribution system and mergers & acquisitions (M&A) of strong food processing brands and with large domestic consumption market share. Besides, strong domestic brands such as Masan, Vissan, C.P Vietnam, Vin Group...are making acquisitions of food processing Enterprises with market share/ brand and making very big investment to build internationally modern production factory; "realization" of clean production chain with 3F formulation and in progress of opening dozen thousands of retailers, shops in nationwide to bring their products to hand of consumers. This fact has increased more competition pressure on domestically small and medium food processing Enterprises – Halong Canfoco is also in such fierce competition pressure.

### 1.2.2. Evaluation of Business production activities in 2018:

#### a- Business production activities

The year 2018 is the first year with new orientation – change and restructure of fields in Company such as Marketing – Production – Human Resources – Financial Management...therefore, have big impacts to Company's 3 big criteria as Revenue – Costs and Profits in 2018. In details:

NO.	CRITERIA	UNIT	Plan 2018	Implemented 2018	Implemented 2017	Comparison (%)	
						Plan 2018	Same period 2017
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (5)/(4)	(8) = (5)/(6)
1	Net Revenue	Billion dong	512,00	476,65	415,78	93,10%	114,64%



NO.	CRITERIA	UNIT	Plan 2018	Implemented 2018	Implemented 2017	Comparison (%)	
						Plan 2018	Same period 2017
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (5)/(4)	(8) = (5)/(6)
2	Profits before tax	Billion dong	18,00	(0,84)	6,94	-4,69%	-12,15%
3	Profits after tax	Billion dong	14,00	(2,42)	5,54	-17,30%	-43,70%

The year 2018 with Company's objectives is to restructure the distribution system in order to re-take the North market share and expand market of the Central Region and the South:

Regarding revenue, we achieved certain results, increased 14,64% compared with 2017 but only achieved 93,10% compared with the plan issued by the General Shareholders' Meeting. The reason of Revenue decrease was due to: Revenue of domestic goods is of 381,877 billion dong achieved 94,8% compared with the Plan. Revenue of exported goods is of 94,774 achieved 86,2% compared with the Plan.

Regarding Profits, in 2018, Company loss 2,42 billion dong (after Corporate income tax). Of which: Mother Company loss 7,32 billion dong (after Corporate income tax); Subsidiary Company- Da Nang made profits of 5,63 billion dong (after Corporate income tax). The biggest reason causing loss of Mother Company was due to the sales costs criteria increased faster than growth of revenue criteria (in the first 6 months of 2018) due to Company expanded markets in provinces of the Central Region and the South (Mekong Delta), besides that Company had to make provisions for devaluation of inventory for new products and slow moving and some expenses that have not been closely controlled...

*(The Board of General Directors will analyze figures and detailed reasons in the report by Board of General Directors to shareholders).*

***b - Financial management, capital using:***

In 2018, revenue of sales increased about 70 billion dong compared with 2017; although Company increased inventory stock for the need of sales and investment of some machines, equipment, in the first 3 quarters of 2018, Mother Company still used self-financing capital for business production, until beginning of 4<sup>th</sup> Quarter of 2018, Mother Company made borrowing of 20 billion dong of working capital from Vietcombank – Nam Hai Phong Branch for purpose of production...

***c - Human resource management:***

Under the fact that Mother Company loss 13 billion dong in the first 6 months of 2018, the Board of Management/ General Shareholders' Meeting have issued decisions on human resources to adjust Company's activities as follows:

On 4/7 /2018 changed positions of Chairman/ Vice Chairman of BOM between Mr. Kek Chin Ann and Mr. Bui Quoc Hung; appointed position of General Director to Mr. Kek Chin Ann, dismissed position of General Director to Mr. Oliveira Michael Leonard;

On 4/12/2018 General Shareholders' Meeting elected/appointed/dismissed members of BOM such as: elected Mr. Wilson Cheah Hui Pin; appointed Mr. Tran Hoang Lam to replace Mr. Thai Ba Nam.

Change of high rank personnel is in accordance with Company's objectives in 2018 is to re-occupy the North market share, develop markets of the Central Region and the South, refresh and develop the brand, develop products...

However, the year 2018 is the first year with new orientation, BOM, Board of General Directors find that it is necessary to review, evaluate working efficiency of departments, divisions, individuals in comparison with employee costs paid by Company in 2018 and find detailed/more effective solutions for human resource work.

## **2. Evaluation by the Board of Management on activities of Company's Executive Board**

Pursuant to Company Charter and Corporate Governance Policy, the BOM has implemented inspection and supervision on activities of the Executive Board and have the following decisions:

The first 6 months in 2018, Mother Company's operations was not effective – Loss 13 billion dong; on 4/7/2018, the BOM has decision on changing General Director. New General Director has issued measures to stabilize production, store raw materials, review costs, review distribution system, push up sales...in details, average net revenue per month of last 6 months in 2018 of Mother Company was 34,43 billion dong/month, increased 122% compared with average per month of the first 6 months in 2018 was 28,11 billion dong/month; however until end of 2018, Mother Company still loss 7,33 billion dong, Subsidiary Company made profits of 5,63 billion dong. The consolidated company loss 2,42 billion dong.

Through report by Supervisory Board and the Executive Board, the BOM has made findings and reasons causing loss of Mother Company and instructed the Executive Board to timely overcome in order to cut loss but still push up sales revenue, in details:

- Although Sales costs is investment criteria for criteria of Company's revenue and market development according to orientation by BOM and Executive Board, in order to cut loss, the Executive Board needs to adjust sales costs proper with growth rate of



revenue (the last 6 months of 2018: growth rate of revenue/month is of 122,48%, growth rate of sales costs is of 114,98%).

- The BOM together with the Executive Board reviewed all costs in all fields of Company's operations, requested the Executive Board to timely promulgate regulations/policies for cost control such as: Financial control policy, production management policy, human resource management and salary policy, Internal expenditure management policy...in accordance with current operations of the Company...
- The BOM requested the Executive Board to have proper assignments for members of the Executive Board to implement and take responsibilities to General Director and BOM for each detailed field of Company's operations; however, still ensure coordination/association by members of the Executive Board in all activities, creating the unanimous agreement among the Executive Board in order to promote abilities of members and collective of the Executive Board.

With not-good results in 2018, the Executive Board should analyze in detail each reason, find timely settlement measure for Action Plan in 2019.

### **3. Main activities of the Board of Management in 2018:**

#### **3.1 Personnel of BOM:**

According to Resolution by annual General Shareholder's Meeting No. 01/2016/NQ – ĐHĐCĐ, term 2016-2021 dated 25/9/2016 elected the Board of Management, Supervisory Board, the Resolution No. 11/2017/NQ – HĐQT dated 19/5/2017 and Resolution by extraordinary General Shareholder's Meeting in 2018 No. 03/2018/NQ ĐHĐCĐ dated 04/12/2018 changed number and positions in the Board of Management. In details:

- **The Board of Management includes:**

Mr. Bui Quoc Hung - Chairman  
Mr. Kek Chin Ann – Vice Chairman  
Mr. Mai Xuan Phong – Vice Chairman  
Mr. Pham Huu Quy Lam - Member  
Mr. Nguyen Van Binh – Member  
Mr. Wilson Cheah Hui Pin – Member  
Mr. Tran Hoang Lam - Member

- **Supervisors Board includes:**

Mr. Dang Quoc Viet - Chief  
Mr. Tran Phuoc Thai - Member  
Mr. Ngô Van Duy Nhat - Member

11/09/2018

### 3.2 Operations of the Board of Management in 2018:

In 2018, the Board of Management organized 07 meetings, promulgated 22 Resolutions and 02 Decisions, approved many important contents regarding Company's business production activities. Meetings have full members of the Board of Management, members who absent all have authorization for attending.

In 2018, the Board of Management strengthened supervision on operations of the Executive Board and other managerial employees in order to ensure Company's operations to be safe, comply with the Law, implement Resolutions by General Shareholders' Meeting and the Board of Management. The Board of Management requested the Executive Board to make monthly report on business production result, implementation progress for resolutions by the Board of Management, provide information and explanation for related issues; raise difficulties and advantages in execution work. On basis of reports by the Supervisory Board in inspection, verification, request, the Board of Management organizes meeting to review, evaluate results of execution, promulgate Resolution to settle and implement related work.

Besides, the Board of Management also focus on risk management work, standardization for procedures, administration policies; strengthen inspection, supervision on implementation of procedures, policies in Company's operations; timely detect and correct weak points, ensure harmonious balance for benefits of Shareholders, Company as well as benefits of employees and implement obligations with the State's Budget.

Ha Long Canned Food Joint Stock Corporation step by step towards to study the Company's administration policy according to the modern model of organization and administration in order to single step standardize the management, execution work; limit risks in business production activities, at the same time ensure transparency and facilitate for Shareholders as well as management authorities can effectively implement their functions of supervision, inspection, and control.

### 3.3 Salary, incentives, reward and other benefits of BOM in the fiscal year 2018:

STT	Họ và tên	Chức danh		Thù Lao	CP tham gia tiêu ban HĐQT	Lương	Tổng
No.	Full name	Position		Reward	Cost of participate in BOM subcommitte	Salary	Total
1	HỘI ĐỒNG QUẢN TRỊ BOM			700,000,000	749,000,000	-	1,449,000,002
2	Bùi Quốc Hưng	Chủ tịch	Chairman	136,506,696	84,000,000		220,506,696
1	Kek Chin Ann	Phó chủ tịch	Vice Chairman	136,709,558	252,000,000		388,709,558
3	Mai Xuân Phong	Phó chủ tịch	Vice Chairman	126,850,403	84,000,000		210,850,403
4	Phạm Hữu Quý Lâm	Thành viên	Member	97,577,233	168,000,000		265,577,233
5	Thái Bá Nam	Thành viên	Member	90,375,587	77,000,000		167,375,587
6	Nguyễn Văn Bình	Thành viên	Member	97,577,233	84,000,000		181,577,233
7	Wilson Cheah Huipin	Thành viên	Member	7,201,646			7,201,646
8	Trần Hoàng Lâm	Thành viên	Member	7,201,646			7,201,646



II	BAN KIỂM SOÁT Supervisory Board			100,000,000	-	192,000,000	292,000,000
1	Đặng Quốc Việt	Trưởng ban	Team leader			192,000,000	192,000,000
2	Ngô Văn Duy Nhất	Thành viên	Member	50,000,000			50,000,000
3	Trần Phước Thái	Thành viên	Member	50,000,000			50,000,000

- Notes: Salary of the BOM, Supervisory Board is implemented in accordance with approved Resolution by annual General Shareholders' Meeting in 2018.

### 3.4 Share transaction of internal shareholders:

In 2018, Ha Long Canned Food Joint Stock Corporation had no share transaction by internal shareholders.

### 3.5 Contract or transaction with internal persons

- In 2018, Company has no transactions with internal persons.

### 3.6 Implementation on regulation of Corporate governance

Ha Long Canned Food Joint Stock Corporation always comply with and implement in accordance with regulations of the Enterprise Law, Company Charter and internal regulation on Corporate Governance.

Dear Shareholders, hereafter Company's Board of Management would like to present the Company's Business Production Plan in 2019 and would like to have opinions of Shareholders.

## 4- Business Production Plan in 2019:

- Total consolidated Revenue is of 538,292 billion dong

*Of which: Revenue of domestic goods is of 420,092 billion dong;*

*Revenue of exported goods is of 118,2 billion dong.*

- Consolidated Profits (before tax) is of 14,037 billion dong;

- Consolidated Profits (after tax) is of 11,343 billion dong.

- Percentage of dividend expected to share for shareholders is: 15%/year

*(Detailed measures to implement targets in the Plan 2019, the Board of General Directors will report in the report by the Board of General Directors to you).*

The year 2019, although there are many difficulties, with strategic orientation by the Board of Management and efforts of General Director, the Executive Board with all Company's employees, Party, Trade Union Organizations, whole-hearted opinion contribution by Shareholders and support by Hai Phong City local authorities...we believe that the year 2019 will have positive change. HA LONG CANFOCO will single step firmly occupy domestic market share and expand export market, refresh and develop HALONG CANFOCO's brand...develop the Company with many good results.

On behalf of the BOM, I would like to thank all Shareholders for your trust in us and regularly monitoring and supporting us in past years.

We would like to sincerely thanks to members of BOM in past years for making a lot of efforts, whole-hearted and timely instruction for all fields of Company's business production activities.

We would like to thanks to the Board of General Directors, the Supervisory Board, executive personnel and all employees for devotion, hard-working, creativeness in implementing assigned tasks, making effort contribution together with Company to overcome difficult stage – step forward to new development stage with many good results and new achievements.

Wish you health, success in work and life.

For and on behalf of BOM

**CHAIRMAN**

**BUI QUOC HUNG**

