

Hai Phong City, 10 June, 2020

**REPORT OF GENERAL DIRECTOR BOARD ON COMPANY'S OPERATIONS IN 2019
AND PLAN FOR 2020**

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

- Pursuant to the Law on enterprises No. dated 68/2014/QH13;
- Pursuant to the Charter of Ha Long Canned Food Joint Stock Corporation;
- Based on the figures on the audited consolidated financial statements in 2019 of PwC - Vietnam Co., Ltd.; and the actual production and business situation of Ha Long Canned Food Joint Stock Company in 2019.

The Company's General Directors Board would like to report to the annual General Shareholders' Meeting in 2020 the following main contents:

- (1) Company's Operations result in 2019
- (2) Plan in 2020.

In details:

1. Report production and business results; Analysis of basic targets in 2019 (consolidated):

1.1. Report on business results in 2019 (extracted from the 2019 audited consolidated financial statements of PwC - Vietnam Co., Ltd.):

Unit: Billion dong

CRITERIA	PLAN 2019	IMPLEMENTED 2019	IMPLEMENTED 2018	COMPARASION	
				IMPLEMENTED 2019/ IMPLEMENTED 2018	IMPLEMENTED 2019/ PLAN 2019
1 - Company's revenue of good and service	538.292	574.851	476.651	120.6%	106.8%
- Domestic goods Revenue	420.092	408.922	381.878	107.1%	97.3%
- Export revenue	118.200	165.928	94.774	175.1%	140.4%

CRITERIA	PLAN 2019	IMPLEMENTED 2019	IMPLEMENTED 2018	COMPARASION	
				IMPLEMENTED 2019/ IMPLEMENTED 2018	IMPLEMENTED 2019/ PLAN 2019
2 - Cost of goods sold	418.109	445.188	371.019	120.0%	106.5%
3 - Gross profit from Sales and Services	120.183	129.663	105.633	122.7%	107.9%
4 - Income from financial activities	0.200	1.308	5.909	22.1%	653.8%
5 - Financial expenses	2.973	4.146	1.487	278.9%	139.5%
- In which: interest expenses	2.193	3.429	1.062	323.0%	156.4%
6 - Selling expenses	74.228	80.159	77.419	103.5%	108.0%
7 - General & administration expenses	29.046	32.811	34.858	94.1%	113.0%
8 - Profits from business activities	14.136	13.855	(2.222)	623.5%	98.0%
9 - Other income	0.200	3.079	1.934	159.2%	1539.7%
10 - Other expenses	0.300	0.332	0.556	59.7%	110.6%
11 - Other profit	(0.100)	2.748	1.379	199.3%	2747.6%
12 - Total profit before tax	14.037	16.602	(0.843)	1968.3%	118.3%
13 - Current income tax expense	2.694	1.990	1.578	126.1%	73.9%
14 - Profit after tax	11.343	14.612	(2.421)	603.5%	128.8%

1.2. Analysis of basic targets implemented in 2019/compared with the plan in 2019/compared to implemented in 2018:

Explanation	2018		2019	
	Accumulated all year	Average / month	Accumulated all year	Average / month
Consolidated Net Sales	476.65	39.72	574.85	47.90
Cost price	371.02	30.92	445.19	37.10
% cost price / revenue	77.84%		77.44%	
Selling expenses	77.42	6.45	80.16	6.68
% Selling expenses / revenue	16.24%		13.94%	
General & administration expenses	34.86	2.90	32.81	2.73
%General & administration expenses/ revenue	7.31%		5.71%	
Financial expenses	1.49	0.12	4.15	0.35
% Financial expenses/ Revenue	0.31%		0.72%	
Profit before tax	(0.84)	(0.07)	16.60	1.38
Profit after tax	(2.42)	(0.20)	14.61	1.22

According to the results above:

a. Net revenue:

Net revenue for the whole year of 2019 is VND 574.85 billion, reaching 106.79% of the plan for 2019 and an increase of VND 98,199 billion (equivalent to an increase of 20.6%) compared to the yearly net revenue. 2018 (VND 476,651 billion).

In which: + Revenue of domestic goods is VND 408.92 billion.
+ Revenue of export goods reaches 165.92 billion VND

Average net revenue / month in 2019 reached: VND 47.9 billion / month, an increase of VND 8.18 billion / month compared to the average net revenue / month of 2018 of VND 39.72 billion / month.

b. Cost / net sales (%):

+ Cost of goods sold:

Total cost of goods sold in 2019 is VND 445.19 billion - COGS / net revenue ratio is 77.44%. Cost of cost/net revenue ratio in 2019 decreased by 0.39% compared to 2018 and decreased by 0.23% compared to the plan.

+ Selling Cost:

Total selling expenses in 2019 are: VND 80.16 billion, the ratio of cost of sales / revenue is: 13.94%. The ratio of cost of sales / revenue in 2019 decreased by 2.3% compared to 2018 and increased by 0.15% compared to the plan.

+ *General & administration expenses:*

Total enterprise management expenses implemented in 2019 are: 32.81 billion dong. The ratio of administration expenses / net revenue was 5.71%, the ratio of administration expenses / net revenue in 2019 decreased by 1.61% compared to 2018 and increased by 0.31% compared to the plan.

The ratio of administration expenses / net revenue in 2019 of the Company decreased significantly compared to 2018. However, it still increased slightly compared to the plan (0.31%). The Company will try to promote measures to save costs and increase sales as implemented in Q4 2019.

+ *Financial expenses*

Total financial expenses in 2019 are: 4.15 billion VND, the ratio of financial expenses / net revenue is: 0.72%, an increase of 0.41% compared to 2018 and an increase of 0.17% compared to the next plan. 2019 plan (0.55%).

In the financial expense target, the Bank's interest expense in 2019 is: 3,424 billion dong.

By the end of December 31, 2019, the total amount of bank loans was VND 91,952,994,409.

In which: - Parent company borrowed: VND 49,720,854,409 (VCB - South HP and AGB)

- DN subsidiary borrowed: 42,232,140,000 VND (VCB - Da Nang)

c. *Profit:*

+ *Profit before tax in 2019:*

Profit before tax in 2019 was: VND 16.6 billion, an increase of VND 17.44 billion over the same period in 2018 and an increase of VND 2.56 billion (equivalent to an increase of 18.27%) compared to the plan.

The ratio of profit before tax / net revenue reached 2.98%, an increase of 3.07% over the same period in 2018 and an increase of 0.28% compared to the plan.

+ *Profit after tax in 2019*

Profit after tax in 2019 was VND 14.61 billion, an increase of VND 17.03 billion over the same period in 2018 and an increase of VND 3,269 billion (equivalent to an increase of 28.82%) compared to the plan.

The ratio of profit after tax / net revenue reached 2.54%, an increase of 3.05% compared to the same period in 2018 and an increase of 0.43% compared to the plan.

To achieve remarkable results in 2019 as the above figures, along with the direction of the BOM, the Board of Directors of the Company has been trying to develop and expand the market share, to develop more new categories and products (canned lotus seed/lychee/peach/spring rolls), to develop new sales channels (Cafe, Horeca, school and some other commercial channels). The BOD are also trying to increase sales, to offer effective management measures and to reduce costs, to stock pork material, to overcome difficulties caused by African swine cholera which caused pork prices to rise 2.5 to 3 times higher than the end of 2017 and early 2018.

The company also fulfill all obligations to the State Budget (in 2019 the company has paid 30.6 billion VND to the state budget) and strengthen the relationship with local authorities, to increase jobs and improve the spiritual life, to ensure the legitimate rights and interests of laborers (the average income/month at the parent company was VND 8.56 million/month).

1.3. Investment in 2019:

To implement the sales target, increase labor productivity, reduce product cost, increase quality and diversify products, ensure food safety and hygiene standards, In 2019 and early 2020, we have implemented

the following items of investment (according to the 2019 Investment Plan approved by the General Meeting of Shareholders) as follows:

No	ITEM	INVESTMENT PLAN 2019			IMPLEMENTED 2019	
		UNIT	QTY	AMOUNT	AMOUNT	TIME OF IMPLEMENTATION/ NOTE
A. SAUSAGE PLANT						
1	Upgrading pasteurized sausage manufactory plant - phase 1 (domestic procurement)	Package	1	300,000,000	299,040,310	
2	Upgrading air-conditioner system for pasteurized sausage plant (domestic procurement)	System	1	600,000,000	394,240,000	Feb 2020
3	Pasteurization system to produce chilled sausages	System	1	5,000,000,000		Not implemented because the technology has not been finalized yet
4	Buy sterilized sausage drying line	Line	1	4,500,000,000	4,620,000,000	March 2020
5	Buying tumbler for sausage plant to produce retort granulated sausage	Machine	1	2,500,000,000		Not implemented because the technology has not been finalized yet
6	Replace tumbler by vacuum mixer	Machine	1		256,464,000	March 2020
	TOTAL			12,900,000,000	5,313,280,310	
B. CANNED FOOD PLANT						
1	Buy box machine for canned	Machine	1	3,000,000,000	2,030,000,000	T3/2020

	manufacturer factory					
2	Labeller machine for canned product	Machine	1	1,500,000,000	865,000,000	T3/2020
3	Chopper and blender for canning factory	Machine	1	3,700,000,000	970,000,000	T3/2020
	TOTAL			8,200,000,000	3,865,000,000	
C.	TOTAL (A) + (B)			21,100,000,000	9,178,280,310	

(Nine billion, one hundred and seventy-eight million, two hundred and eighty thousand, three hundred and ten dong)

1.4. Financial statements 2019 (audited by PwC Vietnam Co., Ltd.) include:

Financial statements of the Parent Company; The consolidated financial statements with detailed contents has been published and posted on the Company's website: www.canfoco.com.vn. The following is a summary of figures:

1.4.1. Balance sheet (summary) - as at 31 December 2019:

CRITERIA	Number of the end of year	Number of the beginning of year	Increase/Decrease	Ratio
A. SHORT-TERM ASSETS	237.80	179.64	58.16	32%
I. Cash and cash equivalents	13.68	8.11	5.57	69%
II. Short-term financial investments	-	-	-	
III. Short-term receivables	36.83	16.65	20.18	121%
IV. Inventory	182.29	153.18	29.12	19%
V. Other Short-term assets	4.99	1.70	3.29	193%
B. LONG - TERM ASSETS	55.59	62.66	(7.07)	-11%
I. Long-term receivables	0.60	0.60	-	0%
II. Fixed assets	51.17	54.98	(3.81)	-7%
III. Real estate investment				
IV. Long-term unfinished assets	0.05	-	0.05	
V. Long-term financial investments				
VI. Other long-term assets	3.78	7.08	(3.30)	-47%
TOTAL ASSETS	293.40	242.30	51.10	21%
A. LIABILITIES MUST PAY	173.37	134.38	38.98	29%
I. Short-term debt	169.41	127.92	41.49	32%
II. Long-term debt	3.95	6.47	(2.51)	-39%
B. EQUITY	120.03	107.92	12.11	11%

<i>CRITERIA</i>	Number of the end of year	Number of the beginning of year	Increase/Decrease	Ratio
I. Equity	120.03	107.92	12.11	11%
II. Other sources of funding and funds				
TOTAL EQUITY	293.40	242.30	51.10	21%

1.4.2. Basic financial indicators:

Sn	<i>CRITERIA</i>	Unit	2019	2018
1	Property structure			
	- Long-term assets / Total assets	%	18.95%	25.86%
	- Short-term assets / Total assets		81.05%	74.14%
2	Capital structure			
	- Liabilities / Total capital	%	59%	55%
	- Owner's equity / Total capital		41%	45%
3	Solvency			
	- Fast solvency	Time	0.33	0.21
	- Solvency of short-term debt		1.40	1.40
3	Profit margin			
	- Profit before tax / Total assets ratio		5.66%	-0.35%
	- Profit after tax / Net revenue ratio	%	2.54%	-0.51%
	- Profit after tax / Charter capital ratio		29.22%	-4.84%

1.4.3. Salary of General Director in 2019:

Gross salary: 120 million /month

Payment method:

- 80% of the agreed salary shall be paid monthly
- 20% of the agreed salary shall be considered and decided by the BOM to be paid by the end of the year subject to the business results of the Company.

2. Expected production and business plan for 2020 and implementation solutions

Target:

- Product development, product development, market development / brand development.
- Production and business to be effective, based on reasonable cost reduction and to ensure the company operation activities stably and development.

2.1. Business and production plan in 2020 (consolidated)

2.1.1. Basis for developing production - business plan in 2020:

- Based on the socio-economic situation in the country and abroad

- Based on the epidemic situation in Vietnam and the whole world (African swine cholera epidemic, Covid 19 epidemic...)
- Based on the development trend of food / beverage industry ...
- Based on the market development / trade development plan

2.1.2 Production - Business Plan 2020 (Consolidated):

CRITERIA	THỰC HIỆN 2019	KẾ HOẠCH 2020	Kế hoạch 2020 / Thực hiện 2019
1 - Revenue of goods and service	574.851	620.000	108%
- Domestic goods Revenue	408.922	463.000	113%
- Export revenue	165.928	157.000	95%
2 - Cost of goods sold	445.188	481.200	108%
3 -Gross profit from Sales and Services	129.663	138.800	107%
4- Income from financial activities	1.308	1.300	99%
5 - Financial activities expenses	4.146	5.700	137%
- In which: interest expenses	3.429	5.200	152%
6 - Selling expenses	80.159	82.200	103%
7 - General & administration expenses	32.811	31.200	95%
8 - Profits from business activities	13.855	21.000	152%
9 - Other income	3.079	200	6%
10 - Other expenses	332	200	60%
11 - Other profit	2.748	0	0%
12 - Total profit before tax	16.602	21.000	126%
13 - Current income tax expense	1.990	4.200	211%
14 - Profit after Corporate income tax	14.612	16.800	115%

In which: Including Production - Business Plan in 2020 of the Parents Company and Subsidiary. Please to refer in the following 2 tables:

2.1.3. Production - Business plan in 2020 of Ha Long Canned Food Joint Stock Company - Parent company:

CRITERIA	IMPLEMENTED 2019	PLAN 2020	PLAN 2020 / IMPLEMENTED 2019
1 - Revenue of good and service	401.221	463.000	115%
2 - Cost of goods sold	295.815	347.200	117%
3 - Gross profit from Sales and Services	105.406	115.800	110%
4 - Income from financial activities	115	100	87%
5 - Financial activities expenses	2.336	4.000	171%
- <i>In which: interest expenses</i>	<i>2.252</i>	<i>4.000</i>	<i>178%</i>
6 - Selling expenses	73.775	75.800	103%
7 - General & administration expenses	23.512	22.000	94%
8 - Profits from business activities	5.898	14.100	239%
9 - Other income	2.827	100	4%
10 - Other expenses	156	200	129%
11 - Other profit	2.672	-100	-4%
12 - Total profit before tax	8.570	14.000	163%
13 - Current income tax expense	918	2.800	305%
14 - Profit after Corporate income tax	7.652	11.200	146%

2.1.4. Production - Business plan in 2020 –Halong Canfoco Danang Company Limited :

CRITERIA	IMPLEMENTED 2019	PLAN 2020	PLAN 2020 / IMPLEMENTED 2019
1 - Revenue of goods and service	207.245	207.000	100%
- <i>Domestic goods Revenue</i>	<i>41.316</i>	<i>50.000</i>	<i>121%</i>
- <i>Export revenue</i>	<i>165.928</i>	<i>157.000</i>	<i>95%</i>
2 - Cost of goods sold	184.040	184.000	100%
3 - Gross profit from Sales and Services	23.205	23.000	99%
4 - Income from financial activities	1.193	1.200	101%
5 - Financial activities expenses	1.810	1.700	94%
- <i>In which: interest expenses</i>	<i>1.177</i>	<i>1.200</i>	<i>102%</i>
6 - <i>Selling expenses</i>	6.384	6.400	100%

7 - General & administration expenses	9.298	9.200	99%
8 - Profits from business activities	6.905	6.900	100%
9 - Other income	84	100	119%
10 - Other expenses	36	0	0%
11 - Other profit	48	100	209%
12 - Total profit before tax	6.953	7.000	101%
13 - Current income tax expense	1.072	1.400	131%
14 - Profit after Corporate income tax	5.881	5.600	95%

2.2. Solutions to implement business and production plan in 2020 (Consolidated):

a. Resolution for revenue:

- In 2020, the Board of Directors will continue to improve product quality, increase the category, existing products with specific solutions such as further research, application and transfer of new technology to improve the quality and diversify of products to diversify the weight, packaging, and new categories.
- In addition to the main sales channels such as GT channel (traditional sales channel - sales through distributors) and MT channel (modern sales channel - sales through large supermarkets), the company has expanded its direct sales channels to restaurants, hotels, schools, aviation, industrial parks and major beverage chains (Channel Café) ... with their own product-weighting weights packaged for these channels. Specifically, continue to develop and diversify the packaging of the Company's key product groups such as: traditional pate, oiled tuna, steamed pork, ground pork, pasteurized sausage ...
- Continue develop and diversify fruit canned products and other products for big beverage chains such as The Coffee House; Phuc Long Coffee & Tea ... with products such as canned lotus seeds, lychee, peach, dried lotus seeds ...
- In 2020 and the coming years, the Company is expected to have direct access to consumers in general and young consumer in particular (potential generation of customers) in order to stimulate consumer demand. With our company plans to open "HALONG CANFOCO convenient food chain" with the purpose of introducing, instructing how to cook dishes "FAST - ENERGY – CONVENIENT "from our Company's products. Also, through "HALONG CANFOCO convenient food chain", we can explore the tastes, real needs of consumers about the products and open online food sales channel to sell directly to consumers / in accordance with the current buying trend of consumers and young people ...;
- To access and introduce products of the Company at events, residential areas, school system (University/High School/ Preschool...) to promote and brand the HALONG CANFOCO, to approach the customer class in line with the product and the younger generation.
Above are the solutions to increase sales in the domestic market.
- In addition to the resolution to develop new products and brands as above, in 2020, the Board of General Directors will develop more categories of spice channel, sauce ... by outsourcing or corporation with manufacturers whose products have been accepted by the market ... to process products with HALONG CANFOCO brand to approach and explore and develop the market of new products...
- Regarding export markets:
 - + Continue to expand export markets in traditional markets such as Europe, America, Asia, Australia ...
 - + The company is expected to export products with the brand HALONG CANFOCO to the market of Asean and China to increase sales and brand development ...

b. Solutions on costs and profits:

In 2019 and the first half of 2020, Vietnam as well as the whole world have been suffer from epidemic of cattle which made the crisis of shortage, scarcity and push the price of pork raw materials many times higher compared to the end of 2017 and early 2018. Over the past year, the price of pork increased from VND 80,000/kg to \geq VND 90,000/kg. The Covid 19 pandemic and its containment measures have brought the entire world economy to a standstill and disturbance.

To cope with difficulties when the Company's main raw material price is the unprecedented high rise in pork, difficulties caused by COVID 19 in the world, the government's social distance policy, causing a great impact on sales of sausages, canned fruits ... Board of Director and the General Director proposed the following measures:

- Promptly forecast and assess the risk of crisis of domestic pork shortage (due to African swine cholera) and the world. Due to COVID 19, many leading export groups of pork and animal feed closed their business).
- To make purchasing plan, capital plan, looking for good price raw materials, buy reserve pork, ensure enough raw materials for production, stable cost of goods sold, overtime and increase productivity labor productivity, ensuring sufficient output of consumed goods when the market demand for reserves increases, increasing sales, implementing well the profit plan.
 - Strictly manage of production/investment costs of machinery, new production lines, to purchase and transfer new technologies... in order to increase labor productivity (reduce labor costs), reduce costs, raise high product quality, product diversification, reasonable price to create a competitive advantage.
 - Strictly control and manage the cost of all sales channels, industries, and time of sale to use cost effectively.
 - Regarding management costs, in 2020, the Board of Director will continue the implementation of the internal spending regulations, review and properly allocate personnel in the divisions and give specific norms for each department (attached to the JD) proceeding to assign salaries for each department. On the other hand, the Company will also have a specific plan in personnel work to train and improve the professional qualifications and staff for employees to self-study and research. professional documents, legal documents... to reduce consulting costs and other outsourcing costs, reduce administrative costs, reduce the percentage of administrative expenses/revenue to increase profits while ensure all common activities of the Company.
 - In addition to solution to increase revenue, control and save costs to implement the production and business plan in 2020 and gradually implement the goals and orientations of the Company, the Company has fulfilled its obligations to the State Budget; gradually improve working condition and income for employees, build good relationships between the Company and local authorities of Ngo Quyen District, Hai Phong City and have actively participated in environmental protection, charitable work and community support ...

Above is the Report of the Board of Directors on production and business activities in 2019 and the production and business plan in 2020. Company's General Director Board would like to report to Shareholders and would like to receive contributive opinions for the Company's management getting better.

Best Regards,


GENERAL DIRECTOR

KEK CHIN ANN