

No: 01/BC-KTNB

*Hai Phong, March 31<sup>st</sup>, 2024*

**REPORT OF BOARD OF DIRECTORS' INDEPENDENT MEMBER  
OF THE AUDIT COMMITTEE**

**AT THE GENERAL MEETING OF SHAREHOLDERS 2024**

Independent member of the Board of Directors - Chairman of the Audit Committee, Tien Phong Plastic Joint Stock Company, would like to report to the General Meeting of Shareholders the following contents:

**I. ACTIVITIES OF THE AUDIT COMMITTEE**

**1. Members and structure of the Audit Committee during the term**

The Audit Committee (“Audit Committee”) is directly under the Board of Directors (“BOD”) of Tien Phong Plastic Joint Stock Company, including 2 members, 01 Chairman of the Audit Committee who is an independent member of the Board of Directors and 01 is a non-executive member of the Board of Directors. All members of the Audit Committee meet the standards prescribed by law, the Company's charter and the Audit Committee regulations. The personnel structure of the Audit Committee in 2023 is specifically as follows:

<b>Full name</b>	<b>Starting date as a member of the Audit Committee</b>	<b>Position title</b>
Dao Anh Thang	14/04/2021	- Chairman of the Audit Committee - Independent member of the Board of Directors
Nguyen Viet Phuong	14/04/2021 (dismissed from 05/05/2023)	- Member of Audit Committee - Member of the Board of Directors
Bui Duc Long	05/05/2023	- Member of Audit Committee - Member of the Board of Directors

**2. Activities of the Audit Committee**

In 2023, the Audit Committee organized 04 meetings with the content of approving the results of appraisal of the 2022 Financial Report, the audited 2023 Semi-Annual Financial Report, reviewed the internal audit plan, evaluated internal audit activities, risk management and other monitoring work as required.

The Audit Committee fully participated in monthly/quarterly briefings and extraordinary general meetings of the Board of Directors and Board of Management to grasp the actual production and business situation and perform a supervisory role on the following issues:

- Supervise compliance with the Company's Charter and current legal regulations in the management and administration of the Company's production and business activities.
- Supervise the implementation of Resolutions of the General Meeting of Shareholders and supervise the activities of the Board of Directors and Executive Board.
- Supervise the implementation of production and business plans.
- Review quarterly/semi-annual/annual financial statements and evaluate the impact of key issues stated in the Independent Auditor's Audit Report.
- Direct and supervise the activities of the Internal Audit Committee, give opinions to improve the effectiveness of the internal control and risk management system.
- Recommendation to select an independent auditing company; Monitor and evaluate the independence and objectivity of the audit firm and the effectiveness of the audit process.

With the role of reviewing and supervising financial activities and independent audit activities, analyzing potential risks in the Company's business and financial activities, Audit Committee promptly analyzed and proposed solutions to problems arising during operations to the Board of Directors within the scope of authority stipulated in the Company's Charter.

### **3. Remuneration, operating expenses and other benefits**

Remuneration, operating expenses and other benefits of the Audit Committee and each member of the Audit Committee comply with the provisions of the Enterprise Law and the Company's Charter. Detailed information was presented in the 2023 Consolidated Financial Statements.

## **II. REPORT OF BOARD OF DIRECTORS' INDEPENDENT MEMBER**

### **1. Supervising result for the Board of Directors and the Board of Management**

In 2023, the Audit Committee supervised the activities of the Board of Directors through meetings, discussions, and methods of making Resolutions/Decisions of the Board of Directors, and at the same time supervised the activities of the Board of Management through the implementation of Resolutions/Decisions of the Board of Directors as well as the mechanism of decentralization between the Board of Directors and the Board of Management. Specifically:

- Resolutions and Decisions of the Board of Directors were issued according to the correct authority, in accordance with the order and procedures according to the Enterprise Law and the Company's Charter, in accordance with business practices, meeting management requirements and also as the Company's general development strategy.
- The Board of Directors has well performed the function of directing development for the Company through planning, controlling and adjusting strategic decisions. In addition, the Board of Directors also regularly supervised, directed, and coordinated

closely with the General Director and the Board of Management to find solutions and overcome difficulties in business operations and management.

- The Board of Management has organized and operated business activities in accordance with Resolutions and Decisions from the Board of Directors and complied with the provisions of the Company's Charter and Regulations. Key decisions of the Board of Management were analyzed and consulted with the Board of Directors to come up with appropriate solutions for the Company.

## **2. Supervising result of independent audit services, financial reports, operations and financial situation of the Company**

KPMG Vietnam Company Limited is the auditing unit selected to audit the Company's Consolidated Financial Statements and Separate Financial Statements. Through independent audit quality supervision and assessment by the Audit Committee, KPMG has met key assessment criteria such as: ensuring reliability, honesty and quality of financial statement audit reports; comply with regulatory audit deadlines; Comply with professional regulations, ensure independence and objectivity when giving audit opinions.

Based on the audited financial statements, the Company's 2023 business results are as follows:

Unit: billion dong

<b>Target</b>	<b>Plan of the 2023 Shareholders' Meeting</b>	<b>Implementation of 2023</b>	<b>Percentage of implementation compared to plan</b>
Product sales revenue	5.875	5.084	87 %
Pre-tax profit (separate report)	535	641	120%

In 2023, pre-tax profit for the year (on separate report) reached 120% of the plan, completing the profit plan target set by the General Meeting of Shareholders. However, the Company did not meet its revenue plan when product sales revenue on the consolidated report reached 87% of the plan, as well as a decrease of 9.5% compared to product sales revenue in 2022. The reason for the lack of product sales revenue was due to the reduction in selling prices twice from the third quarter of 2022, each time decreasing by 5% for UPVC product lines; Due to reduced consumption when the real estate market slowed down, the demand for construction materials in general and the plastic pipe industry in particular decreased. In 2023, the ratio of business management costs/net revenue and the ratio of selling costs/net revenue both increase compared to 2022, in which the ratio of business management costs/net revenue increased from 2.72% to 3.67%, the ratio of selling expenses/net revenue increased from 10.91% to 12.22%. However, the cost price/net revenue ratio decreased from 75.54% in 2022 to 69.93% in 2023, the main reason being the decrease in raw material prices, helping profits in 2023 increase compared to 2022.

Regarding the situation of receivables, the debt balance as of December 31, 2023 increased insignificantly compared to the balance as of December 31, 2022 (0.3%

equivalent to 2.9 billion VND). The average collection period in 2023 increases compared to 2022 (from 53 days to 61 days).

As of December 31, 2023, the Company's debt/total asset ratio did not decrease significantly compared to the level as of December 31, 2022 (2023: 42.87%; 2022: 44.1%).

ROA and ROE in 2023 both increased compared to 2022 (ROA increased from 9.63% to 10.64% and ROE increased from 17.32% to 18.82%).

From the above indicators, it shows that the Company's financial situation and profitability were stable, using capital and assets effectively.

### **3. Assessment of transactions between the company and related parties**

In 2023, the Company announced stock transactions of members of the Board of Directors, General Director, other executives of the Company and related people to the authorities in accordance with current regulations.

The Company's transactions with the above related companies in 2023 were detailed in Note No. 35 - Major transactions with related parties in the Company's separate financial statements.

The control of conflicts of interest was established to ensure strict control of transactions between related parties and people with related interests. The independent audit report and internal audit report did not detect any cases of conflict of interest in related party transactions.

### **4. Evaluation results of internal control and risk management systems**

The Company's risk management and internal control system is established and maintained in all activities within the company through specific regulations on the functions and operational tasks of divisions/departments/factories, cross-checking mechanism, monitoring mechanism, reporting mechanism at all levels.

The Audit Committee has coordinated with the Board of Management to regularly closely follow market developments to promptly grasp fluctuations in existing risks as well as key emerging risks to have appropriate response measures to achieve highest business results.

### **5. Evaluation results of internal audit**

In 2023, Internal Audit continues to be the third layer of defense in the Company's enterprise risk management system. Internal audit approaches and procedures are consistent with regulations and guidelines on Internal Audit. The annual internal audit plan is prepared according to the principle of closely following key risks in the Company's operations.

In addition to its independent assessment role, Internal Audit also effectively participates in improving the Company's internal control and risk management system. In audit reports, Internal Audit regularly makes recommendations to help the Company adjust and supplement controls to prevent and promptly detect key risks in operations, which are promptly applied and implemented by departments.

The Audit Committee always monitors and supervises to ensure effective internal audit activities.

## **6. Evaluate the coordination between the Audit Committee with the Board of Directors, General Director and shareholders**

The Board of Directors and the Board of Management of the Company promptly provided information and documents on the Company's management and business operations at the request of the Audit Committee, supporting and creating conditions for the Audit Committee to carry out its function.

The Audit Committee directly participates in meetings of the Board of Directors and Board of Management, contributing opinions on issues related to the management, production and business activities of the Company. The opinions and recommendations of the Audit Committee were received by the Board of Directors and the Board of Management and provided timely guidance.

In 2023, the Audit Committee did not receive recommendations or inspection requests from shareholders.

## **7. Recommendations and operating directions of the Audit Committee**

In order to achieve operational goals, the Audit Committee sets out the operating direction for 2024 as follows:

- Carry out the function of inspecting and monitoring the activities of the Board of Directors and Board of Management; Monitor transparency and legality in management and operations activities within the Company.
- Continue to maintain and improve the function of monitoring risk management and internal control activities according to the international practice framework to support and promote the Company in achieving its goals.
- Continue to maintain and increase monitoring activities of Internal Audit to raise employee awareness in fraud prevention and compliance within the Company.
- Monitor the service quality of the independent audit department in 2024.

Above is the Report of the Audit Committee respectfully submitted to the General Meeting of Shareholders for consideration and approval.

**CHAIRMAN OF AUDIT COMMITTEE  
INDEPENDENT MEMBER OF BOARD OF DIRECTOR**

**DAO ANH THANG**