| THANH THANH CONG – BIEN HOA<br>JOINT STOCK COMPANY | SOCIALIST REPUBLIC OF VIETNAM<br>Independence – Freedom – Happiness<br>*Tay Ninh, date 29 month 09 year 2021* |
|---|---|

# BOARD OF MANAGEMENT REPORT
# BUSINESS OPERATION FY 2020 - 2021

**Dear Shareholders,**

Dear General Meeting,

Pursuant to the Resolution of the General Meeting of Shareholders FY 2020 – 2021, The Board of Management would like to report to the General Meeting the Company business operation results for the fiscal year 2020 - 2021 with the following key figures:

## I. Overview of the macroeconomic and the sugar industry:

### 1. Forecasted surplus/deficit over the years

- In the 2020 – 2021 crop year, there was a shift in global sugar supply from shortage to slight surplus after the ongoing Covid-19 pandemic, affecting consumer demand.
- Commodity prices increased due to rising demand from China as well as the trend of commodity speculation when the pandemic broke out in Europe and the US. Raw sugar prices increased sharply from 12 c/lb to 19 c/lb from the hoarding needs of some countries and commodity speculation.

### 2. Production results for the 2020-2021 crop year

- Total domestic sugar production for the 2020 – 2021 crop year was approximately 600,000 tons, which declined by more than 20% compared to the 2019 – 2020 crop year. In addition, Vietnam imported more than 1.4 million tons of sugar, of which imported for domestic demand is more than 1.1 million tons.
- With the imposition of a temporary defensive tax since 16 February 2021 and up to now, the official anti-dumping tax rate is 42.99% and the official anti-subsidy tax rate is 4.65%. The total official anti-dumping and anti-subsidy tax rate is 47.64% for cane sugar products originating from Thailand. This decision to impose anti-dumping and anti-subsidy tax is valid for 5 years and can be reviewed in accordance with the law.
- The domestic price of sugar has increased continuously thanks to the tax imposition, the strengthening of anti-smuggling activities, and the support of world sugar prices.

## II. Evaluation of the results of business activities

Dear General Meeting,

In FY 2020 - 2021, TTC-BH has achieved the following targets:

In FY 2020 - 2021, total consumption volume continued to exceed 1 million tons and grew by 10% over the same period. Net revenue reached VND 14,925 billion, achieving 104% of the budget and increasing by 16% over the same period. The company's consolidated profit before tax reached VND 784 billion, achieving 118% of the budget and increasing by 53% over the same period.

## III. Implementation of key activities

Dear General Meeting,

To achieve positive results and exceed the budget, the Board of Management would like to present to the entire General Meeting the points achieved in FY 2020 - 2021 as follows:

### 1. Agriculture activities

- Vietnam's average sugarcane volume in FY 2020 - 2021 decreased by 40% compared to the previous year. Meanwhile, the Company's sugarcane volume only decreased slightly over the same period.
- The average CCS of the Company reached high level, equivalent to 101% of the same period.

### 2. Production activities

- Production output in FY 2020 - 2021 decreased slightly compared to the previous year. Production activities were flexibly adjusted to meet business demand. In addition, with the policy of improving recovery efficiency, minimizing overall loss in production, the plant's operation was well operated.
- For project management, some typical projects were implemented during the year such as rooftop solar power project, monorock rock sugar production project, and project to renovate waste-fired boiler to coal-fired. Business units have completed the investment projects and were well prepared for the production season. Project costs were well controlled and did not exceed the initial approved costs.

### 3. Sales activities

- With a flexible business strategy, in FY 2020 - 2021, TTC-BH has provided customers and consumers with more than 1,160 thousand tons of sugar of all kinds, reaching 110% over the same period. In which, thanks to the promotion of market share expansion with new products such as powdered sugar and mix sugar, the Export channel strived to strong growth in the 4th quarter, exceeding the budget and contributing to business growth.
- The selling price in the second half of FY 2020 - 2021 year was significantly improved thanks to the application of the defensive tax policy. Especially for the B2C channel, the

price of consumer sugar has increased three times following the government's policy of tax imposition on sugar imported from Thailand.

- In FY 2020 - 2021, the Company has diversified its product portfolio to meet diverse consumer demand. A series of sugar products and by-products have been researched and developed such as black sugar, caramel sauce, sugarcane syrup, canned sugarcane juice Miaha... to launch into the market, catching up with consumer trends. Particularly for the B2C segment, TTC-BH penetrated and developed the Co Ba brand with Co Ba sugar portfolio in 1kg, 500gr, and 12kg Co Ba bags, contributing to striking the unbranded sugar segment. The market was very welcome, the brand was friendly, and the design was beautiful.
- With the advantage of being the leading enterprise in Vietnam's sugar industry in terms of both market share and production technology, TTC-BH focused on expanding the market, developing more new product lines, researching and developing premium, high value-added products that serve consumers with the highest quality.
- Brand promotion activities were enhanced by re-branding, increasing Bien Hoa sugar brand awareness, especially for the common segment, through a series of multimedia campaigns such as sponsoring TV programs, implementing promotions, building fan pages,...
- By the end of the fiscal year, the B2C distribution network has covered more than 68,000 Retail Stores, 100 Distributors, 5,200 Supermarkets, and Convenience Stores.

**4. Supply chain activities**

In FY 2020 - 2021, the Supply Division has achieved the following targets:

- Production planning and material planning activities (weekly level) were centralized at the Head Office since December 2020 to help optimize resources and supply costs.
- The application of S&OP process operation as per KPMG's advice since April 2021 has facilitated the planning to closely follow the actual situation and provide recommendations for the operation of the entire supply chain, meeting the constantly changing market.
- Continued to restructure procurement activities by categories and applied the Kraljic model in procurement management.

**5. Finance and Accounting activities**

- In FY 2020 - 2021, the Company enhanced compliance and cost controlling, contributing to a profit of 784 billion. The Company has made efforts to maintain profitability from business activities, although the market situation of the Sugar industry in FY 2020 - 2021 year still faced many challenges.

- To achieve the above business results, the Company has simultaneously implemented information technology solutions, approached modern and scientific management methods to optimize resources.

**Changes in business performance**

| Items | Unit | FY 2019-2020 | FY 2020-2021 | % change |
|---|---|---|---|---|
| Net revenue | Billion VND | 12,889 | 14,925 | 16% |
| Operating profit | Billion VND | 522 | 791 | 52% |
| Other profit | Billion VND | -10 | -7 | -19% |
| Profit before tax | Billion VND | 512 | 784 | 53% |
| Profit after tax | Billion VND | 363 | 650 | 79% |

*(Source: Audited consolidated FS)*

Net revenue reached 14,925 BVND, increased by 16%, profit before tax reached 784 BVND, increased by 53% over the same period. Taking the difficult period of the sugar industry into account, the above results come from the Company's efforts to maintain the market, control costs, and ensure business efficiency.

**Assets**

Total assets as of 30 June 2021 reached 20,471 BVND, increased by 14% compared to 30 June 2020, equivalent to an increase of VND 2,515 BVND. In which, short-term assets reached 12,577 BVND, increased by 2,547 BVND, equivalent to 25% compared to the end of the previous fiscal year, while long-term assets reached 7,894 BVND, a slight decrease from 30 June 2020. Receivables from customers and Inventory increased by 772 BVND and 629 BVND respectively.

The proportion of short-term and long-term assets is as follows:

| No. | Items | 30/06/2020 | | 30/06/2021 | | % increase/decrease | |
|---|---|---|---|---|---|---|---|
| | | Value (BVND) | % | Value (BVND) | % | Value (BVND) | % |
| 1 | Short-term assets | 10,031 | 56% | 12,577 | 61% | 2,547 | 25% |
| 2 | Long-term assets | 7,925 | 44% | 7,894 | 39% | -31 | -0% |
| * | **Total assets** | **17,956** | 100% | **20,471** | 100% | **2,515** | 14% |

*(Source: Audited consolidated FS)*

**Debts and Owners' equity**

Total debt as of 30 June 2021 was 12,233 BVND, increased by 19% compared to 30 June 2020, of which long-term debt increased by 143% from 1,506 BVND to 3,661 BVND and short-term debt decreased by 1% from 8,807 BVND in the same period to 8,572 BVND. In FY 2020 – 2021, there is a shift in the Company's debt structure in line with the debt restructuring roadmap to optimize the Company's sources of capital. In addition, equity also increased from 7,642 BVND to 8,238 BVND as the Company issued more than 30 million ESOP shares, and the institutional investor CAPE YEOLLIM CORETREND GLOBAL FUND 1 carried out the conversion of all bonds worth 172 BVND into nearly 12 million common shares.

| No. | Items | 30/06/2020 | | 30/06/2021 | | % increase/decrease | |
|---|---|---|---|---|---|---|---|
| | | Value (BVND) | % | Value (BVND) | % | Value (BVND) | % |
| 1 | Short-term debt | 8,807 | 85% | 8,572 | 70% | -236 | -5% |
| 2 | Long-term debt | 1,506 | 15% | 3,661 | 30% | 2,155 | 143% |
| * | **Total debt** | **10,313** | **100%** | **12,233** | **100%** | **1,919** | **19%** |
| 1 | Capital | 6,084 | 80% | 6,388 | 78% | 304 | 5% |
| 2 | Undistributed earnings | 282 | 4% | 844 | 10% | 562 | 199% |
| 3 | Other capital | 1,277 | 17% | 1,007 | 12% | -270 | -21% |
| * | **Owners' equity** | **7,642** | **100%** | **8,238** | **100%** | **596** | **8%** |

*(Source: Audited consolidated FS)*

## IV. Conclusion

In FY 2020 - 2021, with careful preparation, proactive attitude in making and implementing business plans, and consensus and efforts of all the employees, TTC-BH has achieved encouraging results in the context of the difficult sugar industry.

In the coming time, the Board of Management will continue to promote research and improvement activities to overcome existing limitations, as well as develop strengths to help the Company conquer strategic goals and complete strategic objectives step by step as expected by the shareholders and investors.

The Company's Board of Management would like to express our sincere thanks for the support of shareholders, the close direction of the Board of Directors, and to all employees for trusting and working together over the years.

# BOARD OF MANAGEMENT REPORT
# BUSINESS OPERATION BUDGET FY 2021 - 2022

Dear General Meeting,

To effectively execute the business performance in FY 2021 - 2022, The Board of Management would like to report to the General Meeting the Company's business operation budget for the fiscal year 2021 - 2022 with the following key content:

## I. Overview of the macroeconomic and the sugar industry:

### 1. World sugar market

- In the 2021 – 2022 crop year, it is expected that there will be a deficit of more than 1 million tons compared with the forecast 6 months ago of a surplus of 3 million tons, due to reduced output from Brazil, Thailand, and India. In particular, the sugar production of Brazil, the world's largest sugar exporter and accounting for 40% of global sugar exports, is estimated to have plummeted due to severe drought and frost affecting crop yields. This makes the global sugar supply forecast to continue to be in short supply.
- Economies such as Europe and the US begin to recover, which helps improve demand, resulting in a shift in supply and demand.
- In addition, money supply from the national governments, especially the US, causes inflation in many places. The dollar weakens, bond yields increase, so commodities are one of the good haven assets leading to speculation and pushing up commodity prices. However, currently, the situation of economies such as Europe and the US has begun to recover, the dollar has recovered from the bottom, commodity prices have also pushed to the top of 3-5 years, so there will be little room for increase, while the risk will also increase.
- In the Thai market, sugarcane volume did not increase since sugarcane price was 2 to 2.5 times lower than the cassava prices, making it difficult for sugarcane to compete with cassava. In addition, sugarcane's production cost is also higher than its selling price. Therefore, the sugarcane price in Thailand for the 2021 – 2022 crop is forecasted to increase by 30% compared to the 2020 – 2021 crop.

### 2. Domestic sugar market

- Vietnam's sugarcane volume in 2021 – 2022 crop is forecasted at less than 7 million tons, an increase of approximately 24% compared to the 2020 – 2021 crop, in which some areas did not increase such as the Western.

- In the 2021 – 2022 crop year, Vietnam is estimated to produce about 700-750 thousand tons, accordingly, it is expected that Vietnam will import more than 1 million tons to meet domestic demand.
- Vietnam's sugar price will depend on three main factors including world sugar price, smuggled sugar situation, and imported white sugar sources from countries other than Thailand.

## II. The budget target for FY 2021 – 2022:

Dear General Meeting,

In FY 2021 - 2022, TTC-BH sets the following plan targets:

In FY 2021 – 2022, total sales volume is expected to increase slightly, and market share maintains in established business segments. Budget net revenue shall reach 113% over the same period, equivalent to 16,905 BVND, and consolidated profit before tax shall be estimated at 750 BVND.

## III. Operation plan for FY 2021 – 2022:

Dear General Meeting,

To achieve the budget plan as stated, the Company's The Board of Management would like to present to the General Meeting the operation plan for FY 2021 - 2022 as follows:

### 1. Agriculture activities

- The Company mainly focuses on the expansion of material areas in Vietnam and Cambodia. In Laos (TTCA), we continue to develop the Organic sugarcane production area.
- Groups of solutions are also given corresponding to each specific object group:
  - Farmers: organize 5 training programs on agribusiness in which management skills and farming knowledge are developed,
  - Land: Continue to develop sustainable raw material areas through cooperation with third parties and direct ownership of the area,
  - Organizational system: Improve the policy system of "investment, purchase and contract farming field", use GPS in 100% of the truck system transporting harvested sugarcane, ensuring that 80% of the raw material area is checked by drones and 50% of the post-checked area is remedied as recommended, while simultaneously researching and testing flying drones to identify pests.
  - Techniques: Develop breeding covered 2,500 hectares to serve the new crops, increase soil nutrients by intercropping legumes, extensively apply technical and mechanization applications.

## 2. Production activities

Production volume in FY 2021 - 2022 is expected to grow by over 20% over the same period. To achieve this increase, the Company provides the following solutions to achieve for the coming year:

- Reduce production costs by 5% compared to the approved budget plan through weekly control of production materials, review and issue optimal production schedule, flexibly adjust the consumption of chemicals consistent with the quality of input materials.
- Satisfy sufficient volume and types of sugar for business by increasing the production volume at the factories and diversifying products such as liquid sugar supplied for domestic industrial customers, high-demand sugar products, ...
- Implement and exceed all the criteria for assessing the technical management capacity of the sugar industry by carrying out major repair work, maintenance work in line with the expected schedule, and issuing a set of assessment criteria for production management capacity.

## 3. Sales activities

- TTC-BH sets specific goals for each sales channel as follows:
    - MNC: focus on the quality of services
    - SME and Export: continue expanding
    - Trade: expand market in all three main regions in Vietnam
    - B2C: focus on the South and Central markets. Explore, develop, expand distributors in the North and West to gain more market share
- Continuing to promote brand promotion activities, the Company plans to carry out many marketing campaigns on many media platforms such as the Organic campaign, Tet campaign on Facebook, Youtube, or using KOLs, promotion programs for consumers of supermarket channel. In addition, TTC-BH will promote the consumption of the first canned sugarcane juice brand in Vietnam - MiaHa to penetrate the beverage industry.

## 4. Supply chain activities

In FY 2021 – 2022, the Supply Division sets the following goals:

- Complete reports on production - sales - inventory which are available in real-time from the ERP system.
- Build a team in charge of demand planning coordinating with sales, build demand plans according to monthly S&OP.
- Ensure the delivery success rate is over 99.38% in the context where the Covid pandemic is still going on

- Transform the logistics operation model according to the principle of centralization and apply the same system of standards in the management and operation of logistics activities.
- Execute the construction and put Northern DC into operation from 2023.
- Coordinate with the Scales project team to complete the project of automatic scales integrating ERP system at TTCS and rollout for other member companies.
- Deploy software on supplier selection and performance management, supplier relationship which integrate ERP to digitize purchasing activities.
- Use management reports of the ERP system to have in-depth analysis and come up with optimal purchasing tactics.
- Complete the Master Plan Optimization model - a modern platform application of a professional vendor.
- Research and implement warehouse management software project WMS.
- Implement FRM project for thoroughly managing the agriculture activities.

**5. Finance and Accounting activities**

- In FY 2021 - 2022, by implementing the ERP system, the Company expects to control revenue and expenses based on the set budget plan, thereby creating the basis for achieving profit after tax as stated.
- In addition, to support the 5-year strategy to be implemented in the coming period, the Finance Division sets out an appropriate action plan for FY 2021 - 2022:
    - Deploy budget planning module PBCS on ERP system
    - Convert financial statements from VAS to IFRS at member companies and consolidate financial statements on the ERP system.
    - Increase capital efficiency through optimizing capital costs, aiming to continue reducing short-term and long-term loan interest rates in line with market developments.
    - Ensure a healthy and balanced capital structure is maintained.

**Change in business performance**

| Items | Unit | Actual 2020-2021 | Budget 2021-2022 | % change |
|---|---|---|---|---|
| Net revenue | BVND | 14,925 | 16,905 | 13% |
| Profit before tax | BVND | 784 | 750 | -4% |

o *(Source: Approved budget plan)*

Net revenue is estimated at 16,905 VBND, increased by 13%, profit before tax is expected to reach 750 BVND, decreased slightly compared to the same period. In the period when the sugar industry has many competitors and challenges, the Company aims to strive to maintain the market, control costs, and ensure business efficiency.

## IV. Conclusion

FY 2021 - 2022 will be the pivotal year for TTC-BH to achieve the 5-year plan, completing the set mission step by step. That journey requires the efforts of all employees and the shareholders' companionship.

In the coming period, the Board of Management will continue to limit the weaknesses and maximize the strengths of the Company to conquer the goals and expectations of the shareholders and investors.

The Board of Management of the Company would like to express our sincere thanks for the support of shareholders, the close direction of the Board of Directors, and to all employees for trusting and working together over the years.

Above is the business plan for FY 2021 – 2022 that TTC-BH would like to report to the General Meeting of Shareholders.

Sincerely yours,

**CHIEF EXECUTIVE OFFICER**

3900244389 C.T.C.P CÔNG TY CỔ PHẦN THÀNH THÀNH CÔNG - BIÊN HÒA M.S.D.N H.TÂN CHÂU - T.TÂY NINH

**NGUYEN THANH NGU**