

No.: 02/BC-UBKT

Hai Phong, day month year 2022



**REPORT OF THE AUDIT COMMITTEE
AT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS IN 2022**

Members of the Independent Board of Directors – Chairman of the Audit Committee at Tien Phong Plastic Joint Stock Company ("Company"), would like to report to the General Meeting of Shareholders the following contents:

I. ACTIVITIES OF THE AUDIT COMMITTEE

Pursuant to the Law on Enterprises 2020 effective from January 1, 2021, Decree 155/2020/ND-CP detailing the implementation of a number of articles of the Securities Law, the Board of Directors ("BOD") of the Company has approved:

- Decision on the establishment of the Audit Committee from April 14, 2021.
- Promulgate the Regulation on operation of the Audit Committee in accordance with the current law.
- Appointment of an independent member of the Board of Directors as Chairman of the Audit Committee and all personnel of the Audit Committee.

At the reporting date, the structure of members of the Audit Committee consists of 02 members, including 01 independent Board member (accounting for 16.6% of the number of Board members).

The list of members of Audit Committee is as follows:

Full name	Start date as a member of Audit Committee	Position
Dao Anh Thang	4/14/2021	- Chairman of the Audit Committee Independent member of the BOD
Nguyen Viet Phuong	4/14/2021	- Member of the Audit Committee Member of the BOD

Due to the situation of transactions in 2021, the meetings of the Audit Committee are conducted online. Audit Committee has held 2 meetings in 2021 with the content of approving the appraisal results of semi-annual financial statements and 2021 financial statements audited by KPMG Co., Ltd., as well as agreeing on the work done in the year.



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In 2021, Audit Committee performed a supervisory role on the following issues:

- Supervise the compliance with the Company's Charter, the current provisions of law in the management and administration of production and business activities of the Company.

- Supervising the implementation of resolutions of the General Meeting of Shareholders and resolutions of the Board of Directors in 2021.

- Reviewing the financial statements and assessing the impact of material matters stated in the audit report.

- Directing and supervising the activities of the Internal Audit Department, providing opinions to improve the effectiveness of the internal control and risk management system.

- Propose the selection of an independent audit firm; Monitor and evaluate the independence and objectivity of the audit firm and the effectiveness of the audit process

The remuneration, operating expenses and other benefits of the Audit Committee and each member of the Audit Committee comply with the provisions of the Law on Enterprises and the Company's Charter. Detailed information has been presented in the consolidated financial statements for 2021.

II. PERFORMANCE REPORT OF THE AUDIT COMMITTEE

1. The monitoring results of the BOD and the Board of Management (BOM)

1.1 Activities of the Board of Directors

In 2021, the BOD issued Resolutions and Decisions to implement the plans approved by the General Meeting of Shareholders. Resolutions and decisions of the BOD are issued in accordance with the authority, order and procedures under the Law on Enterprises and the Charter of the Company, in accordance with business practice, meeting the requirements of management and business development needs as well as development strategies.

On a quarterly basis, the BOD holds meetings with the BOM to assess and update the business and financial situation, thereby discussing and making appropriate decisions on development strategies, management systems and governance policies necessary for the company.

The BOD regularly supervises and directs the General Director and the BOM in running daily production and business to provide directions and timely resolve requests for proposals, investment projects, new product development.

1.2 Activities of the Board of Management

The BOM has organized business activities in accordance with the Resolution and Decision from the BOM and in compliance with the provisions of the Charter and the Company's Regulations, and at the same time well implemented the regime of reporting

and disclosing information periodically and irregularly to listed companies in accordance with the provisions of law.

The BOM has both implemented the right strategy and had a contingency plan for all situations to achieve the current business results. This is even more remarkable when the business environment has many unfavorable conditions such as epidemics, broken supply chains, high prices of raw materials, but the BOM always promptly offers solutions to remove bottlenecks and difficulties in administration and management in order to improve production and business efficiency, including solutions mainly on markets, products, cost savings and production rationalization. In addition, the BOM always strives to ensure the rights of employees, build a professional working environment.

1.3 Monitoring results of the financial statements, the performance of the Company, the financial situation of the Company;

KPMG Vietnam Co., Ltd. is the auditor selected to audit the consolidated financial statements and separate financial statements of the Company. During the audit of financial statements, KPMG Company ensures the independence, objectivity, compliance with professional regulations when giving audit opinions.

The consolidated financial statements and separate reports of the Company have been audited by KPMG Co., Ltd. with the opinion of total acceptance. The financial statements are prepared and published in accordance with Vietnamese accounting standards and the provisions of current law.

Based on the audited financial statements, the business results of the Company in 2021 are as follows:

Unit: billion VND

KPI	Plan of the General Meeting of Shareholders in 2021	Result 2021	Percentage of implementation compared to plan
Revenue from sale of products	5.100	4.877	96%
Profit before tax (separate statement)	432	521	121%

Revenue from selling products in 2021 of the Company reached 96% compared to the plan set out in the General Meeting of Shareholders in 2020, although in the year the Company adjusted the increase in product sales price due to the increase in the price of raw materials. Unplanned sales revenue comes from a number of causes such as the Covid epidemic affecting business activities, strong competition from competitors,

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fluctuations in human resources and market development. Although the revenue plan was not achieved, the Company exceeded the profit before tax target compared to the plan. Specifically, profit before tax in 2021 (On separate report) increased 121% compared to the plan. In 2021, the Company also controlled costs well when the ratio of business management costs/net revenue and the ratio of selling expenses/net revenue in 2021 compared to 2020 both decreased.

Regarding the situation of receivables, the outstanding balance at 31/12/2021 decreases by 6% compared to the balance of receivables from customers at 31/12/2020 (equivalent to VND 48 billion). The majority of Distribution Centers (DCs) have reduced outstanding loans compared to 2020, in which the largest decrease in outstanding loans is Minh Hai Import Export Trading Co., Ltd ("Minh Hai Distribution Center") because from 2019 to now, Minh Hai Distribution Center has stopped selling goods, only performing debt collection transactions. Outstanding receivables from Southern Tien Phong Plastic Joint Stock Company ("TPN") as of December 31, 2021, increased 150% (equivalent to VND 170 billion) compared to the data on December 31, 2020. However, this TPN receivable is expected to be recovered by the Company.

At 31/12/2021, the balance of provision for doubtful receivables is unchanged from the data at 31/12/2020. Overdue debts mainly come from works/projects due to late disbursement and settlement process.

The average collection period in 2021 has decreased compared to 2020 (from 70 days to 62 days), reflecting the company's efforts to recover debts.

At 31/12/2021, the debt/ total assets of the Company is 45%, up from 34% at 31/12/2020.

The ROA and ROE indexes in 2021 were kept at the same level as in 2020, showing that despite the volatile and difficult year 2021, the Company still uses equity and assets effectively to generate profits for shareholders.

3. Evaluation of transactions between the company and related parties

In 2021, the Company has made a notice of trading shares of members of the Board of Directors, General Director, other executives of the Company and related persons to the authorities at least three working days in advance when carrying out transactions in accordance with current regulations.

The Company's transactions with the above related companies in 2021 are detailed in Note 36 – Major transactions with related parties in the Company's separate financial statements.

Transactions with these companies have been submitted to the Board for consideration and approval of the principle contracts of the above companies. According to this decision, the Board of Directors of the Company is tasked to implement economic contracts with the above related companies; each year at the end of the financial year, the Board of Directors is responsible for reporting to the Board of Directors on the implementation of principle contracts with these companies.

4. Evaluation results on the internal control and risk management system

The Board of Directors and the Board of Management have regularly followed market developments, forecasting and devising appropriate business plans to limit environmental, economic, legal, industry-specific and other risks;

The BOM of the Company's quality system regularly reviews, supplements and issues new documents, including organizational and operational regulations of specialized departments, regulations related to operation activities, improving the effectiveness of the internal control system;

The Audit Committee has identified the changed legal provisions related to corporate governance; advising the Board of Directors on the organization methods in accordance with the new legal provisions.

5. Assess the coordination between the Audit Committee and the Board of Directors, General Director and shareholders.

The BOD and the BOM of the Company have provided timely information and documents on the management and administration of the Company's business activities at the request of the Audit Committee, supporting and facilitating the Audit Committee to perform its functions. The comments and recommendations of the Audit Committee have been received by the BOD and the BOM and directed to the units/departments in a timely manner.

6. Recommendations of the Audit Committee

Financial position

Strengthen the control of receivables. For bad debts, the provision was made for Minh Hai DC, the Board of Management directed related departments to cooperate with Minh Hai DC to close and collect debts.

Currently, the world oil price fluctuates due to the political situation, which leads to a huge fluctuation in the price of plastic raw materials, which may affect the Company's ability to complete the 2022 profit plan. The company needs to update the situation of the oil market and plastic seeds and have a plan to store raw materials for production and business.

In terms of general administration

Develop and improve the risk management framework for the Company.

Complete the construction of norms at the Mechanical Factory, continue to review and evaluate the results of the implementation of new norms at other production plants to ensure the rationality and conformity with the reality of the new norms applied.

Continue to recruit and consolidate the whole human resources system at the two Market Development Departments to serve as a prerequisite for the implementation of the business plan approved by the Board of Directors and the Board of Management.

Build and synchronize the digital management system at factories and functions throughout the Company to serve as a prerequisite for the development and application of the ERP system for the whole Company in the near future.



Continue to update and improve the system of internal management, management and administration documents, operating procedures of departments/divisions in order to standardize operations and improve the effectiveness of the internal control system.

Above is the report of the Audit Committee for submission to the General Meeting of Shareholders for consideration and approval.

Recipient

- Shareholders
- Board
- Filed: Audit Committee

Chairman of the Audit Committee

Independent Member of BOD



DAO ANH THANG