

Hanoi, April 8, 2025

## **BOARD OF DIRECTORS REPORT ON THE COMPANY'S ACTIVITIES IN 2024**

**To: General Meeting of Shareholders of Hanoimilk Joint Stock Company**

The Board of Directors of Hanoimilk Joint Stock Company ("Hanoimilk") would like to report as follows on the Company's activities in 2024.

### **I. DIFFICULTIES, ADVANTAGES, OPPORTUNITIES AND CHALLENGES**

#### **1. General situation in 2024:**

The world economy in general has many difficulties, uncertainties, and unpredictable developments due to the consequences of the Covid-19 pandemic, the war in Ukraine, political conflicts in the Middle East and some other places that have disrupted the global supply chain, so the import of machinery and equipment is difficult (price increases and delivery deadlines are extended). Global inflation, exchange rate fluctuations and rising logistics costs make the prices of input materials such as skim milk, fatty milk, sugar, etc. etc. The pressure to comply with regulations on food safety standards, the environment, and reducing carbon emissions also causes production costs to rise.

However, Vietnam's economy has recovered with a GDP growth rate of 7.09% for the whole year of 2024, a sharp improvement compared to the growth rate of 5.05% in 2023. In particular, the dairy industry has also seen growth again, although still very low compared to many years ago, but also reaching 3.1% compared to 0.5% in 2023. The demand for milk in Vietnam is still stable and tends to increase thanks to the development of the young population, the expansion of the middle class and the increasing awareness of dairy nutrition (The average milk consumption of Vietnamese people at the present time is about 26-28 liters of milk per person, it is forecasted that by 2030, it will reach at least 35-38 liters of milk per person). As a result, the dairy industry will continue to develop, increase the scale of milk production and processing and develop organic milk product lines, micronutrient and probiotic supplements, nut milk products (Topping) and plant-based milk (Plant-based milk).

In such a general context, many large dairy companies have experienced a decline in sales, are trying to do everything to maintain their market share, and at the same time compete for the market share of competitors. Big dairy companies still advertise heavily and carry out promotions (Trade push) with very high levels for stores and consumers.

Meanwhile, the export of yogurt to China is difficult because China still maintains the regulation requiring testing for all fermented products such as yogurt.

#### **2. Advantages and Difficulties, Opportunities and Challenges in 2024:**

In addition to the general situation as reported above, Hanoimilk has a number of difficulties, advantages, opportunities and challenges as follows:

So far, Hanoimilk has gradually regained its position and prestige in the dairy industry, the Hanoimilk brand (Master Brand) and IZZI are in the stage of gradually winning the trust of many consumers. However, the Company still mainly sells thanks to good quality products and reasonable prices, and has not been able to sell many goods at a higher selling price than the same type of products of competitors. Therefore, Hanoimilk's profit margin on revenue is still not high.

The company has only completed the issuance of individual shares, increased charter capital from VND 200 billion to VND 444 billion to swap debts and mobilized VND 100 billion to buy machinery and supplement working capital, has not yet issued 20 million individual shares to raise investment money for the Factory Upgrade and Expansion Project. Up to now, the Company has paid off the principal to the Banks but



has not yet paid off the interest debt, so it is still unable to directly borrow from the Bank. Therefore, the Company still has financial difficulties in the short term.

Despite the financial difficulties for many years, the Company still tightened its belts to implement the Factory Upgrade and Expansion Project and the Project to lease land for natural dairy cows in Van Khe commune and Hoang Kim commune, Me Linh district, Hanoi.

The company has completed Phase 1 and Phase 2 of the Factory Upgrade and Expansion Project with a total investment of VND 268 billion, of which it has invested in a new yogurt production workshop, invested in the installation of 02 new A3 Speed filling machine lines of Tetra Pak (Sweden), additional investment in mixing and auxiliary systems, warehouses and factory premises.. As a result, the capacity of the factory has been increased from 30 million to 100 million liters of milk/year, ensuring production for sales and processing for domestic and international partners.

In the context that the economy is still facing many difficulties, instability and unpredictable developments, negatively affecting production and business activities, there are many dairy enterprises with negative growth and/or mergers and acquisitions. This is a good difficulty and opportunity for businesses to do business methodically, develop sustainably, try their best, overcome challenges and gain market share from competitors. As an essential food manufacturer, which has persistently followed the path of quality competition for many years, Hanoimilk has made efforts to overcome difficulties and promote the available potential to rise in recent years.

The Board of Directors and all employees of the Company have persevered and strived to bring Hanoimilk to overcome many difficulties and rise strongly in the dairy industry. In the context of the overall growth of the dairy industry is very low, there are many dairy enterprises with negative growth, Hanoimilk still maintains continuous production and business activities, ensuring jobs for employees and profitable business, total sales revenue and processing revenue have grown impressively from 2020 to now (with an average growth rate of 39.1%/year). Hanoimilk is facing great opportunities to become a leading dairy company in Vietnam with a brand and sales system with a revenue of trillions of VND/year, the most modern and professional milk processing factory in the North, and a high-tech dairy farm with a scale of over 100 hectares in Hanoi. However, the Company still has a number of difficulties and challenges (mainly financial in the short term) that require the General Meeting of Shareholders, the Board of Directors and the Board of Directors of the Company to unanimously ....

## II. WORK IMPLEMENTED AND RESULTS

### 1. Production and business results in 2024:

Unit: million VND

Target	Plan 2024	Implementation 2024	% Implemented
Revenue (incl. VAT)	800.000	780.771	97,6%
Profit before tax	48.000	37.483	78,1%
Corporate Income Tax	9.600	7.896	82,2%
Profit after tax	38.400	29.587	77,1%
EPS (VND/share)	865	666	77,1%

- In 2024, the Company will complete 97.6% of the revenue target, an increase of 2.7% compared to 2023, but profit before tax will only reach 78.1% of the plan, mainly due to some of the following reasons:
- Due to consumers tightening their spending, they are forced to make smarter choices, this is an opportunity for Hanoimilk's high-quality, reasonably priced products to have the opportunity to be selected and sold more.
- Hanoimilk's sales system has been corrected and improved, the company's new salary and bonus policy encourages brothers to sell more goods, the average sales per salesperson has nearly doubled compared to before.



However, because the company does not have much money to invest in PR programs and massive brand advertising to create traction to promote sales, although sales have increased, it has not reached a large enough scale to reduce the Cost/Revenue ratio and has not yet fully exploited the effectiveness of the professional sales system that the Company has invested in for many years.

The Board of Directors and the Board of Directors of the Company will continue to make many appropriate changes and adjustments to increase revenue and profit in 2025.

**2. Regarding the implementation of projects and works approved by the General Meeting of Shareholders:**

**(i) Factory Upgrade and Expansion Project:**

The total investment budget approved under the Resolution of the General Meeting of Shareholders in 2016 is VND 662 billion. In which: From 2016-2020, Phase 1 has been completed with an investment amount of VND 110 billion and from 2020-2024, Phase 2 has been completed with an investment amount of VND 158 billion. The total amount invested for Phase 1 and Phase 2 is 268 billion VND.

The remaining Phase 3 with a total investment of VND 394 billion will continue to be implemented in the period from 2025-2027.

Implementing the Company's Development Strategy for the period of 2025-2030, the Board of Directors respectfully submits to the General Meeting of Shareholders to consider and approve the additional scale of the Factory Upgrade and Expansion Project: Phase 4 with a total investment of VND 174 billion, implementation time 2025-2027 and Phase 5 with a total investment of VND 325 billion, implementation time 2028-2030.

**(ii) Investment project to plant grass for natural dairy cows in Me Linh:**

The total initial investment was approved by the General Meeting of Shareholders in 2015 for the expansion investment project with a scale: 2000-4000 dairy cows, Total expected investment: 360,916 billion VND.

Implementation time: 2015-2018. The implementation has been implemented as follows: Up to now, 7.61 billion VND has been spent to hire consultants to research and formulate expansion projects, measure land areas at the scale of 1/500 and 1/2000, prepare planning design documents, technical designs, construction designs. Currently, the Company is actively carrying out procedures to adjust and extend the implementation time to implement compensation and site clearance. It is expected to complete site clearance in the third quarter of 2025 and start construction in 2026.

**(iii) Regarding the issuance of shares to increase the charter capital of Hanoi Dairy Joint Stock Company according to the Resolution of the General Meeting of Shareholders:**

Implementing the Resolution of the General Meeting of Shareholders in 2021 and 2022, the Board of Directors has completed the issuance of individual shares (Phase 1) in 07/2023, accordingly, an additional 24,400,000 shares were issued, increasing the charter capital of the Company from VND 200 billion to VND 444 billion. As a result, the Company has swapped VND 244 billion to reduce debt and mobilized VND 100 billion to purchase machinery and equipment and supplement working capital. The issuance of shares and the use of proceeds have been carried out in accordance with the provisions of law, the State SSC and the Resolution of the General Meeting of Shareholders. Depending on the actual situation, the Board of Directors will consider and decide on the continuation of the issue of individual shares (Phase 2) with a maximum number of 20,000,000 shares according to the Resolution approved by the General Meeting of Shareholders.

**(iv) Regarding the financial restructuring and debt settlement of the Company according to the Resolution of the General Meeting of Shareholders:**



According to the Resolution of the 2021 General Meeting of Shareholders, the General Meeting of Shareholders assigned the Board of Directors and allowed the Board of Directors to authorize Mr. Ha Quang Tuan - Chairman of the Board of Directors to develop a plan and proactively implement the plan to restructure and handle debts; proactively working with the Company's creditors who are banks, financial institutions, businesses and individuals,... including but not limited to Mr. Ha Quang Tuan being able to negotiate and decide on debt repayment on behalf of the Company, buying and selling debts, receiving debts on behalf of the Company from creditors;

The General Meeting of Shareholders agreed that after completing the above-mentioned work, the Board of Directors of the Company is assigned and authorized to carry out the procedures for issuing individual shares at the issue price: 10,000 VND/share to swap debts with Mr. Ha Quang Tuan at the ratio of 1:1. Time to implement financial restructuring, debt settlement and debt swap: From 2022 to completion.

Performing the above tasks, Mr. Ha Quang Tuan - Chairman of the Board of Directors of the Company has worked with banks and proposed to consider interest exemption and reduction. BIDV and Viet Nga Bank have considered and approved the partial exemption and reduction of interest and the interest payment roadmap, Vietcombank has not yet considered and has not yet received a written reply.

As an individual, Mr. Ha Quang Tuan lent to the Company to pay off the principal to BIDV VND 21.6 billion, Viet Nga VND 3.1 billion and Vietcombank VND 31.4 billion. According to the audited Financial Statements, as of December 31, 2024, the Company no longer owes the principal of bank loans and the Company owes Mr. Ha Quang Tuan an amount of VND 20.21 billion.

The Board of Directors and the Chairman of the Board of Directors will continue to negotiate and make financial arrangements to be able to handle the Bank's interest debts before December 31, 2025.

### **3. Board of Directors Activities in 2024:**

**(i) In 2024, the Board of Directors has held 08 official meetings and regular consultations to focus on the following activities:**

- Approving and directing the implementation of the 2024 business plan.
- Approving and directing the implementation of investment in projects.

**(ii) Other activities of the Board of Directors:**

Organizing the XXIII Annual General Meeting of Shareholders in 2024 on June 29, 2024 at the meeting room of Hanoi Dairy Joint Stock Company, Km 9, North Thang Long Street, Noi Bai, TT. Quang Minh, Me Linh, Hanoi.

## **III. DEVELOPMENT ORIENTATION FOR THE FOLLOWING YEARS**

With the strategic goal of becoming the leading dairy company in Vietnam with a brand and sales system with a revenue of trillions of VND/year, having the most modern and professional milk processing factory in the North, and having a high-tech dairy farm with a scale of over 100 hectares in Hanoi, in the period of 2025-2030, Hanoimilk needs to implement the Company's Development Strategy with the following main contents:

1. Continue to follow the strategy of competing with quality and rise to the forefront of technological innovation and new product development with the main growth pillars including: (1) Yogurt, (2) UHT milk and dairy products, (3) Formula milk powder.
2. Continue to develop and expand the sales system according to the professional model to the national scale. Invest a reasonable budget for Marketing, PR and advertising to gradually bring the Hanoimilk brand (Master Brand) along with its sub-brands IZZI, Yotuti, Dinomilk, Choco Oat, Yoha, Yoboost... Strong presence in the market to boost sales.



