

EQUITIZATION STEERING COMMITTEE OF LUONG YEN FOOD COMPANY LIMITED AND LUONG YEN FOOD COMPANY LIMITED HIGHLY RECOMMEND INVESTORS TO CAREFULLY READ ALL INFORMATION CONTAINED HEREIN AND REGULATION OF BIDDING BEFORE PARTICIPATING IN THE BIDDING (THIS INFORMATION ANNOUNCEMENT IS MADE IN VIETNAMESE AND ENGLISH. IN CASE THERE IS ANY DIFFERENCE OR CONFLICT BETWEEN VIETNAMESE AND ENGLISH, VIETNAMESE VERSION IS PRIORITIZED TO BE APPLIED FOR EXPLANATION OF THIS INFORMATION ANNOUNCEMENT)

# INFORMATION ANNOUNCEMENT

## FOR INITIAL PUBLIC OFFERING OF SHARE OF LUONG YEN FOOD COMPANY LIMITED

### ISSUING ORGANIZATION

#### LUONG YEN FOOD COMPANY LIMITED

Address: No. 6 Ngo Quyen Street, Ly Thai To Ward, Hoan Kiem District, Hanoi City, Vietnam

Phone number: (84) 24 3971 6894 Fax: (84) 28 3821 9889

### AUCTION AGENT



**HANOI STOCK EXCHANGE**  
SỞ GIAO DỊCH CHỨNG KHOÁN HÀ NỘI

#### HANOI STOCK EXCHANGE

Address: No. 02, Phan Chu Trinh, Hoan Kiem District, Hanoi, Vietnam

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### IPO ADVISORY COMPANY

**BAOVIET**  **Securities**  
CHỨNG KHOÁN BẢO VIỆT

#### BAO VIET SECURITIES JOINT STOCK COMPANY

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*Hanoi, 2021*

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**ABBREVIATION**

- Company : Luong Yen Food Company Limited
- Corp : Corporation
- JSC : Joint Stock Company
- One Member Ltd : One Member limited liability companies
- Vinafood1/ Holding corporation : Vietnam Northern Food Corporation

## I. LEGAL BASE

Dispatch Decree No. 126/2017/ND-CP dated November 16<sup>th</sup>, 2017 by the Government on conversion from state-owned enterprises and single-member limited liability companies with 100% of charter capital invested by state-owned enterprise into joint stock company;

Dispatch Decree No 140/2020/ND-CP dated November 30<sup>th</sup>, 2020 by the Government on amendments to the Government's decree no. 126/2017/ND-CP dated on November 16<sup>th</sup>, 2017 on conversion from state-owned enterprises and single-member limited liability companies with 100% of charter capital invested by state-owned enterprise into joint stock company, the Government's decree No. 91/2015/ND-CP dated October 10<sup>th</sup>, 2015 on state capital investment in enterprises, use and management of capital and assets in enterprises, and the Government's decree No. 32/2018/ND-CP dated March 8<sup>th</sup>, 2018 providing amendments to decree no. 91/2015/ND-CP;

Dispatch Decree No. 63/2015/ND-CP dated July 22<sup>nd</sup>, 2015 by the Government providing for policies towards redundant employees due to the restructuring of state-owned single member limited companies;

Dispatch Circular No. 44/2015/TT-BLDTBXH dated October 22<sup>nd</sup>, 2015 by the Ministry of Labor, War Invalids and Social Affairs guiding the implementation of the Decree No. 63/2015/ND-CP dated July 22<sup>nd</sup>, 2015 by the Government providing for policies towards redundant employees resulted from restructuring of state-owned single-member limited liability companies;

Dispatch Circular No. 40/2018/TT-BTC dated May 04<sup>th</sup>, 2018 by the Ministry of Finance providing guidelines for initial offering of shares and management and use of proceeds from equitization of state-owned enterprises and single-member limited liability companies with 100% charter capital invested by state-owned enterprises; Circular No. 34/2019/TT-BTC dated June 11<sup>th</sup>, 2019 by the Ministry of Finance amendments to the Circular No. 40/2018/TT-BTC;

Dispatch Circular No. 41/2018/TT-BTC dated May 04<sup>th</sup>, 2018 by the Ministry of Finance providing guidelines on financial settlement and enterprise valuation upon equitization of state-owned enterprises and single-member limited liability companies 100% charter capital of which is held by state-owned enterprises;

Dispatch Document No. 808/TTg-DMDN dated June 26<sup>th</sup>, 2018 by the Prime Minister on the overall plan to arrange and innovate Vietnam Northern Food Corporation;

Dispatch Decision No. 2869/QĐ-BNN-QLDN dated July 17<sup>th</sup>, 2018 by the Ministry of Agriculture and Rural Development on approving the plan of restructuring Vietnam Northern Food Corporation;

Dispatch Decision No. 26/QĐ-TTg dated August 15<sup>th</sup>, 2019 by the Prime Minister regarding list of enterprises under equitization by end of 2020;

Dispatch Decision No. 196/QD-TCTLTMB-HDTV dated September 05<sup>th</sup>, 2019 by the Board of members of Vietnam Northern Food Corporation regarding approval of the plan to restructure the Vietnam Northern Food Corporation (period 2018 - 2020);

Dispatch Decision No. 328/QD-TCTLTMB-HDTV dated September 20<sup>th</sup>, 2019 by the Board of members of Vietnam Northern Food Corporation on establishing of the equitization Steering Committee of Luong Yen Food Company Limited;

Dispatch Decision No. 338/QD-TCTLTMB-BCD dated September 25<sup>th</sup>, 2019 by the equitization Steering Committee of Luong Yen Food Company Limited on establishing the assistant Team for the equitization Steering Committee of Luong Yen Food Company Limited;

Dispatch Decision No. 522/QD-TCTLTMB-HDTV dated December 31<sup>st</sup>, 2019 by the Board of members of Vietnam Northern Food Corporation regarding the equitization of Luong Yen Food Company Limited;

Dispatch Decision No. 37/QD-TCTLTMB-HDTV dated February 14<sup>st</sup>, 2020 by the Board of members of Vietnam Northern Food Corporation regarding approval the equitization progress plan of Luong Yen Food Company Limited;

Dispatch Document No. 135/QHLDLTL-CSLD dated March 26<sup>th</sup>, 2020 by the Ministry of Labour, War invalids and Social Affairs on the settlement of the regime for the manager of a redundant second-class enterprise of the Vietnam Northern Food Corporation;

Dispatch Decision No. 312/QD-TCTLTMB-HDTV dated November 12<sup>th</sup>, 2020 by the Board of members of Vietnam Northern Food Corporation regarding adjustment the progress of equitization plan of Luong Yen Food Company Limited;

Dispatch Decision No. 322/QD-TCTLTMB-HDTV dated November 24<sup>th</sup>, 2020 by the Board of members of Vietnam Northern Food Corporation regarding approval of enterprise's value to equitize Luong Yen Food Company Limited;

Dispatch Decision No. 346/QD-TCTLTMB-HDTV dated December 17<sup>th</sup>, 2020 by the Board of members of Vietnam Northern Food Corporation on approving the equitization plan of Luong Yen Food Company Limited;

Dispatch Decision No. 15/QD-TCTLTMB-HDTV dated January 19<sup>th</sup>, 2021 by the Board of members of Vietnam Northern Food Corporation on approving contractor selection results, Package: Initial public offering advisory to equitize Luong Yen Food Company Limited;

Dispatch contract No. 15/2021/BVSC-LYF/PTV-DG dated February 1<sup>st</sup>, 2021 between Bao Viet Securities Joint Stock Company and Luong Yen Food Company Limited IPO consulting service contract for equitization.

## II. INTRODUCTION OF EQUITIZED ENTERPRISE

### 1. Equitized Enterprise

#### 1.1. Basic Information

Vietnamese name	: CÔNG TY TNHH MTV LƯƠNG THỰC LƯƠNG YÊN
English name	: LUONG YEN FOOD COMPANY LIMITED
Abbreviations	: CÔNG TY LƯƠNG THỰC LƯƠNG YÊN
Head office address	: No. 6 Ngo Quyen Street, Ly Thai To Ward, Hoan Kiem District, Hanoi City, Vietnam
Phone number	: (84) 24 3971 6894
Fax	: (84) 28 3821 9889
Business registration	: No 0105927553 by the Department of Planning & Investment of Hanoi for the first time on June 25 <sup>th</sup> , 2012, changed for the 2 <sup>nd</sup> time on August 11 <sup>th</sup> , 2017. The confirmation of Change in Business registration content issued by the Business registration Office - Department of Planning & Investment of Hanoi on December 21 <sup>st</sup> , 2017 and June 4 <sup>th</sup> , 2018.
Charter capital	: VND 40.000.000.000 ( <i>In words: Forty billion VND</i> ).

#### 1.2. Brief overview of formation and development process

On January 20<sup>th</sup>, 1996, Luong Yen Food Grade I Company was established under Decision 57NN-TCCB/QD of The Minister of Agriculture and Rural Development on the basis of merging Hanoi Food Import-Export Company into Luong Yen Food processing Company.

Implementing the innovation and performance enhancement of state-own enterprises, The Ministry of Agriculture and Rural Development issued Decision No. 4679QD/BNN-TCCB on October 30<sup>th</sup>, 2000 on the merger of Red River Processing Sale Company into Luong Yen Food Grade I Company.

On March 20<sup>th</sup>, 2001, The Minister of Agriculture and Rural Development issued Decision No. 960QD/BNN TCCB that merging 3 companies of Hanoi Union of Food Companies into Luong Yen Food Grade I Company.

Implementing the convertibility and rearrangement of Luong Yen Food Grade I Company into a branch of Vietnam Northern Food Corporation in Decision No. 2575/QD BNN-DMDN on December 15<sup>th</sup>, 2009 of The Ministry of Agriculture and Rural

Development, Board of Directors of Vietnam Northern Food Corporation issued Decision No. 102/QĐ-TCTLTMB – HDQT on June 09<sup>th</sup>, 2010 related to establishment of Luong Yen Food Grade I Company – Branch of the Vietnam Northern Food Corporation. Luong Yen Food Grade I Company – Branch of the Vietnam Northern Food Corporation formerly an independent accounting unit, the affiliated units have their own seals, have active rights in production, business, services and organization management. When operating under the model of Branch – Dependent accounting unit, had many difficulties in the management and administration of production and business activities, unable to promote dynamism and autonomy according to the market mechanism.

To simultaneously solve difficulties and implement the plan of reorganizing 100% state-owned enterprises under Vietnam Northern Food Corporation according to No. 2457/TTg – DMDN on December 30<sup>th</sup>, 2011 of the Prime Minister, on June 18<sup>th</sup>, 2012 Luong Yen Food Company Limited was established in Decision No. 179/QĐ – TCTLTMB – TCLD based on converting Luong Yen Food Grade I Company – Branch of Vietnam Northern Food Corporation. Since then, the Company has returned to operate under the model of an independent company with full legal status and a member of Vietnam Northern Food Corporation.

## 2. Business segments

According to the Business Registration Certificate No. 0105927553 by the Business Registration Office - Department of Planning and Investment of Hanoi City, first issued on June 25<sup>th</sup>, 2012 and registered for the second change: August 11<sup>th</sup>, 2017, Certificate of change of business registration content issued by the Business Registration Office - Department of Planning and Investment of Hanoi City on December 21<sup>st</sup>, 2017 and June 4<sup>th</sup>, 2018, the Company's business is as follows:

**Table 1: Business lines**

No.	Name of Business line	Code
1	Wholesale of agricultural raw materials (except wood, bamboo) and live animals (except for those prohibited by the Government)	4620 (Main)
2	Wholesale of rice	4631
3	Retail sale of food stuff in specialized stores	4722
4	Wholesale of solid, liquid, and gaseous fuels and related products	4661
5	Retail sale of automotive fuel in specialized store	4730
6	Short-term accommodation activities Detail: Hotel	5510
7	Other food serving activities	5629
8	Irregular event catering activities such as wedding, workshops...	5621
9	Freight transport by road	4933

No.	Name of Business line	Code
10	Warehousing and storage	5210
11	Wholesale of waste and scrap and other products n.e.c Details: Wholesale of fertilizers and agrochemical products	4669
12	Service activities incidental to land and rail transportation Details: Service activities directly supporting the transport of passengers and goods by road	5221
13	Maintenance and repair of motor vehicles	4520
14	Operation of sports facilities	9311
15	Travel agency activities	7911
16	Tour operator activities	7912
17	Other reservation service activities	7920
18	Wholesale of agricultural machinery, equipment, and supplies	4653
19	Wholesale of motor vehicles	4511
20	Wholesale of construction materials, installation supplies (For conditional business lines, enterprises only conduct business when they meet all conditions as prescribed by Law)	4663
21	Real estate activities with own or leased property Details: Office for rent	6810
22	Manufacture of grain mill products Details: Processing food, agricultural products	1061
23	Retail sale of food in specialized stores	4721
24	Retail sale of clothing, footwear, and leather articles in specialized stores	4771

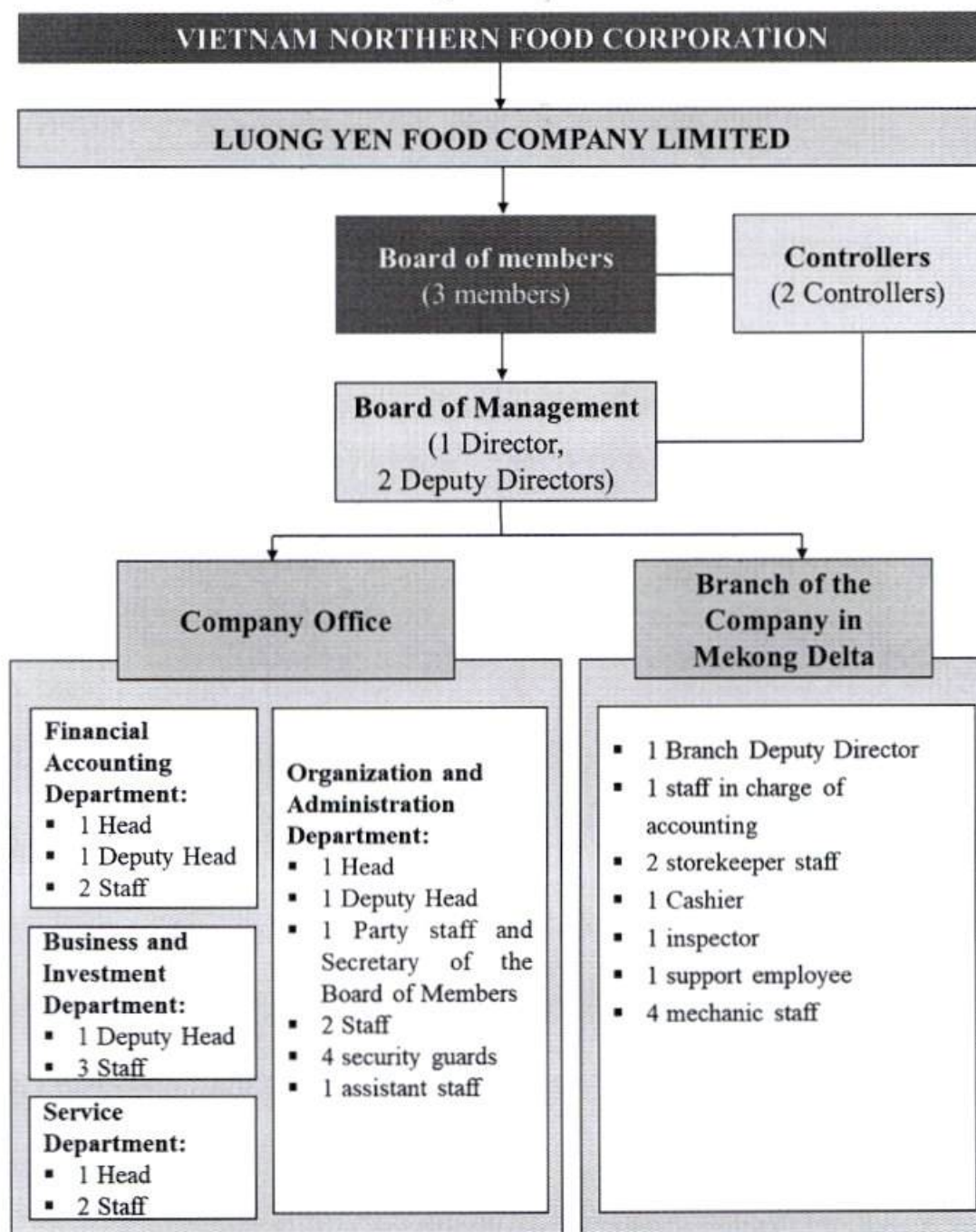
*Source: Certificate of change of business registration content of Luong Yen Company Limited*

### 3. Main products and services

- For wholesale of Food and agricultural products:
- + The Company focuses on processing and trading high quality rice in the domestic market, focusing on branded rice products, mainly consumed in Hanoi and neighboring provinces.
- + The Company invests in a rice processing factory in the Mekong Delta to purchase, process and consume rice for business activities in the domestic market and export/supply for export.
- + Purchasing, trading and consuming agricultural products for the animal feed industry.
- The types of rice being distributed by the Company: 5% broken non-glutinous rice, 5% broken non-glutinous rice in the South, 5% Iraqi white rice, 5% brown rice, ...

#### 4. Organizational structure of the Company before equitization

Figure 1: Organizational structure of Luong Yen Food Company Limited before equitization



- The total number of employees is 35 people, which does not include:
- + 01 Chairman of the Board of Members is the representative of the capital share of the Vietnam Northern Food Corporation at Luong Yen Food Company Limited.
- + 01 Controller is staff under the Vietnam Northern Food Corporation.

#### 4.1. Board of members

Board of members has the following rights:

- Request the Corporate to issue, amend, supplement the Company's charter of organization and operation;
- Request the Corporate to decide, adjust charter capital, reorganize, convert ownership, dissolution or go bankrupt of the Company; the adjustment and supplementation of the business lines of the Company;
- Request the Corporate to appoint, re-appoint, dismiss, reward and discipline the Chairman, Member of the Board of members, Director and Controllers of the Company;
- Request the Corporate to approve the salary fund, the plan allowances of the Company's manager, approve the salary fund, the implementation allowances, the annual bonus fund of the Company manager;
- Request the Corporate to issue Company's Financial rules;
- Board of members decides the following content after approved submission by the Corporate:
  - + 5-year Investment and Development strategy, plan and production plan, annual business of the Company;
  - + Fixed asset investment, construction and purchase projects beyond the authority of the Board of members as decentralized in the Regulation on management and decentralization of performing investment projects of the Company;
  - + Capital raising plans, sale and purchase contracts and other contracts with a value of more than 50% of the equity of the Company are recorded in the quarterly financial statements or the financial statements of the year that closest to the time of business's occurrence;
  - + Capital contribution, increase or decrease of contributed capital, transfer of investment capital of the Company invested in Joint stock Companies, Multi-member limited liability Companies;
  - + Financial statements, net income distribution, contribution of annual Company's fund;
  - + The total managerial staff and employees of the Company; total salary fund, allowances and bonuses for performance of the Company;
  - + Establishment, dissolution of domestic and foreign branches, representative offices.
  - + Recruit, designate, dismiss, reward or discipline; decide the salary, bonus and other benefits for the Deputy Director, Chief Accountant of the Company after being accepted by the Corporation;
- Board of members of the Company has the following rights:

- + Issue internal management regulations, technical and economic norms of the Company; approving the Regulation on organization, management and operation of the affiliated units;
- + Decide or authorize the Director to decide investment projects, build, purchase and disposal fixed assets under the authority of the Board of Members and are specified in the Corporation's decentralization in construction investment management;
- + Decide or authorize the Director to decide capital raising plans, sales and purchase contracts and other contracts with the value of up to 50% of the Company's equity as recorded in the quarterly financial statements or the financial statements of the year that closest to the time of business's occurrence;
- + Decide to mobilize, adjust capital and other resources authorized by the Company to use among its affiliates
- + Decide on building and using of the brand; solutions for market development, marketing and technology; assignment of specialization, cooperation, access, expansion and sharing of information, market, research and application of science and technology between the Company and its member companies (if any);
- + Decide the plans for organization, management, business organization, use of the Company's management structure, planning and labor training;
- + Approve for the Director to decide on selection, designation, dismissal and salary's decision for Director, responsibility for accounting of affiliated units and Heads of specialized and professional departments of Company;
- + Request the Director to file bankruptcy when the Company goes bankrupt;
- + Organize the inspection and supervision of the Company's Director, Directors of affiliated units according to the provisions of Company's Charter;
- The Board of Members takes the responsibility to the Corporation for the management, use, preservation and development of capital; report to the Company in a timely manner when the Corporation takes loss, does not guarantee its liquidity, fails to fulfill the assigned tasks and other violations;
- The Board of Members takes the legal responsible for any violation that causes loss of capital and assets of the Company;
- Board of Members uses professional departments of the Company to perform their duties. In addition, the Board of Members is allowed to set up a part-time assistant and internal control who is the main expert or specialist with at least 05 years of professional experience to directly assist the Board of Members;
- Board of Members, Chairman and members, Board of Members exercise other rights and responsibilities according to Law on Enterprise, the Company's charter and other relevant regulations.

#### 4.2. Director

- Organize the implementation of the resolutions, decisions of the Board of Members and decisions of the Corporation; the contracts, agreements of the Company have been signed; operating day-to-day operations of the Company.
- Decide on investment projects, purchase, liquidate assets, contracts of loan, leasing and other economic contracts, plans to use capital and assets of the Company to contribute capital, purchase share of other Companies as decentralized or authorized by the Board of Members and relevant laws;
- Sign economic contracts, civil contracts of the Company. For contracts with value over the level decentralized to the Director, the Director can only sign after having a resolution or decision of the Board of Members;
- Organize the implementation of business plans and investment plans of the Company; marketing solution, marketing and technology;
- Recruit employees according to the payroll approved by the Board of Members and the Corporation;
- Decide on selection, designation, dismissal, reward, discipline, and decision on salary and allowances (if any) for:
- + Director, in charge of accounting of dependent accounting units and heads of professional departments of the Company after being approved by Board of members;
- + Deputy heads of departments (or equivalent titles), deputy directors of affiliated units of the Company;
- Recommend the Board of Members to develop strategies, long-term development plans, medium-term plans of the Company;
- Develop annual plans of the Company, capital mobilization plans, investment projects, joint venture plans, internal management regulations of the Company and submit them to the Board of Members;
- Develop and submit to the Board of Members for approval the plan of management organization structure, labor training planning, ownership transformation plans;
- To build and submit to the Board of Members for approval economic, technical norms, product standards, wage unit prices in accordance with Government's regulations; organize the implementation of product norms and standards according to the regulations of the Company, the Corporation and the Government;
- Submit to the Board of Members for consideration and decision or let the Board of Members submit to the Corporation for decision (if beyond the authority of the Board of Members), investment projects outside the Company and investment projects within the Company that exceed the Director decentralization level;

- Decide capital construction investment projects within the Company in accordance with the Company's financial management regulations, decentralization of the Board of Members of the Company and the provisions of the Law on investment;
- Participate in Board of Members' meetings; prepare documents for the meetings of the Board of M, report to the Board of Members and authoritative Government's management agencies on the business results of the Company; make public the financial statements of the Company in accordance with the law;
- Under the inspection and supervision of the Board of Members, Controllers and authoritative Government's management agencies for the implementation of the functions and duties in accordance with the provisions of the Company's charter and other regulations of the law;
- Prepare plan for the distribution of net income of the Company and submit it to the Board of Members reporting to the owner for approval in accordance with the law;
- Apply necessary measures in case of emergency and must immediately report to the Board of Members and authoritative Government's management agencies;
- Have the right to decentralize or authorize another person in the Company to perform part of them or some of the rights and duties of the Director; take the responsibility for the results of the decentralization or authorization;
- Other rights and duties according to the provisions of Law, the Company's charter and resolutions and decisions of the Board of Members;
- Enjoy the annual salary regime. The salary and bonus level corresponding to the production and business efficiency of the Company shall be decided by the Board of Members or under the signed contract. The payment and settlement regime of salary and bonus is the same as for the full-time members of the Board of Members.

#### **4.3. Controllers**

- Check the reasonableness, legality, honesty, and prudence of the Board of Members, Director in exercising the rights of the Corporation and in the management and operation of the Company's business;
  - Due diligence before submitting to the Corporation or Government management agencies the following reports of the Company:
    - + Business position statements;
    - + Annual Financial statements;
    - + Assessment of management statements;
    - + Other reports at the request of the Corporation or Government management agencies.
- The results of the Controllers' appraisal must be reported and sent together with the above reports.

- Recommend the Corporation or Board of Members of solutions to supplement, amend, improve the organizational structure, management and administration of the Company;
- Controllers have the right to review any records, documents of the Company at the head office, branches and representative offices of the Company. Members of the Board of Members, Director and other managers must fully and promptly provide information and documents on the exercise of the rights of the owner, on the management, administration and business activities of the Company at the request of the Controllers;
- When detecting a member of the Board of Members, Director, Deputy Director and Chief Accountant violating his/her obligations, he/she must immediately notify in writing to the Board of Members for handling and request the violator to stop the violation or take remedial measures. In case the Board of Members is in serious violation, Controllers must report to the Corporation for handling;
- Perform other rights and duties as prescribed by Law and Company's charter or other decisions of the Corporation;
- Participate in Board of Members' meetings, official and unofficial consultations of the Corporation with Board of Members; have the right to question the Board of Members, members of the Board of Members and Director of the Company about the plans, projects or development investment programs and other decisions in the management and operation of the Company;
- Consider the company's accounting books, reports, contracts, transactions and other documents; check the management and administration work of the Chairman of the Board of Members, members of the Board of Members, the Director when deeming it necessary or at the request of the Corporation
- Examining and evaluating the current situation of business operations, the financial position of the company, the current situation of operation and effectiveness of the internal corporate governance regulations of the Company;
- Request the company managers to report on the financial position, the current situation and the business results of the subsidiary when deeming it necessary to perform the tasks as prescribed by Law and the Company's charter;
- In case Controllers discover that member of the Board of Members, Director and other managers violate the regulations on their rights, obligations and responsibilities or are in danger of violating those regulations; or detecting violations of law, violating the regulations on economic management, contrary to the provisions of the Company's charter or internal corporate governance regulations, must immediately notify in writing to the Board of Members of the Company to handle and request the violator to stop the violation or take remedial measures. In case the Board of Members is in serious violation, they must report to the Corporation for handling.

#### **4.4. Deputy Directors**

- The Deputy Directors assist the Director in operating the Company according to the assignment and authorization of the Director; take the responsibility for the Director and the Law for execution of rights and duties assigned or authorized. The authorization related to sign economic contracts or use of the Company's seal must be made in document;
- The authorization can authorize for a period or at a moment by field or each issue;

#### **4.5. Chief Accountant**

- The Chief Accountant takes the responsibility for organizing the implementation of the accounting in the Company;
- Professional independence in accounting;
- Comply with the provisions of the Law on accounting and take the responsibility for their expertise and profession. When changing Chief Accountant, the former Chief Accountant must take the responsibility for handing over the Chief Accountant's work and accounting documents to the new Chief Accountant. The former Chief Accountant must take responsibility for problems that arise during his time as Chief Accountant;
- Help the Board of Members, Director of the Company manage and supervise finance at the Company;
- Chief Accountant is under the leadership of the Board of Members and the Director of the Company;
- Other standards, powers and responsibilities of Chief Accountant in accordance with the Law on Accounting.

#### **Specialized Divisions / Departments of the Company**

#### **4.6. Financial - Accounting Department**

- Account economic transactions arising in the company immediately to make the production and business activities run without any difficulties. In detail, economic transactions include: Cash and cash equivalents accountant; accounting fixed assets, raw materials, instruments and tools; accounting liabilities; revenue accounting; expenses for financial activities; etc
- Execute company's annual financial plan. Carry out the statistics and financial plans timely according to the company's regulations;
- Participate and manage financial investment, lending activities of the company;
- Consult company leadership on directing the implementation or directly checking, supervising the management and compliance with accounting and financial standard of the government and company;
- + Make plans and check the spending plans to ensure compliance with the regulations on spending limit of the government and of the company for effective business operations;

+ Develop internal regulations on financial management: business revenue and expenditure process; capital and debt management; kinds of norms such as inventory norms, losses, wages,... applying in the Company and check the compliance with these internal regulations;

- Research and propose to the company leaders about the business management measures to ensure good compliance with current regulations and in accordance with the features and situation of production and business of the Company to achieve highest efficiency.

#### **4.7. Organization and Administrative Department**

##### ***Organizational work, labor, wage.***

- Research and propose to the company leaders about the establishment of the Company's organizational apparatus such as the establishment of departments and subordinate units to meet the requirements of production and business tasks of the Company in each period;

- Research, manipulate and propose policies for officers such as: recruitment, assignment, transfer, appointment, promotion, salary increase, staff discipline ... retirement and other regime with employees

- Supervise HR statistics according to regulations and requests of superior management agencies;

- Manage and supplement document of employees in the Company annually

- Develop long-term and short-term training plans to foster and improve political, professional and managerial skills for employees;

- Recruit staff with the aim of fostering and training

- Build and work with other functional departments to protect annual labor plans and wages under the guidance of superior management agencies;

- Guide and organize form of salary calculation, bonus, remuneration and allowances in accordance with the policies and regimes for employees;

- Statistics and reports to track salaries and income of employees;

- Calculate social insurance, health insurance activities monthly, quarterly and yearly;

- Follow the leave, sick leave and maternity leave regime of employees, gather documents and propose settlement of social insurance regimes;

- Perform, propose labor protection work

##### ***Administrative work***

- Including all tasks: clerical, seal management, document storage management, confidentiality, typing, document printing, communication service, management and operating facilities for departments, to protect the company's standing. Performing tasks, managing assets of the Company office block;

- Communicate, receive guests or guide guests to work with company leaders;
- Perform unexpected work of the company's leaders at any time.

**4.8. Business and Investment Department:**

- Advise and assist the Board of Members, Director of the Company in the following activities:
  - + Trade in food, domestic agricultural products and directly organize food and agricultural products trading activities according to the business plan approved by the company's leaders;
  - + Do retail business at specialized locations owned by the government, ensure the safe of capital and assigned assets;
  - + Trade, invest on existing ground fund at 373 Bach Mai building, Hanoi;
  - + Make business plans, make short, medium and long-term investments to expand production and business.
- Research, evaluate and forecast market demand for trading food, domestic agricultural products and consumer goods. Develop, make short, medium and long-term business plans;
- Implement business and investment development direction of the company. Survey, explore, find out how to approach the market situation in terms of commodities, industries that the Company operate and orient now and in the future;
- Research and propose to the company's leaders plans to expand industries and goods, and to renew goods trading activities to suit the state-owned specialized home shops;
- Directly make a business plan to submit the company leaders for approval. Negotiate and negotiate, draft contracts to implement the approved business plan;
- Implement a program to stabilize and ensure food security when assigned;
- Coordinate with departments of the Company, affiliated units to successfully complete the assigned tasks;
- Other jobs as assigned by the company's leaders.

**4.9. Service Department**

- Undertake and manage the business and cooperative in the real wage branches, services, recognized on the Company Business Registration Certificate, such as motorbikes, petrol, gas...;
- Research, propose and advise the Company's leaders on the development of potential branches, trade goods, and real estate;
- Perform other services according to the assignment of the Company's leaders.

**4.10. Branch of the Company in Mekong Delta**

- Perform the task of producing and processing rice for export to serve the export demand of the corporation and other external partners;
- Perform in storing goods to ensure the supply and business activities of the Company timely and efficiently;
- Coordinate and consult for Sales and Investment Department to make production plans and perform work by day, week, month;
- Coordinate and manage means of transport to carry out the transport of goods;
- Manage the declaration and set up of import-export documents which is suitable for each order of the Branch;
- Manage the implementation and completion of sales procedures in accordance with the company's regulations and the law to ensure the legal suitability of contracts/ orders;
- Find raw materials and assess the risks of the sources;
- Control the purchase of raw materials: Quantity and progress of goods to ensure compliance with production plans and delivery requirements, to avoid wasteful inventory and storage;
- Account and send reports to the Company Office for aggregate;
- Follow and supervise document and data that accurately reflect the import, export, inventory of finished products;
- Coordinate with the Company Office to perform the work as assigned and directed by the Company Leadership;

**5. Total number of employees continue to be transferred to Joint Stock Company**

The number of employees of the Company at December 31<sup>st</sup>, 2019 is 35 people including 32 people continue to switch to Joint Stock Companies.

Labor structure by qualifications is as follows:

**Table 2: Employees of the Company at 31/12/2019**

Classified by qualification	Number
Number of employees with undergraduate and post-graduate degrees	27
Number of employees with college and intermediate degrees	02
Number of employees who are technical / vocational workers	06
Others	0
<b>Total</b>	<b>35</b>

*Source: Luong Yen Food Company Limited*

**Table 3: Labor of the Company after switching to a Joint Stock Company**

Classified by qualification	Number
Number of employees with undergraduate and post-graduate degrees	24
Number of employees with college and intermediate degrees	2
Number of employees who are technical / vocational workers	5
Others	1
<b>Total</b>	<b>32</b>

*Source: Luong Yen Food Company Limited*

**6. Enterprise value and State Enterprise's contributed capital**

- Luong Yen Food Company Limited has hired Vietnam Valuation and Financial Consultancy Company VVFC as a consultant to determine enterprise value under the Enterprise Valuation Contract for equitization No. 21803/HD-VVFC/BAN3 dated February 18<sup>th</sup>, 2020.
- Pursuant to the Enterprise Valuation Letter dated November 6<sup>th</sup>, 2020 signed between the consultant - Vietnam Valuation and Financial Consultancy Company VVFC and Luong Yen Food Company Limited.
- On November 9<sup>th</sup>, 2020, the Board of Members of the Company issued Report No. 24/BC-CTLTY-HDTV on the financial settlement and enterprise valuation of Luong Yen Food Company Limited.
- On November 18<sup>th</sup>, 2020, the Equitization Steering Committee of Luong Yen Food Company Limited submitted the Statement No. 813/TTr-TCTLTMB-BCDCPHLY requesting for approval of Enterprise value when equitizing Luong Yen Food Company Limited.
- On November 24<sup>th</sup>, 2020, Vietnam Northern Food Corporation issued Decision No. 322/QD-TCTLTMB-HDTV on the approval of Enterprise value for the equitization of Luong Yen Food Company Limited, Enterprise valuation is determined as follows:

**6.1. Enterprise value and State Enterprise's contributed capital**

**Table 4: Summary of results of determining Enterprise value and State Enterprise's contributed capital (by Asset-based Valuation)**

*Unit: VND*

No.	Main Items	Book Value	Revaluation	Difference
<b>A</b>	<b>Assets in use</b>	<b>59,610,050,876</b>	<b>83,650,956,837</b>	<b>24,040,905,961</b>

No.	Main Items	Book Value	Revaluation	Difference
<b>I</b>	<b>Fixed assets and Long-term investment</b>	<b>5,538,463,150</b>	<b>8,298,837,655</b>	<b>2,760,374,505</b>
1	Fixed assets	5,538,463,150	8,192,579,615	2,654,116,465
a	Tangible fixed assets	5,538,463,150	8,192,579,615	2,654,116,465
b	Intangible fixed assets	-	-	-
2	Other Long-lived assets	-	106,258,040	106,258,040
<b>II</b>	<b>Current assets and Short-term investment</b>	<b>54,071,587,726</b>	<b>75,352,119,182</b>	<b>21,280,531,456</b>
1	Cash	4,725,867,519	4,725,868,177	658
a	Cash in funds	2,169,163,342	2,169,164,000	658
b	Bank deposit	2,556,704,177	2,556,704,177	-
2	Cash equivalent	36,420,000,000	15,900,000,000	(20,520,000,000)
3	Short-term investment	-	20,520,000,000	20,520,000,000
a	Held-to-maturity investment	-	20,520,000,000	20,520,000,000
4	Short-term receivables	626,330,000	21,721,317,198	21,094,987,198
5	Inventories	10,761,141,556	10,761,141,556	-
6	Other current assets	1,538,248,651	1,723,792,251	185,543,600
<b>B</b>	<b>Assets not in use</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C</b>	<b>Assets awaiting liquidation</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>D</b>	<b>Assets formed from welfare and reward fund</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>TOTAL ASSETS VALUE OF THE ENTERPRISE</b>	<b>59,610,050,876</b>	<b>83,650,956,837</b>	<b>24,040,905,961</b>
	<b>TOTAL INTRINSIC ASSETS VALUE OF THE ENTERPRISE</b>	<b>59,610,050,876</b>	<b>83,650,956,837</b>	<b>24,040,905,961</b>
E1	Actual liability payable	24,164,991,940	24,214,816,522	49,824,582
E2	Balance of exchange rate difference due to revaluation of monetary accounts denominated in foreign currencies		-	-
E3	Balance of non-business funding sources		-	-

No.	Main Items	Book Value	Revaluation	Difference
	<b>INTRINSIC VALUE OF THE STATE ENTERPRISE'S CONTRIBUTED CAPITAL</b>	<b>35,445,058,936</b>	<b>59,436,140,315</b>	<b>23,991,081,379</b>

*Source: Minutes of enterprise valuation based on the asset-based approach and the free cashflow to equity discount method of Luong Yen Food Company Limited at December 31<sup>st</sup>, 2019*

- Fundamental Enterprise value to equitize at December 31<sup>st</sup>, 2019 of the Company is: VND **83,650,956,837**, of which the fundamental value of State Enterprise's contributed capital is: VND **59,436,140,315**.
- Fundamental value of State Enterprise's contributed capital increased by VND 23,991,081,379 compared with book value before financial treatment, witness an increase of 67.7%.
- Assets not included in equitization value: No

**Note:** The Enterprise value approved and presented above is the value used as the basis for determining the starting price at the initial public offering (IPO).

## 6.2. Problems need to be tackled with

Pursuant to Decision No. 322/QD-TCTLTMB-HDTV regarding approval of enterprise's value to equitize Luong Yen Food Company Limited of Vietnam Northern Food Corporation and Verification record of Enterprise value determination of Luong Yen Food Company Limited when equitizing according to the Asset-based approach and the free cash flow to the equity method at December 31<sup>st</sup>, 2019 has some following issues to note:

### 6.2.1. For plan using land

#### a. For land spots in Tien Giang

- On February 21<sup>st</sup>, 2020, Vietnam Northern Food Corporation issued report 104/TTr-TCTLTMB-HDTV dated February 21<sup>st</sup>, 2020 to the People's Committee of Tien Giang province on the plan to use base house, land after equitization; Accordingly, one plot of land will be returned, the remaining one is waiting for the People's Committee to approve the starting price for sale.
- On October 07<sup>th</sup>, 2020, the People's Committee of Tien Giang Province issued Decision No. 2994/QD-UBND approving the starting price for auction of land use rights and construction on land (factory) of Luong Yen Food Company Limited belongs to plot 1172, map sheet no. HKC3 located at cell 3, Hoa Hao hamlet, Hoa Khanh commune, Cai Be district, Tien Giang province.
- 01 land base of Luong Yen Food Company Limited in Tien Giang province has not been approved by the People's Committee of Tien Giang province for the land use plan after equitization, but this land base has been approved by the People's Committee of Tien Giang Province and the Ministry of Financial approval for Company to continue use/return

land in accordance with regulations on rearrangement and handling of state-managed houses and land facilities. At the same time, plans and purposes of land use after equitization proposed by the State enterprise is consistent with the real estate rearrangement and treatment plan approved by a competent State agency, so the consultant is temporarily determined according to the post-equitization land use plan in accordance with proposal of the Vietnam Northern Food Corporation and Luong Yen Food Company Limited on February 20<sup>th</sup>, 2020.

b. For land location in Hanoi

- On February 21<sup>st</sup>, 2020 Luong Yen Food Company Limited issued Report No. 10/TTr-LTLY-PASDD and the Vietnam Northern Food Corporation issued official Letter No. 445/TCTLTMB-HDTV dated June 2<sup>nd</sup>/2020 send to the People's Committee of Hanoi city to request approval of the plan on the use of land locations of Luong Yen Food Company Limited in the area of Hanoi city after equitization. Accordingly, all the land lots that the company is managing and using are leased land with annual rental payment, so the value of land use rights is not included in the Enterprise value.

- 05 land bases of Luong Yen Food Company Limited in Hanoi have been approved by the People's Committee of Hanoi for the land use plan after equitization (Letter No. 5241/UBND-QLCS dated November 4<sup>th</sup>, 2020 of the People's Committee of Hanoi city);

#### 6.2.2. Regarding Debt reconciliation

- Accounts receivable and payable are determined based on documents provided by Luong Yen Company Limited and audit results Financial statements December 31<sup>st</sup>, 2019 by independent auditing company implementation. At the date of issuance of the Enterprise Valuation Report, some receivables and payable of Luong Yen Food Company Limited have not been certified in document by the debtor or the creditors, specifically as follows:

**Table 5: Percentage of receivables and payables without comparison Report**

No.	Items	Percentage of receivables and payables without comparison Report
<b>1</b>	<b>Account receivables:</b>	
-	Short-term account receivables of customers	100.0%
-	Short-term prepayments to suppliers	100.0%
-	Other short-term account receivables	3.7%
<b>2</b>	<b>Account payables</b>	
-	Short-term account payables of suppliers	100.0%
-	Short-term prepayments by customers	100.0%
-	Other short-term account payables	9.5%

- The company takes the responsibilities for continuing to reconcile receivables and payables that have not been reconciled in accordance with current regulations.

### 6.2.3. Account receivables

Up to now, the Company still has 03 bad debts, as follows:

**Table 6: Information about the Company's bad debts**

No.	Debtor	Year arises	Amount	Notes
1	Hoa Binh Minerals Mining Company Limited THT	2011	11,273,521,829	Decision to execute judgments according to request No. 03/QD-CCTHADS dated December 31 <sup>st</sup> , 2019 of Hoa Binh City's Civil Judgment Execution Bureau regarding the inability to execute judgments, Decision No. 04/2019/KDTM-ST September 10 <sup>th</sup> , 2019 of the People's Court of Hoa Binh City to bring the case to trial.
2	Thang Long seafood and animal feed processing factory	2012	615,005,776	Decision to execute judgments according to request No. 390/QD-CCTHADS of July 19 <sup>th</sup> , 2019 of Van Lam District Civil Judgment Execution Bureau.
3	Khanh An production and trading Joint Stock Company	2014	9,138,967,100	Decision to execute judgments according to request No. 08/QD-CCTHADS dated April 2 <sup>nd</sup> , 2019 of the Yen Khanh District Civil Judgment Execution Bureau and Decision on the lack of conditions for judgment execution No. 11/QD-CCTHADS dated May 30 <sup>th</sup> 2019 of Yen Khanh District Civil Judgment Execution Bureau.
<b>Total</b>			<b>21,027,494,705</b>	

- The Company should continue to compare, take measures to recover debt in accordance with regulations.

### 6.2.4. Account payables

- Currently, the Company still has 02 liabilities: (i) 1,347,672,654 VND Tax payable of Luong Yen Food Company Limited has been delayed by the Hanoi Tax Department from the years prior to the merger with other units; (ii) The amount payable to the state budget when the Company sells land in Dong Anh area in the amount of 1,812,716,957 VND, but there is no notice of payment from the Financial Department. The company needs to find solutions to handle it in accordance with regulations.

*(For more information, see the Minutes of enterprise valuation based on the asset-based approach and the free cashflow to equity discount method of Luong Yen Food Company Limited at December 31<sup>st</sup>, 2019).*

## 7. Main assets of the Company

### 7.1. Land

The status of land use and land use area before equitization are as follows:

**Table 7: Summary of land management and use data by location before equitization**

No.	Location / Real Estate Address	Management land area (m <sup>2</sup> )		Legal records	Form of land use and management prior equitization	Purpose of land use prior equitization
		Land	Floor use			
<b>I</b>	<b>Hanoi</b>	<b>649</b>	<b>1,607.5</b>			
1	No. 373 Bach Mai, Hai Ba Trung District, Hanoi	366.4	1,336.9	+ Land use right certificate No. BL 868973 by Hanoi City People's Committee issued on December 10 <sup>th</sup> , 2013. Expiry date: 50 years since October 15 <sup>th</sup> , 1993.	Private use (land leasing, annually) pay	Use as services, hotels and offices
2	Base house, ground floor 1, apartment building, collective quarter Nguyen Cong Tru, Hai Ba Trung District, Hanoi	62	50	+ Land lease contract No. 229-245/ĐC-BD-HDTD dated July 26 <sup>th</sup> , 1996 between the Department of Land Administration and Real Estate of Hanoi and the Food Shop No. 3 (affiliated unit of Luong Yen Food Company Limited).	Private use (land leasing, annually) pay	Used as a business store, to introduce products and to sell consumer goods of the Company
3	1 <sup>st</sup> floor, 51 Bui Thi Xuan, Hai Ba Trung District, Hanoi	25	25	+ Land lease contract No. 459/ XNHBT/HDTNCD dated March 10 <sup>th</sup> , 2017 between Hanoi Housing Management and Development one-member Company Limited and Luong Yen Food Company Limited, attached to the appendix of the land lease contract dated May 15 <sup>th</sup> , 2018; The rental period is until December 3 <sup>rd</sup> , 2019. Currently the Company is waiting for the Hanoi	Renting a house by Hanoi Housing Management and Development one-member Company Limited	Used as a business store, to introduce products and to sell consumer goods of the Company

No.	Location / Real Estate Address	Management land area (m <sup>2</sup> )		Legal records	Form of land use and management prior equitization	Purpose of land use prior equitization
		Land	Floor use			
				Housing Management and Development one-member Company Limited to sign (extend) the contract;		
4	No 157 Kham Thien, Dong Da District, Hanoi	167.1	167.1	+ House, land lease contract No. 250/XNĐ/HDTNCD dated August 13 <sup>th</sup> , 2014 between Hanoi Housing Management and Development one-member Company Limited and Luong Yen Food Company Limited, attached to the appendix of the land lease contract dated May 15 <sup>th</sup> , 2018; The rental period is until December 31 <sup>th</sup> , 2018. Currently the Company is waiting for the Hanoi Housing Management and Development one-member Company Limited to sign (extend) the contract;	Renting a house by Hanoi Housing Management and Development one-member Company Limited	Used as a business store, to introduce products and to sell consumer goods of the Company
5	1 <sup>st</sup> floor at 45 Lo Duc, Hai Ba Trung District, Hanoi	28.5	28.5	+ Letter No. 792/QL&PTN-QLN dated April 12 <sup>th</sup> , 2017 of Hanoi Housing Management and Development one-member Company Limited - Hanoi People's Committee related to State-owned specialized houses at 45 Lo Duc Street, Hai Ba Trung District. Currently the company is waiting for the Hanoi Housing Management and Development one-member	Renting a house by Hanoi Housing Management and Development one-member Company Limited	Used as a business store, to introduce products and to sell consumer goods of the Company

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No.	Location / Real Estate Address	Management land area (m <sup>2</sup> )		Legal records	Form of land use and management prior equitization	Purpose of land use prior equitization
		Land	Floor use			
				Company Limited to sign the contract.		
<b>II</b>	<b>Tien Giang</b>	<b>1,478</b>	<b>615.6</b>			
1	Housing in Cai Be District, Tien Giang - Perennial land	770		+ Decision No. 595/QD- UB dated March 20 <sup>th</sup> , 1999 of the People's Committee of Tien Giang province on the allocation of land to Luong Yen Food grade I Company, now is Luong Yen Food Company Limited;	Land used for the term from March 20 <sup>th</sup> , 1999 to March 20 <sup>th</sup> , 2019	Use to serve production and business activities
1	Housing in Cai Be District, Tien Giang - Construction land	708	615.6	+ Land use right certificate No. M115111 issued by the People's Committee of Tien Giang province on March 20 <sup>th</sup> , 1999;	Long-term use of land	

*Source: Luong Yen Food Company Limited*

The land fund subjected to the arrangement according to the regulations for the equitization of Luong Yen Food Company Limited includes the land fund directly managed by the Company's Office: 649 m<sup>2</sup> of land (1,607.5 m<sup>2</sup> of floor use) in Hanoi.

### 7.2. Main Fixed Assets of the Company

The situation of fixed assets of the Company at the time of Enterprise valuation at December 31<sup>st</sup>, 2019 is as follows:

**Table 8: Fixed assets at December 31<sup>st</sup>, 2019**

*Unit: VND*

		Book value	Revaluation value
--	--	------------	-------------------

No.	Type of asset	Book value		Revaluation value	
		Historical cost	Residual value	Fair value	Residual value
2	Plant, equipment	-	-	-	-
3	Means of transport	1,831,293,330	639,577,438	1,831,293,330	1,059,505,778
4	Equipment, management tools	47,600,000	-	47,600,000	9,520,000
5	Other Fixed assets	-	-	-	-
II	Financial leasing fixed assets	-	-	-	-
III	Intangible fixed assets	-	-	-	-
<b>B</b>	<b>Fixed assets not in use</b>	-	-	-	-
<b>C</b>	<b>Fixed assets awaiting liquidation</b>	-	-	-	-
<b>D</b>	<b>Assets formed from the bonus and welfare fund</b>	-	-	-	-
<b>E</b>	<b>Other assets</b>	-	-	-	-
<b>Total</b>		<b>9,672,070,750</b>	<b>5,538,463,150</b>	<b>12,137,536,358</b>	<b>8,192,579,615</b>

Source: Enterprise valuation dossier of Luong Yen Food Company Limited at December 31<sup>st</sup>, 2019

- Plant, equipment: None
- Mean of transport

Table 9: Vehicle situation at December 31<sup>st</sup>, 2019

No.	Type of asset	Amount	Book value		Revaluation value	
			Cost	Residual value	Cost	Residual value
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Car NISSAN 29A – 13.257 (repaired in April 2017 at a cost of 110 million VND)	1	872,727,272	10,490,726	872,727,272	357,818,182
2	Car Camry 29A-20742	1	90,860,240	-	90,860,240	-
3	Air conditioning system and bar 373 BM	1	867,705,818	629,086,712	867,705,818	701,687,596
<b>Total</b>			<b>1.831.293.330</b>	<b>639.577.438</b>	<b>1.831.293.330</b>	<b>1.059.505.778</b>

Source: Enterprise valuation dossier of Luong Yen Food Company Limited at December 31<sup>st</sup>, 2019

**Table 10: Current status of fixed assets at book value at December 31<sup>st</sup>, 2020**

Unit: VND

No.	Fixed Assets	Historical Cost	Residual Value	Residual Value / Historical Cost Ratio
1	House, building	6,897,185,858	4,764,262,644	69.1%
2	Means of transport, transmission	1,831,293,330	542,316,128	29.6%
3	Equipment, management tools	47,600,000	0	0.0%
<b>Total</b>		<b>8,776,079,188</b>	<b>5,306,578,772</b>	<b>60.5%</b>

Source: Audited financial statements 2020

Fixed assets are fully depreciated but still in use at December 31<sup>th</sup>, 2020 with historical cost: 1,338,372,891 VND

## **8. List of Parent and Subsidiary Companies, Joint ventures and associates**

### **8.1. Parent Company**

#### **Vietnam Northern Food Corporation (Vinafood 1)**

- Address: No. 6 Ngo Quyen Street, Ly Thai To Ward, Hoan Kiem District, Hanoi City
- Certificate of business registration: No. 0100102608 by the Department of Planning and Investment of Hanoi for the first time on July 20<sup>th</sup>, 2010, registration for the 9<sup>th</sup> change on February 14<sup>th</sup>, 2020.
- Charter capital: VND 4,359,390,000,000
- Main business lines: Wholesale of rice; Wholesale of agricultural and forestry raw materials (except wood, bamboo and neohouzeaua); and live animals; ...
- The actual capital contribution ratio of Vinafood1 in Luong Yen Food Company Limited: 100%

### **8.2. Subsidiary Companies, Joint ventures, and associates**

- Subsidiaries: None
- Joint ventures and associates: None

**9. Business operation status and business operation results in 03 years prior equitization**

**9.1. Business operation status and business operation results in 03 years prior equitization**

**9.1.1. Business operation status**

**a. Production, sales, product profitability through the years**

**Table 11: Structure of the Company's net revenue in 2018-2020**

*Unit: Billion VND*

No.	Items	2018		2019		2020	
		Value	% Sales	Value	% Sales	Value	% Sales
1	Revenue of selling goods	357.40	99.35%	189.60	98.67%	240.83	99.04%
2	Revenue of providing services	2.33	0.65%	2.55	1.33%	2.32	0.96%
<b>Total</b>		<b>359.73</b>	<b>100.00%</b>	<b>192.15</b>	<b>100.00%</b>	<b>243.15</b>	<b>100.00%</b>

*Source: Luong Yen Food Company Limited*

**Table 12: Structure of the Company's gross profit in 2018-2020**

*Unit: Billion VND*

No.	Items	2018		2019		2020	
		Value	% Sales	Value	% Sales	Value	% Sales
1	Gross profit from selling goods and providing services (*)	8.82	2.45%	6.54	3.40%	6.36	2.62%
<b>Total</b>		<b>8.82</b>	<b>2.45%</b>	<b>6.54</b>	<b>3.40%</b>	<b>6.36</b>	<b>2.62%</b>

*Source: Luong Yen Food Company Limited*

*Note: (\*) Currently, the Company is compiling COGS from selling goods with the cost of providing services, so the gross profit of the Company cannot be divided into both. In 2020, it is estimated that gross profit from selling goods accounts for about 70% of the total gross profit from selling goods and providing services.*

**For the sale of goods:**

**Table 13: Production of rice purchased and sold by the Company 2018 - 2020**

*Unit: ton*

No.	Items	2018	2019	2020
1	Amount of rice purchased	38,302	24,696	25,277
2	Amount of rice sold	39,347	23,610	26,176

Source: Luong Yen Food Company Limited

- Rice is the main business item of the Company. The Company's rice wholesale activities in recent years have been relatively volatile. In 2018, the revenue from rice reached 357.40 billion VND, however in 2019 this revenue has nearly halved to 189.60 billion VND. In 2020 revenues for this activity has rebounded and reached 240.83 billion. In recent years, the Company has implemented policies to reduce the operating model, cut staff as well as suspend its branches in Hung Yen, some branches in Hanoi,... so the company's revenue has decreased significantly. Due to the high cost of this commodity and frequent fluctuations should lead to the gross profit margin is relatively low. At the same time due to market food business in general in the domestic market and internationally increasingly difficult to integrate the international economy so the competitiveness of state enterprises such as Luong Yen Food Company Limited lower much more so than private enterprises. Currently, the Company does not directly export rice, but is merely a rice supplier for the Northern Food Corporation's export activities.

**For services:**

- Based on the work of reviewing the contract price of business cooperation, updated market price situation and measures to strengthen management and supervision and contracting. Thus, the rates of leases housing locations have the opportunity to help improve the Company's office is the maximum leverage resources and increase revenue land.

**Table 14: Average contract unit prices of some real estate locations**

No.	Location / Real Estate Address	Usable floor area (m <sup>2</sup> )	Average unit price of rental contract / month / m <sup>2</sup> (VND)
1	No 157 Kham Thien, Dong Da District, Hanoi	167.1	324,244
2	1 <sup>st</sup> floor, 51 Bui Thi Xuan, Hai Ba Trung District, Hanoi	25	600,636
3	No. 373 Bach Mai, Hai Ba Trung District, Hanoi	366.4	104,618
4	1 <sup>st</sup> floor at 45 Lo Duc, Hai Ba Trung District, Hanoi	28.5	217,783
5	Base house, ground floor 1, apartment building, collective quarter Nguyen Cong Tru, Hai Ba Trung District, Hanoi	50	109,091

Source: Luong Yen Food Company Limited

**b. Materials**

- For wholesale rice, rice import company primarily from its partners within the same corporation as Northern Food as: Branch of Vietnam Northern Food Corporation in Ho Chi Minh City; Center for Research and Development of Vietnamese Rice - Vietnam Northern Food Corporation Branch ....

- Due to the disease situation Covid 19 extends, along with increasing rice demand, a great influence about the Company imported rice. Currently, the cost of raw materials accounts for about 45% to 55% of cost of goods sold, so with the fluctuation of input rice price, it has a big impact directly on the revenue and profit of the Company.

**c. Costs of production**

**Table 15: Cost structure of the Company in 2018-2020**

*Unit: VND*

No.	Items	2018		2019		2020	
		Value	% Sales	Value	% Sales	Value	% Sales
1	Cost of goods sold	350,908,597,950	97.55%	185,618,422,821	96.60%	236,794,561,300	97.38%
2	Financial expense	82,989,453	0.02%	183,665,754	0.10%	92,171,088	0.04%
3	Selling expense	3,567,739,732	0.99%	2,491,321,406	1.30%	1,925,920,184	0.79%
4	Administrative Expense	6,346,321,850	1.76%	5,591,382,883	2.91%	5,365,854,006	2.21%
5	Other expense	46,438,776	0.01%	226,704,053	0.12%	267,500,552	0.11%
<b>Total expense</b>		<b>360,952,087,761</b>	<b>100.34%</b>	<b>194,111,496,917</b>	<b>101.02%</b>	<b>244,446,007,130</b>	<b>100.53%</b>

*Source: Luong Yen Food Company Limited*

- In general, the Company is facing a relatively large pressure on costs. The total revenue of the Company is not enough to cover the expenses and expenses of the year, causing losses in recent years, reducing the competitiveness of the Company compared to other businesses in the industry.

- Currently, cost of goods sold accounts for the largest proportion in the Company's cost structure. From 2018 to 2020, the proportion of cost of goods sold on the net sales generally remained around 97%. The burden of cost of goods sold is the main reason that the total cost of the whole enterprise is always maintained at a high level, thereby leading to the decline in business performance, even recording a loss in the recent years.

**d. Technology level**

- The company is promoting the application of modern technology systems in corporate governance, investing in management software to improve the efficiency of production and business organization, accounting to strictly manage goods, assets, capital, expenses.

**e. Product quality inspection situation**

- Currently, the Company is applying standard production management processes, closely monitoring to keep the quality of rice and agricultural products stable for export shipments, taking advantage of the sources of support of the Corporation. companies to increase the number of exports. The company has inspection staff to be in charge of inspecting the quality of imported and exported products and ensuring the quality and safety of rice.

**f. Marketing activities**

- Currently the company has not invested much in marketing activities. It is expected that when switching to joint stock company model, the Company will further promote marketing activities to expand the market.

**g. Trademarks, patent, and copyright registration**

- None

**i. Major contracts are being performed or have been signed**

**Table 16: List of major contracts are being performed or have been signed by the Luong Yen Food Company Limited**

Name of the Contract	Value of the Contract (VND)	Performance period	Products	Partner in the Contract
Rice export sale and purchase contract No. 162/20/HDKT-DN	10,050,000,000	From May 27 <sup>th</sup> , 2020 to July 31 <sup>st</sup> , 2020	Exported Vietnamese white rice 5% broken	Vietnam Northern Food Corporation
Rice export sale and purchase contract No, 543/20/HDKT-DN	11,020,000,000	From December 22 <sup>nd</sup> , 2020 to February 28 <sup>th</sup> , 2020	Exported Vietnamese white rice 5% broken	Vietnam Northern Food Corporation

*Source: Luong Yen Food Company Limited*

**9.2. Financial position and business operation results in 2018 - 2020**

**Table 17: Financial position and business operation results in 2018-2020**

*Unit: VND*

Items	Unit	2018	2019	2020
1. Total assets	VND	61,158,794,064	59,610,050,876	39,162,751,047
2. State Enterprise's capital book value	VND	36,246,146,625	35,445,058,936	35,460,162,277
3. Short-term Liabilities	VND	-	-	-

Items	Unit	2018	2019	2020
In which, overdue	VND	-	-	-
4. Long-term Liabilities	VND	-	-	-
In which, overdue	VND	-	-	-
5. Bad debts	VND	21,027,494,705	21,027,494,705	21,027,494,705
6. Total number of employees	People	37	36	35
7. Total payroll	VND	3,001,600,760	2,969,859,400	5,310,987,600
8. Average income per person / month	VND	6,760,362	6,874,675	12,645,209
9. Total revenue	VND	361,082,423,106	193,681,665,681	244,554,610,835
10. Total expense	VND	360,952,087,761	194,482,753,370	244,539,507,494
11. Earning before taxes	VND	130,335,345	(429,831,236)	108,603,705
12. Net income	VND	130,335,345	(801,087,689)	15,103,341
13. Net income/ State Enterprise's contributed capital (*)	%	0.36%	(2.23%)	0.04%

Source: Audited financial statements of 2018, 2019 and 2020 of the Company

**Details of the Company's bad debts:**

No,	Name of customer	31/12/2020		01/01/2020	
		Original value (VND)	Recoverable amount (VND)	Original value (VND)	Recoverable amount (VND)
1	Hoa Binh Minerals Mining Company Limited THT	11,273,521,829	-	11,273,521,829	-
2	Khanh An production and trading Joint Stock Company	9,138,967,100	-	9,138,967,100	-
3	Thang Long seafood and animal feed processing factory	615,005,776	-	615,005,776	-

No,	Name of customer	31/12/2020		01/01/2020	
		Original value (VND)	Recoverable amount (VND)	Original value (VND)	Recoverable amount (VND)
Total		21,027,494,705	-	21,027,494,705	-

- Currently, the Company has made allowances for all bad debts mentioned above, With the status of doubtful debts outstanding reducing efficient production and business of the Company and lead to prolonged losses.

+ According to Clause 1, Article 17 of Decree No, 126/2017/ND-CP dated November 16<sup>th</sup>, 2017 of the Government stipulating: “Unused provisions for devaluation of stocks, financial investments or bad debts (if any) on the date of determining may be offset against the loss. Any remainder after offsetting shall be offset against the income of the equitized enterprise,”. At the time of enterprise valuation on December 31<sup>st</sup>, 2019, Luong Yen Food Company Limited had an allowance for reversal into business results, including Provision for doubtful short-term receivables: 21,027,494,705 VND.

### 9.3. Factors affecting production and business activities of the Company

#### 9.3.1. Advantages

- Luong Yen Food Company Limited is supported by Vietnam Northern Food Corporation to do business in the agricultural industry:

+ Vietnam Northern Food Corporation a long-standing and famous food business in Vietnam with key products such as rice, agricultural products (maize, cassava slices), salt... Therefore, the Corporation always has resources, facilities, market hubs and raw material sources to support Luong Yen Food Company Limited in doing business in agricultural products.

+ With a system of dependent units, subsidiaries and affiliates of the Corporation spreading across the country, specializing in the field of agricultural products. Luong Yen Food Company Limited can easily take advantage of the network and support links among its member units to facilitate the development of agricultural production and business activities.

#### 9.3.2. Disadvantages

- In terms of capital, facilities:

+ The Company's capital resources are limited, while the Branch in the Mekong Delta has a great need for capital to expand production and business and invest in production lines.

- + Currently, the main facilities of the Company Office are real estate assets at 373 Bach Mai, and the building was built for a long time, the design is outdated, so the exploitation of the building's use is limited.
- + The company's main revenue comes from business activities and rice production, but the main place of production and business at Mekong Delta Branch is still leased assets, Therefore, the rice production business is not stable and not suitable for building a long-term business strategy.
- About human resources: The age of the employees in the Company is high and belongs to the old manpower object, so the ability to access new organizational structure and business plan has many limitations. So the Company needs to research to a contingent of adjacent and qualified employees to meet the set needs.

About the market:

- + The rice trading market is increasingly difficult and fierce. The competitiveness of state-owned enterprises is weaker than that of private enterprises.
- + The general price on the market has many fluctuations, fluctuating up or down erratically, affecting the efficiency of production and business, thereby affecting the profit of the Company.
- + The state-owned land points are not stable on the legal basis, due to the State's public asset management mechanism, it is difficult and risky to build a long-term business plan from rental housing establishments when investing in new ones.

## **10. Positions of the Company compared to other Companies in the same industry**

### **10.1. Position of the Company in the industry**

- The company has a long history and tradition. This is an important basis and premise for the Company to promote and continue to develop after equitization.
- Luong Yen Food Company Limited is a 100% state-owned enterprise under the Vietnam Northern Food Corporation, one of the reputable rice suppliers in Vietnam.
- The company's human resources and senior management levels will create good steppingstone for the company to build and organize production and trading after the shares.

### **10.2. Industry development prospects)**

#### ***For the domestic market:***

- The domestic rice market size tends to decrease gradually by the end of 2020 to 11.1 million tons (equivalent to VND 122.21 billion). According to statistics of the Ministry of Agriculture and Rural Development (MARD), people tend to gradually reduce the utilization rate of rice. In which the rate of reduction in urban areas tend to be faster than the rural areas.

- Traditional distribution channels (through shops, rice agents...) still account for the main proportion, more than 96%. Modern distribution channels (supermarkets) still account for a relatively low proportion.
- Currently, the main demand of the domestic market is still low-priced rice and this product group is fiercely competitive on price among competitors. However, consumers tend to be more interested in branded and healthy rice, and consumers make decisions not only based on price but also on factors of product benefits and customer care. But this shifting trend is not high. In addition, domestic consumers also tend to like specialty rice. According to the Board of Directors of Food Industry, the branded rice market has a scale of about 400 thousand tons/year.

***For export market:***

- Every year, Vietnam exports from over 6-7 million tons of rice to more than 30 countries and territories. In 2020, rice is the bright spot in agricultural exports, the rice export value has grown strongly, especially the continuous increase in rice prices has marked a historic increase over the past decade. Vietnam's rice export reached 6.25 million tons with an estimated value of over US \$ 3.12 billion, up 11.18% in value although the volume of rice exports decreased by about 1.91% over the same period last year 2019.
- Statistics show that, in 2020, Asia will still be Vietnam's largest rice export market, followed by Africa. However, new signals from the European market have been the highlight of Vietnam's rice exports since the Vietnam - EU Free Trade Agreement (EVFTA) officially took effect. Many markets with a strong increase in rice exports such as France and Spain. Especially, the price of rice exported to the EU also has a strong growth, particularly before EVFTA comes into effect, the price of ST 20 rice exported to the EU is about 800 USD / ton, Jasmine rice is 520 USD / ton, now the price is about 800 USD / ton, Equivalent prices are over 1,000 USD and 600 USD.
- Joining the European - Vietnam Free Trade Agreement - EU (EVFTA) and the Regional Comprehensive Economic Partnership (RCEP) will create favorable conditions for rice exports in the future. Oriented Vietnam Food Association, in 2021 the rice industry continues to ensure exports and higher to approximately 2020 with equivalent output. According to the orientation of the Vietnam Food Association, in 2021 the rice industry continues to ensure that the export turnover must be approximately and higher than 2020 with equivalent output. Although forecast to reach new markets faced many difficulties due to the epidemic COVID-19, through the acquisition Vietnam in foreign countries, the Association has developed channels offer online, participate online commerce workshops; exploitation through commercial channels to service the local rice sector development. Product quality is also increasingly having to stay critical to meet the demanding markets such as Europe, Australia, Canada, America... These enterprises exporting rice to achieve these important certificates like USDA US, Global GAP... to meet the quality of rice for export in the world.

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**10.3. Conformity assessment of the Company's development orientation with industry orientation, Government's policy, and general trend in the world**

- The development orientation of Luong Yen Food Company Limited is in line with industry orientation, State policy and general trend in the world. Through models converted to joint-stock company, the company will mobilize the resources of society on both capital and human resources from all economic organizations and individuals in the country. Legal entities and individuals participating in production and business activities of enterprises help innovate and develop businesses, create jobs for workers, increase revenue sources for the local government budget, change management methods, create a driving force for development, improve the efficiency and competitiveness of enterprises in the market economy.

### III. INVESTMENT AND DEVELOPMENT PLAN OF THE ENTERPRISE AFTER EQUITIZATION

#### 1. General information after equitization

##### 1.1. General information

Vietnamese name : CÔNG TY CỔ PHẦN LƯƠNG THỰC LƯƠNG YÊN

English name : LUONG YEN FOOD JOINT STOCK COMPANY

Abbreviated name : LUONG YEN FOOD COMPANY

Address : No. 373 Bach Mai Street, Bach Mai Ward, Hai Ba Trung District, Hanoi City, Vietnam

Telephone : (84) 24 3971 6894

Fax : (84) 28 3821 9889

##### 1.2. Legal form

- After equitization, Luong Yen Food Company Limited will be a joint stock company, having legal status under Vietnamese law from the date of being granted the business registration certificate, implementing the regime independent accounting, having its own seal, being allowed to open a bank account in accordance with the law, being organized and operated under the charter of Luong Yen Food Joint Stock Company; Enterprise Law and other related legal documents.

- Business lines after equitization: Inheriting the lines of Business Registration Certificate No. 0105927553 by the Business Registration Office - Department of Planning and Investment of Hanoi City, first issued on June 25, 2012 and registered 2nd change on August 11, 2017, Certificate of change of business registration content issued by the Business Registration Office - Department of Planning and Investment of Hanoi on December 21, 2017 and on June 4, 2018, the business lines of the Company are expected to be as follows:

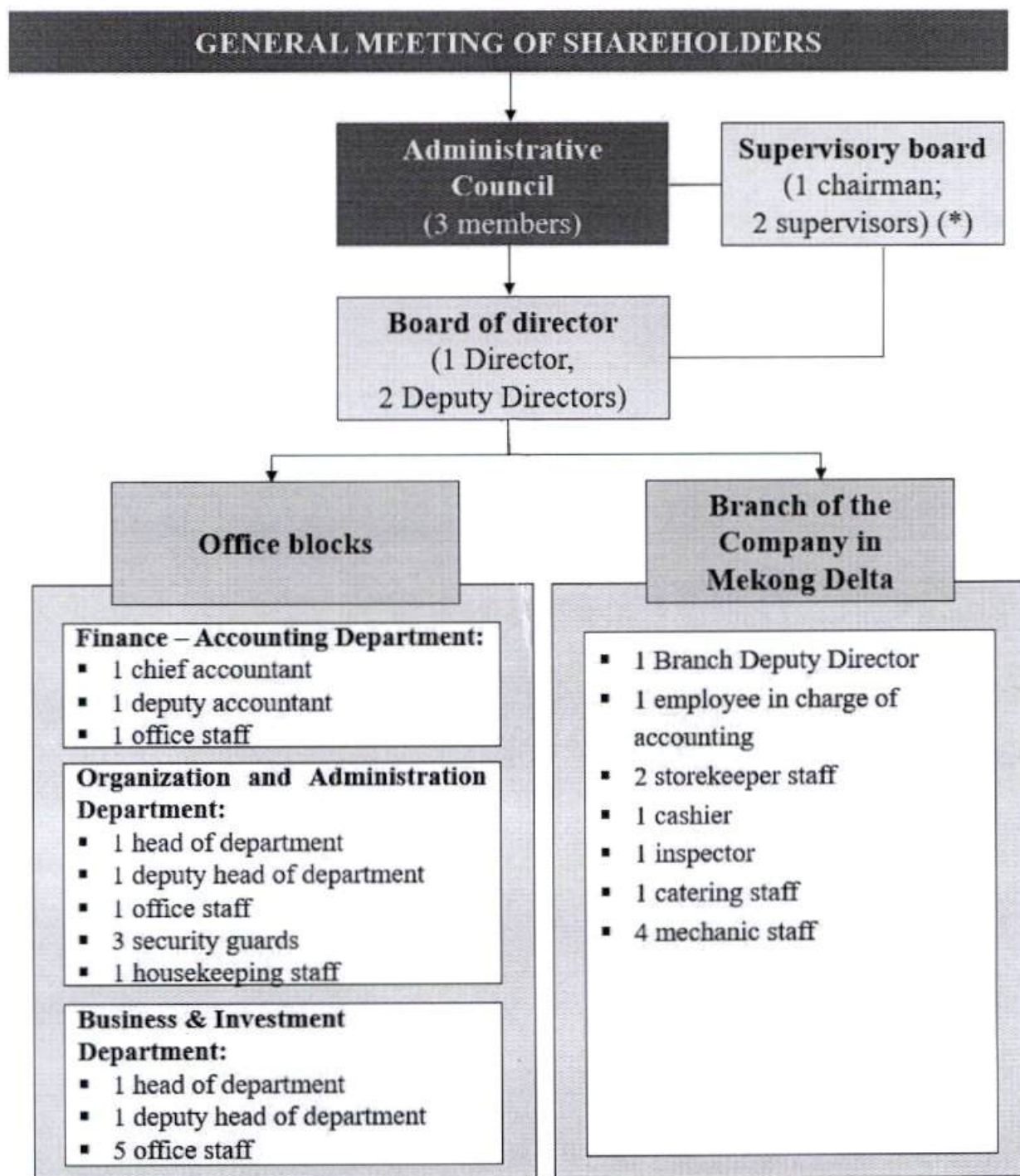
**Table 18: Business lines after equitization**

No.	Name of business line	Code
1	Wholesale of agricultural and forestry raw materials (except wood, bamboo) and live animals (except those banned by the Government)	4620 (Main)
2	Wholesale of rice	4631
3	Food retail in specialized stores	4722
4	Wholesale of solid, liquid, gaseous fuels and related products	4661

No.	Name of business line	Code
5	Retail engine fuel in specialized stores	4730
6	Short-stay services Details: Hotel	5510
7	Other food and drink services	5629
8	Providing catering services under irregular contracts with customers (for parties, meetings, weddings ...)	5621
9	Road freight transport	4933
10	Warehousing and storage of goods	5210
11	Other specialized wholesale not elsewhere classified Details: Wholesale of fertilizers and agrochemical products	4669
12	Service activities directly supporting railway and road transport Details: Service activities directly supporting the transport of passengers and goods by road	5221
13	Maintenance and repair of cars and other motor vehicles	4520
14	Operation of sports facilities	9311
15	Travel agency	7911
16	Tour operator	7912
17	Support services related to tour promotion and organization	7920
18	Wholesale of agricultural machinery, equipment and spare parts	4653
19	Wholesale of cars and other motor vehicles	4511
20	Wholesale of construction materials and installation equipment (For the conditional business lines, the enterprise only does business when it meets all conditions following the law)	4663
21	Business of real estates, owner-owned, owner-used or leased land use rights Details: Office for rent	6810
22	Milling and production of raw flour Details: Processing food, agricultural products	1061
23	Food retail in specialized stores	4721
24	Retail of apparel, footwear, leather and leatherette goods in specialized stores	4771

## 1.3. Organization structure after equitization

Figure 2: Organization structure of Luong Yen Food Company after equitization



- The total number of personnel is 32 people, which does not include:
- + 01 Chairman of the Administrative Council is the representative of the capital share of the Northern Food Corporation at Luong Yen Food Joint Stock Company.

- **Note (\*):** The number of personnel in the Supervisory Board can range from 1-3 people depending on the activities and organization of the Company after equitization.

**Table 18: Major adjustment points in organization structure**

No.	Description of Recommendations	Status and explanation of Recommendations
1	<b>Dissolve the Service Department</b>	
	Dissolve the Service Department because the department no longer has functions and duties in accordance with the new model and transfer the rest of the Service Department to the Business & Investment Department.	<ul style="list-style-type: none"> <li>- Currently, Luong Yen Food Company mainly focuses on food, agricultural products, and has stopped exploiting many supporting industries such as bus station business, petroleum, warehouse ...</li> <li>- Therefore, Service Department should be dissolved to streamline, minimize cumbersome and duplicate tasks in the organization structure. The function of exploiting other ancillary activities will be transferred to the Business &amp; Investment Department for further exploitation.</li> <li>- In addition, the focus of the Business Plan after equitization is continuing to develop and exploit the rice production segment; increase the allocation of business locations and expand agricultural business activities. Therefore, the staff of the Service Department, if they match the selection criteria of the Business &amp; Investment Department, will be transferred to the Business &amp; Investment Department to continue to promote their strengths and perform business support tasks. The rest of the personnel that do not comply with the selected selection criteria will be resolved with redundancy according to the regime.</li> </ul>

### 1.3.1. Functions and duties of positions at the Company's Office

Functions and duties of departments at the Company's Office are clearly defined in the Company's charter. Basic functions and tasks are performed as follows:

#### *a. General Meeting of Shareholders*

- The General Meeting of Shareholders includes all shareholders with voting rights, is the highest decision-making body of the Company.

**b. Administrative Council**

- The Administrative Council is the direct management body of the Company, elected by the General Meeting of Shareholders. The Administrative Council organizes the implementation of the rights and obligations assigned by the General Meeting of Shareholders in the Company Charter and the provisions of law; has the right on behalf of the Company to perform the rights and obligations of the Company, except for matters of the General Meeting of Shareholders.

**c. Supervisory Board**

- The Supervisory Board reviews annual financial statements, examines each specific issue related to financial activities when it deems necessarily or according to the decision of the General Meeting of Shareholders or at the request of major shareholders...;

- The Supervisory Board reports to the General Meeting of Shareholders on the accuracy, truthfulness and legality of documents, accounting books, financial statements and operation of the internal control system.

**d. Director**

- The Director is the legal representative; The Director runs the day-to-day business of the Company, is subject to the supervision of The Administrative Council and is responsible to The Administrative Council and the law for the exercise of assigned rights and duties.

**e. Deputy Directors**

- The Deputy Directors operate the Company as assigned and authorized by the Director; are responsible to the Director and the law for the implementation of assigned rights and duties.

**f. Chief Accountant**

- The Chief Accountant is proposed by the Director and approved by The Administrative Council. The Chief Accountant assists the Director in organizing the implementation of the financial and accounting activities of the Company in accordance with the provisions of the law on finance and accounting.

**g. Finance – Accounting Department**

- Performing professional work in accordance with Vietnam regulations on financial and accounting standards;

- Timely and fully accounting for economic transactions arising at the Company to ensure good service for production and business activities. Specifically, the related operations: Capital accounting in cash; Accounting of fixed assets, raw materials, tools ...; Accounting liabilities; Accounting of financial income, expenses and other accounting activities;

- Check the legality, reasonableness and validity of all types of documents, complete procedures before submitting them to the leader for approval. Perform the correct and complete recording and accounting of arising economic transactions in accordance with the Financial Regulations of the Company and the provisions of the Law;
- Implementation of the annual financial plan of the Company. Timely and fully implement the work of statistics, financial plans according to the company's regulations;
- Prepare quarterly and annual financial statements in accordance with the provisions of the Law and the Charter of the Company;
- Participate in the implementation and directly manage financial investment, lending at the Company;
- Advise the Company leaders on directing or directly inspecting and supervising the management and compliance with the financial and accounting regimes of the Government and the internal of the Company:
- + Make plans and check spending plans to ensure compliance with regulations on spending norms of the Government and of the Company in order to operate business effectively;
- + Develop internal regulations on financial management: business revenue and expenditure process; capital and debt management; Types of norms such as inventory norms, losses, wages,... apply in the Company and check the compliance with these internal regulations;
- + Develop management reports to submit to The Administrative Council, advise The Administrative Council in the field of management of the Company's financial and accounting activities and perform other tasks as assigned by the Director;
- Research and propose to the Company leaders the business management measures to ensure good compliance with current regulations and in accordance with the characteristics and situation of production and business of the Company to achieve the best efficiency.

***h. Organization and Administration Department***

- Research and propose to the Company leaders on the establishment of the Company's organizational apparatus such as the establishment of departments and subordinate units to meet the requirements of production and business tasks of the Company from time to time;
- Research, apply and propose policies for employees such as: recruitment, assignment, transfer, appointment, promotion, salary increase, staff discipline ... retirement and other rules and benefits for the employees;
- Monitoring personnel statistics, managing and supplementing annual personnel records according to regulations and requests of superior management agencies;

- Develop long-term and short-term training plans and recruit staff to send to training, in order to foster and improve the political, professional level and management skills of employees;
- Build and work together with other functional departments to protect annual labor plans and wages under the guidance of superior management agencies;
- Guide and organize the implementation of forms of salary, bonus, remuneration and allowances in accordance with the policies and regimes towards employees;
- Make statistics and reports to track salaries and income of employees;
- The tasks about social insurance, health insurance ... calculating the monthly, quarterly and yearly deduction;
- Monitor the employee's leave, sick leave, maternity leave, gather documents and request the settlement of social insurance benefits;
- Implement and propose the work of labor protection;
- Perform duties related to secretary of The Administrative Council, shareholder relations (information disclosure);
- Administrative tasks: clerical, seal management, document storage management, confidentiality, typing, document printing, communication service, management and operating facilities for departments, standing guard of the Company. Performing housekeeping work, managing assets of the Company office block;
- Interact, receive guests or guide guests to work with leaders of the Company;
- Perform unexpected administrative work at the request of the company's leaders;

**i. Business & Investment Department**

- Advise and assist the leaders of the Company in the following activities:
  - + Trade of food, domestic agricultural products and directly organizing food and agricultural products trading activities according to the Business Plan approved by the Company's leaders;
  - + Retail business at the Government-leased specialized stores to ensure safety of capital and assigned assets;
  - + Business and investment on the existing site fund at the 373 Bach Mai building;
  - + Making short, medium and long-term business plans to expand production and business.
- Research, evaluate and forecast market demand for food trading, domestic agricultural products and consumer goods. Develop, make short, medium and long-term business plans;

- Implement business and investment development direction of the company. Survey, explore, find out how to approach the market situation in terms of commodities, business lines the Company operating and future orientation;
- Research and propose to the Company leaders plans to expand industries and goods, and to renew goods trading activities to suit the Government-owned specialized stores;
- Directly make a business plan to submit to the Company's leaders for approval. Organize negotiations, make draft contracts to implement the approved business plans;
- Implement programs to stabilize and ensure food security when assigned;
- Coordinate with other departments of the Company, affiliated units to successfully complete the assigned tasks;
- Other jobs as assigned by the company's leaders.

**1.3.2. Functions and duties of positions at the Company's branch in the Mekong Delta**

- Perform the task of producing and processing rice for export and domestic consumption to serve the needs of the Northern Food Corporation and other partners;
- Store finished goods to ensure the supply and business activities of the Company are timely and efficient;
- Coordinate and consult the Business and Investment Department to make production plans and perform work by day, week, month;
- Coordinate and manage means of transport to carry out the transport of goods;
- Manage the declaration and set up of import and export documents suitable for each order of the Branch;
- Manage the implementation and completion of sales procedures in accordance with the company's regulations and the law to ensure the legal suitability of contracts/ orders;
- Seek the sources of raw materials and assess the risks of the sources;
- Control the purchase of raw materials: Quantity and progress of goods to ensure compliance with production plans and delivery requirements, to avoid wasteful inventory and storage;
- Make accounting records and send settlement reports to the Office of the Company for synthesis;
- Track and supervise the system of books and data that accurately reflect the import, export and inventory of finished products;
- Coordinate with the Company Office Block to perform the work as assigned and directed by the Company Leader.

**2. Form of equitization**

**2.1. Equitization targets**

- According to the policy of the parent company – Vietnam Northern Food Corporation, Luong Yen Food Company carried out equitization in order to transform the 100% capital State-owned enterprise into a joint stock company;
- After equitization, the company must still play the role of economic development, sustainable growth in association with social security;
- Equitization of the Company in order to diversify ownership, attract other economic sectors to participate in order to renovate the corporate governance method towards a streamlined and specialized direction, improve financial capacity, expand the product consumption market in order to improve the efficiency of production and business of the enterprise;
- Strengthen the management, use of capital, investment capacity of production and business of the Company;
- Enhance the role of true ownership, attach responsibilities, jobs and interests of shareholders, create a driving force to promote management, step by step renovate technology, develop scale, improve financial capacity, business production capacity to improve operational efficiency;
- Conduct publicity and transparency according to market principles; associated with capital market and stock market development.

## 2.2. Equitization requirements

- Ensuring the stable development of Luong Yen Food Company after equitization;
- Ensuring safety, not causing big fluctuations in production and business activities of the Company;
- Ensuring the harmony of the interests of the Government, enterprises, shareholders and employees;
- Conduct publicly and transparently according to market principles; associated with capital market and stock market development.

## 2.3. Form of equitization

- Because the company's charter capital after equitization built is 35,45 billion VND, equivalent to 35.45 billion VND of the existing State capital according to the enterprise accounting books, so the equitization option chosen is selling a part of the existing State capital in the enterprise (35,45 billion VND), in accordance with the provisions in Clause 2, Article 5 of Decree 126/2017/ND-CP dated November 16, 2017 of the Government on transferring State-owned enterprises and one member limited companies whose 100% charter capital invested by state-owned enterprises into joint-stock companies, to ensure the post-equitization target that the Government holds 51% of the company's charter capital.

**Table 19: Total capital needs of Luong Yen Food Company after equitization**

*Unit: VND*

No.	Content	Amount of money (VND)	Note
A	FIXED ASSETS ON THE RESULTS OF DETERMINATION OF ENTERPRISE VALUE	5,538,463,150	Figures are based on the firm's book value.
B	NEED FOR GOODS FOR DEVELOPMENT INVESTMENT	29,906,595,786	<ul style="list-style-type: none"> <li>- The capital to produce and reserve is about 3,750 tons of goods to serve the production and business activities after equitization;</li> <li>- These goods are stored at the Company's warehouse in the Mekong Delta Branch with a maximum warehouse capacity of about 5,000 tons;</li> <li>- Average unit price of 8,000 VND/kg of rice, broken rice, bran is used to calculate capital demand based on market research and consultation of the unit.</li> </ul>
C	TOTAL CAPITAL NEEDS FOR BUSINESS ACTIVITIES	35,445,058,936	
	ROUNDED TOTAL CAPITAL NEEDS FOR BUSINESS ACTIVITIES	35,445,060,000	

Source: Equitization plan of Luong Yen Food Company Limited

### 3. Plan for production and business activities from 2021-2023

Some key information about investment plans and business development strategies after equitization are prepared as follows:

#### 3.1. Business strategy

##### 3.1.1. General orientation for the whole Company

- Restructure, rearrange organization structure and workforce, utilize as much as possible the human resources and specialize business activities;
- Apply a modern technology system to corporate governance. Invest in management software to improve the efficiency of production, business and accounting in order to strictly manage goods, assets, capital and expenses;
- Develop a clear and specific set of internal management regulations for the smooth and effective operations of the Company;
- Expand the scope of business and thoroughly exploit the associated business and real estate assets to maximize cost recovery sources; radical cost savings to improve efficiency;
- Actively participate in the program of circulation stabilization;
- Step up the improvement of the quality of rice and other agricultural products in order to develop production and business activities for export and domestic consumption.

### **3.1.2. Orientation for the Company Office Block**

- Strengthen management, supervision, review the price of business cooperation contracts, expand the scope of business and strengthen contracting in 5 real estate locations in order to maximize revenue sources;
- Research the market and expanse the business activities of agricultural products;
- Build and develop distribution channels and look for domestic customers to support consumption, solve output problems for rice products produced by the Branch;
- Optimize workforce to improve management efficiency and save costs;

### **3.1.3. Orientation for the company's branch in the Mekong Delta**

- Diversify the structure of business products through developing domestic business;
- Make in-depth investments in modern equipment and technologies to produce high-quality rice products, to build up separate brands for sale to domestic and international markets;

## **3.2. Targets and plans for the period of 2021 - 2023**

- Build the Joint Stock Company to thrive in the fields of: trading and producing rice for export and domestic consumption; business cooperation; join the circulation stabilization program; agribusiness...;
- The Company continues to maintain the rice business model through actively searching and working with potential partners as well as supply rice for export for the Vietnam Northern Food Corporation;
- The years after equitization, when the Company gradually became autonomous in its business activities and reduced the amount of export rice for the Vietnam Northern Food Corporation, other sources of income (including business of agricultural products and self-sale rice) are forecast to grow;

- Business cooperation activities based on the Company's available real estate are also forecasted to bring stable and sustainable revenue for the Company.

**Table 20: System of main economic targets of the business plan from 2021 - 2023**

Target	Unit	2021	2022	2023
1. Construction investment plan	Billion VND	-	-	-
2. Charter capital	Billion VND	35.45	35.45	35.45
3. Total number of employees	Person	32	32	32
4. Total salary fund	Billion VND	3.76	4.12	4.12
5. Average income per person / month	Million VND	8,540	9,565	9,565
6. Total revenue	Billion VND	160.95	164.94	170.98
7. Total cost	Billion VND	160.54	164.47	170.46
8. Profit before tax	Billion VND	0.41	0.466	0.52
9. Profit after tax	Billion VND	0.41	0.466	0.52
10. Dividend rate	VND	-	-	-

### 3.3. Solutions to implement

#### 3.3.1. General solutions:

##### a. Financial accounting work

- Work actively and promptly in capital rotation, ensuring sufficient capital for production and business activities. Prepare plans to apply for loan support from the Corporation to solve production and business difficulties;
- Strengthen the inspection and supervision of the branch's finances according to plan or ad-hoc basis;
- Apply a system of management software system synchronous and throughout from the Company Office Block to the branch in the Mekong Delta, ensuring the consolidated reporting and financial management is effective and smooth;
- Issue a comprehensive product code list within the Company to support effectively revenue recognition, cost aggregation and profit assessment.

**b. Market work**

- Strengthen the surveying, researching and market researching activities, including of traditional markets and some new markets;
- Develop a plan for coordination and support to submit to the Corporation, to expand business activities in new potential markets such as the domestic rice market and agricultural product market.

**c. Investment – construction work**

- Invest in advanced technology for the production line system and machinery at the Branch to organize the production of high quality rice products in order to utilize resources to serve domestic and export markets.

**d. Scientific engineering and training work**

- Apply science and technology in new products through the research and development of high quality rice and agricultural products, beneficial to the health of consumers;
- Actively develop plans for training and retraining staff and planning staff to meet immediate and long-term human resource needs.

**e. Law observance and cost-saving practice**

- Strictly abide by the regulations and laws of the Government;
- Continue to comply with the Government's regulations and the Company's policies on reducing management costs and reducing product costs.

**3.3.2. Specific solution**

**a. Technical solution**

**For the Company Office Block:**

- Business cooperation at real estate locations:
  - + Promote management and supervision, strengthen contracting, reorganize and efficiently process operations, expand the scope of business for business cooperation activities at 5 real estate locations;
  - + Regularly review and promptly update the market situation on contract prices at 5 real estate locations to maximize available resources and increase revenue.
- Agribusiness:
  - + Research, survey, analyze domestic and international agricultural markets to develop strategies and business models suitable to new commodities;
  - + Develop a specific and detailed plan on the development of the agricultural product business model and submit it to the Corporation for support and approval; which includes the following contents: investment capital, facilities conditions (warehouse, equipment, machinery,...), material supply input, source of purchasing output, training program for

human resources in order to adapt to new business activities, plan to coordinate with member units of the Corporation to improve business efficiency.

**For the Branch in the Mekong Delta:**

- Make use of available resources and maintain production and business activities at the rental location with preferential prices of the Corporation in Sa Dec, Dong Thap;
- Invest in renovating and improving the system of machinery lines with advanced technology equipment in order to improve product quality, reduce processing costs, save costs and increase profit margins;
- Diversify types of rice products to suit domestic consumption and international markets, increase output of high-value products, gradually reduce the proportion of products with low value, high production costs and no popularity with consumer tastes;
- Implement well the purchasing and research of the supply market to find the sources of imported goods with good quality and reasonable prices;
- Develop and promote a plan to apply for support of export target to submit to the Corporation to ensure export supply and business efficiency of the whole Company;
- Develop a clear plan to assign employees to improve employee responsibility and work efficiency.

**b. Financial Solutions**

- After equitization, in addition to continuing to trade rice products and doing business with other units, the Company will initially participate in agricultural product trading to increase growth. revenue sources, making use of human factors, available capacities and experiences, as well as the Corporation's support to expand new business lines;
- In the short term, in a period of 3-5 years, the Company after equitization will need investment resources to deploy and expand market operations of new businesses. This investment resource can come from the Corporation's rice export business with long-term contracts and preferential prices. After this period, the Company will go into stable operation, increase autonomy, and gradually reduce the amount of rice supplied for the Corporation. The specific export supply levels for the Corporation in the next 3 years are shown in the following table:

**Table 21: Expected revenue sources from supplying export rice for the Corporation**

STT	Chỉ tiêu	2021	2022	2023
1	Revenue from supplying export rice for the Corporation (Billion VND)	64.8	61.5	60.3

STT	Chỉ tiêu	2021	2022	2023
2	Volume of exported rice for the Corporation (tons)	7,619	7,238	7,093

- Immediately after equitization, revenue from supplying export rice for the Corporation is calculated at 64.8 billion VND, equivalent to about 7,619 tons of rice (with market prices: ~ 8,500 VND/Kg of export rice), will help the company cover the salary costs and operations needed to invest in the start-up of agribusiness.

- In the following years, when the agribusiness began to develop and achieve stable revenue, as well as the operation of the apparatus gradually stabilized with the new business, the revenue from supplying export rice for the Corporation is estimated to decrease gradually at 4%/year, to VND 60.3 billion, equivalent to about 7,093 tons of rice (at market price: ~ 8,500 VND / Kg export rice), by year 2023.

**c. Market solutions**

- Forecast well the market to flexibly adjust product categories to suit the needs of domestic and international markets, and have high added value to increase revenue and efficiency;
- Strengthen coordination with the Corporation and the member units of the Corporation to consolidate and expand channels of domestic sales and international markets;
- Focus on improving designs, packaging, which fully demonstrate the origin of rice and agricultural products;
- Apply standard production management processes, closely monitor to keep the quality of rice and agricultural products stable for export shipments, take advantage of the Corporation's support sources to improve export quantity;
- Develop plans to promote and strengthen marketing and build markets in all key areas: the rice industry, the agricultural product industry and the real estate business cooperation.

**d. Solutions for training**

- Improve the professional quality of training courses, diversify training forms: long-term and short-term training under standard programs and develop specialized short-term programs at the request of companies in each period;
- Recruit employees directly at the Branch with high skills and high technology in the missing positions, with appropriate remuneration policies to attract workers.

## 4. Land use plan of the Company after equitization

Table 22: Land use plan of the Company after equitization

No.	Address	Management area (m <sup>2</sup> )		Legal records	Purpose of use after equitization	Uses
		Site area	Gross floor area			
<b>I</b>	<b>Hanoi</b>					
1	No. 373 Bach Mai, Hai Ba Trung District, Hanoi	366.4	1.336.9	+ Land use right certificate number BL 868973 by Hanoi People's Committee issued on December 10, 2013. Expiry date: 50 years since October 15, 1993. + Official Letter No. 2926/BTC-QLCS dated 04/03/2011 of the Ministry of Finance approving the plan of rearranging and handling real estate of Vietnam Northern Food Corporation; + Report No. 10/TTr-LTLY-PASĐĐ dated February 21, 2020 of Luong Yen Food Company Limited; + Official Letter No. 5241/UBND-KT dated November 4, 2020 of Hanoi People's Committee on the post-equitization land use plan of Luong Yen Food Company Limited in Hanoi City.	Continue to use it to serve production and business activities of the enterprise, to ensure compliance with the city's planning.	Private use (land lease, pay annually)
2	House, land floor 1, apartment building, apartment building Nguyen Cong Tru, Hai Ba	62	50	+ Land lease contract No. 229-245/ĐC-BĐ-HĐTĐ dated July 26, 1996 between the Department of Land Administration and Real Estate of Hanoi and Food Shop No. 3 (a unit of Luong Yen Food Company Limited);	Continue to use it to serve production and business activities of the enterprise, to	Private use (land lease, pay annually)

No.	Address	Management area (m <sup>2</sup> )		Legal records	Purpose of use after equitization	Uses
		Site area	Gross floor area			
	Trung district, Hanoi			+ Official Letter No. 2926/BTC-QLCS dated 04/03/2011 of the Ministry of Finance approving the plan of rearranging and handling housing of Vietnam Northern Food Corporation; + Report No. 10/TTr-LTLY-PASDD dated February 21, 2020 of Luong Yen Food Company Limited; + Official Letter No. 5241/UBND-KT dated November 4, 2020 of Hanoi People's Committee of on the post-equitization land use plan of Luong Yen Food Company Limited in Hanoi City.	ensure compliance with the city's planning.	
3	Level 1, 51 Bui Thi Xuan, Hai Ba Trung district, Hanoi	25	25	+ Land lease contract No. 459/XNHBT/HĐTNCD dated March 10, 2017 between Hanoi Housing Management and Development Company Limited and Luong Yen Food Company Limited, enclosed with the Annex of Land lease contract dated May 15/2018; The rental period is until December 3, 2019. Currently the Company is waiting for the Hanoi Housing Development and Management Company to sign (extend) the contract; + Official letter No. 5277/UBND-KT dated November 25, 2019 of Hanoi People's Committee on the plan of rearranging and handling real estate	As a business basis (Complying with the house and land arrangement plan of Hanoi Housing Management and Development Company Limited approved by Hanoi People's Committee in	Renting the house of Hanoi Housing Management and Development Company Limited

No.	Address	Management area (m <sup>2</sup> )		Legal records	Purpose of use after equitization	Uses
		Site area	Gross floor area			
				in the area of Hanoi city of the two member units of the Vietnam Northern Food Corporation; + Official Letter No. 239/BTC-QLCS dated January 8, 2020 of the Ministry of Finance on the plan of rearranging and handling houses and land of the Government Capital Management Committee in enterprises in Hanoi city; + Report No. 10/TTr-LTLY-PASDD dated February 21, 2020 of Luong Yen Food Company Limited; + Official Letter No. 5241/UBND-KT dated November 4, 2020 of Hanoi People's Committee on the post-equitization land use plan of Luong Yen Food Company Limited in Hanoi City.	accordance with regulations)	
4	No. 157 Kham Thien, Dong Da district, Hanoi	167.1	167.1	+ Housing and land lease contract No. 250/XNDD/HĐTNCD dated August 13, 2014 between Hanoi Housing Management and Development Company Limited and Luong Yen Food Company Limited with Appendix of house and land lease contract dated May 15, 2018. Lease term is until December 31, 2018. Currently, the Company is waiting for the Hanoi Housing Development and Management Company to sign (extend) the contract.	As a business basis (Complying with the house and land arrangement plan of Hanoi Housing Management and Development Company Limited approved	Renting the house of Hanoi Housing Management and Development Company Limited

No.	Address	Management area (m <sup>2</sup> )		Legal records	Purpose of use after equitization	Uses
		Site area	Gross floor area			
				<p>+ Official letter No. 5277/UBND-KT dated November 25, 2019 of Hanoi People's Committee on the plan of rearranging and handling real estate in the area of Hanoi city of the two member units of the Vietnam Northern Food Corporation;</p> <p>+ Official Letter No. 239/BTC-QLCS dated January 8, 2020 of the Ministry of Finance on the plan of rearranging and handling houses and land of the Government Capital Management Committee in enterprises in Hanoi city;</p> <p>+ Report No. 10/TTr-LTLY-PASDD dated February 21, 2020 of Luong Yen Food Company Limited;</p> <p>+ Official Letter No. 5241/UBND-KT dated November 4, 2020 of Hanoi People's Committee on the post-equitization land use plan of Luong Yen Food Company Limited in Hanoi City.</p>	by the People's Committee of Hanoi City in accordance with regulations)	
5	Floor 1 at 45 Lo Duc, Hai Ba Trung district, Hanoi	28.5	28.5	<p>+ Official Letter No. 792 / QL &amp; PTN-QLN dated April 12, 2017 of Hanoi Housing Management and Development Company Limited - Hanoi People's Committee v / v State-owned specialized houses at 45 Lo Street Duc, Hai Ba Trung district. Currently the company is waiting for the Hanoi Housing</p>	As a business basis (Complying with the house and land arrangement plan of Hanoi Housing Management and	Renting the house of Hanoi Housing Management and Development

No.	Address	Management area (m <sup>2</sup> )		Legal records	Purpose of use after equitization	Uses
		Site area	Gross floor area			
				<p>Development and Management Company to sign the contract.</p> <p>+ Dispatch No. 5277 / UBND-KT dated November 25, 2019 of the People's Committee of Hanoi on the plan of rearranging and handling real estate in the area of Hanoi city of the two member units of the Regional Food Corporation North in the city;</p> <p>+ Official Letter No. 239 / BTC-QLCS dated January 8, 2020 of the Ministry of Finance on the plan of rearranging and handling houses and land of the Government Capital Management Committee in enterprises in Hanoi city;</p> <p>+ Report No. 10 / TTr-LTLY-PASDD dated February 21, 2020 of Food Company Limited;</p> <p>+ Official Letter No. 5241 / UBND-KT dated November 4, 2020 of People's Committee of Ho Chi Minh City. Hanoi on the post-equitization land use plan of Luong Yen Food Company Limited in Hanoi City.</p>	Development Company Limited approved by the People's Committee of Hanoi City in accordance with regulations)	Company Limited
<b>II</b>	<b>Tien Giang</b>					
6	Housing establishment in Cai Be district, Tien Giang	1,478		+ Decision 595/QĐ-UB dated March 20, 1999 of the People's Committee of Tien Giang province on the allocation of land to Luong Yen grade I Food Company, now Luong Yen Food Company Limited;		



No.	Address	Management area (m <sup>2</sup> )		Legal records	Purpose of use after equitization	Uses
		Site area	Gross floor area			
6.1	Perennial land	770		<ul style="list-style-type: none"> <li>+ Land use right certificate No. M 115111 issued by the People's Committee of Tien Giang province on March 20, 1999;</li> <li>+ Record of checking the current status of the land on April 24, 2019;</li> </ul>	The company has completed the transfer to local management	
6.2	Construction land	708		<ul style="list-style-type: none"> <li>+ Decision No. 119/QĐ-BTC dated January 31, 2020 of the Ministry of Finance on the sale of assets on the land and transfer of land use rights;</li> <li>+ Official Letter No. 933/BTC-QLCS dated January 31, 2020 of the Ministry of Finance approving the plan of rearranging and handling houses and land of Luong Yen Food Company Limited in Tien Giang province</li> <li>+ Report No. 104/TTr-TCTLTMB-HĐTV dated February 21, 2020 of Vietnam Northern Food Corporation on land use plan in Tien Giang province of Luong Yen Food Company Limited after equitization;</li> <li>+ Official Letter No. 283/UBQLV-NN dated February 21, 2020 of the Government Capital Management Committee in enterprises approving the plan of real estate rearrangement and treatment of Luong Yen Food Company Limited in the area of Tien Giang province;</li> </ul>	The company has completed the sale of assets on the land and the transferring of land use rights	

No.	Address	Management area (m <sup>2</sup> )		Legal records	Purpose of use after equitization	Uses
		Site area	Gross floor area			
				+ Official Dispatch No. 192/TCTLTMB-HĐTV dated March 25, 2020 of the Advice Council of the Vietnam Northern Food Corporation on auction of property on land and transferring a part of land use right in Cai Be district, Tien Giang province; + Decision No. 2994/QĐ-UBND dated October 7, 2020 of the People's Committee of Tien Giang province approving the starting price of the auction of land use right and construction on land (Factory) of Luong Yen Food Company Limited, which belongs to plot 1172, map sheet number HKC3, located at Square 3, Hoa Hao hamlet, Hoa Khanh commune, Cai Be district, Tien Giang province.		

*Source: Equitization plan of Luong Yen Food Company Limited and Enterprise Valuation Document of Luong Yen Food Company Limited as of December 31, 2019*

#### IV. CHARTER CAPITAL, CHARTER CAPITAL STRUCTURE, DEPARTURE PRICE AND ISSUE METHOD

##### 1. Structure of charter capital

Based on the results of enterprise valuation determined by the valuation consultancy unit which has been audited; the actual value of state capital according to the enterprise book value to determine the scale of charter capital; business plans after equitization, the Company proposes the Charter Capital of Luong Yen Food after equitization with the following structure:

- Authorized capital : VND 35.445.060.000 (Thirty - five billion, four hundred forty five million and sixty thousand VND)
- Face value per share : VND 10.000
- Number of shares : 3.544.506 shares
- Type of stock : Common stock

The charter capital structure of the Company that was initially approved in Decision No. 346/QĐ-TCTLTMB-HĐTV dated December 17, 2020 of the Advice Council of the Vietnam Northern Food Corporation is as follows:

**Table 23: Structure of the charter capital of Luong Yen Food Company after equitization**

No.	List of shareholders	Number of shares	Values follow denominations	Percentage
1	The Government's ownership	1,807,698	18,076,980,600	51%
2	Shares are publicly auctioned to outside investors	1,671,308	16,713,079,400	47.15%
3	Shares sold to regular employees	65,500	655,000,000	1.85%
3.1	Employees can buy at a preferential price (at the rate of 100 shares / year)	65,500	655,000,000	1.85%
<b>Total</b>		<b>3,544,506</b>	<b>35,445,060,000</b>	<b>100%</b>

*Source: Equitization plan of Luong Yen Food Company Limited*

Pursuant to the Government's Decree No. 140/2020/NĐ-CP dated November 30, 2020, amending and supplementing a number of articles of the Government's Decree No. 126/2017/NĐ-CP dated November 16, 2017 on the transformation of state enterprises and limited liability companies with 100% of their charter capital invested

by State enterprises into joint-stock companies; Decree No. 91/2015/NĐ-CP dated October 13, 2015 of the Government on investment of state capital in enterprises and management and use of capital and assets in enterprises and Decree No. 32/2018/NĐ-CP dated March 8, 2018 of the Government amending and supplementing a number of articles of Decree No. 91/2015/NĐ-CP;

Luong Yen Food Company Limited has sold shares to employees and submitted report No. 17/BC-CTLY-TGV on February 17, 2021 on the results of selling shares to employees, The Equitization Steering Committee has issued Report No. 94/BC-TCTLTMB-BCĐCPHLY dated February 19, 2021 on the results of collecting proceeds from the sale of shares to employees of Luong Yen Food Company Limited, whereby successfully sold 100% shares to employees.

**The charter capital structure of Luong Yen Food Company after completing the sale of shares to employees remains unchanged as the equitization plan approved as follows:**

- 1.1. State-owned shares (Vietnam Northern Food Corporation): 1.807.698 shares, accounting for 51% of the charter capital**
- 1.2. Shares are offered to managers and employees: 65.500 shares, accounting for 1,85% of the charter capital**
- 1.3. Shares publicly auctioned to outside investors: 1.671.308 shares, accounting for 47,15% of the charter capital**

## V. RISK FACTORS

### 1. Economic risks

Any economy always contains certain risks, because of fluctuations in macroeconomic variables such as growth rate, inflation, interest rates, exchange rates ... Luong Yen Food Company Limited is an entity participating in the economy, so the Company's business activities will also be affected directly or indirectly from the change of those factors.

**Risk of capital costs:** To serve business and investment, almost all businesses have to use loan capital. Therefore, the interest rate (which is the cost of capital) becomes the part that directly affects the results of production, business and investment activities of enterprises. When planning business and investment projects, loan interest is estimated. However, there are many factors beyond the control of the business affecting interest rates, especially when inflation occurs. The fluctuation of loan interest rates will affect business efficiency and investment of businesses. However, according to the audited financial statements of 2020, as of December 31, 2020, the Company does not have any debts, so the risk of interest expenses for the Company at present doesn't exist.

**Risks of market purchasing power:** The difficult economic situation that reduces the demand for buying of the market also has a great impact on the production and business activities of enterprises. These risks are usually not lasting long, so it is necessary to have appropriate stimulus measures to ensure the source of the goods.

**Exchange rate risk:** With foreign currency loans or contracts, when the exchange rate increases, the exchange rate loss can significantly reduce, or even eliminate the entire profit obtained in business. Therefore, it is necessary to evaluate and quantify possible costs, including exchange rate differences, to compare with the benefits to avoid being passive when exchange rates change.

To minimize the impact of economic risks, the Company needs to focus on improving the management system, improving service quality and focusing on cost management.

### 2. Legal risks

After completing the equitization, all business activities of the Company are affected by the provisions of law such as: Enterprise Law, Commercial Law, Securities Law, tax laws ... and related instruction documents.

Currently, the system of legal documents of our country has been gradually improved and always changed to suit the development trend of the economy and society. However, this document system must continue to adjust and supplement to suit the actual situation. Therefore, it is essential to improve the stability of the Government's legal policies, especially when the Vietnamese economy is step by step in harmony with the movement and continuous development of the world economy.

To limit the impact of risks related to the law, the Company should always proactively and regularly update the law, learn and research about the changes of the law and promptly inform all officers and employees of the Company.

### 3. Cash flow balance risks

The balance of the cash flow of the enterprise's revenue and expenditure is extremely important. An imbalance in cash flow can occur when the amount of money in the enterprise is smaller than the amount spent. This has greatly affected the reputation of the business by failing to pay for materials and labor, failing to pay due debts in a timely manner, leading to lawsuits...

Cash flow imbalances are divided into: temporary imbalance and long-term imbalance. It can be said that in any business, there is a temporary imbalance due to the unplanned recovery of receivable debts; the capital contribution is not fulfilled as commitments...a temporary imbalance in cash flow can be overcome by many measures and the consequences are often not great. Long-term imbalance occurs due to important reasons such as: the fixed cost in the total costs of the enterprise is too large due to the decline in revenue or insufficient to cover recurrent costs, the results of production and business activities suffered losses; working capital shortage; bad debts increased ... At the audited financial statements of the Company in 2019 as of December 31, 2019, the company had many bad debts that had provisioned up to VND 21.027.494.705 and could not be recovered. Therefore, the Company has many potential factors that cause risks to the cash flow balance of the business, and in the long term, if this risk continues to occur, the business may go bankrupt.

### 4. Industry-specific risks

The rice market is a market with fierce competition, especially with enterprises with a dominant share of the Government such as Luong Yen, the competitiveness is difficult to compare with private enterprises; therefore, it is very difficult to attract interested investors.

### 5. Risks of stock offering

Vietnam's stock market is not vigorous yet; in addition, the schedule of divestment and equitization of State-owned enterprises is quite large throughout 2021 will be a big challenge for the Company in selling out the number of shares offered to the public.

### 6. Other risks

Other risks such as risks of natural disasters, fires, wars, political and social upheavals... are force majeure risks that all affect the food industry in general and the business.

## VI. OFFERING METHOD AND SHARES PURCHASE PAYMENT

### 1. Method of selling shares

#### 1.1. For employees

Based on the equitization plan of Luong Yen Company Limited, the total number of shares offered by the Company to employees under preferential policies in the equitized enterprise is 65.500 shares, equivalent to 1,85 % of charter capital, as follows:

#### a. Offering to employees who are eligible to buy preferential shares

- Buy shares at preferential prices according to the number of years working in the Government sector

Total number of employees eligible : 35 people  
to purchase

Total number of shares to be : 65.500 shares, accounting for 1,85% of  
purchased at preference charter capital

Selling price : 6.000 VND/ share (60% value of 01 share at  
par value of 10.000 VND/ share)

Time : The offering shares to employees has been  
completed in January 2021

#### b. Offering to employees with long-term work commitment

- Purchase conditions:
  - + Age: Male from 57 years old and under Female from 52 years old;
  - + The employee is named in the regular list of the Company at the time of publishing the enterprise value of equitization;
  - + The employee is the subject of the unit that needs to be used;
  - + Having a long-term commitment to work for the enterprise for at least 03 years (from the date the Company is granted the first enterprise registration certificate after equitization).
- Number of shares registered to buy: Each employee is only entitled to buy additional preferred shares in **one of the two** following cases:
  - + Buy more at the rate of 200 shares/01 year of commitment to continue working in the Company but not more than 2.000 shares per person, this number of additional shares is determined according to the commitment time to continue working up to the full retirement age for employees in normal working conditions in accordance with the current Labor Code.
  - + Particularly, the subjects are **excellent experts, with high professional qualifications and skills** working in the Company are allowed to buy more at the rate of 500 shares/01 year of commitment to continue working in the Company but not exceeding 5.000 shares for one person.

- Price: **16.800 VND/share**
- The company does not arise any other cases of registration to buy these additional preferential shares.
- Pursuant to the Government's Decree No. 140/2020/NĐ-CP dated November 30, 2020, amending and supplementing a number of articles of the Government's Decree No. 126/2017/NĐ-CP dated November 16, 2017 on the transformation of state enterprises and limited companies with 100% of their charter capital invested by state enterprises into joint-stock companies; Decree No. 91/2015/NĐ-CP dated October 13, 2015 of the Government on investment of state capital in enterprises and management and use of capital and assets in enterprises and Decree No. 32/2018/NĐ-CP dated March 8, 2018 of the Government amending and supplementing a number of articles of the Decree No. 91/2015/NĐ-CP;

**The results of the offering of preferential shares to employees when equitizing Luong Yen Food Company Limited, as follows:**

- Total number of shares successfully sold to employees: **65.500** shares, reaching **100%** of the number of shares offered for sale according to the plan.
- Number of shares held by employees: **1,85%** of charter capital.

**1.2. Shares offered to public through auction**

**1.2.1. Number of shares for auction:**

- Number of shares offered by the Company to outside investors through public auction 1.671.308 shares, accounting for 47,15% of the charter capital.

**1.2.2. Starting price: VND 16.800/share**

**1.2.3. Share auction organizer: Hanoi Stock Exchange.**

**1.2.4. Auction time:** As stipulated in the Regulation on auction of IPO shares of Luong Yen Food One Member Company Limited issued by Hanoi Stock Exchange.

**1.2.5. Subjects participating in the auction:** individual investors, institutional investors in Vietnam.

According to Article 2.3 and Appendix 03 of Circular 34/2013/TT-BCT dated December 24, 2013 announcing the roadmap for goods purchase and sale and activities directly related to the purchase and sale of goods by foreign-invested enterprises in Vietnam, foreign-invested enterprises in Vietnam are not allowed to exercise the right to distribute rice... Currently, the company is registered as "Wholesale of rice". Therefore, the holding rate for foreign investors in Luong Yen Food Company in accordance with current regulations is 0%.

- The further offering of unsold shares (if any) during the equitization process will be conducted in accordance with relevant laws.

**2. Payment method and payment term**

- For employees buying preferential shares: Follow the notice of selling shares to employees issued by Luong Yen Food Company.

- For investors who won the auction: According to the Auction Regulation issued by the Hanoi Stock Exchange.

### 3. Plan to use the proceeds from equitization

According to the Equitization Plan, the plan to use the proceeds from equitization of the Company is expected as follows:

**Table 24: Plan to use the proceeds from the issuance**

Unit: VND

No.	Content	Amount
<b>1</b>	<b>Actual value of the State capital in the enterprise according to the accounting books</b>	<b>35,445,058,936</b>
<b>2</b>	<b>The charter capital of the Company</b>	<b>35,445,060,000</b>
2.1	State capital	18,076,980,600
2.2	Investment capital of employees	655,000,000
2.3	Investment capital of other shareholders (public auction)	16,713,079,400
3	The starting price is expected to sell	16,800
<b>4</b>	<b>Proceeds from selling shares</b>	<b>28,470,974,400</b>
4.1	Capital purchased by employees regarding working years	393,000,000
4.2	Investment capital of other shareholders (public auction)	28,077,974,400
<b>5</b>	<b>Total par value of the sold shares (5 = 2.2 + 2.3)</b>	<b>17,368,079,400</b>
<b>6</b>	<b>Difference between proceeds from shares offering and par value of sold shares (6 = 4-5)</b>	<b>11,102,895,000</b>
7	Equitization costs	1,277,180,000
8	Redundant labor support costs	86,161,212
9	Value of state capital invested in the Company (2.1)	18,076,980,600
<b>10</b>	<b>Total amount paid to the Enterprise Arrangement and Development Fund (1 + 6-7-8-9)</b>	<b>27,107,632,124</b>

## VII. PLAN OF SECURITIES DEPOSITORY REGISTRATION, TRANSACTION REGISTRATION ON UPCOM.

Complying with the provisions of Article 11 of Decree 126/2017/NĐ-CP; Circular No. 40/2018/TT-BTC and Decree 140/2020/NĐ-CP, the Company will simultaneously register to securities depository and register to transact shares on the Stock Exchange. Within a maximum period of 90 days from the end of the public offering, the Company will complete the procedures for stock depository registration at the Vietnam Securities Depository and register for transacting on the Upcom transaction system.

## VIII. PERSONS RESPONSIBLE FOR THE INFORMATION ABOUT THE EQUITIZED COMPANY

### 1. REPRESENTATIVE OF THE EQUITIZATION BOARD

- **Mr. Do Tran Hoan** Position: Member of Advisory Council of Vietnam Northern Food Corporation - Head of the committee

We take full responsibility for ensuring that the information and data in this Prospectus are complete, accurate, truthful and consistent with the reality of the business in the Valuation Profile. The equitization plan has been approved by the Vietnam Northern Food Corporation.

### 2. REPRESENTATIVE OF LUONG YEN FOOD ONE MEMBER COMPANY LIMITED

- **Mr. Nguyen Duc Thang** Position: Director of Luong Yen Food Company Limited

We take full responsibility for ensuring that the information and data in this Prospectus are complete, accurate and truthful in accordance with the law on equitization so that investors can assess the assets, operations, financial status, results and prospects of Luong Yen Food Company.

### 3. REPRESENTATIVE OF THE CONSULTING ORGANIZATION

- **Ms. Nguyen Thi Thanh Thuy** Position: Deputy General Director of Bao Viet Securities Joint Stock Company

*(Under Authorization No. 01/2021/UQ-BVSC dated January 4, 2021 of the General Director)*

This Disclosure of information is a part of the initial share auction for Vietnam Northern Food Corporation at Luong Yen Food Company prepared by Bao Viet Securities Joint Stock Company based on the Consultancy Contract with Luong Yen Food Company. This Disclosure of Information has the following notes, conditions, and limitations:

- The analysis, assessment, and selection of words in this Information Prospectus are based on the information, data and documents provided by Luong Yen Food Company Limited, as well as from other sources that we consider to be reliable and all contents in this Prospectus have been confirmed by the Equitization Steering Committee and Luong Yen Food Company Limited. BVSC is not responsible for the completeness, accuracy and truthfulness of the information, data and documents provided by Luong Yen Food Company Limited and collected by BVSC. The financial statements that are collected and used in this Prospectus include:

- The financial statements of Luong Yen Food Company Limited in 2018 and 2019 audited by An Viet Auditing Company Limited.
- The financial statement of Luong Yen Food One Member Company Limited in 2020 audited by CPA Auditing Company Vietnam

- This Prospectus only considers the existing conditions and information on financial data as of December 31, 2020 provided by Luong Yen Food Company Limited, other information has been updated to the time of information announcement;
- We assume that Luong Yen Food Company Limited fully complies with the law and internal regulations on business activities;

Bao Viet Securities Joint Stock Company, employees of Bao Viet Securities Joint Stock Company (including staff implementing this disclosure of information) may be performing brokerage services, investment advisory services, consulting on registration for auction participation or other services to the extent permitted by law related to the initial public offering of Luong Yen Food Company Limited. Investors should consider and evaluate the possibility of conflicts of interest when using this Information Prospectus.

This disclosure of information is only valid for reference, investors participating in the share purchase are responsible for researching and evaluating information about the enterprise, current law provisions and self-responsible for your investment decisions.



Hanoi, March 5, 2021

REPRESENTATIVES OF THE EQUITIZATION BOARD  
VIETNAM NORTHERN FOOD CORPORATION

HEAD OF COMMITTEE 



Do Tran Hoan

REPRESENTATIVE OF THE OFFERING ORGANIZATION  
LUONG YEN FOOD COMPANY LIMITED

DIRECTOR



Nguyen Duc Thang

REPRESENTATIVE OF CONSULTANCY COMPANY  
BAO VIET SECURITIES JOINT STOCK COMPANY  
DEPUTY GENERAL DIRECTOR



Nguyen Thi Thanh Thuy