

No: 01/BKS/2019

Ho Chi Minh City, 19 March, 2019

Respectfully submit to: **THE GENERAL MEETING OF SHAREHOLDERS**

REPORT ON THE OPERATIONS OF THE BOARD OF SUPERVISORS IN 2018

- *Pursuant to the rights and obligations of the Board of Supervisors specified in the Charter of Saigon General Service Corporation ("SAVICO"), the 9th amendment on 01 April, 2016;*
- *Pursuant to the Resolution of the Annual General Meeting of Shareholders 2018 of SAVICO.*

The Board of Supervisors reports to the Annual General Meeting of Shareholders on the results of inspecting and monitoring of operations in 2018 of Saigon General Services Corporation (“SAVICO”) as follows:

1. THE OPERATIONS OF THE BOARD OF SUPERVISORS IN 2018

1.1 Organization of the Board of Supervisors

- From January 1, 2018 to June 15, 2018, the Board of Supervisors (BOS) operates with 03 personnel including Ms. Nguyen Nhu Anh (Chief), Mr. Nguyen Thai Hoa (Member) and Ms. Phan Phuong Nga (Member).
- At the Annual General Meeting of Shareholders held on 15 June 2018, the General Meeting of Shareholders approved the resignation of Ms. Phan Phuong Nga, additionally elected Ms. Dinh Truc Phuong and Ms. Hoang Thi Thu Huong to the Board of Supervisors. Thus, since the Annual General Meeting of Shareholders in 2018, Savico’s Board of Supervisors has been operating with 04 members.
- Each members’s duties are stipulated in the meeting minutes of the Board of Supervisors on 26 July 2018. In addition, at the meetings of the Board of Supervisors, each member was assigned specific tasks depending on the number and content of the resolutions, decisions and announcements of the Board of Directors as well as the characteristics of issues arising in SAVICO in each period.

1.2 The operations of the Board of Supervisors

From the beginning of 2018 until the time of reporting, the operations of the Board of Supervisors focused on:

- The Board of Supervisors participated in meetings of the Board of Directors, participated in the vote-counting sessions by collecting written opinions of members of the Board of Directors; and annual/ interim meeting of business operations, the meeting with investors to approach, grasp and timely record the business operations of the Company.

By the time of reporting, the Board of Supervisors has held 7 meetings to plan, implement the supervision and approve the results of business operations monitoring of SAVICO in the period of 2017, the first 06 months of 2018, the first 9 months of 2018 and the year of 2018.

The contents of the main supervision performed by the Board of Supervisors including:

- Inspecting and supervising the implementation and results of implementing the Resolution of the Annual General Meeting of Shareholders 2018 for the Board of Directors and the BOM.
- Examining the legality, order and procedures for issuing Resolutions and Decisions of the Board of Directors and the BOM in 2018 according to the provisions of Law and the Company' Charter.
- Reviewing the completeness and legality of the interim financial statements and the annual financial statements reviewed and audited by KPMG.
- Reviewing, checking and evaluating the effectiveness and efficiency of the internal control system.
- Controlling the Company's compliance with information disclosure of the Company in accordance with the Law; on compliance with accounting regime; on compliance with the provisions in the Company's Charter and in the Regulation on financial management of the Company.
- Commenting, making recommendations to the Board of Directors, BOM of the Company on issues related to the Company's operations in the year.

The Board of Directors, the BOM and the functional divisions at the Company's office have coordinated and created favorable conditions to help the Board of Supervisors perform well the inspection and supervision.

2. MONITORING RESULTS OF THE OPERATIONS OF THE BOARD OF DIRECTORS & BOARD OF MANAGEMENT

Monitoring results of the operations of the Board of Directors

- In 2018, the Board of Directors held 07 face-to-face meetings and 25 sessions of members' written opinions; issued 27 Decisions and 48 Notices.
- According to the Board of Supervisors, members of the Board of Directors are provided with sufficient documents and information to make decisions. The organization of meetings and issuance of documents of the Board of Directors is in accordance with the provisions of Law and the Company's Charter. The decisions / notices of the Board of Directors approved in the form of collecting written opinions are supervised and counted from representatives of the Board of Supervisors.
- The sub-committee of Remuneration & Human Resources subcommittee in charge of independent members of the Board of Directors have fully implemented the tasks assigned by the Board regarding salary and bonus policies at the Company.
- The Board of Directors proposed and was approved by the General Meeting of Shareholders to elect one more member to the Board of Directors. This member meets the criteria and conditions of independent board members. The number of independent member of the Board of Directors is increased, reaching 2/8 members.

However, this rate has not met the rate of 1/3 of the Board members who are independent members as prescribed.

- The Board of Directors supervises the operations of the Board of Management in implementing the Resolution of the General Meeting of Shareholders and the business operations of the Company. The Board of Directors cooperated well with the Board of Management to direct and comprehensively manage all operations of the Company to implement the 2018 business plan according to the Resolution of the General Meeting of Shareholders.;
- The Board performs other tasks according to the functions and competence of the Board of Directors.

Monitoring results of the operations of the Board of Management

- The Board of Management has fully and timely reported on the implementation of decisions and direction of the Board of Directors at meetings.
- The Board of Management has made efforts to manage and organize the business operations of the Company in order to achieve and exceed the targets of the 2018 plan approved by the General Meeting of Shareholders as well as the development and expansion of the network.

2.1 Results of implementation of the Resolution of the 2018 Annual General Meeting of Shareholders:

2.1.1 Results of implementation of targets for 2018 approved by the General Meeting of Shareholders:

Results of implementing business targets according to audited consolidated FS:

Figures	2018 revised plan (mil VND)	2018 (A) (mil VND)	% 2018 (A)/ 2018 revised plan	% 2018 (A) /2017 (A)
Revenue	14,200,000	14,881,843	105%	108%
Profit before tax	250,000	362,312	145%	208%
Net profit after tax	200,000	300,267	150%	216%
NPAT attributable to equity holders of the Company	120,000	173,003	144%	212%

Consolidated revenue of SAVICO network in 2018 exceeded 10% of the plan and increased 8% to compare with 2017 with the increasing of revenue of trading – service and real estate service.

In trading - service, both of the automotive and motorcycle sector both saw growth in volume and the number of newly developed outlet. Volume of cars sold in the network was 31,548 units, reaching 108% of the plan and up 17% compared to 2017; SAVICO's automotive market share continued to grow in 2018, reached 10.9%, increased by 1.0 percentage point compared to 2017 (VAMA Report); the network also opened and put into operation 7 new outlets. For the motorcycle sector, sales volume reached 8,884 units, reaching 98% of the 2018 plan and up 2% compared to 2017. In 2018, the Company network also opened and put into operation 1 of 3S Yamaha Phung Hiep outlet. (Yamaha Saigon 4).

Consolidated profit before tax of 2018 exceeded 45% to compare with the revised plan of 2018 and up 108% to compare with 2017. NPAT attributable to equity holders of the Company exceeded 44% of the plan and increased 112% compared to 2017. The increase in profit before tax mainly came from the increase in gross profit margin and thanks to the outstanding profit growth of most of the member companies in the network, especially the Bac Au Automobile JSC, the Company. Toyota Ly Thuong Kiet Co., Ltd., Toyota Giai Phong JV, Toyota Can Tho JV, Toyota East Sai Gon JSC, Savico Hanoi Corporation, Saigon Automobile Service JSC (Saigon Ford). The year 2018 also showed the efforts of the Board of Management in the merge of OtoS with Carmudi, however the operation of this Company is in difficulties; ComfortDelgro Savico Taxi has completed tax finalization, disposals of all cabs, stop business operations, on the step of completing the dissolution procedures.

Financial situation

Total assets/ resources in consolidated financial statement at 31 December 2018 was VND 4,355,649 million, up VND 738,612 million to compare with the end of 2017. In which, assets increased mainly in inventory value; owner's equity increased by VND 257,798 million and liabilities increased by VND 480,813 million mainly due to the increase in short-term loans to supplement working capital. The liabilities on total assets ratio as at 31 December 2018 is 64.76%, equivalent to the end of 2017.

Total assets/ resources in separate financial statement at 31 December 2018 was VND 1,280,842 million, up VND 14,606 million to compare with the end of 2017. In which, assets increased mainly in investments in subsidiaries; owner's equity increased by VND 7,489 million from after-tax profit; liabilities increased by VND 7.245 million due to the increase in prepayment from customers. The liabilities on total assets ratio as at 31 December 2018 is 44.02%, equivalent to the end of 2017.

Financial ratio:

Ratio	Unit	By separate (parent Company)		By consolidated	
		31/12/2017	31/12/2018	31/12/2017	31/12/2018
Current ratio	time	0.42	0.39	0.91	0.97
Liabilities / Owner's equity	%	4.09%	4.26%	96.20%	106.39%
Liabilities / Total assets	%	43.96%	44.02%	64.69%	64.76%
Interest coverage	time	16.82	12.51	2.91	5.26
ROE	%	7.46%	6.37%	10.89%	19.56%
ROA	%	4.18%	3.57%	3.84%	6.89%
EPS	VND/ share			3,183	6,425

In 2018, although the liabilities on owner's equity ratio of the network increased from 96.2% to 106.4%, the interest coverage ratio improved significantly from 2.91 times up 5.26 times thanks to increased business performance of the network. Along with the increase in business performance; the ROE, ROA and EPS increased significantly compared to 2017. At the parent Company, the interest coverage, ROA, ROE ratios are lower than 2017 due to the decrease in parent Company's profit (parent

Company's profit before tax in 2018 reached VND 45.805 million, equivalent to 80% profit before tax of 2017). The main reason is due to the decrease in income from real estate transfer compared to 2017. Even so, the Company still ensure the ability to pay interest (12.51 times) from the operating profit.

This results show that SAVICO can fully pay dividend of 2018 at the rate of 15%, higher than the rate of 12% approved by the 2018 General Meeting of Shareholders.

2.1.2 Profit distribution in 2017

Funds extracting

The Company has made deductions for setting up Bonus and Welfare fund; Operating fund of the Board of Directors & Board of Supervisors from NPAT of 2017 in accordance with Resolution No. 01/2018 / NQ-DHDC dated June 15, 2018 of the 2018 Annual General Meeting of Shareholders, as follows:

No.	Figures	Unit	Approved by AGM's Resolution	Actual extracting	Actual/ AGM's resolution
1	Bonus and Welfare fund (5%)	VND	2,647,914,726	2,647,914,726	100%
2	Operating fund of the Board of Directors & Board of Supervisors (4%)	VND	2,118,331,781	2,118,331,781	100%

Cash dividend of 2017:

Cash dividend of 2017 was paid to Shareholders in September 2018 at the rate of 12% of charter capital, equivalent to VND 29,970,608,400, in accordance with the Resolution of the General Meeting of Shareholders 2018.

2.2 Verification of separate financial statements and consolidated financial statements

The Board of Supervisors has conducted a review of the separate financial statements and consolidated financial statements of 2018. In the opinion of Board of Supervisors, audited separate financial statements and audited consolidated financial statements of the Company give a true and fair view, in all material respects of the operations in 2018 and financial position on December 31, 2018.

2.3 Results of information disclosure of the Company

Most information disclosure of the Company are fully implemented, in accordance with regulations of management agencies for large-scale listed companies. However, there are 2 contents related to tax violations in 2017 and 2018 that the Company has been slow to disclose information. The Company also has a written explanation on the issue of delayed publication of these information.

3. RECOMMENDATIONS OF THE BOARD OF SUPERVISORS:

- On Corporate Governance Regulation:
 - The 2015 Annual General Meeting of Shareholders approved the election results of 07/07 members of the Board of Directors, of which there were 02/7

members of the Board of Directors to ensure the standards and conditions are independent BOD members.

- However, as of August 1, 2017 - the effective date of Decree 71/2017 / ND-CP guidelines on corporate governance of public companies, one member of the Board of Directors does not meet the criteria of independent BODs members. Because this member has been a member of the BODs of SAVICO for 5 consecutive years (term 2010 - 2015). This makes the number of independent Board members only 1/7 of the total number of Board members.
- At the 2018 Annual General Meeting of Shareholders, the Meeting elected 01 additional member of the Board of Directors, increasing the total number of independent Board members to be 2/8 members of the Board of Directors. However, this ratio does not guarantee the requirement that 1/3 of members are independent members of the Board of Directors. The Board of Supervisors recommends that the Board of Directors should consult Shareholders on the time to implement this content: to elect additional independent members to the Board of Directors at the General Meeting of Shareholders in 2019 or at the General Meeting of Shareholders in 2020.
- Disclosure of information: It is noted to disclose of extraordinary information within 24 hours, avoiding the situation in 2018 when the Company has delayed the disclosure of information related to tax violations 2017 & 2018.
- Financial Management Regulation: it is necessary to supplement regulations on management of receivables as stated in the Financial Management Regulation so as to guide how to manage appropriate receivables with different types of receivables.
- Regulation of management of capital representatives: it is necessary to review & change some contents to suit the reality in order to more favorable in the management from parent Company to member companies.

Solutions should be quickly implemented to increase the efficiency of system governance.

In 2018, Savico has made important solutions to increase the efficiency of system governance such as:

- Completed the construction and guidance on how to set up indicators on reporting forms, which can synchronize the system of periodic reporting criteria to serve statistics and system analysis.
- Completed the construction and issuance of the Financial Management Regulation in all member companies.
- Developed and disseminated the contents of the Control Manual, Control Report Checklist to guide the contents to be controlled at member companies..

In 2019, the Board of Management should quickly implement the following solutions as planned, including: (1) Based on the business performance of each company member, conduct assigning KPIs to capital representative groups; (2) ERP system in the parent Company and member companies to serve the reporting, collecting and managing system data quickly and accurately; (4) Completion the establishment of the Finance / Investment Department to focus on managing financial analysis of financial investments of SAVICO as well as SAVICO's investment projects.

In addition to implementing the above-mentioned solutions, the Board of Supervisors recommends the Board of Management to implement more of the following contents:

- Reviewing the indicators on the report form to be able to statistically report the volume, revenue, expenses according to each sector, each brand/ model of vehicle to serve the analysis work.
- Supplementing the financial indicators on the report form, especially the financial indicators to be controlled are defined in the Financial Management Regulation. This information is particularly important to help SAVICO to regularly monitor the financial situation of each member company.

Dear Annual General Meeting of Shareholders,

These are the main contents of the results of inspection operations in 2018, the Board of Supervisors reported to the 2019 Annual General Meeting of Shareholders, respectfully receiving feedback from Shareholders.

Thank you Shareholders for reading and listening, best wishes for a successful Meeting.

Recipient:

- *As stated above;*
- *BOS members;*
- *Company achieves.*

ON BEHALF OF BOS

CHIEF OF BOARD

Signed

NGUYEN NHU ANH