

No: 01/BKS/2020

*Ho Chi Minh City, 10 April, 2020*

Respectfully submit to: **THE GENERAL MEETING OF SHAREHOLDERS  
OF SAIGON GENERAL SERVICE CORPORATION**

## **REPORT ON THE OPERATIONS OF THE BOARD OF SUPERVISORS IN 2019**

- *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 2019 of SAVICO.*

The Board of Supervisors (“BOS”) reports to the Annual General Meeting of Shareholders on the results of inspecting and monitoring of operations in 2019 of SAVICO as follows:

### **1. THE OPERATIONS OF THE BOARD OF SUPERVISORS IN 2019**

#### **Personnel of the Board of Supervisors**

- Personnel of the BOS for the 3rd term (2015 - 2020) continued to fluctuate in 2019.
- Since the General Meeting of Shareholders in 2019, the BOS has operated with 04 members including Mrs. Nguyen Nhu Anh (Head of BOS), Mr. Nguyen Thai Hoa (Member), Ms. Dinh Truc Phuong (Member) and Mrs. Hoang Thi Thu Huong (Member)
- On July 01, 2019, Mr. Nguyen Thai Hoa – Member of BOS from April 24, 2015 (AGM 2015) – resigned.
- On July, 2019, BOS is entitled to add 1 more staff, Mrs. Doan Nhat Minh Thu, through a contract to hire expert to support the BOS's work. Mrs. Minh Thu is responsible for performing the tasks assigned by the BOS to Mr. Nguyen Thai Hoa. Mrs. Minh Thu is an expert of the Internal Control Department of the Company from 2015, having experiences in finance and accounting and internal control, along with the experience and knowledge of the Parent Company and the companies in Savico network, has assisted the BOS to fulfill the supervision tasks assigned by the General Meeting of Shareholders in 2019.
- Each members’s duties are stipulated in the meeting minutes of the BOS on 26 July 2018. In addition, at the meetings of the BOS, each member was assigned specific tasks depending on the number and content of the resolutions, decisions and announcements of the Moard of Directors (“BODs”) as well as the characteristics of issues arising in SAVICO in each period.

### **The operations of the Board of Supervisors**

- The BOS has participated fully in the BODs meetings, participating in voting sessions to solicit opinions of the BODs members and the preliminary sessions, summary of business activities, to approach, capture and timely record the business situation of the Company.
- From AGM 2019 to the reporting time, the BOS held 6 meetings to make plan, implemented the control and approved the operational control results of Savico in the first 06 months of 2019, 09 months of 2019 and the year of 2019.
- The BODs, the Board of Management (“BOM”) and the functional departments at the Company's Office have collaborated, created favorable conditions to help the BOS to well perform the inspection and supervision.

#### The contents of the main supervision works performed by the BOS including:

- Inspecting and supervising the implementation and results of implementing the Resolution of the Annual General Meeting of Shareholders 2019 for the BODs and the BOM.
- Examining the legality, order and procedures for issuing Resolutions and Decisions of the BODs and the BOM in 2019 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 Financial Regulation and Capital Management Regulation and the Capital Representative issued.
- Commenting, making recommendations to the BODs, BOM of the Company on issues related to the Company's operations in the year.

## **2. MONITORING RESULTS OF THE OPERATIONS OF THE BODS & BOARD OF MANAGEMENT**

### **Personnel of the Board of Directors**

- Since the General Meeting of Shareholders in 2019, the BODs has 08 members, including 02/08 independent members of the Board and the Chairman of the Board is Mr. Nguyen Binh Minh.
- On September 28, 2019, Mr. Nguyen Binh Minh resigned from the position of Chairman - Member of the BODs of the Company due to the assignment and mobilization of the Ho Chi Minh City People's Committee to work at another enterprise, so he did not continue to be the capital representative of Ben Thanh Corporation - One Member Limited Liability Company at the Company.
- On September 30, 2020, 07/08 members of the BODs unanimously elected Mr. Mai Viet Ha as Chairman of Savico's BODs.

- From October 2019, the BODs has operated with 07 members, including 02/07 independent Board members. 02/07 members are nearly equivalent to the rate of 1/3 of the members of the Board being independent members as prescribed.

### **Monitoring results of the operations of the Board of Directors**

- In 2019, the BODs held 07 face-to-face meetings, 25 times to solicit opinions of members in writing and issued 103 documents, including: 40 Resolutions, 63 Notices related to changes of senior personnel and capital representatives, appointment of Person in charge of corporate governance, amending the Regulation on Financial Management, the Regulation on controllers, contents related to the business activities of the Company.
- According to the Board of Supervisors, members of the BODs are provided with sufficient documents and information to make decisions. The organization of meetings and issuance of documents of the BODs is in accordance with the provisions of Law and the Company's Charter. The Resolutions and Notices of the BODs 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 in charge of independent member of the BODs have fully implemented the tasks assigned by the Board regarding salary and bonus policies at the Company.
- The BODs supervised the operations of the BOM in implementing the Resolution of the General Meeting of Shareholders and the business operations of the Company. The BODs cooperated well with the BOM to direct and comprehensively manage all operations of the Company to implement the 2019 business plan according to the Resolution of the General Meeting of Shareholders.;
- The Board has performed other tasks according to the functions and competence of the BODs.

### **Monitoring results of the operations of the Board of Management**

- The BOM has fully and timely reported on the implementation of resolutions and direction of the BODs at meetings.
- The BOM has made efforts to manage and organize the business operations of the Company in order to achieve and exceed the targets of the 2019 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 2019 Annual General Meeting of Shareholders:**

### **2.1.1 Results of implementation of targets for 2019 approved by the General Meeting of Shareholders:**

*Results of implementing business targets according to audited consolidated FS:*

Figures	2019 plan (mil VND)	2019 A (mil VND)	% 2019 A/ 2019 plan	% 2019 A /2018 A
Revenue	18,192,619	18,274,374	100.4%	122.8%
Profit before tax	272,774	274,785	100.7%	75.8%
Net profit after tax	241,144	233,332	96.8%	77.7%
NPAT attributable to equity holders of the Company	142,839	153,667	107.6%	88.8%

Consolidated revenue of SAVICO network in 2019 exceeded 0.4% of the plan and increased 22.8% to compare with 2018; Profit before tax in 2019 exceeded 0.7% of the plan, decreased 24.2% YoY; NPAT attributable to equity holders of the Company exceed 7.6% of the plan and decreased by 11.2% YoY .

In 2019, real estate service grew well, Savico network continued to be expanded with the opening and operation of 5 dealers 2S-3S in 2019 and 2 dealers in March 2020, the car sales volume increased sharply 28.3% YoY, Savico's automobile market share in the whole market continued to grow – reached 12.5%, increased 1.6% points YoY (VAMA Report), reached 10.1%, increased 1.1% points YoY (VAMA+HTC Report). However, manufactures continues to increase the supply, increase the selling pressure, creating fierce competition in prices, reduced gross profit, and high inventories... as a result, the efficiency of most of the auto dealers in the network has decreased, especially the Toyota dealers... In addition, the interest rate in 2019 increased by 0.5% - 1%, resulting in an increase in interest expenses which is also the reason for the decline in profit compared to 2018 of the network.

### Financial situation

Total assets/ resources in consolidated financial statement at 31 December 2019 was VND 4,728,037 million, increased VND 372,387 million. In which, assets increased mainly in inventory value; owner's equity increased by VND 104,665 million and liabilities increased by VND 267,723 million mainly due to the increase in short-term loans to supplement working capital. The liabilities on total assets ratio as at 31 December 2019 is 65.32%, increased 0.9 percentage points to compare with the end of 2018.

Total assets and resources in separate financial statement at 31 December 2019 was VND 1,306,003 million, increased VND 25,161 million. In which, assets increased mainly in cash and cash equivalents; owner's equity increased by VND 37,534 million from profit after tax; liabilities decreased by VND 12,374 million due to no longer short-term debt as in 2018. The liabilities on total assets ratio as at 31 December 2019 is 42.22%, lower than the level of 44% at the end of 2018.

#### Financial ratio:

Ratio	Unit	By separate (Parent Company)		By consolidated	
		31/12/2018	31/12/2019	31/12/2018	31/12/2019
Current ratio	time	0.39	0.45	0.97	0.97
Liabilities / Owner's equity	%	4.26%	0.00%	106.39%	117.97%
Liabilities / Total assets	%	44.02%	42.22%	64.76%	65.32%

Interest coverage	time	12.51	31.35	5.26	3.12
ROE	%	6.41%	11.77%	21.35%	14.7%
ROA	%	3.59%	6.7%	5.53%	5.14%
EPS	VND/ share			6,425	5,537

In 2019, the liabilities on owner's equity ratio of the network increased from 106.39% to 117.97%, the interest coverage ratio decreased from 5.26 times to 3.12 times due to manufactures continues to increase the supply, increase the selling pressure, creating fierce competition, reduced gross profit, and high inventories, interest expenses increased sharply compared to 2018 (interest expense in 2019 was VND 129,632 million, an increase of VND 44,675 million compared to 2018). Along with the decrease in business performance, the ROE, ROA and EPS are all down compared to 2018.

In the Parent Company, the interest coverage ratio, ROA, ROE increased compared to 2018 due to the increase of the Parent Company's profit (profit before tax by separate in 2019 reached VND 86,606 million, increased 89.1% YoY) - The main reason is due to the increase in dividend income from member companies compared to 2018. Along with the increased business efficiency (operating profit increased by 3.9% compared to 2018), The settlement of short-term loan contracts helped the interest coverage ratio increased sharply compared to 2018

*The business performance in 2019 and the financial situation as mentioned above show that SAVICO can fully pay dividend of 2019 at the rate of 15% approved by the 2018 General Meeting of Shareholders.*

### 2.1.2 Profit distribution in 2018

#### *Funds extracting*

The Company has made deductions for setting up Bonus and Welfare fund; Operating fund of the BODs & BOS from NPAT of 2018 in accordance with Resolution No. 01/2019/NQ-DHDCD dated March 29, 2019 of the 2019 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	2,285,391,655	2,285,391,655	100%
2	Operating fund of the BODs & Board of Supervisors (4%)	VND	1,828,313,324	1,828,313,324	100%
3	Additional Operating Fund of BODs & BOS due to performance exceeding the revised business plan (10% of net profit after tax of SAVICO's equity holders exceeding the revised business plan)		5,300,289,667	5,300,289,667	100%

### *Cash dividend of 2018:*

Cash dividend of 2017 was paid to Shareholders in August 2019 at the rate of 15% of charter capital, equivalent to VND 37,463,260,500, in accordance with the Resolution of the General Meeting of Shareholders 2019.

## **2.2 Verification of separate financial statements and consolidated financial statements**

The BOS has conducted a review of the separate financial statements and consolidated financial statements of 2018. In the opinion of BOS, 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 2019 and financial position on December 31, 2019.

## **2.3 Results of information disclosure of the Company**

The information disclosure of the Company is fully implemented, in accordance with regulations of management agencies for large-scale listed company.

## **3. RECOMMENDATIONS OF THE BOARD OF SUPERVISORS:**

- In 2019, the BODs made efforts in implementing a series of solutions to improve the effectiveness of operational management. Some contents implemented as:
  - (1) Perform KPI assignment for each capital representative group based on the business situation of each member company;
  - (2) Complete the survey, build an ERP system framework with 5 modules. Up to now, companies trading and providing services for Ford and Volvo brand have completed the application of ERP, the remaining companies in the network are applying ERP according to the registration roadmap.
  - (3) Complete the establishment of the Finance - Investment department responsible for managing, analyzing financial investments and Savico's investment projects.
  - (4) Organizing the control work of companies in the network to ensure the basic control contents, as well as closely follow the characteristics of each company in the network in a consistent manner. As a result, the network control efficiency is improved – (\*) the General Director approves the basic contents which must be controlled at companies in the network based on risk orientation; (\*) identified material risk based on reports of the Board of Supervisors at the companies and informed for capital representatives; (\*) meeting to discuss the appropriate action plan to minimize risks. (\*) training to improve abilities and control skills is focused.
- In addition, the BOM has also prepared to establish the Internal Audit Department in accordance with Decree 05/2019/ND-CP on internal audit.

We appreciate the efforts of Savico's BOM to improve the quality and abilities to control the network. This is especially important as the scale and complexity of the network increases.

In the near future, network development will depend heavily on (1) the effectiveness of research, forecasting work; (2) Efficiency of the search for bank for project development; (3) Senior human resources and sales personnel, qualified technicians to operate the operation after completing the project investment; (4) Competence of members of the Board of Supervisors; (5) The appropriateness of the contents specified in the Regulation on capital management and the Capital Representative for continuous changes of the market, business activities in overall business and automobile business activities in particular. Therefore, the BOS made the following recommendations:

- Accelerate the application of ERP in all member companies to achieve the sufficiency and consistency of the collected information, and at the same time use the scale advantage of the network to improve the effectiveness of operational management. In addition, consider establishing the R&D department to improve the efficiency of research and forecasting work to increase the network's strength.
- Consider allocating resources (financial, human resources) suitable for seeking land bank for investment development.
- Develop a Human Resource Plan to meet the network development plan; especially considering the plan to develop management quality and control abilities for the staff at the Parent Company to meet the human resource requirements for project development.
- Consider the establishment of the Team to review the Regulation on Capital Management and the Capital Representative with the participation of functional departments to periodically propose necessary changes to meet new requirements arising from business activities (if any)

Dear Annual General Meeting of Shareholders,

These are the main contents of the results of inspection operations in 2019, the BOS reported to the 2020 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**