

**ASSESSMENT ON THE BUSINESS OPERATIONS OF THE COMPANY**

The year of 2018 is the impression year of the Vietnam economy with the best performance in the past 10 years, Vietnam GDP grew by 7.08% amid the unfavorable conditions of world economy. 2018 is also a volatile year of Vietnam automotive market with both experienced from gloom to boom. The Decree 116 (on requirements for manufacturing, assembly and import of motor vehicles and trade in motor vehicle warranty and maintenance services) was applied in January 2018, changed the balance between assembled cars and imported cars: whereby the market in first half was dominated by CKD models, only plentiful when CBU lots were massively cleared from September. According to the statistics, total car sales of whole market (VAMA + HTC) in 2018 were 352,209 units, were up 16% YoY. The real estate market in 2018 is generally stable, grew slightly across all segments.

In the volatile situation of the market in 2018, and with the spirit of **“BREAKTHROUGH THINKING - DRIVES VALUES”**, each executive member, manager of the Company and the SAVICO network have positive changes in thinking, to take drastic and appropriate actions in order to create strong motivation for staff of the network to overcome difficulties

and challenges, increase the creativity and efficiency to speed up the business performance with remarkable results as follows:

**ON NETWORK DEVELOPMENT**

The opening of 7 more of 2S and 3S auto outlets in 2018: Tay Ninh Ford, Hyundai Son Tra, Hyundai Kien Giang, Toyota Nam Dinh, Hai Duong Ford, Mitsubishi Quang Nam, Hyundai Vinh Thinh (commercial vehicles (“CV”) and 2 more auto outlets in January 2019: Gia Dinh Ford, Hyundai Hung Thinh (CV) has increased the number of outlets in the Company network to 48 outlets so far. In 2018, the network also continues to diversify new brands of products such as Isuzu, Hyundai (CV), etc. Besides, service activities continue to be focused on increasing the sustainability of the network’s core values.

Total car sales of SAVICO network in 2018 is equivalent to 10.9% of total car sales reported by VAMA - increased 1% to compare with 2017 and accounted for 8.96% market share of the total market (calculated by VAMA + HTC) - increased 0.04% to compare with 2017.

**BUSINESS PERFORMANCE**

Figures	2018 original plan approved by AGM	2018 revised plan	2018 actual result (A)	Actual/revised plan (%)	2018 (A)/2017 (A) (%)
Revenue	14,200	14,200	14,882	105%	108%
Profit before tax	175	250	362	145%	208%
Net profit after tax	140	200	300	150%	216%
NPAT attributable to equity holders	82	120	173	144%	212%

Unit: VND billion

**INVESTMENT ACTIVITIES**

In 2018, total consolidated payment for capex and for investments in other entities of the network are nearly VND 200 billion, in which the parent Company disbursed more than VND 35 billion.

**CORPORATE GOVERNANCE**

The Company has continued to strengthen connectivity, support companies in the network through the

improvement and application of management report forms to share information, update market situation periodically and abnormally, organize many seminars in combination with workshop visits; perform assessments and recommend solutions to improve operational efficiency on companies that are not operating effectively; support the companies in auto outlet development to ensure adherence to the annual plan and the network development strategy

Focusing on liquidating inefficient financial investments to



recover capital and on collecting dividends from business investments to supplement and develop core business activities.

Strategic cooperation with Vietinbank, Vietcombank: continue to promote efficiency and create favorable conditions for companies in the network to access capital with preferential policies and interest rates.

Continue to conduct risk assessment in business operations, financial management, cost control to improve business performance at each member company.

Research and apply technology in the whole network through applying ERP management system and online information sharing channel such as forum of human resources, finance, accounting and trade...

**DIVIDEND**

Cash dividend of 2017 was paid to shareholders in September 2018 at rate of 12% of par value in accordance with the Resolution of the AGM 2018, equivalent to nearly 30,000,000,000 VND.

To maximize the effectiveness of shareholders when investing in the Company and base on the 2018 business

performance, the Board of Directors proposes the AGM 2019 to increase the cash dividend rate for 2018 from 12% as planned to 15% (of par value).

**ENVIRONMENTAL AND SOCIAL RESPONSIBILITY**

Companies in network continue to comply with regulations and policies on safety, environmental protection, fire prevention and control through strict control from ideas to implementation.

Responsibility for the community and society continues to be implemented in the network through care and support activities for social policy beneficiaries, difficulties and other voluntary activities.

In 2018, the member companies in the network achieved nearly 20 awards at professional competitions of manufacturers, the Company and some member companies continued to win the Vietnam Golden Star Award and Typical Enterprise of Ho Chi Minh City. The Company is also honored to be ranked 85 out of Top 500 Largest Enterprises in Vietnam and ranked 31 out of Top 500 Largest Private Enterprises in Vietnam.

## REPORT OF THE BOARD OF DIRECTORS (continued)

### MONITORING AND ASSESSMENT ON OPERATIONS OF THE BOARD OF MANAGEMENT, CAPITAL REPRESENTATIVES

The Board of Directors has supervised the operations of the Board of Management, the capital representatives through working agenda, meetings of the Board of Directors; regularly discussed and questioned the Board of Management, the capital representatives at meetings, group work sessions and via email, telephone to ensure accuracy, suitability, timeliness and efficiency.



Based on the monitoring process and the actual results of business performance, the Board of Directors recognizes that:

- ▶ From the beginning of the year, the Board of Management worked with the capital representatives in member companies to build and implement the business plan for 2018 on the basis of conformity with the characteristics of each business localities and the business practices of each company; the market forecast operations, information sharing is done quickly and promptly; the development and expansion of networks, diversification of distribution products and increased market share for core business are focused and promoted; the implementation of procedures related to real estate projects is focused; the inspection and control of financial accounting operations, compliance control are implemented more closely and regularly.
- ▶ Based on the positive business performance of 2018 and the clearer market situation, the Board of Management and the capital representatives agreed to establish new target with some figures increased by more than 40% compared to the original target approved by the AGM. The revised target has been approved by the Board of Directors under the authorization of the AGM, as follows:

Unit: VND billion

Figures	2018 original plan approved by AGM	2018 revised plan	2018 revised/ original plan %
Revenue	14,200	14,200	100%
Profit before tax	175	250	143%
Net profit after tax	140	200	143%
NPAT attributable to equity holders	82	120	146%
Cash dividend payout ratio (by par value)	Minimum 12%	Minimum 12%	100%

- ▶ The quarterly and annual financial statements is prepared and disclosed in accordance with the current regulations.
- ▶ However, the Board of Management should focus more on implementing and supporting company members to implement legal procedures related to land for the development of trading - service projects; ensuring the completion of legal procedures to transfer some real estate projects; have solutions to improve the administration and management more and more professionally in business operations, financing operations, human resource development and risk control for the network.



### THE OPERATIONS OF THE BOARD OF DIRECTORS

In 2018, the Board of Directors has operated in accordance with the provisions of Law, Company's Charter and achieved the best business performance in the ability for the Company. The work under the authority of the Board of Directors is resolved by members with the spirit of concentration, prudence, responsibility and protection of the interests of the Company and Shareholders in accordance with law and regulations; whereby, the revenue, profit, and system network scale are increasing.

The Board of Directors has directed, implemented and supervised the business operations of the Company and the network through 07 face to face meetings held quarterly and when necessary, 25 times by collecting written opinions of members, thereby issuing 27 decisions and 48 announcements.

Members of the Board of Directors are provided with information and documents in a complete and timely manner to have enough time to consider, discuss, comment and make decisions. The decisions of the Board of Directors are approved on the basis of specific, clear, complete information and consensus of the members. The guidelines and conclusions of the Board of Directors are issued quickly so that the Board of Management and capital representatives can promptly implement.

The decisions of the Board of Directors are publicly disclosed in accordance with regulations and voluntary

disclosure, contributing to improving the responsibilities of the Board of Directors to shareholders, creating conditions for shareholders to supervise operations of the Board of Directors.

The Board of Directors has also closely coordinated with the Board of Supervisors to check and supervise the compliance with Law, Company's Charter and other relevant regulations in corporate governance and management operations of the Company and network.

The subcommittees of Remuneration and Human Resources managed by independent member of the Board of Directors have supported the Board of Management and advised the Board of Directors in developing policies, plans as well as review, amend the salary and bonus policies for more and more suitable; select appropriate personnel to elect and appoint key and important positions of the Company and companies in the network.

The Board of Directors has proposed and was approved by the AGM to add a new member of the Board of Directors in the independent position in order to gradually improve the proportion of independent members according to Law and meet the development requirements of the Company. New members of the Board of Directors are facilitated to interact and deeply participate in the Company's operations.

## REPORT OF THE BOARD OF DIRECTORS (continued)

The maintenance and use of Operating Fund of Board of Directors and Board of Supervisors are implemented more reasonably and effectively. In 2018, the Company made the appropriation of operating expenses of the Board of Directors and the Board of Supervisors in accordance with the Resolution of the Annual General Meeting of Shareholders 2018, fund spending as follows:

▶ Fund balance at 31/12/2017:	1,692,728,077 VND
▶ Extracting fund according to Resolution of 2018 AGM:	2,118,331,781 VND
▶ Spending in 2018:	2,231,000,000 VND
▶ Fund balance at 31/12/2018:	1,580,059,858 VND

### TRAINING IN CORPORATE GOVERNANCE

The members of the Board of Directors and managers of the Company regularly participate in training courses, seminars organized by Hochiminh City Stock Exchange and the State Securities Commission of Vietnam on corporate governance as well as training courses on management, management and leadership skills of other professional organizations such as: building and running effective BOD's activity, corporate governance scorecard and information disclosure; internal audit for members of the BODs; regulatory requirements for internal audit and establishing an effective internal audit function; errors and frauds accounting; transformational leadership; human resource,...



## BUSINESS PLAN OF 2019

Vietnam economy in 2019 is forecasted to continue stable but also face with many challenges. The automotive market is forecasted to face many difficulties with new policies on taxes, fees, administrative procedures ... while the car supply is expected to increase sharply according to manufacturers' plans (increase 20% - 25% compared with 2018). The real estate market continues stable, but will also face difficulties when credit growth rate is control, exchange rates may fluctuate. Therefore, the Board of Directors sets out the following directions in 2019:

- ▶ Build up the network development roadmap in localities and companies in network.
- ▶ Mobilizing all resources of financial and human resources to develop and expand the network in accordance with set schedule and actively develop land banking for project development.
- ▶ Implement increase charter capital for the Company and enterprises companies in the network to enhance financial capability and business' financial position.
- ▶ Strengthening the cooperation and investment relations with strategic partners, connecting with investors interested in business activities of the Company.
- ▶ Enhancing the management role of the parent Company to member companies. Promote corporate culture, strengthen internal cohesion, ensure the development of the network system in the future.
- ▶ Build up goals, vision and business strategy for the term of 2020 - 2025.

From these orientations, the Board of Directors agrees on the 2019 business plan proposed by the Board of Management as follows:

Figures	2018 (A) (VND billion)	2019 Plan (VND billion)	% 2019 Plan /2018 (A)	% 2019 Plan /2017 (A)
Revenue	14,882	18,193	122%	132%
Profit before tax	362	273	75%	157%
Net profit after tax	300	241	80%	173%
NPAT attributable to equity holders	173	143	83%	175%
Cash dividend payout ratio (by par value)	Expected 15%	15%		

This plan is not included the income recognition of 104 Pho Quang project - expected of VND 56.9 billion.

In challenging market conditions of the year 2019, the Board of Directors continued to take the spirit of **"BREAKTHROUGH THINKING - DRIVES VALUES"** as a guideline for network governance. The Board of Directors will always accompany with the Board of Management and capital representatives in member companies to continue efforts and breakthroughs in business performance as well as expecting to continue to receive the trust, support and companionship of Shareholders and Investors to help the Company and network system achieve more new values.

