

*Ho Chi Minh City, April 23<sup>rd</sup>, 2019*

## **REPORT**

### **INSPECTION AND SUPERVISORY ACTIVITIES FOR 2018 AND ORIENTATIONS FOR 2019**

Pursuant to:

- *The Enterprise Law of the Socialist Republic of Vietnam;*
- *The Charter of organization and operation of Sai Gon Thuong Tin Real Estate Joint Stock Company;*

On behalf of the Inspection and Supervisory Department of Sai Gon Thuong Tin Real Estate Joint Stock Company, I would like to report to the GMS the results of inspection and supervision of the Company's activities in 2018 on the main contents as follows:

#### **I. INTERNAL AUDIT ACTIVITIES IN 2018**

##### **1. Overview of personnel situation**

- In 2018, together with the brand change from Sacomreal to TTC Land, the change of the organizational structure approved by the GMS, the BOD implemented the role of inspection and supervision of the whole activities of the Company. Therefore, the Internal Supervisory Department was changed into the Internal Audit Committee under the BOD.

- Current internal audit personnel include: 08 persons. Including:

- + *03 personnel in charge of financial audit*
- + *04 personnel in charge of construction audit*
- + *01 personnel in charge of compliance audit*

##### **2. Results of implementation of objectives**

- In 2018, the Internal Audit conducted the inspection - supervision of the compliance to ensure the activities in the company in accordance with internal regulations, procedures and

current law; inspection of financial statements, ensuring the collection, analysis, recognition and preparation of financial statements in an honest, complete and timely manner.

- Evaluation of inspection and supervisory was always carried out according to planning, specifically through consulting, guiding related issues in risk control & management; giving suggestions to complete the organization chart, task assignment....

- Coordinate and support the unit in supplementing, drafting, promulgating and evaluating the system of regulatory documents, regulations in operation (Project development process; contractor selection process; Product management process, Process of registering, managing and using project hotline number...)

- In sum, in 2018, the auditing department carried out the inspections and re-inspections at the Company & its subordinate units including: **61 inspections**, *reaching 169% of the plan (of which: 20 inspections on compliance; 09 inspections on financial statements; 32 inspections on construction investment and field inspection), 50 re-inspections on types of activities of the unit.*

## **II. EVALUATION OF THE COMPANY'S ACTIVITIES IN 2018.**

In 2018, the unit basically completed the targets and tasks approved by the GMS. However, there are still a few key issues that need to be adjusted, amended and supplemented by the unit so that the unit's business activities are more effective and safe. Specifically:

### **1. Compliance audit**

- For administration: The Unit needs to pay more attention to management of assets, tools and supplies, and saving the use of stationery;

- For record keeping: There are many shortcomings in the record keeping, especially record keeping at the PMUs, Technical Division, Project Legal Department, Customer Care Department: kept unsafely, easily lost in the process of retrieval and delivery.

### **2. Financial audit**

- The accounting department should regularly train and update professional skills for accountants; compare and recover sales debts quickly, promptly and comply with the debt management process;

- Coding and tracking data on accounting software, tracking detailed cost items - cost of construction for each product should be monitored consistently between the Company and its subordinate units.

### **3. Operation audit**

- The management of real estate products and goods needs to be given due attention, especially products with incomplete legal factors. It is necessary to liquidate assets with efficiency not as expected;

- For construction implementation: Construction quality dossiers (construction progress, construction methods, personnel allocation, occupational safety and sanitation + list of subcontractors ...) are currently not fully implemented by the units. The project management unit did not pay due attention to the construction progress of the contractors, often delayed the progress. Request the Technical Division, the Project Management Unit to comply with this provision before executing the construction, and at the same time immediately supplement the regulations on sanctions in the project implementation process for violations; and have a detailed contractor standard evaluation regime for violations.

- For some supervision consultant contracts: The construction supervision outline was formal and not yet specific; Number of employees was not guaranteed under the contract; There were not enough supervision certificates suitable for the project and the role of supervisory consultant was not properly implemented through risk reporting and assessment sent to the Investor. Request the Technical Division, the Project Management Unit to comply with this provision before executing the construction, and at the same time immediately supplement the regulations on sanctions in the project implementation process for violations; In case of necessity, propose to change the implementation unit.

## **III. RESULTS OF SUPERVISION OF PRODUCTION AND BUSINESS AND FINANCIAL ACTIVITIES OF THE COMPANY IN 2018**

The BOD approved the audit report of the specialized and responsible member and the Internal Audit Committee agreed on the contents of the separate Financial Statements and the consolidated financial statements for 2018 prepared by the BOD and the Finance Department, the Accounting Department of the Company, audited by KPMG Co., Ltd.

The financial statements reflected truthfully and reasonably, on all material aspects, the financial situation of the Company as at December 31<sup>st</sup>, 2018, business results and cash flows in the year ended on the same day, in accordance with Vietnamese Accounting Standards, Vietnamese Business Accounting Regime and legal regulations relating to the preparation and presentation of financial statements.

***Regarding production and business results of the Company in 2018 (Consolidated)***

<b>Item</b>	<b>Unit</b>	<b>Plan</b>	<b>Implementation</b>	<b>%</b>
Total revenue and other income	Bil.	2,075.14	3,162.57	152.40 %
Total cost of determining business results	Bil.	1,764.40	2,840.95	161.02 %
Accounting profit before tax	Bil.	310.74	321.62	103.50%
Profit after corporate income tax	Bil.	248.59	220.05	88.52 %

**IV. EVALUATION OF THE RESULTS OF IMPLEMENTATION OF RESOLUTIONS OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS**

The management and administration of the Company's activities were complied with by the BOD and the BOM in accordance with the Resolutions approved by the GMS. Business and risk management activities were paid due and flexible attention by the unit in each appropriate time to achieve the highest results but still ensure its own brand, as follows:

**1). Issuance of shares to increase Charter Capital**

+ Profit distribution in 2017: The Audit Committee completed in November, 2018 the issuance of shares to pay dividends at the rate of 7%: 22,192,282 shares equivalent to 221,922,820,000;

+ Issuance of shares to existing shareholders at the rate of 67%: Because the economic situation both in and outside the country had many uncertainties that might affect the Securities Market, on October 02<sup>nd</sup>, 2018, the BOD issued the Resolution No. 51/2018/NQ-HDQ with the

content: not yet implemented in 2018 and consult shareholders to approve the plan to issue existing shareholders at the nearest appropriate time;

2). Change of the Company's Organizational Structure: On July 20<sup>th</sup>, 2018, the BOD issued Decision No. 43A/2018/QD-HDQT on the change of the Organization and Operation Regulation of the Company in accordance with the Internal Regulations on Corporate Governance approved by the 2017 Annual GMS in Resolution No. 01/2018/NQ-DHDCCD dated April 24<sup>th</sup>, 2018.

Accordingly, the current Company's Management Organization Structure will be:

+ General Meeting of Shareholders

+ Board of Directors

+ Chief Executive Officer

3). In addition, other Proposals approved by the 2017 Annual General Meeting of Shareholders by Resolution of the General Meeting of Shareholders No. 01/2018/NQ-DHDCCD dated April 24<sup>th</sup>, 2018 such as: amending and supplementing some contents of the Charter by changing into the new Charter in accordance with the organization and operation structure as well as updating new regulations on corporate governance; Adjusting the Business Registration Certificate (removing the Travel Agency Business Line) ... were also completed by the unit in 2018.

## **V. ACTION PLAN FOR 2019**

### **1. Objectives of Inspection - Supervisory**

- Perform the task of inspection and supervision of the management and administration of the Company & its subordinate units in accordance with the Law, the Charter and the Resolution of the GMS; Monitor the implementation of the 2019 production and business plan...

### **2. Implementation solutions**

- Promote inspection and supervisory activities from pre-audit phase, at the same time detect, correct and promptly handle violations; promote and improve management efficiency and effectiveness; adjust and supplement internal management, risk prevention documents;

- Focus on checking financial statements of the Company & its subordinate units; Check the topics on managing project investment costs and handling bad debts, liquidating

unreasonable investments. Promote post-audit monitoring, appraisal and handling, ensuring quality, effective and timely audits;

- Promote inspection of PMUs: focus on inspecting and supervising construction quality and progress of projects. At the same time, focus on auditing the compliance with the procedures and regulations of units and state management agencies; check the contents and implementation of contracts, construction progress, finalization documents of completed items;

- Regularly supervise the operation and management of the Building and Residential Area Management Board after putting the project into use; promptly handle errors in the operation process and ensure good service delivery to bring satisfaction to residents;

- Evaluate and supervise the issuance and application of regulatory documents system of the Company & its subordinate units; Supervise the submission to sign documents on E-Office; Build through communication channels, decentralize reports to leaders/departments to promptly handle issues related to the Company's activities;

- Continue to implement the action program of independent auditors; Consolidate organizational apparatus, perform well the training and retraining to improve knowledge, qualifications and competence of the inspection and supervisory department.

**THE BOARD OF DIRECTORS  
IN CHARGE OF SUPERVISORY**

**(Signed)**

**LAM MINH CHAU**