



Ho Chi Minh City, 28 May 2018

No.: **01/2018/BC-BKS-TCD**

**REPORT OF THE SUPERVISORY BOARD
ON ACTIVITIES IN THE 2017 FISCAL YEAR AND DURING THE
OFFICE TERM OF 2013 - 2018**

To: Shareholders of TRACODI

- Pursuant to Law on Enterprises and the Charter of Transport and Industry Development Investment Joint Stock Company (“the Company”);
- Pursuant to the Resolutions approved by shareholders at the Annual General Meeting on April 14, 2017 and the Resolutions approved by shareholders at the Extraordinary General Meeting on June 28, 2017;
- Pursuant to the Rules and Regulations of the Supervisory Board adopted by Decision No. 03/2017/QĐ-BKS on November 15, 2017.

The Supervisory Board of Transport and Industry Development Investment Joint Stock Company reports to shareholders at the Annual General Meeting 2018 its activities in 2017 and during the office term of 2013 - 2018 as follows:

I. MAIN ACTIVITIES DURING THE 2017 FISCAL YEAR AND THE TERM OF 2013 - 2018

1. Personnel:

Transport and Industry Development Investment Joint Stock Company (TRACODI), was established on March 27, 2013 approved by shareholders at the General Meeting. In the mean time, 3 members of the Supervisory Board (SB) for the office term of 2013-2018 were elected. During the office term of 2013-2018, members of the Supervisory Board have changed from time to time in accordance with the Company’s Charter Capital and organizational structure.

Members of the Supervisory Board during the term of 2013-2018 as follows:

No.	2013-2018	No. of Members	Full name and Title
1	In 2013 (The majority of shares held by the State, accounting for	03	1. Mrs. Nguyen Thi Bay, Head of the Supervisory Board

	65% of charter capital)		2. Mr. Dao Quy Phuc, Member 3. Mr. Nguyen Quang Minh, Member
2	In 2014	03	1. Mrs. Nguyen Thi Bay, Head of the Supervisory Board 2. Mr. Dao Quy Phuc, Member 3. Mr. Nguyen Quang Minh, Member
3	In 2015 (The State completely divested its stakes, TRACODI became a joint stock company with 100% private capital).	03	1. Mr. Hoang Dinh Loi, Head of the Supervisory Board 2. Mrs. Dao Thi Thanh Hien, Member 3. Mr. Dinh Hoai Chau, Member
4	In 2016	03	1. Mr. Hoang Dinh Loi, Head of the Supervisory Board 2. Mrs. Dao Thi Thanh Hien, Member 3. Mr. Nguyen Viet Cuong, Member
5	In 2017	03	1. Mr. Nguyen Viet Cuong, Head of the Supervisory Board 2. Mrs. Dao Thi Thanh Hien, Member 3. Mrs. Huynh Thi Kim Tuyen, Member

2. Main activities:

- To regularly advise the Board of Directors, the Executive Board on the management of the Company and continuously supervise its conduct of business. We satisfied ourselves that their works complied with all legal and regulatory requirements and the Company's Charter at all times.
- To oversee the implementation of the Resolutions approved by shareholders at the Annual and Extraordinary General Meetings.
- To propose an external audit firm for the 2018 fiscal year (financial reports for the half year and full year).
- To oversee and inspect activities of the Board of Directors and the Executive Board. To join the board meetings and diligently supervise the implementation of the resolutions.
- To inspect the rationality, legality and truthfulness in the management and administration of business performance; to oversee and inspect the rationality, legality and truthfulness in accounting, statistics and financial statements of the Company.

II. RESULTS OF SUPERVISION DURING THE FINANCIAL YEAR 2017 AND THE OFFICE TERM OF 2013 - 2018:

1. The implementation of the Resolutions adopted by shareholders the General Meetings during the office term of 2013-2018:

- The Board of Directors, the Executive Board strictly executed reports approved by shareholders at the General Meetings such as distributing profits, dividend payment, remuneration scheme, selection of external audit firm.
- The activities engaged with investment, divestment, borrowings, buying and selling assets were lawful, appropriate and in accordance with the regulations and procedures of internal corporate management.
- The Company achieved good financial results each year.
- The following are some financial indicators show the growth of the Company during the term of 2013-2018 (*Refer to appendix 1 and appendix 2 attached to the report of the Supervisory Board*).
 - Net revenue from sale of goods and rendering of services increased from VND 74,1 billion in 2013 to VND 1.095,9 billion in 2017, up by 14,8 times as much as in 2013.
 - Net profit after tax increased from VND 3,9 billion to VND 74,9 billion in 2017, up by 19,2 times as much as in 2013.
 - As at 31/12/2017, the Chartered Capital was 344,3 VND billion (4,4 times as much as in 2013), the Owner's Equity was VND 433,6 billion (5,3 times as much as in 2013).

The most impressive indicator was the growth in assets for the term of 2013-2017, the assets increased from VND 176,2 billion to VND 1,153 billion as at 31/12/2017 (6.5 times as much as in 2013), an increase of VND 977,2 billion. Total assets reached the highest point of VND 2.449,3 billion as at 31/12/2016 (13,9 times as much as in 2013), an increase of VND 2.273,1 billion.

2. Business performance during the financial year 2017:

The Supervisory Board was given ample opportunity to thoroughly examine any reports and resolutions proposed by the Management Board at all times. In this context, we undertook various measures to assure ourselves that the corporate governance of the Company was lawful, appropriate and in compliance with the laws. Although the Company has faced with the shortage of assets and human resources, and aggressive competition in the market, but the Board of Directors have had right strategy, all employees with their determination and efforts to successfully complete assigned tasks.

- Trading sector with trading key products such as cassava starch, construction materials, animal feeds brought impressively results, up by 78% of the plan.
- In infrastructure and construction sector, although we have not achieved our targets as expected, but commitment of employees will play a very important role in the coming business strategy. To be successful in infrastructure and construction, we have built a solid foundation such as experience, human resources and processes to be ready to for real estate and renewable energy projects.
- Quarrying has played a significant role which contributed to the company's revenue and profit, remaining its high growth rate. In 2017, its sales exceeded 29% of the plan, profit before tax reached over VND 48,8 billion.

- Tracodi Labor Export Joint Stock Company (TRACODI LABOUR) was separated from its holding company TRACODI. In 2017, its sales exceeded the plan. Training center remained stable which bringing constant sources for labor export activity.

3. Evaluation of Financial Situation in 2017:

- After examination of the consolidated and separate (parent-company) financial statements for the 2017 fiscal year prepared by the Executive Board and discussion with external auditors, the Supervisory Board approved the audit reports.
- The consolidated and separate (parent-company) financial statements showed business situation faithfully, logically as at 31 December 2017; Income statements and cash flow statements for the period from 01/01/2017 to 31/12/2017 were prepared in accordance with the Financial Reporting Standards and in compliance with all material aspects of Vietnam Accounting Law.

- **The key indicators:**

- + Business performance 2017: *Refer to Appendix 3 attached to the report of the SB*

We delivered an impressive business performance. In particularly, consolidated revenue from sale of goods and rendering of services reached VND 1,095,90 billion, increased VND 264,08 billion, equivalent to 31,75% compared with 2016. Profit before tax and profit after tax reached VND 91,37 billion and VND 74,95 billion respectively, increased 24,44%.

- + Total assets, owners' equity as at 31/12/2017: *Refer to appendix 4 attached to the report of the SB*

Total assets decreased by VND 1,295,90 billion compared with the beginning of 2017. Total assets went down mainly due to the decrease in long-term assets (VND 1,231,51 billion). Owners' equity went down mainly due to the decrease in non-current liabilities (VND 1,665,99 billion). The decrease in total assets was the results of restructuring our investment portfolio not for the purpose of business scale downsizing. All decisions made by BOD and EB relating to assets, owners' equity such as investments, disvestments, borrowings, buying and selling assets were found to be lawful, appropriate and in accordance with the business strategy approved by shareholders at the General Meeting.

4. Activities of the Board of Directors and Executive Board during the office term of 2013 - 2018:

- The Board of Directors held regular and irregular meetings to approve Resolutions. Decisions under their power/competence as prescribed in the Company's Charter and the laws.
- The Board of Directors constantly updated information and consult the management in a timely manner and in compliance with the laws and the Company's Charter. Resolutions and decisions of the Board of Directors were issued strictly in accordance with the procedures, power/competence and in compliance with the laws.

- The management were responsible and always tried their best on day to day maintenance of the Company.
- Employees tried their best to complete assigned tasks. Monthly reports regularly updated to the Board. They showed their dynamic, creative, and professional attitude at work.
- The weaknesses and shortcomings regularly overviewed and improved towards sustainable development of the Company.
- The Supervisory Board highly appreciated the Executive Board's determination in running the Company and implementing the Resolutions of the Board of Directors.
- The Executive Board timely reported and informed to the Board of Directors to ensure that BOD was constantly aware of situations and significant issues for prompt and appropriate advices.

5. Cooperation among the Supervisory Board, Board of Directors, the Executive Board and shareholders:

- The Management Board and Supervisory Board continued cooperation in 2017 through extensive dialog founded on mutual trust and confidence. The Management Board kept us regularly and extensively informed of all major issues affecting the Company's business with prompt written and verbal reports to help us fulfilling our tasks.
- In the board meetings, we discussed the reports submitted by the Management Board, we also monitored the work of the Management Board, gave our advices and supports under our role and responsibility.
- The Board of Directors, the Supervisory Board and the Executive Board were willing to work with our shareholders, in the spirit of the Enterprise Law, to deal with any issues in which they were interested; Information were available on our website or provided directly to our shareholders if required.

IV. RECOMMENDATIONS

Based on our overseeing, we had recommendations for the BOD, EB as follows:

- To continue to follow up the macroeconomic situation, analyze micro-economic changes which may impact on the Company in order to have flexible and effective solutions in its performance and implementation of projects.
- To periodically analyze and evaluate the internal impacts on the Company to give out prompt adjustments and changes in line with the business strategies.
- To build the strategies of human resource training, brand positioning through ambassador, social media and associations.
- To review and reinforce the organizational structure, improve personnel in terms of technique and professional to meet the business requirements and in accordance with the laws.
- To regularly encourage employees to think out of the box, to gain critical thinking, to use and develop resources effectively.

- To frequently review the investment portfolio to improve business performance, achieve optimal profit and effectiveness.
- To handle debt recovery, ensure capital liquidity and financial stability.

V. APLAN DURING THE OFFICE TERM OF 2018 - 2023:

To annually achieve the Company's strategic objectives, we endeavor to perform effectively our tasks stipulated in the Company's Charter and resolutions approved by shareholders towards the best control of the risks from inside or outside of the Company. We also provide advises to the Board of Directors, the Executive Board, which based on our experience and expertise, to improve the efficiency of using the Company's capital and assets.

Annually, the Supervisory Board will build the monitoring plan as stipulated in the Company's Charter and resolutions approved by shareholders at the Annual General Meetings:

- To review the annual business plan and give advises to the Board of Directors if necessary.
- To oversee activities of the Board of Directors, the Executive Board to assure in compliance with the laws and resolutions approved by shareholders at the Annual General Meetings.
- To periodically review and inspect the deployment and implement of business strategies of the Board of Directors, the Executive Board.
- To quarterly examine the financial statements (including quarterly statement, financial reports for the half year and full year).
- To discuss with external auditor on issues related to financial statements to solve problems.
- To review and examine the accounting work and the preparation of annual financial statements in compliance with the accounting law.
- To regularly update knowledge of corporate governance, risk management, law on enterprises; update the knowledge of tax, accounting and finance in order to have the deeper knowledge on inspection and supervision.
- To advise the Board of Directors, the Executive Board on risk management if necessary.

The content above is the report of the Supervisory Board of Transport and Industry Development Investment Joint Stock Company on its tasks in the financial year 2017, its activity during in the office term of 2013-2018 and plan for the office term of 2018 - 2023.

Sincerely.

Recipients:

- *As above;*
- *The Board of Directors;*
- *The Executive Board;*
- *Accounting Department;*
- *Archived: SB, Business Support
Department.*

**ON BEHALF OF THE SUPERVISORY BOARD
HEAD OF THE BOARD**

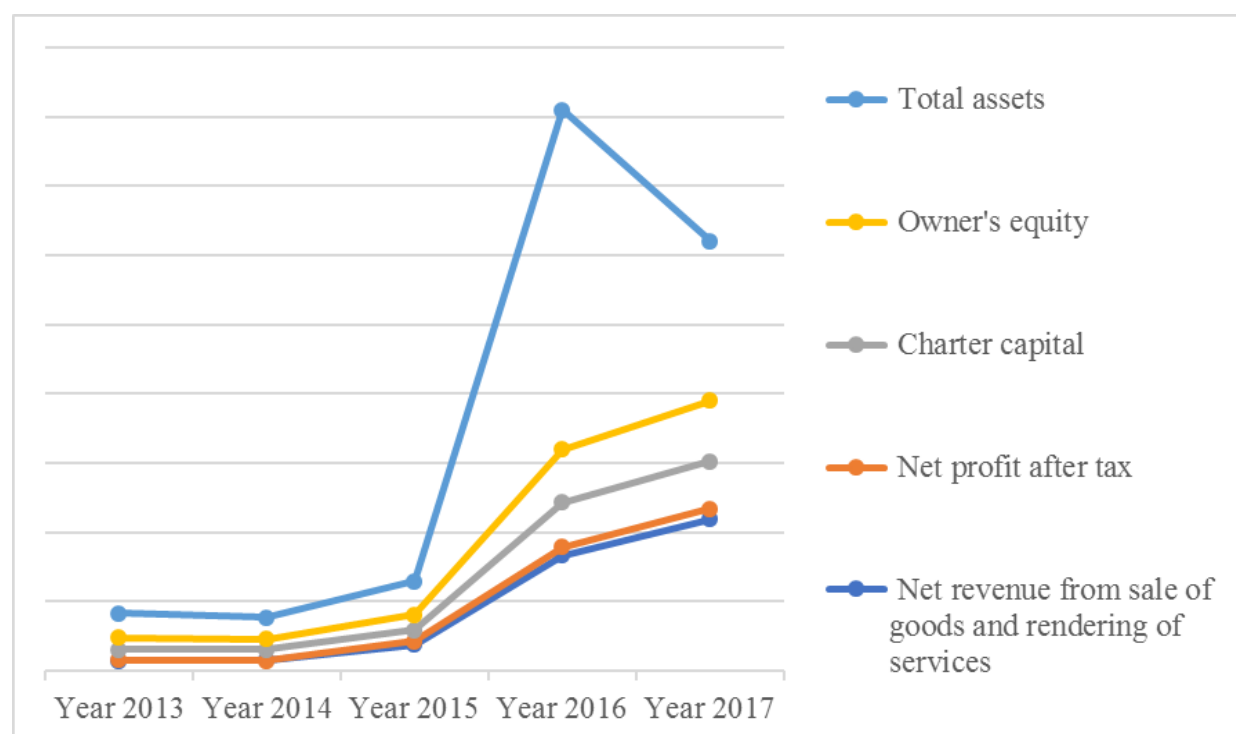
Nguyen Viet Cuong

Appendices attached to the report of the Supervisory Board submitted to the Annual General Shareholders' Meeting of TRACODI in 2018:

Appendix 1: Some Financial Indicators in 2013-2018

Indicators	Currency: billion Dong				
	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017
Net revenue from sale of goods and rendering of services	74,1	76,9	190,5	831,8	1.095,9
<i>Compared to the same time last year</i>	60,2%	103,8%	247,7%	436,6%	131,7%
Net profit after tax	3,9	-1,2	25,5	60,2	74,9
Charter capital	78,5	78,5	78,5	324,9	344,3
<i>Compared to the same time last year</i>	150,2%	100,0%	100,0%	413,8%	106,0%
Owner's equity	82,4	77,9	113,2	382,8	433,6
<i>Compared to the same time last year</i>	104,0%	94,5%	145,3%	338,3%	113,3%
Total assets	176,2	153,1	239,8	2.449,3	1.153,4
<i>Compared to the same time last year</i>	83,0%	86,9%	156,7%	1021,3%	47,1%
Return on Charter Capital	6,0%	-1,5%	32,4%	29,9%	22,4%

Appendix 2: Chart of the growth of assets, capital and business results in 2013-2018



Appendix 3: Some indicators of business results in 2017 compared to 2016

Currency: billion Dong				
Indicators	Year 2016	Year 2017	Changes	% of Changes
Net revenue from sale of goods and rendering of services	831,82	1.095,90	264,08	31,75%
Costs of goods sold and services rendered	681,08	921,01	239,93	35,23%
Gross profit from sale of goods and rendering of services	150,74	174,90	24,15	16,02%
Financial Income	98,71	159,09	60,38	61,16%
Financial expenses	101,07	148,18	47,11	46,61%
Selling expenses	43,62	53,46	9,84	22,56%
General and administrative expenses	33,05	41,34	8,30	25,11%
Operating profit	71,94	91,99	20,05	27,87%
Net profit before tax	73,36	91,37	18,01	24,55%
Net profit after tax	60,23	74,95	14,72	24,44%

Appendix 4: Some financial indicators of assets, capital in 2017 compared to 2016

Currency: billion Dong				
Indicators	Date 01/01/2017	Date 31/12/2017	Changes	% of Changes
Current assets	871,69	807,30	(64,39)	-7,39%
Non-current assets	1.577,66	346,14	(1.231,51)	-78,06%
Total assets	2.449,34	1.153,44	(1.295,90)	-52,91%
Current liabilities	322,44	641,79	319,35	99,04%
Non-current liabilities	1.744,09	78,10	(1.665,99)	-95,52%
Owner's equity	382,81	433,55	50,74	13,25%
Total liabilities and owner's equity	2.449,34	1.153,44	(1.295,90)	-52,91%