

REPORT OF THE BOARD OF SUPERVISORS
XVIII ANNUAL GENERAL MEETING OF SHAREHOLDERS - 2022
I. OPERATION REPORT OF THE BOARD OF SUPERVISORS (BOS) IN 2021
1. BOS activities
a. BOS members in 2021

No.	BOS members	Position	Date of starting/date of finishing being a member of BKS	Qualification
1	Mr. Tran Van Thuc	Head of BOS	Appointed on April 26, 2021	Bachelor of Finance
2	Mr Luis Fernando Garcia Agraz	Head of BOS	Submit resignation on April 8, 2021 Resigned on April 26, 2021	Bachelor of Finance
3	Mr. Dang Hoai Nam	BOS member	Appointed on June 29, 2017	Bachelor of Finance
4	Mr. Nguyen Minh Nhut (Jack)	BOS member	Appointed on June 29, 2017	Bachelor of Accounting

In 2021, the company conducted a change in the members of the BOS:

- Mr. Luis Fernando Garcia Agraz from the position of BOS member according to the resignation letter dated April 8th, 2021
- Appointed Mr. Tran Van Thuc as a member of the BOS from April 26th, 2021

Ratio of share ownership to charter capital of members of the BOS as of March 25, 2022:

- Mr. Tran Van Thuc: 0%
- Mr. Dang Hoai Nam: 30,648 shares, 0.04%
- Mr. Nguyen Minh Nhut (Jack): 0%

b. BOS meeting
- Number of meetings and participation and voting rates

No.	BOS member	Number of meetings attended	Meeting attendance rate	Voting rate	Reason of absence
1	Mr Trần Văn Thức	05	100%	100%	
2	Mr Luis Fernando Garcia Agraz	01	100%	100%	
3	Mr Đặng Hoài Nam	06	100%	100%	
4	Mr Nguyễn Minh Nhựt (Jack)	06	100%	100%	

- **Details of the meetings of the BOS**

No	Meeting	Date	Contents
1.	Meeting 01	03/03/2021	Meeting EY Auditing Company to discuss some issues about Coteccons' 2020 audited financial statements
2.	Meeting 02	27/04/2021	Head of BOS election after appointing additional members of BOS at the Annual General Meeting of Shareholders
3.	Meeting 03	29/04/2021	Discussed on of the action plan of BOS in 2021
4.	Meeting 04	21/05/2021	Proposed to choose EY Auditing Company as the auditor of financial statements for Coteccons and its subsidiaries in the fiscal year 2021
5.	Meeting 05	20/08/2021	Meeting EY Auditing Co., Ltd. to discuss some issues about auditing Coteccons' 6-month financial statements in 2021.
6.	Meeting 06	27/10/2021	Reviewed the work for the first 9 months of 2021 based on the action plan of BOS; Discussed legal/ financial risks of the Company at that moment; Discussed the implementation of recommendations of the BOS and the Internal Audit Committee by the Board of Management and the Departments/Departments of Coteccons

2. Supervision/ coordination activities of the BOS towards the Board of Directors, Board of Management and Shareholders

- BOS worked out an action plan for 2021, sent it to the Board of Directors and the Board of Management to obtain information and direct functional departments in the Company to coordinate with BOS in execution.
- BOS attended a number of BOM meetings to monitor the direction of the Board of Directors/Board of Management to functional departments.
- BOS continuously updated the implementation of the business plan for 2021/the implementation of the Resolutions of the Annual General Meeting of Shareholders, giving suggestions to help the Board of Directors and the Board of Management to better implement the proposed plan/resolution.
- BOS reviewed the quarterly financial statements and made recommendations to the Board of Management on the financial position and operation of the Company

3. Details of some activities carried out by the BOS in 2021 related to the supervision of the Board of Directors, the Board of Management

Date	Contents
25/05/2021	Sent reports to the Board of Management to evaluate the Company's overall performance and business results in the first quarter of 2021
01/06/2021	Participated in weekly meeting of the Board of Management with the Business Development department
07/06/2021	Sent a request to the Board of Management about the management of land owned by Coteccons.
01/07/2021	Submitted a report evaluating the implementation of business development activities of the Board of Management, evaluating the capacity of the Internal Audit Department and the results of the audit of Unicons' equipment department
19, 31/07/2021	Sent a report to the Board of Management to comment on the re-issuance of Coteccons' financial statements for the years 2017-2019
25/08/2021	Submitted a report evaluating the Company's overall performance and business results for the first 6 months of 2021 and the effectiveness of the Company's internal audit system
04/11/2021	Sent a request to the Board of Management about: (i) promoted functional departments in the Company to implement activities to improve operational efficiency according to the opinion of the Internal Audit Department after the audits; (ii) analyzed the issues and solutions to increase sales in the last 6 months of the year.
09/11/2021	Sent a request to the Board of Management to conduct a special audit to serve to identify related parties and transactions arising between related parties of Coteccons and Unicons in the years from 2017 to 2020 according to Resolution of the Board of Directors No. 15/2021/NQ-HĐQT dated June 14, 2021
26/11/2021	Sent comments to the Board of Management on reviewing the relationship between Ladona Properties Ltd and Coteccons to fully comply with the requirements on disclosure of information about related third parties
03/12/2021	Submitted a review on the Company's 3 rd quarter financial results

II. ASSESSMENT OF IMPLEMENTATION OF AGM/ BOD RESOLUTIONS

1. General Annual Meeting of Shareholders

- In 2021 the General Annual Meeting of Shareholders approved 15 resolutions. By the end of December 2021, 80% of the works set out according to the Resolution were completed, 13% are in progress and 7% were not completed.
- Ongoing workload related to Resolution No. 05/2021/NQQ-ĐHCD on approving the remuneration of the Board of Directors and BOS in 2021 and Resolution No. 09/2021/NQQ-ĐHCD on approval of Employee Stock Ownership Plan (ESOP) in 2021.

2. BOD

- In 2021 the Board of Directors has issued 28 resolutions. By the end of December 2021, the implementation status of the resolutions is as follows: 28/28 resolutions have been implemented and 100% completed.

III. ASSESSMENT OF THE BUSINESS PLAN 2021 IMPLEMENTATION AND SOME IMPORTANT FINANCIAL INDICATORS

1. Evaluation of the business plan 2021 implementation:

Billion VND

	2021	In comparison to 2020	In comparison to plan
Revenue	9,078	Decreased by 38% (vs 14,558)	Achieved 51% (vs 17,400)
Profit after tax	24	Decreased by 93% (vs 335)	Achieved 7% (vs 340)

The main reasons for the low business results in the past 10 years:

- The number of projects signed in 2019, 2020 (backlog) is very low (practically absent), leading to a serious decrease in sales in 2021
- The Covid-19 pandemic led to a shutdown of construction sites for at least 4 months, which led to increased costs, plus a 4% increase in raw material prices in 2021, the main reason for the serious decline in profits.
- Increase provisions for bad debts
- Maintaining staffing costs of Coteccons, not cutting personnel costs during the market period, all cut personnel costs to compensate for losses caused by the Covid epidemic

2. Important Financial Key Performance Indicators

No	Target	unit	2020	2021
I	Profit margin			
1	Gross profit margin	%	5.9%	3.0%
2	Profit before tax to revenue ratio	%	2.9%	0.3%
3	Profit before tax to equity ratio	%	5.1%	0.29%
4	Profit before tax to total assets ratio	%	3.0%	0.27%
II	Performance Index			
1	Inventory turnover	Days	41	62
2	Accounts Receivable Turnover	Days	198	308
3	Accounts Payable Turnover	Days	104	129
III	Liquidity			
1	Current liquidity ratio	times	2.2	2.1
2	Quick liquidity ratio	times	1.9	1.85
3	Leverage (Liabilities/Equity)	%	67%	78%

IV. RECOMMENDATION OF BOS

1. Business results in 2021: non-fulfillment of the business plan

- The objective reasons can be emphasized are the prolonged Covid-19 epidemic and increased material prices, however, the Board of Directors and the Board of Management need to have a strategy to increase sales in the short term, for example, by winning projects with smaller scale that are shorter in finishing time.

- In addition, subjectively, it is necessary to continue to strengthen the human resource and the team, improve planning capacity, and better COGS control to improve profit margin, one of the ways. is to complete and implement the management software system (ERP) soon.
 - In the long term, the strategy of diversifying products to avoid dependence on the residential real estate cycle needs to be developed faster and requires support from a responsible department.
- 2. Key personnel: majority of personnel of key positions resigned in 2021**
- According to the BOS observation, 4 employees who held key positions resigned in 2021. The Board of Directors and the Board of Management needed to find the causes of this reason and find solutions to prevent it in 2022.
 - The Board of Management's functions were not yet at an effectively manner, reflected in the decrease in business results in 2021 compared to the previous year and compared with the approved business plan. The position of CEO is still open, leading to inadequacies in managing the Company. The Board of Directors needs to quickly find and appoint a qualified person for this position.
- 3. Communication: Enhance PR about the Company's image both internally and externally.**
- The Board of Management needs to strengthen internal communication about the company's achievements, share development strategies to create trust and strengthen the collective strength within the Company
 - For investors and customers: Due to major changes in the company's operations and management last two years, Coteccons' proof of leading position, transparency and core values need to be further strengthened in 2022
- 4. Account Receivables: Time and value of receivables will increase steadily in 2021**
- The Board of Management needs to improve debt management policy and strengthen debt collection and handling in 2022
- 5. Asset management: Strengthen asset management and increase efficiency of asset use at the construction site**
- The transition between the old and new Board of Management has just taken place in 2020, so determining asset ownership and managing the use of assets are important factors to improve operational efficiency and cost control.
- 6. Portfolio investment management: Prolonged losses at subsidiaries and associates**
- Currently, most of Coteccons' subsidiaries and associates are in a state of loss or have not operated effectively. The Board of Directors and the Board of Management need to review the investments in subsidiaries and associated companies to come up with supervisory measures to improve operational efficiency or handle the recovery of the above investments.
- 7. Project management: not quite good, requires improvements**

- In fact, a number of projects implemented at the moment have negative financial results when handing over the works and making final settlements. This can be occurred due to insufficient qualified tasks execution in BoQ calculation, risk provisions planning and project management. The Board of Management needs to review ongoing projects to find solutions to reduce costs or make provisions for unexpected losses.

The AGM is proposed to review, discuss, and approve the above contents

Ho Chi Minh City April 04th, 2022

**ON BEHALF OF THE BOARD OF SUPERVISORS
HEAD OF BOS**

(signed)

TRAN VAN THUC