

Ho Chi Minh City, April 04<sup>th</sup>, 2018

## REPORT OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS 2017-2018

**Dear: Shareholders**

The Board of Directors (BOD) would like to present this report to the Corporation's business results, the direction and supervision of the Board over the Corporation's Executive Board in 2017, and the action plan of the Board in 2018 as follows:

### **I. Corporation's business results in 2017:**

In 2017, the BOD and the Executive Board always stuck to the Corporation's set business objectives and took measures to improve the quality and diversity of services, and development of services with great development potential.

- *The business results of Transimex for the fiscal year 2017 (consolidated) are as follows*

*Unit: VND million*

No.	Indicators	Plan of 2017	Performance of 2017	Performance of 2016	(% )Performance of 2017 compared with	
					Plan of 2017	Result of 2016
1	Total revenue	1,976,000	2,131,808	615,661	108%	346%
2	Before tax profit	213,000	242,199	192,222	114%	126%
3	Ratio of before tax profit to total revenue	10.77%	11.36%	31.22%	105%	36%
4	Dividend	25%-30%	25% (15% dividend in cash and 10% dividend in shares )	5%		

- *The business results for the fiscal year 2017 of Transimex's joint ventures and associated companies are as follows:*

*Unit: VND million*

No.	ĐƠN VỊ	Revenue		Profit	
		Result	(%) Result 2017 vs 2016	Result	(%) Result 2017 vs 2016
1	Nippon Express (Vietnam)	1,499,857	109%	158,602	129%
2	Hai An Transport and Stevedoring JSC (HAH)	777,929	160%	172,583	116%
3	Vinafreight Corporation (VNF)	1,882,277	114%	53,797	102%

### **II. Activities of BOD in 2017:**

## **1) The Board of Directors' members:**

The BOD (the term of 2014-2018) comprises of nine members, including three independent ones.

The BOD consists of the following committees:

- COMMITTEE FOR PERSONEL, WAGE AND BONUS  
Head: Mr. Vu Chinh  
Member: Mr. Le Duy Hiep
- COMMITTEE FOR BUSINESS ADMINISTRATION AND FINANCE  
Head: Mr. Nguyen Phan Dung  
Member: Mr. Bui Minh Tuan, Mr. Vu Cuong
- COMMITTEE FOR INVESTMENT AND DEVELOPMENT POLICIES  
Head: Mr. Bui Tuan Ngoc  
Member: Mr. Do Xuan Quang
- COMMITTEE FOR JOINT VENTURES AND ASSOCIATION  
Head: Mr. Huynh Minh Thao  
Members: Mr. Le Duy Hiep, Mr. Toshiyuki Matsuda

The members of the BOD have performed duties well in building the overall strategic orientation and business objectives of the Corporation, and directing and supervising the Executive Board's activities to help Company optimize its operational efficiency.

Mr. Nguyen Phan Dung has resigned from the Board of Directors from January 29<sup>th</sup>, 2018. The Board of Directors currently operates with the 8 members until the decision of the nearest shareholders' meeting.

## **2) Activities of the BOD in the fiscal year 2017:**

In order to perform the tasks assigned by the Annual General Meeting of Shareholders (AGM), the BOD carried out activities under the provisions of the Corporation's Charter and in compliance with the Enterprises Law and other applicable laws.

All meetings of the BOD were held and conducted in accordance with the Corporation's Charter. All Minutes and Resolutions of the Board were agreed by the Members and have been kept in accordance with relevant regulations. Specifically, the BOD convened 14 meetings and issued 32 decisions in the fiscal year 2017 as follows:

- 03 decisions concerning organizational structure, staffing and the wage fund;
- 06 decisions related to investment in logistics services of the Corporation;
- 12 decisions regarding financial investment and other financial activities; and
- 11 decisions on other operations of the Corporation.

In 2017, BOD has coordinated with the Supervisory Board in inspecting the implementation of budget targets under the resolutions of the AGM.

Regarding the organizational structure, staffing and wage fund, the Board has issued the following decisions:

- Approving the nomination of candidates for the Board of Directors and Supervisory Board of Transimex Transportation Joint Stock Company (TMS-Trans) at the first shareholders' meeting on Feb 27<sup>th</sup>, 2017
- Approving the Statement on 2016 Wage Fund Balance and Wage Plan for 2017;
- Approving the General Director's recommendations on the organizational structure of the Company

Regarding on investment in logistics business, the Board has made the following decisions:

- Approving and deploying the construction of cold storage at the existing warehouse Logistics Center at Transimex Da Nang (Investment value: VND 15.5 billion);
- Approving the plan of building a 128-TEU Barge;
- Approving the construction project of Distribution Center in Hung Yen
- And other decisions.

Regarding financial issues, the Board has tightly controlled the cash flows, minimized the cost of capital use, used of capital sources effectively, re-structured the investment portfolio and cut down ineffective investment portfolio, and timely arranged financial resources for the company's projects. The Board also implemented the following issues:

- Approving the extension of the loan limit (VND 30 billion) at Vietcombank;
- Approving the implementation of credit transactions and the relevant contracts between Transimex Corporation and Vietinbank - Ho Chi Minh City Branch No.1 with a maximum credit of VND 30 billion;
- Approving the proposal to AGM about the plan of issue bonds in order to mobilize capital for projects in 2017;
- Approving the implementation of the Employee share option Plan (ESOP) issuance in 2017 according to approved plan by the General Assembly of Shareholders on April 22nd 2016;
- Approving the extension of loan limit at Shinhan Bank (VND 44 billion);
- Approving the details and the implementation of convertible bonds issuance plan to existing shareholders in accordance with resolution No. 01 / NQ.ĐHĐ-TMS-2017 dated on April 22<sup>nd</sup> 2017;
- Approving the registration file of the bonds public offering at the State Securities Commission of Viet Nam, including the prospectus and relevant documents;
- Approving the buyback shares issue of employees who have resigned before ending program of offering shares to employees, as treasury shares of the Company according to the regulation is approved by the Board of Directors in decision No. 12/QDHD-TMS/2016 dated on July 5<sup>th</sup>, 2016;
- Approving the increase of ownership ratio in Vinafreight Corporation(VNF);
- Approving the credit limit acceptance at Vietinbank – Ho Chi Minh City Branch No.1;
- Approving the proposal of divestment in HaiAn Transport and Stevedoring Joint Stock Company;
- Approving the adjustment of the type of securities from "restricted transferable securities" to "freely transferable securities" and freely traded from November 14<sup>th</sup>,2017 for 665,264 shares of Transimex Joint Stock Company (stock code: TMS) that were purchased under the ESOP program.

### **III. Results of implementation of Resolution of the AGM 2016-2017:**

In 2017, the Board of Directors implemented the Resolution of the AGM 2016-2017 as follows:

DECISIONS OF THE AGM	RESULTS
Profit distribution plan in 2017	Implemented
Rewarding the Board of Directors, Board of Supervisors, Executive Board and Key Staffs of the Corporation the bonus of 5% of the excess amount of the consolidated profit after tax.	Implemented
The dividend of 2016: 30%/ Charter Capital 345,64342 billion VND, of which 25% is paid in shares and 5 % is paid in shares.	<ul style="list-style-type: none"> <li>- Implemented 5 % dividend in cash</li> <li>- 25% dividend in shares is not implemented yet.</li> </ul>
Approving the project of investment in Northern Logistics Center	<ul style="list-style-type: none"> <li>- The investment project of Logistics Center (10 hectares) in Que Vo, Bac Ninh is not implemented because the Board of Directors foresee some economic risks. BOD will submit to the General Meeting of Shareholders to stop investing in this project</li> <li>- Implementing the capital contribution with partners to invest in Thang Long Logistics Center in Hung Yen.</li> </ul>
Phát hành trái phiếu chuyển đổi năm 2017 Issuance of convertible bonds in 2017	Underway
Private offering plan of Non-convertible bonds	Not implemented yet
Issuing shares under the ESOP	Not implemented yet
Selecting the audit agency for the fiscal year 2017	A&C Auditing & Consulting Co., Ltd. has been selected

#### **IV. Supervision and support of Board of Directors to the Executive Board:**

- Despite, in 2017, many unfavorable circumstances and conditions occurred in logistics sector such as the Decision No. 15/2017/QĐ-TTg granted by Prime Minister regarding List of imported merchandise of which custom clearance must be proceed at the importing gate (effective from July 01<sup>st</sup>, 2017) that have impacted significantly to the business activities of ICD Transimex, ... nevertheless Board of Management have managed the Company to overcome the obstacles and exceed the business plan of 12 months in 2017, performed very well and adequately according to the resolution of Board of Directors and resolution of the Shareholders' General meeting. Therefore, the company has its prestige and position improved and highly appreciated by many domestic and overseas financial institutes. In 2017, the Company has been honored as:
  - + 25<sup>th</sup> ranked in Vietnam's Top 50 best performing companies in 2017 (voted by Nhip Cau Dau Tu Magazine and Thien Viet Securities JSC
  - + Ranked in Top 50 Vietnamese listed companies in 2017 (by Forbes Viet Nam).
- Board of Management has managed the Company in accordance with their function, duties, complied with the internal management regulations, in accordance with the Company's charter and laws.
- Implementing the construction of projects in accordance with the procedures, regulations and according to the resolution of Board of Directors and Shareholders' General meeting.
- Publishing the information strictly and in accordance with stipulation.

- Complying with the periodical or unusual reports strictly and sufficiently according to the request of the State Agency.
- Training is focused on improving management capacity and professionalism of the employees and staffs of the Company.
- Management of financing is well performed to ensure the balance of capital resources for investment and business development.
- Last year, Board of Directors had several instructions and guidance on business activities promptly to deal with the market volatility; complete the major projects and supervise the other activities, to provide timely the guidance and support to the Board of Management (BOM) in seeking for the new customers as well as information on market and potential customers.

**V. Report on remuneration of the Members of Board of Directors in 2017 (before tax):**

No.	Full name	Position	Remuneration	Bonus	Total	Remark
1	Bui Tuan Ngoc	Chairman	29%	71%	100%	
2	Le Duy Hiep	Deputy Chairman	22%	78%	100%	
3	Vu Chinh	Member	24%	76%	100%	
4	Do Xuan Quang	Member	24%	76%	100%	
5	Nguyen Phan Dung	Member	24%	76%	100%	<i>resigned from January 29, 2018</i>
6	Bui Minh Tuan	Member	24%	76%	100%	
7	Toshiyuki Matsuda	Member	27%	73%	100%	
8	Huynh Minh Thao	Member	24%	76%	100%	
9	Vu Cuong	Member	65%	35%	100%	
<b>Total</b>						

**VI. The plan on operation of Board of Directors in 2018:**

- Taking full efforts to implement according to business plan of the fiscal year 2018:

*Unit: VND million*

No.	Indicator	Plan of 2018	(%) in comparison with performance of 2017
1	Total revenue	2,356,000	110.5%
2	Before-tax profit	252,536	104.7%
3	Dividend	25%-30%	

- Successfully organize the Annual General Meeting 2017-2018, and submit to the General meeting within the authority of the Shareholders' General Meeting.
- Establishing a dedicated investor relations team to enhance the relationship between the Corporation and community of investors.
- Amending the company charter in accordance with the template stipulated at the attachment of Circular No. 95/2017/TT-BTC dated on September 22, 2017 and the management regulations which are approved by Shareholder's General Meeting.
- Achieving the target of becoming the leading total and integrated logistics provider in Vietnam

- Maximizing the effectiveness of ICD Transimex, Transimex Distribution Center (TMS DC), Transimex Logistics Center in Da Nang, Transimex Logistics Center at Saigon Hi-Tech Park in Ho Chi Minh City and the projects which have been invested in 2018.
- Together with the other capital contribution partners focus on implementing and instructing the construction of “Thang Long Logistics Center” in Hung Yen Province in order to ensure the progress and quality of the construction works, to put into operation in accordance with the plan.
- Continuing to invest into the companies in the same industry which have potential in development and the services that can support the Company, cooperate with these companies to invest in building the warehouses for lease and operating the Seaport.
- Continue of directing, supporting the BOD in seeking for the new projects, researching the investment of the Logistics Center, warehouse systems in the potential locations and improving the capacity of providing the logistics services of the Company’s Branches in order to complete the logistics services supply chain in the country, especially at the key provinces and cities.
- Carry on the activities to strengthen the effectiveness of the risk management in business operation of the Company
- Managing the investment effectively in the joint venture and affiliated companies by creating connection of services, boosting business cooperation and participating into the management, etc. in order to improve efficiency of the investment.
- Applying the enterprise management system, the advanced logistics services management.
- Considering that the human resources is an important element, to ensure a sustainable development of the Company in the next years and future, the Board of Directors shall focus on the policy of improving the human resources, recruiting the high-qualified personnel and creating the long lasting cooperation of the employees and staffs with the Company.

The Board of Directors highly appreciates and thanks for the dedication and effort of the BOM, all Company’s employees, who have contributed into the Company’s over fulfillment of the business plan in 2017. The Board of Directors believes that the enthusiastic support of the Shareholders, the valuable customers in the country and oversea, the assistance of the strategic partners, together with the full effort of Board of Management, the Board of Directors and all of the employees, the Company shall continue for an over fulfillment of the business plan in 2018.

Sincerely yours.

**ON BEHALF OF BOARD OF DIRECTORS**

The Chairman



Bui Tuan Ngoc