

Thua Thien Hue, May 21st, 2019

Draft

REPORT OF THE GENERAL DIRECTOR OF THE COMPANY
About the business results for year 2018 and the business plan for year 2019
at the Annual General Meeting of Shareholders 2019

I. Business results of 2018

1. Advantages and disadvantages:

The number of tourists to Thua Thien Hue in 2018 reached more than 4.3 million arrivals, up 14% over the same period; in which international visitors reached more than 1.9 million arrivals, up 30% over the same period. Guests' stay reached more than 2 million arrivals, up 13.1% over the same period; in which international visitors reached 989,405 arrivals, up 21% over the same period. Revenue from tourism is estimated at VND 4,473 billion, up 27.1% over the same period, social revenue from tourism is estimated at VND 11.3 trillion.

Activities of the company has had positive changes from human resources to facilities to organize activities of the Company in directing, inspecting and supervising business activities at branch, subsidiaries and joint ventures.

However, the Company still has limitations and difficulties due to incomplete infrastructure; the management in some units has not promoted efficiency and comparative advantages; The competition situation by lowering the price of products and services in some tourism enterprises in the province is still popular.

Investment projects to improve production and business capacity are only in the process of completing legal procedures.

2. Results of the performance of business targets of 2018

** Consolidated business results of the Company*

No.	Target	Unit	Actual 2017	Plan 2018	Actual 2018	Act2018/ Act2017 (%)	Act2018/ Plan2018 (%)
1	Sales and service delivery revenue	million dong	81,502	82,976	86,126	105.67	103.80
2	Cost of goods sold	"	64,227	66,210	67,805	105.57	102.41
3	Sales and service delivery gross profit	"	17,276	16,766	18,322	106.06	109.28
4	Revenue from financial operations	"	2,102	-	2,131	101.40	-
5	Financial expenses	"	207	123	226	109.38	183.35
	<i>In which: loan interest</i>	"	192	123	225	117.43	182.84
	<i>Interest in affiliates</i>	"	7,142	8,749	5,211	72.96	59.56
6	Sales expenses	"	1,969	2,165	2,194	111.42	101.32
7	Enterprise management expenses	"	24,066	20,613	19,856	82.54	96.37
8	Net Profit from business activities	"	278	2,614	3,379	1,214.52	129.28
9	Other incomes	"	1,226	350	366	29.87	104.63
10	Other expenses	"	83	11	17	20.10	152.09
11	Other profits	"	1,143	339	349	30.59	103.09
12	Accounting profit before tax	"	1,421	2,953	3,728	262.43	126.27

13	Current corporate income tax expense		227	102	136	59.83	133.10
14	Profit after corporate income tax	"	1,194	2,851	3,593	300.90	126.03

3. Analysis of some causes and performance results:

3.1 Huong Giang Hotel Resort & Spa

In 2018, Huong Giang Hotel has made positive changes from landscape, environment and facilities in business services, including receiving equipments from the La residence Hotel such as: Safe box, minibar, garden lighting system, aluminum and glass door system to replace glass doors at Hoa Mai restaurant (waterproofing and noise prevention from the river bank).

Business results in 2018 of Huong Giang Hotel tend to develop well. The targets of Revenue and Profit after tax increased compared to 2018 plan, specifically: Specifically, the profit plan was VND 2,028 million, achieved VND 4,173 million, increased 105.7% compared to the plan and increased by VND3,917 million over the same period (2017 profit reached VND256 million). Revenue in 2018 reached VND 48,366 million, up 10.78% compared to the plan, up 13.1% over the same period.

3.2 Huong Giang Travel One Member Company Limited:

2018 was the year that Huong Giang Travel Company faced many difficulties arising from objective and subjective reasons. The company had been recalled more than 1,400m2 of area on the bank of Huong River by the local government to implement the project of walking route on the Huong River, the construction of walking paths (*piling, vehicles carrying materials to and from the construction site, dust and noise pollution, ...*) lasting more than 3 months had seriously affected the Company's restaurant service business, whereby the entire restaurant system along the river bank must be dismantled. ; At the same time, moving and installing the restaurant back to 11m from the river bank. Therefore the business result of the unit has been affected.

However, the Company has strived to achieve the business plan for 2018. Revenue from Sales of goods and services in 2018 reached VND 38 billion, decreased by VND 0.7 billion, reaching 98% of the plan, after-tax profit reached VND 0.5 billion, decreased by VND 0.7 billion, reaching 41% of the plan.

3.3 Hotel De La Cite Imperiale Company Limited:

In 2018, the Company has invested to upgrade and replace new furniture, equipments of Block B (74 rooms), Spa, Gym, restaurant block and rebuild garden system, lighting system and Decorative lights throughout the hotel. At the same time leveling the land of the hotel expansion project on the riverbank, this has affected the business results in 2018;

Revenue from sales of goods and services in 2018 reached VND 72.5 billion, decreased VND 20.3 billion, reached 78% of the plan, after-tax profit reached VND 2.7 billion, decreased by VND 8.9 billion, reached 23% compared to plan.

3.4 Saigon Morin Hue Company Limited:

Due to the effect of the overdue joint venture between Huong Giang Tourist Joint Stock Company and Saigon Tourist Corporation (Saigon tourist); and at present, the Company operates in short-term extension (each round), so the investment in replacing tools and equipments for business activities in departments such as housekeeping, restaurant and other services are limited in quality.

Targets on revenue and after-tax profit achieved according to the plan of 2018, specifically: Revenue plan: VND 58,000 million, actual performance reached VND 58,472 million, reached 100.8% compared to plan; Profit after construction tax is VND 7,840 million, actual performance reached VND 7,662 million, reached 97.7% compared to plan. Although Morin Hotel achieved revenue and profit targets as planned in 2018, all after-tax profit of 2018 was used to offset the loss of VND5,100 million in 2017 and other expenses of VND 440 million in 2018 according to the Resolution of the Board of Members.

3.5 Lang Co Tourist Company Limited:

The weather is very favorable; the number of rainy days is much lower than the average of many years. The number of guests booking through OTA tends to increase again, not only in the peak months but also in the low months. Food and beverage revenue tends to decrease due to competition with many large-scale restaurants opened in Lang Co town and floating restaurants in Lap An lagoon.

Revenue from sales and services in 2018: achieved VND 24,997 million, increased by 6.17% compared to the plan (increased VND 1,452 million), increased 13.63% compared to 2017 (increased VND 2,998 million).

Profit after tax in 2018: actual performance reached VND 565 million, reached 75.5% of the plan for 2018 (lower than VND 183 million), up 275.5% compared to 2017 (increased VND 415 million).

* Own business result of the Company

No.	Target	Unit	Actual 2017	Plan 2018	Actual 2018	Act2018/ Act2017 (%)	Act2018/ Plan2018 (%)
1	Sales and service delivery revenue	Million dong	42,765	43,659	48,366	113.10	110.78
2	Cost of goods sold	"	32,444	31,358	33,466	103.15	106.72
3	Sales and service delivery gross profit	"	10,321	12,301	14,899	144.36	121.13
4	Revenue from financial operations	"	2,682	9,055	1,533	57.15	16.93
5	Financial expenses	"	14	-	(1,458)	-	-
	<i>In which: loan interest</i>	"					
	<i>Interest in affiliates</i>	"	1,891	2,089	2,129	112.59	101.47
6	Sales expenses	"	18,240	16,508	16,916	92.74	102.47
7	Enterprise management expenses	"	(7,142)	2,749	(1,014)	-	-
8	Net Profit from business activities	"	984		2	0.23	-
9	Other incomes	"	50		5	10.00	-
10	Other expenses	"	934		(3)	-	-
11	Other profits	"	(6,028)	2,749	(1,157)	-	-
12	Accounting profit before tax	"					
13	Current corporate income tax expense	"	(6,028)	2,749	(1,157)	-	-

According to the company's own report: 2018 after-tax profit plan is VND 2,749 million, actual performance result: VND (- 1,157) million. Reason: as in 2018, joint-venture units do not distribute profits to Huong Giang Company. The profit plan from joint ventures in 2018 is VND8,647 million; In which: La Residence hotel is VND 5,707 million and Morin hotel is VND 2,940 million.

II. Performance result of projects:

1. Project at 85 Nguyen Chi Dieu – NAMA resort:

The project was granted the investment policy decision No.2773/QD-UBND dated 30/Nov/2015 by the People's Committee of Thua Thien Hue Province and adjust investment policy decision No. 1370/QD-UBND dated 21/Jun/2017. Project is invested with 20 high-class hotel rooms, along with a system of restaurants, Spa, swimming pools and other utility services. The total cost of implementing the project is VND 205 billion. The site clearance work was completed on October 22, 2018. Total cost the company has paid for the design consultant,

supervision consultant, operation management consultant, the site clearance cost of Nama project is VND 61.8 billion, equivalent to 30.14% of the total investment level of the whole project.

Under the plan, the construction will be started in May 2018 and completed in April 2019. However, the project has not started yet because the Company is still waiting for the competent authorities of Thua Thien Hue *to adjust the detailed planning of Hue Citadel area for the Nama project implementation area.*

2. Expansion project of La Residence hotel (Azerai La Residence)

Total estimated cost: VND120 billion.

The project has completed steps on project management, design consultancy, site clearance compensation, leveling, appraisal of basic design, fire protection, and environmental impact assessment with total paid costs of VND30.7 billion.

Until now, La Residence Hotel Co., Ltd. has completed the relevant procedures to start construction, but the project has not been granted a construction permit because it has to re-implement the process of renting land as required by authorized departments.

3. Liquidation of joint venture agreement at Sai Gon Morin Co., Ltd.

The term of the joint venture contract ended on June 30, 2016 and the company Board of Management had a resolution through the termination of the joint venture. On the side of Huong Giang Tourist Joint Stock Company has developed the plan and prepared financial resources to pay 50% of the liquidation value of assets at Saigon Morin Hotel for partners.

The procedure until now has not been completed; the reason is that Saigon Tourist Corporation Limited is a State-owned enterprise under the Ho Chi Minh City Party Committee and they should have the opinions of the ministries and specialized agencies about the 50% liquidation at Saigon Morin Hotel Hue. Huong Giang Tourist Joint Stock Company has sent many dispatches to HCM Party Committee, HCM City People's Committee and HCM City Party Committee Secretary on suggestion to support the progress of liquidation, but so far there is no final comment on this issue. On the side of the Company and partners, Saigon Tourist Corporation Limited has held meetings and discussions many times but still cannot come to an agreement. The unilateral termination of the joint venture and closure of Saigon Morin Hue Co., Ltd. to carry out the dissolution procedures will affect social security and employees in the province.

The Board of Members of the Company has repeatedly signed extension of operation time of the joint venture. The latest renewal is up to June 30, 2019.

4. Project of upgrading Tourist Service Center Festival 11 Le Loi:

Implementing the policy of the People's Committee of Thua Thien Hue on planning, investing and adjusting the area of Festival Tourist Service Center 11 Le Loi Hue becomes a highlight in the tourist service chain of Hue city, Huong Giang Tourist Joint Stock Company cooperated with foreign consultants to establish an investment plan for upgrading 11 Le Loi to ensure it is consistent with the development objectives of the Company and in accordance with the orientation plan of provincial leaders.

Through many times of adjusting the overall plan, the Company has been approved by the Department of Construction and other agencies on total ground plan of 11 Le Loi (according to Official Letter No. 2893/SXD-QHKT on 21/Nov/2018 of the Department of Construction).

Currently, the company is urgently completing construction design documents to start construction in May 2019 and put into operation in August 2019.

Total investment cost is estimated up to VND 23 billion.

5. Project of My An Hot Spring:

The company completely transferred the entire capital contribution of Huong Giang Tourist Joint Stock Company at My An Tourist Joint Stock Company to Bitexco Group Company Limited in 2018.

III. Performance result of other tasks:

1. Regarding investment and procurement:

In the past year, the Board of Directors of the Company closely followed the Resolutions of the Board of Management to implement investment and procurement activities according to the internal regulations and policies with regulated orders and procedures. The investment in purchasing has changed the positive appearance, external image as well as the quality of services at the units.

- At Huong Giang Hotel: The Board of Directors has considered investing in a number of essential items, which have a direct impact on business, occupational safety and ensure standards in serving customers. Specifically: investing in wooden flooring to replace carpet floor, adding curtain system and fabric in the bedroom, renovating the lake before reception hall, renovating the entire system of green grass and hotel landscapes and purchasing for some other catering equipments. The total value of investment in 2018 at the hotel is about 3 billion VND from the asset depreciation source.

- At Huong Giang Travel Company Limited: In 2018, due to the recovery of more than 1,400 m² of land on the river bank by the Province to serve the renovation of the walkway on the Huong River, the number of restaurant rooms serving guests was reduced. The unit has not only just organized business but also rearrange the outdoor space to serve guests and purchased of two 45-seat THACO vehicles worth VND 5.2 billion.

2. Regarding financial work:

The financial situation of the Company is always reflected honestly, promptly and transparently. Strictly comply with the regime of management of the use of capital, assets, profit distribution, financial management regime and accounting regime according to law provisions. Fully implement the purchase of property insurance, set up provisions in accordance with the law. Be reviewed the results of the semiannual and year-end audit according to regulations. Maintain the work of checking and controlling cash flow at subsidiaries. Implement effective control in expenses, cost price and GOP gross profit margin. Actively recover loans, reduce receivables and bad debts.

3. Regarding Human Resource management

Continue to consolidate and arrange personnel at the Company Head Office. Implement key personnel recruitment and changes at Huong Giang Travel Company Limited, Huong Giang Hotel. Implementing procedures to replace personnel involved at joint ventures such as Kinh Thanh Hotel Limited Company (La Residence), Saigon Morin Company Limited, Citadel Investment and Tourism Company Limited.

Regularly update the government's changes in personnel policies to appropriately and properly adjust the law, the regulations and the development orientation of the Company such as regional minimum wage policy, participation Employee's insurance, pension regulations and other relevant regulations. Take full care of the regime of convalescence, building up the team, the regime of hazardous and safe labor hygiene for employees. Ensure stable employment, income for employees on the basis of business efficiency, harmoniously addressing the relationship between investors, businesses and employees.

In 2018, the Board of Directors of the Company promptly prepared reports and proposals for opinions of the Board of Management on issues in accordance with the Charter and fully implemented the resolutions of the Board of Management.

4. General assessment:

The subsidiaries have made effort to overcome difficulties to exploit customer sources, implement various forms of sales, pay attention to enhancing the quality of services to increase business efficiency; Newly promulgated and applied regulations and policies have operated stably, clearly defining responsibilities and obligations of related parties. Promptly and effectively serve the production and business activities of the Company.

In addition to the positive change in business results of Huong Giang Hotel, the business results of some joint venture companies which bring the main revenue to the Company does not meet the target of 2018.

The increase in prices of services and bedrooms of Huong Giang hotels faces difficulties because: service quality is low, there is no suitable sales strategy, inadequate facilities, and hotels in the same class class in the province have just been born and have better facilities.

Some personnel involved in management at joint ventures have not promoted their responsibilities, and have not promptly responded information to the Company.

The implementation of the projects has not reached the planned schedule but the main reason is the difficulty of procedures from the local government.

In general, although the company's production and business activities in 2018 has certain difficulties, the leaders and employees of the Company have made great efforts to fulfill the tasks assigned by the Board of Management. Activities of the Company are more professional, stable and have good development prospects.

IV. Business Plan 2019:

Based on the general business strategy of the Board of Management, business results of 2018 and business capacity of each unit, the Board of Directors of the Company has developed the general plan for the company as follows:

Net revenue: 94,380 million dong.

Profit after tax: 7,231 million dong.

Specific by unit:

1. Huong Giang hotel

No.	Target	Unit	Business plan 2019
1	Total number of rooms sold	room	30,825
2	Room occupancy	%	51.81
3	Average room rate (include VAT, service fee)	VND/room/night	1,110,000
4	Total net revenue (exclude internal, service fee)	VND million	47,412
5	Profit before tax	VND million	5,000

2. Huong Giang Travel

No.	Target	Unit	Business plan 2019
1	Total net revenue (exclude internal, service fee)	VND million	38,000
2	Profit before tax	VND million	1,100

3. Head Office of Huong Giang Tourist JSC

No.	Target	Unit	Business plan 2019	
1	Revenue from financial activities	VND million	410	
	<i>In which:</i>			
	- Interest on deposits and loans			5,364
	- Hotel De La Cite Imperiale Co., Ltd			3,191
- Saigon Morin Co., Ltd				
2	Profit after tax	VND million	1,344	

4. Main solutions:

- Actively work with competent agencies to complete legal procedures and implement projects on schedule. Effectively deploying investment and repair work at the subsidiaries to ensure service quality, ensuring qualified business establishments, preventing degradation, saving investment and taking into account the factor of investment in the future. Complete the investment plan at 11 Le Loi area. Persistently seek appropriate solutions to liquidate the Saigon Morin hotel joint venture contract to renovate and organize business.

- Implement positive measures to restructure the source of customers, aim at a high and stable market. Focus on business organization; exploit domestic market, conferences, seminars, parties. Implement flexible promotion policies to maintain market share, exploit market effectively. Develop selective plans to participate in tourism fairs with flexible forms, ensuring practicality and efficiency. Develop mechanisms to link cross-selling products in subsidiaries in the system, ensuring the interests of the parties.

- Continue to arrange and strengthen important personnel positions at the Company and affiliated units and subsidiaries drastically and effectively; Review of labor margins, job descriptions, assessment of job performance. Effectively deploy high-level personnel recruitment plan, highly qualified personnel and positive working attitude.

- Develop and issue regulations on management of representatives of the Company's capital in joint venture units to improve the effectiveness of management, administration and capital investment of Huong Tourist Joint Stock Company Giang at other enterprises. Reorganisation of management reports, periodic reports, unexpected reports from units.

- Take care of employees' life; improve employees' welfare on the basis of improving labor productivity and business efficiency. Ensure safety and security, fire prevention, flood prevention, occupational safety and hygiene, food hygiene.

Above is the report of the General Director of the Company on business results in 2018 and business plan for 2019. Respectfully submit to the General Meeting of Shareholders of the Company.

HUONG GIANG TOURIST JSC