

*Hue City, november 30, 2020*

**Draft**

**REPORT OF THE GENERAL DIRECTOR OF THE COMPANY**

**About business results in 2019 and business plan in 2020**

**At the Annual General Meeting of Shareholders in 2020**

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**I. Business results in 2019**

**1. Advantages and disadvantages:**

Thua Thien Hue is still a tourist attraction. Tourism infrastructure is increasingly improved. Communication activities of the government to destinations in Hue are promoting effectiveness. Domestic and foreign tourists to Hue still tend to develop stably.

The restructuring of the Company has gradually made the Company's operations have a stable development and positive changes. Administration has changed the way businesses operate. Huong Giang is still a brand that impresses visitors when choosing services in Hue.

However, the Company's activities still have limitations and difficulties due to unsynchronized facilities; The investment in joint venture units has not been effective yet as the beginning. Investment projects to improve production and business capacity are in the stage of finalizing legal procedures. The epidemic situation at the end of 2019 and early 2020 has strongly affected the business results of the Company.

**2. Business performance results in 2019**

*a) Consolidated business results of the Company*

No.	Target	Unit	Actual 2018	Plan 2019	Actual 2019	Act2019/ Act2018 (%)	Act2019/ Plan2019 (%)
		milli on dong					
1	Sales and service delivery revenue		86,126	89,875	93,787	108.89	104.35
2	Cost of goods sold	"	67,805	68,859	76,584	112.95	111.22
3	Sales and service delivery gross profit	"	18,322	21,016	17,203	93.90	81.86
4	<i>Revenue from financial operations</i>	"	2,131	3,866	5,002	234.70	740.68
5	<i>Financial expenses</i>	"	226	(336)	285	125.97	-84.84
	<i>In which: loan interest</i>		225	390	282	124.94	72.17
	<i>Interest in affiliates</i>		5,211	5,364	1,716	32.93	20.06
6	<i>Sales expenses</i>		2,194	2,569	1,899	86.58	73.92
7	<i>Enterprise management expenses</i>	"	19,865	20,561	18,662	93.94	90.76
8	Net Profit from business activities	"	3,379	7,452	3,076	91.03	41.28
9	<i>Other incomes</i>	"	366	-	699	190.94	-
10	<i>Other expenses</i>	"	17	-	19	112.43	-
11	Other profits	"	349	-	680	194.70	-
12	Accounting profit before tax	"	3,728	7,452	3,756	100.74	50.41
13	Current corporate income tax expense		136	221	3	2.30	1.42
14	Profit after corporate income tax	"	3,593	7,231	3,753	104.46	51.90

### **3. Causes analysis and performance results:**

#### **3.1 Huong Giang Hotel Resort & Spa:**

In 2019, Huong Hotel deployed to purchase equipments for the Housekeeping (towels, sheets, linen), repair the pool, replace the air-conditioning system, and install a new plasterboard ceiling for the reception hall, renovating the hallway carpets of zones A and C, constructing a new wastewater treatment system for the whole hotel.

The business results in 2019 of Huong Giang hotel tends to develop well. The targets of Revenue - Profit after tax increased compared to the plan in 2018, specifically: profit plan was 5.003 million VND, achieved 5.119 million VND, increased 2.3% compared to the plan, increased 22, 6% over the same period. The revenue in 2019 reached 54,384 million VND, increased 7.3% compared to the plan, increased 12.5% over the same period.

#### **3.2 Huong Giang Travel One Member Company Limited:**

The implementation of the project to upgrade the entire Festival 11 Le Loi Hue restaurant, in which, the construction of the main building has affected the premises - business environment of the unit, the establishment of Binh Minh Restaurant continue to be degraded, ... thus affecting the business results of the unit.

As a result, sales and service delivery revenue in 2019 reached VND 39,910 million, increased VND 7.7 billion and achieved 101.8% of the plan, net profit achieved VND 12.5 million, decreased VND 870 million, reached 1.4% of the plan.

#### **3.3 Hotel De La Cite Imperiale Company Limited::**

In 2019, the Company continued to invest in upgrading and renovating interior and equipment of block A (42 rooms), rebuilding the garden system, lighting system and decorative lights throughout the hotel. Accordingly, affecting the business results in 2019;

Sales and service delivery revenue in 2019 reached VND 73,626 million, decreased VND 23,059 million, reaching 76.15% of the plan, profit after tax reached VND 246 million, decreased VND 10,701 million, reached 2.25% of the plan.

#### **3.4 Saigon Morin Hue Company Limited::**

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

Regarding revenue targets, profit after tax achieved in 2019, specifically: planned revenue: VND 58,800 million, achieved VND 59,308 million, reached 100.86% of the plan; The profit (after tax) of the plan is VND 7,662 million, achieved VND 7,809 million, reached 101.9% of the plan. The profit after tax of the Morin hotel distributed to HGT Company is VND 3,250 million.

#### **3.5 Lang Co Tourist Company Limited:**

In 2019, Lang Co continues to be a favorite destination for domestic tourists. The good management of prices and costs has contributed to increased profits.

Sales and service delivery revenue in 2019: achieved VND 30,010 million, increased 9.1% compared to the plan (increased VND 2,514 million), increased 20% compared to 2018 (increased VND 5,014 million).

Profit after tax in 2019: achieved VND 2,354 million, increased 91.1% of the plan in 2019 (increased VND 1,128 million), increased 305.1% compared to 2018 (increased VND 1,768 million).

**\* Separate business result of the Company**

No.	Target	Unit	Actual 2018	Plan 2019	Actual 2019	Act2019/ Act2018 (%)	Act2019/ Plan2019 (%)
1	Sales and service delivery revenue	million dong	48,366	50,682	54,384	112.44	107.30
2	Cost of goods sold	"	33,466	35,191	40,476	120.94	115.02
3	Sales and service delivery gross profit	"	14,899	15,491	13,909	93.35	89.79
4	Revenue from financial operations	"	1,533	9,230	4,999	326.14	54.16
5	Financial expenses	"	(1,458)	(726)	(948)	-	-
	<i>In which: loan interest</i>						
6	Sales expenses	"	2,129	2,503	1,859	87.33	74.29
7	Enterprise management expenses	"	16,916	16,597	15,484	91.54	93.29
8	Net Profit from business activities	"	(1,014)	6,348	2,513	-	39.58
9	Other incomes	"	2	-	481	21,534.91	-
10	Other expenses	"	5	-	19	376.20	-
11	Other profits	"	(3)	-	462	-	-
12	Accounting profit before tax	"	(1,157)	6,348	2,975	-	-
13	Current corporate income tax expense	"	-	-	-	-	-
14	Profit after enterprise income tax	"	(1,157)	6,348	2,975	-	-

**According to separate report of the Company:** The profit after tax plan for 2019 is 6,348 million VND, the result of implementation is VND 2,975 million, reaching 46.8% of the plan, decreased VND 3,373 million. The reason of failing to achieve the plan in 2019 is the joint venture unit **Hotel De La Cite Imperiale Company** did not complete the plan of revenue and profit as mentioned above. In the plan of 2019, the profit plan from this joint venture company is VND 5,364 million.

## **II. Performance result of projects:**

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

According to the plan, the work would be started in May 2018 and completed in April 2019. However, the project has not been started yet because the Company is still waiting for the competent authorities of Thua Thien Hue province to *adjust the detailed planning of Hue City's Kinh Thanh area for Nama project land*.

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

Total estimated cost: VND 50 billion.

The project has completed the steps of project management, design consultancy, site clearance compensation, ground leveling, basic design evaluation, fire protection, environmental impact assessment with total paid expenses is VND 30.7 billion.

Up to now, Hotel De La Cite Imperiale Company Limited has completed the relevant procedures to start construction. However, at the request of the People's Committee of Thua Thien Hue Province, the project had to re-implement the land lease

process from the beginning. Specifically, the auction of land use rights of the project is being carried out by agencies, which are expected to be implemented in July 2020.

### **3. Liquidation of joint venture agreement at Saigon Morin Co., Ltd.**

The term of the joint venture contract ended on June 30, 2016 and the Board of Members of the Company had many resolutions approving the termination of the joint venture. On the side of Huong Giang Tourist Joint Stock Company has built a plan and prepared financial resources to pay 50% of the liquidation of assets at Saigon Morin Hue Hotel to partners.

After years of negotiation and exchange, the two sides agreed on a solution. The Board of Members of Saigon Morin Hue Co., Ltd. had a resolution to liquidate - dissolve the joint venture on September 30, 2020. Currently, the Board of Members of the Company is carrying out procedures related to the dissolution work in accordance with the law.

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

The company has been executing the construction since November 2019. However, until March 2020, the construction work was paused because of Covid 19 epidemic.

Currently, the company is continuing to upgrade the Festival Restaurant in time to welcome tourists in 2021.

## **III. Performance result of other tasks**

### ***1. Regarding investment and purchasing:***

- At Huong Giang Hotel: purchasing equipments for the Housekeeping (towels, sheets, linen), repairing the pool, replacing the air conditioning system (5 pieces), installing a new plasterboard ceiling for the ceremony hall. To renovate and renovate the corridors of the A and C areas, to build a new wastewater treatment system for the whole hotel, and some items of the garden landscape of the hotel. The total investment value of purchasing in 2019 at the hotel is about VND 2 billion from the depreciation of assets.

- At Huong Giang Travel One Member Company Limited: In 2019, due to the implementation of the Festival Restaurant upgrading project, the entire working office of 3 units at Base 11 Le Loi Hue (including: Travel office , airline ticket office, transportation center) have been moved to Zone C of Huong Giang Hotel 51 Le Loi. At the same time, adding coffee and breakfast services in this area (Café Zest). The value of investment in installing a new office for travel center and coffee services is VND 1.5 billion.

### ***1. Regarding financial work:***

The Company's financial situation during the year is always reflected honestly, promptly and transparently. To strictly comply with the regime of management and use of capital and assets, profit distribution, the financial management regime and the accounting regime according to the provisions of law. Fully carry out the purchase of property insurance, set up reserves according to the provisions of law. Has reviewed the semi-annual and year-end audit results as prescribed. Maintain the inspection and control of cash flow at the facilities. Implement cost control effectively, control cost of goods, GOP gross profit margin. Actively recover debts, reduce receivables, bad debts.

### ***2. Regarding Administration and Human Resource management***

In 2019, the Board of Director issued 141 documents to operate all activities of the Company, and assigned timely to resolve 115 incoming documents from agencies and authorities.

Completed the reporting regime to the Board of Management, disclosed relevant information about the Company's operations in accordance with the law. Completely overcome the problem of reporting and slow disclosure of previous years. Promptly prepare reports, statements submitted to the Board of Management for issues according to the provisions of the Charter and organize the full implementation of the Resolutions of the Board of Management of the Company.

Building plans and arranging personnel at 11 Le Loi facility to implement the project; reduce staff at the Company's Office, replace some key personnel at Huong Giang hotel; Establish the Business Development Department of the Company to develop business development strategies, short-term and long-term marketing strategies throughout the Company. Arrange and assign personnel to participate in Morin Hotel, Citadel project.

Complete the centralized file storage plan at the Company's Human Resources Department. Continuing to implement legal service contracts to advise on the Company's activities. Updating the State's changes in personnel policies to adjust accordingly, in accordance with the law, the regulations and the development orientation of the Company such as: policies on regional minimum wages, participation in insurance regulations, retirement regulations and other relevant regulations. Take full care of the convalescence, team building, hazardous labor regime, occupational safety and sanitation for employees. Ensuring employment, stable income for employees.

#### **4. General assessment:**

In addition to the positive changes in business result of Huong Giang Hotel and Morin Hotel, the business results of a number of associated joint ventures brought major revenue for the Company not meet the plan targets of 2019 due to difficulties in visitor resources and initial costs.

The orientation of improving service quality, changing appropriate sales strategy to increase prices at Huong Giang hotel and units has achieved positive results.

The restructuring and personnel arrangement at the Company's Head Office and units have gradually promoted efficiency, especially the capacity to perform the work.

Some personnel involved in management at joint ventures and associates have not promoted their responsibilities and timely feedback to the Company.

The implementation of the projects has not reached the scheduled time, the main reason is the difficulty of procedures from local authorities.

In general, despite the difficulties of the Company's production and business activities in 2019, the Company's leadership and employees have made great efforts to complete the tasks assigned by the Board of Management and the General Meeting of Shareholders.

### **IV. Business Plan 2020:**

#### **1. General perception**

Year of 2020 is a really difficult year for the tourism industry due to the Covid19 epidemic and the business results of the first months of the year showed clearly. Although the social distancing order in Vietnam has been removed, the worldwide epidemic is still complicated. International flights to Vietnam have not been opened.

The travel plan for domestic tourists was completely disturbed and canceled, along with caution about possible recurrences of the disease. In fact, customers canceling services from January 2020, to April and May 2020, all of the Company's business facilities must be completely closed and this difficult situation may last until the end of this year.

## 2. Business targets:

Facing the extremely difficult situation of 2020 and forecasting the business plan of each unit, the Board of Directors of the Company has developed an adjustment plan influenced by the Covid-19 pandemic of the whole company as follows::

Net Revenue: 30,148 million dong.

Profit after tax: (31,396) million dong.

(The 2020 business plan approved by the Board of Directors on December 30, 2019 is as follows:

Net revenue: 92,816 million dong.

Profit after tax: 4,026 million dong).

### Specific by unit:

#### **a. Huong Giang hotel**

No.	Target	Unit	Business plan 2020, BOM approved 30/Dec/2019	Business plan 2020, adjusted by influence of Covid 19
1	Total number of rooms sold	room	36,053	14,607
2	Room occupancy	%	60.43	24.48
3	Average room rate (include VAT, service fee)	VND/room/night	1,122,230	965,180
4	Total net revenue (exclude internal, service fee)	VND million	55,423	17,904
5	Profit before tax	VND million	5,607	(7,199)

#### **b. Huong Giang Travel**

No.	Target	Unit	Business plan 2020, BOM approved 30/Dec/2019	Business plan 2020, adjusted by influence of Covid 19
1	Total net revenue (exclude internal, service fee)	Million dong	26,201	11,122
2	Profit before tax	Million dong	40	(4,103)

#### **c. Head Office of Huong Giang Tourist JSC**

No.	Target	Unit	Business plan 2020, BOM approved 30/Dec/2019	Business plan 2020, adjusted by influence of Covid 19
1	Revenue from financial activities <i>In which:</i> - Interest on deposits and loans	Million dong	11.192 976	1.122 1.122
2	Profit after tax	Million dong	(1.620)	(20.094)



The after-tax profit of the Company's Head Office includes: the cost of Azula consulting contract, the costs related to Huong Giang Hotel renovation project are VND 8,964 million; Expenses of making provision for losses in joint-venture companies in 2020 is VND 4,823 million.

### **3. Main solutions:**

- Maximum cost savings, especially labor costs by reducing working days and postponement of labor contracts in accordance with the situation of the number of guests. Reviewing, reducing and restructuring the labor force at units.

- Invest in sales marketing activities to promote and introduce the Company's products. Implement measures to stimulate demand and redirect sources of guests, especially domestic tourists, conferences, seminars, and parties in the current difficult situation.

- Urge units to actively collect debts to ensure operating cash flows.

- Complete investment plan at HG travel - 11 Le Loi unit. Find suitable solutions to liquidate the contract of Saigon Morin hotel joint venture to renovate and organize business.

- Develop and issue internal regulations. Reorganizing management reports, periodical reports and irregular reports from units.

- Ensure safety and security, fire prevention, flood and storm prevention, occupational safety and food hygiene.

Above is the report of the General Director of the Company on the business results of 2019 and the business plan of 2020. Proposal to the General Meeting of Shareholders of the Company.

**HUONG GIANG TOURIST JOINT STOCK COMPANY**