

Ho Chi Minh City, July 11th 2018

REPORT OF THE BOARD OF DIRECTORS
FOR 2017 PERFORMANCE AND 2018 ORIENTATION

To: **Shareholders of SABECO**

The Board of Directors of Sai Gon Beer-Alcohol-Beverage Corporation (SABECO) would like to report to the Annual General Meeting of Shareholders on 2017 performance and 2018 orientation.

I. Assessment of 2017 Performance

1. Overview

2017 was a year with both opportunities and challenges for the Vietnam beer industry in general and for SABECO.

- Vietnam economy is growing fast with increasing GDP, increasing per capita income, increasing urbanization and young generation accounts for 60% of total population. These drive the demand consumption and support future growth for the Vietnam beer industry.
- Vietnam is listed in the top 10 beer manufacturing countries, ranked 1st in Asean and 3rd in Asia in terms of beer consumption, with an average of 43 litres per capita per year. With a promising 5% growth per year, Vietnam has been an attractive market for all players in the beer industry.
- Increase excise tax by 5% from 55% to 60% since 1st January 2017.
- Intense competition among beer companies within Vietnam market, especially foreign global beer companies with extensive market experience and strong financial resources to invest in productivity improvement and to spend on marketing and advertising.
- The spirits and beverage businesses have experienced many difficulties with the decline in consumption.

2. Business Performance in 2017

As a leader in Vietnam beer industry, SABECO has achieved remarkable results in 2017 and has exported products to over 30 countries.

The Company had maintained its financial performance in 2017 with good growth compared to 2016 in terms of sales volume, revenue and profit. The key results of 2017 are reported in the table:

| Categories | Unit | 2016 | 2017 | % growth rate |
|-------------------------|----------------|--------|--------|---------------|
| Total Volume | Million Litres | 1,647 | 1,791 | 8.7% |
| Total Revenue | Billion VND | 31,662 | 35,218 | 11.2% |
| Profit After Tax | Billion VND | 4,517 | 4,949 | 9.6% |

3. The Board of Directors' Activities in 2017

Report of the Board of Directors

In 2017, SABECO's BOD held twelve (12) meetings to facilitate the implementation of company strategic plans and to supervise the business activities of SABECO system. Apart from regular BOD meetings, the Board also approved resolutions through opinions lifts for urgent business decisions.

The approved BOD resolutions are delegated to the Board of Management for implementation in line with business plan. Summary of BOD's supervising activities were outlined below:

3.1. Sales and Marketing Activities

- Invested in marketing activities and branding campaign to strengthen Company's image, in line with long-term strategic plans particularly in positioning of each brands.
- Assessed and analysed each market segment to deploy appropriate marketing programs in line with long-term strategic plans supported by regional trading companies.
- Satisfied customer's requirements and needs in each market segment.
- Monitored and guided the sales support programs to increase effectiveness and ensure consistency throughout the system for achievement of targeted sales volume.
- Focused on key distributors and distribution channels to meet market demand, taking into consideration the pricing strategies and market competitiveness.

3.2. Production and Supply Chain Activities

- Maintained highest standard for product quality by improving procurement process of raw materials and production process.
- Ensured production resources are operating at optimum capacity and efficiency.
- Closely monitored price movement of raw materials and ensure timely purchasing of production materials to ensure production costs are optimized.
- Enhanced efficiency and capabilities for supply chain within SABECO system.
- Invested in R&D activities and applied innovative technologies to diversify product portfolio, to improve product quality and reduced manufacturing costs.
- Ensure compliance of laboratory's management system ISO 17025:2005.

3.3. Investment Activities

- Ensure compliance with law on bidding during implementation of capital investment projects.
- Invested in projects for expansion of production capacity in order to meet business needs.

3.4. Human Resource Activities

- Reviewed Company's structure to increase effectiveness of business management.

3.5. Subsidiaries, Associates and Joint Ventures' Activities

- As at 31st December 2017, SABECO has 3 wholly-owned companies, 19 subsidiaries with over 51% of ownership and 19 associates and joint ventures.
- With the growth in sales volume in 2017, most of SABECO's subsidiaries and associates in core business activities (beer manufacturing and trading) and supporting industries

(packaging, transportation, mechanical) had recorded positive results in comparison to 2016, thereby increased the effectiveness of SABECO's capital investment.

- In addition, other associates and joint ventures in non-core businesses (e.g. banking, insurance, real estate, etc.) also contributed to the growth in profit in 2017. Overall, profit from associates and joint ventures in 2017 had significantly increased by 30% as compared to 2016.

II. 2018 Orientation

2018 marked a significant milestone in the history of SABECO as the sale of majority equity stake to Vietnam Beverage Co. Ltd. was completed. With new members of the BOD and BOM joining the Company, coupled with the long-lasting tradition of Saigon Beer brand, will lead the Company to a next phase of development and transformation. Thus, 2018 is a pivotal year for the Company to continue generating business momentum and pursuing targeted performance. The BOD would like to propose the following business plan for 2018:

| Categories | Unit | 2018 |
|------------------|----------------|--------|
| Total Volume | Million Litres | 1,803 |
| Total Revenue | Billion VND | 36,092 |
| Profit After Tax | Billion VND | 4,007 |

To achieve the proposed 2018 business plan, the BOD would provide directives in the following areas:

- Implement resolutions of the General Meeting of Shareholders including achieving 2018 business plan.
- Focus resources on branding and marketing activities/
- Promote research and development initiatives to improve on product quality and develop new product offerings.
- Enhance capabilities and efficiency of supply chain throughout SABECO system.
- Implement good corporate governance practices.
- Focus on improving business productivity and efficiencies.
- Commit to achieving sustainable development for the community and environment.

The Board respectfully propose to 2018 General Meeting of Shareholders the BOD report for approval.

Sincerely,

ON BEHALF OF THE BOARD OF DIRECTORS

CHAIRMAN

Koh Poh Tiong

Ho Chi Minh city, July 11th 2018

ACTIVITY REPORT OF THE BOARD OF SUPERVISORS IN 2017

To: Shareholders of SABECO

Pursuant to the functions and tasks of the Board of Supervisors prescribed in the Enterprise Law and the Charter of SABECO;

Based on the business performance of the Corporation and SABECO system;

Pursuant to the overall of the performance of the Board of Directors, the Board of management and the Board of Supervisors in 2017;

The Board of Supervisors would like to submit to Shareholders of SABECO the report on the activities of the Board of Supervisors, the financial and operation evaluation of SABECO in 2017.

I. EVALUATION FINANCIAL STATEMENTS

Based on the assesment of the 2017 audited financial statements, the Board of Supervisors agreed that the 2017 audited financial statements are consistent with those of the PWC.

On behalf of the Board of Supervisors, I would like to summarize the following key indicators:

THE SUMMARY FINANCIAL DATA
(Fiscal year ended on 31/12/2017)

Balance sheet

Units: Vietnamese Dong

| Code | Items | Separate balance sheet | Consolidated balance sheet |
|------|---|---------------------------|----------------------------|
| 100 | A. CURRENT ASSETS | 11,323,011,283,213 | 13,686,327,476,651 |
| 200 | B. LONG-TERM ASSETS | 6,156,832,349,207 | 8,327,361,633,259 |
| 270 | TOTAL ASSETS | 17,479,843,632,420 | 22,013,689,109,910 |
| 300 | C. LIABILITIES | 5,370,277,081,680 | 7,593,162,674,962 |
| 400 | D. OWNERS' EQUITY | 12,109,566,550,740 | 14,420,526,434,948 |
| 411 | Owners' capital | 6,412,811,860,000 | 6,412,811,860,000 |
| 418 | Investment and development funds | 760,819,802,040 | 1,118,963,482,640 |
| 420 | Other funds | | 5,327,112,664 |
| 421 | Undistributed earnings | 4,935,934,888,700 | 5,823,903,898,574 |
| 440 | TOTAL LIABILITIES AND OWNERS' EQUITY | 17,479,843,632,420 | 22,013,689,109,910 |

Income statement

| Code | Items | Separate income statement | Consolidated income statement |
|------|--|---------------------------|-------------------------------|
| 1 | 1. Sales | 34,503,890,606,310 | 34,438,171,048,592 |
| 30 | 11. Net operating profit {30 = 20 + (21 - 22) + 24 - (25 + 26)} | 5,290,821,311,801 | 6,062,218,632,164 |
| 50 | 15. Net accounting profit before tax (50 = 30 + 40) | 5,282,983,291,221 | 6,077,091,655,134 |

(Please refer to Audited Financial Statements for more details).

PwC (Vietnam) Limited commented that Sabeco's financial statements (both the separate financial statements and consolidated financial statements of SABECO) reflect the truthfulness and reasonably on the key aspects of the Sabeco's financial situation as of 31/12/2017.

We record the completeness and clarity of the data presented in our audited financial statements, prepared by PwC Vietnam.

II. COMMENTS ON ACTIVITIES OF MANAGEMENT AND ADMINISTRATION

1. The Board of Directors has carried out many regular meetings and consulted the resolutions and decisions as the basis for the management of the Corporation.
2. We agreed with the content of the BOD's report on operation results 2017. The Corporation has completed and fulfilled all planned targets approved at the Annual General Meeting of Shareholders.
3. The Corporation amended its organizational structure at the Head Quarter and several subsidiaries
4. The Board of management basically performs well the resolutions, decisions of the Board of Directors, and abides by internal regulations and regulations. Focusing on production management, tightening the consumption norms of raw materials and materials, saving costs in the breweries.
5. The planning is not met the deadline, not clearly defined cost plan by each product in each production area, each region.
6. It has been observed that the consumption of products has shifted from high margin products to low margin products.

Other than the above mentioned strengths and weaknesses the corporation is in the process of transition with the participation of new shareholders in the Board of Directors and Board of management. We believe that with the participation of new directors and managements will bring Sabeco to agreater heights. The Board of Supervisors would like to popose the following for implementation in 2018-2023:

1. In the field of investment

- The Corporation needs to invest in potential business areas in order to efficiently utilize the abundant resources held by the Corporation such as land and assets of the parent company and its subsidiaries, associates and joint ventures.
- For non-beer business under the corporation, should be paid more attention and have investment strategies for development of wine, beverage, packaging etc.
- To consider divesting loss-making investments.

2. Corporate governance

- The Corporation needs to continue to restructure the sales system, inventory management, transportation etc to ensure uniform management throughout the system, not eliminate cross-territory selling and manage the instant inventory of products, packaging and spare parts etc.
- The corporation needs to develop a unified management system so that it can assess the production system, manage the production cost closely to the production cycle and evaluate the production efficiency of each product. Evaluate the sales companies according to each product, each region, unify the criteria from planning and recording the actual costs per product and by region, to assess the plan implementation ...
- The corporation should invest and improve on the application of accounting and management software to meet the stated objectives.

III. REPORT ON THE ACTIVITIES OF THE BOARD OF SUPERVISORS

The Board of Supervisors has performed its duties in accordance with the Enterprise Law and Sabeco's Charter:

- Number of meetings of the Board of Supervisors:
 - 01 session to prepare the report of the Board of Supervisors submitted to the General Meeting of Shareholders in 2017, 3 members attended;
 - 01 session on publicity of Board member's income, 2 full time members attended.
 - 01 session Regarding the re-election of the Board of Supervisors, 2 members attended.
 - 01 session to assign tasks of members of the Board of Supervisors, 2 members attended.

Supervision activities of Board of Supervisors to Board of Directors and Board of Management:

- Carry out the report of the Board of Supervisors with the Annual General Meeting of Shareholders; study reports, resolutions, decision notices, BOD's opinions lifts; attend meetings of the Board of Directors, monthly meetings of the Board Of Management, inquire about the performance of the units, attend the General Meeting of Shareholders of the subsidiaries, associated companies, joint ventures etc, meet customers and shareholders to perform the supervisory function of the Board of Supervisors. Regularly reviewing and commenting on the lawfulness, order and procedures of the issuance of resolutions of the Board of Directors and decisions of the Board of Management, to ensure the correctness and the interests of SABECO shareholders.

Coordination between the Board of Supervisors, the Board of Directors, the Board of Management and other managers:

- Conducting a consensus on the draft report of the Board of Supervisors through the Board of Directors agreed to newly issued, commented in the BOD meetings or opinion lifts if deemed necessary. Necessary opinions for the Board of Directors based on opinion lifts, board meetings and comments by mail and

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documents to the BOD and the General Director on Plan 2018 and cost management dated 27/12/2017.

- Inspect and supervise the operation of the corporations, organize the collection of information, verify information, analyze the situation and give comments to individuals and units.

Recommendations to improve the effectiveness of the management of the company:

- Comments at BOD meetings, comments on the hiring of consultants to evaluate the governance model and the issuance of the operating regulation of the Board of Supervisors, the idea of building cost management by brand, by region, BOD activities should focus on strategic planning, direction and supervision of the Board of Directors in accordance with the strategy and direction of the Board.

Choice of audit:

- Select the independent auditor in 2018 report to the Board of Directors and extraordinary general meeting annual shareholders to decide.

IV. ACTION PLAN OF THE BOARD OF SUPERVISORS 2018

Pursuant to the mission objectives we build up the control plan 2018 to report the Annual General Meeting of shareholders for discussion and voting, in detail:

1. Continuing to monitor and evaluate the implementation of the Resolution of the General Meeting of Shareholders
2. To inspect and supervise the promulgation of resolutions and decisions of the Board of Directors in conformity with the Charter of the Corporation and the Resolution of the General Meeting of Shareholders and in accordance with the provisions of law.
3. From the basis of adjusting the structure of the Board of Directors, the Board Of Management and the functional departments, the Board of Supervisors will adjust their operation plans accordingly to supervise the activities Sabeco to ensure the benefits for Sabeco's shareholders.
4. Continuing to maintain and enhance the supervision of base and market, to supervise, to grasp the situation, to give advice to the Board of Directors and the General Director.

The above are contents of the Board of Supervisors submitted to the Shareholders of SABECO

Happy successful congress.
Thanks for your times

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



Nguyễn Văn Minh

