

2020’s REPORT OF THE INTERNAL AUDIT COMMITTEE

I. ORGANIZATION OF THE INTERNAL AUDIT COMMITTEE (IAC) IN 2020

Since 18th June 2019, Phat Dat Real Estate Development Corporation (the Company) has officially applied the model of Internal Audit Committee (the IAC) under the Board of Directors (the BOD) to replace the model of the Supervisory Board. Thanks to the support and determination of the Board of Directors, the Internal Audit Committee enjoyed favorable conditions to perform its tasks throughout the operation process.

The IAC has three members:

Nguyen Thi Thu Nguyet	Vo Hoang Tu	To Minh Tai
Head	Member	Member
<ul style="list-style-type: none"> - Year of birth: 1979 - Qualification: Master of Finance - She has 19 years of experience in Finance & Accounting. She worked at 10th Real Estate JSC and Doosong Vina Co. Ltd. - Since 2014, she has worked as Chief Accountant at Truong Phat Loc Shipping JSC. - Since June 2019, she has served as Head of the IAC. 	<ul style="list-style-type: none"> - Year of birth: 1988 - Qualification: Bachelor of Economics, majored in Finance-Accounting - He has 10 years of experience in Accounting-Auditing. He worked at A&C Auditing and Consulting Co. Ltd., Tan Hiep Phat Trading and Services Co., Ltd., Duy Tan Plastic Co., Ltd. - Since June 2019, he has served as Member of the IAC. 	<ul style="list-style-type: none"> - Year of birth: 1990 - Qualification: Bachelor of Economics, majored in Finance-Banking - He has 8 years of experience working in Accounting-Auditing. He worked at A&C Auditing and Consulting Co. Ltd., AFC Vietnam Auditing Co., Ltd., CT Group, and Thu Thiem Housing Development JSC. Công ty TNHH Kiểm toán AFC Việt Nam, Tập đoàn CT Group, Công ty Phát triển Nhà Thủ Thiêm. - Since June 2019, he has served as Member of the IAC.

The IAC is an advisory body that provides assistance to the BOD via the following major tasks:

- Conduct independent and objective audit and review of: The honesty of quarterly, semi-annual and annual financial statements; the Company’s compliance with the provisions of law; the effectiveness and efficiency of internal policies, regulations and processes; the delivery of strategic goals, operating goals, and the Company’s plans and operating results.

- Give recommendations on measures to correct and remedy mistake as well as measures to improve the internal control and corporate governance systems in order to improve the effectiveness of risk prevention, detection and handling.
- Perform other tasks as stipulated in the Operation Charter of the Internal Audit Committee.

In 2020, the IAC held three meetings, which were fully attended and covered the following agenda: (1) Discussed the agenda of the annual audit plan and the assignment of tasks before submitting the same to the Board for approval; (2) Discussed plans and assigned tasks to the implementation of enterprise resources planning system (ERP); (3) Summarized activities of the IAC in 2020, adopted the IAC's 2020 report. In addition, the IAC also held many other dedicated meetings with units and departments of the Company.

II. ACTIVITIES OF THE IAC IN 2020

The BOD authorized Ms. Tran Thi Huong, Vice Chairwoman of the Board, to be directly in charge of the IAC. Therefore, the IAC always received the timely guidance and involvement of the Board as well as sufficient resources to conduct its activities. At the same time, the IAC was provided by the BOM and entities both within the Company and in its subsidiaries with sufficient information and documentation required to conduct the internal audit function. That enabled the IAC to properly perform its tasks in accordance with the Operation Charter of the IAC and the IAC 2020 action plan approved by BOD. Specifically:

1. Audited entities in the Company in terms of compliance with the provisions of current law, the Company's Charter and Regulations on Corporate Governance, including but not limited to auditing the compliance with the laws on tax obligations, compulsory insurance, and other financial obligations.
2. Audited entities in the Company in terms of compliance with Company's policies, regulations, and processes; reviewed the compatibility and effectiveness of the Company's internal control system in the prevention, detection and timely treatment of risks.
3. Audited and evaluated quarterly, semi-annual and annual financial statements of the Company and its subsidiaries.
4. Discussed with the Company and/or its subsidiaries' independent auditors to clarify relevant issues and/or risks detected during periodic and extraordinary independent audits to recommend solutions to handle or prevent risks.
5. Evaluated the implementation of the Company's business goals.
6. Recommended measures to correct and remedy mistakes; improve the internal control system; improve corporate governance function.
7. Followed up and inspected the implementation by entities in the Company and its subsidiaries of post-audit recommendations.
8. Report to the BOD on activities, issues and the IAC's recommendations.
9. The IAC attended a number of meetings of the Board of Management related to the evaluation of the implementation of the business goals and plans for 2020, the implementation of risk

management steps according to the best practices, and the reporting and evaluation of the effectiveness of risk control and management activities.

10. The IAC reviewed information in the 2020 annual report before submitting the same to the BOD for review, approval and announcement.
11. The IAC proposed to the BOD the selection of an independent auditor for the fiscal year 2021.

III. EVALUATION OF PDR'S MAIN BUSINESS ACTIVITIES:

1. The compliance with applicable laws; suitability, validity and efficiency of the company's internal examination system

The internal examination system is a combination of the company's regulations, rules, policies, process and organisational structure which is built in accordance with applicable laws and is applied to prevent, discover and timely solve all risks.

- The Company has set up and released management document system (including: principles, policies, organisational structure, regulations, process, etc. in line with applicable laws; rule and CG – representing management requirements and how to implement business operation) to all staff to understand and carry out.
- The management document system is used by managers as tools to manage staff's daily activities and to co-operate with departments and is applied by the Internal Examination Commission, under the MB, as foundation to control the departments' compliance with applicable regulations.
- At the same time, the Internal Examination Commission supervised operational and financial situation of the company and its affiliated ones.

During supervision, the IAC recorded that:

- The Company and its subsidiaries fully implemented all financial contributions to the Government and employees under the current state laws and regulations.
- There was no employee, team or department that did not comply with applicable laws and regulations, rules and processes that the company released.
- The Company paid high attention to risk management under international practices.
- The BOM carried out risk management under good practices; risks that may affect the fulfillment of the Company's objectives have been identified and assessed. The BOM also proposed and implemented responsive measures to control and respond to risks, monitored and reported the effectiveness of risk management and control activities. In early 2020, the Board of Management reported on the risks related to the COVID-19 pandemic. Thanks to the importance the Company attached to risk management and its constant monitoring of the economic environment, the Company's operations have been following the right track and adhering to the set goals. This has made it possible for the Company to quickly prevent and adapt to macro changes, thus incurring no losses relating to the identified and monitored risks.

- The Board of Management has been closely monitoring the economic situation and the developments of the the real estate market to make timely decisions and flexibly solve issues facing the Company to obtain the highest efficiency while ensuring compliance with the law.

The IAC highly appreciates the importance of the internal evaluation system, which played an important role in preventing, discovering, and timely dealing with all risks.

2. Report on the audit of the Financial Statements:

The IAC has reviewed the quarterly, semi-annual and annual financial statements of 2020 and agreed with the independent auditor's assessment, according to which,

- The IAC ascertains that the administration process followed a clear receipt-recording and filing system. An established accounting information system of the company and its affiliated ones, including accounting books, has been completed in compliance with accounting standards and concepts with the related legal expectations.
- The financial statements were prepared and presented honestly, in conformity with current accounting standards and regulations. No material errors could falsify the financial statements had been found.
- Transactions with related parties were strictly audited and fully accounted for, no abnormalities have been detected in these transactions.
- The recommendations of the independent auditor in the Management Letter for the semi-annual, 9-month and annual periods have been noted, reviewed and implemented by the Board of Management.

A number of key financial indicators in the Company's 2020 consolidated Financial Statements:

INDICATOR	Unit	2018	2019	2020
1. Solvency				
+ Current ratio	Times	10.16	3.37	2.49
+ Quick ratio	Times	2.76	0.77	0.36
2. Capital structure indicators				
+ Debt to total assets ratio	Times	0.68	0.69	0.67
+ Long-term debt to total assets ratio	Times	0.61	0.47	0.39
3. Operating efficiency indicators				
+ Working capital turnover	Times	0.27	0.37	0.37
+ Inventory turnover	Times	0.25	0.30	0.24
+ Receivables turnover	Times	0.69	1.05	1.35
4. Profitability indicators				
+ Profit after tax to net revenues	%	29.95	25.71	31.20

+ Return on Equity	%	20.30	22.19	25.52
+ Return on Assets	%	6.12	6.99	8.25
+ Return and Sales	%	26.28	32.62	39.6

3. Assessment of the Company's implementation of business plan goals in 2020

- The net revenues in 2020 reached VND 3,911.21 billion, representing a YOY increase of 15.0%, and 103.2% of the target.
- The profit before tax in 2020 was VND 1,540.22 billion, representing a YOY increase of 39.3%, attaining 102.7% of the target.

4. Report on checking the information in the 2020 Annual Report:

The IAC has analysed and compared the annual reports for the accuracy and precision of information provided. The Company has reported and publicly announced information in line with current regulations.

IV. COMMENTS AND RECOMMENDATIONS

In the face of great changes in the macroeconomic environment, the real estate and the financial markets as a result of Covid-19, the Executive Board has responded quickly and promptly to implement the Company's investment and business activities, and accompanied by the efforts of the managers and employees, the Company achieved the 2020 targets successfully.

In order to continue promoting this growth momentum gained in 2019 and 2020 and successfully implementing the 5-year business strategy (2019 - 2023),

1. The IAC recommends the following measures to the the Board of Directors:

- 1.1 Reviewing, improving and completing management document system (principles, policies, organisational structure, regulations and process of the company) in line with changes in applicable laws, the company's regulations and CG's rules, good CG practices and best risk management. All will be done by assessing and dismissing none-important control points, adding important ones by reviewing balance between profit and expense.
- 1.2 Having detailed plan and periodically introducing management document system to staff for them to understand and rise the compliance awareness as well as contributing ideas for the system. It would help it enhance effectiveness of the internal examination system.
- 1.3 Evaluating all risks, updating changes for completing risk management.
- 1.4 The IAC, moreover, requests the BOD to embrace critical market research, in search for new projects, at the same time tightly controlling expenditure to money flow. Furthermore, increasing the application of information technology into the management system, to enhance the efficiency of business activities.

2. The IAC also proposes that the BOD should increase the role of the IAC in monitoring and controlling finance, performance and compliance with management systems of various departments and affiliated companies.

V. THE IAC'S 2021 ACTION PLAN

Pursuant to Point b, Clause 1, Article 137 of the Law on Enterprises No. 59/2020/QH14 dated 17th June 2020 and effective from 1st January 2021, the Internal Audit Committee will be renamed to Audit Committee. Therefore, at the 2021 Annual General Meeting, PDR will adopt an amendment to the Corporate Charter, including the renaming of the Internal Audit Committee to the Audit Committee. After that, the Board of Directors will remove the members of the IAC and will appoint members of the Audit Committee in accordance with the standards specified under Article 161 of the Law on Enterprises 2020 and related guiding documents.

Until the date of removal, the IAC plans to operate on the basis of operating results of 2020, the business goals and for 2021, the goals of the IAC, the requirements to perform work according to the level of risk, and the amount of back-up time needed for unexpected audits.

The IAC's operating orientations for the first 4 months of 2021 are as follows:

1. The IAC will reinforce human resources, promote responsibility to completely examine, supervise with full rights and duties, and accomplish other tasks assigned by the BOD as regulated by laws, the Company's Charter and Regulations on CG.
2. The IAC will also strengthen its supervision of the compliance of the Executive Board to laws, the Company's Charter, Resolutions of the AGM, Decisions of the BOD and other rules and regulations on CG; audit and supervise the results of the implementation of objectives, plan and duties of the Executive Board.
3. The IAC will perform periodic and impromptu audits based on requirements from the BOD and coordinate with the BOD, Executive Board and related departments in improving and enhancing the group's internal examination system.
4. The IAC will finally examine and supervise activities of departments and provide recommendations in order to effectively complete the company's administrative procedures and risk management process.

Regards!

HCMC, 5th March 2021

ON BEHALF OF THE INTERNAL AUDIT COMMITTEE

(Signed)

Nguyen Thi Thu Nguyet