

# REPORT

## OF THE INDEPENDENT BOARD DIRECTOR IN THE AUDIT COMMITTEE AT THE 2023 ANNUAL GENERAL MEETING OF SHAREHOLDERS

Pursuant to:

- Article 284 of Decree 155/2020/ND-CP dated December 31, 2020 of the Government;
- Article 39 of the Company's Charter dated March 27, 2021;

The independent Board Director of Phat Dat Real Estate Development Corporation (“PDR” or “the Company”), who is the Head of the Audit Committee (“AC”), respectfully reports at the 2023 Annual General Meeting of Shareholders (“2023 AGM”) the following matters:

### I. THE AUDIT COMMITTEE’S MEMBERSHIP AND STRUCTURE

According to Decision No. 09B/2021/QĐ–HDQT dated March 31, 2021, the Board of Directors (“BOD”) of PDR has appointed three members to the Audit Committee, including:

- Mr. Tran Trong Gia Vinh - Independent Director, as Head of the Audit Committee.
- Ms. Tran Thi Huong – Non-executive Director, as member of the Audit Committee.
- Mr. Le Quang Phuc – Non-executive Director, as member of the Audit Committee.

### II. THE AUDIT COMMITTEE’S ACTIVITIES

During the year, the Audit Committee held five meetings with the full attendance of all three members. The meeting attendees discussed and voted unanimously on the following issues:

1. Approving the report on the Audit Committee’s operation in 2021 and the Audit Committee’s recommendations to the BOD; Approving the AC’s recommendation to the BOD on the selection of Ernst & Young Vietnam Co., Ltd to audit the Company's 2022 financial statements;
2. Reviewing and evaluating internal audit’s findings and recommendations regarding the following aspects:
  - **For PDR:**
    - *Financial and accounting matters in the Company’s financial statements and governance reports for the 4th Quarter of 2021 and for 2021;*
    - *The Company’s financial statements for the 1st, 2nd and 3rd Quarters of 2022;*
    - *Preparation and management of the 2022 budget plan; Management of legal documents and records; Sales and customer service activities in 2021 and the 1st and 2nd quarters of 2022; Construction activities and management of records related to construction activities of Nhon Hoi Project;*
  - **For Subsidiaries:**
    - *Sai Gon - KL: Approving documents and records in accordance with decentralization/ authorization regulations of Sai Gon - KL from December 2019 to September 30, 2021; Financial and accounting matters in the Financial statements and governance reports in 2021; Management of legal documents and records; Sales and customer service activities in 2021 and the 1st and 2nd quarters of 2022; Financial statements of the 1st, 2nd and 3rd*

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*Quarters of 2022; Construction activities and management of construction documents and records of Astral City.*

- *COININ: Financial and accounting matters in the Financial statements and governance reports for 2021; Management of legal documents and records; Financial statements for the 1st, 2nd and 3rd Quarters of 2022.*
  - *DK Phu Quoc: Research, investment and project development activities; Management of legal documents and records.*
  - *Phat Dat IP: Financial and accounting matters in the Financial statements and governance reports for 2021; Management of legal documents and records; Recruitment, implementation of HR policies and personnel management; Project research, investment and development; Procurement/bidding, contract conclusion, acceptance, payment; Financial statements for the 1st, 2nd and 3rd Quarters of 2022.*
  - *Ngo May, Binh Duong Building, Ben Thanh - Long Hai, Serenity: Management of legal documents and records;*
3. Reviewing and evaluating: (a) The implementation of the internal audit program in Q2/2022 and 2022; (b) The implementation of recommendations made by the AC and Internal Audit Unit (“IAU”) across the Company’s units;
  4. Proposing to the CEO measures to improve the effectiveness of internal control at PDR and companies with PDR-contributed capital for project development (01 /2022/KTNB–CV dated February 17, 2022; 02 /2022/KTNB–CV dated May 12, 2022, etc.);
  5. Advising the Chairman on the organization and operation of the BOD’s Office to reinforce and control compliance at PDR and its subsidiaries.

**Furthermore, the Audit Committee members** attended all BOD meetings and promptly reported on the Audit Committee’s activities, issues detected and recommendations.

**The Audit Committee directed and supervised the Internal Audit Unit** in carrying out internal audit activities in accordance with legal provisions as well as the Company’s internal audit regulations, procedures and methodology, including the assessment of the adequacy and effectiveness of the Company's internal control system.

**The Audit Committee also:**

- a) Regularly updated legal regulations related to the Company's operations and monitored the compliance with laws, State agency requirements, and the Company’s internal regulations.
- b) Examined the Company's internal control and risk management system.
- c) Reviewed transactions and contracts between the Company and related parties that required approval from the BOD or the General Meeting of Shareholders (“GMS”).
- d) Oversaw the integrity of the Company's financial statements and made disclosures about the Company's financial results.
- e) Monitored and evaluated the independence and objectivity of the independent audit firm, as well as the effectiveness of the audit process.

### **III. INSPECTION RESULTS**

#### **1. Results of inspecting the Company’s financial statements**

- The separate and consolidated financial statements for the year ended December 31, 2021 independently audited by Ernst & Young Vietnam Co., Ltd: do not have a qualified opinion or a disclaimer of opinion.

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- Financial statements for the 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> Quarters of 2022: no misstatements in these financial statements.

The AC agreed with the independent auditor's assessment of the reviewed 2022's semi-annual financial statements.

## **2. Results of inspecting legal compliance, transactions with related people under the approval authority of the BOD or the GMS.**

The Company has carried out activities based on full compliance with the provisions of relevant laws. However, some transactions with related person were not fully documented in accordance with regulations.

## **3. Results of inspecting the adequacy, effectiveness and efficiency of the Company's internal control and risk management systems**

- The Company is fully aware of and has implemented the three lines of defense model to its internal control system.
- The second line of defense, represented by the Internal Control Department, focused on controlling operating costs across the entire company. However, there was insufficient personnel to fully carry out its responsibilities: (a) Ensuring the adequacy of the Company's management document systems, (b) Monitoring compliance and controlling the operations and risk management of specialized Divisions/Departments (First Defense), and (c) Conducting reviews of the Company's financial statements.
- The Internal Audit Unit serves as the third line of defense and operates under the guidance of the Audit Committee, which reports to the Board of Directors. During the year, the IAU verified the Company's compliance with legal requirements, conducted reviews of financial statements, and evaluated the effectiveness of the internal control activities implemented by the first and second lines of defense.

## **4. Results of monitoring the IAU**

The IAU has fully and adequately performed its responsibilities and authorities, conformed to the basic principles, standards, and principles of professional ethics of internal audit according to provisions of laws, internal audit regulations, processes and methods of the Company.

## **5. Results of monitoring and evaluating the independence and objectivity of the auditing firm and the effectiveness of the audit process**

The audit company performed the work independently and objectively, complied with legal requirements on independence, and completed the audit reports on time.

## **6. Results of examining information in the 2021 Annual Report**

The 2021 annual report was fully, accurately and appropriately presented by the Company in accordance with current regulations.

# **IV. THE AUDIT COMMITTEE'S RECOMMENDATIONS**

## **1. The Audit Committee's recommendations to the Board of Directors:**

In the current context of the risky economic/business situation, the Board of Directors should: (1) pay closer attention to the AC/IAU's operation; (2) hold more meetings to discuss the Company's performance reports and the AC's recommendations, direct the Board of Management ("BOM") to thoroughly implement corrective/preventive risk management

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solutions; and (3) regularly review the group model with PDR as the parent company, as well as the Company's organizational structure and ownership/shareholder structure.

**2. The Audit Committee's recommendations to the BOM:**

- To focus on company-wide risk management (setting up, implementing, monitoring and evaluating risk management processes).
- To strengthen/consolidate internal control activities, arrange sufficient personnel for Internal Control Department (second layer of defense) in accordance with the organizational structure in order to improve and enhance the efficiency of the Company's management system, corporate governance software solution and risk management processes.

**V. THE AUDIT COMMITTEE'S OPERATIONAL FOCUS IN 2023**

1. To make timely recommendations to the BOD on: (a) Selecting independent audit firm for the financial year 2023, (b) Issues relating to non-compliance, inefficiencies and risks.
2. To review the 2022 financial statements, including the disclosures in the 2022 annual report, before submitting them to the Board of Directors for approval.
3. To review contracts and transactions with related parties under the authority of the GMS/BOD.
4. To continue to monitor the implementation of the AC/IAU's recommendations by the BOM.
5. To direct and supervise the IAU in planning and implementing internal audit activities, with a focus on aspects that are potentially risky or ineffective at the Company and its subsidiaries.
6. To provide sufficient staff for the IAU in accordance with the approved personnel plan.
7. To carry out other obligations in accordance with the laws, as well as the Company's Charter and internal regulations.

**VI. RESULTS OF INDEPENDENT BOARD DIRECTOR'S SUPERVISION OVER THE BOD, THE CEO AND OTHER EXECUTIVES**

- In accordance with Article 153 of the Enterprise Law 2020 and Article 28 of the Company's Charter, the BOD conducted meetings to thoroughly examine, approve, and promulgate resolutions serving as the foundation for (1) effectively managing, executing, and overseeing the Company's operations, and (2) providing comprehensive reports to the GMS accordingly.
- The CEO has overseen the day-to-day operations of the Company, strictly adhering to the Resolutions of the GMS and the BOD and complying with the CEO's duties and authorities as prescribed in Article 162 of the Enterprise Law 2020 and Article 41 of the Company's Charter.
- Throughout the designated period, no instances arose wherein the BOD, CEO, or other executives were involved in any dishonest practices or conflicts of interest with the Company.

**VII. RESULTS OF THE EVALUATION CONDUCTED BY THE INDEPENDENT BOARD DIRECTOR ON THE AC'S COLLABORATION WITH THE BOD AND THE CEO**

- The AC reported detected issues and provided recommendations to the BOD (1) through internal-audit thematic reports concerning the Company and its subsidiaries and (2) during meetings with the BOD and the Board Chairman.

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- The BOD and Board Chairman promptly assessed the recommendations put forth by the AC and directed the Executive Board to establish an effective internal control system and implement comprehensive risk management measures throughout the entire Company.
- The AC and IAU received full cooperation from the Executive Board and Division Heads in terms of providing necessary information, documents, and records. This collaboration enabled the AC and IAU to carry out their assigned objectives and tasks.
- The CEO received the internal audit reports and recommendations from the AC/IAU and carried out corrective and improvement measures.

#### **VIII. REMUNERATION, OPERATIONAL EXPENSE AND OTHER BENEFITS OF THE AC AND MEMBERS OF THE IAU**

Members of the AC entitled to remuneration and benefits as Board members: receive no additional remuneration for being a member of the AC.

*HCMC, February 27, 2023*

**INDEPENDENT BOARD MEMBER  
HEAD OF THE AUDIT COMMITTEE**

*(Signed)*

**TRAN TRONG GIA VINH**