

*Ho Chi Minh City, April 10<sup>th</sup>, 2020*

**REPORT**  
**BUSINESS RESULTS OF 2019**  
**AND BUSINESS PLAN FOR 2020**

**I. 2019 BUSINESS RESULTS**

**1. Business overview**

In 2019, the Company has achieved many improvements in production and business activities compared to 2018, significantly increasing revenue and profit from clean water business. Details are as follows:

**1.1. Achievements in 2019**

- Many tariff increase proposals were approved: Gia Lai Water Supply and Sewerage Joint Stock Company (Gia Lai WASSCO) has been approved to increase retail tariffs since March 2019; Saigon An Khe since July 2019; the new retail tariffs in Ho Chi Minh City was also approved in October 2019. Along with the bulk tariff increase of Saigon Dankia in November 2018, most of Saigon Water's companies/projects have increased their tariffs.
- Billed volumes continued to increase: with the exception of Saigon Pleiku and Saigon Dankia which maintained their production levels close to those of 2018's and Gia Lai WASSCO managed to get a BV growth of 13%, other companies/projects achieved impressive BV growth rates: Cu Chi 30%, An Khe 39% and Tan Hiep 32%.
- The cost monitoring was implemented effectively, with management costs at SII, Cu Chi Project and Saigon Dankia were reduced by about 20% compared to 2018.
- The improvements aforementioned helped Dankia, Gia Lai and Tan Hiep achieve much higher performance in 2019 than in 2018: Dankia's profit increased by more than 4 billion (equivalent to an increase of 123%), Gia Lai from a loss of 3.14 billion to a profit of 2.9 billion (up 6 billion or 192%), profit from Tan Hiep increased by nearly 30 billion (equivalent to an increase of 222%).

- The Board of Management has worked with the authorities to suspend licensing for groundwater exploitation and use. According to the roadmap to 2025, Ho Chi Minh City will completely close the underground wells in industrial zones, factories, enterprises, ..., and it is expected that in the next one or two years, the industrial zones in the area will completely use surface water.
- The BOM has actively proposed the transfer of water supply right of Tra Da industrial park and the policy to restrict the exploitation of underground water in Pleiku city.
- The BOM has worked with Gia Lai Provincial People's Committee on the costs on supporting the relocation of water supply pipelines in the urban renovation and upgrading project. The BOM also helped GLW save costs while still implementing the policy of renovating and replacing the old pipes, reducing the NRW rate and controlling the quality of water supplied to customers.

## **1.2. Challenges:**

- Saigon Water did not implement any divestment activities like in 2018 (divestment in Can Tho WASSCO) which results in low financial revenue over the same period, leading to the profit of the Parent Company decreased by nearly 44 billion compared to 2018.
- Cu Chi project is still implementing solutions to obtain the rights to supply water for industrial parks (IPs) because at present, some industrial parks still have valid licenses for extracting underground water. Besides, some other water suppliers which have been supplying water to some industrial parks have not yet agreed to transfer the water supply in these industrial parks to SGW. This led to the low number of industrial customers in Cu Chi. As this is the type of customers with very high usage and high tariffs, the average tariff and revenue of the Project did not reach the target.
- Enviro and Asia Water Network Solution Company (Asia Water) have almost ceased operations, leading to increased losses at these two companies. Asia Water Network recorded a loss of nearly 10 billion (mainly costs for foreign experts), while Enviro had to make provision for doubtful debts of nearly VND 11.5 billion, so it recorded a loss of VND 11.53 billion in 2019. By the beginning of Q4/2019, SGW had completed the dissolution of Asia Water.
- Saigon Pleiku and Saigon An Khe continued to face financial difficulties. The 2019 EBITDA of these two companies are VND 5.07 billion and VND 1.51 billion respectively, which were not sufficient to pay the due debts: Saigon Pleiku had to pay VND 25.28 billion including VND 17.5 billion principal and VND 7.78 billion



interests, Saigon An Khe had to pay VND 13.85 billion including VND 2.5 billion principal and VND 11.35 billion interest.

## 2. Financial overview of 2019

In 2019, the Company did not have any revenue from divestments like in 2018 (divestment of Can Tho WASSCO), while Cu Chi project, Saigon Pleiku and Saigon An Khe were not able to cover their expenses and had to ask for financial supports from Saigon Water. In addition, the financial and capital markets in 2019 were not favorable for the Company as interest rates in some member companies increased as well as the Company could not raise capital through issuing shares or bonds. However, the Company still fulfilled its debt obligations in 2019, preventing overdue debts.

### **Key financial transactions:**

- Receiving the receivables of Diamond Riverside from CII: VND 95.8 billion;
- Receiving the 2018 dividends paid in 2019 from BOO Thu Duc (VND 7.36 billion, equivalent to 18% of par value) and from Tan Hiep (VND 10.32 billion, equivalent to 10% of par value);
- Receiving a financial support from Saigon Dankia (VND 2.5 billion); expected to offset for the 2019 dividend paid in 2020, equivalent to 7% of par value; receiving deposited 2019 dividends from Tan Hiep (VND 25.8 billion, equivalent to 25% of par value).
- Financial support of VND 19.75 billion for Saigon Pleiku (VND 15.57 billion) and Saigon An Khe (VND 4.18 billion)
- Payments of due loan principals and interests of the loans from BIDV and bonds issued to VIB.

## 3. The 2019 business results

Consolidated profit in 2019 was only VND 27 billion, equivalent to about 95% over the same period and reached 48% of the set plan.

### **The 2019 consolidated income statement:**

In VND billion

Item	2019 Actual	2018 Actual	2019 Plan	2019 vs. 2018	Actual vs. Plan
<i>Total Billed volume (million m3)</i>	27.45	24.52	27.85	112%	99%
<i>Average daily billed volume</i>	75.212	67.173	76.306	112%	99%
<i>Average tariff</i>	6.473	6.086	6.806	106%	95%
<b>Total revenue</b>	<b>456.63</b>	<b>567.25</b>	<b>481.12</b>	<b>80%</b>	<b>95%</b>

Item	2019 Actual	2018 Actual	2019 Plan	2019 vs. 2018	Actual vs. Plan
Revenue from water supply	177.71	149.22	189.56	119%	94%
Revenue from services	30.90	113.41	56.82	27%	54%
Income from deposits and loans made	19.78	57.39	13.36	34%	148%
Other financial income	23.98	8.18	18.50	293%	130%
Other income	204.26	239.05	202.88	85%	101%
<b>Total costs &amp; expenses</b>	<b>486.59</b>	<b>516.28</b>	<b>434.03</b>	<b>94%</b>	<b>112%</b>
Direct costs	144.37	181.14	159.04	80%	91%
Indirect costs	68.71	72.80	58.20	94%	118%
Other expenses	1.27	9.03	0.12	14%	1058%
Depreciation & Amortization	102.35	98.54	103.18	104%	99%
Financial expenses	169.89	154.77	113.49	110%	150%
<b>Income from Tan Hiep 2</b>	<b>43.17</b>	<b>13.46</b>	<b>40.70</b>	<b>321%</b>	<b>106%</b>
Consolidation adjustments	32.58	(8.74)	(13.63)	-373%	-239%
<b>Pretax profit</b>	<b>45.79</b>	<b>55.69</b>	<b>74.16</b>	<b>82%</b>	<b>62%</b>
Income tax	4.03	26.05	18.14	38%	54%
Deferred income tax	9.17	1.34	0.37	684%	2478%
<b>Net income after tax</b>	<b>32.59</b>	<b>28.30</b>	<b>55.65</b>	<b>95%</b>	<b>48%</b>
Net income of Parent Company's shareholders	51.46	42.87	67.65	106%	67%
Minority interests	(18.87)	(14.57)	(12.00)	130%	157%

### Income from each company/project:

In billion VND

Item	2019 Actual	2018 Actual	2019 Plan	2019 vs. 2018	Actual vs. Plan
Saigon Water	9.79	47.65	46.85	8%	8%
<i>Parent</i>	(40.00)	16.38	(4.79)	-256%	876%
<i>Cu Chi project</i>	49.79	31.27	51.64	147%	89%
Enviro	(11.53)	7.68	2.64	-150%	-437%
Saigon – Dankia	7.61	3.41	7.11	223%	107%
Saigon – Pleiku	(14.58)	(13.64)	(15.53)	107%	94%
Saigon - An Khe	(17.91)	(8.86)	(14.89)	202%	120%
Gia Lai WASSCO	2.90	(3.14)	0.42	-92%	690%
AWNS	(9.99)	(8.42)	1.99	118%	-501%
Income from associates	43.17	13.46	40.70	322%	106%
Consolidation & adjustments	23.13	(9.84)	(13.64)	-235%	-170%
<b>Net income after tax</b>	<b>32.59</b>	<b>28.30</b>	<b>55.65</b>	<b>95%</b>	<b>48%</b>



**Financial ratios:**

	Unit	31/12/2018	31/12/2019
<b>Solvency ratios</b>			
+ Current ratio	Time	2.2	0.9
+ Quick ratio	Time	2.0	0.8
<b>Leverage ratios</b>			
+ Debt/Total assets	%	49.71%	44.68%
+ Debt/Equity	Time	0.99	0.81
<b>Profitability ratios</b>			
+ Profit margin	%	11.60%	18.03%
+ Return on equity (ROE)	%	1.85%	2.09%
+ Return on assets (ROA)	%	0.9%	1.1%
+ Operating profit margin	%	-55.87%	-86.09%
+ Earnings per share	VND	631	758

- Debt leverage ratios improved compared to 2018 because in 2019 the Company paid all the due debts on time; besides, these ratios are also in the safe range, showing the balance in the Company's capital structure.
- However, the solvency ratios decreased sharply below 1, indicating that the Company has a risk of not being able to pay its due debts in 2020. As an investment company, the main income sources of the Company are dividends or debt collection with intermittent and uncertain collection time, therefore the risk is even higher.
- Although profit margins have improved, but since the Company did not receive revenue and profit from divestments in 2019, the profitability ratios decreased compared to 2018.

**II. THE PLAN FOR 2020****1. The 2020 business plan**

In 2020, the Company will no longer record VND 200 billion in revenue from the allocation of the VND 600 billion support while the profits of Tan Hiep, Gia Lai, Dankia, and BOO Thu Duc are not sufficient to cover the losses from Cu Chi and SG-Pleiku projects, so the Company will suffer losses. However, the Company will continue to strive to resolve the difficulties. The main objectives and solutions are as follows:

**1.1 Improving the efficiency of the projects and companies**

- Cu Chi project:
  - Increasing the number of industrial and commercial customers, thereby increasing the sales volume and average selling price.

- Continuing to work with the City People's Committee and its departments, and the management of the industrial zones in the area to promote the transition from groundwater to surface water supplied by the Company. Along with that, the Company will work with other water supply units in the area to come up with solutions for sharing benefits and cooperating to supply water to enterprises in the industrial parks.
- Saigon Dankia Company: increasing the volume received by Lam Dong Water Supply Joint Stock Company from 25MLD to 27MLD.
- Gia Lai WASSCO
  - Pushing for NRW reduction solutions;
  - Coordinating with Pleiku City PMU to implement investments to renovate and replace the water supply network in the urban renovation project;
  - Enhancing IT application in management;
  - Coordinating with Department of Construction, Department of Natural Resources and Environment to carry out the inspection of groundwater usage in enterprises in the city.
- Saigon - Pleiku
  - Controlling operating costs;
  - Working with Tra Da Industrial Park to supply water as soon as possible.

#### 1.2 Settling financial obligations through the exploitation of existing assets and the search for financial resources:

- Restructuring the investment portfolio in order to ensure financial security for the entire company.
- Searching for new sources of capital: recover the collateral assets at banks to search and mobilize new sources of capital.
- Proposing the City People's Committee to implement the commitments in the Decision 3504 (regarding irrigation fees and transportation fees for Cu Chi project).

#### 1.3 Operation and Management

- Reviewing the management structure and policies (personnel arrangement, salary, and other expense management) to reduce operating costs, increasing income for employees;
- Actively working with the government to implement the commitments in the Decision 3504 (Cu Chi project), increasing the billed volume, changing customer structure by increasing the proportion of commercial and industrial customers.
- Enhancing technical solutions to reduce NRW and electricity consumption.



- Applying IT in management, enhancing collection channels to reduce operating costs, improving service quality.

1.4 The Board of Management proposes the 2020 business plan as follows:

- Total revenue: VND 275.39 billion
- Total costs: VND 316.33 billion
- Net income after tax: VND -40.94 billion
- Net income for Parent company's shareholders: VND -39.81 billion

*The income contributed by each member company is shown below:*

Company/Project	Net income (billion VND)
SII Parent	42.79
Cu Chi Project	(122.66)
Enviro	1.20
Saigon - Dankia	9.61
Saigon - Pleiku	(3.82)
Saigon - An Khe	(3.13)
Gia Lai WASSCO	1.99
Tan Hiep 2	68.44
Consolidation adjustments	(35.36)
<b>NET INCOME AFTER TAX</b>	<b>(40.94)</b>
Minority Interests	(1.14)
<b>NET INCOME OF PARENT COMPANY'S SHAREHOLDERS</b>	<b>(39.81)</b>

Above is the report on the business results of 2019 and the plan for 2020 of Saigon Water Board of Management.

  
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