

MAIN CONTENT OF GELEX'S ANNUAL REPORT 2017

II. BUSINESS PERFORMANCE

1. Business performance

Basing on the Business Plan 2017 approved by the AGM, in 2017, GELEX has focused on strengthening the business performance of the Holdings and its subholdings, affiliates to meet the targets assigned by the AGM. Below is the specific business performance in 2017:

1.1. Electrical equipment

1.1.1. CADIVI power cables and wires

In 2017, the cost of main materials for the production has increased continuously. Severe competition was seen in the power cable market due to the penetration of many Northern providers into the Southern and Central markets, competing with CADIVI. Besides, in the first 6 months of 2017, the relocation of CADIVI Sai Gon plant's Phu Lam and Au Co facilities to Tan Phu Trung industrial park resulted in the human resource shortage, affecting the business performance of plants and of the Company.

However, with the robust steering of GELEX and CADIVI management, CADIVI has successfully maintained its market share. Consolidated net revenue reached VND 6,825 billion, up by 21.2% compared to the revenue of 2016, which was VND 5,629 billion; consolidated total profit after tax was VND 326 billion, increasing by 36.4% vs. VND 239 billion in 2016.

1.1.2. THIBIDI, HEM transformers

In 2017, THIBIDI transformer business faced various challenges: the purchasing power of electricity sector reduced sharply, competitors have significantly invested in the business, expanded the market and competed in THIBIDI's traditional markets. Also, our rivals have invested boldly in technology, weakening THIBIDI's technical competitiveness. Its advantage of Amorphous transformers reduced. Under this context, THIBIDI persistently focused on its core strengths, i.e. the best post-sale service and the highest product quality. At the same time, THIBIDI promoted its sale, enhanced retail revenue and export, restructured the production, improved technologies and techniques to maintain its position in the market and reach business targets.

In 2017, THIBIDI had a remarkable growth. Total net revenue was VND 2,547 billion, up by 0.5% compared with VND 2,535 billion in 2016; profit after tax stood at VND 321 billion, up by 52.86% compared with VND 210 billion of the same period in the previous year.

The transformer market in the northern region, which is the traditional market of HEM, has been increasingly fiercely competitive with many rivals. In addition, the transformer market for the power sector declined significantly in the last 6 months of 2017, resulting in a reduction in demand for HEM transformers. However, with the company's effort, transformer revenue in 2017 reached VND 326.6 billion, up by 19% compared to 2016.

1.1.3. EMIC electric metering equipment

2017 was a tough year for GELEX-EMIC under many changes in EVN's requirements for electronic meters in terms of technical standards, bidding forms and particularly, the price. Resolution No. 337/NQ-HDTV dated December 22, 2016 of EVN's Members' Council on approving the ceiling price of electronic meters was a reason behind the company's revenue in 2017 which was below the target. Increasing competition in the market has been recorded, especially for current transformers and transformers.

However, great efforts have been made and GELEX-EMIC still maintained market share. For 2017, net revenue of EMIC was VND 855 billion, equivalent to 85.5% of the target; profit after tax was VND 170 billion, 21.4% higher than the target.

1.1.4. Electric motors and repair services of HEM, VIHEM

HEM and VIHEM's electric motor business, particularly low capacity electric motors have competed fiercely with Chinese goods imported through trading companies or companies that assembly Chinese semi-finished products with a low price. Despite this, HEM and VIHEM have restructured the sales and warranty operation to maintain the premium market segment that requires high quality and stability, OEM customers, promote fire-proof and anti-explosion electric motors. Besides, both HEM and VIHEM have heavily invested in large-sized generator and electric motor repair services to untap the market potential as well as promote the strengths of equipment availability and an experienced engineering team. HEM has been selected by large companies such as SIEMENS, MITSUBISHI, and TOSHIBA as the exclusive authorized repair service provider in Vietnam.

2017 net revenue of HEM reached about VND 517 billion, or 88.1% of the target. However, profit after tax was VND 81 billion, or 121% of the target.

Also in this year, net revenue of VIHEM gained VND 135.7 billion, equivalent to 72.8 % of the actual amount of 2016 and 67.85% of the target. Profit after tax stood at VND 22.2 billion and cumulative loss reduced to VND 28.8 billion by the end of 2017.

1.2. Logistics - Sotrans

2017 recorded favorable conditions for logistics business such as the world's economy recovery, positive change of Vietnam economy as well as export and import growth. Nevertheless, logistics business has encountered challenges, for example,

increasing competition in the logistics market, insufficient infrastructure. For Sotrans system, last year, revenue from Out Of Gauge transport was low as Song Hau, Long Phu, Thang Long projects were at the initial implementation. Besides, the suspension of transport provided to Formosa due to the environmental incidents have more or less impacted the whole system operation.

Sotrans put Sotrans Phu My Warehouse into operation since January 2017; My Phuoc depot was launched, promoting the new agent system development. Investment in transport vehicles led to the cost reduction of the domestic delivery operation, contributing to a gross profit growth rate of 123.7% from the previous period.

Closing 2017, Sotrans group's total net revenue reached VND 1,454.8 billion, or 82.7% of the target. Profit after tax was VND 521.2 billion, reaching 82.2% of the target.

1.3. Electricity and water - Phu Thanh My, Viwasupco

1.3.1. Electricity

❖ Phu Thanh My JSC. Song Bung 4A Hydropower plant

The weather in 2017 was very favorable for the hydropower production; the annual average rainfall was high and evenly distributed in both dry and rainy seasons, contributing to the achievements of the Company's electricity generation.

The revenue and profit after tax in 2017 were highest ever, reaching VND 277.6 billion (121% of the target) and VND 87.6 billion (216% of the target), respectively.

❖ Other power generation projects

In 2017, GELEX Energy Co., Ltd., 100% owned by GELEX, has owned 49% of shares of Nghe An SCI JSC who is the investor of Ca Nan hydropower project with a total capacity of 23MW. Ca Nan 1 plant and Ca Nan 2 plant is expected to generate commercial electricity in Quarter 1, 2019 and Quarter 2, 2018, respectively.

In 2017, GELEX Energy has fulfilled the investment licensing procedure for the 50 MW solar power project in Ninh Thuan. So far, the project has obtained investment license and procedure for construction is being now implemented.

1.3.2. Clean water - Viwasupco

Under the restructuring strategy, GELEX, through GELEX Energy, purchased Viwasupco's shares to develop the water infrastructure business. Currently, GELEX Energy holds 25,680,000 shares of Viwasupco, which is equivalent to 51.36% of the total.

Viwasupco had several favorable conditions in 2017. Hanoi City's water consumption has gone up sharply due to the development of the South West urban area and the area along Thang Long Avenue. However, the Company also experienced difficulties when the boosting pumping station and the new pipeline have not been completed. As a result, its sales volume was under expectation. The investment was slowly carried out and could not timely support the pipeline for phase I. Despite of these, Viwasupco have tried to fulfill the plan:

Total output in 2017 was about 80 million m³; revenue was VND 413.9 billion, or 99% of the target. Profit after tax reached VND 169.8 billion, increasing by 5% compared to the target.

1.4. Real estate

In 2017, GELEX established GELEX LAND MTV, fully owned by GELEX, to develop commercial real estate projects focusing on hotels, office buildings, retail and industrial properties (workshops, warehouses, terminals).

3. Investments, project implementation

3.1. Equity investment in member units

During 2017, GELEX continued the restructuring to enhance the strategic investment capacity and investment capital management. The Holding Company's main focus were Strategic direction and planning for subholdings; Business facilitation and coordination among member units; Member units' performance monitoring; Strategic investment; Branding, consolidation of partnership and relationship with managing agencies. Below is the details:

- ✓ In March 2017, GELEX completed the public offering to increase its ownership in SOTRANS from 24.93% to 51.03%, then SOTRANS has become GELEX's subholding; in December 2017, GELEX increased the ownership in SOTRANS to 54.78%
- ✓ Increased the ownership in CADIVI from 74.73% to 79.76%
- ✓ Increased the ownership in K.I.P Vietnam from 49.24% to 72.4%. Accordingly, K.I.P Vietnam Joint stock Company was converted from its associate to its holding
- ✓ In July 2017, GELEX purchased 5,700,000 shares of Vietnam - Hungari Electric Machinery Manufacturing JSC., increasing its ownership from 34.27% to 65.37%. VIHEM has become GELEX's holding
- ✓ GELEX established GELEX LAND fully owned by GELEX with a charter capital of VND 50 billion
- ✓ Sold the entire 510,000 shares of EMIC
- ✓ Transferred 81.25% of capital in GELEX ICC JSC from the Holding Company to GELEX Eenergy.
- ✓ Approved GELEX Energy's purchase of major shares of Vinaconex Water Supply JSC. (Viwasupco). As of 31/3/2018, GELEX Energy has owned 51.36% of Viwasupco's shares .

5. Shareholder structure, change in owner's equity

5.1. Shares

✓ As of 31/12/2017:

- Total number of GELEX's shares: 266,800,000
- Outstanding shares: common shares
- Number of shares subject to transfer restriction: 7,120,101 shares subject to transfer restriction within 1 year since January 20, 2017
- Number of treasury stocks: 0.

5.2. Shareholder structure

Shareholder structure as of 26/12/2017

No.	Shareholder	Number of shareholders (person)	Number of shares (share)	Amount by face value (VND)	Proportion (%)
I	Domestic shareholders	2,016	235,423,867	2,354,238,670,000	88.24%
1	Institutional	42	143,968,960	1,439,689,600,000	53.96%
	<i>In which: State</i>				
2	Individual	1,974	91,454,907	914,549,070,000	34.28%
II	Foreign shareholders	45	31,376,133	313,761,330,000	11.76%
1	Institutional	28	31,223,633	312,236,330,000	11.70%
2	Individual	17	152,500	1,525,000,000	0.06%
III	Treasury stock	-	-	0	0.00%
	Total	2,061	266,800,000	2,668,000,000,000	100.00%

5.3. Changes in owner's equity

Capital increase	Charter capital upon the increase (billion VND)	Increase amount (billion VND)	Issuance form	Legal basis
Jan 2017	2,320	770	Offered to existing shareholders	❖ AGM's Resolution No. 27/TBDVN/NQ-DHCD dated

				<p>August 01, 2016;</p> <ul style="list-style-type: none"> ❖ Dispatch No. 6664/UBCK-QLCB dated October 04, 2016 on the registration dossier for public offerings; ❖ Certificate for the public offering registration No. 60/GCN-UBCK dated 04/10/2016 ❖ Report on public offering results submitted to the State Securities Committee on January 23, 2017; ❖ Dispatch No. 534/UBCK-QLCB dated 23/01/2017 on the report on public offering results of GELEX ❖ Business Registration Certificate No. 0100100512 issued by Hanoi Department of Planning and Investment for the 6th revision dated 21/02/2017
Jul 2017	2,668	348	Increase charter capital funded by the owner's equity	<ul style="list-style-type: none"> ❖ AGM's Resolution No. 21/GELEX/NQ-DHCD dated April 25, 2017 ❖ Dispatch No. 5015/UBCK-QLCB dated 18/07/2017 on reporting the share issuance to increase the charter capital funded by the owner's equity of GELEX ❖ Business Registration Certificate No. 0100100512 issued by Hanoi Department of

				Planning and Investment for the 7 th revision dated 23/08/2017
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5.4 Treasury stock trading

In 2017, following BOD's Resolution No. 17/2017/GELEX/QD-HDQT dated March 29, 2017 approved by State Securities Committee under Document No. 2105/UBCK-QLCB dated April 19, 2017, GELEX sold 500,000 treasury stocks, detailed as:

Treasury stock sale in 2017	Details
- Starting date	03/05/2017
- Closing date	17/05/2017
- Number of treasury stocks traded	500,000 stocks
- Trading price	At the market price of the trading date

III. BOARD OF MANAGEMENT'S REPORT AND ASSESSMENT

1. Business performance assessment

Generally, last year, GELEX's consolidated revenue and profit had significant change. Total consolidated net revenue in 2017 was VND 11,984 billion, rising by 64.2% compared to VND 7,297 billion in 2016. The main reason for this was the higher number of consolidated subsidiaries in 2017 compared to 2016 (purchase of Sotrans, Phu Thanh My, K.I.P Vietnam and increase in ownership in Thibidi, Cadivi). GELEX's consolidated profit after tax was VND 1,315 billion, 25.2% higher than the target and up by 101.8% versus VND 651 billion in 2016. The Holding Company's total net revenue gained VND 2,216 billion, and its profit after tax reached VND 369 billion, increasing by 21% compared to VND 305 billion in 2016.

✓ Targets of the Holding Company

No.	ITEM	UNIT	ACTUAL 2016	ACTUAL 2017	ACTUAL 2017 VS. ACTUAL 2016
1	Net revenue	Billion VND	1,289	2,216	171.92%
2	Profit before tax	Billion VND	334	369	110.48%
3	Profit after tax	Billion VND	305	369	120.98%
4	Taxes and obligations	Billion VND	81	149	183.95%

✓ Consolidated targets

No.	ITEM	UNIT	ACTUAL 2016	ACTUAL 2017	ACTUAL 2017 VS. ACTUAL 2016
1	Net revenue	Billion VND	7,297	11,984	164.23%
2	Profit before tax	Billion VND	772	1,658	214.77%
3	Profit after tax	Billion VND	534	1,315	246.25%
4	Taxes and obligations	Billion VND	403	968	240.20%

2. Financial performance

In 2017, the Holding Company carried out financial activities to optimize internal resources and reduce financial cost. In order to mobilize funding for business operation, the Company issued bonds with the total successful issuance value of VND 300 billion.

Asset, capital management and use have been sufficient, conserving and developing the investment capital of shareholders. Regarding financial management, beside the reasonable use and allocation of funding for business operation, the cash flow has been stably used, financial cost has been reduced through low cost capital source, etc. The investment capital of member units has also been closely and efficiently monitored.

Details on assets and liabilities are presented in Item 4, Section II.

Accounting activity has been well maintained and managed; periodical Financial Statements have been accurately prepared, ensuring the compliance to information disclosure as per regulation. Financial performance has been healthy, long-term and sustainably developed.

3. Improvements in organizational chart, policies and management

In 2017, several internal governance regulations, rules of GELEX have been consolidated, developed, revised in relevance with the new organizational chart and governance model such as the Regulation on internal cost norm, Regulation on procurement, repair and management of the fixed assets, Regulation on financial management, Management authority decentralization system, Regulation on the representative, to enhance GELEX's performance.

Each member unit under GELEX have been consolidating its regulations, rules on corporate governance. The revision, supplementation and issuance of new internal regulations and rules have contributed to the improvement of governance capacity and efficiency towards the stricter governance and practical relevance.

4. Development plan

Several targets for 2018 of GELEX are as follows:

No.	ITEM	UNIT	TARGET 2018
I	Total consolidated revenue	Billion VND	15,000
II	Consolidated profit before CIT	Billion VND	1,820
III	Dividend payout ratio	% p.a	30%

5. Assessment of corporate environmental and social responsibility

The Holding Company has been compliant with the State regulations on environmental protection, OHS, fire and explosion control, and national defense. The Company has also actively participated in charity and social activities of the community.

IV. BOARD OF DIRECTORS' ASSESSMENT OF THE HOLDING COMPANY'S PERFORMANCE

1. Board of Directors' assessment of the corporation's performance

In 2017, the local economy has recovered; demand for the electric equipment has increased, positively impacting the Holding Company's business.

Beside enhancing the business and production steering of the BOD and BOM, thanks to the outstanding efforts of the holdings and employees, GELEX has exceeded the targets

set by AGM 2017. Consolidated revenue was VND 11,984 billion, **up by 10%** compared to the target, consolidated profit after tax reached VND 1,315 billion, **up by 25,2%** compared to the target approved by the AGM.

2. Board of Directors' assessment of the Board of Management's performance

In 2017, the BOD has monitored the CEO and management staff in the following activities: implementation of the AGM's Resolution in 2017, deployment of Resolutions, Decisions of the BOD, the Holding Company business management and execution, compliance with legal regulations, the Holding Company's Charter while still facilitating the BOM's creativeness and proactivity.

The monitoring results show that, the CEO and management staff of the Holding Company have fulfilled their tasks with the highest responsibility. They have strictly and efficiently implemented AGM's Resolutions, BOD's Resolutions for the stability and sustainable development of the Holding Company.

3. Board of Directors' plans and directions

For 2018, to accomplish the Revenue and Profit reported by the CEO, the BOD proposes several solutions as follow:

- Restructure the electric equipment to build the synergy among units in this business, strengthen GELEX's electric equipment brand.
- Exploit and develop the existing land bank of the Holding Company and its subholdings with a goal of becoming a reputable hotel service provider and office leaser in Vietnam.
- Restructure GELEX towards 3 core businesses, including Industry (key business line of Electric Equipment), Infrastructure and Real Estate. Electric equipment should be prioritized for the restructuring in 2018.
- Through the development of greenfield projects or through M&A, invest in power generation sources as per the policy approved by the AGM, focusing on hydropower, renewable energy such as wind, solar power, produce and supply clean water for production and consumption. This sector has an increasing demand in the country's economic development.
- Strictly control and proactively support member units to enhance the efficiency of GELEX's investments in units.
- Promote technology application in management; actively strengthen governance capacity.
- Develop the medium and long term business strategy for each business line of GELEX.
- Enhance training, human resource development to meet the development requirements of the Company.

- Regarding social works, GELEX shall be responsible to social activities such as gratitude work, supporting the areas that are affected by natural disasters, participating in environmental protection, community support, social security, etc.