

TRANSLATION

BOARD OF DIRECTORS' REPORT

AT ANNUAL GENERAL MEETING FISCAL YEAR 2016

Based on 2016 business performance, Board of Directors would like to report on the business progress throughout the year and strategic orientation in the next years as follow:

I. EVALUATION OF ASPECTS OF THE COMPANY'S BUSINESS PERFORMANCE:

2016 marked a thriving on construction and real estate market, especially the high end market segment - 5 star resort hotel and high class office building.

However, the Industrial Refrigeration market did not show flourishing growth; otherwise, it declined, compared to 2015.

In general, Searefico has gained substantial achievements from the business activities and prosper during the last year in every aspect since the time it became a joint stock Company.

In 2016, Searefico has made decisive changes in organizing human resources, restructuring the company, innovating management strategy horizontally, assigning authority to levels of managers and training the key personnel.

Besides, modern and high quality managing tools such as ERP (Enterprise Resource Planning), Labor unit price set, Management accounting system and Internal control have been successfully established and operated efficiently in 2016, facilitating Searefico to keep pace with international management technology.

Searefico has become the top contractor with high reputation on M&E, Industrial refrigeration, winning clients' trust in competency and experience. The fact that strategic technology - BIM is being innovated from 3D to 5D and the standardized construction set - MOS (Method of Statement) is being applied has taken Searefico into a new level during the last year when Searefico won contracts for high value projects such as Gateway Thao Dien, Vinhomes Central Park - Landmark 1, Hoa Lam International hospital, The Sun Avenue, West Bay Sky Residences, Mong tay Retreat and JW Marriott Phu Quoc resort, French Village in Ba Na, Danang Hilton hotel. At the same time, Searefico has further investment to found new Business Unit for reaching out the target market: The establishment of M&E Plant in the upwards trend of high technology factories is expected to boost the revenue in this sector.

The prospering of real estate market and company's rational strategy as well as restless effort of the employees, Searefico has achieved impressive results as follow:

- The company's revenue and profit have reached the highest point ever: The consolidated revenue reached 1,316 billion, 26% higher than the same period of 2015; consolidated earnings before tax profit reached over 115 billion, 64% higher than the plan. In case the transfer of properties on land is not counted, the abnormal profit still surpassed the plan with 5%.
- The expected dividend proposed to 2016 shareholders for approval in AGM fiscal year 2016 is 20%/ outstanding share's par value, which means the the dividend ratio increased 33% compared with plan.
- The summary of 2016 financial indicators is as follow:

Unit: bil. vnd

Indicators	2015 Actual	2016 Plan	2016 Actual	Compared with the same period	Compared with plan
Signed contract value	1,116	1,700	1,532	137%	90%
Actual revenue	1,044	1,400	1,316	126%	94%
Earnings before tax	79	70	115	145%	164%
Earnings after tax	65	60	96	147%	160%
Dividend (%/Share)	20%	15%	20% (*)	100%	133%

() Dividend ratio included in Proposal to be approved by Board of Directors.*

II. EVALUATION OF BOARD OF MANAGEMENT:

1. Merits:

In 2016, Board of Management has shown great effort and determination in expanding business activities, enforcing resources to guarantee realizing goals of 2018 and the next coming years. To be more precise, Board of Management has a number of merits as follow:

- The company has had the highest revenue and profit ever with the increase of 26% compared with the same period of 2015.
- The business performance of 2016 has contributed to Searefico's achievements: Top 50 distinguished companies in Vietnam (Vietnam Report), An increase up to 121 level in Top 500 largest enterprises in Vietnam (VNR500), Top 5 technology brands in 2016 (Ashui Awards).
- Board of Management has focused more on mass communication and public relation to popularize Searefico brand to more customers and partners.
- Board of Management is paying close attention to the progress of ERP deployment to guarantee the progress and maximize its advantages in improving the company's management competency and competitiveness, leading to remarkable growth of revenue and profit in accordance with the company development strategy until 2018.
- Board of Management has accomplished the mission of restructuring subsidiary company – Arico and branch – Searee for firm guarantee of simplified operation structure and efficiency in management – production – business.
- Board of Management has provided constructive support in tender activities to increase success rate and service quality. In 2016, Searefico has won valuable contracts, which plays an important role in adding values to the company image and brand.
- Board of Management has co-operated with Inspection Committee and Internal Control to assess the procurement purchasing process, expense distribution for subcontractors to ensure quality, integrity in supplier as well as subcontractor selection in order to have the best price and build up strong subcontractor network, which fulfills the company's goal of development.

2. Points to improve:

- Controlling debts has not met the Board of Directors' requirements because of some prolonged debts. Board of Management needs closer attention and more drastic measures to solve this problem completely in the next year.
- International M&E sector needs an up-speed and breakthrough in face of strategy orientation, human resources and management methods... to complete the assigned plan.
- Although Board of Management has done a good job in ensuring quality and progress of construction – products – services, more improvements should be made in the future because quality and progress are key factors of brand building and enhancing.

III. PLANS OF BOARD OF DIRECTORS:

▪ Short-term goals:

- Increase revenue at 2.000 bil. vnd and earning after tax at 100 billion. vnd in 2018.
- Restructure subsidiary company - Arico to make Arico become a joint-stock company.

▪ Long-term orientation:

- Become Top 1 contractor in M&E and Industrial refrigeration in Vietnam.
- Expand and diversify insulation panel production in Vietnam.
- With the strategy support from Japanese partner, Searefico aims at Southeast Asian market, focusing on India and Middle East.

Receiver:

- *Company website;*
- *Company shareholders;*
- *BOD.*

ON BEHALF OF BOARD OF DIRECTORS

CHAIRMAN

(Signed & Stamped)

NGUYEN HUU THINH