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# ANNUAL REPORT

# 2016



KINHBAC CITY DEVELOPMENT HOLDING CORPORATION

# ANNUAL REPORT 2016



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## LIST OF ABBREVIATIONS

**KBC:** Kinh Bac City Development Holding Corporation

**FDI:** Foreign Direct Investment

**BOD:** Board of Directors

**BOM:** Board of Management

**IP:** Industrial Park

## MESSAGE FROM THE CHAIRMAN OF BOARD OF MANAGEMENT

### Dear Esteemed Shareholders, Customers and Investors,

In 2016, the evolution of major economies in the world such as America and China, compared to that in 2015, has showed signs of positive impacts on global economy in general, and on Vietnam in particular. The economic growth rate of Vietnam in 2016 is 6.21%, lower than that in 2015 (6.68%). The main reasons are some objective factors such as the weather, the pollution of the marine environment, so on. However, this growth rate is still considered as a success of Vietnam. Especially, the highlight of the macro economy in 2016 is the situation of attracting FDI into Vietnam, with \$ 24,372 billion of registered capital in year, increasing by 7.1% compared to that in 2015; \$ 15.8 billion of implemented capital, increasing by 9%, compared to that in 2015. The FDI disbursement has reached the highest level ever.

In 2016, KBC and its IPs have contributed significantly in economic growth process, especially in attracting foreign investment, with \$2,914 billion of total FDI attracted to KBC's IPs, which equals to 12.06% of total registered FDI of Vietnam. Thanks to this achievement, Hai Phong has been ranked 1st; and Bac Giang Province has been ranked 5th in attracting foreign investment.

The stock market's performance in 2016 was positive. In the price of KBC's stock also increased in some periods and was quite close to the current book value of the company. However, The BOD also regretted that the stock at some point of time fell from VND 19,000/share to VND 13,000/share, due to the negative reactions of investors when winner in the US presidential election declared to withdraw from the TPP agreement. Through this incident, we found the negative reactions of KBC's investors unnecessary; as KBC's business performance has continued to grow very well. A specific evidence is that so far, KBC's attraction for foreign investment still has been at a high level. If the value of the asset portfolio that KBC owns is estimated, the book value of KBC's stock is over VND 20,000/share. (This number can be much higher if the asset is revalued. For example: In Bac Ninh Province, 10 years ago, the compensation price was just \$3/m<sup>2</sup>; now, this number, according to the official price, is nearly \$20/m<sup>2</sup>.) Therefore, we believe that in 2017, KBC will regain the true value, and continues to grow steadily.

Regarding the development orientation for KBC in 2017 and the coming years, the concerning point of Vietnam in 2016 was the TPP Agreement. However, experts were not surprised when the newly-elected President of the United States declared to withdraw from the TPP, as this scenario had been anticipated by many countries. According to experts, there are TPP or not, the most important thing for Vietnam is the national development strategy, the development of internal resources and the improvement of competitiveness. At the same time, after the United States announced its withdrawal from the TPP, the Vietnamese government issued the message that Vietnam would continue to integrate internationally. With 12 trade agreements already signed, whether we participate in the TPP or not, Vietnam will continue to implement all the signed programs.

From our own perspective, the withdrawal from the TPP of the US does not really have negative impacts on KBC's business activities. In fact, after the US withdrawn from the TPP, there have been still many investors coming to work and signing contracts with KBC. The main reason is that when the United States withdrew from the TPP, they would also implement a policy of raising taxes on imports from China into the United States (the current tax rate is 2.5%). Another reason is the strategies that aim at China of President Donald Trump and Secretary of State Rex Tillerson. Therefore, many Chinese investors, as well as investors in Chinese market, have shifted their investments to Vietnam. As a result, in 2017, KBC expects to continue to receive positive investment flows.

**The orientation of KBC is "Creating the value added from core operations, using capital effectively, maintaining sustainable growth, holding the forefront in the field of developing industrial parks in Vietnam at present and in the future, following the development orientation of the government".**

In addition, the current housing market begins to be lively. In 2017, with a large land fund, KBC expects to have a breakthrough in the housing market. KBC will set up a professional department to create townships. For example, in Phuc Ninh IP (Bac Ninh) (136.47 hectares), the current housing price is very good. That is because the Government has allowed Bac Ninh to build a project to become a central city (Vietnam now has five central cities); and the average income per capita in Bac Ninh is 2-3 times higher than the per capita income of the whole country. Moreover, in order to exploit the advantages of KBC, we also plan to enter into joint ventures with the largest professional Real Estate Corporations in Vietnam. In terms of KBC's land fund, a senior leader of a big real estate corporation in Vietnam has exclaimed: "Unbelievably, KBC's land value is much higher than ours!"

Besides, KBC firmly focuses on the core business lines, increasing investment in potential projects. In 2017, KBC will focus on investing in projects such as Trang Due IP (Phase 2 & Phase 3), Nam Son Hap Linh IP, Quang Chau IP, and Phuc Ninh Urban Area. Also, KBC carries out a number of commercial real estate projects.

With the aim of increasing efficiency of production and business activities, improving financial autonomy ability, KBC has been step by step increasing the efficiency of using capital. In 2016, business cost management, which was no longer a factor affecting the after-tax profits of the corporation, continued to be optimized. KBC has gone through a difficult period of arranging fund. In 2017, KBC will co-operate with domestic and foreign financial institutions to create plans to raise capital for our projects. With our experience available, KBC ensures that mobilized funds will be most effectively used.

### **KBC attaches importance to Sustainable development and social responsibility**

Besides the target of profit maximization, KBC always plans to model a sustainable development. KBC has been planning to expand 678 hectares of land fund for Trang Due IP Phase 3 in Hai Phong, promoting the development of industrial parks in the central and southern areas in the future. At present, the area of IPs of KBC, subsidiaries and affiliated companies is over 5,174 hectares, occupying nearly 6% of the IP area of Vietnam, increasing by 15% compared to that in 2015. The land fund for developing urban areas is 1,063 hectares.

With the success of attracting FDI in the industrial parks, KBC had a strong contribution to the promotion of socioeconomic status in our local industrial parks in particular and in Vietnam in general; changed industry structure efficiently; created new jobs, attracted workers, contributed to the local budget to improve the personal and local economy.

### **Promoting all resources, staffs and employees to gain achievement**

KBC's staffs and employees always attempt to achieve new successes in the coming years. We strongly believe that production and business activities of KBC will continue growing, which can ensure the benefits for stockholders and contribute to the increase of the value of KBC's partners in the future.

**Yours faithfully,**

**CHAIRMAN OF BOM**

**DANG THANH TAM**



# ANNUAL REPORT 2016



## PART 1

### ABOUT US

#### 1. GENERAL INFORMATION

- **Business name:**

**Business name in Vietnamese:** TỔNG CÔNG TY PHÁT TRIỂN ĐÔ THỊ KINH BẮC - CTCP

**Business name in English:** KINHBAC CITY DEVELOPMENT HOLDING CORPORATION

**Abbreviation:** KINHBAC CITY GROUP

- **Business Registration Certificate No:** 2300233993, issued by Bac Ninh Department of Plan and Investment on March 27th, 2002, the fifteenth amended on January 30th, 2015.

- **Charter capital of KinhBac City:** 4,757,111,670,000 VND

- **Address:** Lot B7, Que Vo IP, Phuong Lieu Commune, Que Vo District, Bac Ninh Province, Vietnam

- **Tel:** 0241 3634034                      **Fax:** 0241 3634035

- **Website:** <http://www.kinhbaccity.vn>

- **Stock code:** KBC





## 15 YEARS – PROCESS OF FORMATION AND DEVELOPMENT

KBC successfully built a model of high-tech Industrial Parks, reducing environmental pollution; became one of the first enterprises in the North to develop high-tech Industrial Parks; and contributed significantly to the development of Vietnam in the renovation period. During 15 years, the main achievement of KBC is the process of transforming agricultural lands with low productivity into modern factories with large-scale production, which promoted the process of socioeconomic restructuring in local areas, created thousands of jobs, boosted demand for developing ancillary service and contributed VND trillions to the State budget, etc.

Since its establishment on 27/03/2002, KBC has played an important role in attracting FDI enterprises to Vietnam. More than 90% customers of Industrial Parks are foreign enterprises, each Industrial Park is invested on a large-scale by big corporations like Canon, Foxconn, LG, ... All of the Industrial Parks in operation, which were built in modern standards, do perform stably, not only benefit to KBC and investors but also contribute significantly to the development of society.

KBC created a large land bank of about with 5,174 hectares for Industrial Parks, occupying nearly 6% of the total Industrial Parks area of Vietnam; and nearly 1,063 hectares for Urban Area from the North to the South. This land bank is enough for our development in the next 10 to 20 years. Each Industrial Park has an average size of over 200 hectares. Some of the typical speedily Industrial Parks have been approved to be extended by the provincial People's Committee and the Government. Taking FDI attracting Trang Due IP as an example, after becoming a part of Dinh Vu Cat Hai economic zone, this IP managed to attract LG Group in 2013, when the economy of Vietnam was in the period of decline; enterprises stopped growing, or even negatively grew. This is the most crucial success of Trang Due IP, which helped Trang Due become the fastest IP in attracting investment of Hai Phong. In two years (2015–2016), this IP quickly filled 64% of the 2nd phase (214 hectares). Currently, the People's Committee of Hai Phong city has submitted to the Ministry of Planning and Investment for the approval for 3rd phase (687 hectares of IPs).

**In the past 15 years, KBC has grown significantly in both size and quality, and has experienced numerous memorable milestones:**

**Being a private corporation, which has consistently received 10 eminent emulation flags from the Government:** Initial share capital increased from VND 20 billion to VND 4,757.1 billion. Equity reached over VND 8,622 billion.

**Becoming a public corporation for 10 years:** 88,000,000 shares listed on the Hanoi Stock Exchange were re-listed to the Ho Chi Minh Stock Exchange in 2009. The number of ordinary shares is 475,711,167 shares. The number of outstanding shares is 469,760,189 shares. Capitalization shares up to 12/31/2016 reached VND 6,588.6 billion.

**2012 was the most difficult year for KBC,** with a negative business result of VND 483.9 billion: The stock price has dropped to the lowest level of VND 4,800/share. The recovery starts from the end of 2013 until now.

**Being the most successful corporation in Vietnam in debt restructuring process (2014–2016):** Since 2014 till now, outstanding loans of credit institutions have decreased by more than 65%. In parallel with the restructuring of debts, KBC quickly withdraws non-core investments (2014–2015), returning to the core business activities which are developing IPs and Urban Areas. After our successful restructuring, many credit institutions have approached and issued a series of new credit lines to the corporation.

## IN 2016, THE ACHIEVEMENT AND GROWTH OF KBC ARE VERY SIGNIFICANT, COMPARED TO 2015:

**Trang Due IP** is a well-known name. In 2016, Trang Due IP signed many big contracts such as land lease contract with LG Display Corporation, LG Innotech company, making the total licensed FDI in Trang Due IP increase by to VND 2.5 billion, accounting for 10.26% of total foreign capital in Vietnam. With the such results, Trang Due was awarded the emulation flag by the Government. By the end of 2016, Trang Due was also assigned by the city of Hai Phong to invest 687 hectares of industrial park for 3rd phase.



**Quang Chau- Bac Giang IP:** In 2016, this IP emerged as a bright spot of Bac Giang province in particular and of the North in general when consecutive contracts were signed, such as \$ 1 billion contract with JA Solar, who wants to lease 88 hectares of land; a contract with Luxshare, one of the satellite of Apple with 14.4 hectares of land for lease and hundreds of millions of dollars of investment; a contract with Zong YiFeng Corporation, who specializes in producing construction materials, with 58 hectares of land for lease. Currently, many customers are considering selecting Quang Chau IP to invest in building factories, contributing to fill this IP.



**Thus, with significant achievements of attracting investment in Trang Due IP, Quang Chau IP; and transferring 6.3 hectares of low-income housing area in Que Vo, Bac Ninh; in 2016, the total revenue reached VND 2,018.7 billion (5% higher than that in 2015). Total profit after tax of the corporation reached VND 711.3 billion (18% higher than that in 2015).**

Throughout 15 years of establishment and development, KBC has always been aiming at the goal of "**Developing hi-tech industrial parks without environmental pollution**". We promptly came back the core values right when recognizing that non-core investment is not effective, which is the reason why KBC could rapidly grow again after experiencing the crisis in 2012.



## TYPICAL AWARDS

KBC, which is a public and completely non-government owned corporation, constantly received Emulation Flag from the Government for our excellence (2004 -2015): Consecutively, KBC received many Certificates of Merit from the Chairman of Bac Ninh Province. In 2012, we were very glorious to receive Labor Medal Award (second grade) from the President of the Socialist Republic of Viet Nam. Also, we received a great number of awards namely Vietnam Value Award, ASEAN Excellent Enterprise Award, Vietnam Gold Star Award. In 2016, to celebrate 20 years of innovation of Bac Ninh province, KBC has received the title of outstanding enterprises awarded by the Provincial People's Committee of Bac Ninh.

KBC has always been considered as one of the best enterprises in investor relation: KBC constantly won the best annual report awards from 2008 till now, used to be one of the 15 corporations receiving Certificates of Merit from the Chairman of Vietnam State Securities Commission for many years of winning The Best Annual Report Award. According to a survey by Vietstock.vn in 2015, KBC is one of 33 best Listed Companies in Investor Relations (IR).



Mr Dang Thanh Tam - the Board Chairman of KBC received a number of Labor Medal Awards (First grade, second grade and third grade), 3 Certificates of Merit from the Prime Minister of the Socialist Republic of Viet Nam. He received the Certificate of Merit and medal of recognition of significant contributions to the development of Japan - Vietnam relation from Mr. Mitsuo Sakaba - Embassy of Japan in Vietnam on the occasion of 76th birthday and 20-year coronation of the Japanese Emperor, and became the only businessman in Vietnam to receive this prestigious award ever. He was awarded a lot of merits from ministries, branches, Committees of provinces and cities, Organizations and Associations. For many years, he was recognized as a basis Emulation Fighter and accredited the Honors of Provincial emulation fighter in 2008. From 2003 till now, he constantly received Vietnam Typical Entrepreneur Awards and Thanh Giong Cup. He served as co-chairman of the Vietnam-Vietnam Business Forum Japan (Forum by the Prime Minister approved the establishment) and Vice Chairman of the Economic Development Cooperation Vietnam - Laos - Cambodia. He was appointed as a member of official business Advisory Council of APEC (ABAC), a member of the senior Advisory Council of post-WTO action Plan of the Government by Prime Minister of the Socialist Republic of Viet Nam. Also, he is a member of the strategic advisory partner of the World economic Forum (WEF GCC member advisory board Partner). He was honored as one of the outstanding entrepreneurs awarded "Ernst & Young - The leader entrepreneurs settled Vietnam 2011"; Moreover, he used to be a member of the 8th National Assembly of Vietnam.

## CORE VALUES



### Experience in the field of investing and developing Industrial Parks

As one of the pioneers in contributing and developing Industrial Parks, Mr. Dang Thanh Tam – The Board Chairman established a solid foundation for KBC development. Within nearly 20 years experience in managing and developing Industrial Parks, he was successful in creating his own business pattern. Therefore, our pattern in Industrial Parks development can be seen as a typical one which can be successful in a short period of time, with a high net profit margin ratio. KBC is always one of the first choices of FDI's investors when they have plan to invest in Vietnam.

### Large land bank

In our business pattern, acquiring available land is the most important property to complete long-term goals of development. Our current land bank is up to 5,174 hectares for Industrial Park development (accounting for 6% of total IP area of Vietnam) and 1,063 hectares for Urban Area and residential development; in which, nearly 2,500 ha is owned directly by KBC and our subsidiaries.

### Diversified services and products, meeting all stringent requirements from customers

With the purpose of serving customers in the best way, KBC attempts to provide various products and services, which would satisfy even the hardest demand of customers. Providing wide range of critical positions with 14 IPs throughout Vietnam, KBC could reach the first position in attracting FDI, especially big international groups such as Canon, Foxconn, LG Electronics, JA Solar,....

In order to attract small and medium enterprises, which are sub-contractors of the big corporations, KBC focuses on increasing leasing and selling available offices and premises in order to shorten the time of operation and reduce risks from investments.

Maintenance activities of infrastructure are highly effective with modern, and environmentally friendly IP. Ancillary services in industrial zones always meet the needs of enterprises such as closed supply chain and convenient services such as financial services, security, electricity and water, etc.



## CORE VALUES

### The Trademark of KINHBACCITY

The trademark of Kinhbaccity has built an attractive reputation with not only domestic but also foreign investors (both FDI and FII). Thanks to competitive strengths in services and products, Kinhbaccity becomes the trustworthy destination of FDI's investments. Additionally, KBC's shares have always been chosen by foreign investors since it was listed. The amount of shares owned by foreign investors has been maintaining at more than 30%.

### Investor Relations

The relation with investors in recent years has been taken in a careful consideration. We always concentrate on answering all the questions from investors, shareholders and customers about Company situation. We do not have a tendency to refuse questions or appointments from our investors.

### Developing high-quality human resources and efficiency management system

Through development period, we have built professional, highly quality and rich experienced human resources in the field of business investment and development in Industrial park, especially capability of attracting FDI into Industrial Park of KBC. Responsibility, loyalty and solidarity spirit are the mainstream in our corporation culture. Thanks to effective human resources policies, most of our staffs and managers always accompany with KBC in prosperous as well as in difficult period. With a purpose of developing core values as an important competitive advantage of KBC, Kinhbaccity has been build a solid foundation for sustainable development and emerged as a leader in developing Industrial Zones even in the most difficult period.



## 2. BUSINESS SECTORS AND LOCATIONS

Our core business sector is investing in development of the infrastructure of Industrial Parks. In 2008-2009, we expanded our investment in banking, energy, minerals, etc. However, in 2013-2015, KBC quickly withdrew the non-core investment activities. Since 2016, KBC will focus on investing in Industrial Parks and Urban Areas.

KBC has considered investing and trading Industrial Parks and Urban Areas as the core area of the corporation. The managers and staffs of the Group have dedicated to build an effective business pattern for Industrial Parks that could meet renovation demand of our country and contribute to the industrial restructuring in the local regions. The process of creating core values for the dominant business is continues and stable with appropriate business models. It has turned agricultural land with low productivity into the most developed industrial areas in the North.

Leasing industrial land has been the largest source of revenue in the total revenue of the Group. Besides, in order to reduce risks from investment for FDI investors, KBC has successfully developed available factories for rent and sales. Each standard factory has over 5,000m<sup>2</sup>, accompanied by an office and suitable sub-works that satisfy customer demand to begin manufacturing immediately. This product currently attracts great concern giving a gross profit margin of 50%.

Additionally, the ancillary services in industrial park including electric power supply, water supply, sewage treatment, management and maintenance of infrastructures, etc. are appreciated and improved a lot since they will bring annual fixed and sustainable revenue, and make sure to recover costs for managing of corporation.

In the last 3 years KBC's main business areas were located in Bac Ninh, Hai Phong, Cu Chi - Ho Chi Minh City, and Bac Giang.

In 2016, total revenue from main business activities reached VND 1,972.5 billion, accounting for 97.7% of total revenue (This number in 2015 was 82%, in 2014 was 88%, and in 2013 was 95%).

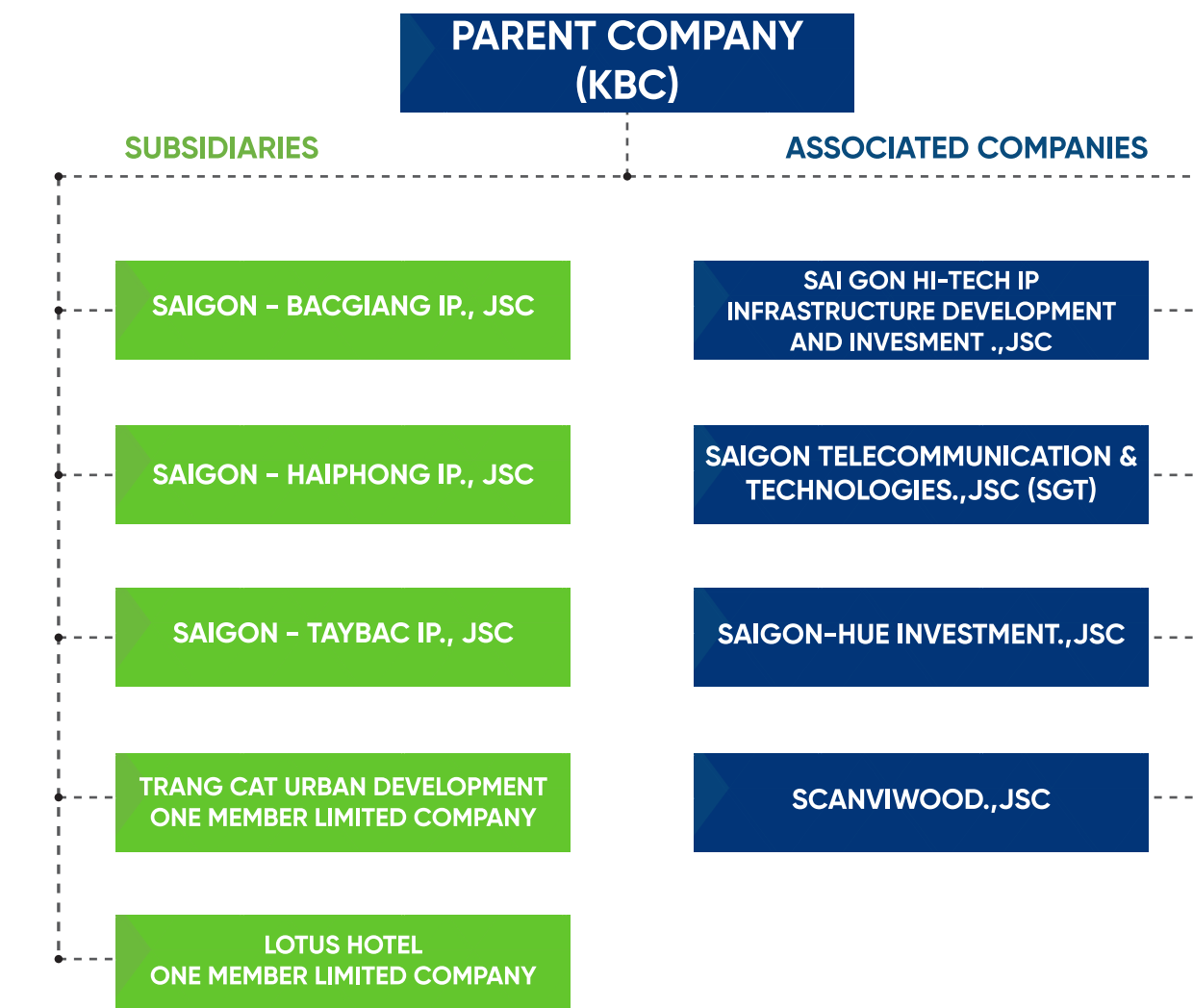
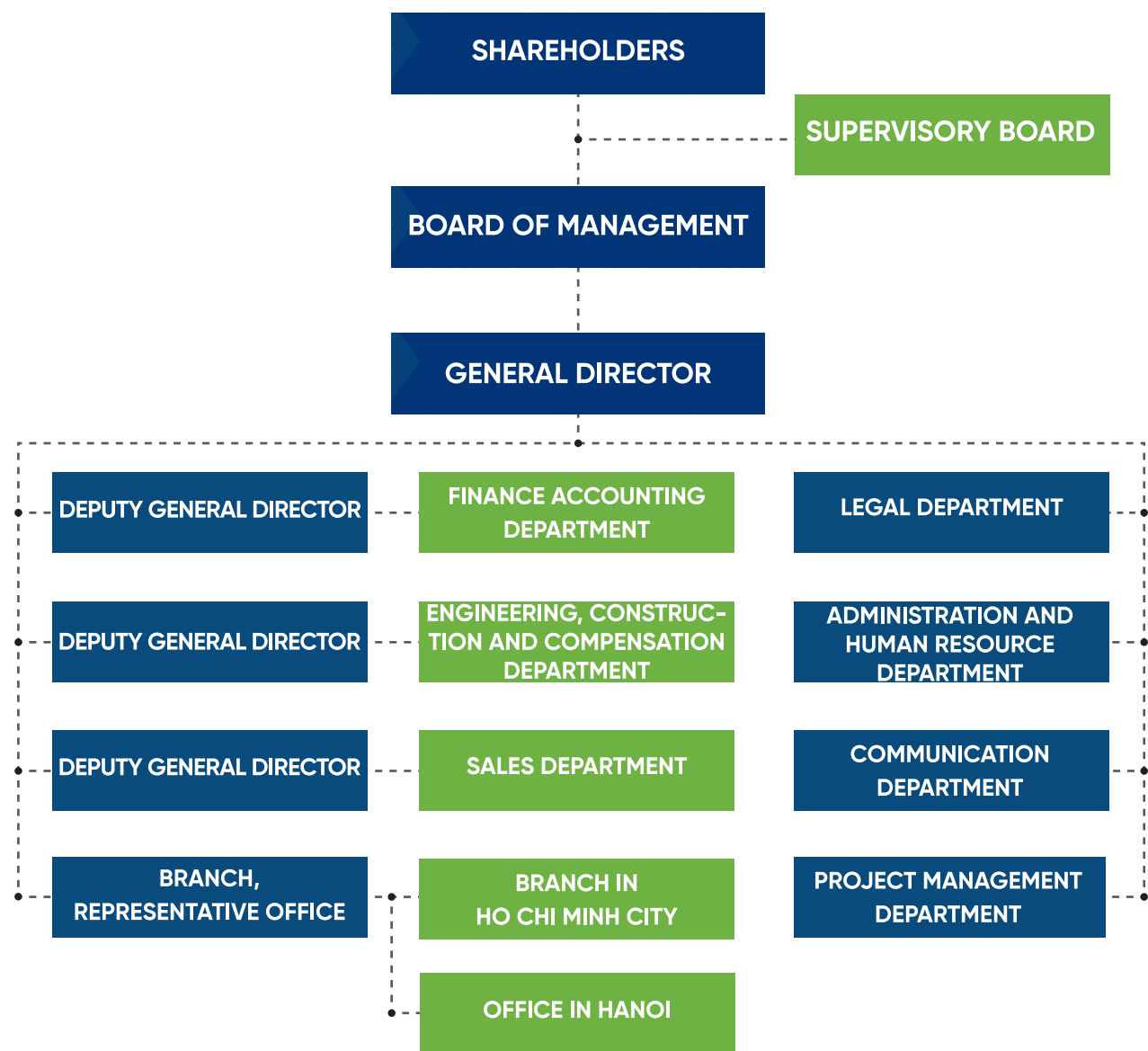
In terms of location, in 2016, revenues of net consolidated sales were 19.79%, from Bacninh, 40.3% from Haiphong, 31.8% from Bac Giang, and 8.1 % from Ho Chi Minh City. In 2016, business operations in Bac Giang surged back after many years of no revenue. Bac Giang has become the second largest contributor to the Group's total revenue.

In addition, KBC also developed some residential and urban areas in order to satisfy accommodation needs for the workforce in our developed and developing industrial parks. In 2016, KBC collected VND 218.8 billion from the low-income housing project for a corporation in Que Vo IP, accounting for 10.8% of revenue. Currently, large corporations all have the need to build housing for workers and experts. Therefore, in the coming years, KBC will continue to complete procedures to transfer some hectares of land to build housing for some corporations in Hai Phong. Thus, our land bank of 1,300 hectares for future development of urban areas is expected to bring a big profit to KBC in the near future.





3. THE PATTERN OF MANAGEMENT, BUSINESS ORGANIZATION AND SYSTEM OF MANAGEMENT





## INFORMATION ABOUT SUBSIDIARIES

NO.	COMPANY	INTEREST RATE (%)	HEAD OFFICE	MAIN ACTIVITIES	CONTRIBUTED CAPITAL (VND)
1	Saigon - Bacgiang IP.,JSC (*)	76.81	Quang Chau IP, Quang Chau commune, Viet Yen dist., Bac Giang province	Investment, building and trading real estates	119,000,000,000
2	Saigon - Haiphong IP.,JSC (*)	86.54	Trang Due IP, Le Loi commune, An Duong dist., Hai Phong city	Investment, building and trading real estates	468,000,000,000
3	Saigon - Taybac Development Holding.,JSC	62.68	Tram Bom, 22 Highway, Tan Phu Trung commune, Cu Chi dist., Ho Chi Minh City	Investment, building and trading real estates	662,066,314,000
4	Trang Cat Urban Development One Member Limited Company	100	Bai Trieu, Trang Cat Commune, Hai An District, Dinh Vu - Cat Hai Economical Zone, Hai Phong	Investment, building and trading real estates	1,500,000,000,000
5	Lotus Hotel One Member Limited Company (**)	100	No. 100, An Trach Street, Quoc Tu Giam Ward, Dong Da district, Hanoi City	Trading real estates	145,123,583,744

(\*) In 2016, Saigon-Haiphong Industrial Park.,JSC, whose 86.54% of the shares were held by the parent company purchased 20% of the share capital of Sai Gon - Bac Giang Industrial Park.,JSC, and 2.5% of the share capital of Saigon-Taybac Industrial Park Corporation. Thus, up to 31/12/2016, voting percentage of parent company in these two companies were respectively 76.81% and 62.68%

(\*\*) KBC has established a subsidiary named LOTUS HOTEL One Member Limited Company, with 100% of ownership.

## INFORMATION ABOUT ASSOCIATED COMPANIES

NO.	COMPANY	OWNER-SHIP RATE (%)	ADDRESS	MAIN ACTIVITIES	CHARTER CAPITAL (VND billion)
1	Saigon - Hue Investment.,JSC	28,14	No 15 Nguyen Hue Street, Hue City	Infrastructure investment and development, industrial and civil construction	350
2	Saigon Telecommunication & TechnologiesJSC.,JSC	21,48	46 Quang Trung Software Park, Ward Tan Chanh Hiep, District 12, Ho Chi Minh City	Investing and trading computer, electronic equipment, materials, telecommunication and post equipment	740
3	Saigon High-tech Park Infrastructure Development InvestmentJSC.,JSC	27,44	6-1, Ree Building, 364 Cong Hoa Street, Ward 13, Tan Binh District, Ho Chi Minh City	Infrastructure investment and development	300
4	ScanviwoodJSC.,JSC	34	565 An Duong Street, An Lac Ward, Tan Binh District, Ho Chi Minh City	Producing household furniture for export	31.69



### 4. DEVELOPMENT ORIENTATION

#### Short-term goals

- Focusing on developing core business: speeding up the construction of infrastructure and attracting investment in the Nam Son Hap Linh IZ, Quang Chau IP, Trang Due IP, Que Vo IP, etc.; Opening sale and expanding infrastructure of Phuc Ninh Urban Area; Finalizing legal procedures, deploying clearance for 3rd phase of Trang Due IP (687 hectares); Buying and selling some other projects; etc.; Deploying diverse business plans and attracting high-tech corporations from Korea, Taiwan, Hong Kong, Japan, USA, etc.

- Preparing available products and services that meet investors' demand (available land and factory for leasing and selling, services to support investors).

- Mobilizing and allocating capital more efficiently, enhancing financial capability. Maintaining sustainable revenue and profit growth rate..

#### Medium-term and long-term development strategy

- KBC will promote potential Industrial Parks and Urban Area in Central and South, simultaneously deploy Urban area projects that meet the demand of social development; Increasing land fund for developing industrial parks in potential localities such as Hai Phong, Bac Giang, Bac Ninh, Ho Chi Minh City.

- Creating a diverse customer network and diversify products to meet macroeconomic policies.

- Creating and developing Kinhbaccity trademark with an international level; being the leader in the field of managing and developing Industrial Parks- Urban areas.

#### The environmental, social and communitive objectives

- Being a corporation that contributes significantly in the process of promoting Vietnam's investment policies to the world through some programs of promoting investment, some economic forums in the region and in the world;

- Being a corporation significant factor in the annual attracting FDI plan of Vietnam in the field of industrial urban real estate;

- Being a corporation that creates thousands of jobs for local workers, contributes budgets for province where our projects cover, promotes the industrialization and modernization in our country;

- Being a corporation that always tends to attract enterprises in the field of high-technology and less-pollution.

- Being a corporation that contributes to social works such as conditioning lakes, local parks and so on which create green, clean and beautiful environment.

## 5. SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>* A suitable timing of establishment when we can meet the first wave of FDI to Vietnam.</li> <li>* A synchronous infrastructure which fulfil operational criteria of IPs</li> <li>* A convenient location for traffic: All Industrial Parks and Urban Areas of KBC are located on the important highway, convenient to travel to seaports and airport.</li> <li>* The advantage of trademark: through domestic and foreign marketing programs, KBC was known by investors as a big company in industrial park and infrastructure development in Vietnam.</li> <li>* A great number of electronic and high-tech enterprises who invest in KBC's IPs have attracted many of their vendors/sub-contractors to invest.</li> <li>* Supporting Services for Investors: KBC provides supporting services to investors in the implementation of procedures before and after the investments.</li> <li>* Utility services in industrial parks: There are many utility services for investors in industrial parks such as the customs, offices, warehousing, banking ....</li> <li>* Especially, Trang Due - Hai Phong IP is located on "two corridors and one economic belt" between Vietnam and China; in Dinh Vu - Cat Hai Economic Zone with many tax incentives such as: corporate income tax, value added tax, personal income tax, import tax, special consumption tax, etc.</li> <li>* Human Resource: Our Sales Department is the convergence of staffs who are good at foreign languages such as English, Chinese, Korean, Japanese, etc, who are able to communicate and solve problems, create sympathy for investors.</li> </ul>	<ul style="list-style-type: none"> <li>* High rental fee: In terms of general price level in a local region, IPs of KBC have a higher level of rental price, which becomes a barrier to some specific projects (not too much focus on the venue).</li> <li>* Unsuitable products: Quite large land plots in industrial parks are some kind of restrictions to projects that demand a small area (less than 1.000 m<sup>2</sup>). Large factories are not suitable for small and medium projects, that make us lose many chances in this market share.</li> <li>* Limitation of attracting sectors to the industrial parks: Industrial parks tend to limit the sectors which can spoil our environment.</li> <li>* Workers: The number of suitable skilled labors is not enough for the needs of enterprises</li> <li>* Tax incentives: Apart from Trang Due IP, other industrial parks of KBC are located in the developed economic zone, so they do not enjoy preferential tax policies according to the new law.</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>* Plans to expand the scale of some enterprises that invested in KBC's Industrial Parks.</li> <li>* Rezoning the plots, premises with areas suitable with the demand of investors.</li> <li>* Attracting satellite projects of major corporations which have invested in KBC's IPs or in the vicinity like LG, Samsung, JA Solar, ZhongYiFeng, etc. (In the coming years, the Samsung project will continue to be expanded in Bac Ninh).</li> <li>* Vietnam's FDI attraction in 2017 and in the coming years is expected to continue to grow. Until now, there are 12 trade agreements signed between Vietnam and other countries such as Vietnam - Korea (VKFTA), Vietnam - EU, Vietnam - Customs Union of Russia, Belarus, Kazakhstan. For Vietnam, there are TPP or not, we will continue our process of global integration; and the attraction of FDI will be stilled promoted by the Government.</li> <li>* Right in the first quarter of 2017, Vietnam has attracted \$ 7.71 billion (77.6% higher than the same period last year). FDI disbursement was \$ 3.62 billion (3.4% higher than the same period last year). Korea, which is one of the most potential customers of KBC's, is the leading country with investment projects in Vietnam. The most attractive FDI region in Vietnam is Bac Ninh, where there is the head office of KBC.</li> <li>* In addition, China, which is KBC's new partner, is the third country in investing FDI to Vietnam. Bac Giang, which is one of KBC's operating areas, is ranked fifth in attracting FDI in Vietnam.</li> </ul>	<ul style="list-style-type: none"> <li>* High investment increased leads to a higher rental price, which will be difficult to attract the specific investment projects.</li> <li>* Low price unit in some industrial parks in nearby areas will significantly affect the competition of KBC.</li> <li>* Difficulties in attracting investment when there are no tax incentives</li> <li>* Changing macro policies in the process of managing, managing and developing industrial parks</li> <li>* Choosing investors that do not pollute the environment, do not use backward technology, etc.</li> </ul>



## SOME TYPES OF RISKS THAT AFFECT PRODUCTION AND BUSINESS ACTIVITIES OF KBC

### \* Risks from changes in policies of investment and business activities in IPs:

This is the type of risk that affects the most to enterprises in the field of investing and developing IPs, including: the difficulty of setting up new projects, project revocation, unclear preferential regulations which cause misunderstanding between investors and authorities, changes in tax policy, changes in the policy of paying annual rent, changes in regulations on rates of compensation of land, etc.

KBC has experienced such risks over the past 15 years. All issues have been processed by KBC. Regarding to policies issues, most of the time, Vietnam has to make reports to explain, persuade, comment with authorities, pointing out the benefits and damages that continuous changes in policy can cause to the state and the investors.

Currently, the Ministry of Planning and Investment and the Government have considered the key tasks in 2017 is continuing to improve the environment of investment and business; improving operating efficiency and management in industrial parks; dealing with difficulties and problems related to investment, environment and land issues; tackling new opportunities in the implementation of bilateral trade and investment agreements; studying and perfecting the legal basis for building and deploying patterns of industrial parks, urban areas; implement the special scheme of being an administrative-economic unit after being approved by the authority. However, the process of perfecting the mechanism of leverage for the development of industrial parks and urban areas takes a lot of time and requires the coordination of both enterprises and authorities.

### \* Risks from changes in monetary policies

This is the type of risk that real estate businesses in general including KBC will be facing right after credit crunch. In this case, borrowing interest rates that real estate businesses have to incur are always the highest ones.

In the past, KBC has experienced such events. During the period from 2011 to 2014, KBC could hardly approach any source of loans. In that scenario, KBC had to stay dependent on its internal financial capacity such as incomes from operating business activities. Many commercial projects, as a result, were canceled or delayed the progress due to inability to manage reasonable source of funds during this hard time.

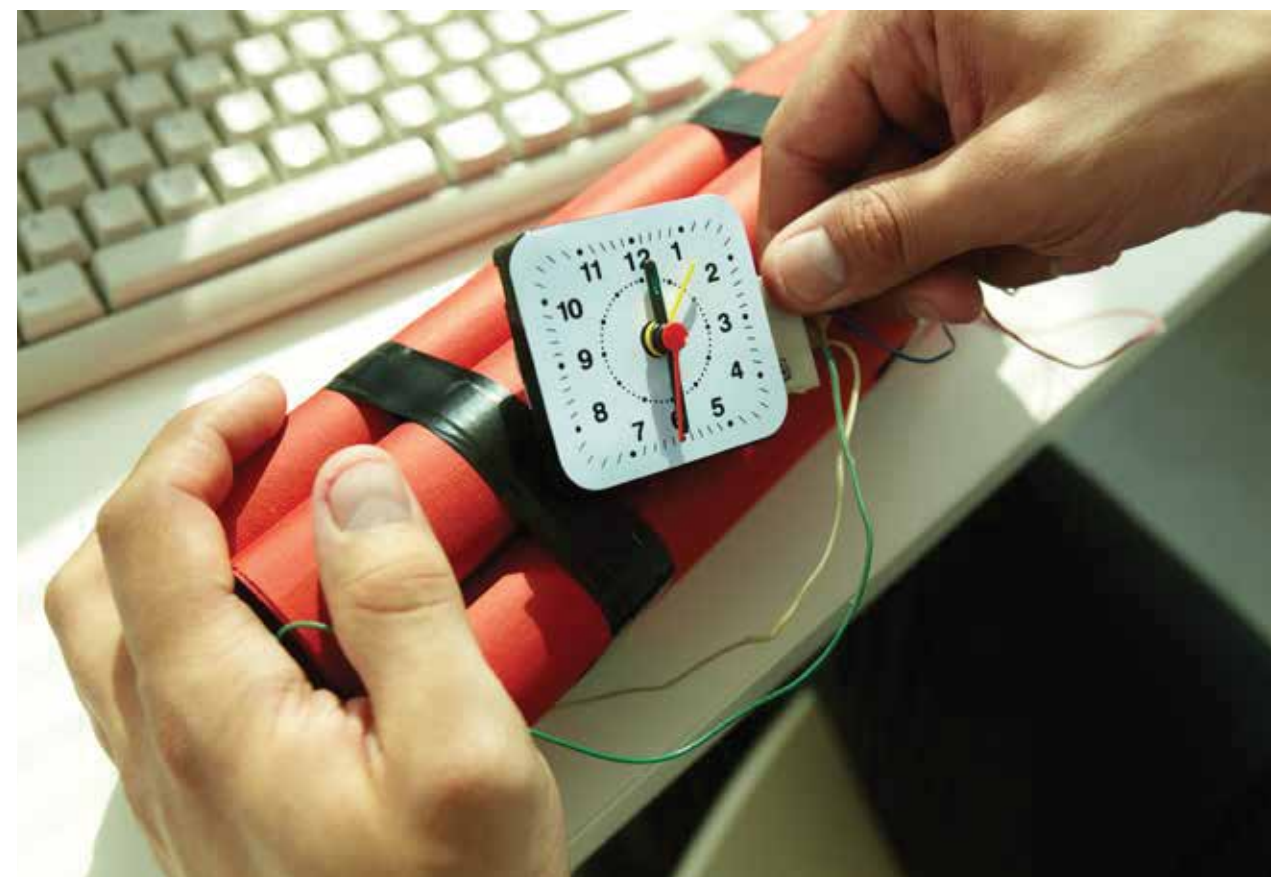
From 2015 to 2016, without significant amount of risks due to monetary policy, KBC could easily approach loans which offer the annual interest rates from 9.5% to 10%.

In 2017, the official announcement of circular number 06/2016/TT-NHNN by the State Bank of Vietnam happened to be a negative factor on the interest rates stabilization in 2017. From the 1st of January 2017, the maximum amount of short-term capital utilized as medium-term and long-term lending to commercial banks has dropped from 60% down to 50%. At the same time, risk factor associated with claims on real estate businesses has increased from 150% up to 200%. Therefore, from the beginning of 2017, many commercial banks had to stop medium-term and long-term lending until they accomplish the require ratio. Banks whose short-term capital for long-and-medium-term loans ratio close to 40% or higher must lend out medium-and-long-term loans under extremely careful calculation in order to meet the new required standards in the upcoming year.

The mentioned monetary policy will significantly reduce the amount of medium-and-long-term loans supplied by commercial banks. In fact, the majority of those banks are already out of available funds for long-and-medium-term lending in accordance to the new monetary policy by the State Bank of Vietnam applied from January 2017. Besides, pressure on handling the estimated 100,000 billion VND of bad debts along with stricter standard of overdue classification will also contribute to the growth of medium-and-long-term lending interest rates.

To solve the problem, commercial banks have increased the amount of bonds issued along with giving more incentives to public long-and-medium-term saving. However, due to concerns about the possible the inflation growth and the exchange rates fluctuation, Vietnamese citizens still tend to hold more gold, real estates and \$US. For those who hold VND, they tend to lean only toward short-term saving for liquidity. In addition, the attempt to pump up deposit rates by commercial banks, in return, has resulted in the increase in lending interest rates.

Businesses will obviously suffer from being unable to approach funds. On the attempt to solve this problem, KBC is trying to speed up the process of approaching bank loans to increase the chance of approval. Furthermore, KBC is also trying to approach foreign investments and issuing its own bonds in order to reduce the extent of dependence on bank loans.









KINHBAC CITY DEVELOPMENT HOLDING CORPORATION

# ANNUAL REPORT 2016



## PART 2

### BUSINESS PERFORMANCE IN 2016

In 2016, Vietnam's economic growth for the whole year was 6.2%, this number is 0.5% lower than that in 2015. That was due to the global economic downturn, a series of natural calamities and marine environmental incidents. However, Vietnam has been one of the highest growth economies in the world. In Vietnam, the volume of imports and exports of goods has increased; meanwhile, the global trade downturn has had a negative impact on Singapore and China. The establishment of large enterprises in Vietnam such as Samsung Electronics makes Vietnam an international center for electronics production.

KBC is one of the enterprises directly affected by domestic macroeconomic factors and the growth trend of the global economy. In other words, the growth of KBC is proportional to the domestic and global economic growth. In particular, if the relationship between Vietnam and other countries is good and Vietnam can do well in attracting FDI, KBC will be one of the leading enterprises in Vietnam attracting FDI. If the global economy develops, FDI enterprises increase in exporting, KBC's IPs will attract many vendors. A stable capital market will help enterprises to approach domestic funds with good interest rates. The political stability will restrict rumors causing damages to the corporation and investors, etc.

Here are the figures specifically illustrating activities of KBC in 2016.

#### 1. THE SITUATION OF PRODUCTION AND BUSINESS ACTIVITIES

##### \* Results of business activities

	Unit: VND billion		
TARGETS	2015	2016	CHANGE %
<b>Net revenue from sales and services</b>	<b>1,434.8</b>	<b>1,972.5</b>	<b>137%</b>
Revenue from land lease	1,129.4	1,632.1	145%
Revenue from transferring projects		218.8	N/A
Revenue from leasing and sale of premises	224.7		0%
Revenue from renting warehouse, providing clean water, electricity, sewage treatment, service charges	80.7	121.6	151%
<b>Revenue from financial activities</b>	<b>317.1</b>	<b>39</b>	<b>12%</b>
<b>Other incomes</b>	<b>1.3</b>	<b>7.2</b>	<b>554%</b>
<b>Total revenues</b>	<b>1,753.2</b>	<b>2,018.7</b>	<b>115%</b>
<b>Total profit after tax</b>	<b>602</b>	<b>711.3</b>	<b>118%</b>
<b>Profit attributed to shareholders of the parent company</b>	<b>611.9</b>	<b>557.4</b>	<b>91%</b>

(According to the consolidated financial statements in 2016)

In 2016, KBC focused on developing infrastructure of Industrial Parks namely: Quang Chau IP, Trang Due IP, Tan Phu Trung IP, and the Urban Area of Phuc Ninh; constructing factories in Que Vo IP. The total consolidated revenue of the corporation in 2016 reached VND 2,018.7 billion, equaling 115% compared to that in 2015. The total revenue from core businesses (land lease, services, etc.) reached VND 1,972.5 billion, accounting for 97.7% of the total revenue of the Corporation, and equaling 137% compared to that in 2015. In 2016, the Corporation had no revenue from the sale of factories, since all of the workshops had been sold since 2015. The Corporation has completed four factories by the end of 2016, and also started some short term leases, so that the revenue from leasing factories reached nearly VND 9 billion.

The total consolidated net profit of the Corporation in 2016 was VND 711.3 billion, equaling 118% compared to that in 2015. However, although the total consolidated net profit of the Corporation was higher than that in 2015, this number of the parent company slightly decreased. That is because business activities were more promoted in subsidiaries.

Cost factors, which are lower than that in 2015 and previous years, have not had negative impacts on the total profit of the Corporation. In particular, interest expense incurred during the year was VND 81.6 billion, quite lower than that in 2015, equaling 4% of the total revenue; selling expenses slightly decreased, equaling 1.6% of the total revenue. Management costs were 30% higher than that in 2015, equaling 6% of the total revenue. That is mainly because of the increase in wages, and the purchasing services for external purposes.

**\* The operating results compared with the plan**

**In 2016, the BOM made 2 scenarios for consolidated revenue and profit of the Corporation as follows:**

**Scenario 1:** Positive: If Congresses of every countries, especially the US Congress, quickly approved TPP agreement, then the attracting investors who directly get benefit from the TPP will be very promising, because the investors will soon make decision of investment. Therefore, it is estimated that the consolidated revenue and consolidated profit in 2016 will be:

- Total consolidated revenues: VND 2,900 billion
- Total consolidated net profit: VND 850 billion

**Scenario 2:** Optimistic: If the process of approving TPP is slow, investors will not soon make decisions of investment. Therefore, it is estimated that the consolidated revenue and consolidated profit in 2016 will be:

- Total consolidated revenues: VND 1,900 billion
- Total consolidated net profit: VND 630 billion

**In fact, in 2016, the TPP agreement has not been approved by the National Assembly of every countries, and the United States signed the order to withdraw from this agreement. Thus, when comparing the operating status and the target, KBC decided to choose the scenarios 2 for comparison (In fact, it is likely that there will be no TPP)**

Unit: VND billion

TARGET	OPERATING RESULTS IN 2016	PLAN IN 2016	COMPLETMENT
Total revenue	2,018.7	1,900	106.2%
Net profit	711.3	630	112.9%

## 2. HUMAN RESOURCE ORGANIZATION

### BOARD OF MANAGEMENT (BOM)

#### MR. DANG THANH TAM –THE CHAIRMAN OF BOM

He was born in 1964, graduated engineer Maritime University in Haiphong. He also achieved a Bachelor of Laws, a Bachelor of Business Administration and Diploma of Business Management of Henley College – UK. Also, his English is quite fluent.

From 1988 to 1996, he worked at a shipping company in Saigon, then became CEO of Tan Tao Group (ITA) since 1997. Thanks to the success of launching Tan Tao Industrial Park during Asian crisis years, he was well-known as a pioneer in the field of IP development. In 2002, he came to Bac Ninh, an undeveloped area to create a foundation for the initial development of Que Vo IP there. After 5 years in operation, this industrial park has reputation in the northern region, that is one of his success and enormous contribution to Bac Ninh province. Thanks to his profound experience and long-term vision, he has constantly developed and expanded the industrial zones from north to south. Additionally, he is fluent in several foreign languages, understands macro policies and investment environment, domestic and international law, hence he also plays an important role in our business organizations, economic consultant and International Forums. Moreover, Mr. Dang Thanh Tam also was a Member of Parliament in the 8th term.

**The number and percentage of his ownership share up to 31/12/2016: 75,250,000 shares (16.02%)**

#### MS. NGUYEN THI THU HUONG – A BOM MEMBER AND CEO

Ms. Nguyen Thi Thu Huong was born in 1971. She held a Doctorate of Science in Economics and a Masters in Business Administration. She can use English and Chinese language fluently. With more than 10 years beside the development of the Corporation, Ms. Nguyen Thi Thu Huong has closely followed every strengths and weaknesses of the Corporation, then manipulated "KBC ship" to overcome the crisis wave in the previous years. Within her Prior experience in the diplomatic field, she is a spearhead in promoting investment and relations with large corporations as well as in controlling the operation in each industrial park. As the CEO, she has shown her important role in the renovation and improvement in management system over the years. Directly taking in charge of internal governance and external policy of the Corporation, Ms.Huong emphasized on responsibility in working, discipline and solidarity between workers as the most critical part of development. She received a Labor Medal(Third grade) from the President of the Socialist Republic of Vietnam; a Certificate of Merit from the Prime Minister because of her achievements from 2002 to 2006, which contributed to build socialism and defend our country in Decision No. 1539/QĐ-TTg dated 14/11/2007 of the Prime Minister, etc.

**The number and percentage of her ownership share up to 31/12/2016: 299,478 shares (0.06%)**



**MR. NGO MANH HUNG – A BOM MEMBER**

Mr. Ngo Manh Hung was born in 1964, has trained as engineer. Mr. Hung is an important part of Board of Directors thanks to his many years of experience in construction of industrial zones from north to south of Vietnam. At the same time, he also maintains several managerial positions at prominent industrial parks of our Corporation.

**The number and percentage of his ownership share up to 31/12/2016: 242,077 shares (0.05%)**

**MR. PHAM PHUC HIEU – A MEMBER OF BOM AND THE DEPUTY GENERAL DIRECTOR**

Mr. Pham Phuc Hieu was born in 1978 and appointed to be the Deputy General Manager of Finance and the Chief Accountant since 8/11/2012, appointed to be a Board member since 26/04/2014. Currently, he is also authorized to announce information of KBC. Mr. Pham Phuc Hieu graduated Bachelor of Banking and Finance. He has been working in KBC more than 10 years, as a financial stewardship at KBC and member companies, so he had good foundation in financial sector as well as trait business activities of the Group. His qualifications and experience has confirmed him as an important member in the board to help KBC overcome a difficult period and maintain sustainable development.

**The number and percentage of his ownership share up to 31/12/2016: 22,817 shares (0.005%)**

**MR. HUYNH PHAT – AN INDEPENDENT MEMBER OF BOM**

Phat Huynh was born in 1966 and gained a Bachelor degree in finance and accounting. Mr. Phat has joined Board of Management since 14/6/2013 as an independent member. With special knowledge in the field of finance and accounting as well as 12 years of experience in the field of industrial zone development, he regularly makes valuable and objective suggestions on many aspects in every decision of Board of Directors.

**The number and percentage of his ownership share up to 31/12/2016: 0 shares (0%)**

**BOARD OF DIRECTORS****\* MS. NGUYEN THI THU HUONG - CEO****\* MR. PHAM PHUC HIEU - DEPUTY GENERAL DIRECTOR IN FINANCE****\* Mr. Phan Anh Dung - Deputy General Director in Technology**

Mr. Phan Anh Dung, who was born 1969, is the Deputy General Director in charge of project development and technique constructions of the Company. As an experienced manager of residential areas, especially in the field of construction and housing, he had previously served as technical manager of KBC and was appointed to be the Deputy General Directors since 1 June 2011. Mr. Phan Anh Dung holds a MBA and an engineering degree.

**The number and percentage of his ownership share up to 31/12/2016: 11,500 shares (0.002%)**

**\* MS. NGUYEN MY NGOC - DEPUTY GENERAL DIRECTOR IN SALES AND MARKETING**

Ms. Nguyen My Ngoc, who was born in 1972, has a bachelor in foreign language and bachelor in banking and finance. Ms. Ngoc has 13 working years in some foreign companies and she is fluent in Chinese language and English. With her experience, cultural understanding and high sense of responsibility, Ms. Ngoc has successfully completed the role of Sales Manager for many years. As a result, Mrs. Ngoc was appointed Deputy General Director in charge of Sales and marketing of Group since 2 Feb 2015. Joining the Group since 2008, Mrs. Ngoc is an important factor in the board of KBC because she deeply understands the business prospects.

**The number and percentage of her ownership share up to 31/12/2016: 0 share (0%)**

## THE NUMBER OF STAFFS

### THE LABOR STRUCTURE IN THE PARENT COMPANY

QUALIFICATION	AMOUNT (PEOPLE)	RATE
Post graduated	12	7.36%
Graduated university	59	36.2%
College and vocational training	20	12.27%
Technical workers	21	12.88%
Security and guards	51	31.29%
<b>Total</b>	<b>163</b>	<b>100%</b>

The total number of staffs in Parent Company is 163 (10 staffs were added, 6 staffs left, compared to 2015). The total number of staffs in Group up to 31/12/2016 is 438, increasing 27 staffs in comparison with 2014.

### THE POLICY OF RECRUITMENT AND ALLOCATION

Our policy is issued based on the principle of efficiency and fairness, ensuring to allocate right people into right position to gain the highest efficiency. Company oriented to recruit talents according to specified criteria and properly arranged at right position to promote maximum workers' capacity. KBC always creates a favorable working environment for individual's development in career, at the same time, we accumulate and build potential and professional workforce for the Corporation.

### SALARY AND BONUS

Salary, bonus and welfare are important issues in Human Resource policies that are built-in balance with the development of Corporation. KBC fully implemented social insurance policy, health insurance and unemployment insurance according to Labor law for all employees. At the end of 2016, total average income of workers and employees of KBC reached VND 12 million/person/month; 9.1% higher than that in 2015.

Our employees enjoy policies of vacation according to the Labor Laws. Depending on characteristics of the work, officers and employees of our Corporation enjoy different types of allowances such as responsibility allowance, function allowance, lunch allowance, travel, phone, monthly telephone subscription, etc. To ensure the good employees of the Corporation, we held a kitchen at the office with fresh products which are directly processed. Every year, our Corporation organizes medical examinations for all staff at Medlatec hospital.

In addition, every year, our Group organizes an excursion for all the staffs, as well as organized several team-working activities. Activities of Trade union and organizations which play an important role for officers and employees are also regularly held.

## 3. THE INVESTMENT AND IMPLEMENTATION OF PROJECTS

### 3.1. The land fund of the Corporation

Currently, the group owns 5,174 hectares of land for Industrial Parks and 1,063 ha of land for urban areas. This land fund spans throughout the North, the Central, and the South of Vietnam. In 2016, Trang Due IP was approved to expand 687 hectares for the third phase.

#### \* Total land area of IP

No.	Industrial parks	Ownership rate of KBC (%)	Total area (ha)	Commercial land area	Remaining commercial land area	Accumulated occupancy rate 31/12/2015 (%)	Accumulated occupancy rate 31/12/2016 (%)
<b>* The projects 100% owned by KBC</b>							
1	Existing Que VoE IP	100	311	192	6.97	95	96
2	Expanded Que Vo IP	100	300	171	59.5	63	63
3	Nam son Hap linh	100	432.5	283.1	283.1	-	-
<b>* The projects owned by subsidiaries</b>							
4	Trang Due 1	86.5	187.8	129.3	1.1	99	99
5	Trang Due 2	86.5	214.2	133	47.3	28	64
6	Trang Due 3	86.5	687	456	456	-	-
7	Tan Phu Trung	60.5	542	314	231.1	23	26
8	Quang Chau	59.5	426	275.7	149.4	26.6	45.8
<b>* The projects owned by associated companies and long-term investments</b>							
9	Sai Gon – Nhon Hoi	10	630	445	400.5	10	10
10	Sai Gon – Chan May	28.14	650	586.1	586.1	-	-
11	Expanded Hoa Khanh IP	19.5	132.6	107.8	29.2	65.37	73
12	Lien Chieu	19.5	289.4	174.7		63.6	63.6
13	Dai Dong Hoan Son I	21.48	264.3	81.6	1	65	99.8
14	Dai Dong Hoan Son II	21.48	96	62	62	-	-
<b>Total</b>		<b>-</b>	<b>5,174</b>	<b>3,193</b>	<b>2,164</b>	<b>-</b>	<b>-</b>



## \* Total land area of IP

No.	Projects	Direct ownership rate of KBC (%)	Total area (ha)	Compensated land area
1	Phuc Ninh Urban Area	100	136.47	75
2	Lotus Hotel - Ha Noi	100	4	-
3	Diplomatic zone	100	2	-
4	Trang Cat Urban Area	100	584.9	511
5	Trang Cat Urban Area- service and housing for workers	86.5	42	Expect to compensate in 6/2017
6	Tay Bac - Cu Chi housing for workers	60.5	47.7	47.7
7	Quang Chau Urban Area	59.5	120	60
8	Dragon City Park (Da Nang)	19.5	78.3	78.3
9	Bau Tram Lakeside Park	19.5	19.5	19.5
<b>Total</b>			<b>1,063</b>	

In 2016, some Urban Areas of KBC were transferred such as Low-income housing in Que Vo (6.3 ha), Hoa Khanh expanded residential area in Da Nang (11.87 ha), An Vien Urban Area in Da Nang (1.95 ha).

In the list of projects above, there are not any bad projects. All of them have the market price higher than the book price, as the prices of leasing land, factories, and selling land in IPs always tend to increase. Since the projects were established, the price of leasing land in IPs has increased from \$20/m<sup>2</sup> to \$80/m<sup>2</sup> without depending on the remaining duration of the projects.

The total book value of main projects owned by parent companies and subsidiaries now is nearly VND 8,500 billion, but this number could be over VND 10,000 billion when estimated at market price. Therefore, the estimated value of KBC's stock at this point of time is over VND 20,000/ share.

### 3.2. General investment situation

In 2016, KBC spent VND 697.6 billion on investing in projects of parent company and subsidiaries. In particular, we spent VND 246.9 billion on building infrastructure for the 2nd phase (214 ha) of Trang Due IP (Hai Phong); VND 13.3 billion on compensating and building infrastructure for Tan Phu Trung IP; VND 106 billion on compensating, building 4 factories and other infrastructure of expanded Que Vo IP; VND 81 billion on Quang Chau IP, VND 33.6 billion on Phuc Ninh Urban Area; VND 27.8 billion on Nam Son Hap Linh IP; and other investment costs.

There is no project implemented by KBC in 2016; instead, we transferred the whole project of low-income housing in Que Vo, Bac Ninh (6.3 ha) to a Taiwanese Corporation, who invested factories in Que Vo IP, with VND 218.8 billion of total transfer value; and received VND 4.36 billion of capital contribution from Viet Capital Asset Management Corporation.

In terms of net value of projects according to inventory items and unfinished basic construction cost, the movement is insignificant, compared to 2015. In particular:

1. The value of inventory items up to 31/12/2016 was VND 8,243.6 billion (1.4% lower than that in 2015). This value in Trang Due IP, expanded Que Vo IP, and Quang Chau IP respectively was 29.47%, 14.4%, 12.28% lower than 2015; meanwhile the investment in all of those IPs increased in 2016, with significant total value mentioned above. In other words, sale activities are quite positive, inventory rotation is faster, and prime cost of goods sold is higher than the incremental investment cost.

2. Unfinished basic construction cost up to 31/12/2016 was VND 234.3 billion (0.23% lower than that in 2015). Detailed categories are still the same as 2015, the main focus is the investment in Lotus Hotel (Hanoi), diplomatic zone. There has been no increase in cost of those projects in the year.

### 3.3. Investments in associated companies and long-term financial investments

The total value of investments calculated at cost of parent company in associated companies was VND 723.7 billion, the net amount on 31/12/2016 was VND 361.3 billion, in which VND 362.3 billion was spent on a backup fund. The provision was mainly due to the depreciation of the share of Saigon Telecommunication and Technologies., JSC (SGT) during recent years. However, in 2015 and 2016, SGT has made a profit again, contributing VND 24.3 billion to the "profit from associated companies" according to the report of business statement of the Group (156% higher than that in 2015).

Investments in Sai Gon-Hue Joint Stock Company, Sai Gon Hi-Tech Park Infrastructure Development and Investment Joint Stock Company, Scanviwood Joint Stock Company were considered as "loss from associated companies" of the Corporation in 2016, with VND 2.8 billion of loss.

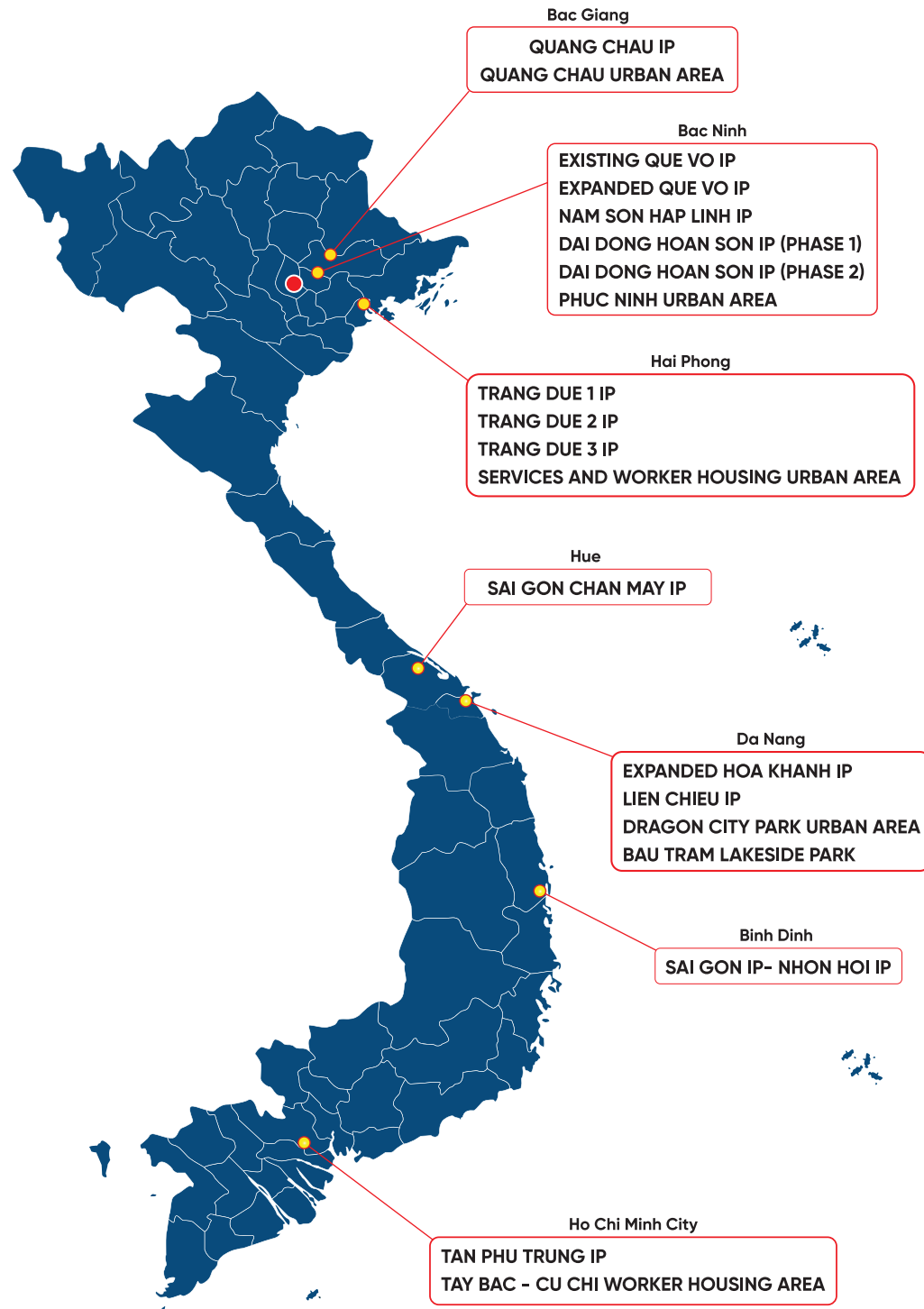
In terms of long-term financial investments, KBC owns less than 20%, with VND 448.5 billion of total investment value, extracting VND 39.7 billion for backup fund due to the impact of the investment in Saigon Quy Nhon Mining Corporation. The capital invested in this project was VND 339 billion, equaling to 75.6% of the total long-term investment value. The capital invested in IPs was VND 68 billion, equaling to 15.2% of the total long-term investment value (including Industrial Parks in Da Nang, Binh Phuoc, Nhon Hoi), other investment cost was VND 41.5 billion, equaling to 9.3% of the total long-term investment value.

Although, the investment portfolios in associated companies and long-term investments have not brought profit to KBC, these companies now own 2,074 hectares of land for Industrial Parks of KBC, equaling to 1,457 hectares of commercial land. 1,143 hectares of remaining commercial land are the assets that create increased value of KBC, as followings:

No.	Industrial park	Ownership rate of KBC (%)	Total area (ha)	Area of commercial land	Area of remaining commercial land	Accumulated occupancy rate 31/12/2015 (%)	Accumulated occupancy rate 31/12/2016 (%)
1	Sai Gon - Nhon Hoi IP	10	630	445	400.5	10	10
2	Sai Gon - Chan May IP	28.14	650	586.1	586.1	-	-
3	Expanded Khanh Hoa IP	19.5	132.6	107.8	29.2	65.37	73
4	Lien Chieu IP	19.5	289.4	174.7		63.6	63.6
5	Dai Dong Hoan Son (phase 1)	21.48	264.3	81.6	1	65	99.8
6	Dai Dong Hoan Son (phase 1)	21.48	96	62	62	-	-
<b>Total</b>		-	<b>2,074</b>	<b>1,457</b>	<b>1,143</b>	-	-

In 2016, Dai Dong Hoan Son IP (phase 1) of SGT got 99.8% of occupancy rate. In 2017, SGT are going to start implementing phase 2 with the total area of 96 hectares.

3.4. Operating status and prospects of main projects



THE PROJECTS 100% OWNED BY KBC

1. Que Vo IP

Que Vo IP is located in Bac Ninh with the total area of 611 hectares, including the existing Que Vo IP (300ha), which came into operation since 2003; and expanded Que Vo IP (311 ha), which came in operation since 2006. They are 2 IPs creating added value and brand for KBC, and becoming a typical pattern for constructing and developing modern industrial parks of the Corporation in the Northern. With the strategic location in the economic center of the North, convenient and diverse transportation systems, these industrial parks, have attracted many big-name corporations like Canon, Foxconn, Tokyo Ink, VS Industry, and numerous enterprises in Taiwan, South Korea.

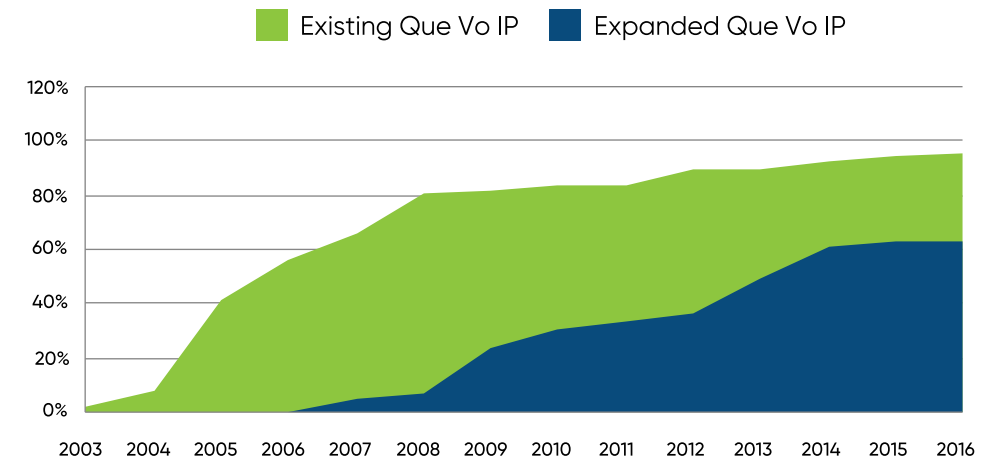
Additionally, in these two industrial parks, KBC have constructed a number of factories and offices for lease and sale. These factories totally met the demand of the FDI enterprises namely satellite companies, secondary companies of large corporations, helping them to minimize investment risks and shorten the progress of investment in Vietnam. Therefore, these 50 factories have been 100% leased and sold. In 2016, KBC constructed 4 new factories, all of which have been leased.

In 2016, the total revenue of parent company was VND 569.3 billion, after tax profit reached VND 333.6 billion (Revenue from transferring low - income housing project accounted for 38.4%, financial revenue accounted for 37.9%, revenue from clean water fee, infrastructure fee accounted for 14%, revenue from leasing land accounted for 9.4% of the total revenue of parent company).

During the year, KBC had no revenue from the sale of factories, as all factories had been sold since 2015. At the end of 2016, 4 factories were constructed and are being leased.

Development plan for 2017: The existing Que Vo IP remain 6,97 hectares of commercial land, with the occupancy rate of 96%; the expanded Que Vo IP remain 59.5 hectares of commercial land, with the occupancy rate of 63%. In 2017, there are going to be 30 factories constructed in Que Vo IP. The main focus will be attracting customers from Taiwan, South Korea, and satellites of Samsung, etc.

OCCUPANCY RATE





## 2. Nam Son Hap Linh IP

With the total area of 432.5 hectares, located in Bac Ninh province, a favorable geographical position (adjacent to 18B National Highway and only 15km far from the Samsung factory), favorable traffic connections with seaport and airport, this IP has become a destination attracting many investors. Nam Son Hap Linh IP has an estimated commercial land area of 283.11 hectares in total, in which 100 hectares of compensated land of industrial park were the most potential for development of the Corporation in 2017 and the coming years.

In 2016, KBC invested VND 27.8 billion for leveling the project that delayed to attract investment compared to the plan. However, in Bac Ninh province, land for developing industrial parks is almost exhausted; the operating IPs of KBC has a high occupancy rate. Meanwhile, the demand of investors has constantly increased, especially investors from Korea, new sub-contractors of Samsung, who will continue to expand the scale and invest \$ 2.5 billion into Bac Ninh in 2017. Thus, this IP is an important land fund for business development of KBC in the coming years.

Although the project is in the initial stage of construction and has a total investment of VND 234.6 billion; only based on the compensated land price of Bac Ninh province, the value of the compensation items of the project is VND 500 billion (excluding construction and other expenses).

Development plan for 2017: The project will continue to complete the infrastructure. If the company arranges the capital fund from a foreign credit institution, which is in the final stage of evaluating loan process, the construction of 05 factories may be conducted in parallel with completing the infrastructure

## 3. Phuc Ninh Urban Area

The of Project Phuc Ninh - Bac Ninh Urban area was invested by KBC, located in the center of Bac Ninh City, with a total area of 136.47 hectares (75 hectares of compensated land, 60 hectares of handed over land, 18.1 hectares of commercial land, 16 raw villas, and 6.27 ha of land in the process of completion). It's quite beneficial for this project since the surrounding infrastructure was fully developed with a lot of people around. Especially, the demand of accommodation for experts working in industrial parks, and of land for residents with good income are highly increasing. The project was approved by the Ministry of Construction and People's Committee of Bac Ninh Province to construct and come into business in the 1st phase with an area of 55.8 ha, in which 10.4 ha of land are estimated to sell subdivided plots. In 2017, 6.27 ha (equaling to 3.46 ha of commercial land and 2.5 ha of subdivided land) will be put into business.

In 2016, the project has been invested more VND 33.6 billion, was issued certificates of land use rights for all villa in the area of 6.27 ha (3.46 ha of commercial land), transferred all over 500 tombs throughout the project area. In 2016, the project has not yet opened for sale due to not completed approval sample design, some other procedures.

Development plan for 2017: Opening sale of 6.27 ha land, issuing VND 1,000 billion of bonds, arranging capital to continue the investment in the infrastructure, speeding up business activities.



## 4. A-class real estate projects in Hanoi

In Hanoi, KBC owns 02 major projects. The first one is Diamond Rice Hotel Project which covers an area of 40,000 m2 located in Pham Hung street also known as the new administrative center of Hanoi. The second one is Diplomatic Zone Project which covers 20,000 m2 in an aggressively developing area of Hanoi - Pham Van Dong Street, right next to Peace Park.

In 2016, a subsidiary named "Lotus Hotel One member limited liability Company" was established to manage and develop the project. Currently, both projects are in the process of completing legal procedures, but have been cooperated of a number of partners. VND 145 billion was invested in the projects. With the current situation, the projects were valued VND 500 billion by investors.

For Diplomatic Zone Project, KBC has not had a detail plan for short-term development.

**These are the operating status and development plans of projects owned by parent company. On 31/12/2016, the total assets of parent company was VND 9,729 billion, principal balance of credit institutions was VND 939.7 billion. Payable interest was VND 732.1 billion (this is an accumulated loan interest accounted from 2012 and was extended until 2020, after paying principal debts at PVcom-bank).**

**The total revenue of parent company in 2016 was VND 569.1 billion (equaling 79% compared to that in 2015; after tax profit was VND 333.6 billion (equaling 86% compared to that in 2015)).**



**PROJECTS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

**1. Trang Cat Urban Development One member limited company (TCC)**

- **Address:** North Beach Park, Trang Cat ward, Hai An Dist., Dinh Vu – Cat Hai economic zone, HaiPhong city
- **Business line:** Industrial Park and Urban Area Real Estate Sales
- **Registered capital:** VND 1.500 billion
- **KBC's current holding rate: 100%**

TCC is the investor of Trang Cat IP and services Project which have a total area of 548.9 hectares and 511 hectares of compensated land. Total investment in infrastructure is expected to be VND 6,300 billion (six thousand three hundred billion). The total invested value is VND 3,545.4 billion, including compensation costs, construction cost of the tunnel leading from the highway Ha Noi – HaiPhong to the project, and implemented interest capitalization.

The company's strategic development is leaning toward foreign partners in order to build more specialized and functional construction projects. Therefore, specific planning will be carried out in accordance with the development of investment in this industry between Vietnam and other nations.

**2. Saigon – Hai Phong Industrial Park Jointed Stock Company (SHP)**

- **Address:** Trang Due Industrial Park, Le Loi Commune, An Duong district, HaiPhong City, Vietnam
- **Registered capital:** VND 416 billion
- **Business line:** Real estate and urban industrial park
- **KBC's current holding rate: 86.5%**

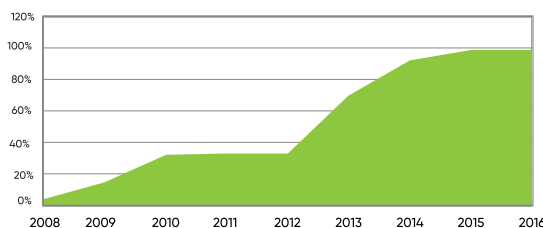
SHP is the owner of Trang Due Industrial Park Project, which is located in the economic zone of Dinh Vu – Cat Hai (HaiPhong) where the highest level of incentive policies are provided by the government of Vietnam. Investors in the IP will receive maximum tax incentives such as income tax exemption for 4 years, 50% reduction of tax payable for the next 9 years, income tax rate of 10% in the first 15 years, import tax exemption for the imported goods as prescribed, 50% income tax exemption for workers working in the IP, etc.

In the first stage, the total area of 187.8 hectares has been 99% filled up. The second stage, which was implemented investment and business activities, has the total area of 214.2 hectares (equaling to 133 hectares of commercial land); the area of compensation area was 22.7 hectares, remaining commercial land was 47.3 hectares, the occupancy rate of this stage was 64.4 %. This is the IP which has the fastest occupancy rate of the KCB. Trang Due IP attracted 53 investors, in which there are 83% of foreign investors. Some big names that could be mention are LG Electronics, LG Display, Dongjin Techwin Vina, Asia Plastic J.S.C, Haeng Sung Electronic, etc.

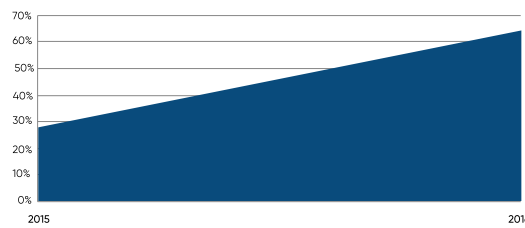
Up to 31/12/2016, the total assets of SHP were VND 2,560.5 billion, the total outstanding balance were VND 339.4 billion (19.5% lower than that in 2015). The total revenue of SHP was VND 850.2 billion (equaling to VND 318.2 billion making after tax profit, which is 8% higher than that in the previous year)

Development plan for 2017: SHP will focus on improving infrastructure, attracting investment and occupying the 2nd Stage of Trang Due IP; completing legal procedures; implementing clearance in 3rd stage of Trang Due with the total area of 687 hectares, and in Trang Due Urban Area and Services with the total area of 42 hectares.

**OCCUPANCY RATE CHART OF TRANG DUE 1 IP**



**OCCUPANCY RATE CHART OF TRANG DUE 2 IP**



**3. Saigon – Bac Giang Industrial Park Joint Stock Company (SBG)**

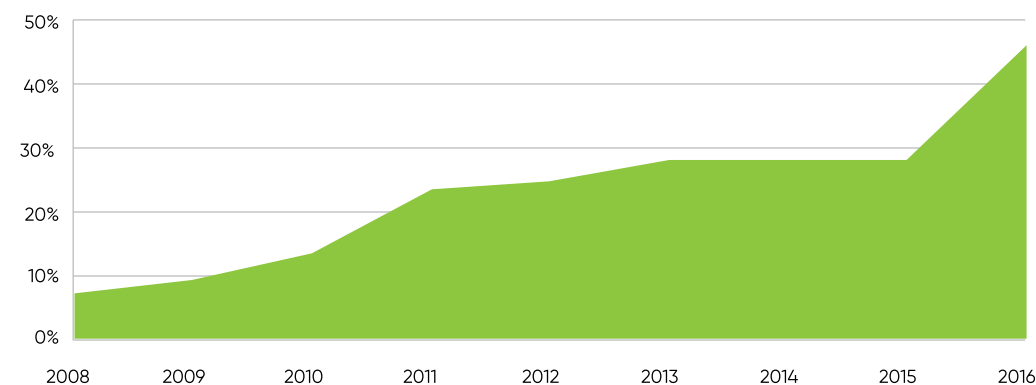
- **Address:** QuangChau Industrial Park, QuangChau commune, Viet Yen district, Bang Giang province
- **Business line:** Industrial Park Infrastructure
- **Registered capital:** VND 220 billion
- **KBC's current ownership rate: 59.5%; Interest rate (direct and indirect): 76,81%**

SBG is the owner Quang Chau IP and Urban Area Project. Quang Chau IP is located in Viet Yen district, Bac Giang province, with a total area of 426 hectares, the total area of commercial land of 275.6 hectares, occupancy rate of 45.8%, 111.8 hectares of commercial land that has not complete compensation process. The project is conveniently located right next to Bac Ninh province, about 2km from Que Vo IP and on the traffic line connecting many large manufacturing zones. This IP has attracted 14 foreign corporations. Typical enterprises who invested in Quang Chau IP are: Nichirin Viet Nam Co., Ltd, UMEC Vietnam, Crystal Vietnam, ect. In 2016, Quang Chau IP has recorded the revenue of 52,8 hectares.

Up to 31/12/2016, the total assets of SBG were VND 1,529.8 billion, outstanding balance was VND 370.8 billion. SBG's total revenue in 2016 was VND 644 billion (equaling to VND 111.5 billion of after-tax profit, which is 262% higher than that in 2015).

**Development Plan for 2017:** this IP will continue to strongly promote investment attraction, which is expected to be the bright spot of KBC, as the leasing land demand of Corporations who came and surveyed this IP can cover almost the remaining commercial land. Moreover, SBG is in the process of building 10 factories for leasing.

**OCCUPANCY RATE CHART OF QUANG CHAU IP**





#### 4. Sai Gon Tay Bac Urban Development Joint Stock Company (SCD)

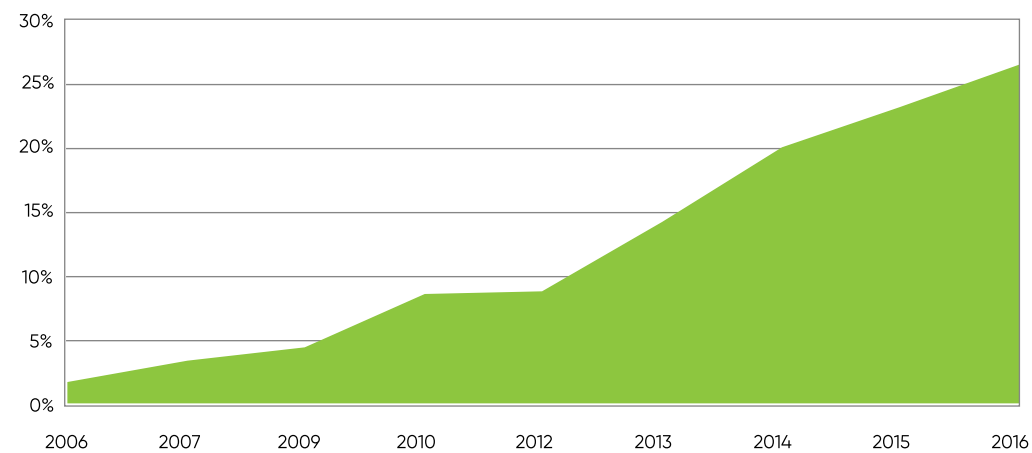
- **Address:** Tram Bom Hamlet, Highway 22, Tan PhuTrung Commune, Cu Chi District, Ho Chi Minh City
- **Business line:** Real Estate – Industrial Park Infrastructure
- **Registered capital:** VND 500 billion
- **KBC's current ownership rate: 60,52%, interest rate (direct and indirect): 62.68%**

SCD is the owner of Tan Phu Trung IP Project in Cu Chi district, 25km from the center of HCM City. The total area is 542 hectares including 314 hectares of commercial land; 26% of occupancy rate, 231.1 hectares of remaining commercial land, 29.65 hectares of incompletely compensated land. In 2016 Tan PhuTrung Industrial Park has leased 10,2 hectares. In addition, SCD is the investor of worker housing project with the scale of 47.7 hectares. This real estate project aims to supply housing demand of workers in the IP (7,800 workers as expected)

Up to 31/12/2016, the total assets of Sai Gon-Tay Bac were VND 1,362.7 billion, outstanding balance was VND 177.8 billion. The total revenue of Sai Gon- Tay Bac in 2016 was VND 168.9 billion. Respective after-tax profit was VND 42.8 billion, equaling to 63.7% compared to that in 2015.

Tan PhuTrung IP has many advantages in terms of location, land bank available for rent which meets the customers' demand. In 2017, KBC will focus on creating an appropriate business strategy, expecting to attract satellites of Samsung in Ho Chi Minh city.

**OCCUPANCY RATE CHART OF TAN PHU TRUNG IP**



#### 5. Lotus hotel one-member limited liability company

The company was established in 2016, located at No.100 An Trach street, Quoc Tu Giam Ward, Dong Da District, Hanoi. The company is completely owned by KBC. The company's responsibility is to manage the development of Lotus Hotel project, ensuring everything to be completed by the 1st of July 2017.

#### 6. Sai Gon Hue Joint Stock Company (SGH)

- **Address:** No. 15 Nguyen Hue, Hue City
- **Registered capital:** VND 350 billion
- **Main business activities:** Investment, opening businesses and construction inside and outside the Industrial Park, Residential areas, settlements, workers' quarters, industrial and civil construction and transportation.
- **KBC's current ownership rate: 28.14%**

SGH is the investor of the investment project to build industrial park and non-tariff area of SaiGon – Chan May. This industrial park covers a total area of 650 hectares located in Tien Loc Vinh commune, Phu Loc district, Thua Thien Hue. The strategic location of the industrial park is fifty kilometers from Hue city center, 32 kilometers from the center of Dang Nang, therefore, there are seaports and airports nearby. Moreover, this location is very close to the economic zone of Chan May Lang Co, which will benefit both investors and workers in terms of tax reduction provided by the government according to the special economic zone policy. Currently, 73.24 hectares of the projects have been compensated, 07 factories with the total area of 25,515 m2 have been constructed. This project has not attracted investment yet.

#### 7. SAIGONTEL Joint Stock Company (SGT)

- **Address:** Lot 46, Quang Trung Software Park, Tan Chanh Hiep Ward, District 12, Ho Chi Minh City
- **Registered Capital:** VND 740 billion
- **Main business activities:** Investment in infrastructure business, buildings, leasing industrial parks; Distribution of IT products, television services, telecommunications services.
- **KBC's current ownership rate: 21.48%**

SGT is the investor of the project of investing in constructing infrastructure of Dai Dong Hoan Son IP (Bac Ninh), with the total area for the 1st stage of 268 hectares. Up to 2016, the 1st stage was completely occupied. Now, SGT is preparing to implement the 2nd stage, with the area of 96 hectares.

In 2016, the total revenue of SGT was VND 723.4 billion (34% higher than that in the previous year), after-tax profit was VND 69.7 billion (3 times higher than that in 2015).

#### 4. FINANCIAL POSITIONS

##### a. Financial position

Unit: VND

TARGET	2015	2016	% INCREASE/ (DECREASE)
Total value of assets	13,653,707,159,630	14,657,547,795,899	7.4
Equity	8,036,004,987,843	8,621,089,944,484	7.3
Net revenue	1,434,851,916,992	1,972,459,422,710	37.5
Profits from business activities	730,902,803,960	914,642,888,677	25.1
Before-tax profit	729,975,128,924	922,018,821,422	26.3
After-tax profit	602,062,455,356	711,284,966,641	18.1
Basic interest/share (VND)	1,316	1,186	

(According to audited consolidated financial statements in 2016)

##### \* The reasons of changes in total assets and equity

The total assets of the Corporation increased by 7.4%, the total equity increased by 7.3% compared to 2015. The main reason for the VND 1,000 billion increase of the total value of assets is the increase of KBC's sales, as a result, receivables also increased sharply. In particular, receivables from large corporations such as JA Solar, KCT Ltc, ZYF, LG Display, Hoang Hai, etc. accounted for 70% of the total value of short-term receivables. In addition, prepayments to sellers increased by VND 313 billion, due to advance payment by the Corporation to carry out ground clearance, and to construct infrastructure for construction units.

In terms of net capital, the total net debts increased by VND 418.7 billion equaling to 7.45% compared to 2015. The main reason is that advance from customers increased by VND 449.3 billion, equaling to 105% compared to 2015, this amount of money can generate more than VND 1,000 billion in revenue for KBC. Meanwhile, long term debt fell by VND 299.3 billion, which is a good sign for KBC.

Equity of the corporation increased by VND 585 billion, equaling to 7.28%, which is mainly because the undistributed profit increased by VND 537.2 billion.

##### \* The reasons of changes in Revenue- Profit

Net revenue from sales and service provision in 2016 increased by VND 537.6 billion equaling to 37.4% compared to that in 2015. This was because the Corporation sold 112.8 hectares of land, increasing by 29.1% compared to 2015 (80 hectares). Land for sale in Quang Chau IP (SBG) was 52.8ha, in Trang Due IP (SHP) was 48.3ha, in Tan Phu Trung IP was 10.2ha, Que Vo IP was 1.5ha; We transferred 6.3ha Project of housing for workers and leased 15,824 m<sup>2</sup> of factories in Que Vo IP. Thus, the Corporation's after-tax profit, which mostly came from core business, increased by VND 109.2 billion equaling to 18% compared to 2015.

##### b. The main financial ratios

RATIOS	2015	2016
<b>1. Ratios on solvency</b>		
+ Short-term liquidity rate: Short-term assets/ debts	4.08	3.86
+ Fast liquidity rate: (Short-term assets- Inventories)/ Short-term debts	1.24	1.41
<b>2. Ratios on capital structure</b>		
+ Debt/Total assets	0.41	0.41
+ Debt/Equity	0.70	0.70
<b>3. Ratios on operational capacity</b>		
+ Inventory Turnover (year)	5	5
+ Net revenue/total assets	11%	13%
<b>4. Ratios on profitability</b>		
+ After-tax profit/Net revenue rate	42%	36%
+ After-tax profit/Total revenue rate (*)	34%	35%
+ After-tax profit/Equity rate	7%	8%
+ After-tax profit/Total asset rate	4%	5%
+ Interest from business activities/Net revenue rate	51%	46%





**SOLVENCY**

Indicators of KBC's liquidity does not change much compared to the previous year. The short-term liquidity has decreased slightly by 3.86 times compared to 2015, but still ensures a very good solvency. The reason for this reduction is the increase in short-term debt due to the increase in the item of advance payment (this is a good sign). The company's fast liquidity rate tends to increase, which is a positive and safe sign, ensuring the ability to repay due debts.

**CAPITAL STRUCTURE**

Up to 2016, the total assets of KBC were being sponsored by the capital structure of 41% from debts and 59% from equity, which does not change compared to 2015. This structure is very good for a real estate enterprise like KBC. For other enterprises in the same field, the item of debts may be accounted for 70% of the total assets, while the number in the item of equity is 30%.

**OPERATIONAL CAPACITY**

Inventory turnover is only for reference, due to the nature of the IP product, which is related to the business cycle of the IP (often lasting several years) and unlike consumer goods; and accounting estimates that relate to sales and future development costs.

The assets turnover ratio has increased from 11% (2015) to 13% (2016), which shows that KBC has been operating more efficiently in 2016. While total assets increased by 7.4% Net sales increased sharply by 37.5%.

**PROFITABILITY**

Most of KBC's profitability ratios were higher than in 2015, except after tax profit over net revenue decreased from 42% to 36%, and after-tax profit over total revenue decreased from 34% to 32.5%. The main reason is that the profit in the year has not any big contribution from financial income like 2015.

The after-tax profit over equity increased from 7% to 8% compared to 2015, which showed signs of further improvement.



## 5. SHAREHOLDER STRUCTURE CHANGES THE OWNER'S CAPITAL

## QUANTITY OF SHARES UP TO 31/12/2016

ITEMS	QUANTITY OF SHARES
<b>Tota issued shares</b>	<b>475,711,167</b>
Quantity of ordinary shares	475,711,167
Preferred shares	0
Treasury shares	5,950,978
<b>Shares in circulation</b>	<b>469,760,189</b>
Free transfer shares	469,760,189
<b>Restricted transfer shares</b>	<b>0</b>

## \* SHAREHOLDER STRUCTURE

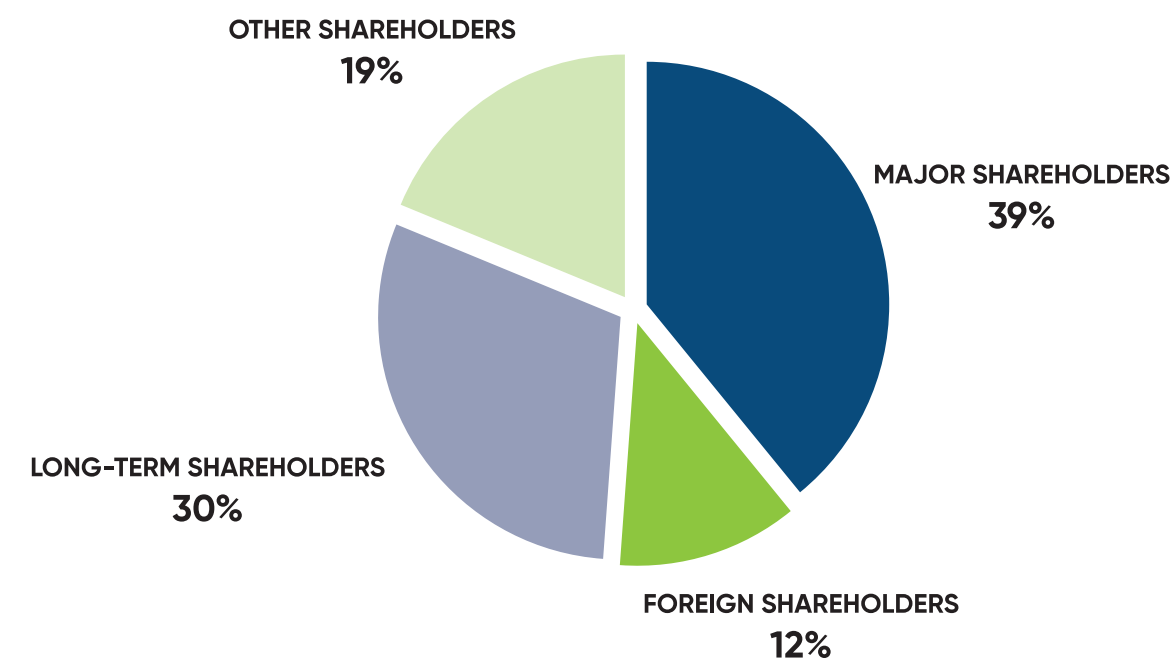
## Shareholder structure according to shareholders list in 21/3/2017

TYPES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	QUANTITY OF SHARES	RATE
<b>Domestic</b>		<b>322,296,231</b>	<b>67.75%</b>
Individual	6,589	256,892,280	54.00%
Organization	71	65,403,951	13.75%
<b>Foreign</b>		<b>147,403,985</b>	<b>31.00%</b>
Individual	152	3,160,155	0.66%
Organization	71	144,303,803	30.33%
<b>Total shares in circulation</b>		<b>469,760,189</b>	
Treasury shares	1	5,950,978	1.25%
<b>Total</b>	<b>6,884</b>	<b>475,711,167</b>	<b>100.00%</b>

## SHAREHOLDER STRUCTURE (21/3/2017)

NAME OF SHAREHOLDERS	QUANTITY OF SHARES	RATE
<b>Total issued shares</b>	475,711,167	100%
<b>Treasury shares</b>	5,950,978	1.25%
<b>Shares in circulation</b>	469,760,189	98.75%
<b>Major shareholders</b>	183,693,913	39.10%
Dang Thanh Tam (Chairman)	75,250,000	16.02%
PYN Elite Fund	32,062,620	6.83%
Group of shareholders of Dragon Capital	37,996,973	8.09%
Kinh Bac Consultancy and investment.,JSC	38,384,320	8.17%
<b>Other foreign shareholders</b>	56,594,874	12.05%
<b>Long-term shareholders</b>	141,265,463	30.07%
<b>Other shareholders</b>	88,205,939	18.78%

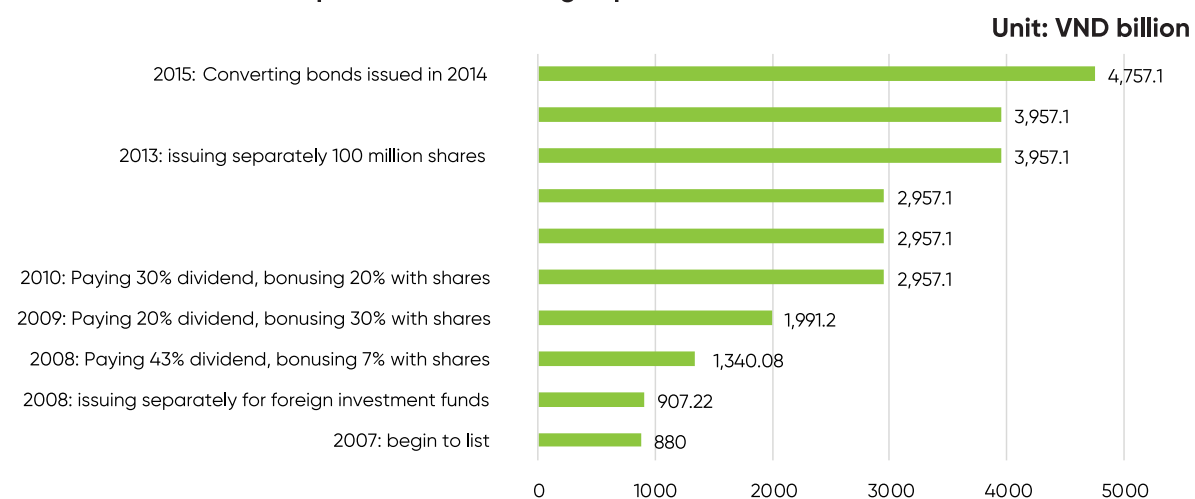
(\*) Long-term shareholders are shareholders who hold shares continuously





## THE SITUATION OF CHANGING CAPITAL CONTRIBUTION OF THE OWNERS

### The process of increasing capital of the owners



In 2016, KBC did not issue shares, did not issue other types of securities; transactions of treasury shares does not arise more.

## 6. REPORT ON THE ENVIRONMENTAL AND SOCIAL IMPACT OF THE CORPORATION



In 2016, with the purpose of sustainable development, in order to meet the international standard of attracting investment, arranging capital and cooperating, KBC hired ERM (an organization who specializes in Researching and managing the global environment) for independent assessment of KBC's current environmental management issues. ERM has given solutions and roadmaps for creating assessment criteria of KBC's environmental management, based on international standard.

ERM has raised the existing problems under two criteria, and proposed to the Corporation the ways and the roadmap to complete the process.

**Criterion 1:** assessing social environment and management system. **Criterion 2:** Employees and working condition. **Criterion 3:** Pollution prevention and reduction. **Criterion 4:** Public health, safety and security. **Criterion 5:** Involuntary land acquisition and resettlement.

### The existing problems pointed out be ERM:

There is no environmental and social management system (ESMS) formally established by KBC and the subsidiaries. Because of this reality, there is no environmental management system certification from the regulatory authority. There is no industrial park which has on-site environmental policy. E&S risk can only be limited by available E&S management programs. There is no industrial park which has an Emergency Response Plan, etc.

Industrial parks carry out construction and operation activities, which can cause health and working safety risks (such as working at height, electric safety, machinery and chemical safety, etc.). IPs do not have policy to identify and assess these types of risks. As a result, IPs do not have formal medical safety program to manage problems related to their daily activities, except some internal safety regulations. There is no IP which has on-Site Clinic or providing emergency equipment. When necessary, the injured are taken to the local hospital. There is no IP which has a contractor supervisor program on labor issues. According to representatives of KBC, ensuring their human resources and their working conditions is the responsibility of the contractor. Although there is no specific problem reported, ERM hopes that non-compliance with labor contracts, wage payments, discipline, etc. is common among construction companies. Currently, KBC's management is considering, planning to complete the criteria proposed by EMC in the next 1 year.

The following is information on environmental and social issues in accordance with the reporting regulations according to Circular 155 issued on 6/10/2015 by the Ministry of Finance guiding the disclosure of information on the stock market

## 6.1. Material management

### a. Total amount of materials used by the organization during the year

The main business activities of KBC are: investing, trading and developing the infrastructure of Industrial Parks and Urban Areas; constructing standard factories for leasing; and providing services of water supply, sewage, lighting equipment, communicative information, etc. Therefore, the main materials used to make products, and to complete the infrastructure of factories of the Corporation is are materials for basic construction (sand, yellow sand, crushed stones, gravel, concrete piles, reinforced concrete, corrugated iron sheets, precast concrete, steel clay, prefabricated concrete, sewer, Lighting equipment, trees, etc.).

However, to construct the infrastructure and works, the Corporation does not directly implement the construction, but hiring contractors. When each item is completed, the Corporation conducts a pre-acceptance test under the items, each item includes a variety of materials. The Corporation does not manage the volume of raw materials by type, but by items of works.

"During the process of constructing, the labor safety committee established by the company is responsible for guaranteeing environmental sanitation, ensuring that all materials used are to comply with construction standards and construction decree issued by the state".

**b. Percentage of recycled materials used to produce the Corporation's main products and services:**  
None

## 6.2. Energy consumption

### a. Direct and indirect energy consumption

In Industrial Parks of KBC, investors directly purchase electricity from EVN, the Corporation does not directly managed;

The total electric power directly used in 2016 in each IP was estimated nearly 3,000,000 KWH (including electric power used in offices, Water supply stations, wastewater treatment plants, lighting systems). Currently, there are 4 IPs of KBC that directly used electric power namely: Que Vo IP, Trang Due IP, Quang Chau IP, Tan Phu Trung IP.

### b. Energy saving initiative

Regarding the responsibility of KBC as an investor, Industrial Parks has always been focused on environmentally friendly and sustainable development. Electricity and water system was appropriately designed at the beginning. Energy-saving appliances such as energy-saving lightbulbs are preferred. In the future, Industrial parks tend to use the method of providing electric power to sunlight. In the process of constructing factories, offices, the use of environmentally friendly materials, locally available materials are given priority. For offices, the use of electricity and electrical appliances during peak hours is limited; instead, use less energy-consuming appliances, turn off electrical appliances when not in use, set air-conditioning temperatures. At the appropriate level, the paper in the printing should be limited to use when not needed, electronic documents should be actively used for exchange at work, etc.

### 6.3. Water consumption

Most of KBC's industrial parks built their own water supply plants and wastewater treatment systems.

#### a. The main source of water for the industrial zones is underground water.

In Que Vo IP, there are 02 water supply plants with maximum capacity of 9,000 m<sup>3</sup>/day and average water consumption is 7,500 m<sup>3</sup> / day. There is a sewage plant with a maximum capacity of 6,000 m<sup>3</sup>/day. The total volume of wastewater being treated is 5,500m<sup>3</sup>/day.

In Quang Chau IP, there is a factory providing clean water with a maximum capacity of 3,500m<sup>3</sup>/day, the average consumption is 748m<sup>3</sup>/day. One wastewater treatment plant has been upgraded from a capacity of 2,800 m<sup>3</sup>/day to 12,000 m<sup>3</sup> / day. The total volume of wastewater being treated is 598m<sup>3</sup>.

In Trang Due IP, the company uses water from the Vat Water Plant (An Duong, Hai Phong) with the capacity of 20,000m<sup>3</sup>/day. The current water consumption of the whole IP is 1,000m<sup>3</sup>/day. In the year of 2016, Trang Due IP invites other investors to build and manage, collect wastewater treatment plant with capacity of 2,900 m<sup>3</sup>/day. Typically, wastewater discharge accounts for 75% to 80% of the fresh water consumed.

By the end of 2016, the company is preparing to complete construction of the Trang Due clean water plant with the capacity of 13,500 m<sup>3</sup>/day to provide clean water for secondary investors in the IP.

Tan Phu Trung IP has a factory that provides clean water with capacity of 3,000m<sup>3</sup>/day; Total water consumption is 493m<sup>3</sup>/day. There is a wastewater treatment plant with a capacity of 4,000m<sup>3</sup>/day. The average wastewater treatment capacity is 394m<sup>3</sup>/day.

#### b. Percentage and total recycled and reused water

All used water is discharged into the central wastewater treatment system of the IP. The IP does not use recycled water or reuse water. Post-treatment wastewater meets **QCVN 40/2011/BTNMT** column A.

### 6.4. Compliance with the law on environmental protection

KBC's industrial parks always abide by all regulations on environmental protection in Vietnam.

### 6.5. Policies related to workers

#### a. Number of employees and average salary:

Items	Male	Female
<b>Total workers:</b>	132	31
Local workers (Bac Ninh):	89	11
Foreigner workers:	0	0
<b>Level of labor:</b>		
- Technical labor	74	29
- Common labor	57	2
<b>Labor contracts:</b>		
- Indefinite term	83	31
- Duration of 1-3 years	48	0
<b>Human resource fluctuations in the year:</b>		
- Increase	8	2
- Decrease	6	0

The total number of employees at the parent company is 163 persons distributed as shown in the table above. The total number of employees of the Corporation is 438 persons, the average salary at the parent company (KBC) is VND 12 million/person/month, the average salary in other IPs in Bac Giang, Hai Phong, Cu Chi is VND 7.7 million/person/month.

#### b. Labor policies aiming to ensure the health, safety and welfare of laborers.

- **Insurance:** Apply social insurance, health insurance, unemployment insurance.
- **Health care:** The organization conducts the overall health check for all leaders and employees at least once a year.
- **Take care of children:**
  - + Applying maternity leave to female workers and male laborers according to the current law provisions.
  - + Implementing the maternity protection regime for female laborers according to the current provisions of the labor legislation: In the leave duration, employees shall still enjoy the full wage under the labor contract.
- **Pensions:** According to the law on social insurance.
- **Welfare regulations specified in the internal labor regulations of the company** such as bonus for children of employees on the International Children's Day and Mid-Autumn Festival, the celebration of national holidays such as 1/5, 2/9, New Year, Lunar New Year, 13th month salary in Lunar New Year, allowance for lunch, telephone expenses, etc.
- **For female workers:** gifts for female workers on International Women's Day 8/3 and Vietnamese Women Day 20/10 annually.



### c. Worker training

+ The Corporation applies the policy of respecting talents and satisfactory treatment. Therefore, the corporation has brought together a team of high-level, experienced, capable and highly qualified staffs as the core of the company's human resources. The corporation attaches importance to the form of internal training, the experts in the corporation often share experience, and guide the work for those who need it. The Corporation regularly organizes exchanges of experience in investment promotion, finance and industrial zone development in Hanoi, Quang Ninh, Hai Phong, Da Nang, Bac Giang; And organizes combined with investment promotion in foreign countries like Korea, Japan, Thailand and Singapore.

+ The Corporation always creates conditions for staffs to improve their professional skills. During the training period, the employee is still entitled to full salary.

Most of the staffs of the Corporation are allowed to participate in training courses organized by line agencies to update policies and regulations, training courses on security, insurance, tax, regulations for public companies, fire prevention and rescue programs. In addition, they also participate in programs about soft skills in communication, contract drafting, customer care. Investment promotion conferences and investor relations meetings are all focused and staffed by regular attendees. The following activities are paid attention to training regularly every year:

- **Professional training for security personnel, protection of enterprises:** an average of 16 hours/person (for all employees of security and order of the company).
- **Professional training for the fire brigade:** 32 hours per person (for all employees of fire fighter's teams of the Corporation).
- **Professional training for staff on social insurance policies, policies for employees:** an average of 8 hours per person (for all employees of the Corporation).

### 6.6. Social responsibility of the Corporation

KBC has participated in activities of support, support, charity; and has been one of the leading enterprises in social work for many years.

- The Corporation is always responsive to pro-poor activities, contributing to pro-poor funds from corporate finance. In some years, the amount of support was up to billions. In addition, the Corporation is also actively involving in activities undertaken by Bac Ninh Province, the Fatherland Front Committee of Bac Ninh Province, Que Vo District. In addition, to contribute to the fund from corporate finance, the company is actively supporting its employees to support, share a one-day paycheck to help those in need, and has received the enthusiastic guidance of 100% of workers in the company.

- Maintaining activities for decades, the Corporation continues to support activities in schools in remote areas of Vietnam, supporting poor students overcome difficulties. Specifically, every year, the company They directly participate in activities to help schools that lack facilities and equipment teaching. In 2016, the company joined the delegation of the National Assembly's External Affairs Committee to visit and give presents to 300 poor students studying in the remote area of Meo Vac district, Ha Giang province, providing them textbooks, notebooks, uniforms, raincoats, and candy. The corporation has been thanked by the congressional offices and remote elementary schools for their gratitude, praise of the heart as well as the material and spiritual sharing of students in remote and difficult areas. In 2016, the corporation was awarded the certificate of merit by the Vietnam Fatherland Front Committee in Bac Ninh Province for its outstanding achievements in propagandizing and advocating for the "For the Poor" Fund in 2015 - 2016.

- In Bac Giang, Sai Gon - Bac Giang IP Joint Stock Company has actively participated in pro-poor activities in Quang Chau commune, Viet Yen district, gratitude fund and sponsored children in Nenh town, encouraged People's Committee of Quang Chau Commune to learn experiences to build new countryside, etc.

- In Ho Chi Minh City, Sai Gon - Tay Bac IP Joint Stock Company participated in activities to support the flood victims in the central region, giving 400 presents to poor pupils in An Giang.

- In Hai Phong, Sai Gon - Hai Phong IP Joint Stock Company has sponsored the red flower festival of the city, supported VND 10 billion to build primary and semi-secondary schools in Dong Lam, Hoanh Bo, Quang Ninh.



6.7. Reports related to green capital markets: No information

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## PART 3

### ASSESSMENT REPORT FROM THE BOARD OF MANAGEMENT

#### 1. ASSESSMENT OF BUSINESS PERFORMANCE

##### Review of Revenue and Profit of Parent Company and Consolidation

Unit: VND billion

ITEMS	PARENT COMPANY	CONSOLIDATION
<b>Net revenue from sales and service rendered</b>	353.3	1,972.5
Revenue from land lease	53.3	1,632.1
Revenue from transferring projects	218.8	218,8
Revenue from leasing warehouses, providing clean water, electricity, sewage treatment, and service charges	81.2	121.6
<b>Cost of sales and service rendered</b>	73.3	865.1
<b>Gross profit from sales and service rendered</b>	280.0	1,107.4
<b>The ratio of gross profit/sales revenue (%)</b>	79%	56%
<b>Revenue from financial operations</b>	211,4	39
<b>Other revenues</b>	4.4	7.2
<b>Total revenue</b>	569.10	2,018.7
<b>Total after-tax profit</b>	333.6	711.3
<b>Profit attributable to shareholders of parent company</b>		<b>557.4</b>

In 2016, operating results of the Board of Management (BOM) was really outstanding, compared to the scenario of TPP's disapproval. The total consolidated revenue increased by 6.2%, the total consolidated profit increased by 12.9%, compared to the plan. In 2016, the BOM has accomplished the most crucial goal that we pursue in recent years, which is attracting investment in Quang Chau IP. Quang Chau IP has successfully signed three major contracts this year, with the area of land for leasing is 52.8 hectares. More importantly, the demand of investors in Quang Chau IP is still large enough to occupant this IP in the coming years.

Thus, 2016 is the 3rd consecutive year that the corporation has achieved new successes since the 2012-2013 crisis. In particular, for parent company, the total revenue is VND 569.1 billion, after-tax profit is VND 333.6 billion. For the Corporation, the total consolidated revenue is VND 2,018.7 billion, the total consolidated profit is VND 711.3 billion. Profits belonging to the parent company is VND 557.4 billion. In detail:

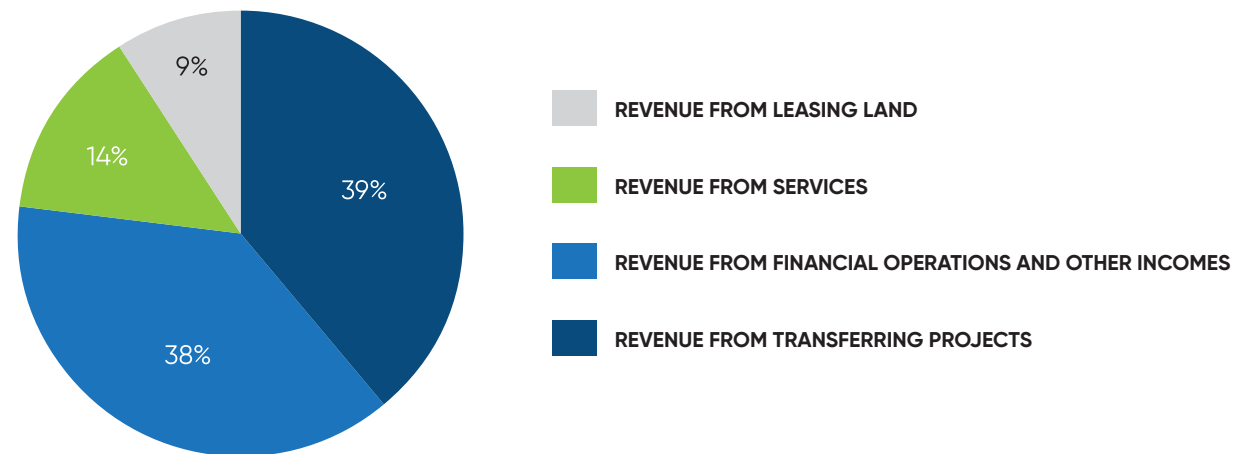
The revenue from leasing land of the Corporation is VND 1,632.1 billion, accounting for 80,9% the total revenue (the revenue from leasing land of Trang Due IP and Quang Chau IP accounts for 90% the total revenue from leasing land). The revenue from leasing land in Que Vo IP accounts for 3.3%, Tan Phu Trung IP account for 9.1% of the total revenue of the Corporation.

During the year, the revenue from transferring the low-income housing in Bac Ninh is VND 218.8 billion.

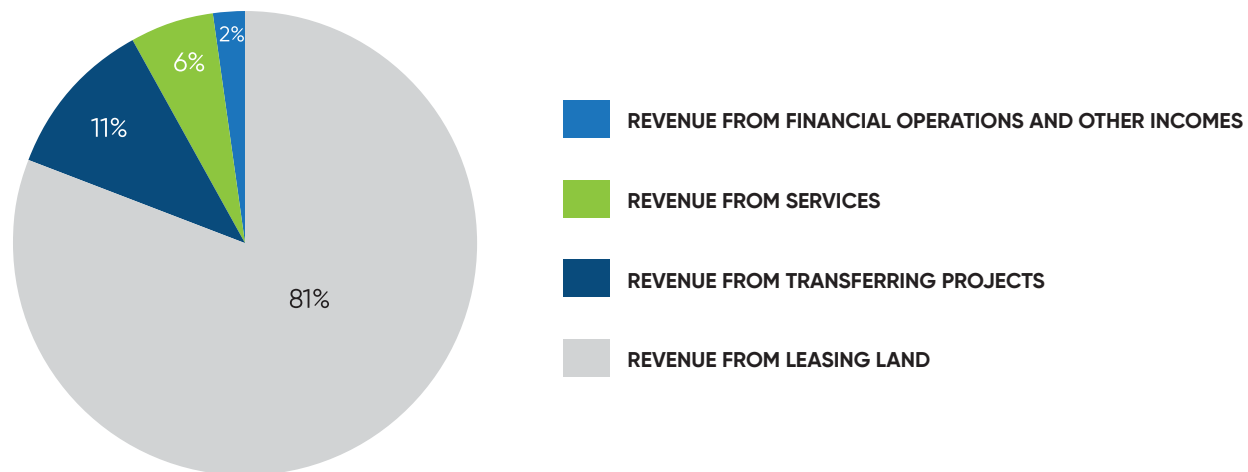


The rate of gross profit/revenue of the parent company is 79%, the consolidated rate is 56%. This year, the gross margin increases dramatically, compared to the average of 40% every year because of the profit from transferring projects. However, if the revenue and profit from transferring projects are not counted, the gross margin of KBC is still 52%, which is a positive ratio. That is because Quang Chau IP contributed a lot to the total revenue, while this IP has the capital cost of VND 400,000, which is the lowest capital cost among the IPs of KBC.

Revenue structure of the parent company

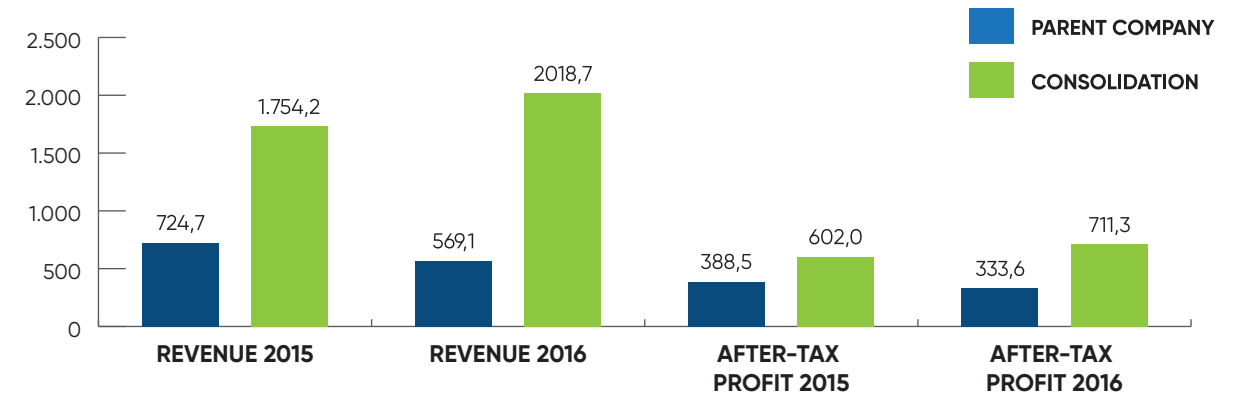


Consolidated revenue structure



In terms of revenue and profit growth rate in 2016 of parent company compared to those in 2015, both of these 2 factors respectively decreased by 21% and 14%. For consolidated revenue and profit of the whole Corporation, these 2 rate respectively increased by 15.1% and 18.2%.

Revenue - profit growth chart



**INFLUENCES OF COST FACTORS ON THE PROFIT OF THE CORPORATION**

Cost factors in 2016, which decreased and were much lower than 2015, did not have any negative impact to the profit of the Corporation. In particular:

Interest expense incurred during the year was VND 81.6 billion, slightly lower than 2015, accounting for 4% of total revenue. Selling expenses fell slightly from 2015, accounting for 1.6% of total revenue. Management fees increased by 30% mainly due to the increase in outsourced services for external purposes, accounting for 6% of total revenue.

**THE IMPROVEMENT OF THE CORPORATION IN 2016**

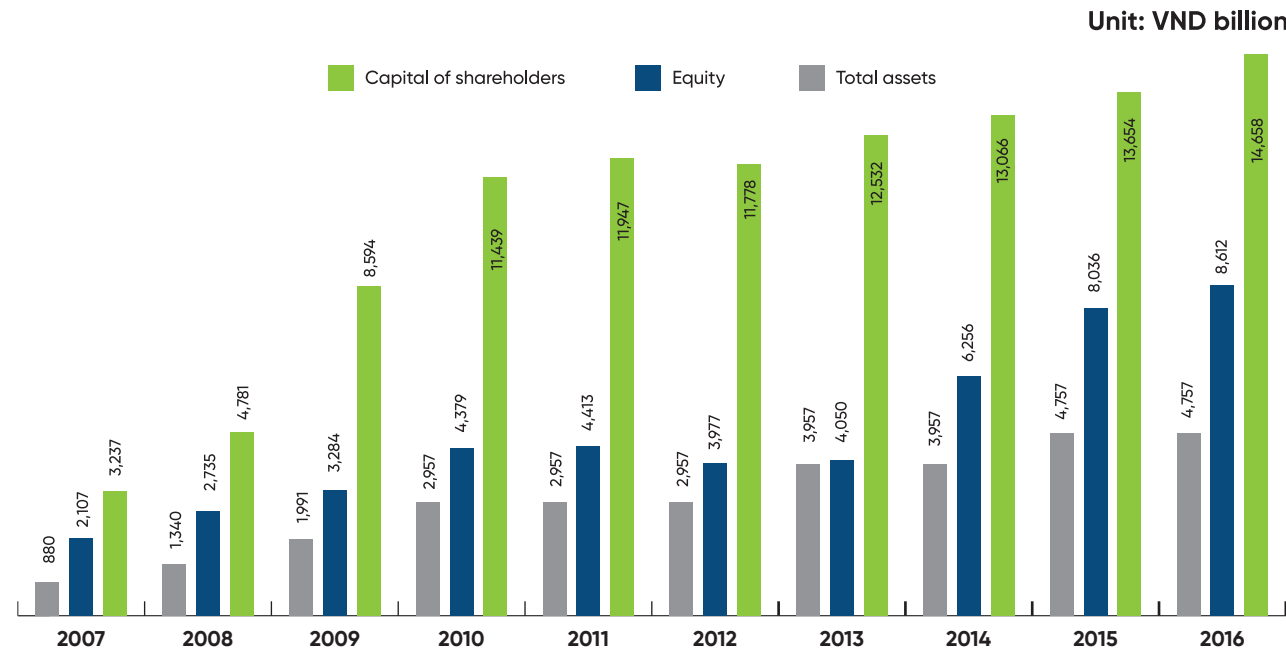
In 2015, KBC achieved considerable improvement in business activities as follows:

- \* **Successfully attracting 03 large Corporation to Quang Chau IP**, which has not attracted any customers for many years, making the occupancy rate to increase by 19.2% (52.5 hectares).
- \* **The 3rd phase of Trang Due IP was approved to be expanded with the total area of 687 hectares.**
- \* **Phuc Ninh urban area completed all legal procedures to open for sale to the 6.27 ha sub-zone.** After 10 years of implementation, all over 500 graves in this urban area were moved, bringing the total area of the project to be handed over land in the field is 60ha.
- \* **The Group continued to reduce its outstanding loans to credit institutions by VND 815.1 billion, mainly from parent companies;** Having a new loan of VND 225.6 billion, mainly from its subsidiaries (Trang Due IP and Tan Phu Trung IP).

## 2. ASSESSMENT OF THE FINANCIAL POSITIONS

### a. Assets positions

The chart describing the situation of changes in capital and assets of the Group over the years since listing.



#### \* Assets positions

On 31/12/2016 the total assets of the Corporation reached VND 14,657,547,795,899 (VND 14,658 billion) (7.4% higher than that in 2015). For Parent Company, the total assets reached VND 9,729,059,394,739 (9,729 billion) (4.3% than that in 2015).

At the same time, the value of the net assets of the Corporation increased by VND 1,003.8 billion compared to the same period in 2015. This is mainly due to the short-term receivables from customers increasing VND 601.6 billion (mainly from land lease contracts in Trang Due and Quang Chau Industrial Park), prepayments for sellers increased by VND 312.9 billion. However, during the year, the cost of investing in industrial parks increased by VND 679.6 billion, but the net inventories decreased by VND 120.7 billion. It proves that the consumption rate of inventory is quite fast. The after-tax profit/total assets ratio has increased from 4% to 5%, which shows the efficiency of asset exploitation.

The structure of assets in 2016 aims to focus on investment and development of industrial parks and urban areas (96% of total investment cost). During the year, KBC did not divest the portfolio of long-term financial investments.

#### \* Equity positions

On 31/12/2015, the total equity of the Corporation reached VND 8,621,089,984,484 (8,621 billion) increased by VND 585 billion, equivalent to 7.28% compared to 2015. For parent company, the equity in reached VND 6,331,788,075,395 (6,331 billion), increased by VND 333.6 billion, equivalent to 5.6% compared to 2015, which is totally because of undistributed profit.



### b. Liabilities positions

On 31/12/2015, the total liabilities of the Corporation were VND 6,036 billion, Total net debt value increased VND 418.7 billion, equaling to 7.5% compared to 2015. The reason is that the buyer paid in advance VND 449.2 billion. This is a very positive sign for KBC because the buyer prepayment item as of 31/12/2016 is VND 875.1 billion, which is a temporary debts that will be converted into future revenue (estimated VND 1,000 billion).

Of the VND 6,036 billion of debt payable, loans of credit institutions (interest-bearing debt) as at 31/12/2016 of the whole group were VND 1,827.7 billion of the principal amount. The interest payable is VND 785.4 billion (this is the bond coupon paid to PVcombank since 2012, will be paid before 31/12/2020). During the year, the Corporation paid the principal of VND 815.1 billion, of which the parent company paid VND 673.8 billion of the principal, borrowed VND 225.6 billion to invest in the factory (VND 50.8 billion in VND 98.8 billion in Trang Due IP, Quang Chau IP had an overdraft of VND 75.9 billion (refunded in early 2017).

Thus, the actual debt of the Corporation (including both principal and interest) is VND 2,613 billion, representing 30% of equity. This is a relatively low debt ratio for a large real estate business like KBC.

The Group has no bad debt; is not affected by foreign exchange differences; not affected by the interest spread (all KBC loan interests are in line with the general level of real estate lending rates in the market). KBC's interest rate is 12-month savings of four major banks in Vietnam plus a margin of 3% to 4.5%.





### 3. DEVELOPMENT TARGET IN 2017

#### a. The target of major business and investment

In 2017, the Corporation will continue the activities of clearance and infrastructure construction of Quang Chau IP, Nam Son Hap Linh IP, Que Vo IP, Trang Due IP, Tan Phu Trung IP and 1st stage of Phuc Ninh Urban Area. The project of Phuc Ninh UA has a total area of 136.47 hectares (55.8 hectare for 1st stage, in which 18.1ha of commercial land has been approved by the People's Committee of Bac Ninh province and transferable in land use rights (10.4 hectares of commercial land for sale of subdivided plots). The specific objectives are as follows:

1. Opening sale of 6.27 hectares of Phuc Ninh urban area and the sub- project that has issued certificates of land use rights for all villas that are eligible to put into business in 2017.
2. Accelerating to attract investment in Quang Chau - Bac Giang IP, ready to provide support services before and after investment so investors peace of mind to make investment decisions, peace of mind to build factories, connect more New investors, expected to build 10 factories in this industrial park.
3. Completing the legal procedures for 687 ha of Trang Due-Hai Phong Industrial park, phase 3, in order to expeditiously carry out land clearance.
4. Accelerating the completion of infrastructure, as well as attracting investment in Nam Son - Hap Linh IP (Bac Ninh) within 100 hectares of compensation.
5. Completing site clearance, infrastructure construction for 83.8 ha in Que Vo expanded Industrial park (expected to build 30 factories in this industrial park).
6. Considering investing, trading some commercial real estate projects.
7. Continuing to set up investment promotion programs, stick to the government's development objectives, benefit from the trade agreements that Vietnam has signed, access to new markets.

#### b. The target to arrange capital raising

1. In 2017, the Corporation plans to arrange VND 300 to 500 billion from domestic credit institutions to invest in infrastructure and build 30 factories of Que Vo Industrial park..
2. Issuing corporate bonds or borrowings from foreign organizations for about \$ 20 million for the construction of workshops in the KBC's IPs.
3. Issuing domestic corporate bonds to organizations and individuals about VND 1,000 billion to invest in Phuc Ninh urban area, invest in new projects and debt structure, supplement business capital for Corporations.

#### c. Revenue and Profit target in 2017

Based on the results of FDI attraction in 2016 and the prospect of FDI attraction in Vietnam in 2017, based on the demand for land lease and workshops of potential customers who have been negotiating with KBC; Based on the investment promotion programs of KBC, etc. KBC's Board of Directors has set up the consolidated profit plan of the Group in 2017 as follows:

- **Estimated total revenue:** VND 2,800 billion
- **Estimated total profit after tax:** VND 850 billion

### 4. THE IMPROVEMENT IN STRUCTURAL ORGANIZATION, POLICIES AND MANAGEMENT

Organizational structure and human resources policies changed considerably in 2015. In 2016, the structure has remained stable, nothing changed.

### 5. EXPLANATION OF THE BOM FOR THE AUDIT OPINIONS: No information

### 6. EVALUATION OF THE BOM OF THE RESPONSIBILITY FOR THE SOCIAL ENVIRONMENT, THE EMPLOYEES OF THE CORPORATION

- With goals of sustainable development, it is said that the improvement of KBC in investment activities was more and more increasing, environmental indicators namely water consumption, energy, emissions ... were ensured and met criteria permitted in the field of investment and development of industrial parks. Especially, at KBC, there is a unique company which cover the work of maintaining the roads in industrial parks, planting trees, cleaning up garbage and transferring to the designated place, regular mowing, etc green industrial park to ensure a green, clean and beautiful industrial zone without smoke and environmental pollution.

- Besides activities of environmental protection, it is clearly seen that KBC completed responsibility with the local community in 2016 as giving gifts to poor students and building a primary school in Quang Ninh province.

- For employees, it is considered that workers at KBC are guaranteed a suitable level of income, compared with the average level of society; modernly and fully equipped to finish the work. However, in several recent years, KBC have not taken from the development investment funds, bonus and welfare funds. Therefore, the funding of training employees to participate in local and international courses to update knowledge is limited; also, the timely rewards for individuals and collectives that have outstanding achievements in their work were not often.



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## PART 4

### REPORT FROM THE BOARD OF DIRECTORS

#### 1. THE ASSESSMENT OF THE BOD ON THE ACTIVITIES OF THE CORPORATION

##### \* Business performance

The Board assessed the business performance of the Corporation with consistent results in line with domestic macroeconomic developments with revenue growth of 15%, profit growth of 18% compared to 2015. Compared to scenario 1, when TPP was not approved, revenue grew by 6% and profit after tax grew by 12.9%. The Board appreciated the situation of attracting investment capital in Quang Chau Industrial Park, which helps the Corporation to overcome a big obstacle.

The completion of legal documents, moving more than 500 apartments in Phuc Ninh urban area was evaluated timely to ready to accelerate investment and open sale of sub-area Phuc Ninh with an area of 6.27 ha in early 2017.

The Board of Directors appreciates the arrangement of funds to ensure the ability to pay due debts, and contacts with credit institutions, investment funds to establish relationships, develop arrangements for arranging capital sources for the corporation.

##### \* Foreign affairs

KBC is a corporation that always does very well on promoting domestic and foreign investments. For instance, The Board Chairman actively participated in the World Economic Forum, especially directly contacted with the foreign funds of investment, to help investors better understand the investment environment of Vietnam in general and KBC in particular. Many investment funds have put their faith in the development of KBC after directly meeting the Board Chairman..

In 11/2016, the chairman Dang Thanh Tam attended the Asia-Pacific Economic Cooperation (APEC) 2016 summit in Peru's capital, Lima. The conference was attended by senior leaders from the 21 APEC member economies.



Mr. Dang Thanh Tam participated in a direct dialogue with Australian Prime Minister Malcolm Turnbull

Mr. Dang Thanh Tam participated in direct dialogues with Australian Prime Minister Malcolm Turnbull, Chilean President, Deputy Prime Minister of Thailand and Chief Executive of the Hong Kong Special Administrative Region

Also during the conference, Mr. Dang Thanh Tam participated in a direct dialogue with Australian Prime Minister Malcolm Turnbull, Chilean President, Deputy Prime Minister of Thailand and Chief Executive of the Hong Kong Special Administrative Region. His career has been very successful and gives KBC many opportunities to cooperate with big partners.



### \* Corporate Governance Activity

KBC always fully complies with regulations on corporate governance for listed companies with transparent, accurate and timely information offered on the stock market. We regularly participate in new training programs, exchange and update information with departments such as Securities Commission, HOSE Stock Exchange, Department of Taxation, etc.

Also, KBC well handled risks of information in the market that affect the Corporation and the stock price by giving official papers and detailed explanations to shareholders and investors by e-mail, phone, etc.

BOD appreciate the investor relations of the Corporation. KBC is a company that always attracts foreign investment funds to come and find out investment opportunities. Investment funds are welcome and provide detailed information. In addition, KBC is often invited by large securities companies to participate in "investor conference" programs inside and outside the country. Every year, KBC directly meets hundreds of investors, representing foreign investment funds.

### \* Labor resource development activities

The policies of KBC on recruiting talented people, both focusing on the recruitment of advanced staffs who are knowledgeable, experienced managers from large corporations, and willing to recruit and train new graduates, receives significant felicitation from the BOD. Internal training is the first priority, ensuring sustainable development, avoiding the human resources crisis.

In the coming year, KBC will focus on designing domestic as well as foreign intensive training programs for staffs towards quick and timely integration.

### \* The environmental responsibility

The environmental responsibility of KBC receive a lot of good review from the BOD. KBC always puts attracting investment of high-tech, smokeless and environmentally unpolluted companies in our priority. KBC has always focused on building a stable infrastructure, sufficient factories of clean water supply and sewage treatment. Also, we regularly keep the routine of maintenance, planting trees and beautifying the landscape around industrial parks. KBC always ensures the stable operation of hundreds of companies in industrial parks.



## 2. THE ASSESSMENT OF THE BOD ON THE ACTIVITIES OF THE BOM

The BOD appreciates the efforts of the BOM in making good business plans of investment, development projects and to arranging capital for the Corporation. Also, the truthfulness of the contents of reports from the BOM is really commendable. The BOD also appreciates initiatives, candid feedbacks, handling abnormal situations of the BOM during the implementation of the plan delegated by the BOD to accompany with the BOD in giving solution for the development of the corporation. The BOD highly recommends more positivity from BOM in implementing the infrastructure of industrial park projects; creating products that are available to respond promptly to investors; establishing programs to promote investment in the new markets like the United States to approach beneficial enterprises from TPP; Balancing and reasonable using cash flow, enhancing the management of risks from the investment and business activities of the company. The specific tasks that the BOD has worked with the BOM include:

- Supervising the implementation of the new projects of the Group: building workshops in Nam Son Hap Linh IP, Quang Chau IP, Trang Due IP, completing procedures for opening Phuc Ninh Urban Area, etc; planning phase 3 of Trang Due IP.
- Arranging Capital for corporate projects.
- Succeeding, directing and successfully organizing the Annual General Meeting of Shareholders in 2016 on April 14, 2016, overseeing and supervising the board of directors' activities in business activities.
- Organizing and supervising the strict implementation of the financial reporting regime.
- Supervising the implementation of the resolutions promulgated by the Board of Directors and the General Meeting of Shareholders.
- Directing and supervising foreign investment promotion programs in 2016, closely monitor the risk management of investment, business, cash flow management and financial planning.
- Directing the establishment of a new subsidiary: Lotus Hotel One Member Limited Liability Company.
- Supervising the recruitment process.

## 3. THE TARGETS AND DIRECTIONS FOR 2017 PROPOSED BY THE BOD (TERM 2012-2017)

- Implementing the monitoring and approval of the investment plan of the Board of Directors on major projects, actively implementing the projects of Hap Linh Nam Son IP, Quang Chau IP, the 3rd stage of Trang Due IP, and Phuc Ninh Urban Area..
- Lead the BOM to create the plans to balance the cash flow, raise funds, build a consistent financial plan, balance with the investment and payment of debts due.
- Strengthening the supervision of risk management, ensuring that financial indicators are more and more improved. Monitoring the implementation of processes, internal regulations of the Group, with appropriate reward and punishment regime.
- Maintaining and building a team of experts who will regularly update the macroeconomic situation, financial position, change in policies for timely recommendations to BOM, and the BOD to make the suitable strategy and policies with the real situation.
- Strengthening the promotion and promoting trade investment, reception and working directly with the foreign investors.
- Focusing on implement activities of investor relations, regularly monitor the owing movements of the big shareholders; giving timely and accurate information to the authorities, shareholders and investors.
- Creating and developing a group of professional, qualified, experienced and enthusiastic staffs; appointing suitable people to participate in training courses to improve corporate governance as stipulated by the listed company. Continuing to develop policies on salary, bonus and raise the remuneration for officials and employees; creating a professional, safe and comfortable working environment to encourage the creativity of employees.

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## PART 5 COMPANY MANAGEMENT

### a. Board of Directors

MEMBERS OF BOD	POSITION	OWNERSHIP RATE	THE NUMBER OF POSITION IN OTHER COMPANIES
Dang Thanh Tam	Chairman	16.02%	2
Huynh Phat	Independent member	0%	0
Nguyen Thi Thu Huong	Member	0.06%	2
Ngo Manh Hung	Member	0.05%	5
Phum Phuc Hieu	Member	0.005%	0

### b. The subcommittee of the Board: none

### c. Activities of the BOD in 2016

In 2016, BOD of KBC co-operated with Executive Board to implement resolutions for Company's problems about the issues in business production activities, investments in IPs and Urban Areas and arranging the funds for projects of Corporation in 2016, as follows:

- The BOD actively participated in foreign affairs, directly contacted with the foreign corporations who are expected to invest directly in Vietnam, and indirect investment funds, closely monitoring to attract FDI in major IPs such as Trang Due IP, Que Vo IP, Quang Chau IP and Tan Phu Trung IP.
- Leading the preparation and organization of the Annual Meeting of Shareholders 2016.
- Leading investment and business plan in 1st stage of the project Phuc Ninh Urban Area;
- Leading the implementation of infrastructure construction in industrial parks, building 04 factories in Expanded Que Vo IP and planning the project of Trang Due IP phase 3 with the total area of 687 hectares;
- Closely monitoring the management of risks from investment activities, trading; managing the cash flow and financial planning in the context of stable economy, leveraging positive macroeconomic conditions for developing the value of corporation, ensuring financial targets at a safe level;
- Closely monitoring the plan to arrange funds for the payment of debts due in 2015, and arranging the new capital sources for investment in the construction of 04 factories in Que Vo IP, and Investing 100 hectares in Nam Son Hap Linh IP.
- Leading the implementation of programs and actions to develop projects Group to be sustainable, environmentally friendly and responsible with the local community; ensuring benefits and a modern and dynamic working environment for workers.



## \* List of resolutions approved by BOM in 2016

RESOLUTION/DECISION NO.	DATE	CONTENTS
0501-1/2016/KBC/BB-HĐQT	05/01/2016	Approval of infrastructure investment and business development of 83.8 ha in Que Vo Industrial Park.
0501-2/2016/KBC/BB-HĐQT	05/01/2016	Approval of borrowing capital from Commercial Bank for Industry and Trade of Viet Nam- Que Vo Branch to invest in infrastructure project 83.8 ha Que Vo Expanded Industrial Park.
0303/2016/KBC/NQ-HĐQT	03/03/2016	Convening the 2016 Annual General Meeting of Shareholders (AGM)
2904/2016/KBC/QĐ-HĐQT	04/29/2016	Appointing the representative of the capital contribution of Kinh Bac City Holding Development Corporation at Hung Vuong University
0505/2016/KBC/NQ-HĐQT	05/05/2016	Borrowing capital from Sai Gon - Hai Phong IP Joint Stock Company in 2016
1606-1/2016/NQ-HĐQT-KBC	16/06/2016	Establishment of subsidiary company (Lotus Hotel One Member Co., Ltd.)
0507/2016/KBC/NQ-HĐQT	05/07/2016	Approval of business plan for the last 6 months.
0308/2016/KBC/NQ-HĐQT	03/08/2016	Closing the list to get shareholders
1909/2016/KBC/QĐ-HĐQT	19/9/2016	Approving that Kinh Bac City Holding Development Corporation becomes a member of the CEO (Chief Executives Organization)
2710/2016/KBC/NQ-HĐQT	27/10/2016	About borrowing capital from Sai Gon - Hai Phong IP, JSC
0111/2016/KBC/NQ-HĐQT	01/11/2016	Deploying the plan of separately offering of convertible bonds
0511/2016/KBC/NQ-HĐQT	05/11/2016	Canceling the plan of separately offering of convertible bonds
1312/2016/KBC/NQ-HĐQT	13/12/2016	Approving the plan of buying treasury stock
2012/2016/KBC/NQ-HĐQT	20/12/2016	The managers pay the contract

## \* The problems unsolved by the BOD according to the plan approved at Shareholders General Meeting

During the year, the BOD has implemented a plan to issue 1,200 billion par value of convertible bonds, according to the resolution of the General Meeting of Shareholders 1509/2016/KBC/NQ-DHDCD dated on 15/9/2016 and the resolution of the BOD No. 0111/2016/KBC/NQ-HĐQT dated on 01/11/2016. However, as investors and major shareholders were worried that the number of shares will be issued further, and had quite negative reactions to this issuance plan, KBC shares were sold in a large number to investors at floor price, in the trading session on 3/11/2016 and in later trading sessions, although the business situation was still very good, and there were no unusual problems with the business. As a result, the BOM had to pass Resolution No. 0511/2016/KBC/NQ-HĐQT on 5/11/2016 to cancel the implementation of private placement convertible bonds. Therefore, the Board has not yet implemented plans related to the issuance of additional shares and will report to the General Meeting of Shareholders about the cancellation of the issuance plan including: planning to issue shares to pay a dividend of 10%, issuing shares to increase charter capital from owners' equity at the rate of 10%, planning to release separately 50 shares, planning to issue 3 million ordinary shares to employees from equity capital.

## d. Activities of the independent BOM members

Currently, KBC has an independent board member. That is Mr. Phat Huynh. With his role, he fully participated in all meetings of BOD in 2015. In the decisions of the BOM, he always participated with his own opinions, along with the other board members, to consider, resolve the problems and reach a consensus.

## e. The BOM members who have a certificate of training in corporate governance in the year: No member

Since members of BOM have frequently to go on business trips, they cannot arrange time to attend sessions of the courses. During the year, members of the Board of Management has registered for the Corporate Governance course at the Training Center of the State Securities Commission - Ho Chi Minh City Branch. However, because the Shareholders General Meeting was held on the same day, the Board members could not join. However, they always update, and try to improve their knowledge of the rules of corporate governance for listed company.



## 2. THE SUPERVISORY BOARD

### a. Members of the Supervisory Board

MEMBERS	POSITION	OWNERSHIP RATE	NOTE
Nguyen Chung Thuy	Head	0.01%	
Phan Anh Tuan	Member	0%	Dissolved ( 16/8/2016)
Le Thi Thu Hang	Member	0%	

### b. Activities of the Supervisory Board

#### In 2016, KBC's Supervisory Board implemented the main tasks as following:

- Review, review report data of the BOD, resolutions of the BOM, decisions of the BOM, supervising the investment in projects, implementing the plans and objectives that the Board has approved in the meeting; Providing recommendations for the production plan of the BOD and the BOM.

- Monitoring financial management system and financial statements preparation to ensure honest and fair of given financial figures; Coordinating and updating information with appointed independent auditors about financial statements;

- Considering and evaluating internal management of BOD and BOM and their members, managers and leaders based on the highest benefits for shareholders and corporation;

- Considering and evaluating the operational coordination among departments and areas in management and business administration system;

- Inspecting and supervising the implementation of the Resolution from the Shareholders' General Meeting of the BOD and BOM; assisting the BOD and BOM in the implementation of the Resolution.

- During the year, the Supervisory Board met four times a quarter.

In the course of operation, the Board of Supervisors has been created all conditions by the BOD and BOM to do their duties. The Board of Supervisors has received all resolutions of the BOD and the decisions of the BOM, quarterly reports on the business situation and financial status. In 2016, the Board of Supervisors did not receive any feedback from the Company's shareholders on the steering and management activities of the BOD, the BOM and other management units.

## 3. THE TRANSACTION, REMUNERATION AND BENEFITS OF THE BOM, BOD AND THE SUPERVISORY BOARD

### a. Remuneration and benefits

- **Remuneration of the BOD and Board of Supervisors:** 0 VND

- **Salary, bonus of the BOM:** VND 5,710,182,666

- **Benefits:** Equipped with cars shuttle, mobile phones, fully paid monthly fees and work expenses, etc.

### b. Trading of insiders/related persons/major shareholders

TRANSACTORS	INSIDERS / RELATED PERSONS / MAJOR SHAREHOLDERS	SHARES OWNERSHIP AT BEGINNING PERIOD		SHARES OWNERSHIP AT ENDING PERIOD	
		Quantity	Rate	Quantity	Rate
Dang Thanh Tam	Insiders	67,250,000	14.32%	75,250,000	16.02%
Deutch Bank AG, London Branch and Beira Limited	Major shareholders group	27,890,750	5.94%	Being no longer a major shareholder from 22/9/2016	
PYN Elite Fund (Non-Ucits)	Major shareholder	33,248,410	7.08%	32,485,190	6.02%
Kinh Bac Investment.,JSC	Major shareholder	58,097,690	12.37%	38,996,650	8.3%
Vietnam Enterprise Investment Limited, Grinling International Limited , Wareham Group, The CHSE...	Major shareholders group	37,751,393	8.04%	42,246,973	8.99%

### c. Transactions with related parties

RELATED PARTIES	CONTENT	AMOUNT
Trang Cat Urban Development One Member Limited Company	The company has to collect interest under the loan agreement	183,008,756,743
Sai Gon - Hai Phong Industrial Park Joint Stock Company	The company has long-term loans	174,225,500,000
	The company repays loans	160,000,000,000
	The company must pay interest	28,764,174,161
Sai Gon- Bac Giang Industrial Park Joint Stock Company	Receiving interest from KBC bond 005	33,241,652,778
	Charging bond guarantee fee	18,266,569,446
	The company lends	48,816,320,811
	The company repays loans	195,400,000,000



**d. Implementation of the regulations on corporate governance:** the Corporation has complied strictly and fully with the regulations on corporate governance

**e. Activities Shareholder Relations - Investor Relations**

KBC's shares suffer the impact of macroeconomic factors such as economic growth and foreign policies of social-economic development, preferential policies of location, land law, monetary policy, attracting FDI, interest rates, political and diplomatic relations between countries, etc. It can be said that the performance of KBC's shares was similar with the general development trend of the global economy. We want to emphasize this issue so that shareholders, investors can have a comprehensive view.

Investor relations are always considered by KBC. We are so pleased to answer any questions or listen to all suggestions of shareholders and investors. In 2016, at average, every week, there are investment funds coming to learn about KBC, most of them are foreign investment funds. Moreover, KBC is often invited to events as the event of "Vietnam Business Day" in Singapore organized by Daiwa; the event of "Vietnam Access Day" by the VietCapital Securities Company, in Ho Chi Minh City and the Event of Invest Asian Edition by Kim Eng Securities Company.

Currently, there are 02 foreign institutions who are the major shareholder of KBC namely: ELITE PYN FUND with 6.02 %; Dragon Capital Group's shareholders with 8.09%. In addition, over many years, some domestic institutions always maintain their ratio of KBC's shares from 3% to 4.9%..

In short, it can be said that KBC always try our best to provide and update information to shareholders, investors in a timely, accurate and transparent way. We are looking forward to sharing information with shareholders and investors, as well as receiving feedbacks for the better development of our Group. Therefore, if there is any concern about the situation of our Group, we respectfully suggest that shareholders and investors contact us via e-portal.

**Website:** [www.kinhbaccity.vn](http://www.kinhbaccity.vn)

**Email:** [info@kinhbaccity.com](mailto:info@kinhbaccity.com), [kinhbac.kbc@gmail.com](mailto:kinhbac.kbc@gmail.com)



# ANNUAL REPORT 2016



## PART 6

# CONSOLIDATED FINANCIAL STATEMENTS

**Reference:** 60774739/18493823-HN

### INDEPENDENT AUDITORS' REPORT

**To: The Shareholders of KinhBac City Development Holding Corporation**

We have audited the accompanying consolidated financial statements of KinhBac City Development Holding Corporation ("the Company") and its subsidiaries (collectively referred to as the "Group") as prepared on 14 March 2017 and set out on pages 6 to 56, which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

#### Management's responsibility

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Group as at 31 December 2016, and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of the consolidated financial statements.

### Ernst & Young Vietnam Limited

Signed

**Le Thi Tuyet Mai**

Deputy General Director  
 Audit Practising Registration:  
 Certificate No. 1575-2013-004-1

Hanoi, Vietnam

14 March 2017

Signed

**Phung Manh Phu**

Auditor  
 Audit Practising Registration:  
 Certificate No. 2598-2013-004-1

### CONSOLIDATED BALANCE SHEET

as at 31 December 2016

Currency: VND

CODE	ASSETS	NOTES	ENDING BALANCE	BEGINNING BALANCE
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>13,010,530,818,197</b>	<b>12,003,018,598,664</b>
<b>110</b>	<b>I. Cash and cash equivalents</b>	<b>4</b>	<b>295,085,197,835</b>	<b>228,164,359,677</b>
111	1. Cash		120,595,628,388	129,164,359,677
112	2. Cash equivalents		174,489,569,447	99,000,000,000
<b>120</b>	<b>II. Short-term investments</b>		<b>1,235,586,230</b>	<b>1,738,191,200</b>
121	1. Held-for-trading securities	<b>5</b>	7,490,461,369	7,490,461,369
122	2. Provision for held-for-trading securities		(6,254,875,139)	(5,752,270,169)
<b>130</b>	<b>III. Current accounts receivable</b>		<b>4,381,551,938,686</b>	<b>3,361,578,772,409</b>
131	1. Short-term trade receivables	6.1	1,095,584,987,883	493,980,606,252
132	2. Short-term advances to suppliers	6.2	1,637,232,744,800	1,324,234,430,950
135	3. Short-term loan receivables	7	27,737,628,333	12,499,720,000
136	4. Other short-term receivables	8	1,628,331,615,320	1,539,947,458,507
137	5. Provision for doubtful short-term receivables	6.3	(7,335,037,650)	(9,083,443,300)
<b>140</b>	<b>IV. Inventories</b>	<b>9</b>	<b>8,243,696,478,710</b>	<b>8,364,448,377,871</b>
141	1. Inventories		8,243,696,478,710	8,364,448,377,871
<b>150</b>	<b>V. Other current assets</b>		<b>88,961,616,736</b>	<b>47,088,897,507</b>
151	1. Short-term prepaid expenses		1,728,309,091	47,960,000
152	2. Value-added tax deductible		53,828,432,163	9,081,463,147
153	3. Tax and other receivables from the State	16	33,404,875,482	37,959,474,360

Currency: VND

CODE	ASSETS	NOTES	ENDING BALANCE	BEGINNING BALANCE
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>1,647,016,977,702</b>	<b>1,650,688,560,966</b>
<b>210</b>	<b>I. Long-term receivables</b>		<b>303,757,985,548</b>	<b>355,625,579,821</b>
211	1. Long-term trade receivables	6.1	211,863,915,704	332,305,529,704
215	2. Long-term loan receivables	7	50,700,000,000	7,692,700,000
216	3. Other long-term receivables	8	41,194,069,844	15,627,350,117
<b>220</b>	<b>II. Fixed assets</b>		<b>124,169,252,984</b>	<b>141,005,430,934</b>
221	1. Tangible fixed assets	10	124,169,252,984	141,005,430,934
222	Cost		276,423,569,953	268,169,967,655
223	Accumulated depreciation		(152,254,316,969)	(127,164,536,721)
227	2. Intangible fixed assets		-	-
228	Cost		72,075,500	72,075,500
229	Accumulated amortisation		(72,075,500)	(72,075,500)
<b>230</b>	<b>III. Investment properties</b>	<b>11</b>	<b>86,624,808,469</b>	<b>20,415,184,100</b>
231	1. Cost		95,837,051,999	27,405,394,467
232	2. Accumulated depreciation		(9,212,243,530)	(6,990,210,367)
<b>240</b>	<b>IV. Long-term assets in progress</b>		<b>234,360,537,258</b>	<b>234,900,661,548</b>
242	1. Construction in progress	12	234,360,537,258	234,900,661,548
<b>250</b>	<b>V. Long-term investments</b>	<b>14</b>	<b>893,138,424,665</b>	<b>892,602,719,246</b>
252	1. Investments in associates, jointly controlled entities	14.1	484,351,368,341	462,788,335,881
253	2. Investment in other entities	14.2	448,500,200,000	452,867,200,000
254	3. Provision for diminution in value of long-term investments		(39,713,143,676)	(23,052,816,635)
<b>260</b>	<b>VI. Other long-term assets</b>		<b>4,965,968,778</b>	<b>6,138,985,317</b>
261	1. Long-term prepaid expenses		4,965,968,778	6,138,985,317
<b>270</b>	<b>TOTAL ASSETS</b>		<b>14,657,547,795,899</b>	<b>13,653,707,159,630</b>

Currency: VND

CODE	ASSETS	NOTES	ENDING BALANCE	BEGINNING BALANCE
<b>300</b>	<b>C. LIABILITIES</b>		<b>6,036,457,811,415</b>	<b>5,617,702,171,787</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>3,372,803,878,061</b>	<b>2,944,659,205,006</b>
311	1. Short-term trade payables	15.1	113,779,217,940	76,993,266,642
312	2. Short-term advances from customers	15.2	875,175,686,830	425,917,221,868
313	3. Statutory obligations	16	160,238,286,732	175,787,525,774
314	4. Payables to employees		46,198,469	68,698,469
315	5. Short-term accrued expenses	17	1,226,170,516,119	1,023,287,715,032
319	6. Other short-term payables	18	127,375,852,542	30,319,777,921
320	7. Short-term loans	19	862,934,860,120	1,205,201,739,991
322	8. Bonus and welfare fund		7,083,259,309	7,083,259,309
<b>330</b>	<b>II. Non-current liabilities</b>		<b>2,663,653,933,354</b>	<b>2,673,042,966,781</b>
333	1. Long-term accrued expenses	17	785,455,165,816	757,092,452,968
336	2. Long-term unearned revenue		5,174,610,956	5,302,235,179
337	3. Other long-term liabilities	18	163,466,547,253	59,272,399,555
338	4. Long-term loans	19	1,104,599,449,787	1,351,536,142,090
341	5. Deferred tax liabilities	27.3	604,006,191,580	498,887,769,027
342	6. Long-term provisions		951,967,962	951,967,962



## CONSOLIDATED BALANCE SHEET (continued)

as at 31 December 2016

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Currency: VND

CODE	ASSETS	NOTES	ENDING BALANCE	BEGINNING BALANCE
<b>400</b>	<b>D. OWNERS' EQUITY</b>		<b>8,621,089,984,484</b>	<b>8,036,004,987,843</b>
<b>410</b>	<b>I. Capital</b>		<b>8,621,089,984,484</b>	<b>8,036,004,987,843</b>
411	1. Share capital	20.1	4,757,111,670,000	4,757,111,670,000
411a	- Shares with voting rights		4,757,111,670,000	4,757,111,670,000
412	2. Share premium	20.1	989,064,430,000	989,064,430,000
415	3. Treasury shares	20.1	(364,466,650,000)	(364,466,650,000)
418	4. Investment and development fund	20.1	2,223,693,823	2,223,693,823
421	5. Undistributed earnings	20.1	2,318,834,981,859	1,781,536,119,480
421a	- Undistributed earnings of prior year		1,761,464,742,050	1,169,625,513,861
421b	- Undistributed earnings of current year		557,370,239,809	611,910,605,619
429	6. Non-controlling interests	21	918,321,858,802	870,535,724,540
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>14,657,547,795,899</b>	<b>13,653,707,159,630</b>

Signed

**Luu Phuong Mai**  
Preparer

Signed

**Pham Phuc Hieu**  
Deputy General Director  
and Chief Accountant

Signed

**Nguyen Thi Thu Huong**  
General Director

14 March 2017

## CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2016

79

Currency: VND

CODE	ITEMS	NOTES	CURRENT YEAR	PREVIOUS YEAR
01	1. Revenue from sale of goods and rendering of services	22.1	1,972,459,422,710	1,434,851,916,992
02	2. Deductions	22.1	-	-
10	3. Net revenue from sale of goods and rendering of services	22.1	1,972,459,422,710	1,434,851,916,992
11	4. Cost of goods sold and services rendered	23	(865,066,256,541)	(861,405,092,161)
20	5. Gross profit from sale of goods and rendering of services		1,107,393,166,169	573,446,824,831
21	6. Finance income	22.2	39,040,775,675	317,123,475,612
22	7. Finance expenses	24	(99,196,167,198)	(41,370,870,831)
23	In which: Interest expenses		(81,656,871,847)	(89,987,678,791)
24	8. Shares of profit of associates, joint-ventures	14.1	21,563,032,459	9,590,181,448
25	9. Selling expenses	25	(33,213,420,747)	(34,887,804,923)
26	10. General and administrative expenses	25	(120,944,497,683)	(92,999,002,177)
30	11. Operating profit		914,642,888,675	730,902,803,960
31	12. Other income		7,248,211,456	1,328,307,512
32	13. Other expenses		(529,554,284)	(2,255,982,547)
40	14. Other profit/(loss)		6,718,657,172	(927,675,035)
50	15. Accounting profit before tax		921,361,545,847	729,975,128,925
51	16. Current corporate income tax expense	27.3	(104,958,126,654)	(113,881,512,091)
52	17. Deferred tax expense	27.3	(105,118,422,552)	(14,031,161,477)
60	18. Net profit after tax		711,284,996,641	602,062,455,357
61	19. Net profit after tax attributable to shareholders of the parent		557,370,239,809	611,910,605,619
62	20. Net profit/(loss) after tax attributable to non-controlling interests		153,914,756,832	(9,848,150,262)
70	21. Basic earnings per share	29	1,186	1,316
71	22. Diluted earnings per share	29	1,186	1,316

Signed

**Luu Phuong Mai**  
Preparer

Signed

**Pham Phuc Hieu**  
Deputy General Director  
and Chief Accountant

Signed

**Nguyen Thi Thu Huong**  
General Director

14 March 2017

## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2016

80

Currency: VND

CODE	ITEMS	NOTES	CURRENT YEAR	PREVIOUS YEAR
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>				
01	Profit before tax		921,361,545,847	729,975,128,925
	Adjustments for:			
02	Depreciation of fixed assets and investment properties	10, 11	27,311,813,411	28,361,454,661
03	Provisions/(Reversal of provision)		15,414,526,361	(56,149,062,585)
04	Foreign exchange gains arising from revaluation of monetary accounts denominated in foreign currency		(105,981,613)	(583,508,308)
05	Profits from investing activities		(64,835,243,114)	(306,084,314,413)
06	Interest expenses	24	81,656,871,847	89,987,678,791
08	Operating profit before changes in working capital		980,803,532,739	485,507,377,071
09	(Increase)/decrease in receivables		(957,595,209,235)	149,323,255,193
10	Decrease/(increase) in inventories		120,751,899,161	(509,888,330,440)
11	Increase/(decrease) in payables (other than interest, corporate income tax)		982,574,527,665	(53,296,085,215)
12	Increase in prepaid expenses		(507,332,552)	(484,486,851)
14	Interest paid		(125,114,420,377)	(142,033,020,514)
15	Corporate income tax paid	16	(91,042,931,558)	(7,694,466,484)
17	Other cash outflows from operating activities		-	(51,020,000)
20	<b>Net cash flows from/(used in) operating activities</b>		<b>909,870,065,843</b>	<b>(78,616,777,240)</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>				
21	Purchase and construction of fixed assets and other long-term assets		(57,610,802,359)	(39,703,275,406)
22	Proceeds from disposals of fixed assets and other long-term assets		2,500,000,000	-
23	Loans to other entities and payments for purchase of debt instruments of other entities		(58,245,208,333)	(15,326,000,000)
24	Collections from borrowers and proceeds from sale of debt instruments of other entities		-	72,609,971,000
25	Payments for investments in other entities (net of cash hold by entity being acquired)		(431,690,284,001)	-
26	Proceeds from sale of investments in other entities		278,279,899,189	148,283,000,000
27	Interest and dividends received		13,316,296,793	6,694,132,965
30	<b>Net cash flows (used in)/from investing activities</b>		<b>(253,450,098,711)</b>	<b>172,557,828,559</b>

## CONSOLIDATED CASH FLOW STATEMENT (continued)

for the year ended 31 December 2016

81

Currency: VND

CODE	ITEMS	NOTES	CURRENT YEAR	PREVIOUS YEAR
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
33	Drawdown of borrowings		225,651,869,608	1,081,991,327,696
34	Repayment of borrowings		(815,149,502,411)	(1,096,864,972,234)
40	<b>Net cash flows used in financing activities</b>		<b>(589,497,632,803)</b>	<b>(14,873,644,538)</b>
50	<b>Net increase in cash and cash equivalents for the year</b>		<b>66,922,334,329</b>	<b>79,067,406,781</b>
60	<b>Cash and cash equivalents at beginning of the year</b>		<b>228,164,359,677</b>	<b>149,105,090,802</b>
61	Impact of exchange rate fluctuation		(1,496,171)	(8,137,906)
70	<b>Cash and cash equivalents at ending of the year</b>	<b>4</b>	<b>295,085,197,835</b>	<b>228,164,359,677</b>

Signed

**Luu Phuong Mai**

Preparer

14 March 2017

Signed

**Pham Phuc Hieu**Deputy General Director  
and Chief Accountant

Signed

**Nguyen Thi Thu Huong**

General Director



**Shareholders** and **Investors** may see  
**Financial Statements** on our website  
[www.kinhbaccity.vn](http://www.kinhbaccity.vn) and [www.hsx.vn](http://www.hsx.vn)

**THANK YOU**



# ANNUAL REPORT 2016