

NAM VIỆT JOINT STOCK COMPANY

ANNUAL REPORT

YEAR 2017

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I. GENERAL INFORMATION

1. General information

Certificate of business registration No: 0302205973. The first registration dated 01/02/2001, the tenth amendment dated 19/05/2016
Charter capital: VND 80.000.000.000
Owner's capital: VND 80.000.000.000
Address: 18 F, Tang Nhon Phu St. Phuoc Long Ward, District 9, Ho Chi Minh City, Vietnam.
Telephone: (84) 2837 313 642
Fax: (84) 2837 313 641
Website: www.navifico.vn
Securities code: NAV

The process of formation and development

Nam Viet Joint Stock Company (NAVIFICO), formerly known as Nam Viet Company was established in 1963.

In 1975, NAVIFICO was transformed into a State-owned company under the People's Committee of Ho Chi Minh City.

In 2001, Nam Viet Company became Nam Viet Joint Stock Company.

On Dec 22, 2006, the Company's shares were listed on the Ho Chi Minh City Stock Exchange.

Other events:

NAVIFICO is a member of the IIBCC 2014 – Vietnam (International Inorganic Bonded Composite Conference) – a worldwide conference in fiber cement industry.

2. Lines and business areas

Lines of the business:

Building materials, wood furniture processing and warehousing leasing services.

Business locations:

Vietnam, French, Australia, Japan and the USA

3. Information on management model, business organization and management apparatus

- Management model:

The Company choose the model 1, following Article 134, Enterprise Law 2014 . The organization structure is included:

Shareholders' General Meeting

Board of Directors

Board of Supervisors

Board of Management

- Management structure

+ Subsidiary:

Nam Viet Wood Furniture Processing Factory

+ Department

Company Office

Finance and Accounting Department

- Associated Company

SAIGON DEVELOPMENT CORPORATION (SDC)

Office address: 143/7 D Ung Văn Khiêm, Ward 25, Binh Thanh District, Ho Chi Minh City

Lines of SDC's business:

- Cement for civil construction and special cement
- Wood furniture processing

Charter capital: 45.000.000.000 đồng

NAVIFICO holds 38.33% of shares in SDC

4. Orientation of activities

Preserve capital and increasing the value of the Company's shares

The main objectives of the Company

Strengthening financial management, controlling the expenses and maintaining the business activities.

The Company has carried out solutions:

Restricting and strictly controlling debts and actively recovering debts.

Controlling strictly the handling of Company's assets according to the selected objectives.

Controlling over working assets

+ Concentrating on accumulating cash on demand increasingly high.

+ Balancing the expenses of maintain the activities through handling working assets (inventory items, slow-moving stock) according to the plan submitted to the Board of Directors.

Focusing on various solutions to collect debts and making use of land use rights in order to preserve the value and increases the reserved reimbursement according to the planned objectives.

Controlling over the fixed assets

+ Carrying out liquidation of fixed assets that are no longer suitable (with assignment , dismantling and preserve diagram) and making use of warehouse space for lease.

+ Dismantling assets or financial leasing for production are balanced with the goal of maintaining the Company towards cooperation to develop real estate at 18 F Tang Nhon Phu

+ Looking for partners for transferring the financial investment capital at SDC

Participating the community activities and developing community, environmental sanitation.

5. *Risks*

Compliance risks

The economic development policies of the government, such as land use planning and the deadline under the guideline of the People's Committee of HoChi Minh City and District 9 , and the adjustment of the State management policies for the land lease contract of the

enterprises which directly affected the objective of capital conservation and increased the value of Company's shares.

Trading risks

- + The adjustment of policies of the Enterprises renting space for business.
- + Risks in inspection, checking and planning tax.
- + Risks in fire prevention and fighting.

II. BUSINESS ACTIVITIES IN THE YEAR 2017

1. *The situation of production and business activities*

Pursuant to the Resolution of the Shareholders' General Meeting and the direction of the Board of Directors, the Company concentrated on monetization of in-kind capitals, preserved capital, gradually narrowed the production activities, redirected to warehouse leasing services.

The Board of Management has consistently implement the following solutions:

- To liquidate the value of raw materials, goods in stock and unfinished products.
- As for fixed assets after classifying and evaluating, the existing assets needed to "the revaluation target is equivalent to 40 percent of the equipment cost, approximates the residual values on the book.
- Looking for the investors for the purpose of restructure the capital and withdrawal of financial investment in Saigon Development Corporation.
- Business cooperation to develop the land at 18F Tang Nhon Phu.
- Recovery of customers' debts.

In the year 2017, the losses incurred in doing business has been dealt with

- To liquidate the value of raw materials, unfinished products.

Items	31/12/2016	31/12/2017	+ Increase/ - Decrease
Inventory	53,157,007,187	27,446,061,048	(25,710,946,139)

Previously, it is assessed that the possibility of not collecting debt from customer Kien A (if based on the violations signed under the economic contract) and the possibility of penalty.

The Management Board, after an effort to negotiate with Kien A, received a payment (decrease risk of loss provision VND 2.3 billion.) At the same time, when deciding on production to delivery sufficient quantity of goods under the contract, the quantity of raw material left in stock is reduced.

On the other hand, continue to deal with the UMA customer through the implementation of a reasonable after-sales policy, to fully liquidate the value of raw material , inventory and unfinished products. The customer accepts receipt and payment.

In refer to the fixed assets for roofing production, the Company has dismantled machinery and equipment for roofing production. Renovating and utilizing the space for warehouse lease in Quarter 2, 2018 and it is subject to condition, the amount of machinery will be transformed to money.

For fixed assets engaged in wood processing, the recoverable amount is depreciated.

In 2017, liquidation of assets amounted to VND 977 million corresponding to a decrease of original cost VND 2.34 billion

As for capital restructuring and financial investment divestment at Saigon Development Corporation, the Company has negotiated with interested customers

Business cooperation at 18 F Tang Nhon Phu

The possibility of delaying implementation of the partner in the current context due to regulations regulating Land Use Policy of the State.

The modification of the cooperation method which is appropriate to the situation and the target of the Company according to the agreement. When Hung Think Company has specific

recommendations, the Board of Management will submit document to the Board of Directors.

Payment debts to customers

The company actively paid debts to customers reducing VND 24.924 billion in compare to the beginning of the period.

Items	31/12/2016	31/12/2017	+ Increase , - Decrease
Liabilities	48,350,082,379	52,387,951,408	4,037,869,029
Included			
Other liabilities	10,000,000,000	35,000,000,000	25,000,000,000
Customers deposits		3,961,993,268	3,961,993,268
Customer liabilities, payment obligations	38,350,082,379	13,425,958,140	-24,924,124,239

Loan payment

By possitive measures, the bank debt was settled decreasing 22,754 VND billion in compare to the beginning of the period.

Items	31/12/2016	31/12/2017	+ Increase , - Decrease
Bank debit balance	22,754,196,323	0	-22,754,196,323

Actively collect customers' debts

Collecting debts of the customers: 9,633 VND billion in compare with the beginning of the period.

Items	31/12/2016	31/12/2017	+ Increase , - Decrease
Receivables	32,378,581,852	22,744,802,056	(9,633,779,796)

For UDEC receivables to be recovered in the first six months of the year 2018.

Summarize the data:

The Board of Management exceeded the expected targets as compared to the beginning of the period.

Pay off the bank loans: VND 22,754 billion.

Handling of inventory goods: decrease VND 25,71 billion.

Raise financial resources in the fiscal year: +VND 25 billion

In addition, the labor policy has been resolved : VND 2, 740 billion.

Items	Implementation 2016	Plan 2017	Implementation 2017	% Implementation 2017 compare 2016	% Implementation 2017 compare Plan
Net revenue from sales and services	105.800.468.326	57.062.813.743	102.097.253.234	96,50%	178,92%
Total profit before tax	-12.086.062.908	1.234.206.855	2.671.428.777		216,45%

2. Organization and personnel

BOARD OF DIRECTORS

Mr. VŨ HẢI BĂNG	Chairman of the Board of Directors
Mr. TÔN THẮT MẠNH	Member of the Board of Directors
Mr. NGUYỄN LÊ PHONG	Member of the Board of Directors
Mr. NGUYỄN QUANG HƯNG	Member of the Board of Directors

BOARD OF SUPERVISORS

Mr. NGUYỄN ĐÌNH MINH	Head of the Board of Supervisors
Mr. NGUYỄN TÔN NHÂN	Member of the Board of Supervisors
Mr NGUYỄN NGỌC PHI	Member of the Board of Supervisors

MANAGEMENT BOARD

Mr. TÔN THẮT MẠNH	General Director
Mr. PHẠM MINH TUYỀN	Deputy General Director
Mr. NGUYỄN TRUNG MINH ANH	Deputy General Director

CHIEF ACCOUNTANT

Ms. TRẦN THỊ MỸ THẠNH

COMPANY SECRETARY

Mr. NGUYỄN TRUNG MINH ANH

Changes in the Management Board

Number of staff:

Total number of employees by 31/12/2017: 179 people

Classification by professional level:

✓ Postgraduate	2	people
✓ University	19	people
✓ College	5	people
✓ Intermediate		people
✓ Skilled labor force	147	people

3. Investment situation, implementation situation of the projects

Focusing on cooperating with Hung Thinh Real Estate Investment Joint Stock Company to develop 18F Tang Nhon Phu land.

Subsidiaries and associates

Saigon Development Corporation is an enterprise operating in the field of special cement grinding, oil well cement, cement for civil construction at the request of foreign consultants for designed works and wood furniture processing.

Cash dividends are received annually from 15 – 20 percent of face value.

4. Financial situation

The Company is and will record positive results on profit after prolonged difficult period.

2017 business results have increase compared to 2016 and slightly exceed the plan.

A sound financial structure, almost without debts.

Real estate along District 2 “rises” strongly, the Company benefited from the improvement of the real estate market.

The special point in the year is that the Company increased the cash accrual, recovered bad debts, overcome the losses of previous periods due to late delivery, fail to complete the due date commitment.

With the spirit of “ focus on capital preservation” the Management Board resolutely handles assets that are slow to circulate, no longer use for business, monetizing assets, adjusting the organization and unnecessary expenses.

Items	Implementaion 2016	Implementati on 2017	Compare (+/-)	Comp are %
Total value of assets	128,780,235,681	135,381,506,085	6,601,270,404	105.13 %
Net revenue	105,800,468,326	102,097,253,234	-3,703,215,092	96.50%
Profit from business activities	-13,532,559,828	1,188,084,276	14,720,644,104	-8.78%
Other profits	1,446,496,920	1,483,344,501	36,847,581	102.55 %
Profit before tax	-12,086,062,908	2,671,428,777	14,757,491,685	
Profit after tax	-12,086,062,908	2,671,428,777	14,757,491,685	
Profitability dividend payout				

Key financial indicators

Financial indexes	2016	2017
1. Solvency index		
+ Short- term payment ratio	2.06	2.14
+Quick payment ratio	0.95	1.60
2. Capital structure index		
+ Debt/ Total assets ratio	0.38	0.39
+ Debt/ Owners' equity	0.60	0.63
3. Operation capability index		
+ Inventory turnover	1.62	2.16
+ Net revenue/ Total assets	0.82	0.75
4. Profitability index		
+ Profit after tax/ Net revenue ratio	-11.42%	2.62%

+ Profit after tax/ Owners' capital ratio	-15.03%	3.22%
+ Profit after tax/ Total assets ratio	-9.39%	1.97%
+ Profit from operating/ Net revenue ratio	-12.79%	1.16%

5. *Shareholder structure, change of investment capital of the owners*

Total number of share: 8,000,000 shares, all are common shares

Shareholder structure

Institution shareholder	30.03%	Individual shareholder	69.97%
Domestic shareholder	97.10%	Foreign shareholder	2.90%
State shareholder	20.00%	Other shareholder	80.00%

6. *Report on the impact of the Company to environment and society*

Compliance with the law on environmental protection

Compliance with environmental laws and regulations is strickly adhered to, so there is no environmental brech in 2017

III. REPORT AND EVALUATION OF MAMAGEMENT BOARD

1. Evaluation of the results of production and business activities

Items	Implimentation 2016	Implementation 2017	Compare (+/-)	Compare %
Net revenue on sales and services	105,971,930,415	102,097,253,234	-3,874,677,181	96.34%
Total profit before tax	-12,086,062,908	2,671,428,777	14,757,491,685	-22.10%

Compare to the target .

Items	Unit	Shareholder Meeting Resolution 2017	Implimentaion 2017	Compare (+/-)	Compare %
Revenue	VND	57,062,813,743	102,097,253,234	45,034,439,491	178.92%
Profit before tax	VND	1,234,206,855	2,671,428,777	1,437,221,922	216.45%

2. Financial situation :

The finance situation is improving gradually and the capital is preserved.

Assets condition: liquidity, solvency and inventory turnover increase

IV. EVALUATION ON THE ACTIVITIES OF THE BOARD OF DIRECTORS

1. *Evaluation on the activities of the Board of Directors*

The Board of Directors has complied with the Law on Enterprises, the Law on Securities, the Charter of the Company.

The coordination between the Board of Directors, the Management Board and the Board of Supervisors in accordance with the functions, duties and power stipulated

The Board of Directors directs the Management Board to focus on:

Concentrate all company activities for the purpose of “ capital preservation” and increase share value in the future.

2. *Evaluation of the Board of Directors on the activities of the Management Board.*

From the business risk assessment, the Board of Director made the following decisions:

Narrowing and discontinuing fiber cement roofing, focusing on warehouse leasing business.

Monetizing all company’s assets.

In the process of management, the Management Board has implemented guidelines and decisions of the Board of Directors.

V. CORPORATE GOVERNANCE

5. *The Board of Directors*

Membership and structure of the Board of Directors

List of the Board of Directors and number of shares held.

Name	Position	Education	Total shares held (NAV)	Ownership ratio (%)	Professional Level	Role	Other positions
Vũ Hải Bằng	Chairman of the Board	12/12	1.051.496	13.14	Bachelor of Law	Non-executive	Chairman of the Board WOODLAND VĨNH PHÚC
Tôn Thất Mạnh	Member of the Board	12/12	84.640	1.06	Bachelor of Business Administration	General Director	Deputy Chairman of the Board Saigon development Corporation (SDC)
Nguyễn Quang Hưng	Member of the Board	12/12	324.380	4.05	Business Management University	Non-executive	Chairman of the Board VIỆT HẢI Co
Nguyễn Lê Phong	Member of the Board	12/12			Irrigation Engineer	Non-executive	Deputy General Director of SGCC

Activities of Board of Directors

No	Number of Resolution/ Decision	Date	Content
1	01/NQ-HĐQT-2017-NAV	17/03/2017	- Annual General Meeting of Shareholders 2017 held on 28/4/2016
2	02/NQ-HĐQT-2017-NAV	17/03/2017	- Unified proposal to establish a new joint stock company to implement investment projects with Hung Thinh Real Estate Investment Joint Stock Company for the Shareholders' Meeting decision.
3	03/NQ-ĐHĐCĐ-2017-NAV	28/04/2017	- Annual General Meeting of Shareholders in 2017
4	04/NQ-ĐHĐCĐ-2017-NAV	12/08/2017	- Establishment of Assets Liquidation Council
5	01/QĐ- HĐQT-2017-NAV	17/03/2017	- Establish Organization Board to hold 2017 Annual Shareholders Meeting
6	02/QĐ- HĐQT-2017-NAV	28/04/2017	- Appointment of representative and capital contribution to set up the Company

List of members of the Board of Directors who have a corporate governance training certificate.

No	Name	Position	Attended a seminar on Corporate Governance by IFC & SGDCK	No certificate of Corporate Governance
1	Vũ Hải Bằng	Chairman of the BOD		X
2	Tôn Thất Mạnh	Member of the BOD	x	X
3	Nguyễn Lê Phong	Member of the BOD		X
4	Nguyễn Quang Hưng	Member of the BOD		X

6. The Board of Supervisors

Members and the structure of the Board of Supervisors

Name	Position	Education	Total shares held (NAV)	Ownership ratio (%)	Professional Level	Role	Other positions
Nguyễn Đình Minh	Head of the Board of Supervisors	12/12			University of Economics HCM	Non-executive	Head of the Board of Supervisors of SDC
Nguyễn Tôn Nhân	Member of the Board of Supervisors	12/12	10.226	0.13	Bachelor of Finance and Accounting, Fisheries University	Non-executive	Member of the Board of Supervisors of SDC
Nguyễn Ngọc Phi	Member of the Board of Supervisors	12/12			University	Independent	

Activities of the Board of Supervisors

Participate in regular quarterly and extraordinary meeting of the Board of Directors; attend weekly meeting with the Management Board to timely catch up the direction of executing and implementing the Resolutions of the General Meeting of Shareholders 2017.

Monitoring the implementation of the Resolutions of the General Meeting of Shareholders 2017.

Production and business are not as expected, the results:

Items	Implementation 2016	Implementation 2017	Compare (+/-)	Compare %
Total value of assets	128,780,235,681	135,381,506,085	6,601,270,404	105.13%
Net revenue	105,800,468,326	102,097,253,234	-3,703,215,092	96.50%
Profit from the business activities	-13,532,559,828	1,188,084,276	14,720,644,104	-8.78%
Other profits	1,446,496,920	1,483,344,501	36,847,581	102.55%
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Profit after tax	-12,086,062,908	2,671,428,777	14,757,491,685	
Profitability dividend payout				

Activities of the Board of Supervisors 2017

In 2017, the Board of Supervisors actively participated with analysts to analyze the fluctuation of financial activities of the Company.

The Board of Supervisors has reviewed the following issues:

- Overdebts, provision for bad debts
- Inventory checking periodically and make adjusting entry after the revaluation of the actual value to the book value, deduction for inventory reduction.

The Board of Supervisors:

- Unify basic indicators of debt status, liquidity, assets use efficiency, provisioning, owner's equity in the report of the General Director.

- The Board of Supervisors regularly commented on the legality of implementation of the Board of Directors and the Management Board in terms of finance, risk prevention and the issues discussed.
- The Board of Supervisors agrees with the auditor's opinion in document No A0617227-R/AISC/DN6 on the financial statement of the Company prepared for year ended 31/12/2017, dated March 12, 2018.

Monitoring results to the members of the Board of Directors and the Management Board.

- The Board of Directors held meetings and disclosed information according to the Regulations.
- The Board of Supervisors has not detected unusual cases of the members of the Board of Directors, the member of the Management Board and other managers of the Company.

The Supervisors Board recommends:

- Focusing on investment management in 18 F Tang Nhon Phu, District 9.
7. *Transactions, remunerations and benefits of the Board of Directors, the Management Board and the Board of Supervisors.*

Salary, bonus, remuneration, benefits.

Name	Remuneration 2017 BOD & Supervisor Board	Salary received 2017 (VND)	Remark
Board of Directors			
Vũ Hải Bằng	None		Chairman
Tôn Thất Mạnh	None	420,000,000	General Director
Nguyễn Lê Phong	None		
Nguyễn Quang Hưng			
Board of Supervisors			
Nguyễn Đình Minh	None	140,000,000	
Nguyễn Tôn Nhân	None	149,380,000	
Nguyễn Ngọc Phi	None		
Nguyễn Trung Minh Anh		165,620,000	Deputy General Director
Trần Thị Mỹ Thạnh		280,000,000	Chief Accountant

Transaction of insider stocks

8. Action plan and recommendations

- Concentrating on warehouse leasing services
 - + Investment cooperation to develop real estate business at 18 F Tang Nhon Phu
 - + Apply for extension of land lease contract
- Concentrating on revenue sources to improve the efficiency of capital preservation
 - + Reduce and offset the accumulated losses
 - + Increase the accumulation in cash.
 - + Flexible handling of internal loss.

VI. BUSINESS PLAN 2018

Items	Implementation 2017	Plan 2018	% Plan 2017 compare Implementation 2016
Net revenue	102,097,253,234	66,695,000,000	65.32%
Total profit before tax	2,671,428,777	15,497,000,000	580.10%

Dividend, setting up the Company fund and remuneration of Board of Directors and Board of Supervisors.

- Dividend
 - Dividend in 2018: 6% of face value of the shares.
- Setting up the Company fund:
 - + Bonus and welfare fund: 4% of profit after tax
 - + Remuneration of the Board of Directors and Board of Supervisors: 3% of profit after tax and after deducting accumulated losses up to 31/12/2017 and after deduction fund.

VII. FINANCIAL STATEMENT (attached)

+ Auditor's opinion

+ Audited financial statements

CONFIRMATION BY THE COMPANY'S LEGAL REPRESENTATIVE