NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended December 31, 2014

Unit: VND

I. BUSINESS HIGHLIGHTS

1.Establishment:

Nam Viet Joint Stock Company is incorporate in accordance with Business and taxation registration certificate for joint stock company No. 0302205973 dated February 01, 2001 (business registration No.: 4103000281) and the ninth amended certificate dated July 08, 2013 issued by the HCMC Department of Planning and Investment.

2.Structure of ownership

Structure of ownership: Joint Stock Company.
Chartered capital: VND 80.000.000.000 (Eighty billion Vietnam Dong).

3.Structure of operations:

Production, trading and services.

4.Business sector:

Manufacturing roofing and concrete components, construction materials; Manufacturing types of mobile home, spare parts, machinery and components for mechanics; Constructing industrial and civil works; Producing and processing farm, forestry and seafood products; Trading real estates (in compliance with Item 1, Article 10, Law on Real Estates Business); Design: Engineering for industrial, civil works, interior decoration; Rendering domestic tourist service; Hotels, restaurants (the provision of services must be implemented in parallel with the construction, improvement, upgrade or purchase of hotels - not at the head office).

5.Information on joint-venture company, associates

The joint venture company, associates are stated in the financial statements at original costs:
Saigon Development Joint Stock Company
Head office: No.143/7D Ung Van Khiem, Ward 25, Binh Thanh Dist., HCMC.
The chartered capital in accordance with Business registration certificate No. 0302817052: VND 45,000,000,000.
Percentage of ownership: 38%

6.Operations in the fiscal year affecting the financial statements: Not applicable.

7.Total employees up to December 31, 2014: 527 persons (December 31, 2013: 475 persons).

II.ACCOUNTING PERIOD AND REPORTING CURRENCY

1.Fiscal year

The fiscal year is begun on January 01 and ended December 31 annually.

2.Reporting currency

Vietnam Dong (VND) is used as a currency unit for accounting records.

III.ADOPTION OF ACCOUNTING STANDARDS AND POLICIES

1.Applicable Accounting System

The company applies the Vietnamese Accounting System issued by the Vietnam Ministry of Finance in accordance with Decision No.15/2006/QD-BTC dated March 20, 2006 and the amended, supplemented circulars.

2.Disclosure of compliance with Vietnamese Accounting Standards and the Vietnamese Accounting System

We conducted our accounting in accordance with Vietnamese Accounting Standards and other relevant statutory regulations. The financial statements give a true and fair view of the state of affairs of the Company and the results of its operations as well as its cash flows.
The selection of figures and information presented in the notes to the financial statements is complied with the material principles in Vietnamese Accounting Standard No.21 - Presentation of the financial statements.

3.Form of records applied

Form of records applied: General Journal.

IV.APPLICABLE ACCOUNTING POLICIES

1.Principles for recording cash amounts

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit and other short-term investments with an original maturity of three months or less, highly liquid, readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

Principles for foreign currency translation:

Transactions in currencies other than VND during the year have been translated into VND at the rates of exchange at the transaction dates, foreign exchange differences are recorded in the financial income or expenses and presented in the income statement.

2.Principles for recording trade receivables and other receivables:

Principle for recording receivables: At original cost less provision for doubtful debts.

Method of making provision for doubtful debts: Provision for doubtful debts represents the estimated loss value of overdue receivable debts and undue receivable debts which are likely to become possibly irrecoverable due to insolvency of debtors.

3.Principles for recording inventories:

Principles adopted in recording inventory: Inventories are stated at original cost less (-) the provision for the decline in value of inventories and obsolete items. The original cost of inventories consists of costs of purchase, processing costs and other costs incurred in bringing the inventories to their present location and condition.
Method of determining cost of inventories in the end of the period: Weighted Average Method.
Method of accounting for the inventories: Perpetual method.
"**Method of making provision for decline in value of inventories:** Provision for decline in value of inventories is made when the net realisable value of inventories are lower than their original cost. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. The provision for decline in value of inventories is the difference between the cost of inventories greater than their net realisable value. "

4. Principles for recording fixed assets:

4.1 Principles for recording tangible fixed assets:

- Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises all expenditures of bringing the asset to its working condition and location for its intended use. The expenditures incurred beyond their originally assessed standard of performance are capitalised as an additional cost of tangible fixed assets when they have resulted in an increase in the future economic benefits expected to be obtained from the use of those tangible fixed assets. The expenditures which do not meet the above conditions are charged to the expenses in the year.
- When the assets are sold or disposed, their original costs and the accumulated depreciation which have been written off and any gain or loss from disposal of assets are recorded in the income statement.
- Determination of original costs of tangible fixed assets:
- Tangible fixed assets purchased
- The original cost of purchased tangible fixed assets shall consist of the actual purchase price less (-) trade discounts or reduction plus (+) taxes (excluding taxes to be refunded) and relevant expenses calculated to the time when such fixed assets are put into operation such as fees for installation and trial operation of fixed assets; specialists and other direct costs.
- The original cost of a tangible fixed asset formed from capital construction under the mode of tendering shall be the finalisation price of the construction project, other relevant fees plus (+) registration fee (if any).
- Fixed assets which are buildings, structures attached to land use right, the value of land use right is computed separately and recorded as intangible fixed assets.

4.2 Principles for recording intangible fixed assets:

- Intangible fixed assets are stated at cost less accumulated amortization. The original cost of a intangible fixed asset comprises all costs of owning the asset to the date it is put into operation as expected.
- Determination of original cost of intangible fixed assets
- Land use right

"The original cost of a fixed asset which is the land use right shall be the payment made to obtain the lawful land use right plus (+) compensatory payments for clearance of site, expenses for levelling the ground, registration fee......,or the value of the land use right from capital contribution."

- Computer software
- The original cost of a fixed asset which is the computer software shall be the total of actual expenses incurred by the Company to obtain the computer software.

4.3 Method of depreciating and amortizing fixed assets

- Depreciation is charged to write off the cost of fixed assets on a straight line basis over their estimated useful lives. Useful life means the duration in which the tangible fixed assets produce their effect on production and business.
- **The estimated useful life for assets is as follows:**

Buildings and structures	5 - 50 years
Machinery and equipment	3 - 20 years
Transportation and facilities	4 - 30 years
Office equipment	5 - 10 years
Intangible fixed assets	maximum 20 years

- Land use rights which are granted for a definite term are amortized in conformity with the term stated in the certificate of land use right.
- Land use rights which are granted for an indefinite term are carried at cost and not amortised.

5.Principles for recording construction in progress:

- Construction in progress is stated at original cost. These costs include: purchase of fixed assets, construction or repair, improvement, extension or equipping of the works.
- These costs are capitalised as an additional cost of asset when the works have been completed. After the works have been finalized, the asset will be handed over and put into use.

6.Principles for recording financial investments:

- Principles for recording financial investments in associates: Companies are considered as the Company's associates when the Company has 20% - 50% of the long-term owners' equity in those companies and has considerable influence over their decisions on financial policies. Investments in associates are recorded at cost method.
- Provision for decline in value of financial investments :

Provision for decline in value of short-term, long-term security investments is made when the net realizable value (market value) of the security investments is lower than the original cost. If the securities' market value can not be determined, provision will not be made.

- Provision for loss of long-term financial investments is made when the Company confirms that these investments' value does not decline temporarily and out of the plan since the investee suffers from loss.
- The level of provision is the difference between the net realizable value (market value) or value of recoverable investments and the original cost stated in the accounting book.

7.Principles for recording and capitalizing borrowing costs:

- Principles for recording borrowing costs: Borrowing costs are loan interest and other costs incurred in direct relation to borrowings of an enterprise; Borrowing costs are recognised as an expense in the year in which they are incurred, except where the borrowing costs related to borrowings in respect of the construction or production of uncompleted assets, in which case the borrowing costs incurred during the period of construction are computed in those assets' value (capitalised) as part of the cost of the assets concerned when they satisfy conditions stipulated in the VAS No. 16 "Borrowing costs".
- Capitalized rate: In case of joint capital borrowings, which are used for the purpose of investment in construction or production of an uncompleted asset, the borrowing costs eligible for capitalization in each accounting period shall be determined according to the capitalization rate for weighted average accumulated costs incurred to the investment in construction or production of such asset. The capitalization rate shall be calculated according to the weighted average interest rate applicable to the enterprises borrowings unrepaid in the period, except for particular borrowings for purpose of obtaining an uncompleted asset. The amount of borrowing costs capitalized during a period must not exceed the amount of borrowing costs arising during that period.

8.Principles for recording and capitalizing other expenses:

- Long-term, short-term prepaid expenses include residual value of unqualified fixed assets in terms of original cost in compliance with Article 3, Circular 45 and other expenses....relating to the production and doing business of several periods, which need to be allocated.
- Method of allocating prepaid expenses: The determining and allocating of prepaid expenses into costs of production and doing business of each period is on a straight-line basis. Based on the nature and level of each expense, the term of allocation is defined as follows: short-term prepaid expenses should be allocated within one year; Long-term expenses should be allocated in the term from 12 months to ....months. Particularly to the residual value of unqualified fixed assets in terms of original cost in compliance with Article 3, Circular 45, term of allocation is 3 years or less.

9.Principles for recording accrued expenses

Accruals which are recognised on the basis of reasonable estimates on the amounts to be paid in the future for goods and services rendered include: power, selling expense and other expenses.

10.Principles for recording provision liabilities:

- Provisions are recognized when the following conditions are satisfied: the Company has a present (legal or constructive) obligations as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.
- Value of provision liability being recorded: The value which is estimated to be the most reasonable for settling the present obligation at the balance sheet date.

11.Principles for recording owner's Equity

- Principles for recording owner's paid-in capital:

The capital sourced from shares, securities purchased by members or shareholders or added from the profit after tax or added from the profit after tax in accordance with the Resolution of annual shareholders' meeting or the Company's charter will be recorded at the actual contributed capital by cash or assets computed at the par value of the share being issued in the early establishment period or additional mobilization to expand operation.

- Principles for recognising undistributed profit:
- Principle for recognising undistributed profit: the undistributed profit is recorded as the profit (loss) from the Company's result of operation after deducting the current year corporate income tax and the adjusted items due to the retroactive application of changes in accounting policy and adjustments for material misstatement of the previous year.
- The distributing of profit is based on the charter of the Company approved by the annual shareholder meeting.

12.Principles for recording treasury shares

The owners' equity instruments acquired by the Company (treasury share) are recorded at original cost and deducted into the owners' equity. The Company does not record gain (loss) when purchasing, selling, issuing or cancelling its equity instruments.

13. Principles for recording revenues

- Sales of goods
- Revenue from the sale of good should be recognised when all the five (5) following conditions have been satisfied:1) The enterprise has transferred to buyer the significant risks and rewards of ownership of the goods; 2) The enterprise retains neither continuing managerial involvement as an owner nor effective control over the goods sold; 3) The amount of revenue can be measured reliably; 4) The economic benefits associated with the transaction has flown or will flow to the enterprise; 5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- Supply of services
- Revenue from services rendered is recorded when the result of the supply of services is determined reliably. In case where the services are rendered in several periods, the revenue will recorded by the part of completed works at the balance sheet. Revenue from services rendered is determined when the following four conditions have been satisfied: 1. The revenue is determined firmly; 2. The economic benefits associated with the transaction has flown or will flow from the supply of the services; 3. Part of completed works can be determined at the balance sheet date; 4. The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- If the contract results can not be determined firmly, the revenue will be recorded at recoverable level of expenses recorded.
- Principles for recording financial income
- Financial incomes include interests, distributed dividends and profits and income from other financing activities; Foreign exchange gains…..

- Income arising from interests, royalties, distributed dividends and profits of the enterprises shall be recognized if they simultaneously satisfy the two (2) conditions below 1. It is possible to obtain economic benefits from the concerned transactions; 2. Income is determined with relative certainty.
- Interests recognized on the basis of the actual time and interest rates in each period;
- Distributed dividends and profits shall be recognized when shareholders are entitled to receive dividends or the capital-contributing parties are entitled to receive profits from the capital contribution.
- When an amount which has been recorded as an income becomes irrecoverable, such irrecoverable or uncertainly recoverable amount must be accounted as expense incurred in the period, but not recorded as income decrease.

14.Principles for recording financial expenses

- Financial expenses include: Expenses, foreign exchange loss, expenses being recorded when arising.
- Financial expenses are recorded in details by their content and determined reliably when there are sufficient evidences on these expenses.

15.Principles and methods of recording taxes

- Income tax on the profit or loss for the year comprises current and deferred tax when profit or loss of one accounting period is determined.
- Current tax: is the tax payable (or recoverable) on the taxable income and tax rate enacted in current year in accordance with the law on corporate income tax.
- Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxable entity and the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.
- The tax amounts payable to the State budget will be finalized with the tax office. Differences between the tax amounts payable specified in the book and the tax amounts under finalization will be adjusted when the tax finalization has been issued by the tax office.
- Tax policies the Company should comply with are as follows: The Company pays tax at 22% of taxable income.

16. Provisions for foreign exchange risks

- Revaluation of the balance of monetary items denominated in foreign currencies at the fiscal year end:
- Closing balance of monetary items (cash, cash equivalents, payables and receivables) denominated in foreign currencies should be revaluated at exchange rate of Techcombank stated at the year end. All differences upon revaluation of monetary assets denominated in foreign currencies are recorded in income statement. The exchange rate as at December 31, 2014: 21.375 VND/USD.
- In the year, the Board of General Directors decides to record foreign exchange differences in compliance with the guidance in Circular No. 179//2012/TT-BTC of the Ministry of Finance dated October 24, 2012 ("Circular No. 179") and believes that the application of this circular together with the full disclosure of information on the differences in case of complying VAS 10 "Influences of changes in exchange rate ("VAS 10")" will supply the users of these financial statements with more sufficient information.
- Influences on the preparing and presenting of the financial statements of the Company in case where the Company applies VAS 10 for the fiscal year ended December 31, 2014 are insignificant.

17. Financial instruments:

- Initial recognition
- Financial assets
- According to Circular No. 210/2009/TT-BTC dated November 06, 2009 (Circular No. 210), financial assets are classified properly, for the purpose of presentation in the financial statements, into the financial assets which are stated at fair value through the Income Statement, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The Company decides to classify these assets at the date of initial recognition.
- At the date of initial recognition, the financial assets are recognized at cost plus transaction cost that are directly attributable to the acquisition of the financial assets.
- Financial assets of the Company comprise cash, short-term deposits, trade accounts receivables and other receivables, borrowings.
- Financial liabilities
- According to Circular 210, financial assets are classified properly, for the purpose of presentation in the financial statements, into the financial liabilities which are stated at fair value through the Income Statement, financial liabilities determined on amortised cost basis. The Company decides to classify these liabilities at the date of initial recognition.
- At the date of initial recognition, the financial liabilities are recognized at cost plus transaction cost that are directly attributable to the acquisition of the financial liabilities.
- Financial liabilities of the Company comprise trade payables, other payables, borrowings and liabilities.
- Re-measurements after initial recognition
- Currently, there are no requirements for the re-measurement of the financial instruments after initial recognition.
- Offsetting
- Financial assets and financial liabilities are offset and the net amount reported in the report on financial position if, and only if, there is a currently enforceable legal right to offset the financial assets against financial liabilities or vice-versa and there is an intention to settle on a net basis or to realize the assets and settle the liability simultaneously.

18.Related parties

Related parties include: Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

NAVIFICO

Address: 18F Tang Nhon Phu, Phuoc Long B Ward, District 9, Hochiminh City, Vietnam
Phone: (84) 837313443 - (84) 37313991
Fax: (84) 837313641
Website: www.navifico.vn
Email: naviinfo@navifico-corp.com