



**ANNUAL REPORT**

**NAM VIET**  
JOINT STOCK COMPANY

---

**2016**



### **ANNUAL REPORT**

Pursuant to the Circular No 155/2015/TT-BTC on October 06, 2015 of the Ministry of Finance guiding the information disclosure on securities markets.

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# I. General information

## 1. General information

Trading name

**NAM VIET JOINT STOCK COMPANY  
(NAVIFICO)**

Certificate of business registration No:  
**0302205973. The first registration dated  
01/02/2001, the tenth amendment dated  
19/05 2016.**

Charter capital  
**80.000.000.000 VND**

Owner's capital  
**80.000.000.000 VND**

Address  
**Tang Nhon Phu St., Phuoc Long B Ward,  
District 9, Ho Chi Minh City, Vietnam.**

Telephone  
**(84) 837 313 443 – 837 313 642**

Fax  
**(84) 837 313 641**

Website  
**www.navifico.vn**

Securities code  
**NAV**

## Incorporation and development process

Nam Viet Joint Stock Company (NAVIFICO), formerly Nam Viet Company was founded in 1963. In 1975, NAVIFICO changed into a State-owned company directly under Ho Chi Minh City People's Committee.

In 2001, Nam Viet Company converted into Nam Viet Joint Stock Company.

On Dec 22, 2006, NAVIFICO listed shares on Ho Chi Minh City Stock Exchange.

## Other events:

NAVIFICO was a co-organizer of IIBCC 2014 – Vietnam ( International Inorganic Bonded Composite Conference ), a worldwide conference in fiber cement industry.

## 2. Lines and locations of the business:

Line of the business

- Fiber cement roofs
- Wood furniture processing

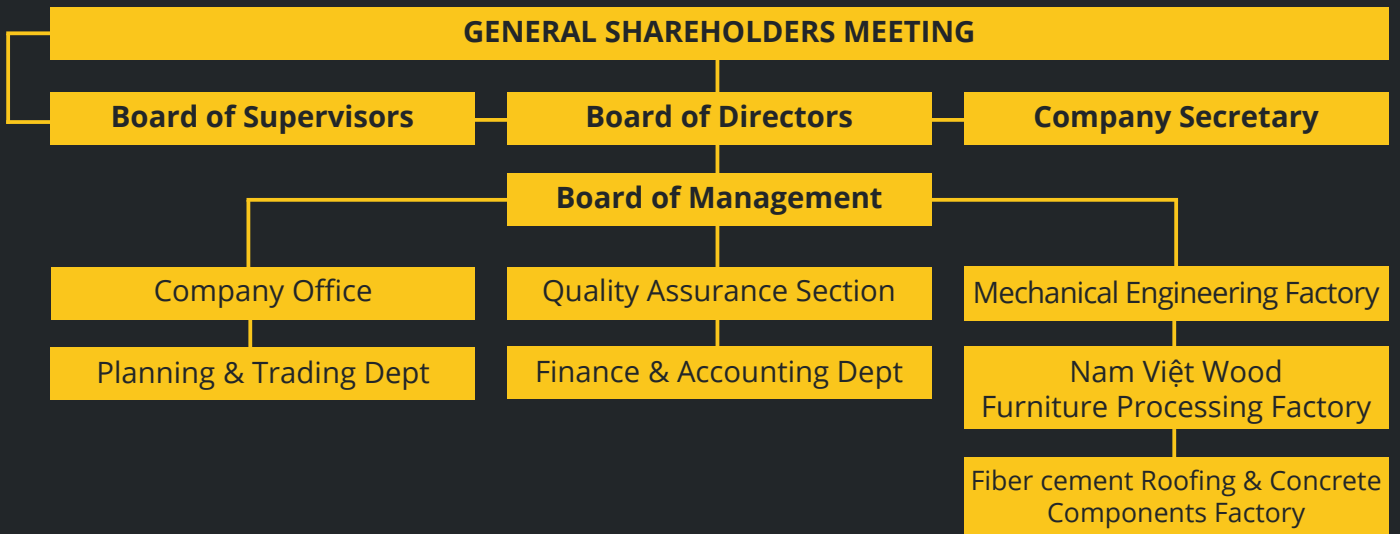
Location of business

Viet Nam, French, Australia, Japan and the USA.

## 3. Information about governance model, business organization and managerial apparatus

Governance model: the governance model is accordance to Law on Enterprises 2014, article 134. The organization structure is included:

## ORGANIZATION CHART



### Associated Company SAIGON DEVELOPMENT CORPORATION (SDC)

Office address: 143/7 D Ung van Khiem, Ward 25, Binh Thanh District, Ho Chi Minh City.

Lines of the SDC's business:

- Cement for civil construction and special cement

- Wood furniture processing  
Charter capital: VND 45,000,000,000  
NAVIFICO has invested in the shares which owned 38.33% shares at SDC.

## 4. Development orientations

To narrow the fiber cement and wood furniture, changing into warehouse service and financial investment.

### Key objective of the Company

Strengthening the task of financial management and controlling the business expenses and reserving the capital of the Company.

### Sustainable development objectives

To keep the Company develop sustainably, the Company has carried out:

- To consolidate the legal records of the customer's debts and recover debts positively.
- To control and treating the sources that could cause environmental impact.

### Controlling and handling dust emission

Installing air bag filters, OPTIFLOW systems, cyclone for collecting dust in fiber cement and wood processing factories.

Setting up an outer separation areas by green trees to minimize dust emission to surrounding areas.

With regard to paint dust at wood processing factory, the Company set up water curtain spray booth.

### Wastewater

The fiber cement production at NAVIFICO is a closed-loop wet process which the backwater is reused in the process and a small amount of wastewater is transferred to the wastewater treatment system before discharging into the environment.

The wastewater treatment system has the capacity of 200 CBM /day. The wastewater from the factories and domestic sewages are collected and treated at treatment system included setting tank, equalization tank, sedimentation tank, pressure filtration tank. The treated wastewater quality meeting industrial wastewater parameters in accordance to QCVN 40:2011/TNMT, column B - National Technical Regulation on Industrial Wastewater.

### Boiler flue gas

Exhaust gas from boiler is processed preliminary by cyclone to collect dust and the dust entered the absorption tower which has caustic soda (NaOH) solution spray to dissolve the harmful gas.

**Solid waste** of the fiber cement factory included debris, cement sludges are grinded and recycled in the fiber cement process.

The Company applied noise reduction and vibration resistance solutions. The machines which cause loud noise such as generators, air-compressors are placed in separate room with sound insulation materials.

Coming together with inhabitant community to attend collective action such as support for encourage study fund and keeping environmental hygiene, building asphalted road for the surrounding areas.

**“Adjustment of  
the output of fiber cement  
and wood furniture production;  
using land for warehousing service business”**

## 5. Risks

### Compliance risk

Acting in accordance with the Government's Regulations on environmental protection, intellectual properties and copyrighted software that used in the Company. Weighing options between business growth and environmental protection costs.

### Production risk

- The quality of raw materials supplied rely on natural condition in preservation, therefore, in order to keep the quality, it has to increase monitoring costs, e.g. FSC-CoC cost for wood furniture as well as cement inspection cost for fiber cement.

- Company's production has not well-managed that led to low productivity, behind delivery schedule, stock keeping costs etc.

### Trading risk

The customers change their consume behavior from the fiber cement roof to the metal roof which the Company's market is slowed down in compare to the preceding years.

Furthermore, the Company gives debt limit to agent shops higher than their capacity to repayment. This costs more expenses for collecting debt.

### Counter partner risk

As regards wood furniture business the main Purchasing Order decreased that leads the Company being in passive situations and have to deal with the problem of raw material stocks and adjusting the production plan. This is the main reason that causes most

difficulties to the Company in the year 2016.

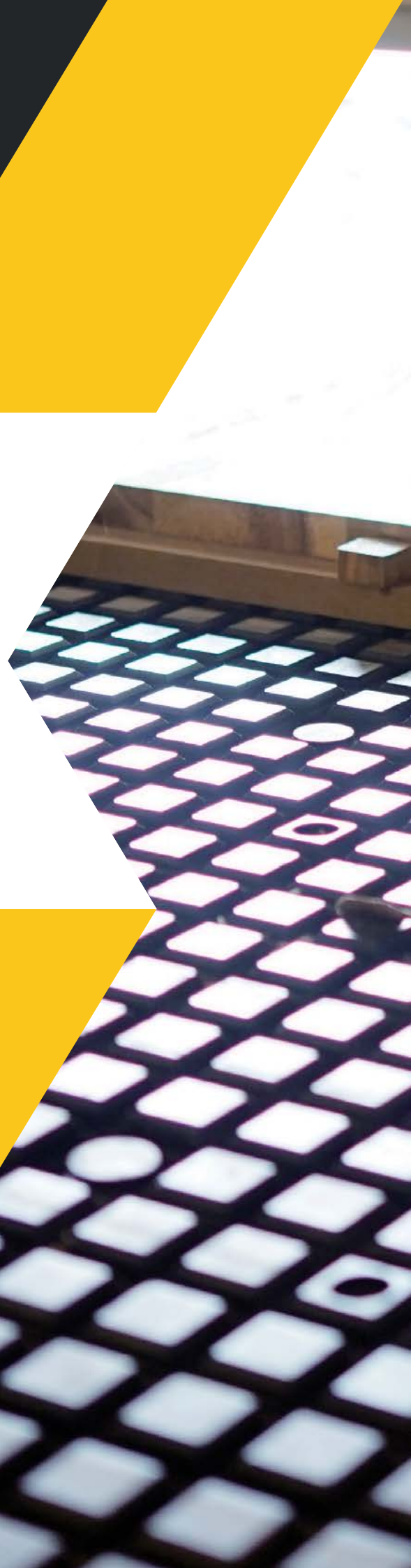
### Inventory risk

Wrong forecast on the market demand resulted in overstock of the raw material than it is necessary. Moreover, finished products are also in overstock due to slow consumption as the results of low productivity causing high cost and less efficiency.

Meanwhile, using over necessary working capital that causes high debts and interest expenses from the bank in a long time.



## **II. BUSINESS ACTIVITIES IN THE YEAR 2016**







## 1. Situation of production and business operations

In the year 2016, the Company aims at 2 objectives includes stabilizing production and reserving capital, however the results have not reached the targets as expectation of the Management.

The reasons are included the slowdown in world trade and as the results the Company's businesses are also affected. In the domestic market, the affection of social media about the concerns on health and environment of using fiber cement that narrowed the fiber cement market of the Company in compare with the target and the previous year as well.

Regarding wood furniture business, the output also decreased as the counter partners purchase orders (PO) have been lowered in quantity as well as price.

The Company's activities statistical figures in recent year has been declined in both 2 main businesses: fiber cement and wood furniture

In fiber cement section, the consumption and production each year is lesser than the precedent years. The fiber cement corrugated roof market are replaced by colored galvanized metal roofs which have strengthened its advantages such as reasonable price, strength, workability, soundproof, etc.

Description	2014		2015		Comparison 2015/2014 (%)
	Asbestos cement	PVA cement	Asbestos cement	Asbestos cement	
<b>Fiber cement roofs</b>					
<b>Consumption (Sheet)</b>	1,863,953	206,645	1,626,323	69,170	87,25%

As regard to wood furniture, the consumers tend to use high safety furniture that made of certified wood material (FSC certificate). Moreover, the furniture market tend to use local wood materials and reasonable price are preferred. The Company faces with the challenges of unsettled production, low productivity but high labor cost and environment protection expenses leading the business to the passive position.

Items	2014		2015		Cost of sales / Revenues comparison (%)
	Revenues (VND)	Cost of sales / Revenues (%)	Revenues (VND)	Cost of sales / Revenues (%)	
<b>Fiber cement roofs</b>	108,944,570,115	84,24	87,257,329,760	87,43	3,19
<b>Wood furniture</b>	99,259,165,289	79,75	90,935,956,476	82,82	3,07
<b>Wood furniture</b>	84,540,578,132	70,47	67,075,189,757	78,66	8.19

In 2015, as a consequence of excess stock of raw materials that the Company's expenses grow high for maintaining inventory and raising bank loan interest expenses.

Inventory	31/12/2015(VND)	Percentage on Total Inventory value (%)
<b>Total Inventory value</b>	72,435,985,743	
<b>In which</b>	-	
<b>Raw materials</b>	34,180,359,611	47,19
<b>Finished products</b>	29,076,157,308	40,14
<b>Work in progress</b>	9,058,084,802	12,50
<b>Bank debit balance</b>	52,657,886,874	72,70
<b>Receivables from fiber cement customers</b>	23,928,204,724	33,03



The Board of Directors made decisions to change the course:  
Changing business officers and personnel administrators positions of the Company in the year 2016.

Issuing directions that the Board of Directors need to be implemented:

- To specify the risk level that acceptable, particularly in term of financial risk.
- To solve the problems in capital utilization: classifying inventory, liquidating the

machines which are no longer in use or decommissioning,

- To reduce indirect cost.
- To focus in the task of recovery debt from customers..
- To perform completely and definitively the Purchase Order of the customers such as IVENA, KIEN A, MURAKAMI, etc., which are delayed in order to avoid the risk of late delivery, breach of contract or unaccepting the goods.

Items	Plan (VND)	Performance (VND)	Difference Performance/Plan (VND)	Ratio of Performance/Plan (%)
Revenue	163,492,000,000	105,800,468,326	(57,691,531,674)	-35.29
Profit before tax	5,982,072,500	(12,086,062,908)	(18,068,135,408)	-302.04

# “Strengthening the task of management, controlling the expenses and reserving the business capital”

## Summary of business activities 2016

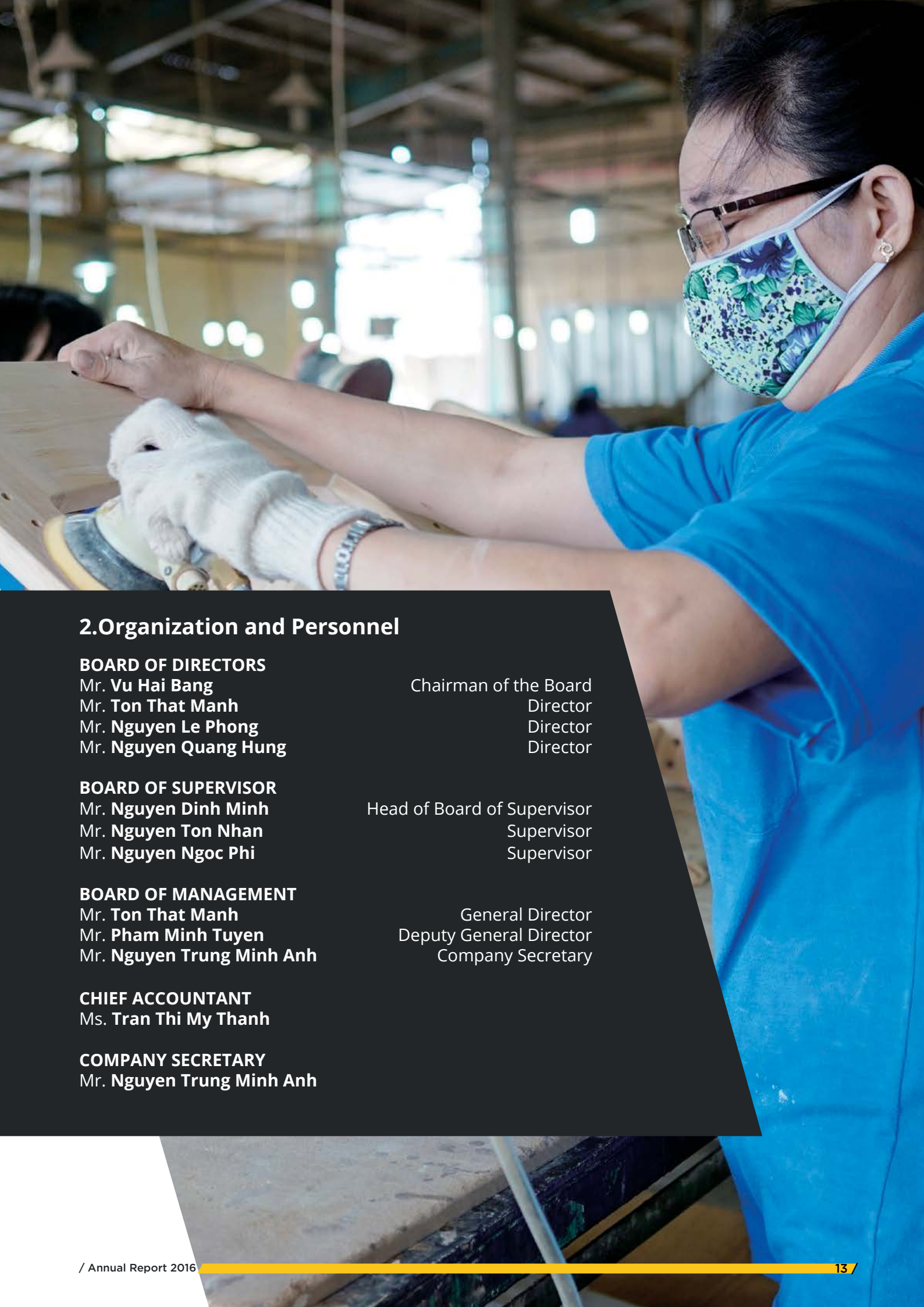
The year 2016 is the first year of the Fourth Term (2016 – 2020). The consumption figures below reflected the down trend of the year 2016 compared to the 5 years of the Third Term (2011 – 2015).

The reduction trend of fiber cement roof consumption in 2016 to that of 2011 is 1,613,919 sheets. The slowdown is deeper in the year 2016 in compared to 2015.

Year	Fiber cement consumption (sheets)	Previous year of adjacent difference (+/-sheet)	Comparison (%)
2011	2,565,877	0	
2012	2,168,468	-397,409	-15.49%
2013	1,871,997	-296,471	-13.67%
2014	1,863,953	-8,044	-0.43%
2015	1,626,323	-237,630	-12.75%
2016	951,958	-674,365	-41.47%

As for wood furniture which mainly exported to foreign market also declined obviously.

Year	Wood furniture exported Revenue (USD)	Previous year of adjacent difference (+/-USD)	Comparison (%)
2011	1,192,529		
2012	1,786,516	593,987	49.81%
2013	2,925,455	1,138,939	63.75%
2014	4,025,742	1,100,287	37.61%
2015	3,914,057	-111,685	-2.77%
2016	1,997,330	-1,916,727	-48.97%



## 2. Organization and Personnel

### BOARD OF DIRECTORS

Mr. Vu Hai Bang

Chairman of the Board

Mr. Ton That Manh

Director

Mr. Nguyen Le Phong

Director

Mr. Nguyen Quang Hung

Director

### BOARD OF SUPERVISOR

Mr. Nguyen Dinh Minh

Head of Board of Supervisor

Mr. Nguyen Ton Nhan

Supervisor

Mr. Nguyen Ngoc Phi

Supervisor

### BOARD OF MANAGEMENT

Mr. Ton That Manh

General Director

Mr. Pham Minh Tuyen

Deputy General Director

Mr. Nguyen Trung Minh Anh

Company Secretary

### CHIEF ACCOUNTANT

Ms. Tran Thi My Thanh

### COMPANY SECRETARY

Mr. Nguyen Trung Minh Anh

According to the Resolution of Shareholders' General Meeting (SGM) 2016 the member of the Board of Directors (BOD) decreases from 7 members to 4 members of which the four members releasing from duty included Mr. Nguyen Vu Thinh, Mr. Nguyen Van Nam, Mr. Le Huu Thuan, Mr. Pham Hue Hung. At the same time, Mr. Nguyen Quang Hung was elected as the new member of BOD in the term 2016-2020.

**The Board of Directors issued Resolution dated 4 April, 2016 which assigned personnel as follows:**

Mr. Vu Hai Bang is the Chairman of the Board of Director from the date 4 April 2016 replacing position of Mr. Ton That Manh.

Mr. Ton That Manh is the General Director from the date 5 April 2016 replacing position of Mr. Pham Hue Hung.

Ms. Tran Thi My Thanh is the Chief Accountant from the date 1 September 2016 replacing position of Ms. Thai Thanh Thuy



**Human resource**

The Company fully paid the Social insurance, Medical insurance and unemployment insurance. Performing the regulation on public holidays, leave, etc., in accordance with the labor law

**Total Company's labors** 248

In which

Direct labor 166

Indirect labor 51

Common labor 31

**Labor force classified according to educational degree**

Post-graduate 2

Undergraduate 31

College 12

Intermediate vocational school 11

Technical worker 17

Skilled worker 175



#### 4. Financial situations

Items	2015 (VND)	2016 (VND)	Difference (USD)	Comparison %
<b>Total assets</b>	164,802,265,758	128,780,235,681	(36,022,030,077)	-21.86
<b>Net revenues</b>	178,262,363,535	105,800,468,326	(72,461,895,209)	-40.65
<b>Profit from operating activities</b>	6,362,850,198	(13,532,559,828)	(19,895,410,026)	-312.68
<b>Other profits</b>	812,475,793	1,446,496,920	634,021,127	78.04
<b>Profit before tax</b>	7,175,325,991	(12,086,062,908)	(19,261,388,899)	-268.44
<b>Profit after tax</b>	6,376,754,446	(12,086,062,908)	(18,462,817,354)	-289.53
<b>Dividend payout ratio (%)</b>	7.97%	-15.11%		

#### 3. Summary of project implementation

Based on the actual business and management situation The Board of Directors issued the Resolution that has directed:

- Do not continue the Autoclaved fiber cement project in Hong Liem, Binh Thuan Province.
- Withdrawing the decision that the Company moving to Tan Thanh, Ba Ria – Vung Tau Province.
- Cooperating with Hung Thinh Corporation on real estate business on the land 18 F, Tang Nhon Phu St., Phuoc Long B Ward, District 9, Ho Chi Minh City.
- Continuing financial investment at SDC

Affiliate company Saigon Development Corporation (SDC) which the main business are cement for civil construction as well as special construction and wood furniture. The dividend that the Company gained yearly is from 10 to 15 percent of face value of SDC stock



## Key financial indicators

Items		2015	2016
<b>1. Solvency Ratio</b>			
+ Current ratio:			
Short term Asset/Short term debt	times	2,03	2,06
+/Quick ratio:			
Short term Asset – Inventories	times	0,92	0,95
Short term debt			
<b>2. Capital structure Ratio</b>			
+ Debt/Total assets ratio	%	39,49%	37,54%
+ Debt/Owners' Equity ratio	%	65,27%	60,11%
<b>3. Operation capability Ratio</b>			
+ Inventory turnover:			
	days	158,78	225,19
Cost of goods sold/Average inventory	times	2,3	1,62
Net revenue/ Total Assets	times	1,08	0,82
<b>4. Target on Profitability</b>			
Profit after tax/ Net revenue Ratio	ROS	3,58%	-11,42%
Profit after tax/ Total capital Ratio	ROE	6,39%	-15,03%
Profit after tax/ Total assets Ratio	ROA	3,87%	-9,39%
Operating profit/ Net revenue Ratio		3,57%	-12,79%



## 5. Shareholders structure

The total amount of shares are 8.000.000 shares which all of them are common shares.

Shareholders' structure:

Institutional shareholders:

28,70%

Individual shareholders:

71,30

Domestic shareholders:

98,38

Foreign shareholders:

1,62%

State shareholders:

20%

Other shareholders:

80%

## 6. Report related impact of the Company on the environment and society

*Management of raw materials:*

In the year 2016, the Company used 10.600 MT cement for fiber cement production and 1.700 CMT lumber for wood furniture processing. Cement solid wastes were

collected and brought into grinder for reusing in the process of fiber cement. Wood materials vary many species such as oak, acassia, rubber wood, etc. which have FSC Certification. Wood chips and shavings were reused as fuel for the boiler in the fiber cement process.

*Energy consumption:*

Electricity Power consumption: 2.300.000 kWh/per year.

Energy savings initiatives included

- a) Avoiding using equipment that consume high power in the peak demand hours.
- b) Installing frequency inverters to control motors for using power reasonably.
- c) Performing routine maintenance to the air compressors system to avoid air leaks.
- d) Installing electricity meter at every factories and offices to control the power consumption.

*Water consumption:*

The Company consumes two sources of feed water which metering daily about 10 cubic meters of city tap water and about 100 cubic meters of well water. Ninety percent of the process water from the factories are reused for production and the waste water included domestic sewage are collected and treated at treatment system.

Regarding environment protection, the Company has invested the treatment system in compliance with the law and having no violation in the year 2016.



# **III. REPORT AND ASSESSMENT OF THE BOARD OF MANAGEMENT**



## 1. Assessment of operating results

Items	Year 2015 (VND)	Year 2016 (VND)	Difference (VND)	Comparison (%)
Revenues	178,262,363,535	105,800,468,326	(72,461,895,209)	-40.65%
Profit before tax	7,175,325,991	(12,086,062,908)	(19,261,388,899)	-268.44%

The revenue and profit do not meet the targets of the year 2016, of which the revenue is lower 40.65% than that of the year 2015 equivalent to 72 billion VND. That is the first time the Company was at a the loss of 12,086 billion VND a year. The situation reflects the strong market reduction to the key products of the Company. Making a comparison with the year 2015, the fiber cement roof is reduced 674,000 sheets and the revenue of exported wood furniture is downed 1,916,727 USD in the year 2016. The reasons are from the decline of both the domestic and foreigner market and unstable products quality. Decreasing sales resulted in the financial situation of the Company. Furthermore, the less measuredness in production management in the year 2015 leading to the problems of overstocks beyond consumption capacity make increasing maintenance costs and loan interest payment as well. At the same time, not managing well

the consumers' debts that are too high and lengthening debt paying time. The above problems bring to a substantial risk of capital loss when using a big capital but not make revenue and profit.

In order to solve the problems, the Board of Management has carried out the solutions to maintain the capital, such as setting out strict limitation to the customers debt then come to cash-only sale. The another solution is that classified the inventories in order to deal with the low-quality inventory, meanwhile using as much as possible the inventory for the production in spite of exceeding the production norm

Reassessing the traditional products market such as fiber cement corrugated roof and wood furniture and stop producing the products that having less market development as well as profit.

Items	Resolution of Shareholders General Meeting 2016 (VND)	Performance 2016 (VND)	Difference (VND)	Comparison (%)
Revenues	163,492,000,000	105,800,468,326	(57,691,531,674)	-35.29%
Profit before tax	5,982,072,500	(12,086,062,908)	(18,068,135,408)	-302.04%
Dividend	5%			

## 2. Financial situation

The Company has highly concentrated on preventing the unexpected loss and after the continuous efforts the situation has become better in the year 2016 such as the debt figures are more recovered, and the low quality inventories are strongly downed, bank debit balance decreased. The financial situation has a turnaround after a period of hard time.

#### a) Assets situation

Inventories	31/12/ 2016 (VND)	31/12/ 2015 (VND)	Difference
	54,273,208,307	72,435,985,743	(18,162,777,436)
<b>Raw material</b>	15,510,456,901	34,180,359,611	(18,669,902,710)
<b>Finished products</b>	28,958,822,243	29,076,157,308	(117,335,065)
<b>Work-in-process</b>	9,687,857,297	9,058,084,802	639,772,494
<b>Tool</b>	98,740,120	102,052,276	(3,312,156)
<b>Consigned goods</b>	17,331,746	19,331,746	(2,000,000)

Raw materials stock at the end of Dec 2016 is downed 18 billion in compare with Dec 2015 in which the Company tried to full use the raw material and the items that stock for a long time. The remain raw materials are mostly prepared for the purchase orders that carried out in the year 2016.

#### b) Liabilities

*Current debts and major changes of debts:*

Items	Unit	2015	2016	Difference
<b>Bank loan interest expenses</b>	VND	3,106,494,449	2,491,373,676	(615,120,773)
<b>Total annual bank loan amount</b>	VND	156,093,276,484	76,863,785,606	(79,229,490,878)
<b>Total annual principal amount payment</b>	VND	148,991,557,490	106,767,476,157	(42,224,081,333)
<b>Cost of Sales</b>	VND	151,677,129,267	100,838,078,894	

*The Ratio of loan, loan payment, cost of sale on revenues*

The items / Revenues Ratio	Unit	2015	2016	Difference(%)
<b>Loan interest expenses</b>	%	1.74%	2.35%	0.61%
<b>Total annual bank loan amount</b>	%	87.56%	72.65%	-14.91%
<b>Total annual principal amount payment</b>	%	83.58%	100.91%	17.33%
<b>Cost of Sales</b>	%	85.09%	95.31%	10.22%

The financial situation is partly improved through bank debit balance strongly decrease from about VND 52 billion to about VND 22 billion in the end of the year 2016 reducing 29 VND billion in compare with the year 2015.

Bank debit balance	31/12/2016 (VND)	31/12/2015 (VND)	Difference (VND)
	22,754,196,323	52,657,886,874	(29,903,690,551)

Though the total annual bank loan amount decrease in this year, however, the business operation still slowed that arising expenses specially the expenses to solve the problem of risks. This is the reasons which caused the increase of the ratio of total of loan amount on revenues.

#### The ratio of selling expenses, general and administration on Revenues

Items	Unit	The Items / Revenues Ratio 2015	The Items/ Revenues Ratio 2016	Difference(%)
Selling expenses	%	4.89%	6.65%	1.76%
General and administration expenses	%	6.56%	12.73%	6.17%
Loan interest expenses	%	1.74%	2.35%	0.61%

The expenses arising in solving the outstanding inventories together with the fact that not reaching the business target made the ratio of Expense/Revenues in the year 2016 is 1.76% higher than that of 2015. In the year 2016, the ratio of the General and Administration expenses/ Revenues increase 6.17% in compare with 2015, while Bank loan interest expense in the year 2016 only increase 0.61% in compare with the previous year.

#### Analysis of outstanding debts

Provisionsur	Amount (VND)	Provisions extracted (VND)	In which	
			Domestic(VND)	Foreign (VND)
Bad debts 2015	4,134,068,731	(3,976,882,761)	(1,196,114,699)	(2,780,768,062)
Bad debts 2016	15,839,450,723	(7,520,278,144)	(4,739,510,082)	(2,780,768,062)
Increase debt UDEC land 7.8 ha	11,680,350,000	(3,543,395,383)	(3,543,395,383)	
Slow moving inventories	7,213,590,902	(1,116,201,120)		

Most of the bad debts of the Company which have extracted provisions and waiting for solving, however there still have big amount of slow moving inventories have not extracted provision. These slow moving inventories have risen for many years before and it is solved in the year 2016

#### Development plan in the future:

- 1.Narrow step-by- step the production of fiber cement corrugated roof and wood furniture.
- 2.Shift business operation to warehouse & yard services and financial cooperation.



**Managing the fiber cement according to Technical Regulation Conformity and as for wood furniture, the quality of the products are conformed to ISO 9001:2015**

# **IV. ASSESSMENT OF THE BOARD OF DIRECTORS ON THE COMPANY'S OPERATION**





CÔNG TY CỔ PHẦN NAM VIỆT  
**NAVIFICO**

## 1. Assessment on the Board of Directors' activities.

The Board of Directors activities are in compliance with Enterprise Law, Securities Law and the Company Charter

The coordination between the Board of Directors, the Board of Directors and the Board of supervisor was performed according to regulations.

The Board of Directors set out and govern the Company by issuing the directions which the Board of Management has to carried out in the business activities as follows:

In wood furniture, achieve the Certificate of FSC - CoC ( Forrest Stewardship Council - Chain of Cu custody and developing the Quality Management System ISO 9001 : 2015.

As refer to fiber cement products, carrying out conformity assessment and reaching Announcement of Standard Conformity and Announcement of Technical Regulation Conformity

Strengthening the organization and enhancing the brand name of the Company.

Paying attention on financial activities, balancing the capital and and using its utilization.

## 2. Assessment of the Board of Directors on the Board of Management activities

Based on the assessments on the risk of the Company, the Board of Directors made the decisions dated 4/4/2016.

Changing officer personnel of the Company in production, trading management in the year 2016.

Asking Management board take action rapidly to the problems:

Identifying the risk level that acceptable in term of finance.

Meeting with the difficulties in using the capital: classifying inventory, liquidating the machines no longer in use or decommissioning, reducing indirect cost, strengthening customers debt recovery.

Carrying out completely the Purchase Order of the customers such as IVENA, KIEN A, MURAKAMI, etc., which are delayed in order to avoid the risk of late delivery, breach of contract or unaccepting the goods,

In the year 2016, the Board of Directorshas implemented the decisions and solved the problem of inefficient of the Company's capital.



Báo cáo tài chính của Công ty được lập cho năm tài chính kết thúc ngày 31/12/1016.

# V. CORPORATE GOVERNANCE



## 1. Board of Directors

### a) Members and structure of the Board of Directors

List of members of the Board of Directors and the share amount owned

Name	Position	Educa- tion	Total Shares (NAV)	Own- ership ratio	Professional Degree	Role	Other positions
<b>Vu Hai Bang</b>	Chairman	12/12	1,051,496	13.14%	Bachelor of Law	Non-executive	Chairman Woodland Vinh Phuc
<b>Ton That Manh</b>	Member	12/12	84,640	1.06%	Bachelor of Business Administration	General Director	Vice chairman Saigon Development Corporation (SDC)
<b>Nguyen Quang Hung</b>	Member	12/12	324,380	4.05%	Business Management University	Non-executive	Viet Hai Ltd Co
<b>Nguyen Le Phong</b>	Member	12/12		0.00%	Irrigation Engineer	Non-executive	Deputy General Director of SGCC



## “In the year 2016, the Board of Directors issued 11 important Resolutions and Decisions”

### b) Activities of the Board of Directors

No.	Resolution No.	Date	Contents
1	01-16/NQ-HĐQT-NAV	04/04/2016	<ul style="list-style-type: none"> <li>•Releasing from duty and appointing the position Chairman of BOD</li> <li>•Terminating and appointing the position General Director</li> <li>•Appraisal on 2016 GSM date: April 24, 2016</li> </ul>
2	02-16/NQ-HĐQT-NAV	26/04/2016	<ul style="list-style-type: none"> <li>•Electing Mr Vu Hai Bang is Chairman of BOD and Mr Ton That Manh is General Director in tenure 2016 – 2020 from the date April 27, 2016.</li> </ul>
3	03-16/NQ-HĐQT-NAV	26/04/2016	<ul style="list-style-type: none"> <li>•Approval salary unit price 2016</li> </ul>
4	04-16/NQ-HĐQT-NAV	28/07/2016	<ul style="list-style-type: none"> <li>•Approval of signing the business cooperation documents with Hung Thinh Corporation</li> </ul>
5	05-16/NQ-HĐQT-NAV	07/10/2016	<ul style="list-style-type: none"> <li>•Approval on collecting debt of UDEC</li> <li>•Approval not pursue the Autoclaved fiber cement project in Hong Liem, Bình Thuận Province.</li> <li>•Approval withdrawing the decision that the Company moving to Tan Thanh, Ba Ria – Vung Tau Province.</li> <li>•Approval production plan of the fourth Quarter 2016 of which paying attention to assess the co-operation capacity with Sri Lanka counter partner on the base of actual survey.</li> </ul>
6	01-16/QĐ- HĐQT-NAV	04/04/2016	<ul style="list-style-type: none"> <li>•Releasing from duty General Director: Mr Pham Hue Hung</li> </ul>
7	02-16/QĐ- HĐQT-NAV	04/04/2016	<ul style="list-style-type: none"> <li>•Appointing Mr Ton That Manh is the General Director</li> </ul>
8	03-16/QĐ-HĐQT- NAV	04/04/2016	<ul style="list-style-type: none"> <li>•Changing the Company's legal representative</li> </ul>
9	05-16/QĐ-HĐQT- NAV	12/05/2016	<ul style="list-style-type: none"> <li>•Changing the Company's legal representative from Mr Pham Hue Hung to Mr Ton That Manh</li> </ul>
10	06-16/QĐ-HĐQT- NAV	28/07/2016	<ul style="list-style-type: none"> <li>•Release from duty Chief Accountant of Ms Thai Thanh Thuy</li> </ul>
11	07-16/QĐ-HĐQT- NAV	28/07/2016	<ul style="list-style-type: none"> <li>•Appointing Chief accountant Ms Tran Thi My Thanh concurrently holding Chief of the Company's Office</li> </ul>

### c) List of the members of the BOD attending the training course on Corporate Governance

No.	Name	Position	Obtained Certificate on Corporate Governance held by IFC and HOSE	Not having Certificate on Corporate Governance
1	Vu Hai Bang	Chairman		x
2	Ton That Manh	Member	x	
3	Nguyen Le Phong	Member		x
4	Nguyen Quang Hung	Member		x

## 2. Board of Supervisors (BS)

Members and the structure of the Board of Supervisor

Name	Position	Education	Total shares	Ownership ratio	Professional Degree	Role	Other position
Nguyen Dinh Minh	Head of BS	12/12		0.00%	University of Economics HCM	Non-executive	Head of BS Saigon Development Corporation (SDC)
Nguyen Ton Nhan	Member	12/12	10.226	0.13%	Bachelor of Finance and Accounting, Fisheries University	Non-executive	Member of BS Saigon Development Corporation (SDC)
Nguyen Ngoc Phi	Member	12/12		0.00%	University	Independent	

### Activities of the Supervisory Board

Attending the regular meeting quarterly and unscheduled meeting of the Board of Directors and the weekly meeting of the Management Board in order to timely update the management directions to implement the Resolutions of the General Shareholders Meeting 2016

#### a) Supervising the implementation of the Resolutions of General Shareholders Meeting 2016

In the year 2016, The business activities do not reach the objectives

Financial Figures	2015 (VND)	2016 (VND)	Difference (VND)	Comparison (%)
Total assets	164,802,265,758	128,780,235,681	(36,022,030,077)	-21.86%
Net revenues	178,262,363,535	163,492,000,000	(14,770,363,535)	-8.29%
Profit from operating activities	6,362,850,198	(13,532,559,828)	(19,895,410,026)	-312.68%
Other profits	812,475,793	1,446,496,920	634,021,127	78.04%
Profit before tax	7,175,325,991	(12,086,062,908)	(19,261,388,899)	-268.44%
Profit after tax	6,376,754,446	(12,086,062,908)	(18,462,817,354)	-289.53%
Dividend payout ratio	7.97%	-15.11%		



In the year 2016, the Company has the policy to manage capital and prevent risks on debts, raw material and fiber cement business. Moreover, the Board of Supervisor together with the advisers have also participated in the process of analyzing the finance fluctuation and issuing the financial report of the Company.

**The Board of Supervisor considered the following issues:**

- Past due loan to the consumers : appropriating provisions and solving the problem of non-performing loan.
- Periodic inventory checking and using adjusting entry after comparing the difference between book value and actual value then setting apart provision for devaluation of stock.
- Proposing organizational restructuring
- Making action plan to support marketing sectors and collecting the past due loans.

**The Board of Supervisor**

- Agreeing the main indicators on loans, debts, liquidation, the efficiency of the property, provisions, owner equity in the report of the Board of Management
- Making suggestion about legal aspects in executing the decisions of the Board of Directors and Board of Management in terms of finance, prevention of risks and referring the necessary issues.
- The Board of Supervisor agree with the auditor's opinion No 616204/AISC/DNG dated 10/3/2017 on Financial statement for the fiscal year ended December 31, 2017.

**Conclusion of Board of Supervisor on the activities of Board of Directors and Board of Management:**

- The Board of Director conducts the meetings to decide strategic objectives and disclosing information on Corporate Governance at Ho Chi Minh City Stock Exchange (HOSE).
- The Board of Supervisor has not detected abnormal cases of the members of Board of Directors, Board of Management and managerial officers of the Company.

**Petitions of the Supervisory Board**

- Carrying out financial restructuring which is the main objective in the year 2017 in order to reduce the situation of unbalance of efficiency.
- Promoting most of the capacity of machine and equipment and investing efficiently before the land of the current location has to change the functional use according to the master plan of the city.
- Changing personnel and restructure the organization of the Company.

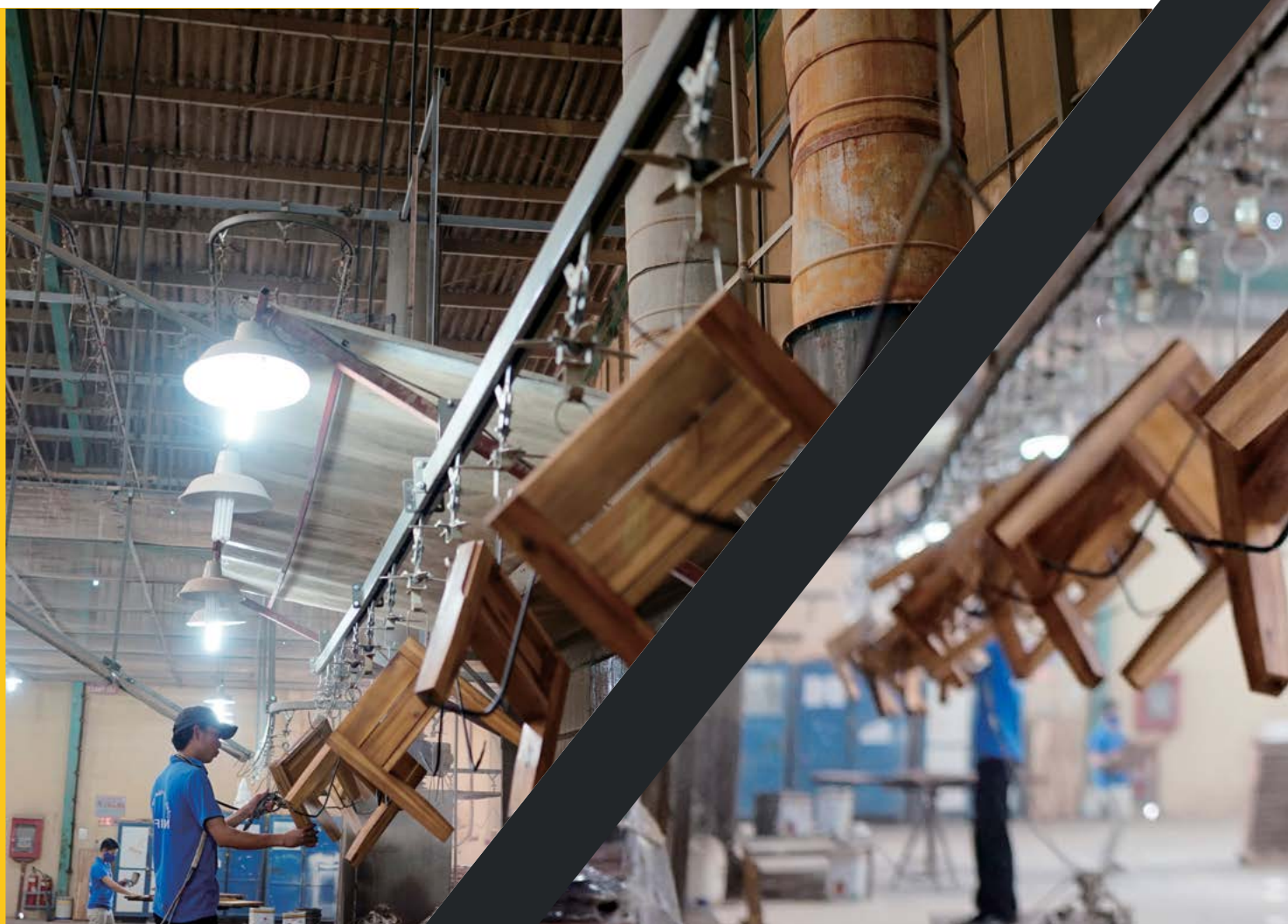
**b) Transactions, remunerations and interests of the Board of Directors, Board of Management and Board of Supervisors.**

Salary, rewards, remuneration and benefits

Name	Remuneration 2016	Salary 2016 received	Remarks
<b>Board of Directors</b>			
Mr. Vu Hai Bang	None		Chairman
Mr. Ton That Manh	None		General Director
Mr. Nguyen Le Phong	None		
Mr. Nguyen Quang Hung	None		
<b>Board of Supervisory</b>			
Mr. Nguyen Dinh Minh	None	113,153,846	
Mr. Nguyen Ton Nhan	None	141,614,192	
Mr. Nguyen Ngoc Phi	None		

**c) Shares transaction of internal shareholders**

In the year 2016, there are 2 transactions of internal shareholders that Mr Vu Hai Bang buying 322.150 shares raising the total shares hold to 13.14% and Mr Ton That Manh buying 92.000 shares. The transactions were disclosed information on securities markets.





# VI. PLAN 2017





Items	Performance 2016	Plan 2017	Plan 2017/2016	Difference 2017/2016
<b>Net sales</b>	105,800,468,326	57,062,813,743	53.93%	-46.07%
<b>Total profit before tax</b>	(12,086,062,908)	1,234,206,855	-10.21%	110.21%

## Setting up the Company Fund in the year 2017

Setting up the Company funds: none

Dividend payment 2017: none

Remuneration of Board of Directors and Board of Supervisory 2017: none

(\*) The Company has accumulated loss in the year 2017





# VII. FINANCIAL STATEMENT





No.:0616204/AISC-DN6

## INDEPENDENT AUDITOR'S REPORT

To: BOARD OF DIRECTORS AND BOARD OF MANAGEMENT  
NAM VIET JOINT STOCK COMPANY

We have audited the financial statements of Nam Viet Joint Stock Company consisting of Balance Sheet as at December 31, 2016, Income Statement, Cash Flow Statement for the year then ended and Notes to the Financial Statements as set out on Page 05 to Page 39, which were prepared on March 10, 2017.

### Responsibility of the Board of Management

Board of Management is responsible for the preparation and fair presentation of the financial statements in accordance with Vietnamese Accounting Standards, Accounting System Corporate and prevailing regulations applicable to the preparation and presentation of the financial statements and also for the internal control that the Board of Management considers necessary for the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Responsibility of the Auditor

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management as well as evaluating the overall presentation of the financial statements.

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

### Auditor's opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of Nam Viet Joint Stock Company as at December 31, 2016 as well as the results of its operation and its cash flows for the year then ended. The financial statements are prepared in compliance with the prevailing Vietnamese Accounting Standards, Vietnamese Accounting System and other statutory requirements relevant to the preparation and presentation of the financial statements.

AUDITOR



**PHAM THI THANH MAI**

*Certificate of Audit Practice Registration  
No. 1044-2013-05-1  
Issued by the Ministry of Finance*



HCMC, March 10, 2017

GENERAL DIRECTOR



**PHAM VAN VINH**

*Certificate of Audit Practice Registration  
No. 0112-2013-05-1  
Issued by the Ministry of Finance*

## BALANCE SHEET

As at December 31, 2016

Unit: VND

ASSETS		Code	Notes	Dec. 31, 2016	Jan. 01, 2016
<b>A.</b>	<b>CURRENT ASSETS</b>	<b>100</b>		<b>98,821,961,390</b>	<b>129,869,978,161</b>
	<b>(100 = 110+120+130+140+150)</b>				
<b>I.</b>	<b>Cash and cash equivalents</b>	<b>110</b>	<b>V.1</b>	<b>10,971,061,467</b>	<b>5,508,533,103</b>
1	Cash	111		971,061,467	2,508,533,103
2	Cash equivalents	112		10,000,000,000	3,000,000,000
<b>II.</b>	<b>Short-term financial investments</b>	<b>120</b>		-	-
1	Trading securities	121		-	-
2	Provision for devaluation of trading securities	122		-	-
3	Held-to-maturity investments	123			
<b>III.</b>	<b>Short-term Accounts receivable</b>	<b>130</b>		<b>32,378,581,852</b>	<b>50,074,704,255</b>
1	Trade accounts receivable	131	<b>V.3</b>	33,268,254,515	48,718,767,418
2	Prepayments to suppliers	132	<b>V.4</b>	706,639,075	581,902,379
3	Intercompany receivables	133		-	-
4	Construction contract-in-progress receivables	134		-	-
5	Receivables from short-term loans	138	V.5	168,301,000	202,301,000
6	Other receivables	139	V.6	5,755,665,407	4,576,968,219
7	Provision for doubtful debts	137	V.3,4,6	(7,520,278,145)	(4,005,234,761)
8	Shortage of assets awaiting resolution	139		-	-
<b>IV.</b>	<b>Inventories</b>	<b>140</b>	<b>V.8</b>	<b>53,157,007,187</b>	<b>71,269,053,206</b>
1	Inventories	141		54,273,208,307	72,435,985,743
2	Provision for decline in value of inventories	149		(1,116,201,120)	(1,166,932,537)
<b>V.</b>	<b>Other current assets</b>	<b>150</b>	<b>V.12</b>	<b>2,315,310,884</b>	<b>1,342,329,649</b>
1	Short-term prepayments	151		947,717,781	1,239,667,034
2	Deductible VAT	152		1,101,474,313	432,016,619
3	Taxes and other receivables from the State Budget	153	V.15	424,050,938	-
4	Repurchase and sale of Government's bonds	154		-	-
5	Other current assets	155		-	-

ASSETS		Code	Notes	Dec. 31, 2016	Jan. 01, 2016
<b>B.</b>	<b>LONG-TERM ASSETS</b>			<b>29,958,274,291</b>	<b>34,932,287,597</b>
<b>I.</b>	<b>Long-term receivables</b>	<b>210</b>		-	-
1	Long-term prepayments to suppliers	211		-	-
2	Working capital from sub-units	212		-	-
3	Vốn kinh doanh ở đơn vị trực thuộc	213		-	-
4	Long-term intercompany receivables	218		-	-
5	Receivables from long-term loans	219		-	-
6	Other long-term receivables	216	V.6	-	139,500,000
7	Dự phòng phải thu dài hạn khó đòi	219		-	-
<b>II.</b>	<b>Fixed assets</b>	<b>220</b>		<b>16,715,275,469</b>	<b>20,652,542,852</b>
1	Tangible fixed assets	221	V.10	16,715,275,469	16,760,234,454
	- Cost	222		58,905,584,815	62,418,611,501
	- Accumulated depreciation	223		(42,190,309,346)	(41,766,068,649)
2	Finance lease assets	224		-	-
	- Cost	225		-	-
	- Accumulated depreciation	226		-	-
3	Intangible fixed assets	227	V.11	-	-
	- Cost	228		900,098,950	900,098,950
	- Accumulated amortization	229		(900,098,950)	(900,098,950)
<b>III.</b>	<b>Investment Properties</b>	<b>230</b>		-	-
	- Cost	231		-	-
	- Accumulated depreciation	232		-	-
<b>IV.</b>	<b>Non-current assets in progress</b>	<b>240</b>	<b>V.9</b>	<b>1,744,898,822</b>	<b>2,361,448,206</b>
1.	Long-term production, doing business in progress	241		1,300,373,673	1,300,373,673
2.	Capital construction in progress	242		444,525,149	422,888,186
<b>V.</b>	<b>Long-term investments</b>	<b>250</b>	<b>V.2</b>	<b>11,498,100,000</b>	<b>11,498,100,000</b>
1	Investments in subsidiaries	251		-	-
2	Investments in associates, joint-ventures	252		-	-
3	Investments in equity of other entities	254		-	-
4	Provision for decline in the value of long-term investments	254		-	-
5	Held-to-maturity investments	255		-	-
<b>VI.</b>	<b>Other long-term assets</b>	<b>260</b>		-	<b>280,696,539</b>
1	Long-term prepaid expenses	261		-	-
2	Deferred income tax assets	262		-	-
3	Equipment, materials, spare parts	263		-	-
4	Other long-term assets	268		-	-
	<b>TOTAL ASSETS</b>			<b>128,780,235,681</b>	<b>164,802,265,758</b>

RESOURCES		Code	Notes	Dec. 31, 2016	Jan. 01, 2016
<b>C.</b>	<b>LIABILITIES</b>	<b>300</b>		<b>48,350,082,379</b>	<b>65,086,067,550</b>
<b>I.</b>	<b>Current liabilities</b>	<b>310</b>		<b>48,064,527,545</b>	<b>63,950,487,230</b>
1	Short-term trade payables	311	V.13	6,754,767,098	7,136,164,591
2	Advances from customers	312	V.14	844,749,305	16,820,829,109
3	Taxes and other payables to the State Budget	313	V.15	333,996,589	57,592,800
4	Payables to employees	314		2,331,242,720	586,971,307
5	Short-term accrued expenses	315	V16	3,383,322,444	3,590,225,513
6	Short-term intercompany payables	316		-	-
7	Construction contract-in-progress payables	317		-	-
8	Short-term unrealized revenue	318		-	-
9	Other short-term payables	319	V.17	10,969,345,442	1,522,828,607
10	Short-term borrowings and financial lease liability	320	V.18	22,754,196,323	52,657,886,874
11	Provision for short-term payables	321	V.19	524,894,538	587,379,083
12	Bonus and welfare fund	323		168,013,086	217,984,734
13	Price stabilization fund			-	-
14	Repurchase and sale of Government's bond	324		-	-
<b>II.</b>	<b>Long-term liabilities</b>	<b>330</b>		<b>285,554,834</b>	<b>1,135,580,320</b>
1	Long-term trade payables	331		-	-
2	Long-term Advances from customers	332		-	-
3	Long-term accrued expenses	333		-	-
4	Inter-company payables for operating capital received	334		-	-
5	Long-term intercompany payables	335		-	-
6	Long-term unrealized revenue	336	V.20	285,554,834	1,135,580,320
7	Other long-term payables	337		-	-
8	Long-term borrowings and financial lease liability	338		-	902,270,-
9	Convertible bond	339		-	-
10	Preferred shares			-	-
11	Deferred income tax liabilities			-	-
12	Provision for long-term liabilities			-	-
13	Fund for science and technology development			-	-

RESOURCES		Code	Notes	Dec. 31, 2016	Jan. 01, 2016
<b>D</b>	<b>Owners' equity</b>	<b>400</b>		<b>80,430,153,300</b>	<b>99,716,198,208</b>
<b>I.</b>	<b>Owners' capital</b>	<b>410</b>	<b>V.21</b>	<b>80,430,153,300</b>	<b>99,716,198,208</b>
1	Owners' capital	411		80,000,000,000	80,000,000,000
	- Ordinary shares with voting rights	411a		80,000,000,000	80,000,000,000
	- Preferred shares	411b		-	-
2	Share premium	412		-	-
3	Bond conversion option	413		-	-
4	Owners' other capital	414		-	-
5	Treasury shares	415		(190,000)	(190,000)
6	Difference upon assets revaluation	416		-	-
7	Foreign exchange differences	417		-	-
8	Investment and development fund	418		12,243,398,279	12,243,398,279
9	Fund for support of arrangement of enterprises	419		-	-
10	Other funds	420		-	-
11	Undistributed earnings	421		11,813,054,979	7,472,989,929
	- Undistributed earnings accumulated to the end of prior period	421a		273,007,929	2,153,501,372
	- Undistributed earnings in this period	421b		(12,086,062,908)	5,319,488,557
12	Investment reserve for basic construction	422		-	-
<b>II</b>	<b>Budget sources and other funds</b>	<b>430</b>		<b>-</b>	<b>-</b>
1	Budget sources	431		-	-
2	Fund to form fixed assets	432		-	-
<b>TOTAL RESOURCES</b>		<b>440</b>		<b>128,780,235,680</b>	<b>128,780,235,680</b>

Prepared By

Chief Accountant

HCMC, March 10, 2016  
General Director





**Tran Thi My Thanh**

**Tran Thi My Thanh**

**Ton That Manh**

## INCOME STATEMENT

For the fiscal year ended December 31, 2016

Unit: VND

CHỈ TIÊU	Mã số	TM	Năm 2016	Năm 2015
1 Sales and service rendered	01	VI.1	105,971,930,415	178,262,363,535
2 Less sales deductions	02	VI.2	171,462,089	-
3 Net sales and service rendered	10	VI.3	105,800,468,326	178,262,363,535
4 Cost of sales	11	VI.4	100,838,078,894	151,677,129,267
<b>5 Gross profit (20 = 10 - 11)</b>	<b>20</b>		<b>4,962,389,432</b>	<b>26,585,234,268</b>
6 Financial income	21	VI.5	4,590,776,045	4,475,870,983
7 Financial expenses	22	VI.6	2,576,838,859	4,289,515,118
<i>In which: loan interest expenses</i>	23		2,491,373,676	3,106,494,449
8 Selling expenses	24	VI.21	7,037,251,833	8,715,733,743
9 General & administration expenses	25	VI.22	13,471,634,613	9,763,699,935
<b>10 Operating profit (30 = 20 + (21 - 22) - (25 + 26))</b>	<b>30</b>		<b>(13,532,559,828)</b>	<b>6,362,850,198</b>
11 Other income	31		1,597,489,476	1,066,911,105
12 Other expenses	32		150,992,556	254,435,312
13 Other profit (40 = 31 - 32)	40		1,446,496,920	812,475,793
<b>14 Net accounting profit before tax (50 = 30 + 40)</b>	<b>50</b>		<b>(12,086,062,908)</b>	<b>7,175,325,991</b>
15 Corporate income tax - current	51	VI.09	-	789,571,545
16 Corporate income tax - deferred	52		-	-
<b>17 Net profit after corporate income tax (60 = 50 - 51 - 52)</b>	<b>60</b>		<b>(12,086,062,908)</b>	<b>6,376,754,446</b>
<b>18 Earnings per share</b>	<b>70</b>	<b>VI.10</b>	<b>(1,511)</b>	<b>765</b>
<b>19 Diluted earnings per share</b>	<b>71</b>	<b>VI.11</b>	<b>(1,511)</b>	<b>765</b>

Prepared By



Tran Thi My Thanh

Chief Accountant



Tran Thi My Thanh

HCMC, March 10, 2016

General Director



Ton That Manh

## NAM VIET JOINT STOCK COMPANY

Form B 03 - DN

**CASH FLOW STATEMENT**

(Under indirect method)

For the fiscal year ended December 31, 2016

Unit: VND

ITEMS	Code	Notes	Year 2016	Year 2015
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>1 Net profit before tax</b>	<b>01</b>		<b>(12,086,062,908)</b>	<b>7,175,325,991</b>
<b>2 Adjustments for:</b>				
- Depreciation of fixed assets and investment properties	02	V.10	3,942,437,106	3,632,485,287
- Provisions	03		3,464,311,967	(6,610,195,216)
- Gain/losses from foreign exchange differences upon revaluation of monetary assets denominated in foreign currencies	04		1,110,095	97,301,492
- Gains/losses from investing activities	05		(5,787,673,069)	(4,067,891,768)
- Interest expense	06	VI.6	2,491,373,676	3,106,494,449
- Other adjustments	07			
<b>3 Profit from operating activities before changes in working capital</b>	<b>08</b>		<b>(7,974,503,133)</b>	<b>3,333,520,235</b>
- Increase (-)/ decrease (+) in receivables	09		18,068,104,192	(4,304,042,499)
- Increase (-)/ decrease (+) in inventories	10		18,800,963,783	(2,925,907,981)
- Increase (+)/ decrease (-) in payables (Other than payables, income tax)	11		13,101,143,380	(8,017,918,980)
- Increase (-)/ decrease (+) in prepaid expenses	12		684,978,079	(165,378,815)
- Increase (-)/ decrease (+) in trading securities	13		-	-
- Interest paid	14		(2,424,811,676)	(3,106,494,449)
- Corporate income tax paid	15		-	(1,399,210,341)
- Other receipts from operating activities	16		-	-
- Other payments on operating activities	17		-	-
<b>Net cash inflows/(outflows) from operating activities</b>	<b>20</b>		<b>40,255,874,625</b>	<b>(16,585,432,830)</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>				
1 Purchases of fixed assets and other long-term assets	21		(283,190,463)	(4,952,528,027)
2 Proceeds from disposals of fixed assets and other long-term assets	22		1,531,139,636	13,777,867,209
3 Loans granted, purchases of debt instruments of other entities	23		-	-
4 Collection of loans, proceeds from sales of debt instruments of other entities	24		-	-
5 Investments in other entities	25		-	-
6 Proceeds from divestment in other entities	26		-	-
7 Dividends and interest received	27		1,063,487,212	4,067,891,768
<b>Net cash inflows/(outflows) from investing activities</b>	<b>30</b>		<b>2,311,436,385</b>	<b>12,893,230,950</b>



	ITEMS	Code	Notes	Year 2016	Year 2015
<b>III.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
1	Proceeds from issue of shares and capital contribution	31		-	-
2	Payments for shares returns and repurchases	32		-	-
3	Proceeds from borrowings	33		76,863,785,606	156,093,276,484
4	Repayments of borrowings	34		(106,767,476,157)	(148,991,557,490)
5	Payments for finance lease liabilities	35		-	-
6	Dividends paid	36		(7,199,982,000)	(4,799,987,998)
	<b>Net cash inflows/(outflows) from financing activities</b>	<b>40</b>		<b>(37,103,672,551)</b>	<b>2,301,730,996</b>
	<b>Net cash inflows/(outflows) (50 = 20+ 30 + 40)</b>	<b>50</b>		<b>5,463,638,459</b>	<b>(1,390,470,884)</b>
	<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>		<b>5,508,533,103</b>	<b>6,996,305,479</b>
	<b>Effect of foreign exchange differences</b>	<b>61</b>		<b>(1,110,095)</b>	<b>(97,301,492)</b>
	<b>Cash and cash equivalents at the end of the year (70 = 50+60+61)</b>	<b>70</b>		<b>10,971,061,467</b>	<b>5,508,533,103</b>

Prepared By



Tran Thi My Thanh

HCMC, March 10, 2017  
General Director



Ton That Manh

**NAM VIET JOINT STOCK COMPANY**

Form B 09 - DN

**NOTES TO THE FINANCIAL STATEMENTS**

For the fiscal year ended December 31, 2016

Unit: VND

**I. BUSINESS HIGHLIGHTS****1. Structure of ownership:**

Joint Stock Company.

**2. Business sector:**

Trading

**3. Principal activities**

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).

**4. Normal operating cycle**

Normal operating cycle of the Company lasts 12 months of the normal fiscal year beginning from January 01 and ending on December 31.

**5. Operations in the fiscal year affecting the financial statements:** Not applicable.**6. Total employees to Dec. 31, 2016: 296 persons (Dec. 31, 2015: 479 persons).****7. Enterprise Structure**

List of Joint-ventures and associates

As at December 31, 2016, the Company has one (01) associate as follows:

Company's name and address

Saigon Development JSC Address: 143/7D Ung Van Khiem, Ward 25, Binh Thanh Dist., HCMC

Principal activities

Producing and trading types of cement and adhesion materials; Trading, producing wooden products and materials; Local river port services; Co- operating for producing fresh concrete

Percentage of shareholding 38%

Percentage of owning 38%

Percentage of voting right 38%

**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 Vietnamese Corporate Accounting System issued by the Vietnam Ministry of Finance in accordance with the guidance of Circular No. 200/2014/TT-BTC dated December 22, 2014 replacing the corporate accounting system issued under Decision No. 15/2006/QĐ-BTC of the Minister of Finance dated March 20, 2006 and Circular No. 244/2009/TT-BTC dated December 31, 2009 of the Ministry of Finance.

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

We conducted our accounting, preparation and presentation of the financial statements 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.

## **IV. APPLICABLE ACCOUNTING POLICIES**

### **1. Foreign exchange rate applicable in accounting**

The Company has translated foreign currencies into Vietnam Dong at the actual rate and book rate.

#### **Principles for determining the actual rate**

All transactions denominated in foreign currencies which arise during the period (trading foreign currencies, liabilities) are converted at the actual exchange rates ruling as of the transaction dates. Closing balance of monetary items (cash, cash equivalents, payables and receivables, except for prepayments to suppliers) denominated in foreign currencies should be revaluated at the actual rate ruling as of the balance sheet date.

- The actual exchange rates upon revaluation of monetary assets denominated in foreign currencies which have been classified as assets will be the buying rate of Vietinbank. The buying rate as at December 31, 2016: 22.710 VND/USD.

- The actual exchange rates upon revaluation of monetary assets denominated in foreign currencies which have been classified as payables will be the selling rate stated by Vietinbank. The selling rate as at December 31, 2016: 22.780 VND/USD.

Foreign exchange differences, which arise from foreign currency transactions during the year, shall be included in the income statement. Foreign exchange differences due to the revaluation of ending balances of the monetary items in foreign currencies after offsetting their positive differences against negative differences shall be included in the income statement.

#### **Principle for determining book rate**

When recovering receivables, deposits or payments for payables in foreign currencies, the Company uses specific identification book rate.

When making payment by foreign currencies, the Company uses moving weighted average rate.

### **2. The actual interest rate (effective rate) for discounting the cash flows**

The actual exchange rate for discounting the cash flows in relation to the items being recorded at the present value is determined on the basis of the market rate.

### **3. Principles for recording cash and cash equivalents**

Cash includes cash on hand, bank deposit without term.

**Cash equivalents** comprise term deposits 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.

### **4. Principles for accounting financial investments**

#### **Principles for recording financial investments in Associates**

The investment in associate is recorded when the Company has 20% - 50% of voting right in those invested companies and has considerable influence over their decisions on financial policies in those companies.

Investments in associates are initially stated at original cost and will not be adjusted thereafter for change in the investor's share of the investee's net assets. The original cost includes purchase price and costs attributable to the investment. In case the investment is by non-monetary assets, the investment fee should be recorded at the fair value of the non-monetary assets at the date of occurrence.

Provision for loss of investments in associates is made when the investee suffers from loss and

thus the Company possibly loses its capital or the investments' value is devalued. Basis for making provision for loss of investments is financial statements of the investee.

## **5.Principles for recording trade receivables and other receivables:**

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

The classifying of the receivables as trade receivables and other receivables depends on the nature of the transaction or relationship between the company and debtor.

**Method of making provision for doubtful debts:** Provision for doubtful debts is estimated for the loss value of the receivables, other held-to-maturity investments similar to doubtful debts that are overdue and undue, but are likely to become possibly irrecoverable due to insolvency of debtors who go bankruptcy, making procedures for dissolution, go missing or run away....

## **6.Principles for recording inventories:**

**Principles adopted in recording inventory:** Inventories are stated at original cost less (-) the provision for the decline in value of obsolete and deteriorated inventories.

**Original costs are determined as follows:**

- The original cost of materials, merchandises consists of costs of purchase, costs of transportation and other costs incurred in bringing the inventories to their present location and condition.
- Finished goods: costs of materials, direct labor and related manufacturing overheads which are allocated on the basis of major materials costs.
- Work in progress: costs of raw materials, direct labor and manufacturing overheads incurred in the process of manufacturing goods.

**Method of calculating inventories' value:** 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 is lower than their original cost. Net realisable value is the estimated selling price less the estimated costs of completion and selling expenses. Provision for decline in value of inventories is the difference between the cost of inventories greater than their net realisable value. Provision for decline in value of inventories is made for each inventory with the cost greater than the net realisable value.

## **7.Principles for recording fixed assets:**

### **7.1Principles for recording tangible fixed assets:**

Tangible fixed assets are stated at original 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.

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.

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.

### **7.2Principles 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.

Accounting software

The original cost of computer software shall be the total of actual expenses incurred by the Company

to the date it is put into operation.

### 7.3 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 year
Machinery and equipment	3 - 10 year
Transportation and facilities	3 - 10 year
Office equipment	3 - 5 year
Computer software	3 year

Quyền sử dụng đất có thời hạn được khấu hao phù hợp với thời hạn trên giấy chứng nhận quyền sử dụng đất.

Quyền sử dụng đất vô thời hạn được ghi nhận theo giá gốc và không tính khấu hao.

### 8. Principles for recording construction in progress:

Construction in progress is stated at original cost. These are all necessary costs for building or repairing, improving, expanding construction such as: expenses of building factory and installation of auxiliary equipment assisting production.

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.

### 9. Principles for recording prepaid expenses

Prepaid expenses are all expenses that actually incurred but relate to the operating result of several accounting periods. The Company's prepaid expenses include: insurances, labour clothes, tools and supplies...

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 12 months; Long-term expenses should be allocated in the term from 12 months to 36 months.

### 10. Principles for recording liabilities

Liabilities are recorded at original cost and not lower than the payment obligation.

Liabilities shall be classified into trade payables, inter-company payables and other payables depending on the nature of transactions and relationship between the Company and debtors.

Liabilities must be kept records in detail according to payment schedule, creditor and other factors according to requirements of the enterprise.

At the reporting date, if it is evident that there is an unavoidable loss, an amount payable shall be recorded according to cautious rules.

### 11. Principles for recording borrowings

Borrowings are total amounts the Company borrows from banks.

Borrowings are monitored in detail according to creditor, agreement and borrowed asset.

### 12. 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 the Company; Borrowing costs are recognised as a production, business expense in the year in which they are incurred, except when this expense arises from the borrowing directly related to the construction or production of uncompleted assets computed in those assets' value (capitalised) when they satisfy conditions stipulated in the VAS No. 16 "Borrowing costs".

### 13. Principles for recording accruals:

Accruals include power expenses, interests, production expenses...which have been arised in the

reporting period, but have not been settled. These costs are recognised on the basis of reasonable estimates on the amounts to be paid in accordance with contracts, agreements.....

#### **14. 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 lead to request 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.

#### **15. Principles for recoding unearned revenue**

Unearned revenue is the revenue which will be recorded in correspondence with the obligations that the Company must perform in one or more following accounting periods.

Unearned revenue include amounts of customers paid in advance for one or many accounting periods for asset lease; interest received in advance when lending or buying debt instruments; the difference between selling prices under deferred and from installment payment as committed and cash price; revenue corresponding to the value of goods, services or discounts to clients in the traditional client programs...

Method of allocating unearned revenue is on the principle of conformity with obligations that the Company will perform in next one or several accounting periods.

#### **16. Principles for recording owner's Equity**

##### **Principles for recording owner's Equity**

The owners' equity is the amount that is initially contributed or supplemented by shareholders. The owners' equity will be recorded at the actual contributed capital by cash or assets calculated according to the par value of issued shares in the early establishment period or additional mobilization to expand operation.

##### **Principles for recognising undistributed profit:**

The undistributed profit is recorded at 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.

#### **17. 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.

#### **18. Principles for recording revenues and other income**

##### **Revenue from goods sold**

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; When the contract specifies that buyers are entitled to return products, goods they have bought under specific conditions, the enterprise will record the revenue only when those conditions no longer exist and the buyers do not have right to return products, goods (except for changing to other goods, services); 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.

##### **Revenue from service rendered**

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; When the contract specifies that buyers are entitled to return the service they have bought under specific conditions, the enterprise will record the revenue only when those conditions no longer exist and the buyers do not have right to return service; 2. The economic benefits associated with the transaction has flown or will flow from the supply of the provided service; 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's results can not be determined firmly, the revenue will be recorded at the recoverable level of expenses recorded.

### **Principles for recording financial income**

Financial incomes include interests, distributed dividends, profits and income from other financing activities (Foreign exchange gains).

Income arising from interests, distributed dividends and profits of the Company 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.

### **19. Principles and method of recording cost of goods sold**

Cost of goods sold are the cost of products, goods, services sold in the period. The cost of goods sold is recorded at the date the transaction incurs or likely to incur in the future regardless payment has been made or not. The cost of goods sold and revenue shall be recorded simultaneously on conformity principles. Expenses exceeding normal consumption level are recorded immediately to the cost of goods sold on prudent principle.

### **20. Principles and method of recording financial expenses**

**Financial expenses** include loan interests, loss from foreign exchange loss.

Financial expenses are recorded in details by their content and determined reliably when there are sufficient evidences on these expenses.

### **21. Principles and methods of recording taxes**

Corporate income tax includes current corporate income tax and deferred corporate income tax incurred in the year and set basis for determining operating result after tax in current fiscal year.

Current tax: is the tax payable on the taxable income and tax rate enacted in current year in accordance with the law on corporate income tax.

Deferred income tax liabilities are the amounts of income tax payable in the future periods arising from the recording of the deferred income tax payable in the year and reversing the deferred income tax being recorded from prior years. The Company does not record in this account the deferred income tax assets or deferred income tax liabilities arising from the transactions being recorded directly in the owners' equity.

Deferred income tax asset is the reduction of deferred tax payable arising from the recording of the deferred income tax payable in the year and reversing the deferred income tax being recorded from prior years.

Deferred income tax assets and deferred income tax liabilities are offset when the Company has the legal right to offset current income tax assets against current income tax liabilities and the deferred income tax assets and deferred income tax liabilities are relevant to corporate income tax which is under the management of one tax authority of the same subject to corporate income tax and the Company has intention to pay current income tax liabilities and current income tax assets 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.

The Company has the duty to pay the corporate income tax with tax rate of 20% of taxable income.

## **22. 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 related direct transaction cost.

Financial assets of the Company comprise cash, short-term deposits, trade accounts receivables and other receivables, loans.

#### **Financial liabilities**

According to Circular 210, financial liabilities 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 related direct transaction cost.

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

## **23. 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 Company, 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.

## **24. Principles for presenting assets, revenue and operating results by segment**

A reportable segment includes business segment or a geographical segment.

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

For the purpose of management, the Company only has the head office in HCMC and operates in many business sectors, so it presents major segment reporting by business sector.





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