

ANNUAL REPORT

2015

KINH BAC CITY DEVELOPMENT HOLDING CORPORATION

www.kinhbaccity.com

ANNUAL REPORT 2015



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ABBREVIATIONS

IP: Industrial Park

SB: Supervisory Board

JSC: Joint Stock Company

FDI: Foreign Direct Investment

BOM: Board of Management

BOD: Board of Directors

KBC: Kinh Bac City Development Holding Corporation

EZ: Economic Zone

UA: Urban area

GSM: General Shareholders Meeting

MESSAGE FROM THE CHAIRMAN OF BOARD OF MANAGEMENT



Dear Shareholders, Customers and Investors,

In 2015, the global economy continued to recover but unevenly across different regions. The inflation was maintained at a low level. The devaluation of the Chinese yuan and the downward trend in the prices of basic commodities (oil, metals, agriculture...) significantly affected the global economy.

The economy of Vietnam had more positive signs than expected thanks to the guidance of domestic producer and consumption. GDP increased by 6,68%. Construction industry, which was the driving force of the economical growth, increased by 9,54%. Attracting foreign direct investment (FDI) was the bright spot with a registered capital of 22,76 billion US dollars increasing 12,5% compared with the same period last year. Implemented FDI reached \$ 14,5 billion, increased 17,4%; inflation remained at a low level of 0,6% (target is 5%). Most banks maintained low and stable interest rates; credit grew highly (about 18%), flowed into manufacturing sectors, and promoted the growth of the economy.

The stock market in 2015 was unpredictable, KBC's share price was significantly affected by the common market. The factors such as rumors, investors' expectations did not reflect accurately the business situation of our Group.

Signing the agreements of free trade of Vietnam with EU, South Korea, Asean, and especially TPP attracted a lot of waves of FDI. This was a good condition for KBC to increase our revenue and profit.

For KBC in particular, although we didn't achieve the plan (revenue of 88.6%, net profit of 81.5% compared with the plan), 2015 might be considered as a successful year in the implementation of the business strategy of our Group.

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

Focusing on core business / increasing investments in potential projects

In 2016, KBC will focus on investing in industrial parks as: Trang Due 2 IP, Nam Son - Hap Linh IP, Quang Chau IP, Phuc Ninh Urban Area, and so on. Moreover, KBC also plans to open the first phase of selling Phuc Ninh Urban Area in Bac Ninh city center to catch the developing urban real estate market.

Boosting capital market access, improving financial management

KBC has step by step increased the efficiency in the use of capital. In 2015, the management of business cost achieved optimum. Therefore, the revenue / total assets also increased sharply from 8% in 2014 to 11% in 2015.

Expanding the approachment the capital market, improving the financial activeness

In previous years, because of a risky financial structure, KBC faced a lot of difficulties in raising capital. However, in 2015, thanks to the favorable macroeconomic condition, good selling activities, and efforts of the Board of CEOs to pay off debts of credit institutions on time and early, KBC was approved with a new credit limit of 545 billion by credit institutions in 2015.

In 2016 KBC has been co-operating with domestic and foreign financial institutions to create plans to make capital for our projects. Within our experiences, KBC ensures that new capital will be the most effectively used

Sustainable development and social responsibility

Besides our target of profit maximization, KBC always plans to model a sustainable development. KBC is planning an expansion project of 700 hectares of land in Hai Phong IP, as well as promoting the development in some potential industrial zones in central and in the south in the future.

Regarding the success of attracting FDI in the industrial parks, KBC make a strong contribution to the promotion of socioeconomic status of local industrial parks of KBC in particular and in Vietnam in general, changed industrial structure efficiently, created new jobs, attract workers, contributed to the local budget and improve the personal and local economy.

Promoting staffs and employees to gain achievement

KBC's staffs and employees always attempt to achieve new successes in the coming years. We strongly believe that production and business activities of KBC will not stop growing, thereby ensure the benefits for shareholders and contribute to the increase of the value of KBC's partners in the future.

**Sincerely
Chairman of BOM**

ĐẶNG THÀNH TÂM



PART I
OVERVIEW

GENERAL INFORMATION

1. GENERAL INFORMATION

- Business name:

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

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

Abbreviation: **KINHBAC CITY GROUP**

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

- Charter capital of KinhBac City: 4.757.111.670.000 VND

- Address: Lot B7, Que Vo Industrial Park, Phuong Lieu Commune, Que Vo District, Bac Ninh Province, Vietnam.

- **Tel.:** 0241 3634034

Fax: 0241 3634035

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

- **Stock code:** **KBC**



THE PROCESS OF FORMATION AND DEVELOPMENT

KBC successfully built a model of high-tech Industrial parks reducing environmental pollution, and became one of the first enterprises in the North to develop high-tech Industrial parks. KBC has established a land bank of approximately 4.500 hectares for Industrial parks, nearly 1.300 ha for Urban Area, which are enough for our development in the next 10 years to 20 years. KBC attracted investments to 06 Industrial parks including 02 Industrial parks with the occupancy rate estimated from 95% to 99%. More than 90% customers of Industrial parks are foreign enterprises, each Industrial park is invested on a large-scale by big corporations like Canon, Foxconn, LG, ... All of the Industrial parks in operation, which were built in modern standards, do perform stably, not only benefit to KBC and investors but also contribute greatly to the development of society. KBC contributed to turn agricultural lands with low productivity into modern factories with large-scale production, thereby promoted the process of socioeconomic restructuring in local areas, created thousands of jobs, boost demand for developing ancillary service and contributed VND trillions to the state budget, etc. That is considered as the main contribution of each staff and employee of the Group for the overall development of our country.



SPECIAL EVENTS IN THE DEVELOPMENT STAGE FROM 2002 TO 2015

- 2002** ● On 27th March 2002 Kinh Bac City Development Holding Company established as a pioneer in the field of developing IP in North of Vietnam, with the initial charter capital of VND 20 billion.
- 2003** ● Que Vo Existing Ip - Bac Ninh launched, now it fulfilled more than 90% with over 50 tenants.
- 2005** ● Established subsidiary Saigon - Bac Giang Industrial Park Corporation, that developed Quang Chau IP and Residential Area.
- 2006** ● Established subsidiary Saigon - Haiphong Industrial Park Corporation, that developed Trang Due IP.
- 2007** ● Became a public company with 88 million shares listed on the Hanoi Stock Exchange market.
- 2008** ● Top 10 leading stocks in Vietnam Market, awarded by Standard & Poor.
- 2009** ● Renamed KinhBacCity Development Holding Corporation Transferred to listing on HCM Stock Exchange market (HOSE).
- 2010** ● M&A Northwest Saigon City Development Corporation as our subsidiaries, promoting Tan Phu Trung IP project Acquiring Nam Son Han Linh Industrial Park in Bac Ninh Province. Became the main investor of Diamond Rice Six Star Hotel and Hanoi Multifunction Complex in Hanoi.
- 2012** ● Founded Trang Cat One Member Urban Development Company Limited, which has managed and developed projects Trang Cat Resident Area in Hai Phong City.
- 2013** ● Hai Phong Trang Due became a part of the economic zone of Dinh Vu Cat Hai successfully attracted LG Electronics Group and their satellites. This is the most significant milestone of KBC recovery after a difficult period.
- 2014** ● Successful restructured the 3.000 billion dong matured bond; Mobilized 1.200 billion dong of new convertible bonds; Continuing successful concluded of the 2nd contract with LG Group; Consolidated net profit was 4 times as high as 2013.
- 2015** ● Reduced the volume of major investments in the field of Energy, decreased 60% of the value of long-term investments. Reduced the credit debts by VND 1.067 billion. Profit increased 93% compared with 2014. Approaching credit institutions was easy. A credit line of about VND 545 billion was provided to invest in Que Vo IP, Nam Son Hap Linh IP.

TYPICAL AWARDS

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

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

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

(WEF GCC member advisory board Partner). He was honored as one of the outstanding entrepreneurs awarded "Ernst & Young - The leader entrepreneurs settled Vietnam 2011"; Moreover, he used to be a member of the 8th National Assembly of Vietnam.



TYPICAL AWARDS

CORE VALUES

EXPERIENCE IN OUR FIELD

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

HUGE LAND BANK

In our business model, acquiring available land is the most important property to complete long-term goals of development. Our current land bank is up to 4.500 ha for Industrial parks development and 1.300 ha for Urban Area and residential development. In which, nearly 2.500 ha is owned directly by KBC and our subsidiaries, accounting for nearly 8% of the total national operating Industrial parks land area. In the context of restriction in licensing to an Industrial park, this land bank of KBC is the biggest asset to create our future value.

DIVERSIFIED SERVICES AND PRODUCTS

With the purpose of serving customers in the best way, KBC attempt to provide various products and services, which would satisfy even the hardest demand of customers. Firstly, providing wide range of critical positions with 14 IPs throughout Vietnam, KBC could reach the first position in attracting FDI, especially big international groups such as Canon, Foxconn, LG Electronics... Secondly, in order to attract small and medium enterprises, which are satellites of the big groups, KBC focuses on increasing leasing and selling available offices and premises in order to shorten time of operation and reduce risks from investments.

THE TRADEMARK OF KINH BAC CITY

The trademark of Kinh Bac City has built an attractive reputation with not only domestic but also foreign investors (both FDI and FII). Thanks to competitive strength on services and products, Kinh Bac City becomes the trustworthy destination of FDI's investments. Additionally, KBC's shares have always been chosen by foreign investors since it was listed. The amount of shares owned by foreign investors covers 30%. In 2015, KBC's shares were regularly hold by 03 foreign shareholders.

INVESTOR RELATIONS

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

HIGH-QUALITY HUMAN RESOURCES AND EFFICIENCY MANAGEMENT SYSTEM

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





2. BUSINESS SECTORS AND LOCATIONS

"KBC initiated the field of investment and business development of industrial parks. According to investment trends boom period 2008 - 2009, KBC used its capital to invest in other sectors such as banking, energy, minerals, etc. However, in later years, KBC had not avoid the difficulties of the national economy and the world, most of the non-core investments have not brought economic efficiency. KBC's business results had been negative 483,9 billion VND in 2012, it was the only year that KBC lost during the development stage in 2002 - 2015. Since 2013 KBC has quickly established plans to restructure the portfolio, completely divest investment activities outside the industry. In 2015, KBC basically completed the divestment of non-core portfolio."

Our core business sector is developing infrastructure in Industrial Parks. The managers and staffs of the Group have dedicated to build an effective business model for Industrial Parks that could meet renovation demand of our country and contribute to the industrial restructuring in the local regions. The process of creating core values for the dominant business is continuous and stable with appropriate business models. It has turned agricultural land with low productivity into the most developed industrial areas in the North.

Leasing industrial land has contributed the most part to the total revenue of the Group. Besides, in order to reduce risks from investment for FDI investors, KBC has successfully developed available factory for rent and sales. Each standard factory has over 5.000m², accompanied by an office and suitable sub-works that satisfy customer demand to begin manufacturing immediately. This product currently attracts great concern giving a gross profit margin of 50%.



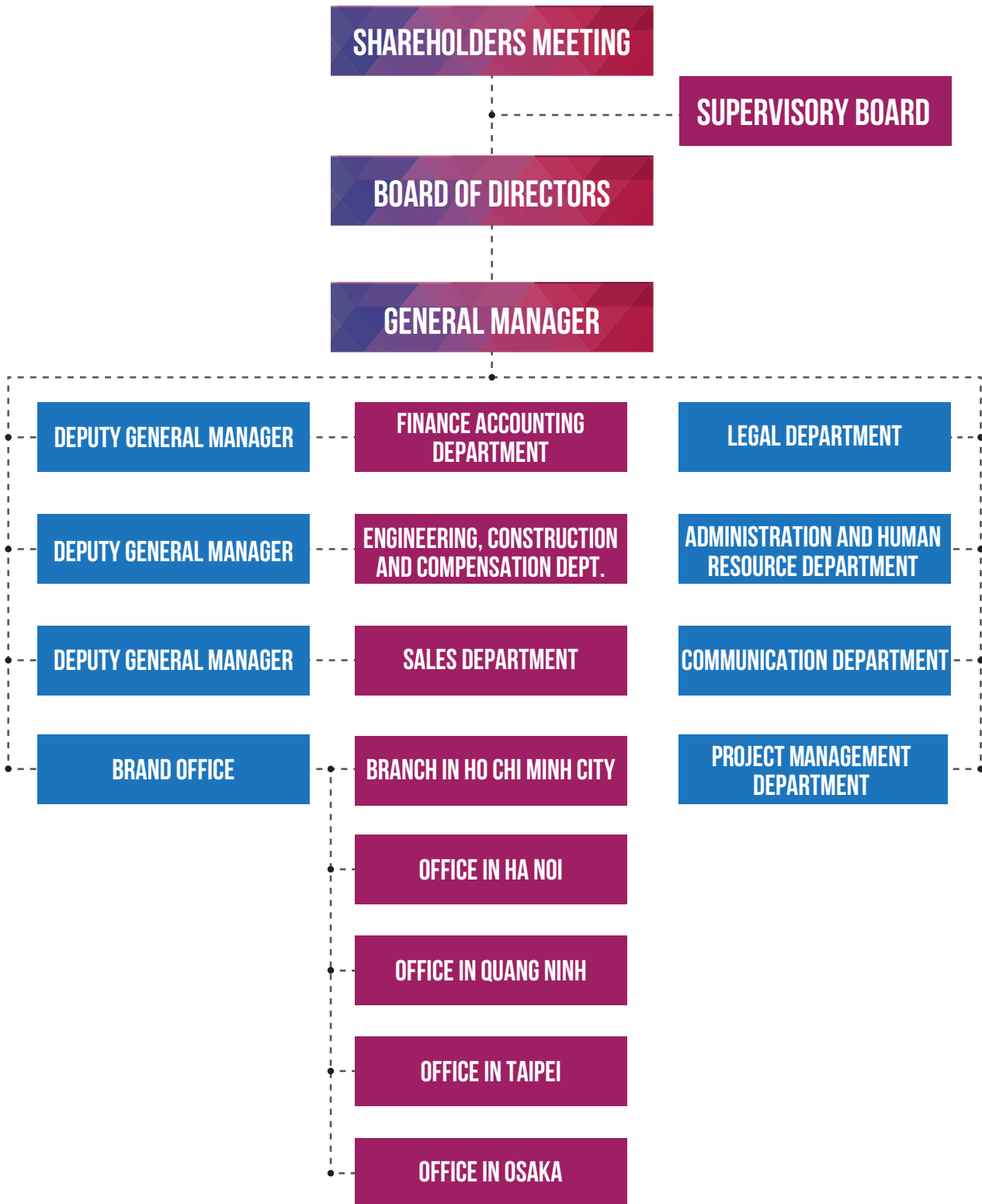
Additionally, the ancillary services in industrial park including electric power supply, water supply, sewage treatment, management and maintenance of infrastructures, etc. are appreciated and improved a lot since they will bring annual fixed and sustainable revenue, and make sure to recover costs for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

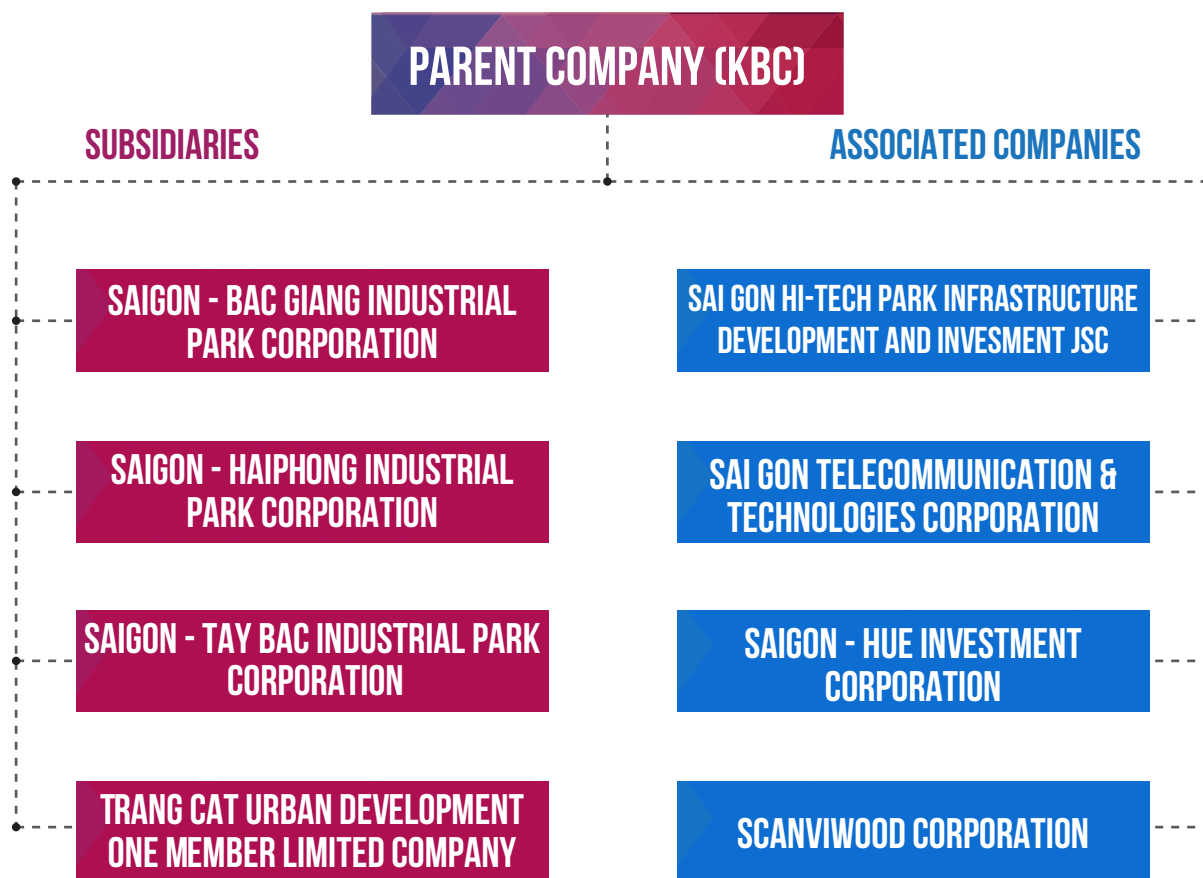
With a strategy focusing on our strengths, KBC constantly builds new business plans for the least developing IPs in available land bank. Up to now, our total land bank is nearly 4,500 hectares for industrial park development that belongs to KBC and our subsidiaries, associated companies and companies in the long-term portfolio, including 14 industrial parks allocated widely from north to south. Each industrial park covers from 200 hectares to 600 hectares, enjoy critical positions in the region, take advantage of terrain combine with the strengths of the local economy and geopolitical region. In recent years, KBC has made important steps to expanding and promoting the central and the south market.

In the last 2 years, KBC's main business focuses primarily in Bac Ninh, Hai Phong and Cu Chi - Ho Chi Minh City. Total revenue from main business activities accounted for, 95% in 2013 and 88% in 2014, 82% in 2015 of total revenue. In 2015, consolidated revenues were 28,1% from Bac Ninh, 49,7% from Haiphong and 21,4% from Ho Chi Minh City.

In addition, KBC also developed some residential and urban areas in order to satisfy accommodation needs for the workforce in our developed industrial park. This model has achieved many successes in Asian countries such as Thailand and Singapore, thus, our land bank of 1,300 hectares for future development of urban areas is expected to bring a big profit to KBC in near future.

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





THE MODEL OF MANAGEMENT, BUSINESS ORGANIZATION AND SYSTEM OF MANAGEMENT



INFORMATION ABOUT SUBSIDIARIES

No.	Company name	Vote (%)	Interest (%)	Head office	Main activities	Contributed capital (VND)
1	Sai Gon - Bac Giang Industrial Park Corporation	59,5	59,5	Quang Chau Industrial Park, Quang Chau commune, Viet Yen district, Bac Giang province	Investment, building and trading real estates	119.000.000.000
2	Sai Gon - Hai Phong Industrial Park Corporation	86,54	86,54	Trang Due Industrial Park, Le Loi commune, An Duong district, Hai Phong city	Investment, building and trading real estates	468.000.000.000
3	Sai Gon - Tay Bac Development Corporation	60,52	60,52	Tram Bom, National Road No. 22, Tan Phu Trung, Cu Chi, Ho Chi Minh City	Investment, building and trading real estates	662.066.314.000
4	Trang Cat Urban Development One Member Limited Company	100	100	Bai Trieu Area, Trang Cat Commune, Hai An District, in Dinh Vu - Cat Hai Economical Zone, Hai Phong.	Investment, building and trading real estates	1.500.000.000.000

The ownership percentage of KBC in subsidiaries did not change compared to 2014



INFORMATION ABOUT ASSOCIATED COMPANIES

No.	Company name	Ownership rate	Address	Main activities	Charter Capital (Bil. VND)
1	Saigon - Hue Investment Corporation	28,14%	No 15 Nguyễn Huệ Street, Huế City	Infrastructure investment and development, industrial and civil construction.	350
2	Sai Gon Telecommunication & Technologies Corporation	21,48%	46 Quang Trung Software Park, Ward Tan Chanh Hiep, District 12, Ho Chi Minh City	Investing and trading computer, electronic equipment, materials, telecommunication and post equipment	740
3	Saigon High-tech Park Infrastructure Development Investment Joint Stock Company	27,44%	6-1, Ree Building, 364 Cong Hoa Street, Ward 13, Tan Binh District, Ho Chi Minh City	Infrastructure investment and development	300
4	Scanviwood Corporation (*)	34%	565 An Duong Street, An Lac Ward, Tan Binh District, Ho Chi Minh City	Producing household furniture for export	31,69

(*) In 2015, there was one more associated company named Scanviwood in KBC compared with 2014. This company was established under a business license in the field of wood processing. However, in fact, this company no longer processes wood but owns more than 8.039 m² of land at 565 An Duong Vuong Street, An Lac Ward, Binh Tan District, Ho Chi Minh City.

4. DEVELOPMENT ORIENTATION

SHORT-TERM GOALS

- Focusing on developing core business: speeding up infrastructure construction and attracting investment in the Nam Son Hap Linh IP, Quang Chau IP, Phuc Ninh UA; extending 700ha of land in Trang Due Hai Phong IP; v. v. Deploying diverse business plans and attracting high-tech corporations from Korea, Taiwan, Hong Kong, Japan, USA etc.
- Preparing available products and services that meet tenants' demand (available land and factory for leasing and selling)
- Mobilizing and allocating capital more efficiently, enhancing financial capability and improving financial indicators significantly. Maintaining sustainable revenue and profit growth rate.

MEDIUM-TERM AND LONG-TERM DEVELOPMENT STRATEGY

- After a successful reconstruction, KBC will promote potential industrial parks in Central and South, simultaneously deploy Urban area projects that meet the demand of social development; Increasing land bank for developing potential industrial parks such as Hai Phong, Ho. Ho Chi Minh.
- Creating a diverse customer network to meet macroeconomic policies, the benefit from free trade Vietnam - EU agreements and the Trans-Pacific Partnership Agreement- TPP which has recently been signed. KBC will benefit from these agreements, although they have not been official yet, because now, many foreign enterprises have been to Vietnam to survey industrial parks for their plan to contribute factories here.
- Creating and Developing Kinhbaccity trademark with an international level; always being the leader in the field of managing and developing Industrial parks- Urban areas.

THE ENVIRONMENTAL, SOCIAL AND COMMUNITIVE OBJECTIVES

- Kinhbaccity contributes significantly in the process of promoting Vietnam's investment policies to the world through some programs of promoting investment, some economic forums in the region and in the world;
- KBC is a significant factor in the annual attracting FDI plan of Vietnam in the field of industry, urban and real estate
- KBC creates thousands of jobs for local workers, contributes budgets for province where our projects cover, promotes the industrialization and modernization in our country.
- KBC always tend to attract enterprises in the field of high-technology and less-pollution.
- KBC contributes to social works such as conditioning lakes, local parks and so on which create green, clean and beautiful environment.



5. OPPORTUNITIES – CHALLENGES – RISKS

STRENGTHS

- * **A suitable timing of establishment when we can meet the first wave of FDI to Vietnam.**
- * **A synchronous infrastructure which fulfil operational criteria of IPs**
- * **A convenient location for traffic:** All IPs of KBC are located on the important highway, convenient to travel to the port and airport.
- * **The advantage of trademark:** through domestic and foreign marketing programs, KBC was known by investors as a big company in industrial parks and infrastructure development in Vietnam.
- * **A great number of electronic and high-tech businesses:** high-tech enterprises who invest in KBC's IPs have attracted many satellites to invest
- * **Supporting Services for Investors:** KBC provides supporting services to investors in the implementation of procedures before and after the investments.
- * **Utility services in industrial parks:** There are many utility services for investors in industrial parks such as the customs, offices, warehousing, banking, ...
- * **Especially, Trang Due - Hai Phong IP** is located on "two corridors and one economic belt" between Vietnam and China; in Dinh Vu – Cat Hai Economic Zone with many tax incentives namely corporate income tax, value added tax, personal income tax, import tax, special consumption tax, etc.
- * **Human Resource:** Our Sales Department is the convergence of staffs who are good at English, Chinese, Korean, Japanese, etc., able to communicative and solve problems, create sympathy for investors.

WEAKNESSES

- * **High rental fee:** In terms of general price level in a local region, IPs of KBC have a higher level of rental price, which becomes a barrier to some specific projects (not too much focus on the venue).
- * **Unsuitable products:** Quite large land plots in industrial parks are some kind of restrictions to projects that demand a small area (less than 1.000 m²). Large factories are not suitable for small and medium projects, that make us lose many chances in this market share.
- * **Limitation of attracting sectors to the industrial parks:** Industrial parks tend to limit the sectors which can spoil our environment.
- * **Workers:** The number of suitable skilled workers is not enough to meet the demand of enterprises.
- * **Tax incentives:** Apart from Trang Due IP, the other IPs of KBC which were located in the developed areas do not enjoy preferential tax policies according to the new law.

OPPORTUNITIES

- * **Opportunities in some invested enterprises who have plans to expand their scale**
- * **Rezoning the plots, premises with areas suitable with the demand of investors.**
- * **Opportunities to attract satellite projects of major corporations** which have invested in KBC's IPs or in vicinity like LG, Samsung.
- * **When the trade agreements between Vietnam and other countries** such as Vietnam - Korea, Vietnam - EU, AEC, TPP, KBC immediately benefits from a new wave of FDI into Vietnam which is predicted to increase sharply. That is an opportunity of KBC to develop industrial parks in Central, South, etc.

THREATS

- * High investment increased expense leads to a higher rental price. It will be difficult to attract the specific investment projects.
- * Low price unit in some industrial parks in nearby areas will significantly affect the competition of KBC.
- * Difficulties in attracting investment when there are no tax incentives.



SWOT ANALYSIS

GENERAL ASSESSMENT OF COMPETITORS

In the context of more and more selective and volatile foreign direct investment volatile due to the impact of the volatility of the global economy, the competition between Industrial Parks is becoming increasingly intense.

Here are some analysis of competition between KBC and other competitors in the same business field in Bac Ninh, Bac Giang, Hai Phong.



Bac Ninh province has 15 Industrial Parks and 30 industrial clusters op with a total area of 6.847 ha, in which, KBC exploiting 3/15 Industrial Parks with an area of 1.339 ha.

Of all the 15 Industrial Parks in Bac Ninh province, there are 4 typical IPs which are excellent in developing and investment attracting, including: Tien Son Industrial Park (1998), Que Vo Industrial Park (2002), Yen Phong Industrial Park I (2005), VSIP (2007). In terms of competitive advantages, Tien Son Industrial Park was earliest established that helped it to meet many projects from 1999-2000. Most of the projects in this Industrial Park are domestic ones with a small and medium scale. However this is also the limitation of this Industrial Park, as being established in 1998, the industrial park infrastructure planning is not suitable with current demands, moreover, we have almost run out of the land bank of Tien Son Industrial Park and had no more room for new plans.

VSIP IP was invested in a methodical and synchronized way in Bac Ninh province, with the typical model of VSIP. With a capital focusing on infrastructure investment, infrastructure and technical systems of the VSIP Bac Ninh can meet the requirement of the strictest investors. Therefore, VSIP Bac Ninh has attracted many major projects such as: Nokia, Pesico, FORTER, Mapletree. The limitation of VSIP Bac Ninh is the rental price of equipped land is higher than the average level. Also, other kinds of expenses (management fees, installation costs, costs of infrastructure connections, ...) are also higher than the general rate of the other local Industrial Parks.

Yen Phong IP was established in 2005 with a favorable position on Highway 18, close to the boundary of Hanoi. With an abundant land bank from early period of establishment and a preferred rate, Yen Phong project attracted

Sam Sung Electronics in 2018, which completely changed the "fate" of Yen Phong IP.

After SEV, a series of satellite have now invested in Yen Phong IP creating a group of Korean enterprises in this area. The drawback of this IP is limited local labor resources, making it difficult for enterprises to recruit.

Que Vo IP established in 2002, 4 years later than Tien Son IP. The location of Que Vo IP is quite convenient for traffic and freight. This IP was also invested in completing all the technical infrastructure to ensure a stable operation for enterprises. Drawbacks of this IP are the quality of the infrastructure system did not really meet the requirements of investors, the remaining land bank is too little, there is still a lot of uncleaned land which causes many difficulties in creating business land bank.

Besides great Industrial Parks as Tien Son IP, VSIP, Yen Phong, there are some emerging Industrial Parks gradually attracting the attention of investors and becoming competitors of KBC's IPs. Thuan Thanh III IP of Khai Son Corporation is a typical example. Thuan Thanh IP was established in 2007 with the total planned area of 1.000 ha. Its location is unfavorable with traffic. Also, its infrastructure is only at process. However, the strength of this Industrial Park is a low rental rates which completely meets the taste of most inventors who do not care about the quality.





Bac Giang Province has 5 operating Industrial Parks with a total area of 1.237,38 ha, in which, KBC is exploiting Quang Chau IP with an area of 426 ha. This area accounts for 34,4% of the area of the province.

It can be said that among the 5 Industrial Parks, **Quang Chau IP** of KBC has only one competitor namely Van Trung IP of Taiwan Foxconn Group.

However, like VSIP, Foxconn with a strong financial capacity significantly invested in the infrastructure of Van Trung IP. A synchronous and high-quality infrastructure system is a strong point of Van Trung IP compared with other Industrial Parks. Also, the large amount of capital for building a series of small premises helps Van Trung become "the exclusive provider" in Bac Giang Province.

Besides the synchronous and high-quality infrastructure system, Van Trung IP also has an advantage from marketing at the market of China and Taiwan thanks to Foxconn's reputation and influence in Taiwan and China.

Without those strengths, Quang Chau IP of KBC focuses not only on providing supporting services before and after the investment but also on other markets (Hong Kong, South Korea, European-American ...).



Hai Phong city totally has 19 Industrial Parks, including 7 Industrial Parks located in the special economic zone of Dinh Vu - Cat Hai, and 12 Industrial Parks outside the economic zone with a total area of 9.916 ha, in which KBC exploits 2/19 Industrial Parks with a total area of 738 ha (IZ Trang Cat is in processing).

Of all the 19 Industrial Parks in Hai Phong, there are 4 typical and outstanding Industrial Parks and in developing and attracting investment, including: Nomura - Hai Phong IP (1994), Dinh Vu (1997), Trang Due (2007) , VSIP (2008). The Dinh Vu IP, Trang Due and VSIP are located in the economic zone.

Nomura- Haiphong IP is so successful in attracting investment that it has successfully attracted 55 enterprises such as GE typical Vietnam, Toyoda, Yazaki, Rorze. Till now, the land bank of Nomura IP has been used up, and it seems to have no more room for new projects.

Dinh Vu IP belongs to Dinh Vu Development Corporation. It has the advantage of its early establishment, with the port of Haiphong and Nam Dinh Vu. The weakness of Dinh Vu IP is quite high rental price, the current land bank is quite little, the position IP is located near the city center should be tougher on traffic and labor resources. The position of this IP is near

the city center leading a number of difficulties in traffic and labor resources.

VSIP is invested in a methodical and synchronized way in Hai Phong, with the typical pattern of VSIP. VSIP has attracted a number of projects such as: NIPRO Pharma, Fujji Xerox, YTEC. Located in Thuy Nguyen district , VSIP has the advantage of a large land bank and abundant labor resources. A disadvantage of VSIP Haiphong is the high rental price for land with infrastructure compared with the average level, within other kinds of expenses (cost management, installation, infrastructure connections ...) which are also higher than in other local Industrial Parks.



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

* Risks from policies of changing in investment and business activities in IPs:

Strict management of real estate projects and Industrial Parks: In 2012, the Prime Minister gave the Decision No. 07/CT-TTg on 02/03/2012 requesting to limit the establishment of unnecessary Industrial Park projects. On 03/19/2015, at a meeting to discuss the orientations and tasks of development in the new period, The Deputy Prime Minister Hoang Trung Hai stated: "Resolutely reduce and eliminate the inefficient and unattractive area of Industrial Parks, at the same time, seriously putting investment projects in the areas that are ready for infrastructure to speed up the fill rate and to improve the operational efficiency of Industrial Parks and economic zones (EZ)". At the same time, the Deputy Prime Minister also recognized positive operating results of Industrial Parks and economic zones in recent years. The Industrial Parks and economic zones which really promote their leading roles and create motivation for social economic development in our country will be considered to be expanded. KBC always actively keep abreast of policies of management and development Industrial Parks of the Government. The strict management of real estate and Industrial Park projects has brought opportunities, challenges as well as risks to KBC as follows:

- The thriving Industrial Parks of KBC like Hai Phong Trang Due IP have always been taken care and promoted to extend and develop from the Government.
- Currently, subsidiaries and associated companies of KBC are co-managing 14 Industrial Parks with a total area of about 4.500 ha, reaching 73% of compensation. This land bank is seen as the property creating value-added and the biggest advantage of KBC while the policy of expanding industrial park is limited, the price of land compensation 2 - 4 times increased compared with the price compensated by KBC in the previous time (about 100.000 VND/m².) Besides this huge advantage, KBC also face significant challenges and risks. Due to some signs of prosperity of Vietnam's economy, there are still some of IPs of associated companies of KBC in some provinces, such as Hue, Can Tho, Binh Phuoc, v, v failing to attract investment, besides some sharply thriving Industrial Parks from 2014. To limit the risks of project investment certificate being revoked, KBC always make effort to have a synchronous development plans all over the country, increasing the choice for customers.

Changes in the policy of annual land rental fee: Since the first time Que Vo IP of KBC established, the Government has had 03 changes in policy of annual rent, the rate has varied with large amplitude, from 100 VND/m² to 19.500 VND/m² (the 121/2010/ND-CP decree). Currently, according to the 46/2014/ND-CP decree, there have had some reductions in the average price (13.500 VND/m²). Different rates will apply for different locations. In fact, Que Vo IP of KBC is the first Industrial Park to count land rent, after several attempts to negotiate with the relevant authorities, a paper of the price of land rent with the price of 4.600 VND/m² to 6.500/m² was released. It is still considered as too high price, although rent of Industrial Parks of KBC will be annually paid by investors as the decision of People's Committee. The constant change of policy would pose a risk to investors of KBC's IPs.

Changes in the forms of payment of land rental fee: According to The Clause 2, Article 210 of the Land Law No. 45/2013/QH13 dated 11/29/2013:

"In case investors who leased land from Government levy annual rent for the construction and operation of IP infrastructure; industrial parks and export processing zones lease the land with formed infrastructure even before the date this law takes effect must pay land rent for the entire period of leasing according to the rules of the Government; Tenants who have rights and obligations like leasing land of the Government have to pay once for the entire lease term, after the investor pay enough rent to the state budget. "

This law eventually grips and impedes the legitimate rights of the secondary investors in the Industrial Parks. In particular, in the past, the lessee land in Industrial Parks could mortgage certificates of land use rights for the credit institutions to raise capital. However, as defined above, since 07/01/2014, the tenants in the Industrial Parks will not be allowed to transfer or mortgage of land use rights as well as rights and obligations with respect to land use rights to a third part if the Industrial Park infrastructure investors not to pay the full rent for the Government, even when the lessee has prepaid the entire land rent. Meanwhile, investors of Industrial Park infrastructure construction cannot afford to choose the plan that can fulfill all the procedures for payment of land rent of the Government in only one time. To handle this problem, KBC has submitted documents to the authorities to support enterprises to choose the form of payment of annual land rent, and adjust land rent prices. Currently, this opinion of KBC is being taken in a consideration by the Ministry of Finance.

Changes in regulations on rates of compensation of land: In provinces all over our country, there have been many changes compared with the early period of development in Industrial Parks like Que Vo or Trang Due. Although KBC has many advantages due to the early implementation of the compensation with a several times lower compensation rate compared with this period (only 30% to 50% of the compensation provided for in the provinces of Bac Ninh and Ho Chi Minh City in 2014), risks of changes in land compensation rates also affect long-term development plans to expand new Industrial Parks. For example, nowadays, the price of land compensation in Bac Ninh province is 439.000 VND/m² which is 4 times higher than the price given by KBC in the past. The estimated cost to develop a new Industrial Park in the province of Bac Ninh is 45 USD/m². Thus, the lease price must reach between 80 \$ to 85 \$. This is also a challenge for KBC in considering whether continue investing in Industrial Parks with higher compensation costs or not?



*** Risks from changes in monetary policies**

limitation to real estate loans: KBC almost cannot approach to credit sources for a long time from 2011 to 2014. At the end of 2014, Hai Phong Trang Due IP of KBC was granted a new credit level by banks, the same thing happened with the projects of Que Vo and Son Hap Linh Nam in 2015. However, according to the message of the State Bank of Vietnam (SBV) in amended document namely Circular 36/2014/TT-NHNN, the loan of real estate businessmen seems to be closely controlled. Since the credit growth is quite "hot" in the real estate segment in the previous years.

Generally, the field of infrastructure business development and real estate is under pressure from the credit squeeze which leads to significant risks, for instance: projects will be delayed. KBC is one of the companies that have experienced the greatest impact from this policy. However, with all our efforts we managed to come over the most difficult period.

Currently, KBC is also actively negotiate with a number of financial institutions to raise capital for major Industrial Parks, to ensure funds for our development when there is a change in policy.

The pressure of raise interest rates: At the time of the report on 3/2016, deposit rates at banks tend to sharply increase. According to data from State Bank of Vietnam, the highest interest rate applied for Commercial Bank is 8,2%/year for the period of 24 months. According to the Director of Department of monetary policy of SBV, in the context of the unfavorable international financial market in 2016, the increasing pressure in mobilizing Government bonds and credit demand, the long-term pressure on the interest rates are very enormous, namely:

Firstly, with a forecasted inflation at around 4-5% in 2016 compared to just 0,6% by 2015, this year, inflation expectations are much higher than the previous years, that, thereby, indirectly put pressure on depositing interest rates.

Secondly, this year, the growth target is 6,7%, higher than that of last year and 6,68% higher than the average of the period of 2011-2015 (5,88%), reflecting a continuously increasing credit demand in 2016.

Thirdly, in 2015, the interest rates of government bonds in the period of 5 years rose sharply from 5,4%/year to nearly 7%/year, besides that, the expectation of higher than 2015 demand for raising capital from government bonds in 2016 will create enormous pressure on the interest rates of medium and long term.

Therefore, when the average rate of raising capital increases, lending rates, especially in the sector of real estate will be much higher than in others areas. This is a risk for KBC's loans, because the interest rates of KBC's loans are floating rates adjusted every 06 months/1 time.





*** Risks from attracting FDI**

Vietnam is a country with abundant labor resource, low labor cost, less political risk, and has become an attractive destination of foreign investors. With the promulgation of the Enterprise Law and the amended Investment Law and trade agreements which have been signed as TPP, Vietnam - EU, Vietnam - Korea, Vietnam and other ASEAN countries, etc, prospects for foreign direct investment in Vietnam is very positive.

However, FDI inflows to Vietnam depend on the process of accelerating institutional reforms, creating a fair business environment and transparency for all types of businesses of the Government. It is considered as the major challenge for attracting FDI. Besides, promoting the development of supporting industries, supporting enterprises to engage in global value chains will also help us to attract investment from large corporations.

For KBC in particular, our major revenue depending entirely on the ability to attract FDI also will be a risk if the global economy shows any signs of recession. On the other hand, 90% of KBC's customers are businesses in the high technology sector. It is another obstacle for us when enterprises in the field of production as textiles or ASEAN enterprises on the areas of processing, manufacturing, etc, are the ones who benefit from the TPP. Thus, in order to catch the wave of potential investors is also a challenging issue for KBC. Thus, in order to catch the wave of potential investors is also a challenging issue for KBC. In the coming years, KBC has to prepare infrastructure of Industrial Parks in other regions, where the agencies don't restriction to the companies of the areas that benefit from the TPP, suitably with the needs of the investors.



*** Ricks from ineffective management of cash flow**

KBC had been at risk when using investment funds to multidisciplinary. Therefore, capital mobilization and use of capital is always a problem that should be considered by KBC to ensure that the profitability of capital flows can reach the goal of promoting business growth and capital preservation even when we have difficulties in developing project. In 2016 KBC's Financial Committee will approach financial institutions and investment funds to purchase shares, to buy bonds of corporation, to invest and develop Industrial Parks. Also, we will restructure old debts (although in 2015 the outstanding principal was reduced significantly). However, KBC determined that the reduction to withdraw entire old debts to withdraw the assets and ensure a better management of new debts.

*** Other risks**

The operating Industrial Parks cannot avoid significant risks such as natural disasters (hurricanes do roofs of workshops); fire and explosion (burning plant in the industrial park); demonstrations that halting business activities of enterprises in IPs and destabilizing security; bankrupt companies in the Industrial Park; the decline of global purchasing power affecting export activities of FDI enterprises, etc.



PART II
BUSINESS PERFORMANCE IN 2015

A. VIETNAM ECONOMY REFLECTED BY THE NUMBERS

* GDP

Vietnam GDP growth rate in 2015, which is the highest growth rate since 2008, increased 6,68% compared to 2014 and was 6,2% higher than the target. "The largest contribution to the overall growth rate is the industrial and construction sector. Last year, this sector contributed 3,20 points of percentage, equivalent to the increase of 9,64%; and much higher than the increase of 6,42% the previous year. In which, 9,39% industry increased 9,39% over the previous year (processing and manufacturing industries increased 10,6%); construction industry increased 10,82%, which is the highest rate since 2010."

According to data from the General Statistics Office, the scale of the economy in 2015 at current prices reached 4.192,9 trillion VND. GDP per capita was estimated at 45,7 million VND/year, equivalent to 2.109 \$/year which increased 57 USD compared to 2014, 8.000 \$/person less than the GDP per capita of the world.

* CPI

Vietnam CPI in 2015 increased 0,63% compared with 2014, which was the lowest increasing level during recent 15 years (since 2006) and much lower than the target of 5% of the National Assembly.

* REVENUE AND EXPENDITURE FOR BUDGET

The total state budget revenue in a year reached 996,87 trillion VND, 85,77 trillion VND higher than expectation. The total state expenditures reached 1.262,87 trillion, 116,4 trillion VND higher than expectation. The state budget deficit covered VND 256.000 billion, estimated as 6,11% of GDP. In particular, 175 trillion VND was spent on socio- economic development, defense, security, administration; and 148,3 trillion VND was spent on debts and aids.

From 2016-2020, the state budget revenue is expected not to increase sharply, while the demand of budget expenditure to pay due debts, invest in infrastructure, ensure national defense and security in the new situation and continue successful implementation of social welfare policies is really enormous. Therefore, the state budget deficit can not be avoided.

Plan for budget expenditure in 2016: Expenditure for investment and development is expected to be 254.950 billion VND; Regular expenditure is expected to be 824.000 billion VND, Expenditure for debt, aid is estimated to be 155.100 billion VND, which guarantee a full payment for principal and interest of due foreign loans. For domestic debt, only spend on paying off interest and a part of principal, in order to reduce the rate of debt swap.

To compensate for the state budget deficit in 3/2016, the Government proposed to increase environmental tax, to a three- time higher level than it now. Petrol price will rise from 1.000 VND/liter to 3.000 VND/liter; Excise tax increased 3 times compared with it now. According to the report of "Doing Business 2016" announced by the World Bank (WB): As calculated, Vietnam must now spend nearly 40% of the profits on paying taxes, not including fees and other "unnamed" expenses. This is said to be such a big contribution that enterprises cannot afford. It affects the competitiveness and becomes one of the reasons for the increase of the number of dissolved enterprises in Vietnam.

* PUBLIC DEBT

The public debt balance at the end of 2015 reached 62,2% of GDP (150 billion dollars), government debt was about 50,3% of GDP (50% higher than the allowed amount) and external debt is about 43,1% of GDP.

As estimated, the number of public debt for each resident is \$1.300. Due Debts in 2016 are estimated to be 16 billion dollars. The demand of borrowing the state budget (excluding loans on lending) is forecasted to be 2.265 trillion VND in the period from 2016 to 2020, (450 trillion VND/year on average), about 540 trillion VND in 2020. These figures are very difficult to achieve.

The obligation of direct debt payment of the Government, compared with the budget (including the payment of principal and interest) will over the permitted level (25%), namely 25,9% in 2019 and 25,8% in 2020. Within the rollover, the obligation of repayment of the Government compared to the state budget revenue is over the permitted level in the years of 2018- 2020, in which the highest one is in 2019 (29,4%).

"The specific objectives set by the government is that public debt in 2020 must not be over 65% of GDP, in which, the state debt balance is no more than 55% of GDP and the foreign debt will not exceed 50% of GDP".

* INVESTMENT

The total capital for social investment in 2015 was estimated at 1.367.200 billion VND, 12% higher than the previous year and equivalent to 32,6% of GDP.

* ATTRACTING FDI

In 2015 Vietnam attracted 2.013 new FDI projects with total registered capital of FDI reached 22,76 billion \$, 12,5% higher than it in 2014; the total FDI capital for disbursement increased 14,5 billion dollars, 17,4% higher than the previous year. In particular, the processing industry was the biggest attractor of FDI with registered capital of 15,23 billion \$, accounting for 66,9% of total registered capital. The sectors of manufacturing and distributing of electricity, gas, hot water, steam and air conditioners attracted 2,8 billion \$, accounting for 12,4%. The real estate business attracted nearly 2,4 billion US dollars, accounting for 10,5%; The other sectors attracted 2,3 billion \$, accounting for 10,2%.

* RAISING CAPITAL

The small-scale capital market and domestic bond market with low liquidity does not meet the requirement of raising capital for the Budget.

In 2015 The State Treasury mobilized 202.027,6 billion VND in government bonds capital, reaching 81% of the plan. In addition, the Ministry of Finance mobilized maximum from the temporarily idle funds, such as advancing from funds of treasury (25.000 billion VND) or borrowing Social Insurance (46.000 billion VND) to ensure the balance of the state budget and needs of investment and development according to the resolutions of the National Assembly and the Government.

Vietnam has become a middle-income country, in this context, ODA continues decreasing and the Prime Minister has given instructions of increasing the negotiation, signing and disbursement of ODA resources to use this resource in the most effective way for the investment and development of socio-economic infrastructure. Undisbursed ODA capital and preferential loans of foreign donors reached 4,6 billion \$ in 2015, equivalent to 81,3% of the number in 2014, 5 billion \$ lower than the set target.

The Government of Vietnam is preparing an issuance of 3 billion \$ of international bonds for debt swap.

* EXCHANGE RATE, GOLD PRICE AND INTEREST RATE

The adjustment of the exchange rate is in the direction of devaluing Vietnam dong (VND) and stimulating exports. Some economists predict that the USD/VND will increase by 3% to 5% in 2016.

It is the first time the gap between the domestic and global price of gold has been negligible.

The current 12-month deposit rate of credit institutions ranges from 6%/year to 8%/year. The common lending rate is from 9% to 11%. In particular, the field of real estate has to suffer from the highest interest rate.

Therefore, it can be said that in the context of macro economy of Vietnam today, most of enterprises in Vietnam have managed to escape from economic impasse. However, there still are a lot of barriers affecting enterprises such as the constant adjustments of policies, the budget contribution accounting for a large share of the profits of enterprises, the lack of preferential treatment to Vietnamese enterprises.

ANNUAL REPORT 2015



B. THE SITUATION OF KBC REFLECTED BY THE NUMBERS

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

Here are the figures specifically illustrating activities of KBC in 2015.

1. THE SITUATION OF PRODUCTION AND BUSINESS ACTIVITIES

* Results of business activities:

	Unit: billion VND		
Targets	2014	2015	% of change
Net revenue from sales and services	1.069,0	1.434,8	134%
- Revenue from land lease	742,9	1.129,4	152%
- Revenue from lease and sale of premises	265,1	232,8	88%
- Revenue from providing clean water, electricity, sewage treatment, service charges	60,9	72,6	119%
Revenue from financial activities	143,9	317,1	220%
Other incomes	0,8	1,3	163%
Total revenues	1.213,7	1.753,2	144%
Total profit after tax	311,9	602,0	193%
Profit attributed to shareholders of the parent company	325,6	611,9	188%

(According to the consolidated financial statement in 2015)

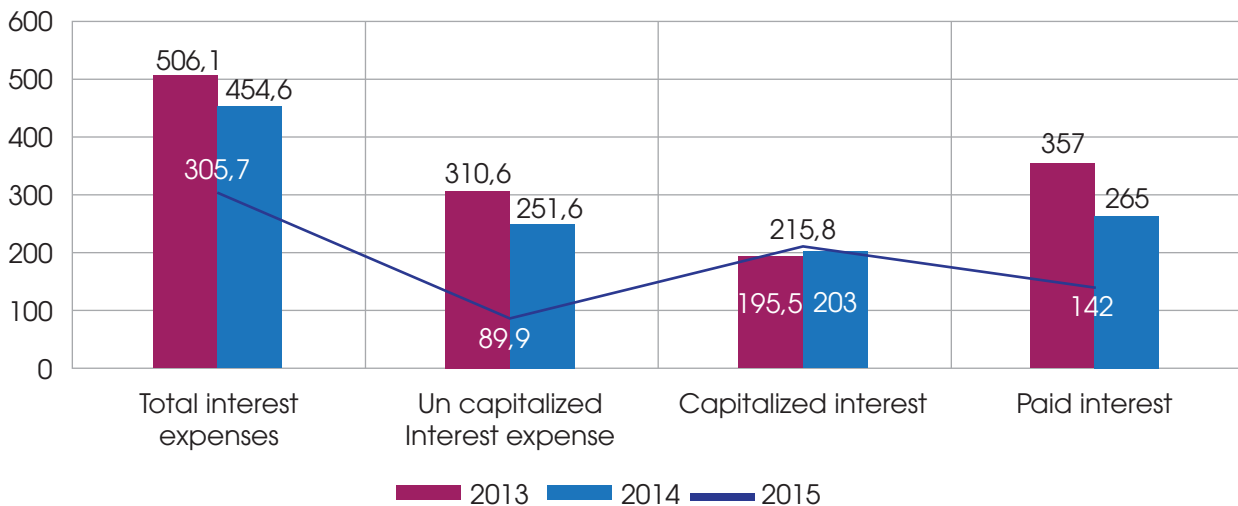
In 2015, KBC basically completed the restructuring, focusing on the developing Industrial Parks and urban zones to attract FDI. Therefore, all revenue metrics and profits of corporation strongly increased, interest expenses significantly decreased, the market was expanded. In particular:

Total consolidated revenue reached 1.753,2 billion VND in 2015, equivalent to 144% compared to 2014. Firstly, core business activities of the lease and sale of premises and services in 2015 covered 1.434,8 billion VND, equivalent to 134% compared to 2014, accounting for 81.8% of total revenue. Secondly, due to strong divestments, the portfolio of the field of Energy contributed 317,1 billion VND to the revenue of the corporation, equal to 220% compared to 2014, accounting for 18,2% of total revenue. the consolidated profit in 2015 reached 602 billion VND, equal to 193% compared to 2014, the benefit of the shareholders of parent company reached 611,9 billion VND, equivalent to 188% compared to 2014. This is the year of strongest growth of KBC after the restructuring.

The factor of interest expense is always the most worrisome elements of KBC, negatively affecting the profitability of the corporation in the previous years. However, in 2015 this number dropped to 89,9 billion VND, equal to 35,7 % compared with 2014.

Trends in interest expenses of the Group

Unit: billion VND



The factor of Market is also one of the significant elements of KBC in 2015: Besides traditional customers from Korea, we began approach investors from the United States and Europe. Trade agreements such as the TPP, Vietnam-EU brought us a lot of benefits. Also, the southern Industrial Park of KBC (Tan Phu Trung Industrial Park) had the strong step of growth in attracting investment. The number of leased area increased 45% compared to 2014. The dramatic change of Tan Phu Trung IP was very important for KBC. It is the basis for KBC to develop other Industrial Parks in the southern region.

* THE OPERATING STATUS COMPARED WITH THE PLAN

Unit: billion VND

Target	Operating status in 2015	Plan in 2015	Complement
Total revenue	1.735,5	1.979	88,6%
Net profit	602	739	81,5%

In 2015, revenue and consolidated profit of KBC reached 88,6% and only 81,5% compared with our plan. The main reason is the change in investment plans of some big investors.

However, our growth rate in 2015 was still 1,5 times higher, compared to 2014. We believe that the difference in the limitation of 20% compared to the plan is suitable with a large group with many influential factors.



2. HUMAN RESOURCE ORGANIZATION

BOARD OF MANAGEMENT

* MR. DANG THANH TAM - CHAIRMAN



He was born in 1964, graduated engineer Maritime University in Haiphong. He also achieved a Bachelor of Laws, a Bachelor of Business Administration and Diploma of Business Management of Henley College - UK.

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

HIS OWNERSHIP SHARE RATE ON 18 MAR, 2016: 14,95%

*** MS. NGUYEN THI THU HUONG - A BOARD MEMBER AND CEO**

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

HER OWNERSHIP SHARE RATE ON 18 MAR 2016: 0,06%

*** MR. NGO MANH HUNG - A BOARD MEMBER**

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

HIS OWNERSHIP SHARE RATE ON 18 MAR, 2016: 0,05%

*** MR. PHAM PHUC HIEU - A MEMBER AND THE DEPUTY GENERAL MANAGER**

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

HIS OWNERSHIP SHARE RATE ON 18 MAR, 2016: 0,005%

*** MR. HUYNH PHAT - AN INDEPENDENT BOARD MEMBER**

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

HIS OWNERSHIP SHARE RATE ON 18 MAR, 2016: 0%

SUPERVISORY BOARD

*** MRS. NGUYEN THI CHUNG THUY - HEAD OF SUPERVISORY BOARD**

Mrs. Nguyen Thi Chung Thuy was born in 1978, held a Bachelor degree in Accounting. She joined the Group since 2003, has experienced many important positions at many companies in the Group. With a high sense of responsibility, a clear understanding of the structure and operation of the Corporation, Ms. Thuy has performed outstandingly with tasks of the Supervisory Committee for many years.

HER SHARE OWNERSHIP RATE ON 18 MAR 2016: 0,01%

*** MR. PHAN ANH TUAN - A MEMBER OF SUPERVISORY BOARD**

Mr. Phan Anh Tuan was born in 1975, graduated a Master degree. He worked as lecturer in Foreign Trade University from 1997 to 2006, after that he constantly held managerial positions as Investment Manager and Manager in many companies and investment funds in the sector of finance. He was elected as a member of the KBC's Supervisory Board since 26 Apr 2014, replacing Mr. Bui Ngoc Quan. With his expertise and experience in the financial sector, Mr. Phan Anh Tuan always raises valuable ideas and comments in every decision of the Supervisory Board as well as advices and solutions for leaders of the Corporation.

HIS OWNERSHIP SHARE RATE ON 18 MAR, 2016: 0%

*** MS. LE THI THU HANG - MEMBER OF SUPERVISORY BOARD**

Ms. Le Thi Thu Hang was born in 1967, has a Bachelor of Economics in Accounting. She participated in KBC since 2010 and always had positive contributions for the development of management system.

HER OWNERSHIP SHARE RATE ON 18 MAR 2016: 0%

BOARD OF DIRECTORS

* **MS. NGUYEN THI THU HUONG - CEO**

* **MR. PHAM PHUC HIEU - DEPUTY GENERAL MANAGER IN FINANCE**

* **MR. PHAN ANH DUNG - DEPUTY GENERAL MANAGER IN TECHNOLOGY**

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

HIS OWNERSHIP SHARE RATE ON 18 MAR, 2016: 0,002%

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

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

HER OWNERSHIP SHARE RATE ON 18 MAR 2016: 0%

Personnel changes in 2015: in 2015, Ms. Nguyen My Ngoc was appointed to be the Deputy General Manager of the Kinh Bac City Development Holding Corporation since 02/2/2015.

THE NUMBER OF STAFFS

* THE LABOUR STRUCTURE IN THE PARENT COMPANY

Qualification	Amount (people)	Rate
Post graduated	12	7,5%
Graduated university	55	34,6%
Colleague and vocational training	20	12,6%
Technical workers	21	13,2%
Security and guards	51	32,1%
Total	159	100%

The total number staffs in Parent Company accounted on 31/12/2015 is 159, decreasing 2 people, compared with 2014; The total number of staffs in Group accounted on 31/12/2015 is 411 people, increasing 13 people in comparison with 2014.

* THE POLICY OF RECRUITMENT AND ALLOCATION

Our policy is issued based on the principle of efficiency and fairness, ensuring to allocate right people into right position to gain the highest efficiency. Company oriented to recruit talents according to specified criteria and properly arranged at right position to promote maximum workers' capacity. KBC always creates a favorable working environment for individual's development in career, at the same time we accumulates and builds potential and professional workforce for the Group. Managers and administrations also focus on specialized training in professional management. In 2015 we attracted a number of officials and senior specialists from other large corporations.

* SALARY AND BONUS

Salary, bonus and welfare are important issues in Human Resource policies that are built-in balance with the development of Corporation. Firstly, KBC fully implemented social insurance policy, health insurance and unemployment insurance according to Labor law for all employees. In 2015, total average income of workers and employees of KBC reached 11 million VND/person/month.

Our employees enjoy policies of vacation according to the Labor Law. Depending on characteristics of the work, officers and employees of our Corporation enjoy different types of allowances such as responsibility allowance, function allowance, lunch allowance, travel, phone, monthly telephone subscription, etc. To ensure the good employees of the Corporation, we held a kitchen at the office with fresh products which are directly processed. In addition, every year, our Group organizes an excursion for all the staffs, as well as organized several team-working activities. Activities of Trade union and organizations which play an important role for officers and employees are also regularly being held are regularly held by our Group.



3. THE SITUATION OF INVESTMENT AND IMPLEMENTATION OF PROJECTS

* The investments in major projects

In 2015, KBC focused primarily on investing in our current Industrial Park projects with a total investment amount in a year of more than 1.197,4 billion VND. In which, we focused mainly on the 2nd stage of Trang Due IP and the expansion of Que Vo IP with the total invested value invested of 76,7% in 2015. In particular:

(1) Trang Due Hai Phong IP, at 2nd stage (214ha) was invested with a total value of 629.7 billion VND (including a compensation of 191,3 ha, and a leveling of 50ha). This is the fastest Industrial Park in building speed and in responding the needs of investors. In 2015, the investment rate was equivalent to the rate of infrastructure construction.

(2) In Expanded Que Vo IP, we built the total of 05 premises with 72,2 billion VND, and invested 26,5 hectares of finished land with a total value of 216,5 billion VND.

(3) Tan Phu Trung IP was more invested in infrastructure with a total value of 125,9 billion VND.

(4) Trang Cat IP was invested a tunnel with a capital of 70 billion VND transportation to connect the transportation from the new Hanoi - Hai Phong highway to the project.

(5) Current Que Vo IP was invested 39,9 billion VND in additional infrastructure.

(6) Quang Chau IP was invested 30,4 billion VND in additional compensation.

(7) Hap Linh Nam Son IP, Phuc Ninh UA was invested more in 2015, but with a value of less than 10 billion VND.

During a year, KBC did not make investments in new projects. But the amount of divestments of the sectors of energy is quite large. KBC transferred 48,3 million of shares of Energy Joint Stock Company Saigon - Binh Dinh (the total value of 772,8 billion VND and the par value of 483 billion VND), the amount of revenue was 105 billion VND; received 185,5 billion VND of the capital contributed by SGL Hydroelectric Corporation (initial capital of 190 billion VND). The obtained amount was 104,4 billion VND. Due to the strong divestment, the total value of long-term investments of KBC decreased 60%, equivalent to 688,6 billion VND.

* Investments in associated companies and long-term financial investments

The total value of investments in associated companies was calculated at cost of 723,7 billion VND, the net amount on 12/31/2015 was 367 billion VND, providing a backup fund with the amount of 356,7 billion VND. The provision was mainly due to the depreciation of the share of JSC Saigon Telecommunication and Technologies (SGT) during recent years. However, SGT still contributed 9,5 billion VND to the "profit from associated companies" according to the report of business statement of the Group, due to contributions from results of Dai Dong - Hoan Son IP in Bac Ninh province. Now, for investments in associated companies, we evaluate the investment in Saigon - Hue Investment Corporation to be the most prospective in the future.

In terms of long-term financial investments, KBC owns less than 20%, except for investments in Saigon Quy Nhon Mining Corporation (339 billion VND), the other investments are invested in business. Now, KBC is the investor of projects in IPs in the central region such as Da Nang, Binh Phuoc, Nhon Hoi, etc. Although, the investment portfolio in associated companies and long-term investments are not really profitable, KBC's enterprises now own 1,970 hectares of land is Industrial Parks, with low occupancy rates, creating increased value of KBC in the next 10 years.

Unit: ha

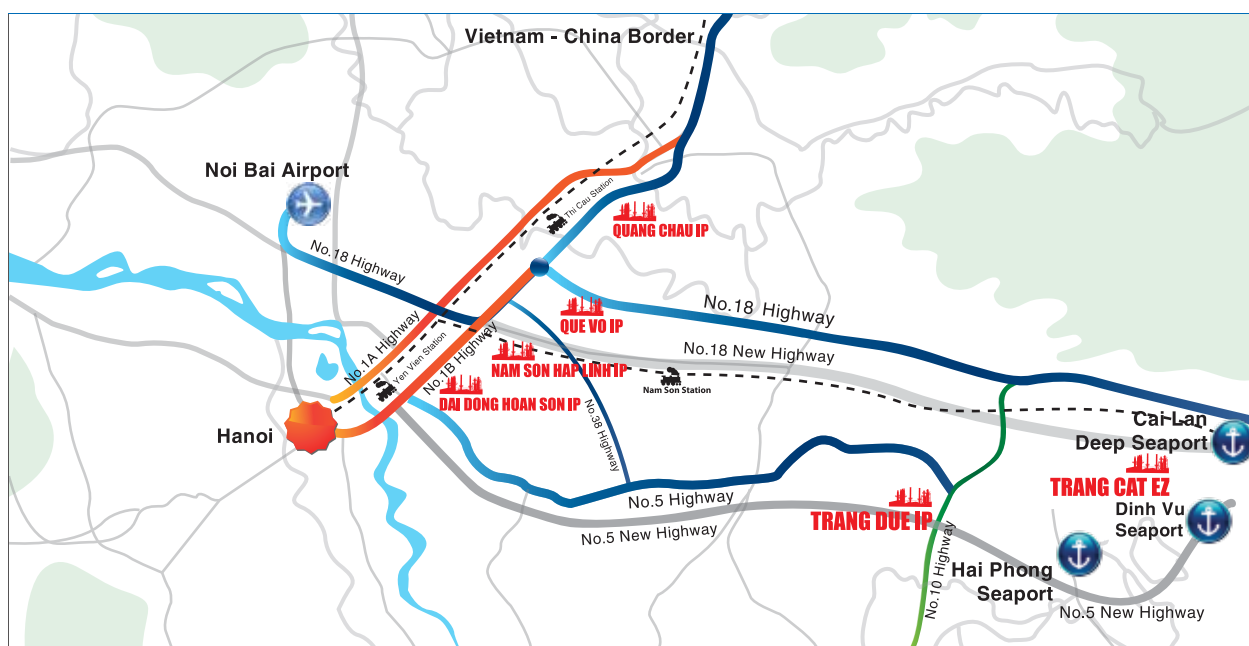
No.	Industrial Park	KBC's ownership ratio (%)	Total area	Compensated area	Area of Commercial land	Occupancy (%)
1	Saigon - Nhon Hoi	10	630	628,4	409,5	10
2	Saigon - Chan May	28,14	650	73,2	422,5	-
3	Expended Khanh Hoa	19,5	132,6	131,2	107,8	65,37
4	Lien Chieu	19,5	289,4	199,5	174,7	63,6
5	Dai Dong Hoan Son	21,48	264,3	264,3	81,6	65%
Total		-	1.970	1.145	422,5	-

In addition, in a short term, land bank is expected expended 796 ha (including 700 ha for Trang Due 3 IP, 96 ha for Dai Dong Hoan Son 2 IP)

The rating and the value of assets of the major projects of the parent company and subsidiaries according to the current value

Main projects	Investor(s)	Total Area (ha)	KBC's ownership ratio	Investment value according to the finance statement on 31/12/2015 (Merchandise inventory and occupancy capital construction)	Situation of Land				Revolving assets according to the unit price	
					Current occupancy rate	The remaining commodity	Equipped commodity	Compensated unequipped commodity		Remaining compensation
Current Que Vo IP	KBC	311	100%	68.804.603.003	95%	6,97	6,97	6,97	75.061.538.462	
Extended Que Vo IP	KBC	300	100%	337.106.227.151	63%	59,50	13,16	43,09	19,50	515.678.461.538
Nam Son- Hap Linh IP	KBC	432,5	100%	206.869.480.433	-	283,10		65	332,5	500.000.000.000
Tan Phu Trung IP	SGTB	542	60,50%	2.559.881.884.283	23%	241,40	13	162,61	72,5	2.559.881.884.283
Trang Due IP (H+I)	SHP	400	86,50%	463.112.500.087	28%	96,74	20,99	75,75	22,7	781.003.846.154
Quang Chau IP	SBG	426	59,50%	359.579.836.077	26,66%	202,20	21,51	111,8	104	645.100.000.000
Quang Chau UA	SBG	120	59,50%	192.223.529.996		39,98		63,3	56,7	316.500.000.000
Trang Cat UA	TCC	581,9	100%	3.352.894.991.554		154,3		540	41,9	3.352.894.991.554
Phuc Ninh UA	KBC	136,47	100%	791.241.769.241		45,70	6,27	75	61,47	791.241.769.241
Low-income housing	KBC	6,3	100%	23.897.163.067			6,3			189.000.000.000
Tay Bac Cu Chi UA	SGTB	47,7	60,50%							
Trang Due UA	SHP	42,1	86,50%							
Hanoi Lotus Hotel	KBC	4	100,00%	119.161.983.744						119.161.983.744
Hanoi Diplomatic Area	KBC	2	100,00%	106.555.116.818						106.555.116.818
Other projects	KBC		100,00%	18.019.953.965						0
Total				8.599.349.039.419						9.952.079.591.794
The increase of the value of assets according to current prices										1.352.730.552.375
<i>(The occupancy of Trang Due IP is at the 2nd stage, this percentage at 1st stage was 99%)</i>										
Current value										
Paid-in capital (in papers)				8.055.590.558.032						
Benefits of non-controlled shareholders				873.172.283.989						
Equity capital				4.757.111.670.000						
Increasing Property values according to the current price				1.352.730.552.375						
Stock's value of KBC according to current asset value										17.942

OPERATING STATUS OF KBC'S MAIN PROJECTS



*** The projects 100% owned by KBC**

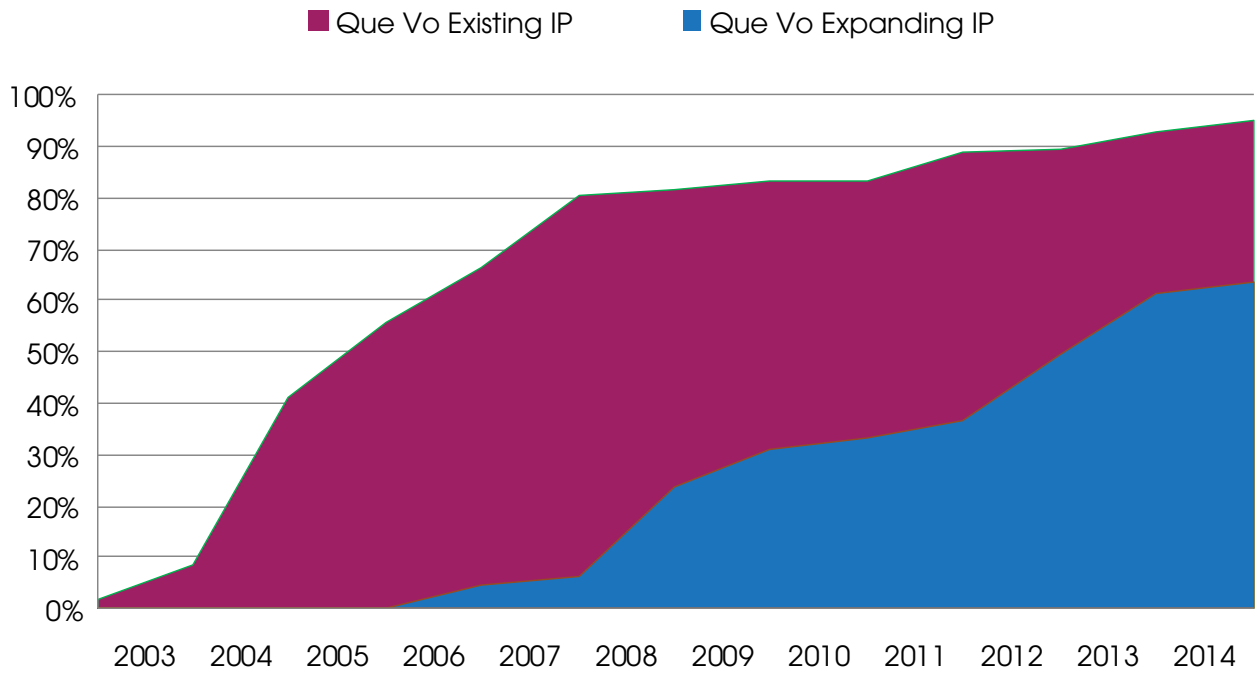
(1) Que Vo IP

Que Vo IP in Bac Ninh province has a total area of 611 ha, including the current Que Vo IP (300ha) coming into operation since 2003; Que Vo expanding IP (311 ha) coming in operation since 2006. They are 2 IPs creating added value and brand for KBC, and becoming a typical pattern for the construction and development of modern industrial parks in the Northern Corporations. With the strategic location in the economic center of the North, transportation systems and diverse advantages, these industrial parks, from the early days, has attracted many big-name corporations like Canon, Foxconn, Tokyo Ink, VS Industry, and numerous enterprises in Taiwan, South Korea. Up to the end of 2015, Que Vo Industrial park attracted nearly 120 foreign enterprises with the total estimated FDI of more than 1.2 billion US dollars.

Additionally, in these two industrial parks, KBC carried out the construction of a number of workshops and offices for lease and sale. These workshops totally met the needs of the FDI enterprises which are satellite companies, secondary companies of large corporations, helping them to minimize investment risks and shorten the progress when investing in Vietnam. Therefore, these 45 workshop buildings (including 5 new one built in 2015) were 100% leased, and brought us the revenue estimated at nearly 1.800 billion VND (in which the revenue from the selling and leasing workshops was nearly 230 billion VND in 2015). In 2015, Que Vo IP leased 11,5 ha of land, sold 54,120 m² of workshops, raised the total revenue up to 410,9 billion VND.

Development Plan in 2016: The current Que Vo IP remains 7 ha of commercial land with the occupancy rate of 95%; The Que Vo expanding IP remains 59,5ha of commercial land with the occupancy rate of 63%. In 2016, Que Vo Industrial Park plan to continue to build 05 workshop buildings, focusing on attracting customers from Taiwan, South Korea's Samsung and satellite TV, etc.

Occupancy Rate



(2) Hap Linh Nam Son IP

With the total area of 432,5 ha in Bac Ninh province, a favorable geographical position (adjacent to 18B National Highway and only 15km far from the Samsung factory), favorable traffic connections with the seaport, airport, this IP becomes a destination attracting many investors. It has an estimated total land area of 283,11 ha of commercial land, in which, 100 ha of compensated industrial parks were the most potential for development of the Group. In 2016 KBC will carry out the construction of infrastructure investments and business development within 100 hectares of compensated land.

Currently, in Bac Ninh province, land for activities in the industrial parks is exhausted; the operating IP of KBC has an occupancy rate at a high level, and the establishment of new industrial parks is restricted. Meanwhile, the demand from investors becomes more and more increasing, especially from Korea, Taiwan, and a number of companies from the United States who get benefit from the TPP.

The project was approved a credit line of 443 billion VND by Vietnam Joint Stock Commercial Bank for Industry and Trade, to invest in infrastructure construction, clean water factory, sewage treatment within 100 ha of land.

(3) Phuc Ninh urban area

The of Project Phuc Ninh - Bac Ninh Urban area was invested by KBC, with a total area of 136,47 ha, located in the center of Bac Ninh City, with 75 ha of compensated land, 18,1 ha of commercial land, 16 raw villas, and 6,27 ha of land in the process of completion. It's quite beneficial for this project since the surrounding infrastructure was fully developed with a lot of people around. Especially, the need of accommodation for professionals working in industrial parks and residential land need are highly increasing. Therefore, in October 2015, KBC was approved to construct and go into business with an area of 55,8 ha by the Ministry of Construction and People's Committee of Bac Ninh Province, in which 10,4 ha of land are estimated to sell subdivided plots. In 2016, KBC will take 6,27 ha of land into trading of (equivalent to 3,46 ha of commercial subdivided plots).

(4) Low-income Housing Projects

KBC owns some projects of low-income housing in Bac Ninh, with an area of 6,3 hectares opposite the completed Que Vo IP and 01 five-floor building. Now, the project is being negotiated to totally transfer to a large corporation in the industrial park.

(5) High-ranking real estate projects in Hanoi

In Hanoi, KBC owns 02 major projects. The first one is Diamond Rice Hotel Project which covers an area of 40.000 m² located in Pham Hung street also known as the new administrative center of Hanoi. The second one is Diplomatic Area Project which covers 20.000 m² in an aggressively developing area of Hanoi - Pham Van Dong Street, right next to Peace Park. Currently, both projects are in the process of waiting for approval of architectural planning adjustments. Moreover, since the high-end segment of real estate market has shown no signs of recovery, KBC has not accomplished a short term detailed plan for these two projects.

On December 31th 2015, the parent company's total assets reached VND 9.330,8 billion, outstanding liabilities covered the amount of 2.067,3 billion VND (including 1.397,3 billion VND of principal balance). Total revenue, in 2015, reached 724,7 billion VND which resulted in a 102% growth of profit after tax, which specifically is 724,7 billion VND.

*** Projects of subsidiaries and associated companies**

(1) Trang Cat One Member Urban Development Company Limited (TCC)

- **Address:** Bai Trieu Area, Trang Cat ward, Hai An District, Dinh Vu – Cat Hai Economic Zone, Hai Phong City

- **Main business line:** Sales of real estate and industrial park infrastructure

- **Charter capital:** 1.500 billion VND

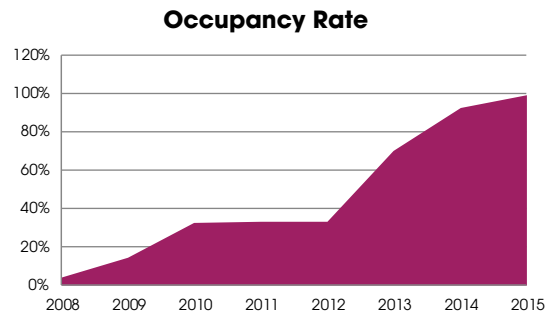
- **KBC ownership:** 100%

TCC is owner of projects "Trang Cat urban area and services" which have a total area of 581 ha and 540 ha respectively. Total investment in infrastructure is expected to be 6.300 billion VND (six thousand three hundred billion dong). The total value of 3.352 billion VND invested primarily is compensation costs and interest payments. In 2015, KBC invested 70 billion VND to build the tunnel leading from the highway Ha Noi - Hai Phong which has just been put into use in the same year.

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

(2) Saigon - Haiphong Industrial Park Corporation (SHP)

- **Address:** Trang Due Industrial Park, Le Loi commune, An Duong District, Hai Phong City, Vietnam
- **Charter capital:** 416 billion VND
- **Main business line:** IPs and urban area developer
- **KBC ownership:** 86,54%.



SHP is the owner of Trang Due Industrial Park project

located in the economic zone of Dinh Vu – Cat Hai Hai Phong where the highest level of incentive policies is provided by the government of Vietnam. In the first stage, an area of 186 hectares has been 99% filled up. The second stage which covers 214 hectares has been put into operational business activities on early 2015. The whole area includes 133 hectares of commercial land, 191,3 hectares of compensation area, 57,2 hectares on contractual agreement, 37,4 hectares recorded as “have generated revenues in 2015”, 75,8 hectares of commercial land remaining as inventories. The filled up rate of the second stage is 43% making this Industrial Park ranked number one in terms of filled up rate over other KBC’s Industrial Parks.

The success of Trang Due Industrial Park development marked a turning point of the Corporation after a period full of difficulties. Investors of this project has received a lot of incentives including 4 years of no income tax, 9 following years of 50% tax reduction. The income tax rate is 10% in the first 15 years, import duty free for some goods under provisions, 50% income tax reduction for employees working inside the Industrial Park, 100% tax reduction of land tax and many other incentives provided by the authority Hai Phong city. Trang Due industrial park has attracted 36 foreign investors, some large investors to be mentioned are LG Electronics, Dongjin Tech-win Vina, Asia Plastic J.S.C, Electronic Haengsung, Heesung Electronics. In up-coming years, capital flow from Korea to Vietnam in general and to Trang Due Industrial Park is becoming stronger than ever. By the end of 2015, Trang Due IP has attracted over USD 2,2 billion of FDI.

By December 31st 2015, total assets of SHP reached 2.233,5 billion VND, liabilities from bank loans are 421 billion VND. Total revenue for 2015 reached 711,2 billion VND making after tax profit VND 294,7 billion, which is 27% higher than the previous year.

Development plan of SHP in 2016 will focus on improving infrastructure of Trang Due Industrial Park Phase 2. This Industrial park still remains 22,7 hectares has not completed compensation process, 75,75 hectares of incomplete infrastructure. Also SHP project is actively extended by 700 hectares in stage 3 in Trang Due Industrial Park to ensure SHP will have sufficient commercial land in the upcoming years.

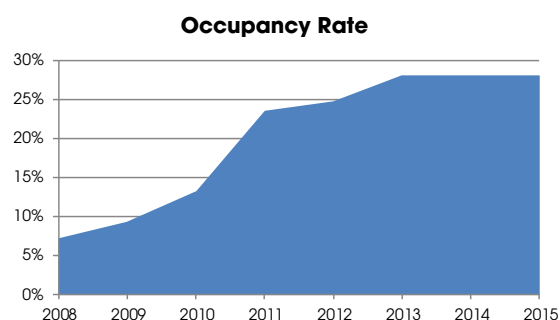
(3) Saigon Bac Giang Industrial Park Corporation (SBG)

- **Address:** Quang Chau Industrial Park, Quang Chau commune, Viet Yen district, Bac Giang province

- **Main business line:** Developing infrastructure in IP

- **Charter capital:** 220 billion VND

- **KBC ownership:** 59,5%



SBG is the project owner of Quang Chau industrial park and urban area. Quang Chau Industrial Park is located in Viet Yen district, Bac Giang province, with a total area of 426 hectares, total area of commercial land of 275,6 hectares, 26,6% of occupancy rate. The remaining commercial land covers 202,2 hectares. 111,8 hectares of land has not complete compensation process. The project is conveniently located right next to Bac Ninh province, about 2km from Que Vo Industrial Park and is located on the traffic line connecting many large manufacturing zones. This industrial park has attracted 11 foreign corporations. Typical enterprises which invested in Quang Chau Industrial Park are: Nichirin Viet Nam Co., Ltd, UMEC Vietnam, Crystal Vietnam. Total amount of FDI that has been invested to the industrial parks was about 1,3 billion VND. Currently, Quang Chau Industrial Park was filled up by 26,6%.

Quang Chau Industrial Park has shown positive signal IPs in 2015 through negotiations with the implementation of several major corporations wishing to lease the land on a large scale from 50 to 70 hectares. However, due to changes in investors' plans, 2015 has not reached the target yet although the attraction of investment activities in this industrial park is still decent. In the first quarter of 2016, the industrial park has welcomed a number of investors from Hong Kong in the textile field, these investors and SBG are in the process of negotiating for land lease contracts..

By December 31st 2015, total assets of SBG reached 1.054,9 billion VND, bank loan liabilities were amount 325,6 billion VND. SBG's total revenue for 2015 was 9,4 billion VND, 68,8 billion VND of net loss.

Development Planning of Quang Chau Industrial Park in 2016 is still being carried out in order to attract more investment flow. SBG will build more factories to attract customers demand in short-term. Currently, the number of customers visiting the IP remain positive, even customers with sizeable demand from 10 to 20 ha.

(4) Northwest Saigon City Development Corporation (SCD)

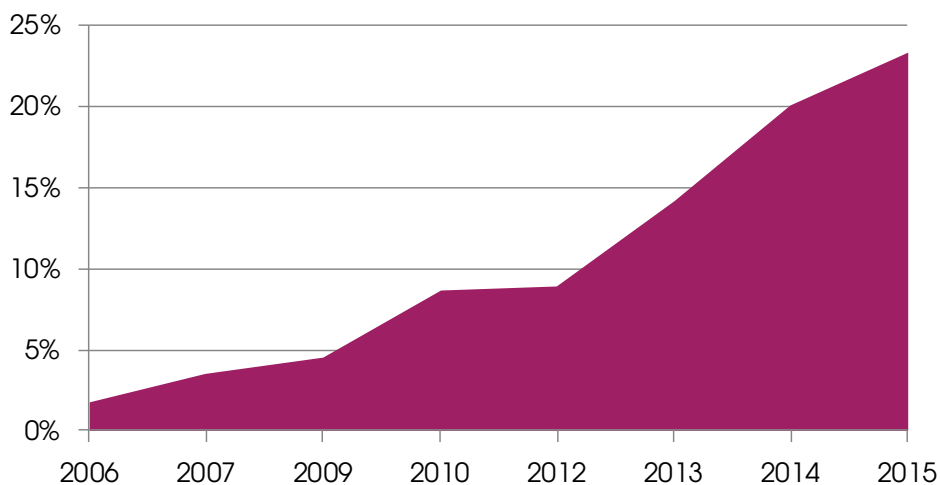
- **Address:** Tram Bom Hamlet, Highway 22, Tan Phu Trung Commune, Cu Chi District, HCM City
- **Main business line:** Investment in industrial parks
- **Charter capital:** 500 billion VND
- **KBC ownership:** 60,52%

SCD is the project owner of Tan PhuTrung Industrial Park in Cu Chi district, 25km from the center of HCM City. The total area is 542 hectares including 314 hectares of commercial land, the occupancy rate is 23%. Remaining area is 241,4 hectares of commercial land, incomplete compensation area is 72,5 hectares. In 2015 Tan Phu Trung Industrial Park has leased 24,2 hectares, this is the best year leasing land ever, which promotes for this business development KBC in the southern region. By the end of 2015, Tan Phu Trung Industrial Park has attracted 53 investors, the total value of FDI reached 2,1 billion USD. In 2016, SCD is planning to attack Samsung's satellites in Ho Chi Minh City along with many other TPP related firms. In addition, there are investors of SCD project workers' hostel sizing 47,36 hectares. This real estate project is aimed at providing domestic housing service for the labor force in the industrial park. This project is expected to serve 7.800 people.

By December 31st 2015, total assets reached 1.295,4 billion VND, bank liabilities were 261,8 billion VND.

Total revenue for 2015 was 314,6 billion VND. Corresponding profit after tax was 67,2 billion VND, which is three times higher than the previous year.

Occupancy Rate



(5) Sai Gon-Hue Investment Joint Stock Company (SGH)

- **Address:** 15 Nguyen Hue Street, Hue City

- **Charter Capital:** 350 billion VND

- **Main business:** Investing, constructing infrastructure inside and outside IPs, residential area, houses for workers; constructing industrial and residential projects, transportation and electric power project up to 35 kV.

- **KBC ownership:** 28,14%

SGH is project owner of building industrial park infrastructure and non-tariff zone Saigon – Chan May. This project has a total area of 650 hectares located in LocTien - LocVinh commue, PhuLoc District, ThuaThien Hue. This location is 50km from the center of Hue city and 32km from Da Nang city where there are many airports and seaports nearby. Moreover, this industrial park belongs to Chan May Lang Co economic zone where investors are beneficial from many tax reduction policies. Up to this point, the project has completed compensation for 73,24 hectares of land. 7 factories which has the total are of 25,515 m² has been built. However, this project has not attracted many investors. KBC expects many customers will pay attention to this project as the development of the economy in this area over the next few years.

(6) SaiGon Telecommunication Joint Stock Company (SGT)

- **Address:** Lot 46, QuangTrung Software Park, Tan ChanhHiep Ward, District 12, Ho Chi Minh City, Vietnam

- **Charter capital:** 740 billion VND

- **Main business:** trading computers, electronic equipment, telecommunications equipment; trading and installing transmission equipment, connector, and protection service for information technology; technical consulting in computer science; designing and installing computer systems, developing industrial parks, residential area, building transportation, roads, bridges and irrigation.

- **KBC ownership:** 21,48%

SGT is the project owner of Dai Dong Hoan Son Industrial Park, Bac Ninh province. This IP in phase 1, has a total area of 268 hectares in Bac Ninh province, with an area of 81,6 hectares of commercial land (this low commercial land rate is due to the takeover SGT existing project investors provincial allocation which shall be directly deducted in advance, within the project). Thanks to the convenience of location along with the growth of needs of investors, IP has almost been filled up, the occupancy rate reached 65%, 28,4 hectares are still commercially available. In the near future, the company intends to develop phase 2 of 96 hectares. In 2015, SGT has achieved VND 38,5 billion of profit.

4. FINANCIAL PERFORMANCE

a. Financial Performance

Unit: VND

Items	2014	2015	% increase / (decrease)
Total Assets	13.066.261.004.211	13.653.707.159.630	4,5
Owners' Equity	6.256.481.532.486	8.036.004.987.843	28,4
Net Sales	1.069.035.499.895	1.434.851.916.992	34
Profit from operating activities	340.565.112.998	730.902.803.960	115
Profit/(loss) from non-operating activities	706.979.382	-927.675.035	(231)
Profit before taxes	341.272.092.380	729.975.128.925	114
Profit after taxes	311.969.134.639	602.062.455.357	93

* Causes of changing in Total Assets and Owners' Equity

In 2015, total assets increased by 4,5%, owners' equity increased by 28,4% compared to 2014. The main reason to make the total net asset value increased by 587,4 billion VND is due to KBC's implementation of infrastructure investment in industrial zones. Equity increased by 1.779,5 billion VND was accomplished by the new issue of 800 billion VND worth shares. Equity surplus has increased by 377,4 billion VND. Undistributed profit after tax has increased by 611,9 billion VND.

* Causes of changing in Revenues - Profits

Net sales increased by 365,8 billion VND in 2015, which is 34% higher than 2014 net sales, was mainly due to the sales 80 hectares of land in Trang Due Industrial Park (SHP) (44,3ha), Tan Phu Trung Industrial Park (24,2ha) and Que Vo Industrial Park (11,5ha) and 54.120 m² factories in Que Vo Industrial Park.

Profit after tax of the Group increased by 290,1 billion VND, corresponding to 93% growth compared to 2014 is due to a significant growth in operating business activities and considerable amount of divestment from non-operating business activities. Last but not least is the reversal of provision expenses.

b. Main financial criteria

Criteria	2014	2015
1. SOLVENCY INDICATORS		
+ Short-term liquidity ratio: Current Assets / Current Liabilities	4,11	4,08
+ Quick ratio: (Current assets - inventories) / Current liabilities	1,18	1,24
2. CAPITAL STRUCTURE RATIOS		
+ Debt to Assets ratio	0,52	0,41
+ Debt/Equity ratio	1,09	0,70
3. INDICATORS OF OPERATING PERFORMANCE		
+ Inventory Turnover (Sales / Inventory)	5	2
+ Net Sales or Revenues / Total Assets	8%	11%
4. PROFITABILITY RATIOS		
+ Profit after tax/Net Sales ratio	29%	42%
+ Profit after tax/total revenue ratio (*)	26%	34%
+ Profit after tax/Total Assets ratio	2%	4%
+ Profit from operating activities/Net Sales ratio	32%	51%

(*) Total revenues = Net Sales + Financial Revenue+ other source of incomes

SOLVENCY

Solvency Ratio of KBC has not significantly changed over the last few years. This ratio has always been in a safe range and tends to slightly increase which shows a stable capacity of KBC to pay its short-term debts.

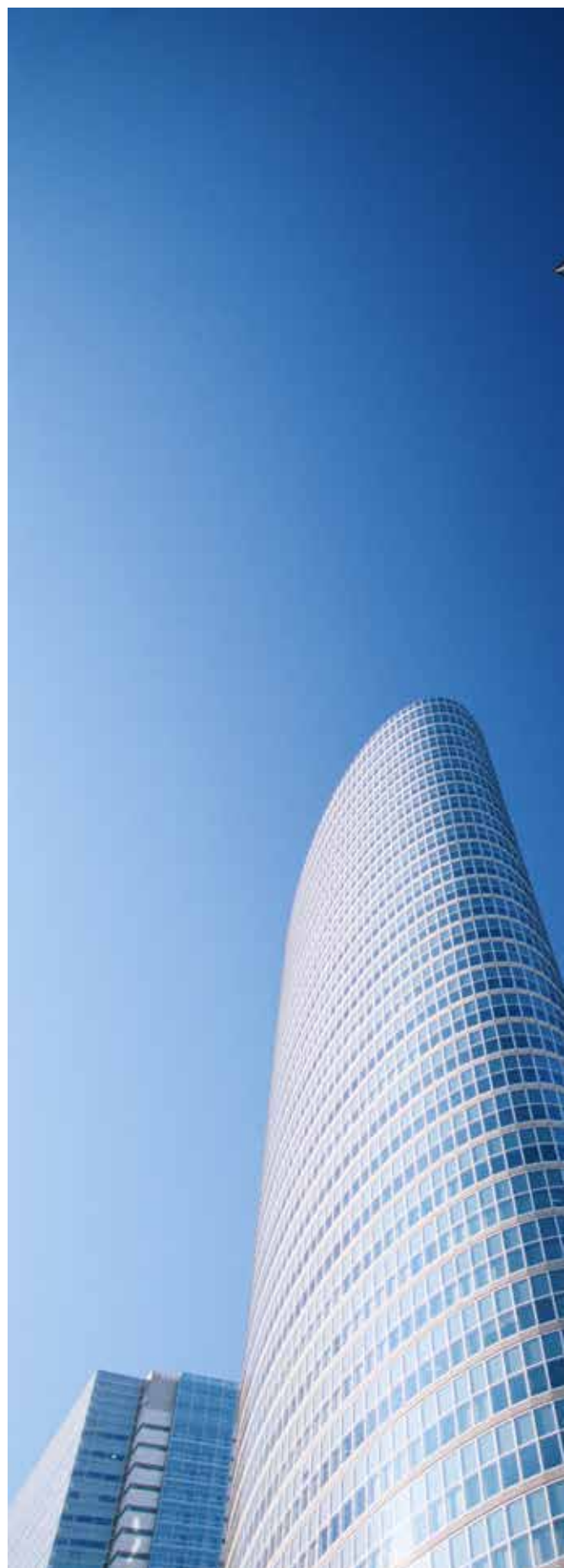
CAPITAL STRUCTURE

By the end of 2015, KBC's total assets are funded by 41% borrowings and 59% owners' equity. This structure has changed a lot compared to the year of 2014. Accordingly, the ratio of Debt/Total Assets decreased by 21% and stayed at 0,41 on December 31st 2015.

The reduction in debt ratio is caused by KBC's debt repayment amount of 1.209,6 billion VND including 1.067,6 billion VND of principals.

The decrease in Debt/Total Assets ratio was achieved by the conversion of 1.200 billion VND worth of bonds into 80 million shares which is worth 800 billion VND for KBC's bondholders. The downward movement of Debt/Equity ratio from 1,09 in 2014 to 0,7 in 2015 has shown that KBC is trying to reduce its level of financial leveraging to a very low rate considering its business characteristics.

The financial indicators has improved KBC 2015 is very significantly, the Group showed its efforts to increase the proportion of owners' equity, reduce financial leveraging and reduced interest expenses from the old debts being extended without contributing to the process of reinvestment. This helped significantly increase profits for shareholders.





OPERATING PERFORMANCE

The calculation of the inventory turnover is for reference only due to the characteristics of the Industrial Parks which are different from other ordinary consumer goods by involving the business cycle of the zone (usually several years) and the accounting estimation related to the cost of sales and development costs in the future.

Assets turnover rate grew from 8% in 2014 to 11% in 2015 shows that KBC had more operating efficiency in 2015, while assets rose 4,5%, net sales still significantly rose by 34%.

PROFITABILITY

All indicators of KBC's profitability significantly increased compared to 2014. Profit after tax on net sales was 42%, on total revenue was of 34%. The main reason was the significant growth of net sales which can be explained as the company was still beneficial from the advantages of insignificant change in the cost of capital. Gross profit margin remained at a high level of 40%. This is the advantage of KBC's IPs having to incur low cost of compensation while the land lease prices rose by 7% annually, even if the land lease term was decreased.

In addition, KBC in the year successfully divested 48,3 million shares from Saigon Binh Dinh Energy JSC. 289.8 billion VND of financial income was recorded proving the efforts in cost control, financial leveraging reduction and liquidity risk reduction. Although equity and total assets, respectively increased by 28,4% and 4,5% in 2015, the profit indicator ratios were higher than in 2014 show profitability in 2015 was better than previous year.

5. CHANGES IN OWNERS' EQUITY STRUCTURE

* Number of shares on March 18 2016

Items	on March 18 2016
Total number of shares	475.711.167
Number of ordinary shares	475.711.167
Preferred shares	0
Treasury shares	5.950.978
Outstanding shares	469.760.189
Freely transferable shares	469.760.189
Non-transferable shares	0

* Shareholder structure

Shareholder structure listed as March 18th 2016

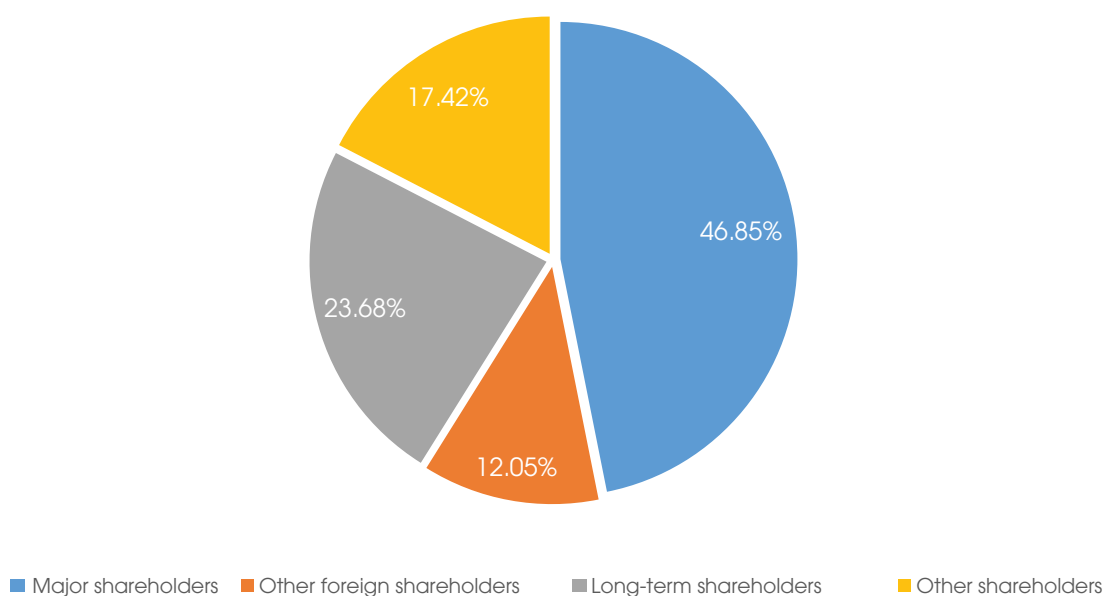
Shareholder Classes	Number of shareholders	Number of shares	Proportion
Domestic		317.260.862	66,69%
Individual	6.305	186.469.000	39,20%
Organization	85	130.791.862	27,49%
Foreign		152.499.327	32,06%
Individual	136	2.319.017	0,49%
Organization	67	150.180.310	31,57%
Total number of outstanding shares		469.760.189	
Treasury shares	1	5.950.978	1,25%
Total	6.594	475.711.167	100,00%

*** Shareholder structure (18/3/2016)**

Shareholder	Number of shares	Proportion
Total shares issued	475.711.167	100%
Treasury shares	5.950.978	1,25%
Shares outstanding	469.760.189	98,75%
Major shareholders	220.099.783	46,85%
<i>Dang Thanh Tam (Chairman)</i>	<i>70.249.000</i>	<i>14,95%</i>
<i>PYN Elite Fund</i>	<i>34.793.750</i>	<i>7,41%</i>
<i>Shareholders of Dragon Capital</i>	<i>42.245.173</i>	<i>8,99%</i>
<i>Shareholders of Deutsche Bank AG</i>	<i>26.314.170</i>	<i>5,60%</i>
<i>KinhBac Investment and Consultant Corporation</i>	<i>46.497.690</i>	<i>9,90%</i>
Other foreign shareholders	56.594.874	12,05%
Long-term shareholders	111.225.279	23,68%
Other shareholders	81.840.253	17,42%

(*) Long-term shareholders are ones who appeared on annually shareholders list for many years.

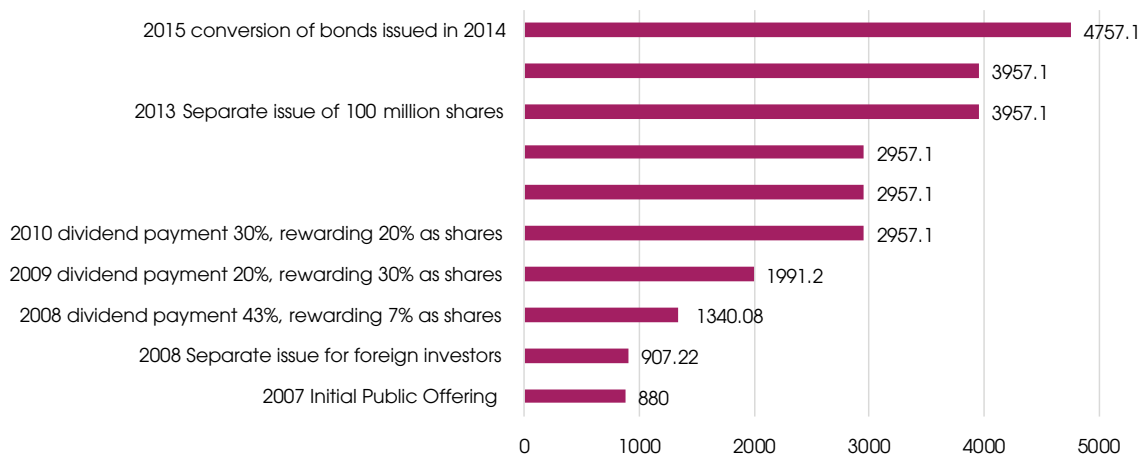
Shareholders structure chart



*** Situation of changes in owners' equity**

Process of Owners' Equity Increment

Unit: billion VND



(*) On January 23rd 2015, KBC converted 1.200 billion VND of bonds issued on December 23rd 2014 into shares at the price 15.000 VND per share. Therefore, KBC's equity increased by 800 billion VND to reach 4.757.111.670.000 VND.

(*) Treasury stock transactions, issuance of other securities: No

6. REPORTS RELATED TO THE IMPACT ON ENVIRONMENTAL AND SOCIAL ASPECTS OF KBC

6.1. Management of raw materials

a. The total amount of raw materials used by the organization during the year

KBC's business is the investment, construction and development of industrial parks and urban area. Therefore, materials used for the Group's main products are raw materials for construction (construction sand, golden sand, crushed stone, gravel, concrete poles, corrugated roofing, precast concrete panels, steel, precast concrete, drainage tubes, lighting equipment, trees).

Construction of Industrial Park or Urban Area is done via contractors hiring. KBC does not directly involve in physical activities material management of the construction.

For example, in 2015 in Hai Phong Trang Due IP leveled 50 ha, used 100.000 m3 of sand, constructed of electricity distribution system including 2,3 km of 22 kV line and 1,4 km of 22 kV underground cables with a total capacity of 16.460 kVA providing electricity to secondary investors, 02 submarine cable project with 3,4 km of 22 kV line providing the power of 35.460 kVA. to the project of LG Electronics.

In Que Vo IP, there are 05 workshop buildings were built; the main construction items are piling and erecting steel structures, constructing, etc. In 2015, the industrial park built five buildings of workshops, used 7.905 m³ of concrete piles 250 * 250; the installation of steel structural is allocated with each buildings.

b. Percentage of recycled materials used to manufacture the products and services of KBC:

No information

6.2. Energy Consumption

a. Direct and indirect energy consumption

In Tan Phu Trung Industrial Park - Ho Chi Minh City, investors buy electricity directly from EVN. The Group did not directly manage; In industrial zones of KBC in the north as Que Vo Industrial Park, Trang Due Industrial Park, Quang Chau Industrial Park, the entire power supply system was built by KBC. Currently, KBC is gradually transferred the system power supplies to the providers and not directly manage. However, we would like to give two examples of total energy consumption in the Industrial Park (including the energy consumed in the industrial park investors) and the energy consumption of enterprises (investors).

Example 1: In 1st stage of Hai Phong Trang Due Industrial Park (186ha), there are 33 enterprises with a total direct consumption of electrical energy in the Industrial Park reaching about 48 million KWH - 50 million KWH.

Example 2: The total power consumption of KBC in 2015 in Que Vo Industrial Park was under 3.109.549 KWH (including 263.571 KWH of energy consumption by office, 1.104.023 KWH of clean water supply stations, 1.406.648 KWH of sewage supply stations, 308.308 KWH of lighting systems).

b. Energy saving initiatives

For the investor's responsibilities (KBC), right from the begging stage, Industrial parks were focused on constructing in a sustainable and friendly way, electricity and water systems were reasonably designed from the outset; electrical appliances, such as electricity-saving LED lights were used to save energy. In the future, the industrial park will be focused on measures of power supply such as solar energy to provide street lighting devices. During the process of construction of factories and offices, we focused on using environmental friendly and locally available materials. For the offices: to limit the use of electricity and appliances during peak hours, we use the device consuming less energy or turn off appliances when they are not in use.

For the energy consumption savings of investors in the industrial park, the energy savings depends on the characteristics of the production process and plans to use the energy of each secondary investor, this issue is uncontrollable with KBC.

6.3. Water consumption

KBC's IPs self-built their water supply factories and waste water treatment systems.

a. Groundwater - the main source of water supply for the industrial parks groundwater

In current Que Vo Industrial Park there are 02 water supply factories with a total capacity of up to 9.000m³/day, and 7.500 m³/day of average consumption. There are 01 sewage treatment factories with a capacity of up to 6.000m³ and 5.500 m³/day of total processing wastewater flow.

In Quang Chau Industrial Park, there is 01 water supply factory with a capacity of up to 3.500m³/day, and the average consumption of 748m³/day; 01 sewage treatment factory with a capacity of up to 2.800m³/day, total discharge of treated waste water treatment of 598m²/day.

In Trang Due Industrial Park, the company use water of Vat Cach Water Factory (An Duong, Hai Phong) which is a clean water supply for the Industrial Park with a capacity of 20.000 m³/day. Power consumption for the entire zone currently reach the average of 1.000m³/day. The waste water treatment is contributed and managed by other company. Regularly, wastewater treatment flow accounts for 75% to 80% of consumed fresh water.

In 2015, the Corporation also completed the

procedures to deploy the water factories with a capacity of 13.500 Trang Due m³/day to actively serve clean water for secondary investors in industrial parks.

In Tan Phu Trung IP, there is a water supply factory with the capacity of 3.000m³/day night, and the total average water consumption of 493m³/day; 01 wastewater treatment factory with a capacity of 4.000m³/day, sewage flow at the average of 394m³/day.

b. Percentage and total volume of recycled and reused water

All of used water is discharged into the wastewater treatment system of IPs. IPs don't use recycled and reused water. Treated wastewater reaches NTR 40/2011/BTN-MT Column A.

6.4. Compliance with the law on environmental protection

Industrial Parks of KBC always strictly observe all regulations on environmental protection.

6.5. Policies related to workers

a. The number of employees at an average level

The total number of employees of the Group was 411 people, the average salary of employees in the parent company (KBC) was 11 million VND/person/month, the average salary of workers in other industrial zones in the province of Bac Giang, Hai Phong, Cu Chi was 7 million VND/person/month.

b. Policies to ensure the health, safety and welfare of employees

Employees of KBC have always been provided all necessary insurance services: Health insurance, social insurance, pensions. The firm always gives credit where credit is due. Rewards have been given depending on the financial situation of the company. Rewards in major holidays such as 1/6 for the workers and employees who have children, in Mid-Autumn Festival for the children, in the holidays for female employees as 8/3 and 20/10, 1/5, 2/9, New Year, Tet Holiday were given to employees. In addition, companies in the Group are organizing domestic or abroad tours for workers.

c. Training workers

The Group applies a policy of meritocracy and satisfactory treatment. Therefore, the Group assembled a team of senior officials with practical experience, higher qualifications as the core staff of the Group. The Group focused on the form of internal training, professionals in the Group often were shared experiences, instructed the work by senior staffs.

Corporations are creating conditions for our staffs to enhance their professional skills. During the training time, employees are still fully paid.

Most full-time employees of the Group are engaged in training programs organized by

the agencies to update policies, laws, etc. For example, the training of security operations, insurance operations, tax, regulations for public companies, fire protection programs, emergency, rescue etc. In addition, the program of developing soft skills of communication, drafting contracts, customer care, participation in investment promotion conference, conference Investor Relations of employees are focused and elected to be regularly participated by the Group.

6.6. The responsibilities for social and environmental problem of KBC

The Group has always actively participated in charitable activities. In 2015, KBC has raised funds to support the poor in Bac Ninh province (1-day-salary donation per staff). In the same year, a charity fund of 1,2 billion VND has been raised in Hai Phong city to help the local citizens deal with poverty.

6.7. Reports of sustainable investing activities

KBC is still waiting for instructions from the Authority.



PART III
THE BOARD OF DIRECTORS REPORT

1. ASSESSMENT OF BUSINESS PERFORMANCE

* Review of Revenue and Profit of Parent Company and Consolidation

Unit: billion VND

Items	Parent Company	Consolidation
Net revenue from sales and service provision	410,9	1.434,8
Revenue from land lease	125,9	1.129,4
Revenue from sales of workshops	224,8	224,7
Revenue from warehouses, workshops, offices lease	5,8	8,1
Revenue clean water, electricity, infrastructure charges, sewage	54,4	72,6
Cost of sales and service provision	140,2	861,4
Gross profit from sales and service provision	270,7	573,4
The ratio of gross profit / sales revenue	66%	40%
Revenue from financial operations	313,8	317,1
Other revenues	0,019	1,3
Total revenue	724,72	1.753,2
Total after-tax profit	388,5	602
Profit attributable to shareholders of parent company		611,9

As figures shown above, in 2015, the BOD strived to achieve significant results. In spite of being higher than the plan, total consolidated revenues reached only 88,6% and consolidated profits reached only 81,5%. The main reason of un completing the plan in 2015 is the sudden changes in investment plan of a number of important clients. However, in 2016 the BOD still continue to pursuit the old customers and actively meet the requirements of new customers who came to KBC's IPs in 1st quarter of 2016. For example, in 1st quarter of 2016, KBC welcomed some new investors in the fields of textiles from Hong Kong, one investor who is a satellite of Crystal corporation has invested in Quang Chau IP with a demand of leasing 5-9 ha of land.

We understand that the unfinished plan will not satisfy our shareholders. However, the completion of 80% of the plan is an acceptable figure for large-scale group when we depend on a variety of macroeconomic factors. The BOD have responsibility in making more efforts to complete unfinished plans.

In short, in spite of not achieving the plan, 2015 was still a successful year for our Group. In particular, the parent company reached 724,7 billion VND of total revenue, and VND 388,5 billion of after-tax profit. The total consolidated revenue of our Group was 1.753,2 billion VND, the total consolidated profit was 602 billion VND, the profit attributable to shareholders of parent company was 611,9 billion VND.

For the business operation, the revenue from sale of premises and financial activities was 538,6 billion VND. All of them belong to the parent company, the subsidiaries had no revenue from this activity. For the revenue from land lease, Trang Due - Hai Phong IP was the most successful with 701,8 billion VND and Tan Phu Trung IP with 312,7 billion VND.

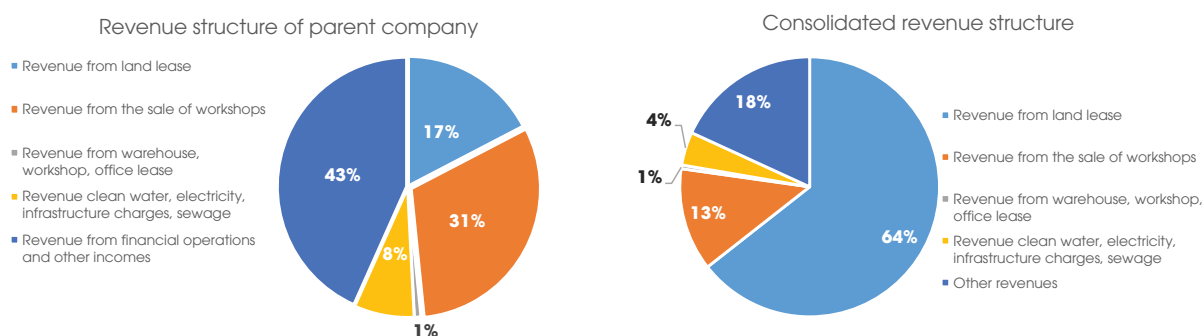
In terms of gross profit margin, the parent company reached 66%, while this number in consolidation was 40%. Thus, the ratio of KBC's profit margin remained stable over the years with the estimated average level of approximately 38% - 40%. However, it is very common and typical for the business of industrial parks when at some points of an individual quarter, this rate is sometimes very low and sometimes very high. Recently, the revenue of KBC's IPs is recorded once at the time of handing over the land, the capital was the average price estimated for 1m² (including investment costs and the estimated costs for investment in the future at the time of the financial statements dividing by the total salable area). The cost price is adjusted annually according to changes in cost to invest in the future and according to the updated unit.

In the process of the report, the cost prices can increase or decrease sharply, the gross margin/revenue also increases/decreases mutably, which occurs one of the following situations:

- If the industrial park is filled up, the last area of land whose revenue has been recognized will bear the entire remaining costs of the IP (total cost to invest industrial parks minuses the total advanced payment for the sold land). However, since the expenses is adjusted annually, this problem does not matter.

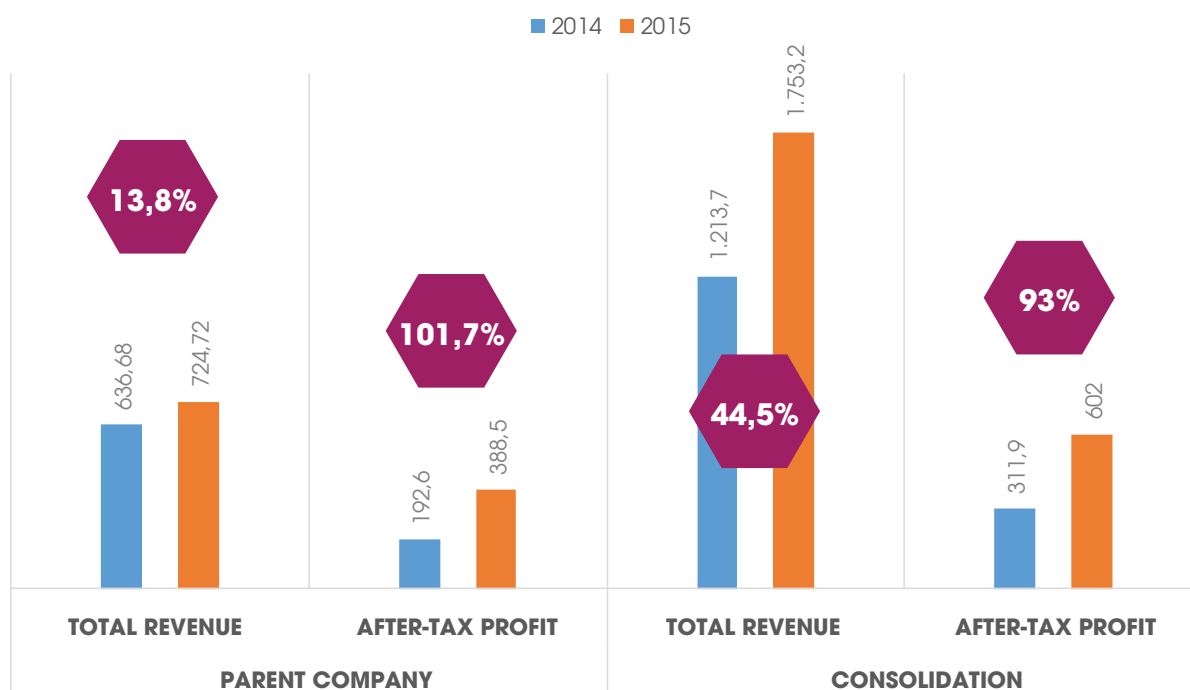
- In fact, the total commercial land area can be higher or lower than in plan. For example, according to the plan of 100 ha of industrial park, the proportion of commercial land as planned was 65%, equal to 65 ha (in paper only). In fact, after selling the investors the total area of land, the area handed over the investors can only reach 63 hectares (less than plan), or 67 ha (greater than plan). It makes the gross margin / revenue suddenly changed.

Here is a chart describing the revenue structure of the Parent Company and Consolidation. This chart shows that the revenue of the Group still focused primarily on core business activities. For the parent company, revenues from core business activities accounted for 57%; this number in the consolidation of the whole Group was 81,8%.



In terms of revenue and profit growth: in 2015, KBC had very strong growth in both revenue and profit compared to 2014. However, this mutation is the result of the growth of core business activities and the divestment of certain non-core investments. After restructuring, the BOM expects a minimum growth rate of 5% -10%/year of KBC in the context of no negative sign in macro economy.

GROWTH IN REVENUE AND PROFIT



*** Cost factor affecting the profitability of the Group**

For KBC, the most serious cost factor in previous years is the interest, but in 2015, this factor has improved significantly when the interest expense decreased 64,3% compared to 2014. This factor has been evaluated in detail in "**Part II - Business Performance in 2015**".

For other factors, selling expenses covered 34,8 billion VND, accounting for 2% of total sales and administrative expenses was 92,9 billion VND, accounting for 5,3% of total revenue. This cost factor, compared to revenue, has been maintained over many years, not increase or decrease sharply; and has accounted for a small percentage of the total revenue. Also, it can be confirmed that the Group's BOD has always focused on the implementation of cost savings in production and business activities.

*** The improvement of the Group in 2015**

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

- The speed of clearance, improvements in infrastructure and attracting investments in Trang Due IP Phase 2 can be seen as the fastest ever. In particular, with a scale of 214 ha, this IP has completed site clearance compensation of 191,3 ha, reclamation of 50ha, the total land area signed the contract to 11 investors from Korea reached 57,2 ha.

- Tan Phu Trung IP increasingly improved the investment rate, by 2014, the situation of attracting investment of this industrial park is almost negligible. Thanks to improving business policy, this IP leased 16,7 ha in 2014 and 24,2 ha in 2015. This is considered as an important improvement, not only for Tan Phu Trung IP in particular, but also for the brand of KBC in southern Vietnam, and the foundation for the development of other industrial parks.

- Phuc Ninh Urban Area deployed again from March, 2015. In October, 2015, this UA was Ministry of Construction and Bac Ninh Provincial People's Committee approved the 1st stage of construction of business and with an area of 55,8 ha by Ministry of Construction and People's Committee of Bac Ninh province, in which 10,4 ha is estimated to be allow to sale subdivided plots. This allowance helped this UA to rapidly open sale immediately providing KBC with a cash flow in 2016, 2017.

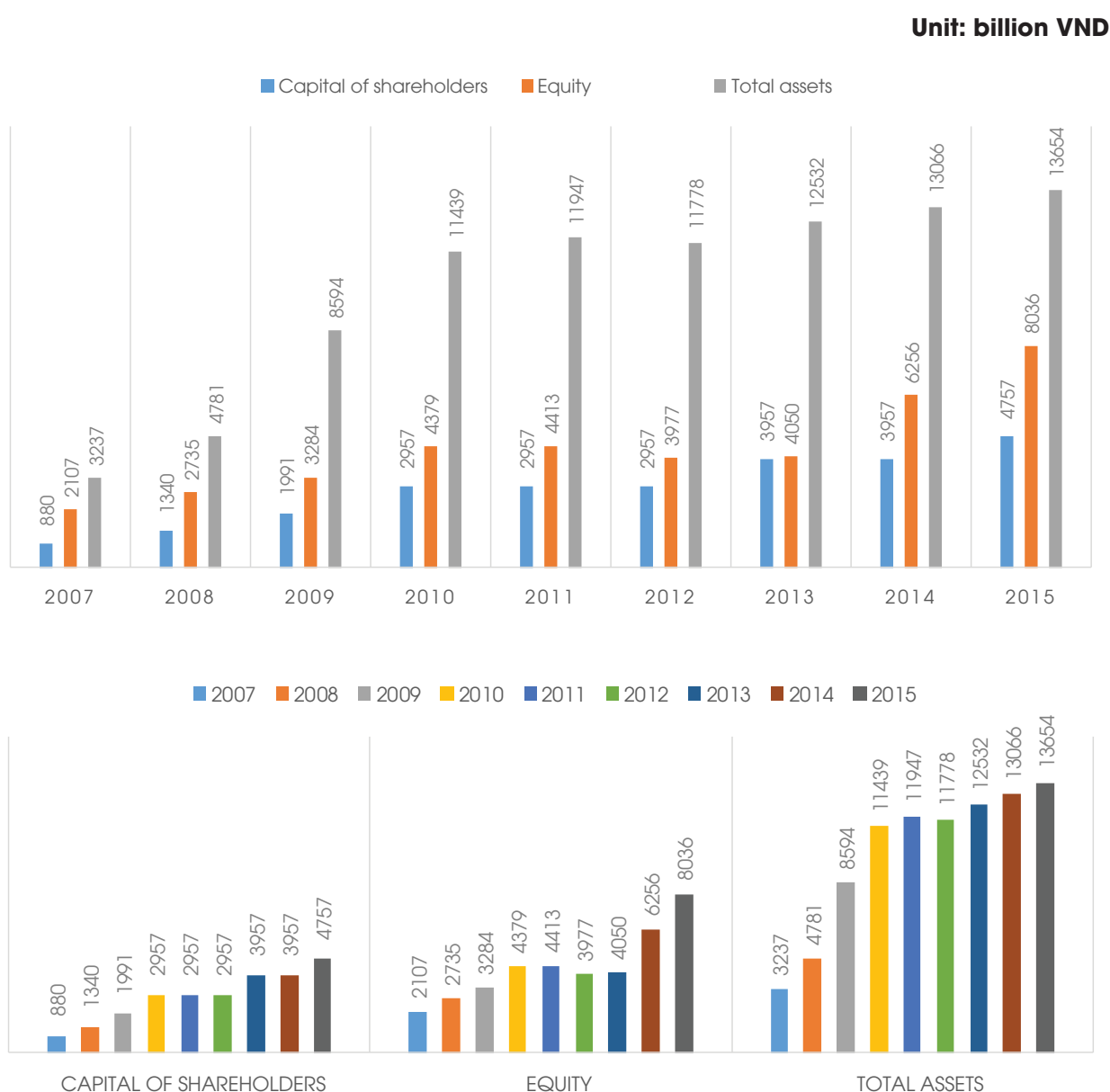
- In 2015, the parent company was approved by VietinBank a bank credit line of 102 billion VND to invest 09 apartment buildings and 443 billion VND for investment in infrastructure development of 100ha of Hap Linh Nam Son IP. In early 2016, VietinBank has continued to approve 800 billion VND to invest in Tan Phu Trung IP. Time limit for disbursements of the credit agreements is expected within 3 years. This is a positive sign when KBC was approved a credit line by Banks, because next 4 years, KBC will absolutely not access to credit resources of banks.

- As dramatically reducing the debts of credit institutions, the Group paid 1.067 billion VND of principal debts and 142 billion VND of interest, well control expenses (sales, inseam profit but interest expenses fell sharply, the cost of management and sales still remained at a low rate compared to the revenue, not higher than the previous years).

2. ASSESSMENT OF THE FINANCIAL SITUATION

a. Assets status

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



"In 2012, KBC loss 483,9 billion VND causing the decrease in equity compared to 2011"

* Assets

On 31st, December 2015, the total assets of the Group reached 13.653.707.159.630 VND (13.654 billion VND), 4,5% higher compared with 2014. For Parent Company in particular, the total assets reached 9.330.809.311.070 VND (9.330,8 billion VND), 0,9% higher compared to 2014.

At the same time, the value of the net assets of the Group increased by 587,4 billion VND compared to the same period in 2014, but the value of investments the Group increased 1.197,4 billion VND, 100% invested in the infrastructure of the industrial parks. It proves that the sale of KBC is positive, well rotated, and beneficial when making after-tax profit/total assets of enterprises increased from 2% to 4% showed.

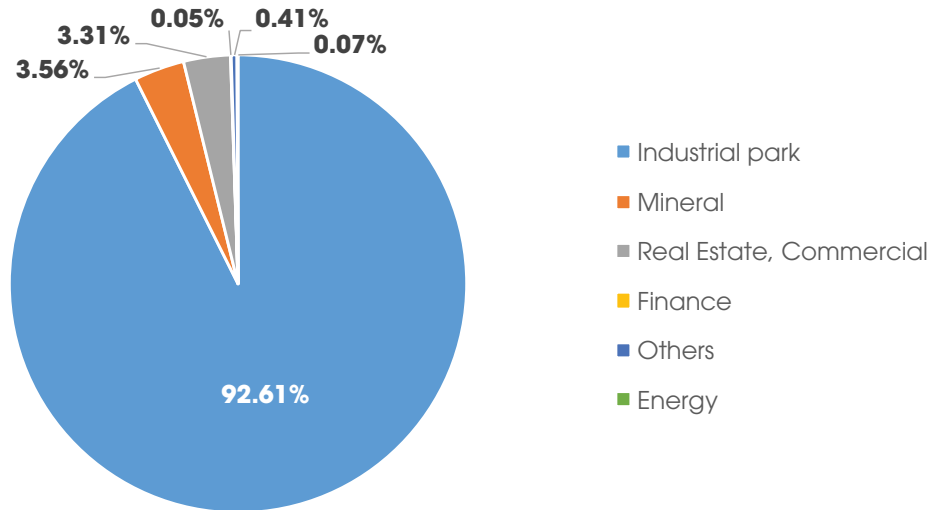
The structure of asset in 2015 continued to focus on the development of industrial parks: including 92,61% of investment in IP (2014: 86%); increasing short-term assets (accounting for 88% of total assets) and reducing long-term assets (accounting for 12% of total asset value). During the year, KBC divested long-term financial investments with a total value of 688,6 billion VND, 60% lower than 2014, making the long-term preventive also decreased 46,6 billion VND.

- In terms of total inventory value of 8.364 billion VND on 31/12/2015, the total net value rose 748 billion VND, equivalent to 10% compared to 2014. In particular, the total value of inventories in Trang Cat UA was 3.552,8 billion VND, accounting for over 40% of total inventory value becoming the issue that shareholders, investors most concern in recent years. Problems of this urban area can be clearly explained as follows: In terms of the value for the size, location and the area of 540 hectares of compensated land, the value of inventories (invested) in this urban is lower than the real value of the project. However, at this time, this urban area cannot develop immediately, KBC expects to attract investments from big corporations around the world to develop as intensive areas between Vietnam and other countries.

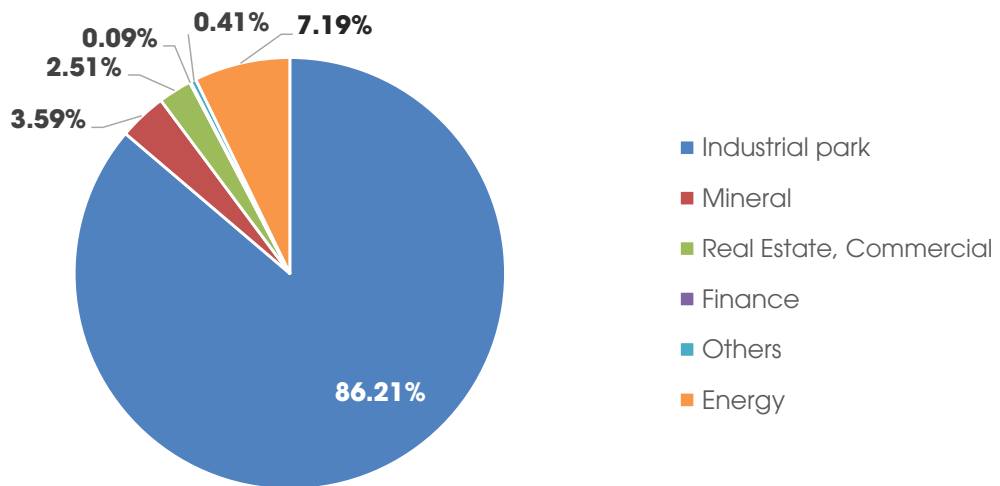
- The short-term receivables are 3.361 billion VND, net receivable increased 513 billion VND, equivalent to an increase of 18% compared to 31/12/2014. In particular, main concentration in receivables incurred in 2015 due to the transfer of shares is 823,8 billion VND (this receivable was 748,8 billion VND, decreased 75 billion VND on 3/2016).

Here is a graph of asset structure of sectors of investments showing the movement of KBC in the areas of investment for the highest concentration core business operations, reducing risks.

- In 2015



- In 2014



* Equity

On 31st, December 2015, the total equity of the Group reached 8.036.004.987.843 VND, increased 1.779,5 billion VND, equivalent to 28,4% compared to 2014. For parent company, the equity in reached 5.998.154.998.020 VND, increased 1.565,9 billion VND, equivalent to 35,3% compared to 2014. The main cause of this is the conversion of 120 million of bond into 80 million of shares with the conversion price of 15.000 VND/share. Therefore, on 31st, December 2015, the contributed equity was 4.757.111.670.000 VND, increased 800 billion VND, the surplus of the share capital increased 377.461.000.000 VND. In addition, undistributed profits in 2015 reached 1.781.536.119.480 VND, increased 602.062.455.357 VND equivalent to 51,5% compared to 2014. It was also considered as the main factor contributing to the growth of equity. Thus, some factor of increasing surplus, undistributed after-tax profit, increasing profit to ensure the increase of the share capital, not only lead the increase of equity but also are beneficial to shareholders.

b. Liabilities

On 31st, December 2015, the total liabilities of the Group were 5.617,7 billion VND, the net worth decreased 1.192 billion VND, equivalent to 17,5% compared with 2014. For the parent company, the total liabilities were 3.332,6 billion VND, net worth decreased 1.483,8 billion VND, equivalent to 30,8% compared to 2014. However, only the items named "loans and debts of financial institutions" can be considered the "real debt" of the Group. Other items such as:

- If buyers prepaid 425,9 billion VND, then the future revenue of KBC can be estimated over 1.000 billion VND;

- Most of the 1.110 billion VND of liabilities are accrual capital costs incurred in the future compared with the revenue recorded. It is typical in recording the cost of operations of KBC's IPs. Real expenses incurred only when KBC invest in remaining infrastructure of the IPs, and the sale is successful.

- Long-term Accrued expenses were 757 billion VND mainly due to interest payments of PVCom-Bank that the enterprises were not paid. This gain will be paid immediately after the business pay off the original debt, the expected time is 2017 to 2019.

- Deferred Income tax of 498,9 billion VND was estimated by the Group for business activities of industrial parks. The corporation is applying the form of recognizing revenue once at the time of handing over the land to the cycles of projects. However, income tax is paid based on earnings attributable to the remaining years of the project. This debt is installed for the entire cycle of the project and does not create much pressure on the corporation.

In short, the total credit debt of KBC on December,31, 2015 was VND 2406.1 billion, net worth decreased 613,5 billion VND, equivalent to 20,3%. KBC Group's total is 2.406,1 billion VND, net worth decreased 613,5 billion VND, equivalent to 20,3%. For the parent company, the total of loans and bank debt was 1.397,3 billion VND, net worth decreased 889,6 billion VND, equivalent to 38,9%.

In 2015, the BOD successfully completed the payment of due debts in the year. In particular, due liabilities of the Group in 2015 was 870 billion VND. In 2015 the Group paid off 1.067 billion VND of principal and 142 billion of interest. Thus, the Group made payment in advance of 197 billion VND (mainly due to the parent company and subsidiaries as Sai Gon - Tay Bac Joint Stock Company) For the parent company, the due debt in 2015 was more than 838 billion VND, 921 billion of original debts was paid by the parent company, in which 83 billion VND was paid in advance.

In addition to actively paying old debts, the Group has actively continued to work with the credit institutions to raise new capital for the development of our projects. The total new disbursed debt in 2015 was 449,3 billion VND, including to invest in Trang Due 2 421,4 billion VND of investing in Trang Due IP and 27,9 billion VND of building factories in Que Vo IP.

KBC's debt status significantly improved with declining in borrowing banks; debt and equity were restricted towards a downward trend over the years, as in the statistic table below:

Items	2012	2013	2014	2015
Consolidated Bank Debts (VND)	3.860.741.980.348	3.729.789.823.342	3.024.781.596.475	2.406.189.191.180
Bank Debts of Parent Company (VND)	3.022.183.160.138	2.935.358.446.908	2.291.902.222.232	1.397.277.782.300
Consolidated D/E	0,80	0,76	0,48	0,30
Parent Company D/E	0,92	0,91	0,52	0,23

*** Consolidated D/E = Consolidated Bank Debts / (Equity)**

*** Parent Company D/E = Bank Debts of Parent Company / Equity**

The Group does not have bad debts; is not affected by exchange rate differences; and by the interest difference. (all interest of KBC fit the average lending rate on the real estate market). KBC's loan interest rate is the interest rate for 12 month saving of 4 big banks in Vietnam with the margin of 3% to 3,5%.

3. DEVELOPMENT PLAN IN 2016

a. The plan of major business and investment

As expected in 2016, the Group will continue the activities of clearance and infrastructure construction of Quang Chau IP, Hap Linh Nam Son IP, Que Vo and expanded Que Vo IP, Trang Due IP, Tan Phu Trung IP and 1st stage of Phuc Ninh UA. The project of Phuc Ninh UA has a total area of 136,47ha, 55,8 ha for 1st stage, in which 18,1ha of commercial land has been approved by the People's Committee of Bac Ninh province and transferable in land use rights (10,4ha of commercial land for sale of subdivided plots). Currently, the project has completed 6,27ha of infrastructure, and become eligible to be traded immediately in 2016.



* Focus on attracting foreign investment

The BOD will establish some programs of promoting investments in some important markets such as Korea, Japan, Hong Kong, United States, etc., focusing particularly on attracting some investors who get benefits from TPP to Quang Chau IP, Tan Phu Trung, Saigon - Chan May IP, etc. Besides the familiar customers from Korea such as the satellites of LG, Samsung, etc, the BOD will set up a network of new customers who get benefits from the newly signed agreements as TPP, Vietnam - EU, etc.

* Arrangement for funds

- Searching for strategic investors to implement the plan of issuing individual stocks with a scale of 120 million shares and issue price of not less than 15.000 VND/share.

- Issuing corporate bonds to individuals and organizations in a scale of from 1.000 billion VND to 2.000 billion VND, in different times and different forms (smooth bond, warrant-linked bonds rights, listed bonds etc.) to invest in Quang Chau IP and Phuc Ninh UA, restructuring the old debts and adding business capital. Currently, the IPs of Nam Son Hap Linh, Que Vo expanded, Tan Phu Trung, Trang Due were approved a credit limit for investment in infrastructure development by VietinBank.

- Creating relationships with organizations and foreign investment funds who have financial capacity and experience in real estate investment to co-operate to implement large-scale projects.

b. Revenue and Profit Plan in 2016

Based on the situation of attracting FDI of Vietnam in 2015; the demand for land and building lease of potential customers of KBC; the prospects of Vietnam in attracting FDI that is predicted to strongly grow in 2016; and the plan of promoting investment promotion of KBC etc. The BOM appreciates the business prospects of the Group in 2016 and plans get consolidated revenue and profit of the Group in 2016 according to the 2 plans as follows:

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

- Total consolidated revenues: 2.900 billion VND
- Total consolidated net profit: 850 billion VND

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

- Total consolidated revenues: 1.900 billion VND
- Total consolidated net profit: 630 billion VND

4. THE IMPROVEMENT IN STRUCTURAL ORGANIZATION, POLICIES AND MANAGEMENT

- In 2015, KBC appointed Mrs. Nguyen My Ngoc as a deputy in charge of the business is Mrs. Nguyen My Ngoc. The other key staffs are still the same, no transferred;
- Recruiting of senior personnel in the sector of finance from large corporations to improve internal training activities; and to create reports according to international standards; enhancing the role of investor relations.
- Strengthening activities of representative office in Hanoi: Strengthening organizational apparatus, installing more modern equipment to serve the partners receptions, project descriptions, etc.
- Establishing the Board of evaluation on Investment in construction to support the BOD and BOM in the process of appraisal, management, investment and construction.
- Assigning personnel and specific responsibilities in close coordinating activities of financial supports, promoting attraction of investment between KBC and its subsidiaries associated companies and companies that KBC has contributed capital.

5. EXPLANATION OF THE BOD FOR THE AUDIT OPINIONS: NO INFORMATION

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

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

- Besides activities of environmental protection, it is clearly seen that KBC completed responsibility with the local community in 2015 as raising funds to help the poor in Bac Ninh Province.

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





PART IV

THE BOARD OF MANAGEMENT REPORT

1. THE ASSESSMENT OF THE BOM ON THE ACTIVITIES OF THE COMPANY

* Business performance

Although the revenue and profits only reached 88,6% and 81,5% of the plan, business and production activities of the Group still get a good review from the BOM; as compared with the result of 2014, the revenue was 44% higher, the after-tax profit was 93% higher. We believe that KBC will continue to successfully implement the uncompleted plans of 2015: such as attracting investment in Quang Chau Industrial Park, for the fact that the current number of surveys of the survey investors on this IP has become more and more increasing. However, to ensure the reputation of the Group, the BOM has not approved the rental price as the request of customers in a number of transactions which are being negotiated.

The tasks of completing legal documents and building infrastructure of industrial parks and urban areas are considered urgent and prompt, and satisfactory with the needs of customers. Especially, Phuc Ninh UA fully completed the legal foundation of the sale of subdivided plots and of 6,27 ha of ready-to-market infrastructure.

The arrangement of capital to ensure the ability in paying due debts was well reviewed by the BOM, the Group did even better than expected as early paid debts of up to 197 billion VND with the capital obtained from business, not from new loans or old payments.

* External activities

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

* Corporate Governance Activity

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

Also, KBC well-handled risks of rumors or undetailed and inaccurate information about us reflected by media by giving official papers and detailed explanations to shareholders and investors by e-mail, phone, etc.

As being voted in the Top of 33 best enterprises in relations with investors in 2015 by VietStock, IR activities of the Group were considered to be excellent by the Board of Directors.

*** Labor resource development activities**

The policies of KBC on recruiting talented people, focusing on the recruitment of advanced staffs who are knowledgeable, experienced managers from large corporations receives significant felicitation from the BOM. The policies, thus, promote the internal training process, and ensure the objectives of developing the corporation towards international standardization. In the coming time, KBC will focus on designing domestic as well as foreign intensive training programs for staffs towards quick and timely integration.

*** Activities of environmental responsibility**

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



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

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

3. THE PLANS AND DIRECTIONS OF THE BOM IN 2016

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





PART V

COMPANY MANAGEMENT REPORT

1. BOARD OF MANAGEMENT

a. Members of BOM

No.	Members	Position	Ownership rate	Meeting Attendance
1	Dang Thanh Tam	Chairman	14,95%	2
2	Huynh Phat	Independent member	0%	0
3	Nguyen Thi Thu Huong	Member	0,06%	2
4	Ngo Manh Hung	Member	0,05%	5
5	Pham Phuc Hieu	Member	0,005%	0

b. Sub-board of BOM: No

c. BOM main activities in 2015

In 2015, BOM of KBC corporates with BOD to implement resolutions for Company's problems about the issues in business production activities, investments in IPs and UAs and arranging the funds for projects of Corporation in 2015, as follows:

- The BOM actively participated in foreign affairs, directly contacted with the foreign corporations who are expected to invest directly in Vietnam, and indirect investment funds, closely monitoring to attract FDI in major IPs such as Hai Phong Trang Due IP, Que Vo IP, Quang Chau IP and Tan Phu Trung IP.
- Leading the preparation and organization of the Annual Meeting of Shareholders 2015.
- Leading investment plan in 1st stage of the project Phuc Ninh UA;
- Leading the implementation of the inauguration of the construction of industrial projects and services of Trang Cat UA (in Bai Trieu, Hai Phong), investing in the plan of tunnels to connect the transport from the highway of Ha Noi - Hai Phong to the project.
- Leading the implementation of infrastructure construction in industrial parks, building 05 workshop building in Expanded Que Vo IP and 2nd stage of projects in Hai Phong Trang Due IP;
- Approving, monitoring and supervising the implementation of the completion of the conversion of 1.200 billion VND shares into bonds;
- Closely monitoring the management of risks from investment activities, trading; managing the cash flow and financial planning in the context of stable economy, leveraging positive macroeconomic conditions for developing the value of corporation, ensuring financial targets at a safe level;
- Closely monitoring the plan to arrange funds for the payment of debts due in 2015, and arranging the new capital sources for investment in the construction of 09 houses and factories in Que Vo IP, and Investing 100ha in Nam Son Hap Linh IP.

- Leading the implementation of programs and actions to develop projects Group to be sustainable, environmentally friendly and responsible with the local community; ensuring benefits and a modern and dynamic working environment for workers.

*** List of BOM's resolution in 2015**

No.	No. of resolutions	Date	Content
1	0201/2015/KBC/NQ-HĐQT	02/01/2015	Approve the remaining investment in Current Que Vo and Expanded Que Vo IP.
2	0501/2015/KBC/NQ-HĐQT	05/01/2015	Approving changes and additions in the List of investors buying bonds in the issuance of the Convertible Bonds of KBC.
3	2601/2015/KBC/NQ-HĐQT	26/01/2015	Approving the construction of L Lot at expanded Que Vo IP in Bac Ninh province
4	2701/2015/KBC/NQ-HĐQT	27/01/2015	Approving the increase of charter capital by issuing additional shares to convert these bonds of KBCTPCD2014 into shares.
5	2701/2015/KBC/NQ-HĐQT/02	27/01/2015	Changing the business registration of Kinh Bac City Development Holding Corporation.
6	3001/2015/KBC/NQ-HĐQT	30/01/2015	Approving the borrowing capital of Vietin Bank - Que Vo Branch.
7	0202/2015/KBC/QĐ-HĐQT/01	02/02/2015	Appointing Mrs. Nguyen My Ngoc as Deputy General Director since 2nd, February 2015
8	0202/2015/KBC/QĐ-HĐQT/02	02/02/2015	Appointing Mr. Hoang Thanh Tung as the chief representative of a representative office in Hanoi.
9	0702/2015/KBC/NQ-HĐQT	07/02/2015	Approving the dossier of change in registration and additional listing of 80.000.000 issued shares to converse bonds into 2014 KBC with KBC stocks.
10	2602/2015/KBC/NQ-HĐQT	26/02/2015	Modifying some of the content of Resolution No. 1711/2014 / KBC / NQ-Board dated 17.11.2014 and the Resolution No. 1212/2014 / KBC / NQ-Board dated 12/12/2014.
11	0203/2015/KBC/NQ-HĐQT	02/03/2015	Approving the plan of activities in 2015.
12	0805/2015/KBC/NQ-HĐQT	08/05/2015	Establishing the Board of exercising the Investment and Construction of KBC.
13	2006/2015/KBC/NQ-HĐQT	20/06/2015	Transferring shares of Saigon - Binh Dinh Energy Joint Stock Company.
14	1007/2015/KBC/NQ-HĐQT	10/07/2015	Approving the divestment of investments in Saigon Investment, Construction and Building Materials Corporation.
15	2207/2015/KBC/NQ-HĐQT	22/07/2015	Borrowing capital from Saigon - Hai Phong Industrial park Corporation.
16	1509/2015/KBC/NQ-HĐQT	15/09/2015	Approving construction, investment and business development in 100 ha infrastructure of Nam Son - Hap Linh IP in Bac Ninh province.
17	1709/2015/KBC/NQ-HĐQT	17/09/2015	Approving borrowing capital of VietinBank - Que Vo Branch to invest in projects.
18	0812/2015/KBC/NQ-HĐQT	08/12/2015	Transferring shares of Company Saigon - Binh Dinh Energy Corporation.

*** The problems unsolved by the BOM according to the plan approved by the General Meeting of Shareholders**

The BOM did not complete the plan of dividing the dividend and stock bonus with shares at the rate of 9%. The reason is that Vietnam's stock market has several lasting negative waves, causing the deep decrease of many stocks and rumors make KBC shares fall below 15.000 VND /share (less KBC's book value). Therefore, when the stock market negative move, the BOM said that the division dividend in shares will not bring benefits to shareholders.

The BOM has not made plans to issue individually 120 million VND of shares. Last year, the BOM also directly met a number of investment funds who wish to buy shares of KBC. However, the market price of shares of KBC fell below 15.000 VND/share, to ensure the value of KBC, the BOM will not issue individually below 15.000 VND/share and continue to maintain this plan in 2016.

d. Activities of the independent board members

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

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

Since members of BOM have frequently to go on business trips, they cannot arrange time to attend sessions of the courses. However, they always update, and try to improve their knowledge of the rules of corporate governance for listed company.



2. THE SUPERVISORY BOARD

a. Members of the Supervisory Board

No.	Members	Position	Ownership rate
1	Nguyen Chung Thuy	Head	0,01%
2	Phan Anh Tuan	Member	0%
3	Le Thi Thu Hang	Member	0%

b. Activities of the Supervisory Board

In 2015, KBC's Supervisory Board implemented the main tasks as following:

- Monitoring financial management system and financial statements preparation to ensure honest and fair of given financial figures; Coordinating and updating information with appointed independent auditors about financial statements;
- Considering and evaluating internal management of BOM and BOD and their members, managers and leaders based on the highest benefits for shareholders and corporation;
- Considering and evaluating the operational coordination among departments and areas in management and business administration system;
- Inspecting and supervising the implementation of the Resolution from the Shareholders' General Meeting of the BOM and BOD; assisting the BOD and BOM in the implementation of the Resolution.
- During a year, the Supervisory Board met twice: **Evaluating activities of the BOD, BOM and of the Group in the first 6 months of operation in 2016 and in 2015**

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

a. Remuneration and benefits

- Remuneration of the BOD: 5.602.960.000 VND/year
- Remuneration of the BOM: 1.226.330.000 VND/year
- Benefits: Equipped with cars to travel, mobile phones, fully paid monthly fees.

b. Trading of insiders / related persons / major shareholders

No.	Transactors	Insiders / related persons / major shareholders	Shares ownership at the beginning period		Shares ownership at the ending period	
			Quantity	%	Quantity	%
1	Dang Thanh Tam	Insiders	60.250.000	12,83 %	67.250.000	14,32%
2	Dang Thi Hoang Phuong	Related persons	2.900.000	0,74%	0	0
3	Deutsche Bank AG, London Branch and Beira Limited	Group of Major shareholders	22.947.720	4,88%	27.890.750	5,94%
4	PYN Elite Fund (Non-Ucits)	Major shareholders	13.914.430	2,96 %	33.248.410	7,08 %
5	KinhBac Investment and Consultant Corporation	Major shareholders	71.368.500	15,19%	58.097.690	12,37%
6	Vietnam Enterprise Investment Limited, Grinling International Limited , Wareham Group, The CHSE...	Group of Major shareholders	26.769.530	6,86%	37.751.393	8,04

c. Transactions with related parties

The major transaction of the Company with related parties during the year comprises:

Unit: VND

Related parties	Content	This year	Previous year
	Lending	33.000.000.000	136.929.723.661
Saigon – Haiphong Industrial Park Corporation	Receiving loan repayments	169.929.723.661	-
	Receiving loans	299.470.276.339	201.769.000.000
	Repaying loans	-	527.070.276.339
	Receiving interest from bond 005 of KBC	43.539.340.182	56.498.972.603
Saigon Bac Giang Industrial Park Corporation	Clearing rate bonds, bond underwriting fees for debt	43.539.340.182	56.498.972.603
	Receiving loans	23.260.000.000	960.000.000
	Repaying loans	31.000.000.000	-
	Lending	83.900.000.000	-
Trang Cat One Member Urban Development Company Limited	Receiving interest from bond	96.274.703.557	59.771.155.069
	Receiving debt	-	93.200.000.000
	Receiving long-term debt	33.136.871.057	-
Mr. Dang Thanh Tam	Paying long-term principal debts	29.287.707.175	-
	Advancing	13.679.289.000	38.297.901.111
	Reimbursement	18.289.115.088	33.688.647.105
	Paying installation fee of Video Conference System	1.485.599.500	-
Saigon Telecommunication and Technologies Corporation			

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

ACTIVITIES SHAREHOLDER RELATIONS - INVESTOR RELATIONS

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

In 2015, as surveyed by Vietstock.vn - a website of numerous investors in Vietnam, KBC is one of best 33 enterprises in investor relations. We are very grateful to Vietstock.vn and many investors for having voted in a very objective way.

Activities of Shareholder relations and investor relations are always carefully considered by KBC. We are so pleased to answer any questions or listen to all suggestions of shareholders and investors. In 2015, at average, every week, there are investment funds coming to learn about KBC, most of them are foreign investment funds. Moreover, KBC is often invited to events as the event of "Vietnam Business Day" in Singapore organized by Daiwa; the event of "Vietnam Access Day" by the Vietnam Securities Company, in Ho Chi Minh City and the Event of Invest Asean Edition by Kim Eng Securities Company. Currently, 03 foreign institutions who are the major shareholder of KBC always maintain their high ownership rates namely: ELITE Pyn FUND Fund with 7,41%; Deutsche Bank AG group of shareholders with 5,6%; Dragon Capital Group's shareholders with 8,99%. In addition, over many years, some domestic institutions always maintain their ratio of KBC's shares from 3% to 4,9%.

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



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PART VI
CONSOLIDATED FINANCIAL
STATEMENTS

INDEPENDENT AUDITORS' REPORT

To: The Shareholders of KinhBac City Development Holding Corporation

We have audited the accompanying consolidated financial statements of KinhBac City Development Holding Corporation (“the Company”) and its subsidiaries (collectively referred to as the “Group”) as prepared on 24 March 2016 and set out on pages 6 to 65, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement and consolidated cash flow statement for the year then ended and the notes thereto.

Management’s responsibility

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

Auditors’ responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Group as at 31 December 2015, and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of consolidated financial statements.

Ernst & Young Vietnam Limited



Bùi Anh Tuấn

Deputy General Director

Audit Practising Registration

Certificate No. : 1067-2013-004-1

Hanoi, Vietnam

24 March 2016



Nguyen Quoc Anh

Auditor

Audit Practising Registration

Certificate No. : 2584-2013-004-1

CONSOLIDATED BALANCE SHEET

as at 31 December 2015

Currency: VND

Code	ASSETS	Notes	Ending balance	Beginning balance (Restated)
100	A. CURRENT ASSETS		12.003.018.598.664	10.667.175.221.353
110	I. Cash and cash equivalents	4	228.164.359.677	149.105.090.802
111	1. Cash		129.164.359.677	93.733.757.469
112	2. Cash equivalents		99.000.000.000	55.371.333.333
120	II. Short-term investments	5	1.738.191.200	2.497.416.000
121	1. Held-for-trading securities		7.490.461.369	7.490.461.369
122	2. Provision for held-for-trading securities		(5.752.270.169)	(4.993.045.369)
130	III. Current accounts receivable		3.361.578.772.409	2.848.273.048.478
131	1. Short-term trade receivables	6.1	493.980.606.252	663.149.321.859
132	2. Short-term advances to suppliers	6.2	1.324.234.430.950	1.334.536.831.350
135	3. Short-term loan receivables	7	12.499.720.000	62.790.991.000
136	4. Other short-term receivables	8	1.539.947.458.507	807.145.796.736
137	5. Provision for doubtful short-term receivables	6.3	(9.083.443.300)	(19.349.892.467)
140	IV. Inventories	9	8.364.448.377.871	7.616.350.104.559
141	1. Inventories		8.364.448.377.871	7.616.350.104.559
150	V. Other current assets		47.088.897.507	50.949.561.514
151	1. Short-term prepaid expenses		47.960.000	2.588.293.334
152	2. Value-added tax deductible		9.081.463.147	3.269.129.928
153	3. Tax and other receivables from the State	16	37.959.474.360	45.092.138.252

CONSOLIDATED BALANCE SHEET (continued)

as at 31 December 2015

Currency: VND

Code	ASSETS	Notes	Ending balance	Beginning balance (Restated)
200	B. NON-CURRENT ASSETS		1.650.688.560.966	2.399.085.782.858
210	I. Long-term receivables		355.625.579.821	480.405.988.391
211	1. Long-term trade receivables	6.1	332.305.529.704	465.365.588.391
215	2. Long-term loan receivables	7	7.692.700.000	14.685.400.000
216	3. Other long-term receivables	8	15.627.350.117	355.000.000
220	II. Fixed assets		141.005.430.934	138.923.585.647
221	1. Tangible fixed assets	10	141.005.430.934	138.923.585.647
222	Cost		268.169.967.655	241.743.465.160
223	Accumulated depreciation		(127.164.536.721)	(102.819.879.513)
227	2. Intangible fixed assets		-	-
228	Cost		72.075.500	72.075.500
229	Accumulated amortisation		(72.075.500)	(72.075.500)
230	III. Investment properties	11	20.415.184.100	22.182.071.105
231	1. Cost		27.405.394.467	27.405.394.467
232	2. Accumulated depreciation		(6.990.210.367)	(5.223.323.362)
240	IV. Long-term assets in progress		234.900.661.548	236.668.373.001
242	1. Construction in progress	12	234.900.661.548	236.668.373.001
250	V. Long-term investments	14	892.602.719.246	1.517.791.599.580
252	1. Investments in associates, jointly controlled entities	14.1	462.788.335.881	445.993.554.433
253	2. Investment in other entities	14.2	452.867.200.000	1.141.492.700.000
254	3. Provision for long-term investments		(23.052.816.635)	(69.694.654.853)
260	VI. Other long-term assets		6.138.985.317	3.114.165.134
261	1. Long-term prepaid expenses		6.138.985.317	3.114.165.134
270	TOTAL ASSETS		13.653.707.159.630	13.066.261.004.211

CONSOLIDATED BALANCE SHEET (continued)

as at 31 December 2015

Currency: VND

Code	RESOURCES	Notes	Ending balance	Beginning balance (Restated)
300	C. LIABILITIES		5.617.702.171.787	6.809.779.471.724
310	I. Current liabilities		2.944.659.205.006	2.592.533.350.470
311	1. Short-term trade payables	15.1	76.993.266.642	55.676.320.830
312	2. Short-term advances from customers	15.2	425.917.221.868	408.858.439.492
313	3. Statutory obligations	16	175.787.525.774	102.669.431.090
314	4. Payables to employees		68.698.469	1.606.801.500
315	5. Short-term accrued expenses	17	1.023.287.715.032	795.543.565.167
319	6. Other short-term payables	18	30.319.777.921	204.222.732.462
320	7. Short-term loans and finance lease obligations	19	1.205.201.739.991	1.016.821.780.620
322	8. Bonus and welfare fund		7.083.259.309	7.134.279.309
330	II. Non-current liabilities		2.673.042.966.781	4.217.246.121.254
333	1. Long-term accrued expenses	17	757.092.452.968	628.089.032.022
336	2. Long-term unearned revenue		5.302.235.179	5.616.285.654
337	3. Other long-term liabilities	18	59.272.399.555	62.070.305.020
338	4. Long-term loans and finance lease obligations	19	1.351.536.142.090	2.149.611.923.045
339	5. Convertible bonds	20	-	886.050.000.000
341	6. Deferred tax liabilities	28.3	498.887.769.027	484.856.607.551
342	7. Long-term provisions		951.967.962	951.967.962

CONSOLIDATED BALANCE SHEET (continued)

as at 31 December 2015

Currency: VND

Code	RESOURCES	Notes	Ending balance	Beginning balance (Restated)
400	D. OWNERS' EQUITY		8.036.004.987.843	6.256.481.532.486
410	I. Capital		8.036.004.987.843	6.256.481.532.486
411	1. Share capital	21.1	4.757.111.670.000	3.957.111.670.000
411a	- Shares with voting rights		4.757.111.670.000	3.957.111.670.000
412	2. Share premium	21.1	989.064.430.000	611.603.430.000
415	3. Treasury shares	21.1	(364.466.650.000)	(364.466.650.000)
418	4. Investment and development fund	21.1	2.223.693.823	2.223.693.823
421	5. Undistributed earnings	21.1	1.781.536.119.480	1.169.625.513.861
421a	- Undistributed earnings of prior year		1.169.625.513.861	844.008.284.354
421b	- Undistributed earnings of current year		611.910.605.619	325.617.229.507
429	6. Non-controlling interests	22	870.535.724.540	880.383.874.802
440	TOTAL LIABILITIES AND OWNERS' EQUITY		13.653.707.159.630	13.066.261.004.211

(Signed)

(Signed)

(Signed)

Luu Phuong Mai

Preparer

Pham Phuc Hieu

Chief Accountant

Nguyen Thi Thu Huong

General Director

24 March 2016

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2015

Currency: VND

Code	ITEMS	Notes	Current year	Previous year (Restated)
01	1. Revenue from sale of goods and rendering of services	23.1	1.434.851.916.992	1.069.035.499.895
02	2. Deductions	23.1	-	-
10	3. Net revenue from sale of goods and rendering of services	23.1	1.434.851.916.992	1.069.035.499.895
11	4. Cost of goods sold and services rendered	24	861.405.092.161	481.366.165.270
20	5. Gross profit from sale of goods and rendering of services		573.446.824.831	587.669.334.625
21	6. Finance income	23.2	317.123.475.612	143.894.837.330
22	7. Finance expenses	25	41.370.870.831	292.150.961.413
23	In which: Interest expenses		89.987.678.791	251.673.017.974
24	8. Shares of profit/(loss) of associates, joint-ventures	14.1	9.590.181.448	(513.929.038)
25	9. Selling expenses	26	34.887.804.923	17.688.233.075
26	10. General and administrative expenses	26	92.999.002.177	80.645.935.431
30	11. Operating profit		730.902.803.960	340.565.112.998
31	12. Other income		1.328.307.512	797.669.217
32	13. Other expenses		2.255.982.547	90.689.835
40	14. Other (loss)/profit		(927.675.035)	706.979.382
50	15. Accounting profit before tax		729.975.128.925	341.272.092.380

CONSOLIDATED INCOME STATEMENT (continued)

for the year ended 31 December 2015

Currency: VND

Code	ITEMS	Notes	Current year	Previous year (Restated)
51	16. Current corporate income tax expenses	28.1	113.881.512.091	1.922.333.344
52	17. Deferred income tax expenses	28.3	14.031.161.477	27.380.624.397
60	18. Net profit after tax		602.062.455.357	311.969.134.639
61	19. Net profit after tax attributable to shareholders of the parent		611.910.605.619	325.617.229.507
62	20. Net loss after tax attributable to non-controlling interests		(9.848.150.262)	(13.648.094.868)
70	21. Basic earnings per share	30	1.316	904
71	22. Diluted earnings per share	30	1.316	903

(Signed)

(Signed)

(Signed)

Luu Phuong Mai

Preparer

Pham Phuc Hieu

Chief Accountant

Nguyen Thi Thu Huong

Deputy General

24 March 2016

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2015

Currency: VND

Code	ITEMS	Notes	Current year	Previous year (Restated)
I. CASH FLOWS FROM OPERATING ACTIVITIES				
01	Net profit before tax		729.975.128.925	341.272.092.380
	Adjustments for:			
02	Depreciation and amortisation of fixed assets	10,11	28.361.454.661	32.881.714.180
03	Provision		(56.149.062.585)	(4.984.648.260)
04	Foreign exchange (gains)/losses arising from revaluation of monetary accounts denominated in foreign currency	23.2, 25	(583.508.308)	3.588.622.690
05	Profits from investing activities		(306.084.314.413)	(130.804.474.566)
	Loss from reduction of ownership in subsidiary		-	35.333.255.565
06	Interest expenses	25	89.987.678.791	251.673.017.974
08	Operating profit before changes in working capital		485.507.377.071	528.959.579.963
09	Decrease/(increase) in receivables		149.323.255.193	(136.799.809.642)
10	(Increase)/decrease in inventories		(509.888.330.440)	19.927.631.511
11	(Decrease)/increase in payables (other than interest corporate income tax)		(53.296.085.215)	361.034.537.926
12	(Increase)/decrease in prepaid expenses		(484.486.851)	1.109.214.568
14	Interest paid		(142.033.020.514)	(265.143.438.037)
15	Corporate income tax paid	28.2	(7.694.466.484)	(3.239.921.072)
17	Other cash outflows from operating activities		(51.020.000)	(5.655.945.606)
20	Net cash flows (used in)/from operating activities		(78.616.777.240)	500.191.849.611
II. CASH FLOWS FROM INVESTING				
21	Purchase and construction of fixed assets and other long-term assets		(39.703.275.406)	(24.291.863.634)
22	Proceeds from disposals of fixed assets and other long-term assets		-	227.272.727
23	Loans to other entities and payments for purchase of debt instruments of other entities		(15.326.000.000)	-
24	Collections from borrowers and proceeds from sale of debt instruments of other entities		72.609.971.000	-
25	Payments for investments in other entities		-	(839.226.983.978)
26	Proceeds from sale of investments in other entities		148.283.000.000	209.110.000.000
27	Interest and dividends received		6.694.132.965	5.112.285.445
30	Net cash flows from/(used in) investing activities		172.557.828.559	(649.069.289.440)

CONSOLIDATED CASH FLOW STATEMENT (continued)

for the year ended 31 December 2015

Currency: VND

Code	ITEMS	Notes	Current year	Previous year (Restated)
III. CASH FLOWS FROM FINANCING ACTIVITIES				
33	Drawdown of borrowings		1.081.991.327.696	900.000.000.000
34	Repayment of borrowings		(1.096.864.972.234)	(705.109.371.518)
40	Net cash flows (used in)/from financing activities		(14.873.644.538)	194.890.628.482
50	Net increase in cash and cash equivalents for the year		79.067.406.781	46.013.188.653
60	Cash and cash equivalents at the beginning of the year		149.105.090.802	103.092.930.135
61	Impact of exchange rate fluctuation		(8.137.906)	(1.027.986)
70	Cash and cash equivalents at the end of the year	4	228.164.359.677	149.105.090.802

(Signed)

(Signed)

(Signed)

Luu Phuong Mai

Preparer

Pham Phuc Hieu

Chief Accountant

Nguyen Thi Thu Huong

Deputy General

24 March 2016



Shareholders and **investors** may see
Financial Statements on our website:
www.kinhbaccity.com and **www.hsx.vn**

Thank you





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