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ANNUAL REPORT | 2017

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ANNUAL REPORT 2017

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LIST OF ABBREVIATIONS

FDI: Foreign Direct Investment

IP: Industrial Park

BOM: Board of Management

BOD: Board of Director

KBC: Kinh Bac City Development Holding Corporation

HR: Human Resource

ROS: Return on Sales



PART 1 ABOUT US

1. GENERAL INFORMATION

Business name:

- ❑ **Business name in Vietnamese:** TỔNG CÔNG TY PHÁT TRIỂN ĐÔ THỊ KINH BẮC - CTCP
- ❑ **Business name in English:** KINHBAC CITY DEVELOPMENT HOLDING CORPORATION
- ❑ **Abbreviation:** KINHBAC CITY GROUP
- ❑ **Business Registration Certificate No:** 2300233993, issued by Bac Ninh Department of Plan and Investment on March 27th, 2002, the fifteenth amended on January 30th, 2015.
- ❑ **Chapter capital of KinhBac City:** 4.757.111.670.000 VND
- ❑ **Address:** Lot B7, Que Vo IP, Phuong Lieu Commune, Que Vo District, Bac Ninh Province, Vietnam
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- ❑ **Website:** <http://www.kinhbaccity.vn>
- ❑ **Stock code:** KBC

2. PROCESS OF FORMATION AND DEVELOPMENT

KBC successfully built a model of high-tech Industrial Parks, reduced environmental pollution and became one of the first enterprises in the North to develop high-tech Industrial Parks; and contributed significantly to the development of Vietnam in the renovation period. During the process of development, KBC contributed to promote the process of socioeconomic restructuring in local areas, created thousands of jobs, boosted demand for developing ancillary service and contributed VND trillions to the State budget, etc.

Since its establishment on 27/3/2002, KBC has been one of the most successful private corporation and played an important role in attracting FDI enterprises to Vietnam. More than 90% customers of Industrial Parks are foreign enterprises from Japan, Taiwan, Korea, China, Hong Kong, etc. Each Industrial Parks is invested on a large-scale by big corporations such as Canon, Foxconn, LG, JA Solar, etc. All of the Industrial Parks in operation, which were built in modern standards, do perform stably, not only benefit to KBC and investors but also contribute significantly to the development of society.

KBC created a large land bank of about with 5,174 hectares for Industrial Parks, occupying nearly 5.5% of the total Industrial Parks area of Vietnam; and nearly 1,060 hectares for Urban Area from the North to the South. This land bank is enough for our development in the next 20 years. Each Industrial Parks has an average size of over 200 hectares. Besides, there are 16 Industrial Parks in the nation, KBC has 2 IPs in economical zone which are Trang Due - Hai Phong and Sai Gon - Chan May.

Been through 16 years of formation and development, KBC has grown significantly in both size and quality, and has experienced numerous memorable milestones:

- Being a private corporation, which has consistently received 11 eminent emulation flags from the Government, initial share capital increased from VND 20 billion to VND 4.757,1 billion, equity reached over VND 9,031,1 billion on 31/12/2017.
- Becoming a public corporation in for 11 years: 88.000.000 shares listed on the Hanoi Stock Exchange were re-listed to the Ho Chi Minh Stock Exchange in 2009. The number of common shares is 475.711.167, the number of outstanding shares is 469.760.189. Capitalization shares up to 31/12/2017 reached VND 6.294,7 billion.
- 2012 was the most difficult year for KBC with a negative business result of VND 483,9 billion. The stock price has dropped to the lowest level of VND 4.800/share. The recovery starts from the end of 2013 until now.
- Being the most successful corporation in Vietnam in debt restructuring and foreign investment divestment process in the period 2014–2015. After successfully restructuring, potential investors continue to invest in KBC's IPs such as LG and Korean, Chinese and Hong Kong enterprises; simultaneously, credit institutions and investment funds have approached to continue to grant new credit limits to the corporation and to explore investment opportunities.

HIGHLIGHTS IN KBC'S BUSINESS OPERATION IN 2017

- KBC successfully transferred all shares of Hoa Sen Hotel Development One Member Company Limited. This is a Hoa Sen Hotel project development management company with 4 hectares in scale which contributed VND 354.8 billion in profit before tax to the Corporation.
- KBC has successfully launched four successful Phuc Ninh residential projects in Bac Ninh in the 6.27 hectares and 22 hectares sub-area. Total value of contracts and booking agreements reached VND 1.616 billion, the total value of booking agreements is VND 1,361 billion excluding revenue. The total amount has been nearly 600 billion.
- Along with the efforts to attract investors into the IPs as well as expedite the procedures for the expansion of the Trang Due - Hai Phong Industrial Park in the third phase, KBC has been implementing plans to expand the land bank, in direct contact with agencies and investors in some provinces to set up new projects, investment cooperation, acquisition of industrial parks and urban areas. In 2017, KBC signed a cooperation agreement with Vien Dong Real Estate Joint Stock Company with the total value of VND 606 billion, which was funded by BIDV through the issuance of bonds of VND 480 billion to develop projects managed by Vien Dong Real Estate Joint Stock Company in Da Nang.
- In 2017, KBC has been approved by the financial institutions and foreign investment funds for bonds and credits of VND 2,539 billion and USD 15 million. In particular, KBC has issued 05 series of corporate bonds. The value of issuing 05 series is VND 1,530 billion; Been approved loans for projects with a credit limit of VND 480 billion for 22 hectares of Phuc Ninh Urban Area funded by BIDV; of VND 245 billion for constructing 21 factories in Que Vo IP, of VND 284 billion for infrastructure of 83 hectares in Que Vo Industrial Park funded by Vietinbank and of USD 15 million for constructing factories in KBC's IPs funded by DEG financial institution in Germany.

TYPICAL AWARDS

- KBC, which is a public and completely non-government owned corporation, constantly received 11 Emulation Flags from the Government for our excellence. Consecutively, KBC received many Certificates of Merit from the Chairman of Bac Ninh Province and the Title of Outstanding Labor Collective. In 2012, we were very glorious to receive Labor Medal Award (the second grade) from the President of the Socialist Republic of Vietnam. KBC also received the Title of Outstanding Enterprises awarded by People's Committee of Bac Ninh Province for the 20 years of Bac Ninh's renewal. KBC has won many awards such as Vietnam National Brand Award, ASEAN Excellent Enterprise Award, Vietnam Gold Star Award, etc.
- In 2017, KBC was awarded the Certificate of Merit by the People's Committee of Bac Ninh Province with the following achievements: Outstanding Enterprises investing in infrastructure of industrial parks contributed to attract foreign investment, Developing technical infrastructure and social infrastructure of Bac Ninh Province; People's Committee of Bac Ninh Province awarded Certificates of Merit: Enterprises with outstanding achievements in fulfilling the State Budget remittances for the period 1997 - 2017; A subsidiary of KBC is Saigon - Hai Phong Industrial Park Joint Stock Company which was awarded the emulation flag by the Government.
- KBC has always been considered as one of the best enterprises in investor relation: KBC constantly won the Best Annual Report Award, used to be one of the 15 corporations receiving Certificates of Merit from the Chairman of Vietnam State Securities Commission for many years of winning the Best Annual Report Award. According to a survey by vietstock.vn, KBC is one of the best Listed Company in Investor Relations (IR).
- Mr. Dang Thanh Tam - the Chairman received a number of Labor Medal Awards (the first grade, the second grade and the third grade), was held the Title of National Emulation Fighter, awarded 03 Certificates of Merit from the Prime Minister of the Socialist Republic of Vietnam. He received the Certificate of Merit and medal 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, Organization 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-Japan Business Forum (Approved by Prime Minister to be established) 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. Also, he is a member of the strategic advisory partner of the World Economic Forum (WEF GCC Partner member advisory board); He was honors as one of the outstanding entrepreneurs awarded "Ernst & Young - The Entrepreneurs Spirit Vietnam 2011". Moreover, he used to be a member of the 8th National Assembly of Vietnam.



CORE VALUE

Experiences in investing and developing IPs

Being one of the pioneers in the field of constructing and developing IPs, Mr. Dang Thanh Tam, Chairman of KBC, laid the strong foundation for the development of KBC. Been managing and developing IPs for nearly 20 years, he successfully constructed his own IP business model. Therefore, the current IP development model of KBC is considered as a good example of the industry with short-term investment and high ROS. KBC has always been one of the top choices of FDI investors when planning to invest in Vietnam.

Large land bank

In the process of formation and development, the establishment of land bank is the most important asset to ensure the development goals for enterprises. KBC's current land bank covers 5,174 hectares for IP development which accounts for 5.5% of the total IP land of the whole country and 1,060 hectares for urban area development which more than 2,500 hectares are directly owned by KBC and its subsidiaries.

Diverse products and services satisfy all customers' strict requirements

By setting customers' interests as privilege, KBC provides appropriate products and perfect services to satisfy all customers, especially hard customers. KBC is the most successful corporation in calling FDI investment with 14 strategically located IPs nationwide, particularly international firms such as Canon, Foxconn, LG, JA Solar, etc.

In order to meet the needs of SMEs, KBC focuses on developing the leasing and selling available offices to cut off operating time and reduce risks for investors.

Infrastructure maintenance process in IPs is efficiency and keeps IPs' landscapes modern, clean and friendly with the environment. Supporting service in IPs provides customers' convenience such as finance, security, utility, etc. in order to create a full-serviced circle.

Besides developing IPs, KBC developed urban area from the existed land bank. The integrated model has been the consistent vision of KBC. However, KBC has just brought urban area product into market. By doing that, demands of housing, leasing and investing in Bac Ninh Province - many foreign experts are working at FDI companies - has been fulfilled.

The Trademark of KINHBACCITY

The trademark of KINHBACCITY has built an attractive reputation with not only domestic but also foreign investors (both FDI and FII). Thanks to the ability to attract FDI and the competitiveness of services and products with businesses in the same industry, KINHBACCITY is always chosen by FDI enterprises when planning to invest in Vietnam. Foreign ownership of KBC shares is about 25.5% which drops 4.5% compared to that of 2016.

Investor Relations

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

Developing high-quality human resources and efficiency management system

Through development period, we have built professional, highly quality and rich experienced human resources in the field of business investment and development in IP, especially capability of attracting FDI into KBC's IP. Responsibility, loyalty and solidarity spirit are the mainstream in our corporation culture. Thanks to the effective human resources policies, most of our staffs and managers always accompany with KBC in prosperous as well as in difficult period, gradually building up KINHBACCITY to become one of the most sustainable enterprises and has maintained its leading position in the field of IP development even in the most difficult time.





3. BUSINESS SECTORS AND LOCATIONS

KBC started with the field of investment and IP development. In 2008–2009, we expanded our investment in banking, energy, minerals, etc. However, in 2013–2015, KBC quickly divested its investment activities outside of the industry. From 2016, KBC only focuses on investing, trading and developing IPs.

KBC has considered investing and trading IPs and Urban Areas as the core area of the corporation. The managers and staffs of the Group have dedicated to build an effective business pattern for IPs that could meet renovation demand of our country and contribute to the industrial restructuring in the local regions. The process of enhancing the value of the industry has been steadily and consistently with the flexible business model of the market and has turned low-productivity farmland into the most advanced industrial park in the North.

Leasing industrial land, developing available factories for rent and sales have been the largest source of revenue in the total revenue of the Group with the gross profit margin of 30%-50%.

Additionally, the supporting services in IP including electric power and water supply, wastewater treatment, management and maintenance of infrastructure, etc. are appreciated and improved a lot since they will bring annual fixed and sustainable revenue and recover costs for managing of the corporation.

In the last 3 years, KBC's main business areas were located in Bac Ninh, Hai Phong, Cu Chi - HCMC and Bac Giang. In 2017, total revenue from main business activities reached VND 1,260.1 billion, accounting for 74.3% of total revenue (this number in 2016 was 97.7%, in 2015 was 82%).

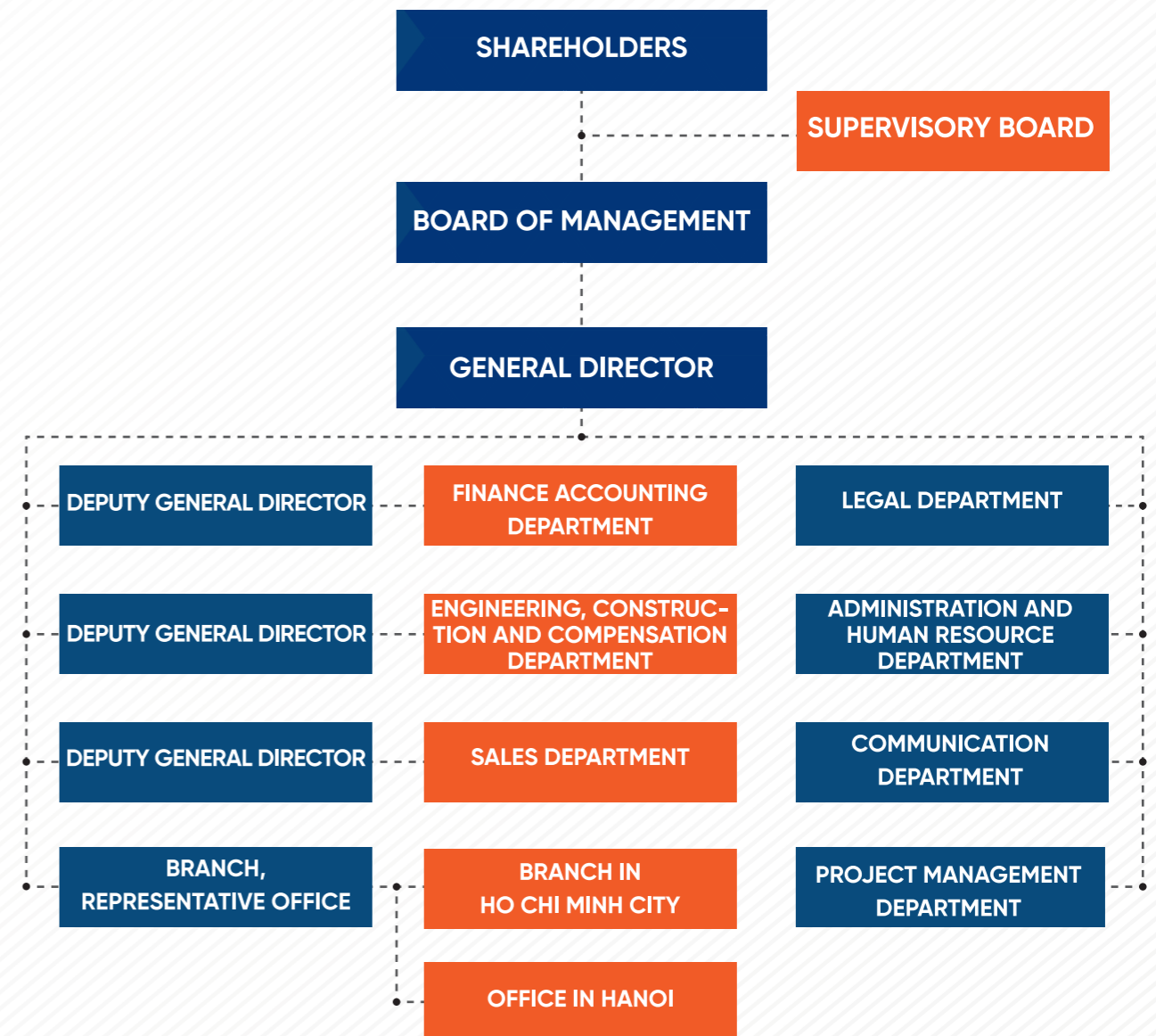
In terms of location, in 2017, revenues were 34.1% from Bac Ninh, 27.9% from Hai Phong, 19.5% from Bac Ninh and 18.5% from HCMC. During the year, business activities in Bac Ninh Province were on the leading position because part of the contribution from the revenue of Phuc Ninh Urban Area has just been opened for sales. If separate the revenue of Phuc Ninh Urban Area away from the others, Hai Phong is the leader and Bac Ninh is the 4th largest contributor to the Group's total revenue.

In addition, KBC also contributed significant revenue from Hanoi area due to the transfer of shares related to Hoa Sen Hotel project, recording net financial revenue of VND 354.8 billion, accounting for 20.9% of the total revenue.

Currently, large corporations all have need to build housing for workers and experts. Therefore, in the coming years, KBC will continue to complete procedures to transfer some hectares of Trang Due Urban Area to some corporations in Hai Phong and to promote the business of Phuc Ninh Urban Area. Therefore, KBC expected the 1,060 hectares land bank for urban area development plan will bring a large source of revenue for KBC in the future.



4. THE PATTERN OF MANAGEMENT, BUSINESS ORGANISATION AND MANAGEMENT SYSTEM



INFORMATION ABOUT SUBSIDIARIES

On December 31st 2017, KBC possessed these following subsidiaries:

| NO. | COMPANY | VOTING RATE (%) | INTEREST RATE (%) | HEAD OFFICE | MAIN ACTIVITIES |
|-----|--|-----------------|-------------------|--|---|
| 1 | Saigon - Bacgiang IP.,JSC | 80,8 | 77,93 | Quang Chau IP, Quang Chau commune, Viet yen dist., Bac Giang province. | Investment, building and trading real estates |
| 2 | Saigon - Haiphong IP.,JSC | 86,54 | 86,54 | Trang Due IP., Le Loi commune, An Duong dist., Hai Phong city. | Investment, building and trading real estates |
| 3 | Saigon - Taybac Development Holding.,JSC | 74,3 | 72,44 | Tram Bom, 22 Highway, Tan Phu Trung commune, Cu Chi dist., Ho Chi Minh city. | Investment, building and trading real estates |
| 4 | Trang Cat Urban Development One Member | 100 | 100 | Bai Trieu Trang Cat commune, Hai An dist., Dinh Vu - Cat Hai Economical Zone, Hai Phong. | Investment, building and trading real estates |
| 5 | NGD Investment One Member Limited Company | 100 | 100 | No. 100, An Trach st., Quoc Tu Giam wd., Dong Da dist., Hanoi. | Investment, building and trading real estates |
| 6 | Kinh Bac Office and Factory Business One Member Limited Company | 100 | 100 | Plot B7, Que Vo IP., Phuong Lieu commune, Que Vo dist., Bac Ninh province. | Investment, building and trading real estates |

INFORMATION ABOUT ASSOCIATED COMPANIES

| NO. | COMPANY | OWN-ERSHIP RATE (%) | ADDRESS | MAIN ACTIVITIES | CHATER CAPITAL (VND billion) |
|-----|--|---------------------|---|--|------------------------------|
| 1 | Saigon - Hue Investment .,JSC | 28,14 | No. 15 Nguyen Hue St., Hue City | Infrastructure investment and development, industrial and civil construction | 210,6 |
| 2 | Saigon Telecommunication & Technologies., JSC | 21,48 | 46 Quang Trung Software Park, Tan Chanh Hiep wd., District 12, Ho Chi Minh City | Investing and trading infrastructure and telecommunication equipment | 423,5 |
| 3 | Saigon High-tech Park Infrastructure Development Investment., JSC | 27,44 | 6-1, Ree Building, 364 Cong Hoa st., Ward 13, Tan Binh dist., Ho Chi Minh City | Investing and trading public utilities | 82,3 |
| 4 | Scanviwood.,JSC | 34 | 565 An Duong Vuong st., An Lac wd., Binh Tan dist., Ho Chi Minh City | Producing household furniture for export | 7,2 |

5. DEVELOPMENT ORIENTATION

Short-term goals

- **Developing core business:** Focusing on infrastructure investment and business development in Nam Son Hap Linh IP, Quang Chau IP, Trang Due IP, Que Vo IP, Tan Phu Trung IP, Phuc Ninh Urban Area, Trang Due Urban Area. Finalising legal procedures, deploying clearance for 3rd phase of Trang Due IP (687 hectares). Buying and selling some other projects, etc. Deploying diverse business plans and attracting high-tech corporations from Korea, Taiwan, Hong Kong, Japan, China, USA, etc.
- Preparing available products and services that meet investors' demand (available land and factory for leasing and selling, services to support investor).
- Mobilising and allocating capital more efficiently, enhancing financial capability. Maintaining sustainable revenue and profit growth rate.



Medium-term and long-term development strategy

- KBC will promote potential Industrial Parks and Urban Areas in the Central and South, simultaneously deploy Urban Area projects that meet the demand of social development. Increasing land bank for developing IPs in potential localities such as Hai Phong, Bac Giang, Bac Ninh, HCMC and Da Nang.
- KBC focuses on attracting different types of FDI enterprises to catch up with the investment transition of FDI enterprises in the coming years. Specially, the current FDI enterprises are tending to focus on energy sector so that KBC has been implementing some business and investment cooperation plans to attract FDI enterprises to invest in the energy field while attracting FDI enterprises in the field of high technology.
- Creating a diverse customer network and diversify products to meet customers' demand.
- Creating and developing KINHBACCITY trademark with an international level; being the leader in the field of managing and developing Industrial Parks - Urban Areas.



The environmental, social and communitive objectives

- Being a corporation that contributes significantly in the process of promoting Vietnam's investment policies to the world through some programs of promoting investment, some economic forums in the region and in the world.
- Being a corporation with significant contribution in the annual attracting FDI of Vietnam in the field of industrial urban real estate and aiming at less-pollution FDI enterprises.
- Being a corporation that creates thousands of jobs for the unemployed, contributes to budgets of provinces and cities where KBC projects are located, contributes to the cause of industrialisation and modernisation of the country and contributes to social works such as conditioning lakes, local parks and so on which create a green, clean and beautiful environment.



6. SWOT

Strengths

- A suitable timing of establishment when we can meet the first wave of FDI to Vietnam.
- A synchronous infrastructure which fulfils operational criteria of IPs
- A convenient location for traffic: All Industrial Parks and Urban Areas of KBC are located on the important highway, convenient to travel to seaports and airports.
- The advantage of trademark: through domestic and foreign marketing programs, KBC was known by investors as the biggest company in IP and infrastructure development in Vietnam.
- A great number of electronic and high-tech enterprises who invest in KBC's IPs have attracted many of their vendors/sub-contractors to invest.
- Supporting Services for Investors: KBC provides supporting services to investors in the implementation of procedures before and after the investments.
- Utility services in IPs: There are many utility services for investors in IPs 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 such as: corporate income tax, value added tax, personal income tax, import tax, special consumption tax...
- Human Resource: Our Sales Department is the convergence of staffs who are good at foreign languages such as English, Chinese, Korean, Japanese, etc. who are able to communicate, solve problems and 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 shares.
- **Limitation of attracting sectors to the IPs:** IPs tend to limit the sectors which can spoil our environment.
- **Workers:** The number of suitable skilled labours is not enough for the needs of enterprises.
- **Tax incentives:** Apart from Trang Due IP, other IPs of KBC are located in the developed economic zones so they do not follow the preferential tax policies according to the new law.

Opportunities

- Plans to expand the scale of some enterprises that invested in KBC's IPs.
- Rezoning the plots, premises with areas suitable with the demand of investors.
- Attracting satellite projects of major corporations which have invested in KBC's IPs or in the vicinity such as LG, SamSung, JA Solar, ZhongY-iFeng, etc. (the SamSung project will be expanded in Bac Ninh and Ho Chi Minh City in the near future).
- In 2018, experts predict that FDI attraction will continue to flow into Vietnam. Vietnam is considered by many foreign investors as a "magnet" because of not only preferential policies, a series of signed FTAs, but also investment for good education. According to the data, the rate of skilful labours in Vietnam is increasing. All these positive points make FDI enterprises continue to boldly invest in Vietnam. However, in 2018, FDI is expected to make a shift in the structure of investment. It is forecasted that foreign investors will focus on utilities, prioritising the production, distribution of electricity, gas and water for investment in 2018 instead of focusing on the manufacturing and processing industry as in 2017. The investment of FDI in the field of electricity and water has opened up a great opportunity for Vietnamese enterprises in this field. In order to catch this opportunity, KBC has been implementing a number of investment and business cooperation plans to attract FDI enterprises investing in the energy field.

Threats

- Investment cost increased leads to a higher rental price which 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.
- Changing macro policies in the process of directing, managing and developing IPs.
- Choosing investors that do not pollute the environment, do not use backward technology, etc.
- The transformation of the investment structure of FDI enterprises is taking place strongly. In 2018, it is forecasted that FDI enterprises will shift to utilities, energy, gas and water. Meanwhile, KBC focuses on attracting high-tech FDI enterprises.



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

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

KBC has experienced such risks over the past 16 years. All issues have been proceeded by KBC. Regarding to policies issues, most of the time, Vietnam has to make reports to explain, persuade, comment with authorities, pointing out the benefits and damages that continuous changes in policy can cause to the state and the investors. Thanks to all efforts and persistence to protect the views of enterprises, KBC has overcome the types of policy risks.

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

In 2017, a number of KBC's expansion projects in the process of applying for approval of investment procedures have also slowed down due to changes in policy.



□ **Risks from changes in monetary policies**

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

In the past, KBC has experienced such events. During the period from 2011-2014, KBC could hardly approach any source of loans. In that scenario, KBC had to stay dependent on its internal financial capacity such as incomes from operating business activities. Many commercial projects, as a result, were cancelled or delayed the progress (due to inability to manage reasonable source of funds and when interest rates increased, the real estate market was in trouble, businesses also wanted to choose the solution to stop constructing).

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

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

However, in fact, in 2017, KBC did not face any risks due to changing monetary policy. KBC approached the banks from the beginning of the year and was approved significant limits to invest in IPs and Urban Areas by BIDV and Vietinbank. In addition, in order to proactively raise capital, mitigating the risk of policy changes, KBC has accessed to funds from investment funds, non-bank financial institutions and individuals through the issuance of corporate bonds.

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



□ Risks from attracting FDI

For KBC, attracting FDI in Vietnam is the most important factor that impacts the business operating status of the Corporation.

In 2017, FDI in Vietnam was \$35.88 billion (44.4% higher than that in 2016), disbursement reached \$17.5 billion which is the highest ever. In 2017, KBC's FDI attraction is more modest than expected. In 2017, FDI in high technology has attracted large enterprises such as LG Display, Intel, Microsoft, Nidec, Jabil, Sanofi, Nipro, Datalogic, Samsung, Sonion, etc. However, the distributions of their investment are in different locations, mainly in Ho Chi Minh City. Among these large enterprises, KBC contributed to the total value of FDI from LG Display and some Samsung satellites. On the other hand, LG increased capital but did not increase the size of rented area so KBC revenue did not increase corresponding to the increase in FDI. This is a misleading risk for investors as corporate revenues do not increase with the growth of FDI.

It is expected that by 2018, FDI enterprises will tend to shift their investment structure, focus mainly on energy, gas and water. At present, KBC mainly attracts FDI enterprises in the high technology sector, which is also a risk for KBC in 2018. To cope with this trend, KBC has been developing cooperative plans with the energy corporations to develop through the form of joint venture.



□ Risks from ineffective management of cash flow

KBC had been at risk when using capital to invest in multidiscipline in 2009-2010. Therefore, capital mobilisation and usage of capital are always problems 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 when we have difficulties in developing projects.

In 2017, KBC's Finance Department will approach domestic and foreign financial institutions investment funds and individuals who purchase shares of the enterprises in order to restructure old debts from 2009 and improve financial capacity to the corporation. KBC did not have any risk of managing cash flow in 2017.

In 2018, KBC will have some pressure due to the maturity of loans, although cash flow from KBC can meet the loan maturity, however, KBC still has to make plans to arrange capital for investment, generating cash flow to pay due debts.

□ Other risks

The operating IPs cannot avoid significant risks such as environmental pollution from enterprises in the IP, natural disasters (storms that speed the roof of factories), fire and explosion (fire in the factory), strike causing stagnation of production and business activities of enterprises in the IPs, causing security instability, companies operating in the IP go bankrupt, global purchasing power impairment affects the export performance of FDI enterprises, etc.



PART 2

BUSINESS PERFORMANCE IN 2017

In 2017, Vietnam's economic growth and FDI attraction reached a record in the past 10 years. With a GDP growth rate of 6,81%, exceeding the target set by the National Assembly, and increasing 0,61% compared to that of 2016; Foreign direct investment (FDI) into Vietnam reached \$35,88 billion, increased 44,4% over the same period of 2016, disbursed FDI reached \$17,5 billion which is the highest increase ever (Over the past 10 years, FDI has been only around \$ 11-12 billion). Of these, 5 billion projects contributed \$ 12 billion, mainly in the energy sector, which accounted for 40% of total FDI in Vietnam.

In 2017, Vietnam's economy has accelerated on a solid basis because indicators reflect improved economic stability: in terms of inflation rate, public debt/GDP ratio, public debt growth rate, budget over-spending, recurrent expenditures tend to decrease, etc. Thus, economic growth is accelerating on a stronger macroeconomic basis. As a result, the business situation of Vietnamese enterprises in general has improved or can clearly define the development goals in 2018. KBC is also one of the enterprises have many opportunities to benefit from the positive signals of macroeconomy. In 2017, KBC has seized the opportunity to carry out large scale transactions for commercial real estate such as the transfer of Hoa Sen hotel project, investment and open sale of Phuc Ninh urban area project, etc. For FDI attraction in 2017, although the plan is not fulfilled, KBC still believes that when the macroeconomy is stable and FDI continues to flow into Vietnam, KBC will capture opportunities for development.

Here are the figures specifically illustrating activities of KBC in 2017.

1. THE SITUATION OF PRODUCTION AND BUSINESS ACTIVITIES IN 2017

Unit: VND billion

| TARGET | 2017 | 2016 | CHANGE % |
|---|----------------|----------------|---------------|
| Net revenue from sales and services | 1.260,1 | 1.972,5 | 64% |
| Revenue from land lease | 716,7 | 1.632,1 | 44% |
| Revenue from transferring projects | 232,8 | 218,8 | 106% |
| Revenue from leasing and sale of premises | 137,0 | | 0% |
| Revenue from renting warehouse, providing clean water, electricity, sewage treatment, service charges | 173,6 | 121,6 | 143% |
| Revenue from financial activities | 431,4 | 39 | 1.106% |
| Other incomes | 3,4 | 7,2 | 47% |
| Total revenues | 1.694,9 | 2.018,7 | 84% |
| Total profit after tax | 618,8 | 711,3 | 87% |
| Profit attributed to shareholders of the parent company | 584,5 | 557,4 | 105% |

(According to the consolidated financial statements in 2017)

Total consolidated revenue in 2017 reached VND 1.694,9 billion, equalling 84% of that in 2016, of which revenue from business activities (leasing land, selling and renting workshops, selling real estate and services, etc.) reached VND 1,260.1 billion, accounting for 74,3% of total revenue of the Corporation, equalling 64% of that in 2016.

Consolidated profit in 2017 reached VND 618,8 billion, equalling 87% of that in 2016. The profit attributable to shareholders of the parent company was VND 584,5 billion, equivalent to 105% of that in 2016. Thus, although total consolidated profit decreases compared to 2016, the parent company's share is slightly higher than 2016.

The cost factor did not negatively impact the Corporation's profitability. It was slightly higher than that in 2016 but remained much lower than that in previous years and compared to the size of the business. The details presented in Part 3 of this report.

The operating results compared to the plan

Unit: VND billion

| TARGET | OPERATING RESULTS IN 2016 | PLAN IN 2017 | COMPLETELY |
|----------------------|---------------------------|--------------|------------|
| Total Revenue | 1.694,9 | 2.800 | 60,5% |
| Net profit | 618,8 | 850 | 72,8% |

(*) Causes: Presented in **Part 3** of this report

2. HUMAN RESOURCE ORGANISATION

BOARD OF MANAGEMENT (BOM)

□ MR. DANG THANH TAM - THE CHAIRMAN OF BOM

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

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

The number and percentage of his ownership share up to 31/12/2017: 75.250.000 shares (16,02%)

□ MS. NGUYEN THI THU HUONG - A BOM MEMBER AND CEO

Ms. Nguyen Thi Thu Huong was born in 1971. She held a Doctorate of Science in Economics and a Master in Business Administration. She can use English and Chinese language fluently. With more than 10 years beside the development of the Corporation, Ms. Nguyen Thi Thu Huong has closely followed every strengths and weaknesses of the Corporation, then manipulated "KBC ship" to overcome the crisis wave in the previous years. Within her prior experience in the diplomatic field, she is a spearhead in promoting investment and relations with large corporations as well as in controlling the operation in each IP. 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. Hung emphasised on responsibility in working, discipline and solidarity between workers as the most critical part of development. She received a Labour Medal (the third grade) from the President of the Socialist Republic of Vietnam, a Certificate of Merit from the Prime Minister because of her achievements from 2002 to 2006, which contributed to build socialism and defend our country in Decision No. 1539/QĐ-TTg dated 14/11/2007 of the Prime Minister, etc.

The number and percentage of her ownership share up to 31/12/2017: 299.478 share (0,06%)

□ MR. NGUYEN VINH THO - A BOM MEMBER

Mr. Nguyen Vinh Tho was born in 1968. He is a marine engineer and a Bachelor of Business Finance. Mr. Tho has many years of management experience, holding positions in many companies in the field of investment and business development of industrial zones in the South. Mr. Tho was elected to the Board of Directors of KBC from 21/4/2017 for the term of 2017-2020.

The number and percentage of her ownership share up to 31/12/2017: 0 share (0%)

□ MR. PHAM PHUC HIEU - A BOM MEMBER

Mr. Pham Phuc Hieu was born in 1978 and appointed to be the Deputy General Manager in Finance and the Chief Accountant since 08/12/2012, appointed to be a Board member since 26/04/2014. Currently, he is also authorised to announce information of KBC. Mr. Pham Phuc Hieu graduated Bachelor of Banking and Finance. He has been working in KBC more than 10 years as a financial stewardship at KBC and member companies so he had good foundation in financial sector as well as trait business activities of the Group. His qualifications and experience has confirmed him as an important member in the board to help KBC overcome a difficult period and maintain sustainable development.

The number and percentage of her ownership share up to 31/12/2017: 22.817 shares (0,005%)

□ MR. HUYNH PHAT - AN INDEPENDENT MEMBER OF BOM

Mr. Huynh Phat was born in 1966 and gained a Bachelor degree in finance and accounting. Mr. Phat has joined BOM since 14/06/2013 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 IP development, he regularly makes valuable and objective suggestions on many aspects in every decision of BOM.

The number and percentage of her ownership share up to 31/12/2017: 0 share (0%)

BOARD OF DIRECTORS

□ MS. NGUYEN THI THU HUONG – CEO

(Introduced in the BOM part)

□ MS. PHAM PHUC HIEU – DEPUTY GENERAL DIRECTOR IN FINANCE AND AUTHORISED ANNOUNCER

(Introduced in the BOM part)

□ MR. PHAN ANH DUNG – DEPUTY GENERAL DIRECTOR IN TECHNOLOGY

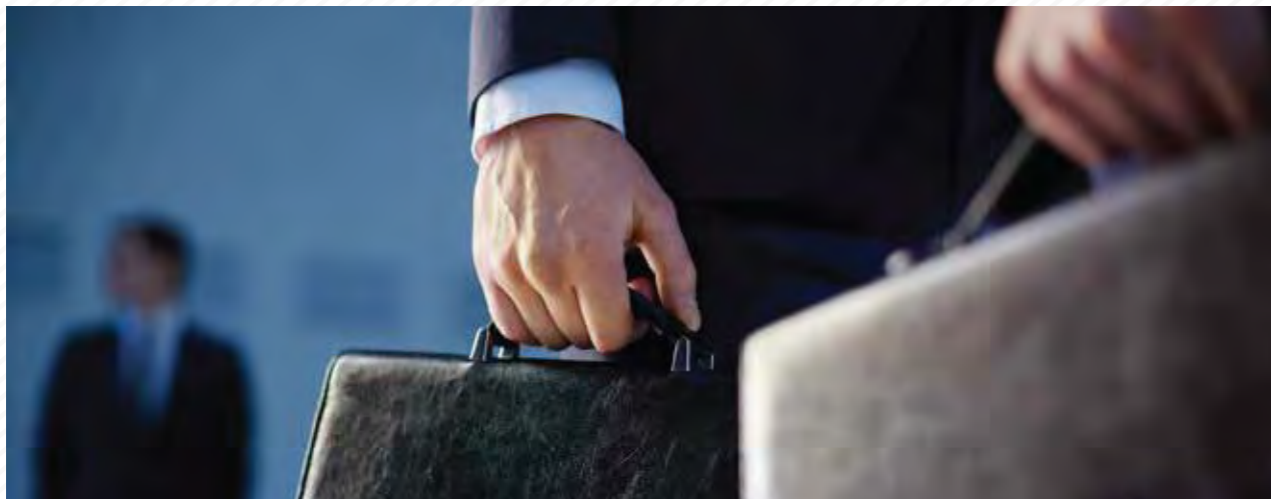
Mr. Phan Anh Dung, who was born in 1969, is the Deputy General Director in charge of project management and technique constructions of the Company. As an experienced manager of residential areas, especially in the fields of construction and housing, he had previously served as technical manager of KBC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

The number and percentage of his ownership share up to 31/12/2017: 11,500 shares (0,00002%)

□ MS. NGUYEN MY NGOC – DEPUTY GENERAL DIRECTOR IN SALES AND MARKETING

Ms. Nguyen My Ngoc, who was born in 1972, has a Bachelor in foreign language and bachelor in banking and finance. Ms. Ngoc has 13 working year in some foreign companies and she is fluent in Chinese and English. With her experience, cultural understanding and high sense of responsibility, Ms. Ngoc has successfully completed the role of Sales and Marketing of the Group since the 2nd of February 2015. Joining the Group in 2008, Ms. Ngoc is an important factor in the board of KBC because she deeply understands the business projects. She dedicated and gained many excellent achievements in attracting and negotiating successfully with many large corporations investing in KBC's IPs.

The number and percentage of his ownership share up to 31/12/2017: 0 share (0%)



THE NUMBER OF STAFFS

THE LABOUR STRUCTURE IN THE PARENT COMPANY

| QUALIFICATIONS | AMOUNT (PEOPLE) | RATE |
|---------------------------------|-----------------|-------------|
| Post graduated | 12 | 6,7% |
| Graduated | 75 | 41,9% |
| College and vocational training | 20 | 11,2% |
| Technical workers | 21 | 11,7% |
| Security and guard | 51 | 28,5% |
| Total | 179 | 100% |

□ The total number of staffs in Parent Company up to 31/12/2017 is 179, increasing 16 staffs in comparison with that of 2016.

□ The total number of staffs in Group up to 31/12/2017 is 478, increasing 40 staffs in comparison with that of 2016.

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 favourable working environment for individual's development in career, at the same time, we accumulate and build potential workforce for the Corporation.

SALARY AND BONUS

Salary, bonus and welfare are important issues in HR policies that are built in balance with the development of the Corporation. KBC fully implemented social insurance policy, health insurance and unemployment insurance according to the Labour Law for all employees. At the end of 2017, total average income of workers and employees of KBC reached VND 14.2 million/person/month (18.3% higher than that of 2016).

Our employees enjoy policies of vacation according to the Labour 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 employees' health, we held a kitchen at the office with fresh products which are directly processed. Every year, our Corporation organises medical examinations for all staff at Medlatec hospital.

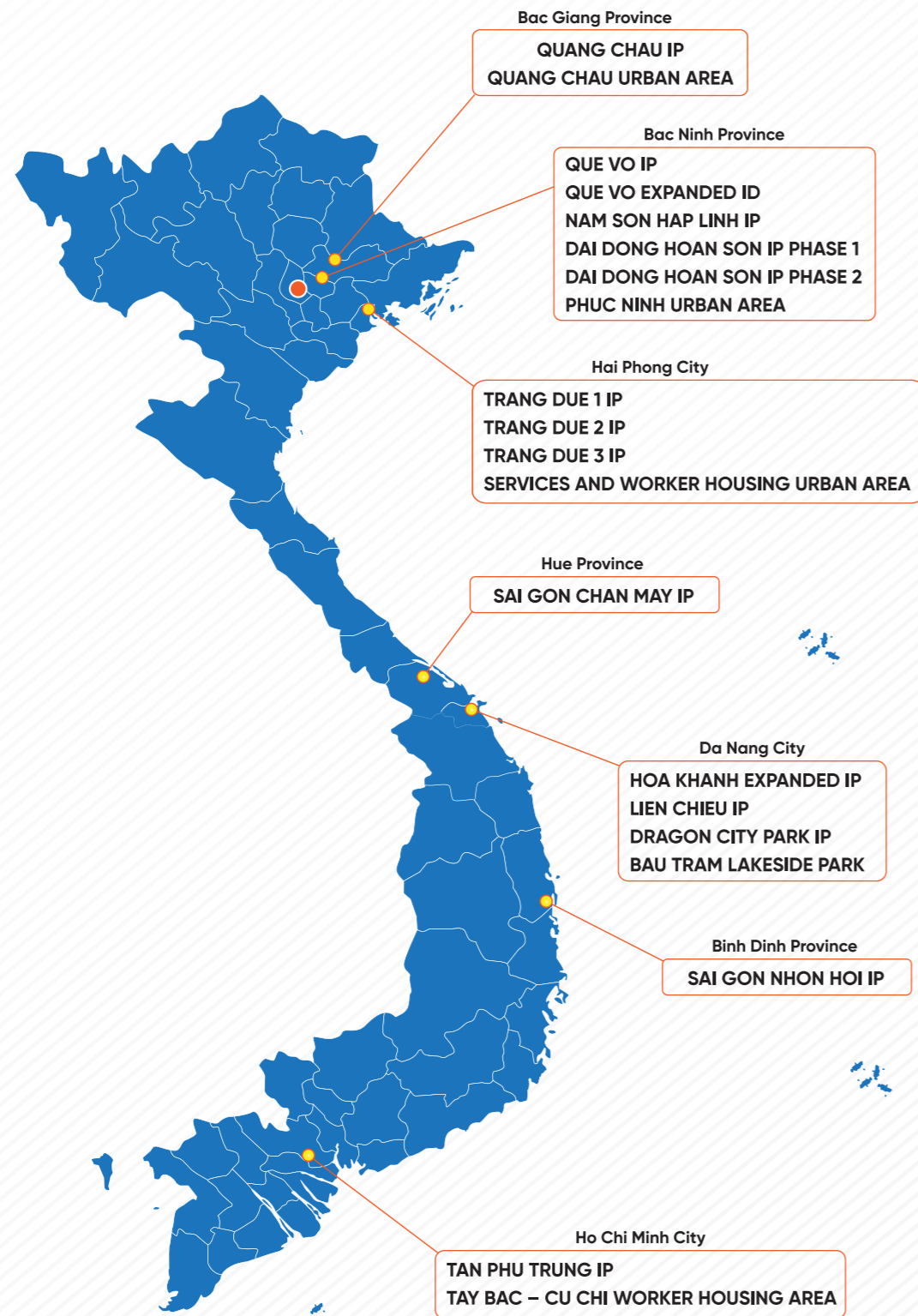
In addition, every year, our Corporation organises an excursion for all staffs as well as organised several team-working activities. Activities of Trade union and organisations which play an important role for officers and employees are also regularly held.

3. THE INVESTMENT AND IMPLEMENTATION OF PROJECTS

□ The land bank of the Corporation

Currently, the group owns 5,174 hectares of land for IPs and 1,063 hectares of land for Urban Areas. This land bank stretches throughout the North, the Central and the South of Vietnam. In 2017, KBC has signed a business cooperation contract with Vien Dong Real Estate Joint Stock Company to distribute its projects as an investor to increase land bank in Da Nang.

□ Location of KBC projects



□ General investment situation

In 2017, the total value of direct investment in IPs and Urban Areas is VND 579,4 billion, equivalent to 83,1% compared to that of 2016. In particular, KBC focuses on infrastructure investment in the following projects:

- **Nam Son Hap Linh IP** has nearly 100 hectares of ground clearance. Total investment was over VND 55 billion.
- **Que Vo IP, Que Vo expanded IP** has been compensated for 20 hectares, implemented pilling up the construction of 7 factories (nearly 15.480m²): road construction, levelling, drainage of rain water and waste water. Total investment value in the year was VND 122,2 billion.
- **Quang Chau IP** completed construction of 7 factories, 1.500m of road, levelling and so on. Total investment in the year was VND 172,9 billion.
- **Trang Due IP** has completely compensated 100% of the second phase. Compensating 38,7/42 hectares of Trang Due Urban Area, investing in water supply, transportation, ground levelling, etc. Total investment was VND 236,7 billion.
- **Tan Phu Trung IP** compensated and levelled with VND 71,2 billion.
- **Phuc Ninh Urban Area** has deployed the quickest and strongest in 2017 and has done the work such as demining mine over the whole area of the project, digging ponds with an area of about 3,2 hectares, levelling ground, deploying the construction of infrastructure on the area of about 22 hectares, constructing protective fences surrounding the area of 22 hectares and 6,3 hectares, having completed the outside of 19 buildings and constructing 17 buildings on Dau Ma street, holding ground-breaking ceremony and implementing the preparation for the construction of greenery combined with playground, supporting Phuong Vy residence to invest in building some routes to Phuong Vy 2 serviced residence, Vu Ninh ward. Total investment was VND 43,6 billion.



Investments in associated companies and long-term financial investments

The total value of investments calculated at cost of parent company in associated companies was VND 723,7 billion, the net amount on 31/12/2017 was VND 388,3 billion (7,5% higher than that of 2016) because of reversal of provision from investments in Saigon Telecommunication and Technologies Joint Stock Company (SGT), the provision was VND 335,2 billion (lower than that of 2016). However, from 2015 to 2017, SGT has made a profit again, contributing VND 21,4 billion in 2017 to the profit from associated companies.

Investments in Saigon - Hue Joint Stock Company, Saigon Hi-Tech Park Infrastructure Development and Investment Joint Stock Company, Scanviwood Joint Stock Company were considered as the loss from associated companies of the Corporation in 2017 with VND 2,8 billion.

In terms of long-term financial investments, KBC owns less than 20% with VND 448,5 billion of total investment value, extracting VND 39,7% billion for backup fund due to the impact of the investment in Saigon Quy Nhon Mining Corporation (SQC). The capital invested in this project was VND 339 billion, equalling to 75,6% of the total long-term investment value. The capital invested in IPs was VND 68 billion, equalling to 15,2% of the total long-term investment value (including IPs in Da Nang, Binh Phuoc, Nhon Hoi). Other investment cost was VND 41,5 billion, equalling to 9,3% of the total long-term investment value.

Although the investment portfolios in associated companies and long-term investments have not brought profit to KBC, these companies now own 2.074 hectares of land for IPs of KBC, equalling to 1.457 hectares of commercial land. The remaining 1.143 hectares of commercial land is the asset that increases the value of KBC in the future.

OPERATING STATUS AND PROSPECTS OF MAIN PROJECTS

THE PROJECTS 100% OWNED BY KBC

Que Vo IP

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

Additionally, in these two IPs, KBC has constructed a number of factories and offices for lease and sale. These factories totally met the demand of the FDI enterprises namely satellite companies, secondary companies of large corporations, helping them to minimise investment risks and shorten the progress of investment in Vietnam. Therefore, these factories have been 100% leased and sold. In the early 2018, KBC has been building 07 factories.

In 2017, total revenue of the parent company was VND 1.041,4 billion, after tax profit reached VND 568,2 billion of which the revenue from the lease of IP (4,7 hectares), Phuc Ninh Urban Area (1,5 hectares) and services revenue accounted for 41,3%, revenue from transferring of shares related to the Hoa Sen Hotel project and financial income accounted for 58,3% of the financial revenue.

Development plan for 2018: The existing Que Vo IP remains 5,27 hectares of commercial land with the occupancy rate of 97%. The expanded Que Vo IP remains 55,8 hectares of commercial land with occupancy rate of 65%. In 2018, there are going to be more than 20 factories constructed in Que Vo IP. The main focus will be attracting customers from Taiwan, South Korea, Hong Kong and satellites of SamSung, etc.



Nam Son Hap Linh IP

With the total area of 432,5 hectares, located in Bac Ninh province, a favourable geographical position (adjacent to 18B National Highway and only 15km away from the SamSung factory), favourable traffic connections with seaport and airport, this IP has become a destination attracting many investors. Nam Son Hap Linh IP has an estimated commercial land area of 283,11 hectares, in which 100 hectares of compensated land of IP were the most potential for development in 2018 and the coming years.

In 2017, KBC invested VND 55 billion for levelling, the levelled area is nearly 100 hectares. In Bac Ninh, land for developing IPs is almost exhausted. KBC's active IPs have high occupancy rates. Therefore, this IP is an important land bank for the development of the Corporation's business in the coming years. The total investment value was VND 289,7 billion (23,4% higher than that of 2017)

Development plan for 2018: Continue to improve the infrastructure to put into business soon.

Phuc Ninh Urban Area

KBC is the developer of the Phuc Ninh - Bac Ninh Urban Area project with a total area of 136,47 hectares, located in the centre of Bac Ninh City (75 hectares of compensated land, 65 hectares of handed over land, nearly 17,1 hectares of commercial land, 19 raw villas and the subdivision of 6,27 hectares and 22 hectares are on sale). Phuc Ninh project is one of the projects attracting hundreds of interested investors in 2017. In 2017, project has been invested additionally VND 43,6 billion, recording revenue of VND 232,8 billion (1,5 hectares). Within the year, a contract of booking villa blocks in the 22 hectares and 6,27 hectares subdivisions has been signed. The estimated revenue is VND 1.361 billion.

Development plan for 2018: Continue to complete the infrastructure for handling over to customers and open new sales in the 6.27 hectares and 22 hectares subdivisions.

Diplomatic Corps project - Hanoi

The project has a total area of 20.000 m2 in development area in the capital, located on Pham Van Dong, Hanoi, next to Hoa Binh Park. In the year, the company established a subsidiary named NDG Investment Limited Company to manage the development of the project. The project is in the process of commencement.

The above is the operation situation and plans for development of the main projects by the parent company as the developer:

As at 31/12/2017, the parent company's total assets were VND 10.831,1 billion, outstanding loans of VND 2.28,8 billion in short-term and long-term loans, increased 56% over 2016, interest was VND 777,9 billion (this is the accumulated interest from 2012 to be extended to 2020 after the payment of principal debt at Pvcombank).

Total revenue of the parent company in 2017 reached VND 1.041,4 billion, equalling to 183,1% of 2016, profit after tax was VND 568,2 billion, equalling to 170,3% of 2016.

PROJECTS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

- **Address:** North Beach Park, Trang Cat ward, Hai An dist., Dinh Vu – Cat Hai EZ, Haiphong city

- **Business line:** Industrial Park and Urban Area Real Estate Sales

- **Registered capital:** 1.500 billion VND

- **KBC's current holding rate:** 100%

TCC is the developer of Trang Cat IP and services project which has a total area of 584,9 hectares and 511 hectares of compensated land. Total investment in infrastructure is expected to be VND 6.300 billion (six thousand three hundred billion). The total invested value is VND 3.475,1 billion, including compensation costs, construction cost of the tunnel leading from the highway Hanoi – Haiphong to the project's place and implemented interest capitalisation.

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

▣ Saigon – Haiphong Industrial Park Joint Stock Company (SHP)

- **Address:** Trang Due IP, Le Loi Commune, An Duong District, Haiphong City, Vietnam

- **Registered capital:** 416 billion VND

- **Business line:** Industrial Park and Urban Area Real Estate Sales

- **KBC's current holding rate:** 86,54%.

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

In the first stage, the total area of 187,8 hectares has been 99% filled up. In the second stage, which was implemented investment and business activities, has the total area of 214,2 hectares which is equivalent to 133 hectares of commercial land, the remaining commercial land was 30,6 hectares.

This is the IP which has the fastest occupancy rate of the KBC. Trang Due IP attracted 43 investors, in which there are 83% of foreign investors. Some big names that could be mentioned are LG Electronics, LG Display, Dongjin Techwin Vina, Asia Plastic J.S.C, Haengsung Electronic, Heesung Electronics, Innotek, etc. The total revenue of SHP was VND 351,2 billion (equal to 41% of 2016), profit after tax was VND 131,8 billion (equal to 41,4% of 2016).

In addition, SHP is also the developer of the Trang Due Urban Area project, covering an area of 42 hectares. During the year, the project has implemented compensation for 37/42. The project is now underway for infrastructure.

Development plans for 2018: SHP will focus on perfecting infrastructure, attracting investment, occupying the 2th stage of Trang Due IP, completing legal procedures, implementing clearance in the 3rd stage of Trang Due with the total area of 687 hectares. Simultaneously, SHP will put Trang Due – Hai Phong Urban Area on sales in 2018.

▣ Saigon – Bac Giang Industrial Park Joint Stock Company (SBG)

- **Address:** Quang Chau IP, Quang Chau Commune, Viet Yen District, Bac Giang Province

- **Business line:** Industrial Park Infrastructure

- **Registered capital:** 220 billion VND

- **KBC's current ownership rate:** 80,8%, Interest rate: 77,93%

SBG is the developer of Quang Chau IP and Urban Area project. Quang Chau IP is located in Viet Yen district, Bac Giang Province with a total area of 426 hectares, the total area of commercial land of 275,6 hectares, occupancy rate of 47,9%, the remaining commercial land of 143,5 hectares, the compensated land of 111,8 hectares. The project is conveniently located right next to Bac Ninh province, about 2km from Que Vo IP and on the traffic line connecting many large manufacturing zone. This IP has attracted 14 foreign corporations. Typical enterprises who invested in Quang Chau IP are Nichirin Viet Nam Co.,Ltd, Umec Vietnam, Crystal Việt nam, JA Solar, ZYF, Luxshare – ICT, etc. In 2016, Quang Chau IP was very successful in attracting investment after many years do not attract any customers. In 2017, Quang Chau IP recognised the turnover of 7 workshops of 27.448m². As of 31/12/2017, the total revenue of SBG for 2017 is VND 245,8 billion, equaling to 38,1% of 2016, profit after tax reached VND 54,7 billion, equaling to 22,3% of 2016.

Development plan for 2018: This IP will continue to strongly promote investment attraction, expected to continue to build 10 factories for rent. In the first quarter of 2018, this IP is building 3 factories according to customers' orders.

▣ Saigon Tay Bac Urban Development Joint Stock Company (SCD)

- **Address:** Tram Bom Hamlet, Highway 22, Tan Phu Trung Commune, Cu Chi District, HCM City

- **Business line:** Real Estate – Industrial Park Infrastructure

- **Registered capital:** 500 billion VND

- **KBC's current ownership rate:** 74,3%, Interest rate 72,44%

SCD is the developer of Tan Phu Trung Industrial Park project in Cu Chi district, 25km from Ho Chi Minh city centre. Total land area is 542 hectares, commercial land area is 314 hectares, occupancy rate is 31%. The remaining land is 216,6 hectares, the compensated land is 6,4 hectares down 78,5% compared to that of 2016. In 2017, Tan Phu Trung has leased 14,5 hectares. In addition, SCD is also the owner of the 47,7 hectares residential housing project. This real estate project aims at supplying housing for the labor force in the industrial zone, with an estimated 7.800 people. As of 31/12/2017, total revenue of SGTB in 2017 is VND 233,3 billion, equaling to 138,9% of 2016, profit after tax is VND 75,3 billion, equaling to 175,9% compared to that of 2016.

Development plan for 2018: Tan Phu Trung Industrial Park has many advantages in terms of location, availability of land available for rent, meeting customer demand, business growth rate maintaining steady growth through recent years. This IP will focus on building an appropriate business strategy, which is expected to attract Samsung's satellites in Ho Chi Minh City.

□ Saigon Hue Joint Stock Company (SGH)

- **Address:** No. 15 Nguyen Hue Street, Hue City

- **Registered capital:** 350 billion VND

- **Business line:** Investing, constructing and trading infrastructure in and outside IPs, residential-urban areas, resettlement areas, worker's quarters; construction of industrial and civil works, transportation, power projects up to 35KV

- **KBC's current ownership rate:** 28,14%

SGH is the developer of infrastructure project of Sai Gon - Chan May Industrial Park and Non-tariff Area. This IP has a total area of 650 hectares located in Loc Tien Commune, Loc Vinh District, Phu Loc District, Thua Thien Hue. The strategic location of the IP is 50 km from Hue city centre, 32 km from Da Nang city centre, near the airport and seaport. Moreover, this IP is located in Chan May Economic Zone. Therefore, investors in this IP will receive many tax incentives and exemptions for both businesses and workers under the policy of special economic zone. Currently, the project has compensated 73,24 hectares, built 7 factories with an area of 25.515 m². The project has not attracted investors.

□ SaigonTel Joint Stock Company (SGT)

- **Address:** Lot 46, Quang Trung Software Park, Tan Chanh Hiep Ward, District 12, Ho Chi Minh City, Vietnam

- **Registered capital:** 740 billion VND

- **Business line:** Investing in infrastructure, building and leasing IPs. Distribution of information technology products. Television services. Telecommunication services

- **KBC's current ownership rate:** 21,48%

SGT is the developer of the infrastructure investment project of Dai Dong Hoan Son Industrial Park, Bac Ninh. The IP has a total area of 268 hectares in Bac Ninh province, and by 2016, phase 1 has been filled. At present, SGT is preparing to deploy the second phase with an area of 96 hectares. In 2017, SGT contributed KBC's pre-tax profit of VND 21,4 billion.

During the year, the company has set up two subsidiaries named NGD Investment One Member Limited Company and Kinh Bac Office and Factory Business One Member Company Limited which are 100% owned by KBC. However, these companies have not had reported data.

4. FINANCIAL STATUS

a. Financial status in 2017

Unit: VND

| TARGET | 2017 | 2016 | % INCREASE/(DECREASE) |
|------------------|--------------------|--------------------|-----------------------|
| Total asset | 15.779.767.538.270 | 14.657.547.795.899 | 107,7 |
| Equity | 9.038.107.349.299 | 8.621.089.944.484 | 104,8 |
| Revenue | 1.694.922.374.570 | 1.972.459.422.710 | 84 |
| Gross profit | 813.430.381.901 | 914.642.888.677 | 88,9 |
| Profit | 811.539.933.682 | 922.018.821.422 | 88,1 |
| Net income | 618.777.162.815 | 711.284.966.641 | 86,9 |
| Earn/share (EPS) | 1.244 | 1.186 | 104,9 |

(According to audited consolidated financial statements in 2017)

□ Causes of changes in assets and equity

Total Assets: The Group's total assets are 107,7% in comparison with that of 2016, its total equity is 104,8% compared to that of 2016. The reason caused the increase in net asset value of VND 1.122 billion is mainly due to the increase in short-term assets accounting for 65% (cash increased over VND 209 billion, equivalent to 71% increase over the same period due to customers' deposits in Phuc Ninh Urban Area). There was also a short-term receivable contribution of VND 363 billion (due to the sale of goods), long-term receivables increased by VND 421 billion (contributed by the company co-investing with Vien Dong Real Estate Joint Stock Company).

Total capital: The change in total liabilities resulted in an increase of VND 705,2 billion, accounting for 62,8% of total capital, mainly from the increase of net debt to VND 754,8 billion through the issuance of corporate bonds to supplement business capital, project investment and debt structure. Equity of the company increased by VND 417 billion (5,84% higher over the same period) mainly due to an increase of gross profit.

□ Causes of changes in revenue - profit

The total revenue in 2017 decreased by VND 323,8 billion, equalling to 84% compared to that of 2016 because the Group only sells 41,8 hectares, equalling to 37% compared to that of 2016 (112,8 hectares). In particular, land sold in Quang Chau IP is 5,9 hectares, Trang Due IP is 16,6 hectares, Tan Phu Trung IP is 14,5 hectares and Que Vo IP is 4,7 hectares. Contributing to the total revenue of the Corporation was revenue from transferring Hoa Sen Hotel project and the financial income was VND 431,4 billion, accounting for 25,5% of the total revenue. Thus, the Group's net income in 2017 reached VND 618,8 billion, equalling to 87% compared to that of 2016.

b. Financial numbers

| RATIOS | 2017 | 2016 |
|--|------|------|
| 1. Liquidity | | |
| + Short-term liquidity ratio: Current assets/liabilities | 4,13 | 3,86 |
| + Quick ratio: (Current assets - Inventory)/Current Liabilities | 1,63 | 1,41 |
| 2. Capital structure | | |
| + Debt ratio/Total assets | 0,49 | 0,41 |
| + Debt ratio/Equity | 0,75 | 0,70 |
| 3. Operational capacity | | |
| + Inventory turnover | 0,49 | 5 |
| + Cost of goods sold/Average inventory | 0,75 | |
| + Net revenue/Total assets | 0,49 | 13% |
| 4. Profitability | | |
| + Net income/Net revenue | 49% | 36% |
| + Net income/Total revenue (*) | 37% | 35% |
| + Net income/Equity | 7% | 8% |
| + Net income/Total assets | 4% | 5% |
| + Gross profit/Net revenue | 65% | 46% |

LIQUIDITY

The liquidity index of KBC has improved significantly and positively compared to that of 2016. The current ratio is 4,13 times (higher than the 2015 figure of 3,86). The quick ratio of the company tending to increase is a positive signal and is still at the safe level, ensuring the ability to pay due debts.

CAPITAL STRUCTURE

By 2017, KBC's total assets are financed by a capital structure comprising 49% of debt and 51% of equity, a debt-to-equity ratio of 8% over 2016 but still ensure a quite safe structure. This structure is still very good for a large scale real estate business such as KBC. Compared to a business in the same sector, the liability can account for about 70% of total assets, equity accounted for about 30% of total assets.

OPERATIONAL CAPACITY

The calculation of inventory turnover is only for reference because the characteristics of the IP product are different from normal consumer goods due to the business cycle of the IP (often lasting several years) and the accounting estimation related to cost of goods sold and development costs in the future.

The ratio of revenue over total assets in 2017 is 8% (decrease 5% compared to that of 2016). This indicator needs to be addressed in the coming years.

KHẢ NĂNG SINH LỜI

Most of KBC's profitability ratios are positive compared to that of 2016. Net income over net revenue increased from 36% to 49%, Net income over total revenue increased from 35% to 37%. Gross profit over net revenue increased from 46% to 65%. The reason why profitability indicators improved sharply is by business products from transferring of real estate and low capital projects.

Net income over equity and total assets decreased only 1% compared to that of 2016 is not ominous.



5. SHAREHOLDER STRUCTURE CHANGES THE OWNER'S CAPITAL

QUANTITY OF SHARES UP TO 27/12/2017

| ITEMS | QUANTITY OF SHARES |
|----------------------------------|--------------------|
| Total issued shares | 475.711.167 |
| Quantity of common stock | 475.711.167 |
| Preferred stock | 0 |
| Treasury stock | 5.950.978 |
| Outstanding share | 469.760.189 |
| Free transfer stock | 469.760.189 |
| Restricted transfer stock | 0 |

SHAREHOLDER STRUCTURE

Shareholder structure according to shareholders list in 27/12/2017

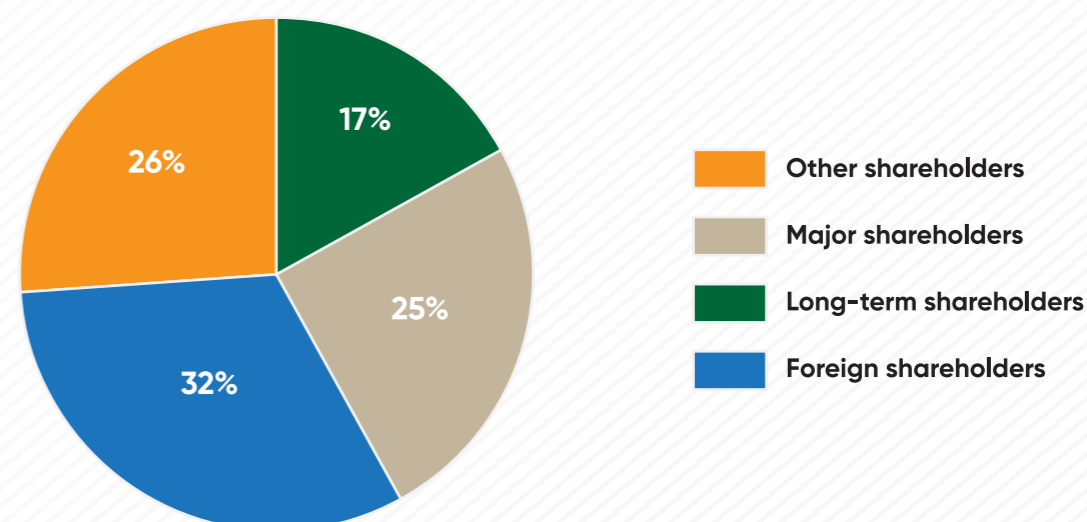
(Ownership ratio is based on the number of issued stocks including treasury shares)

| TYPES OF SHAREHOLDERS | NUMBER OF SHAREHOLDERS | QUANTITY OF SHARES | RATE |
|---------------------------------|------------------------|--------------------|----------------|
| Domestic | | 349.147.861 | 73,39% |
| Individual | 6.918 | 222.282.521 | 59,33% |
| Organisation | 64 | 66.925.340 | 14,07% |
| Foreign | | 120.612.328 | 25,35% |
| Individual | 158 | 3.232.015 | 0,68% |
| Organisation | 79 | 117.380.313 | 24,67% |
| Total outstanding shares | | 469.760.189 | |
| Treasury shares | 1 | 5.950.978 | 1,25% |
| Total | 7.219 | 475.711.167 | 100,00% |

SHAREHOLDER STRUCTURE

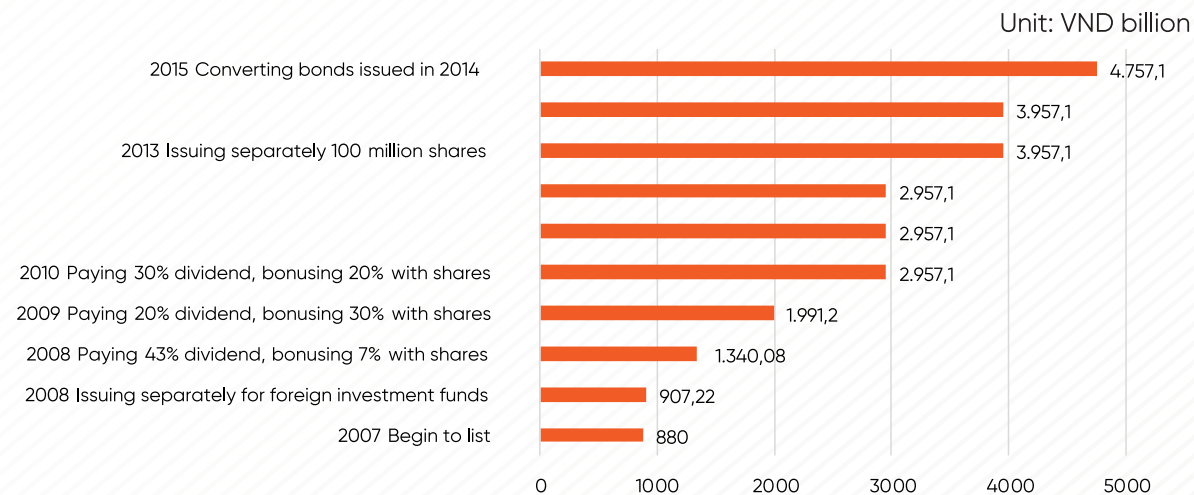
(Ownership ratio is based on the number of outstanding shares)

| NAME OF SHAREHOLDERS | QUANTITY OF SHARES | RATE |
|--|--------------------|----------------|
| Total issued shares | 475.711.167 | 100% |
| Treasury shares | 5.950.978 | 1,25% |
| Outstanding shares | 469.760.189 | 98,75% |
| Major shareholders | 115.681.290 | 24,63% |
| Dang Thanh Tam (Chairman) | 75.250.000 | 16,02 |
| Kinh Bac Consultancy and Investment.,JSC | 40.413.290 | 8,61% |
| Foreign shareholders | 120.612.328 | 25,68% |
| Long-term shareholders | 151.210.704 | 32,19 % |
| Other shareholders | 82.255.867 | 17,51% |



THE SITUATION OF CHANGING CAPITAL CONTRIBUTION OF THE OWNERS

The process of increasing of the owners



In 2017, KBC did not issue any shares and other stocks. No transaction of treasury shares.

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

6.1. Material management

a. Total amount of material used by the organisation during the year

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

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

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

b. Percentage of recycled materials used to produce the Corporation's main products and services:

None

6.2. Energy consumption

a. Direct and indirect energy consumption

At KBC's IPs, investors directly buy electricity from EVN, the Group does not directly manage; Total direct electricity consumption in 2017 at Quang Chau Industrial Park is the lowest at 953.313 KWH, the highest is Que Vo IP at 5.000.000 KWH (including energy consumption of office, clean water supply station, waste water treatment station, lighting system). Currently, KBC has 4 direct electricity power plants, including Que Vo IP, Trang Due, Quang Chau and Tan Phu Trung.

b. Energy saving initiative

For the responsibility of the developer (KBC): The IPs are always oriented towards friendly and sustainable, the electricity system is designed right from the beginning. Using energy saving devices such as LED bulbs, in the future, the IP will aim to use measures to provide electricity such as solar power to provide street lighting equipment. During the construction of the workshop, the office focused on the use of environmentally friendly materials and materials available locally; For the office: limit the use of electricity and equipment during peak hours, use less energy-consuming equipment, turn off appliances when not in use, set the temperature to the appropriate level, limit the use of paper in printing when not needed, actively use electronic documents to exchange work, etc.

6.3. Water consumption

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

a. The main source of water for the IPs is underground water

□ In Que Vo Industrial Park, there are two clean water supply plants with a maximum capacity of 9.000m³/day consuming an average of 8.500 m³/day and with the support of Bac Ninh Fresh Water Joint Stock Company with an average flow of 1.500m³/day, total water consumption in Que Vo IP is 10.000 m³/day. There is 01 wastewater treatment plant with the maximum capacity of 6.000m³ of total wastewater treatment at 5.900 m³/day. In October 2017, the WWTP phase 2 was under construction with the capacity of 6.000m³/day.

□ In Quang Chau IP, there is one clean water supply plant with capacity upgraded from 3.500m³/day to 5.000m³/day and currently, it is being upgraded into phase 2 with the capacity of 5.000 m³/day and expected to go into operation in 2018. The current consumption of clean water in the IP is 557.410 m³, average 1.548 m³/day.

The wastewater treatment plant with the capacity of 3.000 m³/day and is currently under construction phase with a capacity of 5.000 m³/day and expected to be put into operation in 2018 to ensure the water treatment capacity for the whole IP. The average treatment flow is 1.255 m³/day.

□ In Trang Due Industrial Park, the company uses water from the Vat Cach Water Plant (A Duong, Hai Phong), which is a source of clean water for the whole IP with a capacity of 20.000 m³/day. The company is also building a private clean water plant number 9. Total clean water consumption in the year is 971.480m³. The company does not manage wastewater treatment plants, only collects wastewater treatment fees. Trang Due Industrial Park invites other investors to build and manage the waste water treatment plant with the capacity of 2.900m³/ day. Generally, waste water treatment accounts for about 75% to 80% of the amount of water consumed.

□ In Tan Phu Trung Industrial Park, there is one water supply plant with the maximum capacity of 3.000m³/day. In 2017, the total volume of clean water supplied to investors is 27.757m³, an average of 925 m³/day. There is one wastewater treatment plant with the capacity of 4.000 m³/day and the total volume of wastewater treated in 2017 is 350.744 m³, average wastewater treatment capacity is 974 m³/day.

b. Percentage and total recycled and reused water

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

6.4. Compliance with the law on environmental protection

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

6.5. Policies related to workers

a. Number of employees and average salary:

The total number of employees at the parent company is 179 persons, increased 16 persons compared to that of the last year. The total number of employees of the Corporation is 478 persons, increased 40 persons compared to that of the last year. The average salary at the parent company (KBC) is VND 14,2 million/person/month, increased 18,3% compared to that of 2016. The average salary of employees in subsidiaries in Bac Giang, Hai Phong, Cu Chi are 8,5 million, 9 million, 7,5 million per person per month respectively. For the structure of labour, see page 19 of this report.

b. Labour policies aiming to ensure the health, safety and welfare of the labours.

- ❑ Insurance: Apply social insurance, health insurance, unemployed insurance.
- ❑ Health care: Organise general health check for all leaders and staffs at least once a year.
- ❑ Take care of children:
 - To implement maternity leave for female and male workers according to current legislation.
 - To apply maternity protection for female workers in accordance with the current legislation: The leave is still entitled to full salary under the labour contract.
- ❑ Pensions: According to the law on social insurance.
- ❑ Welfare regulations are defined in the labour regulations of the Corporation such as bonus for staff's children on the international Children's day, Mid-Autumn Festival, National holidays such as 01/05, 02/09, New Year's Eve, Lunar New Year, 13th month's salary on Lunar New Year, lunch allowance, telephone expenses, etc.
- ❑ For female workers: Gifts for female workers on International Women's Day on 8th March and the anniversary of the establishment of the Women's Union on 20th October every year.

c. Labour training

as assembled a team of highly qualified and experienced staff to serve as the core of the Group's human resources. The Group attaches importance to the internal training methods, the Group's specialists are often shared experience, guidance at work from senior staff. The Group regularly organises exchange programs for investment promotion, finance and IP development in Hanoi, Quang Ninh, Hai Phong, Da Nang, and Bac Giang and in other foreign countries integrated with investment in Korea, Japan, Thailand and Singapore.

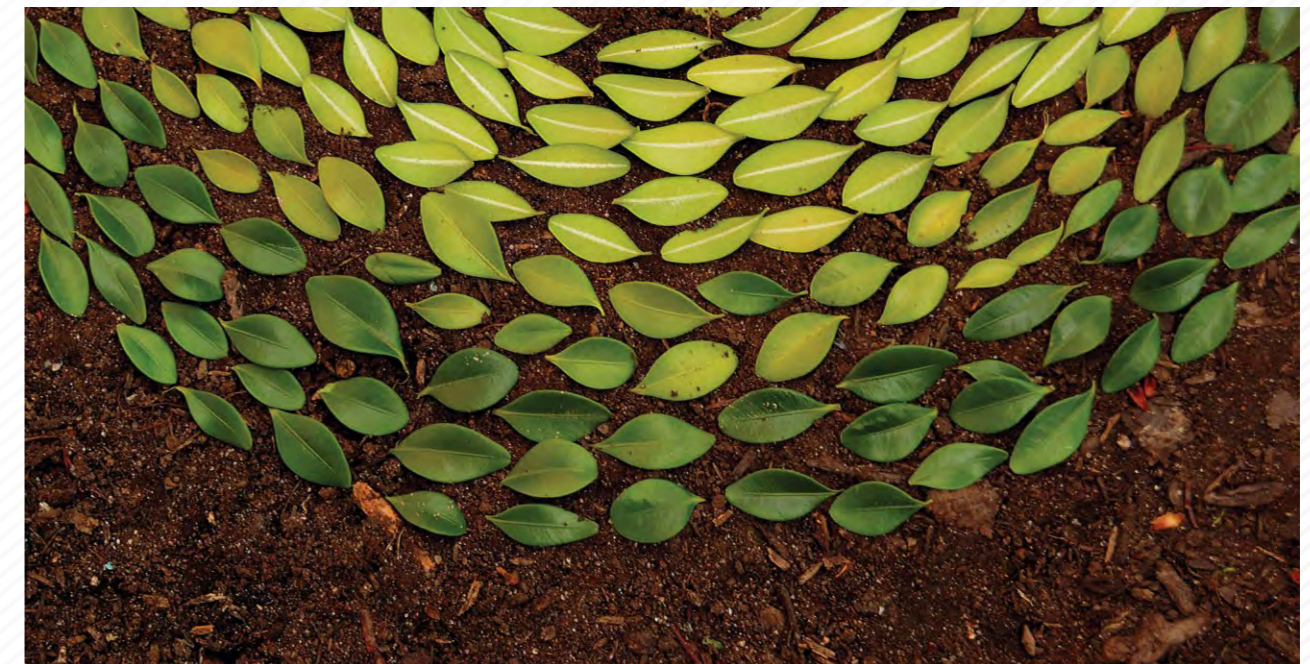
The Group always creates favourable conditions for its employees to improve their professional skills. During the training period, the employees will receive full salary.

Most of the staffs of the Group participate in annual training courses organised by line agencies to update policies and regulations, training courses on professional insurance, insurance, tax, regulations for public companies, fire prevention and rescue programs. In addition, the soft skills development program on communication, contract drafting, customer care, participation in investment promotion conferences, investor relations meetings are all focused and assigns officials to attend regularly. The following skills are regularly trained.

Corporations and units are responsible for social responsibility in 2017.

The parent company spent more than VND 29,7 billion to carry out social responsibilities such as building Cam Phong Medical Station in Thanh Hoa, sponsoring the program Xuan Truong Xa, supporting to build roads, supporting charity programs in Cao Bang, etc. Subsidiaries also participate in the implementation of social responsibility to support the poor, sponsoring the Red Phoenix Flower festival.

6.7. Report related to Green Capital Market: None



**WE ALWAYS PROMOTE GREEN FINANCIAL MARKETS
TOWARDS SUSTAINABLE DEVELOPMENT**



PART 3

ASSESSMENT REPORT FROM THE BOARD OF MANAGEMENT

1. ASSESSMENT OF BUSINESS PERFORMANCE

Assessing revenue and profit of Parent Company and Consolidation

Unit: VND billion

| ITEMS | PARENT COMPANY | CONSOLIDATION |
|--|----------------|----------------|
| Net revenue from sales and services | 429,7 | 1.260,1 |
| Revenue from leasing land | 97,1 | 716,7 |
| Revenue from transferring projects | 232,8 | 232,8 |
| Revenue from providing clean water, electricity, etc. | 86,1 | 137,0 |
| Revenue from selling warehouses | | 137,0 |
| Revenue for leasing warehouses | 13,7 | 36,6 |
| Cost of sales and services | 131,5 | 610,5 |
| Gross profit from sales and services | 298,2 | 649,6 |
| The ratio of gross profit and services (%) | 69% | 52% |
| Revenue from financial operations | 611,1 | 431,4 |
| Other revenues | 0,6 | 3,4 |
| Total revenue | 1.041,4 | 1.694,9 |
| Total net income | 568,2 | 618,8 |
| Profit attributable to shareholders of parent company | | 584,5 |

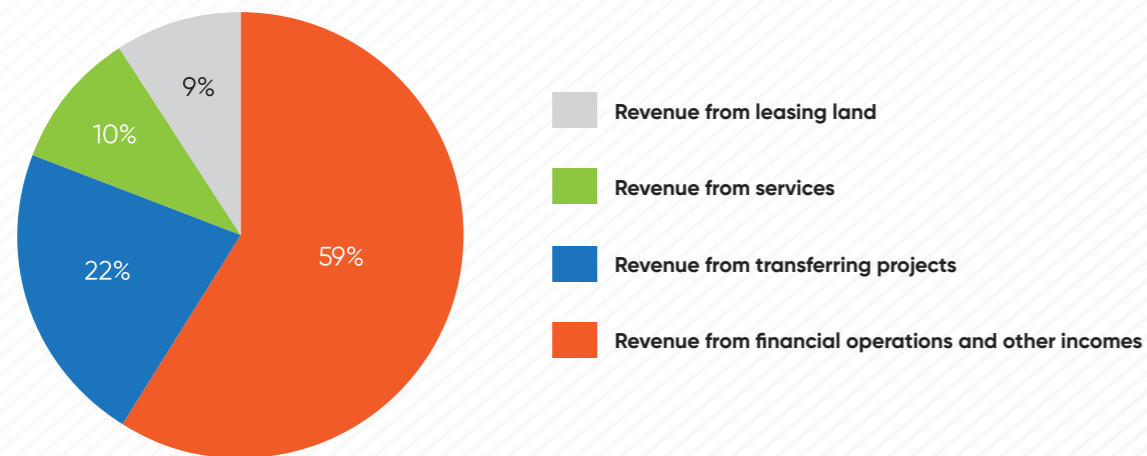
In 2017, the Board of Directors (BOD) has made consolidated revenue of VND 1.694,9 billion, consolidated profit after tax was VND 618,8 billion, equivalent to 60,5%, 72,8% respectively with the plan. During the year, the leasing activities of the IP, workshop and related services reached VND 1.027,3 billion, accounting for 60,6% of the total revenue. As a result, the IP development investing activities still plays the core role of the Group.

However, the highlight in 2017 that the Board of Directors has tried to do is the real estate business from Phuc Ninh Urban Area, although the new year recorded the revenue of VND 232,8 billion, accounting for 13,7% of the total revenue, Phuc Ninh Urban Area has signed many booking agreements with the total of VND 1.361 billion. This is the most outstanding achievement of the Board of Directors, which is the strategy that KBC has set out from the early days of developing IPs with the "model of IP development associated with Urban Area". It is necessary to develop the Urban Area associated with the IP to provide housing funds for people with good incomes in the area of IP development, for experts and workers working in the IP. Although this strategy has been targeted by KBC for many years, it has not been implemented yet because of real condition.

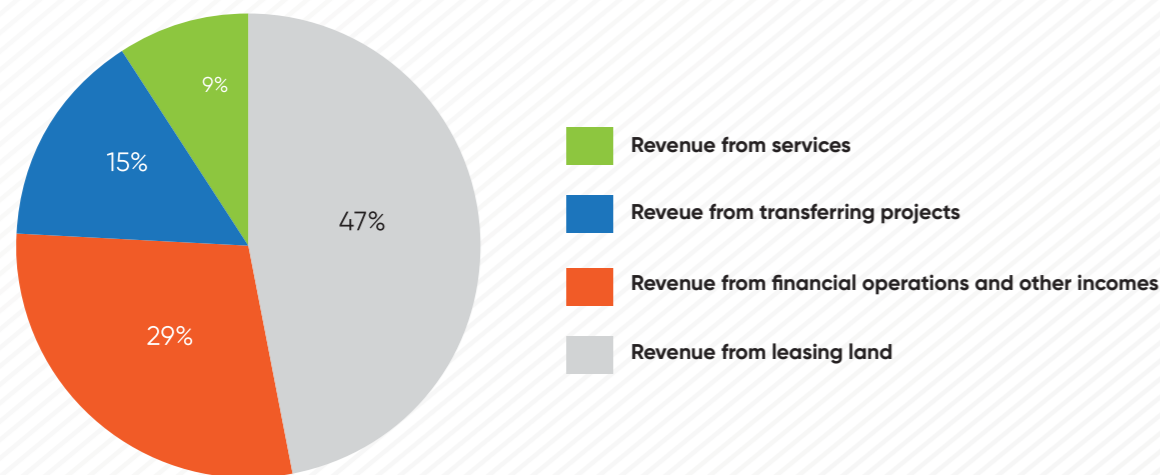
The reason is that many years ago, specialists working in the IP have not yet adapted to their living conditions. In the area of the IP, they usually move to the big city after working hours, but in recent years they have changed, for example, in Bac Ninh province, where many Korean businesses are concentrated. Korean experts' demands for house renting in Bac Ninh are very big. Therefore, KBC has deployed and opened at the right time of demand for housing in Bac Ninh which has been developing.

In addition, during the year, the Board of Directors also carried out a big transaction of transferring the entire shares of Hoa Sen Hotel One Member Joint Stock Company and other financial services with pre-tax profit of VND 431,4 billion, accounting for 25,5% of the total revenue.

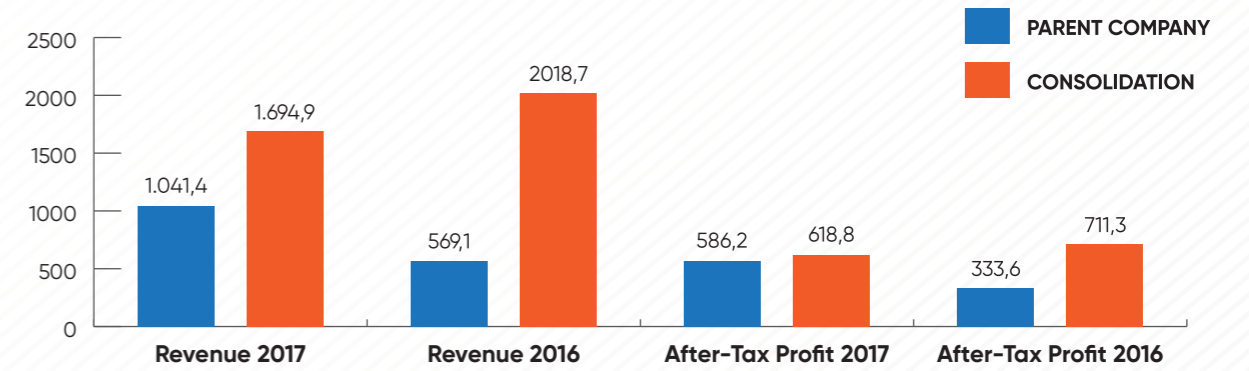
REVENUE STRUCTURE OF THE PARENT COMPANY



CONSOLIDATED REVENUE STRUCTURE



REVENUE - PROFIT GROWTH CHART



Influences of cost factors on the profit of the Group

Cost factors did not negatively affect the Group's profitability, remaining at low level compared to its size and the previous years. Specifically:

- Interest expense incurred during the year was VND 106,9 billion, increased 31%, accounting for 6,3% of total revenue; Selling expenses decreased 33% compared to that of 2016, accounting for 1% of total revenue. Management costs increased 28% compared to that of 2016, accounting for 9,1% of total revenue.

THE PROGRESS OF THE GROUP IN 2017

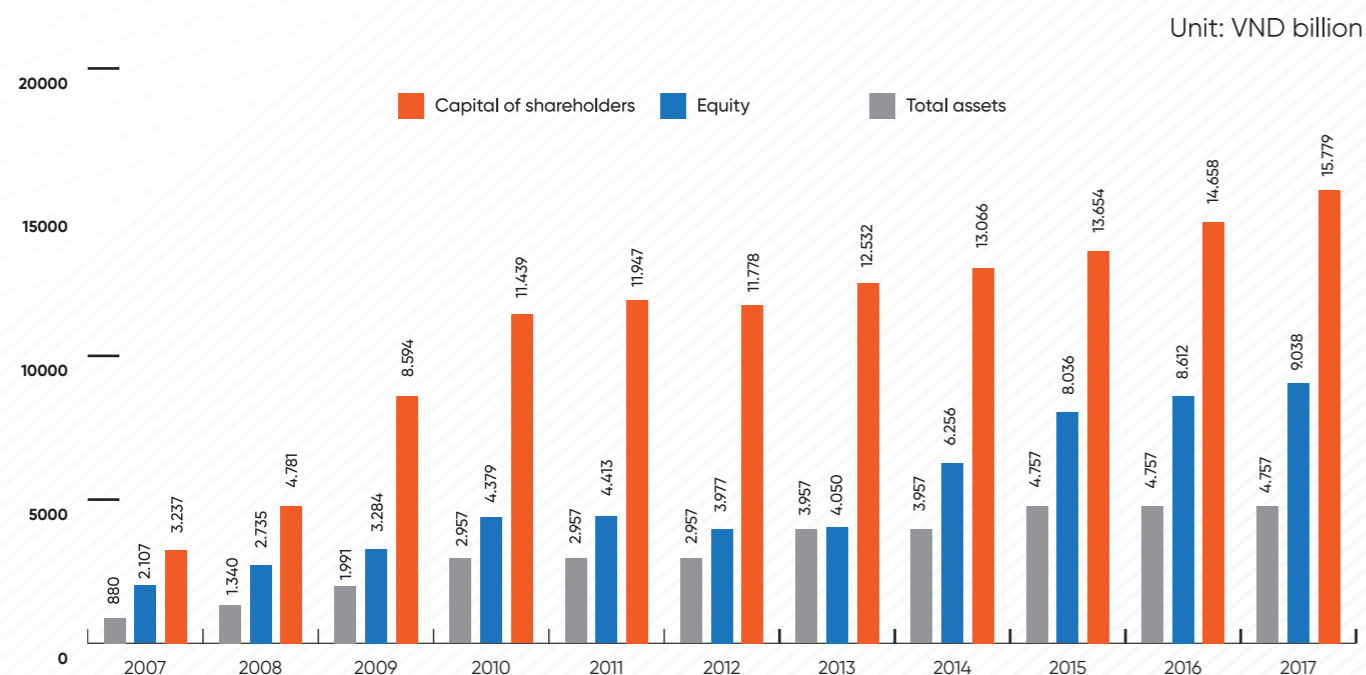
In 2017, Phuc Ninh Urban Area is considered as the most progressive one of the Group. It was the first year the Group officially launched a successful sale of an urban area project 4 times for 6,27 hectares and 22 hectares subdivision, attracting hundreds of investors ready to book. The total value of contracts and booking agreements reached VND 1.616 billion, agreement value estimation not recognised revenue is VND 1.361 billion, the total amount collected is estimated at nearly VND 600 billion. Phuc Ninh Urban Area is becoming the most exciting project of the Group and is expected to continue to grow strongly in 2018 and in the becoming years.



2. ASSESSMENT OF THE FINANCIAL STATUS

Assets status

The chart describing the changes in capital and assets of the Group over the years since listed



Asset status and equity

As of 31/12/2017, the total assets of the Group reached VND 15,779,767,538,270 (VND 15,779,7 billion), net assets increased by VND 1,122,2 billion, up 7,7% compared to that of 2016, the total assets of the parent company reached VND 10,831,166,334,345 (VND 10,831,1 billion), net assets increased by VND 1,102,1 billion, up 11,3% compared to that of 2016. Thus, total assets of the Group's increase are mainly concentrated in the parent company. The main reason is that sales activities bring about the increase in accounts receivable and advances of customers.

However, during the year, the direct investment cost for infrastructure of Industrial Parks and Urban Areas was VND 579,4 billion, equivalent to 83,1% compared to that of 2016. The net inventories increased by VND 78,9 billion and the cost of construction in progress decreased more than VND 83 billion. This proves that the inventory consumption rate is quite good. The company's net income/total assets ratio is down 4% compared to that of 2016 (5%). In addition, the company also has a joint investment with Vien Dong Real Estate Joint Stock Company with the value of VND 606 billion.

Asset structure in 2017 focuses on the investment and development of IPs, Urban Areas, accounting for 96,3% of the total investment portfolio (the total value of assets as of 31/12/2017 is VND 10,121,7 billion). During the year, KBC did not divest its portfolio of long-term financial investments.

Equity status

As of 31/12/2017, the total equity of the group was VND 9,038,107,349,299 (VND 9,038,1 billion), increased VND 417 billion, equivalent to 4,8% in 2016. Equity at parent company reached VND 6,899,967,492,218, increased VND 568,2 billion, equivalent to 9% in 2016. The increase in capital is due to the increase in non-distributable income and the issuance of corporate bonds.

For details on the value of assets and equity changes, see section 4 - Financial Status, Part II of this report.



Debt situation

As of 31/12/2017, the total liabilities of the Group was VND 6,741,6 billion, the total net debt increased by VND 705,2 billion, equivalent to 11,7% in 2016. The cause of the increase in liabilities is because of the increase in short-term and long-term loans (due to the increase in corporate bonds issued during the year), and accrued expenses (mainly due to bond interest payable to Vietnam Public Joint Stock Commercial Bank - PVCombank). The bond interest is not payable annually but payable in 2020.

Of VND 6,741,6 billion of liabilities, loans to credit institutions (interest-bearing debt) as of 31/12/2017 of the Group are VND 2,722,4 billion. Debt and interest expenses are VND 1,031,9 billion (this is the bond interest expenses payable to Pvcombank accumulated from 2012 and will be paid before 31/12/2020). During the year, the Group paid the principal debt of VND 914,2 billion, new loans of VND 1,692,5 billion (of which VND 1,530 billion was used for issuing corporate bonds with 18-month term and listed 2 bonds on HOSE)

As a result, the Group's actual debt includes both principal and interest of VND 3,754,3 billion, accounting for 41,5% of equity. This is a low ratio for a large real estate firm rate as KBC.

The Group has no bad debt, not affected by exchange rate differences, not affected by the interest differences (all KBC loans are in line with the general real estate lending rate in the market). KBC's lending rates are 12-month savings rates of four major banks in Vietnam, plus a range of 3% to 4,5%, the coupon rate are fixed rates of 10,5%.

3. DEVELOPMENT PLAN FOR 2018

Key business investment plans

In 2018, the Group will invest in Quang Chau Industrial Park, Nam Son Hap Linh IP, Que Vo IP, Trang Due IP, Tan Phu Trung IP. Especially, the Group will invest fast and strongly for Phuc Ninh urban area, Trang Due urban area. Phuc Ninh Urban Area Project has a total area of 136,47 hectares, in the first phase, the area of the project is 55,8 hectares, there are 17,1 hectares of commercial land was approved by People's Committee of Bac Ninh province to transfer land use rights (10,4 hectares of land for sale). The specific objectives are as follows:

- Continue to open the sale of the remaining 1,5 hectares of 6,27 hectares subdivision and complete the infrastructure procedures for land handover, continue to open for sale 22 hectares subdivision in Phuc Ninh urban area;
- Accelerate attracting investment in Quang Chau - Bac Giang IP, ready to provide support services before and after investment so investors peace of mind to make investment decisions, to build factories, connect more new investors. 10 factories are expected to build in this industrial park.
- Finalise the legal procedures for Trang Due-Hai Phong IP in the third phase is 687 hectares in order to expeditiously clear the ground.
- Complete the infrastructure of Trang Due - Hai Phong urban area to open for sale.
- Accelerate the completion of infrastructure, in parallel with attracting investment in Nam Son Hap Linh IP within 100 hectares.
- Complete construction of infrastructure, build more than 20 houses in Que Vo Industrial Park
- Consider investing, trading some commercial real estate projects.
- Continue to set up an investment promotion program that follows the Government's development goals and benefits from the trade agreements that Vietnam has signed and access to new markets.

Plan to arrange capital

In 2018, the Group plans to arrange about VND 2,000 billion in capital to invest in new and existing infrastructure and to supplement its business capital through credit and corporate bond issuance.

Revenue and profit plan for 2018

At the time of producing this report in February 2018, the Board of Management did not officially approve the revenue and profit plan for 2018. The plan will be updated at the annual general meeting of shareholders in 2018.

4. IMPROVEMENTS OF ORGANISATIONAL STRUCTURE AND POLICY

Organisational structure and personnel policies have not changed significantly in 2017.

5. EXECUTIVE BOARD'S EXPLANATION FOR AUDITING COMMENTS: None

6. ASSESSMENT OF THE BOARD OF DIRECTOR RELATED TO RESPONSIBILITY FOR SOCIAL ENVIRONMENT AND COMPANY'S EMPLOYEE

Towards the goal of sustainable development, the BOD thinks that KBC is increasingly improving its investment activities, ensuring that environmental indicators (water consumption, energy, emissions, etc.) are reasonable in line with the standard allowed in the field of investment and development of IPs. At KBC, there is one specialised company that performs the maintenance work, the road system in the IP, the tree planting, the garbage collection and transportation to the designated place, the regular cutting, etc. to keep the IP green, clean, beautiful.

In addition to the environmental protection activities, the Board of Director believes that KBC has successfully fulfilled its responsibilities to local communities in 2017 such as the support of gratitude funds, poor households' funds and the establishment of a health station for Cam Phong commune, Thanh Hoa.

Regarding the employees, the Board of Director said that the employees at KBC are guaranteed a good income level, suitable with the common ground of the society, equipped with modern equipment and timely rewarded when having excellent achievements in their jobs. However, for many years, KBC does not deduct development investment funds and welfare funds. Therefore, the training support for employees to participate in domestic and foreign courses to update knowledge is limited.



ANNUAL REPORT 2017

PART 4

ASSESSMENT REPORT OF BOM ON THE OPERATION OF THE GROUP

1. ASSESSMENT OF BOM ON ACTIVITIES OF THE GROUP

Business activities

The BOM acknowledged the efforts of the BOD on the business results of the Group although the total revenue reached 60,6% and net income reached 72,8% compared with the plan and reached 84% in turnover and 87% in profit compared to that of 2016. This result is partly due to the general strategy of the Group orienting to attract high technology enterprises, while the large FDI inflows to Vietnam in 2017 mainly focus on energy fields, etc. The BOM is aware of the fact that it is time to revise the strategy to ensure success. Therefore, in 2017, besides the core strategy of attracting high-tech FDI, the BOM also met with FDI investors in the energy sector to negotiate cooperation and investment in order to attract new FDI flows are tending to go into Vietnam.

The BOM highly appreciated Phuc Ninh's BOD, which made a strong impression on the Group's business activities in 2017 with all efforts to successfully launch the sale of 04 products, attracting hundreds of investors interested in, willing to book and recording the total value of contracts and booking agreements reached VND 1.616 billion. The Board expects the project to continue to grow rapidly in 2018.

The BOM highly appreciated the arrangement of capital sources to ensure the ability to pay due debts and the contact with credit institutions, investment funds to establish relationships, develop the arrangement of capital sources for the Group.



Foreign affairs

KBC always promotes domestic and foreign investment promotion well. The Chairman actively participates in international economic forums and directly contact with foreign investment funds to help investors better understand about the investment environment in Vietnam & KBC.

In November 2017, Chairman Dang Thanh Tam attended the Asia-Pacific Economic Cooperation (APEC) Summit in 2017 in Da Nang City, Vietnam. Especially, in the evening of 05/11/2017, at the Novotel Hotel in Da Nang, ABAC Gala Dinner was held by Kinh Bac City Development Holding Corporation with 63 participants of the APEC Business Advisory Council (heads of state in each of the three major business divisions and prestigious members of the APEC Business Advisory Council, many of whom are Billionaire, Chairman, General Director of Top Fortune 500, etc.), more than 300 delegates from APEC economies - this is considered as an effective channel for KBC to promote cooperation and build relations with the members. Through this, Vietnam in general and KBC in particular will have the opportunity to promote image, access to partners, funding sources and to connect deeply with different economies in APEC.



Corporate governance

KBC adheres to corporate governance regulations for listed companies, the information provided on the Stock Exchange is transparent, accurate and timely. The Group frequently participates in exchange programs and updates with other departments such as State Securities Commission, HOSE, Taxation Department, etc.

The BOM has a good opinion on the public relations of the Group. KBC is the first place where FDI investors contact for investment opportunities. All investment funds are welcomed by the Company and are provided detailed information requested by funds. In addition, KBC is often invited by major securities companies to participate in the "Investor's Conferences" program inside and outside the country. Every year, KBC meets directly with hundreds of investors representing foreign investment funds.

Development of labour resources

The BOM appreciated KBC's policies on recruiting talents. Especially, the policy is focused on recruiting qualified and experienced staffs from large corporations who are ready to recruit and train graduated workers. Internal training is a priority, ensuring sustainable development, avoiding personnel crisis.

In the near future, KBC will focus on designing in-country and offshore training programs for employees in the direction of rapid integration.

Accountability for the environment

The BOM appreciated KBC's environmental responsibility. KBC is an investment attracting company, mainly focuses on high technology companies, minimising environmental pollution. KBC attaches great importance to the construction of stable infrastructure, the construction of clean water supply and wastewater treatment plants, regular maintenance, greenery and landscaping around IPs. KBC always ensures stable operation of hundreds of companies in the IP.



2. ASSESSMENT OF BOM ON THE OPERATION OF BOD

Board of Managers highly appreciated the efforts of the Board of Directors in implementing the business plan in 2017, investing in developing projects and arranging capital for the company. The Board of Managers appreciated the truthfulness of the report contents of the Board of Directors; The Board of Managers actively evaluates the ideas and comments made by the Board of Directors in the process of implementing the plans assigned by the Board of Managers in order to unify the solutions to develop the business. The Board of Managers proposes that the Board of Directors be more active in deploying the infrastructure of IP projects, creating the products available for investors timely, setting up investment promotion programs in the markets. Balancing and using cash flow reasonably, improving the risk management related to the investment and business activities of the company. Specific tasks that the Board of Managers has closely done with the Board of Directors including:

- ❑ Supervising the implementation of the Group's projects: Infrastructure investment in Nam Son Hap Linh Industrial Park, Trang Due Industrial Park and Urban Area, Quang Chau Industrial Park, infrastructure investment area of 22 hectares in Phuc Ninh urban area and open for sale the 6,27 hectares and 22 hectares area in Phuc Ninh urban area;
- ❑ Issuing 05 series of corporate bonds, the total value of issuing 5 times is VND 1,530 billion. Listing 02 bonds on HOSE (KBC11710 scale VND 500 billion, KBC11712 scale VND 200 billion);
- ❑ Being approved loans for projects with a credit limit of VND 480 billion for 22 hectares of Phuc Ninh Urban Area, VND 245 billion for construction of 21 factories of Que Vo Industrial Park with the limit of VND 284 billion to build infrastructure of 83 hectares of Que Vo IP and being approved a US \$15 million loan from German financial institution DEG to invest in building factories in KBC's IPs;
- ❑ Leading and successfully organising the Annual General Meeting of Shareholders in 2017 on 21/4/2017. Organising meeting with investors on 26/8/2017;
- ❑ Supervising and inspecting the management activities of the Board of Directors in business activities;
- ❑ Organising and supervising the financial reporting regime;
- ❑ Supervising the implementation of the resolutions of the Board of Managers and the General Meeting of Shareholders;
- ❑ Directing and supervising overseas investment promotion programs in 2017;
- ❑ Strictly monitoring the risk management of investment and business activities, cash flow management and appropriate financial planning;
- ❑ Directing the transfer of all contributed capital in Hoa Sen Hotel Development One Member Company Limited;
- ❑ Supervising the recruitment process.

3. BOM'S PROPOSALS FOR 2018

- ❑ Supervising and approving the investment plans of the Board of Directors for key projects, actively implementing the project of Nam Son Hap Linh Industrial Park, Quang Chau IP, Trang Due IP, phase 3 and Phuc Ninh Urban Area.
- ❑ Directing the BOD to make plans for balancing the cash flow, mobilising capital sources, developing appropriate financial plans, balancing investment activities and paying due debts.
- ❑ Strengthening the supervision of risk management, ensuring improving financial indicators. Supervising the implementation of the Group's internal procedures and regulations with appropriate penalty and bonus.
- ❑ Maintaining and building a team of experts to regularly update the macroeconomic situation, financial situation, changes in policies to promptly propose recommendations to the BOM and the BOD to come up with strategies, new policies in line with the actual situation.
- ❑ Strengthening the promotion and trade investment, reception and working directly with foreign investment corporations.
- ❑ Good performance of the shareholder relations, regularly monitoring the changes of ownership of major shareholders. Make timely and accurate disclosure to relevant authorities, shareholders and investors.
- ❑ Building and developing a team of qualified, experienced and enthusiastic personnel. Appointing people to participate in training courses to improve the capacity of corporate governance in accordance with the regulations of listed companies. Continuing to develop salary and bonus policies and improve remuneration policies for employees, create a professional, safe and comfortable working environment and encourage the employees' creation.



PART 5

CORPORATION MANAGEMENT

1. BOM'S ACTIVITIES IN 2017

In 2017, the BOM of KBC together with the Operation Committee issued resolutions to resolve issues related to business and investment in IPs and urban areas, financing arrangements for projects of Group as follows:

- ❑ The BOM actively participates in foreign affairs, direct contacts with foreign corporations that plan to invest directly in Vietnam and indirect investment funds, closely monitors the attraction of FDI enterprises. Key IPs such as Quang Chau IP, Trang Due IP, Que Vo IP, Tan Phu Trung IP.
- ❑ Direct the preparation and organisation of the Annual General Meeting of Shareholders in 2017.
- ❑ Direct implementation of investment plan and 6,27 hectares and 22 hectares business area in Phuc Ninh Urban Area;
- ❑ Direct the construction of infrastructure in IPs, build factories in Que Vo IP and Quang Chau IP, speed up procedures for Trang Due IP phase 3 with the scale of 687 hectares, compensate for nearly 100% of Trang Due urban area.
- ❑ Strictly monitor the risk management of investment and business activities, cash flow management and appropriate financial planning, utilise positive macro conditions to develop corporation values, ensure financial indicators at a safe level;
- ❑ Strictly monitor the plan to arrange capital to pay due debts in 2017 and plan to disburse land, build infrastructure and workshops in Que Vo IP, Nam Son Hap Linh IP, Quang Chau IP, Trang Due Industrial Park and Urban Area.
- ❑ Direct the implementation of programs and actions of the Group in order to develop sustainable, environmentally friendly and responsible projects with local communities. Ensure benefits, a dynamic and modern working environment for labours.

LIST OF RESOLUTIONS APPROVED BY BOM IN 2017

| NO. | DATE | CONTENTS |
|--------------------------|------------|--|
| 1401/2017/KBC/QĐ-HĐQT | 14/01/2017 | Approved the investment project to build the workshop-office in Lot N, expanded Que Vo IP, Bac Ninh. |
| 0103/2017/KBC/QĐ-HĐQT | 01/03/2017 | About the termination of representative office in Quang Ninh. |
| 0603/2017/KBC/NQ-HĐQT | 06/03/2013 | Convene the Annual General Meeting of Shareholders in 2017 |
| 1704/2017/KBC/NQ-HĐQT | 17/04/2017 | Approval of the list of candidates elected to the BOM and Board of Supervisors for the term of 2017-2022 |
| 2204/2017/KBC/NQ-HĐQT | 22/04/2017 | Elect the Chairman of the Board |
| 2204/2017/KBC/QĐ-HĐQT/01 | 22/04/2017 | Decision of appointing the General Director |
| 2704/2017/KBC/NQ-HĐQT | 27/04/2017 | Approval of corporate bond issuance (KBCBOND_2017) |
| 0305/2017/KBC/NQ-HĐQT | 03/05/2017 | Through pledge SHP shares to secure bond obligations. |
| 0805/2017/KBC/NQ-HĐQT | 08/05/2017 | Repurchase of bonds before maturity - Issued on 28/12/2009 (KBCbond005) |
| 2905/2017/KBC/NQ-HĐQT | 29/05/2017 | Increase of charter capital of Hoa Sen One Member Company Limited |
| 0906/2017/KBC/NQ-HĐQT/01 | 09/06/2017 | Approved the investment project to build 21 workshops with 18 office buildings in T, M and N at expanded Que Vo Industrial Park. |
| 0906/2017/KBC/NQ-HĐQT/02 | 09/06/2017 | By borrowing capital from Vietnam Joint Stock Commercial Bank for Industry and Trade - Que Vo Branch to invest in building 21 workshops with 18 T, M and N offices in expanded Que Vo Industrial Zone. |
| 2006/2017/KBC/NQ-HĐQT | 20/06/2017 | Assignment of capital contribution at Hoa Sen One Member Company Limited. |
| 0307/2017/KBC/NQ-HĐQT | 03/07/2017 | By borrowing capital from the Vietnam Development Bank (BIDV) - Bac Ninh Branch to invest and develop Phuc Ninh Urban Area Project with area of 218.427 m2 (22 hectares) |
| 1707-1/2017/KBC/NQ-HĐQT | 17/07/2017 | Approval of the business cooperation plan between Kinh Bac City Development Share Holding Corporation and Vien Dong Vietnam Real Estate Joint Stock Company. |
| 1707-2/2017/KBC/NQ-HĐQT | 17/07/2017 | Approval of bond issuance plan KBCBOND01-2017. |

| NO. | DATE | CONTENTS |
|-------------------------|------------|---|
| 1907-1/2017/KBC/NQ-HĐQT | 19/07/2017 | Approved the issuance of bonds KBCBOND02-2017 |
| 1907-2/2017/KBC/NQ-HĐQT | 19/07/2017 | Through pledge SHP shares to secure bond obligations |
| 0108/2017/NQ-HĐQT-KBC | 01/08/2017 | Funding, selecting and signing contract with consultancy unit to make preliminary technical economic report of Cam Phong commune health station, Cam Thuy district, Thanh Hoa province. |
| 1008/2017/KBC/NQ-HĐQT | 10/08/2017 | Approved the issuance of bonds and pledged shares to ensure the obligations of bonds KBC-BOND03-2017 |
| 208/QĐ/HĐQT-KBC/2017 | 20/08/2017 | Approved construction investment project: Construction of crude surface finish 17 villas Phuc Ninh project |
| 2209/2017/NQ-HĐQT-KBC | 22/09/2017 | Established subsidiaries, NGD Investment One Member Limited Company), 100% owned by KBC |
| 0509/2017/KBC/NQ-HĐQT | 05/09/2017 | Idico share investment cooperation |
| 1209/2017/KBC/NQ-HĐQT | 12/09/2017 | Issuance of guarantee at the CTQV bank to guarantee the right to buy shares Idico |
| 2709/2017/NQ-HĐQT-KBC | 27/09/2017 | Established a subsidiary company, Kinh Bac Office and Factory Business One Member Limited Company, 100% owned by KBC |
| 0910/2017/NQ-HĐQT-KBC | 09/10/2017 | Regarding funding for investment in the construction of the medical station of Cam Phong commune, Cam Thuy district, Thanh Hoa province |
| 0611/2017/KBC/NQ-HĐQT | 06/11/2017 | Approving the issuance of bonds (KBC-BOND04-2017) |

ISSUES APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS HAVE NOT IMPLEMENTED: None

INDEPENDENT MEMBER'S ACTIVITIES

Currently, Mr. Huynh Phat is the only independent member of KBC. Mr. Huynh Phat has fully participated in 27/27 meetings of the BOM in 2017. Mr. Huynh Phat gave independent opinions before other members in every decision of the Board to consider and resolve issues to come to a consensus.

BOARD MEMBERS WITH CORPORATE GOVERNANCE TRAINING CERTIFICATES IN THE YEAR:

BOD members often have to go on business trips, do not have time to attend the courses directly. However, members of the BOM always keep up to date with the corporate governance regulations of listed companies. The BOM will try to arrange time to attend corporate governance courses in the near future.

2. THE BOARD OF SUPERVISORS

a. Members of the Board of Supervisors

| MEMBERS | POSITION | OWNERSHIP RATE | NOTE |
|-------------------|----------|----------------|---|
| Nguyen Bich Ngoc | Head | 0% | Appointed on 21/4/2017 for the period 2017-2022 |
| The Thi Minh Hong | Member | 0% | |
| Tran Tien Thanh | Member | 0% | |

b. Activities of the Board of Supervisors

In 2017, the Board of Supervisors of Kinh Bac Urban Development Corporation has carried out the main tasks including:

- The Board of Supervisors has checked and reviewed the reported data of the BOD, Resolutions of the BOM, decisions of the BOD, supervision of the investment projects, the basis of implementing the plan and the goals of the BOM passed in the meeting, Business Plan 2017. Based on the Resolutions of the General Meeting of Shareholders, the resolution of the BOM, the decision of the BOD, the Board of Supervisors has also made recommendations to the BOM and BOD.
- Supervising financial management activities and making financial reports to ensure the truthfulness and rationality of the financial data given. Communicating with the independent auditor designated in the audit of the financial statements;
- Reviewing and evaluating the operation and internal management of the BOM, members of the BOM, members of the BOD, leading officials based on the criteria of interests of shareholders and the Group;
- Reviewing and evaluating the coordination of activities of various sections in the process of management and administration of enterprises;
- Conducting inspection and supervision of the implementation of resolutions of the General Assembly of Shareholders, resolutions of the Board, supporting closely the BOM and the BOD to implement the resolutions.
- During the year, the Board of Supervisors held 04 meetings.

During the operation, the Board of Supervisors was supported by BOM and BOD to fulfil the duties. The Board of Supervisors has received all the resolutions of the BOM, the report on business activities of the BOD, quarterly, semi-annual, annual financial statements. In 2017, the Board of Supervisors has not received any feedback from the Company's Shareholders on management activities of the BOM, BOD and other departments.

3. TRANSACTIONS, EXPENSES BENEFITS OF BOM, BOD AND BOARD OF SUPERVISORS

a. Salary and benefits

- Remuneration of the BOM 2017 (updated on 28/2/2018): VND **630.000.000**
- Salary of Chief of Board of Supervisors & Remuneration of Board of Supervisors in 2017 (updated on 02/28/2018): VND **238.197.000**
- Salaries and bonuses of the BOD in 2017: VND **9.563.728.000**
- Benefits: Transportation support, cell phone, monthly payment, business expenses payment, etc.

b. Transactions of insiders/related persons/major shareholders

| TRANSACTORS | INSIDERS/RELATED PERSONS/MAJOR SHAREHOLDERS | SHARES OWNERSHIP AT THE BEGINNING PERIOD | | SHARES OWNERSHIP AT THE ENDING PERIOD | |
|--------------------------|--|--|----------|---------------------------------------|-----------|
| | | Quantity | Rate | Quantity | Rate |
| Dang Thanh Tam | Insider | 75.250.000 | 16,02% | 75.250.000 | 16,02% |
| Kinh Bac Investment.,JSC | Major shareholder | 38.996.650 | 8,3% | 40.431.290 | 8,61% |
| Hoang Thi Kim Tuyen | Related person (Mr. Dang Thanh Tam's mother) | 30.075 | 0,00064% | 5 | 0,000001% |

- Vietnam Enterprise Investment Limited, Grinling International Limited, Wareham Group, The CHSE are no longer major shareholders since September 25, 2017.
- PYN Elite Fund (Non-Ucits) is no longer a major shareholder since 19/10/2017.

c. Transactions with related parties

| RELATED PARTIES | CONTENT | AMONT |
|--|--|-----------------|
| Trang Cat Urban Development One Member Limited Company | The company has to collect interest under the loan agreement | 182.680.138.847 |
| | The company lends | 1.900.000.000 |
| Saigon - Haiphong Industrial Park Joint Stock Company | The company pays the loan | 309.284.744.768 |
| | The company must pay the interest | 18.183.472.268 |
| | The company is in charge of repaying the loan | 6.100.000.000 |
| | Interest add on debt | 20.537.925.144 |
| Saigon - Bac Giang Industrial Park Joint Stock Company | Receiving interest from KBC bond 005 | 8.764.711.466 |
| | The company is in charge of repaying the loan | 111.592.687.097 |
| | The company lends | 30.000.000.000 |
| | Interest | 4.839.523.056 |

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

e. Shareholder Relations

KBC is a stock that converges the influence of macro factors such as domestic and foreign economic growth, socio-economic development policy, local preferential policies, monetary policy, FDI attraction, interest rates, politics, diplomatic relations among countries, environmental pollution, etc. It can be said that KBC is considered as a share of developments in the general trend of the economy. We want to emphasize this for investors to have a comprehensive view.

KBC always appreciates the shareholder relations, investor relations. We are willing to answer any questions, listen to any comments of shareholders and investors. In 2017, on a weekly basis, we welcomed groups of investment funds to learn about KBC, most of them are foreign investment funds. Thus, KBC has directly contacted to hundreds of investment funds each year. In addition, KBC is invited to attend the meeting of investors by Ho Chi Minh City and KimEng Securities Company.

As such, it can be said that KBC always tries its best to provide timely, accurately and transparently information to shareholders, investors. We are looking forward to sharing information with shareholders and investors as well as receiving comments for the better development of the Group. Therefore, when there is any concern about the status of the Company, we would like to thank our shareholders and investors for contacting us through the portals.

Website: www.kinhbaccity.vn

Email: info@kinhbaccity.com, kinhbac.kbc@gmail.com

KINH BAC CITY DEVELOPMENT HOLDING CORPORATION

ANNUAL REPORT 2017



PART 6

CONSOLIDATED FINANCIAL STATEMENTS



Ernst & Young Viet Nam Limited
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Hanoi, S.R. of Vietnam

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Reference: 60774739/19317198-HN

INDEPENDENT AUDITORS' REPORT

To: The Shareholders of KinhBac City Development Holding Corporation

We have audited the accompanying consolidated financial statements of KinhBac City Development Holding Corporation ("the Company") and its subsidiaries (collectively referred to as the "Group") as prepared on 14 February 2018 and set out on pages 6 to 58, which comprise the consolidated balance sheet as at 31 December 2017, and the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

Management's responsibility

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

Auditors' responsibility

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

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

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

CONSOLIDATED BALANCE SHEET

as at 31 December 2017

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 2017, and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of the consolidated financial statements.

Ernst & Young Vietnam Limited

(Signed)

Le Thi Tuyet Mai

Deputy General Director

Audit Practising Registration:

Certificate No. 1575-2018-004-1

Hanoi, Vietnam

14 February 2018

(Signed)

Nguyen Thu Hang

Auditor

Audit Practising Registration:

Certificate No. 3342-2015-004-1

Currency: VND

| CODE | ASSETS | NOTE | ENDING BALANCE | BEGINNING BALANCE |
|------------|--|----------|---------------------------|---------------------------|
| 100 | A. CURRENT ASSETS | | 13.730.010.630.802 | 13.010.530.818.197 |
| 110 | I. Cash and cash equivalents | 4 | 504.567.507.480 | 295.085.197.835 |
| 111 | 1. Cash | | 234.137.769.121 | 120.595.628.388 |
| 112 | 2. Cash equivalents | | 270.429.738.359 | 174.489.569.447 |
| 120 | II. Short-term investments | | 1.007.697.020 | 1.235.586.230 |
| 121 | 1. Held-for-trading securities | 5 | 7.490.461.369 | 7.490.461.369 |
| 122 | 2. Provision for held-for-trading securities | | (6.482.764.349) | (6.254.875.139) |
| 130 | III. Current accounts receivable | | 4.744.140.601.375 | 4.381.551.938.686 |
| 131 | 1. Short-term trade receivables | 6.1 | 1.216.364.937.991 | 1.095.584.987.883 |
| 132 | 2. Short-term advances to suppliers | 6.2 | 1.810.839.396.239 | 1.637.232.744.800 |
| 135 | 3. Short-term loan receivables | 7 | 52.339.773.629 | 27.737.628.333 |
| 136 | 4. Other short-term receivables | 8 | 1.671.930.474.166 | 1.628.331.615.320 |
| 137 | 5. Provision for doubtful short-term receivables | 6.3 | (7.333.980.650) | (7.335.037.650) |
| 140 | IV. Inventories | 9 | 8.322.624.798.504 | 8.243.696.478.710 |
| 141 | 1. Inventories | | 8.322.624.798.504 | 8.243.696.478.710 |
| 150 | V. Other current assets | | 157.670.026.423 | 88.961.616.736 |
| 151 | 1. Short-term prepaid expenses | | 39.442.270.665 | 1.728.309.091 |
| 152 | 2. Value-added tax deductible | | 56.801.107.366 | 53.828.432.163 |
| 153 | 3. Tax and other receivables from the State | 16 | 61.426.648.392 | 33.404.875.482 |

Currency: VND

| CODE | ASSETS | NOTES | ENDING BALANCE | BEGINNING BALANCE |
|------------|---|-----------|---------------------------|---------------------------|
| 200 | B. NON-CURRENT ASSETS | | 2.049.756.907.468 | 1.647.016.977.702 |
| 210 | I. Long-term receivables | | 724.507.193.963 | 303.757.985.548 |
| 211 | 1. Long-term trade receivables | 6.1 | 26.434.546.048 | 211.863.915.704 |
| 215 | 2. Long-term loan receivables | 7 | 26.900.000.000 | 50.700.000.000 |
| 216 | 3. Other long-term receivables | 8 | 671.172.647.915 | 41.194.069.844 |
| 220 | II. Fixed assets | | 118.085.134.469 | 124.169.252.984 |
| 221 | 1. Tangible fixed assets | 10 | 118.085.134.469 | 124.169.252.984 |
| 222 | Cost | | 287.795.293.614 | 276.423.569.953 |
| 223 | Accumulated depreciation | | (169.710.159.145) | (152.254.316.969) |
| 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 | 134.884.233.798 | 86.624.808.469 |
| 231 | 1. Cost | | 161.449.401.105 | 95.837.051.999 |
| 232 | 2. Accumulated amortisation | | (26.565.167.307) | (9.212.243.530) |
| 240 | IV. Long-term assets in progress | | 151.323.290.812 | 234.360.537.258 |
| 242 | 1. Construction in progress | 12 | 151.323.290.812 | 234.360.537.258 |
| 250 | V. Long-term investments | 14 | 911.874.770.412 | 893.138.424.665 |
| 252 | 1. Investments in associates, jointly controlled entities | 14.1 | 503.087.714.088 | 484.351.368.341 |
| 253 | 2. Investment in other entities | 14.2 | 448.500.200.000 | 448.500.200.000 |
| 254 | 3. Provision for diminution in value of long-term investments | | (39.713.143.676) | (39.713.143.676) |
| 260 | VI. Other long-term assets | | 9.082.284.014 | 4.965.968.778 |
| 261 | 1. Long-term prepaid expenses | | 9.082.284.014 | 4.965.968.778 |
| 270 | TOTAL ASSETS | | 15.779.767.538.270 | 14.657.547.795.899 |

Currency: VND

| CODE | RESOURCES | NOTES | ENDING BALANCE | BEGINNING BALANCE |
|------------|---------------------------------------|-------|--------------------------|--------------------------|
| 300 | C. LIABILITIES | | 6.741.660.188.971 | 6.036.457.811.415 |
| 310 | I. Current liabilities | | 3.325.884.769.036 | 3.372.803.878.061 |
| 311 | 1. Short-term trade payables | 16.1 | 134.340.522.730 | 113.779.217.940 |
| 312 | 2. Short-term advances from customers | 16.2 | 404.146.075.644 | 875.175.686.830 |
| 313 | 3. Statutory obligations | 17 | 197.504.951.643 | 160.238.286.732 |
| 314 | 4. Payables to employees | | 17.270.449 | 46.198.469 |
| 315 | 5. Short-term accrued expenses | 18 | 1.086.709.290.552 | 1.226.170.516.119 |
| 319 | 6. Other short-term payables | 19 | 364.314.630.142 | 127.375.852.542 |
| 320 | 7. Short-term loans | 20 | 1.131.768.768.567 | 862.934.860.120 |
| 322 | 8. Bonus and welfare fund | | 7.083.259.309 | 7.083.259.309 |
| 330 | II. Non-current liabilities | | 3.415.775.419.935 | 2.663.653.933.354 |
| 333 | 1. Long-term accrued expenses | 18 | 1.031.951.584.113 | 785.455.165.816 |
| 336 | 2. Long-term unearned revenue | | 5.046.986.732 | 5.174.610.956 |
| 337 | 3. Other long-term liabilities | 19 | 167.632.540.891 | 163.466.547.253 |
| 338 | 4. Long-term loans | 20 | 1.590.658.068.976 | 1.104.599.449.787 |
| 341 | 5. Deferred tax liabilities | 28.3 | 619.534.271.261 | 604.006.191.580 |
| 342 | 6. Long-term provisions | | 951.967.962 | 951.967.962 |

Currency: VND

| CODE | RESOURCES | NOTE | ENDING BALANCE | BEGINNING BALANCE |
|------------|---|------|---------------------------|---------------------------|
| 400 | D. OWNERS' EQUITY | | 9.038.107.349.299 | 8.621.089.984.484 |
| 410 | I. Capital | | 9.038.107.349.299 | 8.621.089.984.484 |
| 411 | 1. Share capital | 21.1 | 4.757.111.670.000 | 4.757.111.670.000 |
| 411a | - Shares with voting rights | | 4.757.111.670.000 | 4.757.111.670.000 |
| 412 | 2. Share premium | 21.1 | 989.064.430.000 | 989.064.430.000 |
| 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 | 2.904.506.892.048 | 2.318.834.981.859 |
| 421a | - Undistributed earnings of prior year | | 2.319.984.494.101 | 1.761.464.742.050 |
| 421b | - Undistributed earnings of current year | | 584.522.397.947 | 557.370.239.809 |
| 429 | 6. Non-controlling interests | 22 | 749.667.313.428 | 918.321.858.802 |
| 440 | TOTAL LIABILITIES AND OWNERS' EQUITY | | 15.779.767.538.270 | 14.657.547.795.899 |

Signed

Luu Phuong Mai
Preparer

Signed

Pham Phuc Hieu
Deputy General Director and
Chief Accountant

Signed

Nguyen Thi Thu Huong
General Director

14 February 2018

Currency: VND

| CODE | ITEMS | NOTES | CURRENT YEAR | PREVIOUS YEAR |
|------|---|-------|-------------------|-------------------|
| 01 | 1. Revenue from sale of goods and rendering of services | 23.1 | 1.260.198.518.971 | 1.434.851.916.992 |
| 02 | 2. Deductions | 23.1 | - | - |
| 10 | 3. Net revenue from sale of goods and rendering of services | 23.1 | 1.260.198.518.971 | 1.434.851.916.992 |
| 11 | 4. Cost of goods sold and services rendered | 24 | (610.528.435.391) | (861.405.092.161) |
| 20 | 5. Gross profit from sale of goods and rendering of services | | 649.670.083.580 | 573.446.824.831 |
| 21 | 6. Finance income | 23.2 | 431.362.490.060 | 317.123.475.612 |
| 22 | 7. Finance expenses | 25 | (109.457.617.841) | (41.370.870.831) |
| 23 | In which: Interest expenses | | (106.963.449.754) | (89.987.678.791) |
| 24 | 8. Shares of profit of associates, joint-ventures | 14.1 | 18.736.345.748 | 9.590.181.448 |
| 25 | 9. Selling expenses | 26 | (22.123.288.484) | (34.887.804.923) |
| 26 | 10. General and administrative expenses | 26 | (154.757.631.162) | (92.999.002.177) |
| 30 | 11. Operating profit | | 813.430.381.901 | 730.902.803.960 |
| 31 | 12. Other income | | 3.361.365.539 | 1.328.307.512 |
| 32 | 13. Other expenses | | (5.251.813.758) | (2.255.982.547) |
| 40 | 14. Other profit/(loss) | | (1.890.448.219) | (927.675.035) |
| 50 | 15. Accounting profit before tax | | 811.539.933.682 | 729.975.128.925 |
| 51 | 16. Current corporate income tax expense | 28.3 | (177.234.691.188) | (113.881.512.091) |
| 52 | 17. Deferred tax expense | 28.3 | (15.528.079.679) | (14.031.161.477) |
| 60 | 18. Net profit after tax | | 618.777.162.815 | 602.062.455.357 |
| 61 | 19. Net profit after tax attributable to shareholders of the parent | | 584.522.397.947 | 611.910.605.619 |
| 62 | 20. Net profit/(loss) after tax attributable to non-controlling interests | | 34.254.764.868 | (9.848.150.262) |
| 70 | 21. Basic earnings per share | 30 | 1.244 | 1.316 |
| 71 | 22. Diluted earnings per share | 30 | 1.244 | 1.316 |

Signed

Luu Phuong Mai
Preparer

Signed

Pham Phuc Hieu
Deputy General Director and
Chief Accountant

Signed

Nguyen Thi Thu Huong
General Director

14 February 2018

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2017

Currency: VND

| CODE | ITEMS | NOTES | CURRENT YEAR | PRECIOUS YEAR |
|---|--|--------|--------------------------|--------------------------|
| I. CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| 01 | Profit before tax | | 811.539.933.682 | 921.361.545.847 |
| | Adjustments for: | | | |
| 02 | Depreciation of fixed assets and investment properties | 11, 12 | 39.803.508.880 | 27.311.813.411 |
| 03 | Provisions/(Reversal of provision) | | 226.832.209 | 15.414.526.361 |
| 04 | Foreign exchange gains arising from revaluation of monetary accounts denominated in foreign currency | | 1.610.155 | (105.981.613) |
| 05 | Profits from investing activities | | (431.772.792.808) | (64.835.243.114) |
| 06 | Interest expenses | 25 | 106.963.449.754 | 81.656.871.847 |
| 08 | Operating profit before changes in working capital | | 526.762.541.872 | 980.803.532.739 |
| 09 | (Increase)/decrease in receivables | | (428.899.747.843) | (957.595.209.235) |
| 10 | Decrease/(increase) in inventories | | 32.641.792.756 | 120.751.899.161 |
| 11 | Increase/(decrease) in payables (other than interest, corporate income tax) | | | |
| 12 | Increase in prepaid expenses | | 208.428.305.059 | 982.574.527.665 |
| 14 | Interest paid | | (41.830.276.810) | (507.332.552) |
| 15 | Corporate income tax paid | 17 | (86.731.541.215) | (125.114.420.377) |
| 17 | Other cash outflows from operating activities | | (149.651.288.625) | (91.042.931.558) |
| 20 | Net cash flows from/(used in) operating activities | | 60.719.785.194 | 909.870.065.843 |
| II. CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| 21 | Purchase and construction of fixed assets and other long-term assets | | (94.145.215.209) | (57.610.802.359) |
| 22 | Proceeds from disposals of fixed assets and other long-term assets | | 1.080.000.000 | 2.500.000.000 |
| 23 | Loans to other entities and payments for purchase of debt instruments of other entities | | (606.782.533.777) | (58.245.208.333) |
| 24 | Collections from borrowers and proceeds from sale of debt instruments of other entities | | 17.350.811.579 | - |
| 25 | Payments for investments in other entities (net of cash hold by entity being acquired) | | - | (431.690.284.001) |
| 26 | Proceeds from sale of investments in other entities | | 52.250.000.000 | 278.279.899.189 |
| 27 | Interest and dividends received | | 7.077.246.731 | 13.316.296.793 |
| 30 | Net cash flows (used in)/from investing activities | | (623.169.690.676) | (253.450.098.711) |

CONSOLIDATED CASH FLOW STATEMENT (continued)

for the year ended 31 December 2017

Currency: VND

| CODE | ITEMS | NOTES | CURRENT YEAR | PRECIOUS YEAR |
|--|---|-------|------------------------|--------------------------|
| III. CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| 33 | Drawdown of borrowings | | 1.692.479.652.750 | 225.651.869.608 |
| 34 | Repayment of borrowings | | (914.297.437.623) | (815.149.502.411) |
| 36 | Dividends, profits paid to the owner | | (6.250.000.000) | - |
| 40 | Net cash flows used in financing activities | | 771.932.215.127 | (589.497.632.803) |
| 50 | Net increase in cash and cash equivalents for the year | | 209.482.309.645 | 66.922.334.329 |
| 60 | Cash and cash equivalents at beginning of the year | | 295.085.197.835 | 228.164.359.677 |
| 61 | Impact of exchange rate fluctuation | | - | (1.496.171) |
| 70 | Cash and cash equivalents at ending of the year | 4 | 504.567.507.480 | 295.085.197.835 |

Signed

Luu Phuong Mai
Preparer

Signed

Pham Phuc Hieu
Deputy General Director and
Chief Accountant

Signed

Nguyen Thi Thu Huong
General Director

14 February 2018



KINHBAC CITY DEVELOPMENT HOLDING CORPORATION

ANNUAL REPORT 2017

Shareholders và Investors may see
Financial Statements on website
www.kinhbaccity.vn and www.hsx.vn

THANK YOU