



## KINH BAC CITY DEVELOPMENT HOLDING CORPORATION

### HEAD OFFICE

Lot B7 Que Vo IP, Bac Ninh Province  
Tel: (84-22) 3634034  
Fax: (84-22) 3634035  
[www.kinhbaccity.vn](http://www.kinhbaccity.vn)

### HO CHI MINH CITY BRANCH

No. 20 Phung Khac Khoan Street,  
Dakao Ward, District 1, Ho Chi Minh City  
Tel: (84-28) 38228290  
Fax: (84-28) 38228291

### REPRESENTATIVE OFFICE

#### Ha Noi

No. 100 An Trach Street, Dong Da District  
Tel: (84-241) 37346890  
Fax: (84-241) 37346891

# ANNUAL REPORT | 2018

*“Ready for new journeys”*

# ANNUAL REPORT | 2018

*“Ready  
for new journeys”*

## TABLE OF CONTENTS

<b>PART 1: ABOUT US</b>	03
<b>PART 2: BUSINESS PERFORMANCE IN 2018</b>	21
<b>PART 3: ASSESSMENT REPORT FROM BOARD OF DIRECTORS</b>	49
<b>PART 4: ASSESSMENT REPORT FROM BOARD OF MANAGEMENT</b>	57
<b>PART 5: COMPANY MANAGEMENT</b>	63
<b>PART 6: THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS</b>	71

## LIST OF ABBREVIATIONS

**FDI:** Foreign Direct Investment

**IP:** Industrial Park

**EZ:** Economic Zone

**BOM:** Board of Management

**CEO:** Chief Executive Officer

**KBC:** Kinh Bac City Development Holding Corporation

**HOSE:** Ho Chi Minh Stock Exchange

**SHP:** Saigon – Haiphong IP Corporation

**SBG:** Saigon – Bacgiang IP Corporation



# PART I 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 number:** 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

- **Tel:** 022.3634034                      **Fax:** 022.3634035

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

- **Stock code:** KBC

## 2. PROCESS OF DEVELOPMENT

KBC has successfully built a model of IPs attracting many investors in high-tech fields, reduced environmental pollution to become one of the first enterprises developing IP model in Vietnam, contributed significantly to the development of Vietnam in the renovation period. During the process of development, KBC has 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.

Since its establishment on March 27th 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 IPs are foreign enterprises from Japan, Taiwan, Korea, China, Hong Kong, etc. Each IP is invested on a large-scale by big corporations such as Canon, Foxconn, LG, JA Solar, Luxshare – ICT, satellite of SamSung etc. All of the IPs in operation, which were built in modern standards, perform stably, not only benefit to KBC and investors but also contribute significantly to the development of society.

KBC has been creating a large land bank of 5.188 hectares for IPs, occupying nearly 5,5% of the total IPs area of Vietnam and 1.058,6 hectares for Urban Area from the North to the South. This land bank is enough for our development in the next 20 years. Each IP has an average size of over 200 hectares. Besides, there are 16 IPs in the nation, KBC has 2 IPs in economical zone which are Trang Due - Hai Phong and Chan May – Lang Co. ▶

► **Been through 17 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 12 eminent emulation flags from the Government, initial share capital increased from VND 20 billions to VND 4.757,1 billion, equity reached over VND 9.837,4 billion on December 31st 2018.

- Becoming a public corporation in 2007 with 88.000.000 shares initially listed on the Hanoi Stock Exchange, re-listed on 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. Capitalisation shares up to March 31st 2019 reached VND 6.881,9 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 has started 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 continued to invest in KBC's IPs such as LG, satellites of Samsung, satellites of Apple 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.

- In 2017, for the first time, KBC opened an urban area project with 04 sales launches for Phuc Ninh urban area project in Bac Ninh within the sub-zone of 6.27ha and 22ha; Put corporate bonds listed on HOSE.

## HIGHLIGHTS IN KBC'S BUSINESS OPERATION IN 2018

- The occupancy rate of the expanded Que Vo IP - Bac Ninh increased from 67% as of December 31st 2017 to 97.9% as of December 31st 2018; The occupancy rate of Trang Due - Hai Phong IP increased from 76.9% as of December 31st 2017 to 96.2% as of December 31st 2018. **This sudden growth is due to the positive impact of the shift from China, Japan, Hong Kong and Taiwan into Vietnam. In particular, Bac Ninh province has attracted a total investment of about USD 1.1 billion. In which, there are many investment projects in KBC's Que Vo IP.**

- In 2018, the business of leasing IP land of the Corporation reached VND 2,018.4 billion, accounting for 78% of total revenue, reaching 117.2% of the estimate; Rental and sale of factories reached VND 215.7 billion, accounting for 8.7% of total revenue, increasing 4 times compared to the estimate; Real estate investment reached VND 93.2 billion, accounting for 3.6% of total revenue, reaching 12.3% of the estimate. Thus, investment and development of IPs still plays the core role of the Group, surpassing the estimated growth.

- In 2018, Financial institutions and Foreign investment funds always took interested in KBC and were willing to sponsor capital for projects and business activities of KBC. The parent company has released 02 bonds, 18-month term to meet the demand of business development cooperation with subsidiaries SBG and SHP with total scale of VND 600 billion, listed 01 bond on HOSE with total scale of VND 400 billion. In addition, based on the approved credit limit from 2017, the parent company has disbursed only VND 261.9 billion, SHP subsidiary has disbursed VND 50 billion.

## TYPICAL AWARDS

**KBC, which is a public and completely non-government owned corporation, received 12 Emulation Flags from the Government for the excellence;** Consecutively, KBC received many Certificates of Merit from the Chairman of Bac Ninh People's Committee and the Title of Outstanding Labor Collective. In 2012, KBC was very honoured 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 Bac Ninh People's Committee for the renewal-20-year-journey of Bac Ninh; Being the typical enterprise investing in IP infrastructure contributes to attracting foreign investment, developing technical and social infrastructure of Bac Ninh province; The enterprise has typical achievements in fulfilling its obligation to pay a large budget to the state in the period of 1997 - 2017; KBC has won many awards such as Vietnam National Brand Award, ASEAN Excellent Enterprise Award, Vietnam Gold Star Award, etc.

**In 2018, KBC was awarded the Certificate of Merit by the Minister of Planning and Investment for its contribution to the construction and development of Bac Ninh IPs on the occasion of the 20th anniversary of its establishment;** Chairman of Bac Ninh Province People's Committee presented Certificate of Merit for typical achievements in implementing the obligation to pay to the State budget; The Chairman of Bac Ninh City People's Committee awarded the Certificate of Merit to KBC for many contributions to the construction of flower gardens and the physical training and sports area of Bac Ninh city for children; Director of Bac Ninh Province Public Security Department awarded the Certificate of Merit for KBC for outstanding achievements in fire fighting and rescue profession technique manoeuvres, and fire protection forces in Que Vo IP; Director of Bac Ninh Department of Labor, War Invalids and Social Affairs awarded the Certificate of Merit for KBC with excellent achievements in the work of occupational safety and health.

**In 2018, KBC's subsidiary, Saigon - Haiphong IP Joint Stock Company, received the Emulation Flag of the Government for the leading unit in the emulation movement in 2017 (in August 2018);** Certificate of Merit from the Ministry of Planning and Investment for the unit with outstanding achievements in performing the task on the occasion of Haiphong EZ Management Board held a conference to summarize 5 years of investment attraction in the EZ and IP phase 2013-2018 (in July 2018); Certificate of Merit from the Chairman of Hai Phong City People's Committee for the unit with outstanding achievements, contributing positively to the socio-economic development of the city in 2018 (January 2019).



The flower garden and children's gymnastics and sport training area construction of 5000m2 were built in Zone 4 of Thi Cau ward, Bac Ninh city with a cost of nearly 10 billion dong by KBC which is the investor.

**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 consecutively. According to a survey by vietstock.vn, KBC is one of the best Listed Company in Investor Relations (IR). ►

► **Mr. Dang Thanh Tam** - Chairman of KBC 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 – Ambassador 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 also awarded a lot of merits from ministries, branches, Committees of provinces and cities, Organisation and Associations. For many years, he was recognised as a basis Emulation Fighter and accredited the Honour 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 honoured as one of the outstanding entrepreneurs awarded “Ernst & Young – The Vietnam Entrepreneurs Spirit 2011”. Moreover, he used to be a member of the 8th National Assembly of Vietnam.



## CORE VALUES

### 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 the enterprise. KBC's current land bank covers 5,188 hectares for IP development which accounts for 5.5% of the total IP land of the whole country and 1,058.6 hectares for urban area development. In which, more than 3,100 hectares are directly owned by KBC and its subsidiaries. KBC is conducting land bank expansion in Hai Duong and Hanoi.

### 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, even the hardest ones. With 15 existing IPs, strategically located across the country, KBC is holding the leading position in attracting FDI, especially large international corporations such as Canon, Foxconn, LG, JA Solar, Goertek, etc.

In order to meet the needs of SMEs which are also satellites of big groups, 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 achieves high efficiency and keeps IPs' landscapes modern, clean and friendly with the environment. Supporting service in IPs always meets customers' demands such as finance, security, utility, etc. in order to create a full-serviced circle.

Besides developing IPs, KBC deployed and developed urban area from the existed land bank. The integrated model has been the consistent vision of KBC since the beginning. However, it was not until 2017 that KBC has brought urban area product into market to meet the demands of housing, leasing and commercial real estate investing in Bac Ninh Province where attracts hundreds of international enterprises with a lot of international experts who are in the need of renting houses.

### 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. The rate of ownership of KBC shares of foreign investors updated at March 31st 2019 is 20.33%.

### Investor Relations

The relation with investors has always been focused. We are always ready to answer all the questions from investors, shareholders and customers in any form that investors want. We do not have a tendency to refuse questions from or appointments with our investors.

### Developing efficiency human resources and management system

KBC has built a management apparatus, professional staff who is qualified and experienced in the field of business investment and IP development, especially able to approach and promote FDI enterprises to invest in KBC's IP. The spirit of responsibility, loyalty and solidarity are the focal points in building corporate culture. Thanks to the effective human resource management policies, the Group's staff always attaches and accompanies with the Group during both the prosperity and difficulties, gradually building KINHBACCITY GROUP to become one enterprise with sustainable development and maintain the leading position in the field of IP development even in the most difficult times.

### 3. BUSINESS SECTORS AND LOCATIONS

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

KBC has identified the core areas of the Group as investment and development of IPs infrastructure associated with the development of urban areas and associated services. The managers and staffs of the Group have dedicated to build an effective business model for IPs that can 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 IPs in the North.



In the most recent years, KBC's concentrated in Bac Ninh, Hai Phong, Cu Chi - Ho Chi Minh City and Bac Giang. In 2018, the Group's total revenue reached VND 2,586.1 billion. In which, revenue from core business activities of IPs leasing and selling urban areas reached VND 2,491.1 billion, accounting for 96.3% of total revenue. In 2017, total revenue from business activities of IPs leasing and selling urban areas reached VND 1,260.1 billion, accounting for 74.3% of total revenue. Revenue from this activity in 2016 accounted for 97.7% of total revenue; 2015 accounted for 82% of total revenue.

In terms of geographical location, in 2018, the revenue from Bac Ninh province was 55.5% which increased dramatically in comparison with that of 2017 (34.1%). In Hai Phong, the revenue was 23.9%, decreased in comparison with that of 2017 (27.9%); in Bac Giang, the number was 8.5%, decreased sharply in comparison with that of 2017 (19.5%); in Ho Chi Minh City, it was 12%, lower than that in 2017 (18.5%). During the year, business activities in Bac Ninh province led the way, mainly from the revenue of Que Vo IP - Bac Ninh. And the revenue in Bac Giang province is reduced.

Currently, large corporations in the IPs have a need to build houses for workers and experts. Therefore, in 2019, KBC will focus on completing infrastructure of Trang Due - Hai Phong urban area, strongly deploying plans to sell this urban area, currently the project has offered market exploration very successfully; Continue to promote the implementation of Phuc Ninh Urban Area business. Therefore, with a housing land fund of 1,058 ha for the urban area's development plan, KBC expects to bring a large revenue source for KBC in the long term.

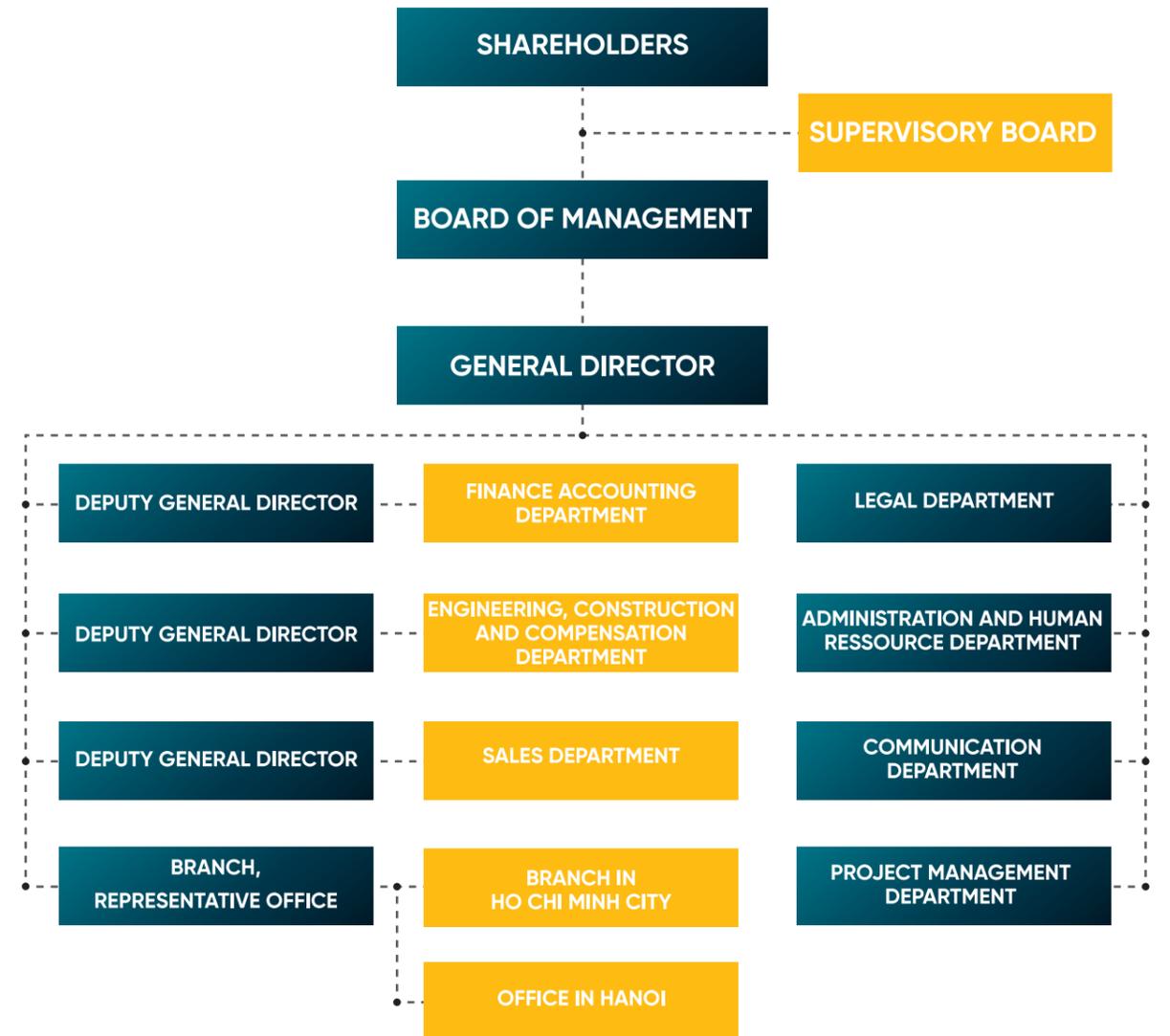


Leasing IP land, developing available factories for rent and sales have been the largest source of revenue in the total revenue of the Group with the gross profit margin of 30%-40%.

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.



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



## INFORMATION ABOUT SUBSIDIARIES

On December 31st 2018, the Company possessed these following subsidiaries:

NO.	COMPANY NAME	VOTING		HEAD OFFICE	MAIN ACTIVITIES
		RATE (%)	INTEREST RATE (%)		
1	<b>Saigon - Bacgiang IP, JSC</b>	80,8	77,93	Quang Chau IP, Quang Chau commune, Viet yen dist., Bac Giang province	Investment, building and trading real estates
2	<b>Saigon - Haiphong IP, JSC</b>	86,54	86,54	Trang Due IP., Le Loi commune, An Duong dist., Hai Phong city	Investment, building and trading real estates
3	<b>Saigon - Taybac Development Holding, JSC</b>	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	<b>Trang Cat Urban Development One Member Limited Company</b>	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	<b>NGD Investment One Member Limited Company</b>	100	100	No. 100, An Trach st., Quoc Tu Giam wd., Dong Da dist., Hanoi	Investment, building and trading real estates
6	<b>Kinh Bac Office and Factory Business One Member Limited Company</b>	100	100	Plot B7, Que Vo IP., Phuong Lieu commune, Que Vo dist., Bac Ninh province	Investment, building and trading real estates
7	<b>Kinh Bac - Da Nang Investment One Member Co., Ltd.</b>	100	100	61A Nguyen Van Cu Str., Hiep Hoa Bac Wd., Lien Chieu Dist., Da Nang City, Viet Nam	Investment, building and trading real estates

## INFORMATION ABOUT ASSOCIATED COMPANIES

NO.	COMPANY NAME	OWNERSHIP RATE (%)	ADDRESS	MAIN ACTIVITIES	CHARTER
					CAPITAL (VND billion)
1	<b>Saigon - Hue Investment, JSC</b>	28,14	No. 15 Nguyen Hue St., Hue City	Infrastructure investment and development, industrial and civil construction	210,6
2	<b>Saigon Telecommunication &amp; Technologies, JSC</b>	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	<b>Saigon High-tech Park Infrastructure Development Investment, JSC</b>	27,44	6-1, Ree Building, 364 Cong Hoa st., Ward 13, Tan Binh dist., Ho Chi Minh City	Construction investing and business of technical infrastructure works	82,3
4	<b>Scanviwood, JSC</b>	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 of Nam Son Hap Linh IP, Quang Chau IP, Tan Phu Trung IP, Phuc Ninh Urban Area, Trang Due Urban Area;
- Focusing on building houses for workers and social houses on the existing land fund. In particular, the land fund for social housing with land use levy is exempted by the State, the value of land depreciation is zero, so the cost will be the best and will contribute very well to society as well as create more profits for company.
- Completing legal procedures, implementing ground clearance for the third period of Trang Due IP (687ha); Implementing projects to establish a number of new Urban Areas - IP projects in Hai Duong and Hanoi.
- Cooperating to invest in business development with member companies and potential partners domestically and internationally, etc. Deploying diversified business plans, attracting high-tech corporations from Korea, Taiwan, Hong Kong, Japan, China, the United States, etc.
- Preparing services products suitable to investors' needs (ready-to-lease land, ready-for-sale-and-lease workshops, maximum investor support services).
- Mobilizing and using capital effectively, improving financial capacity, maintaining growth rate of revenue and profit.

### Medium-term and long-term development strategy

- KBC has taken the lead and implemented projects to establish a number of new projects in Hai Duong province and Hanoi and other areas in accordance with the sustainable development orientation of KBC, creating breakthroughs for housing real estate;
- Developing potential IPs and urban areas in the central and southern regions and deploying urban areas projects to meet the needs of social development; Increasing land fund for development of IPs and urban areas in potential areas such as Hai Phong, Bac Giang, Bac Ninh, Hai Duong, Hanoi, Ho Chi Minh City and Da Nang.
- Developing a new customer network, diversifying products to meet customers' needs
- Constructing and developing KINHBACCITY brand with international level, always being the leading enterprise in the field of management and development of IPs – Urban Areas.
- KBC attaches great importance to closely follow the trend of FDI inflows into Vietnam by sectors, partners and localities to set up new projects and develop new types of investment. In 2018, FDI inflows flowed into real estate business investment ranked second in Vietnam and that is the most remarkable point for KBC, opening up new ideas for KBC to develop long-term development strategy: For example, one of the FDI inflows into investment in the form of a joint venture between a Vietnamese real estate company and a foreign corporation to develop related services in the field of industrial real estate is an option in KBC's long-term development strategy.

- KBC signed a joint venture cooperation agreement with a foreign investment fund to establish a joint venture, focusing on developing and operating ready-built warehouses and factories in KBC's IPs. This is the type of investment that some foreign investment corporations like Vinacapital, Warburg Pincus preferred and is one of KBC's long-term development strategies. According to foreign investors assessment: *"Along with the trend of shifting production facilities from markets such as China to Vietnam, as well as the rapid growth of domestic demand, logistics market and Vietnam's industrial real estate are still underdeveloped and are poised to break through."*

### 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 an enterprise that has created one of the IP development models - attracting FDI very successful, contributing to the process of making an underdeveloped country to become a developing country, a steaming destination of many foreign investors.
- 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 IPs and Urban Areas of KBC are located on the important high-way, 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 IPs are some kind of restrictions to projects that demand a small area (less than 1,000 m<sup>2</sup>). 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

- Planning to expand the scale of enterprises that have invested in KBC's IPs.
- Planning land lots and factories with areas suitable to the demand of investors.

- Attract satellite projects of large corporations that have invested in KBC's IPs or nearby such as LG, Samsung, JA Solar, Goertek, etc. Especially, when the Samsung project is expected to continue to expand in some northern provinces and Ho Chi Minh City

- Catching the flow of FDI inflows from Japan, China, Hong Kong and Taiwan into Vietnam

- Regarding the FDI orientation, in the coming time, the Ministry of Planning and Investment continues to affirm consistent views, considering the FDI sector as an important part of the economy which is encouraged for long-term development. Attracting FDI selectively, encouraging linkage with domestic enterprises, enhancing Vietnam's position in the global value chain on the principle of multilateralization, diversification and ensuring the independence of the economy, ensure national security. Currently, the Ministry of Planning and Investment is leading a scheme (first built after 30 years of attracting FDI of Vietnam) to submit to the Politburo for consideration, considering attracting FDI to become an important part contributes to the development of the country. This is really considered as an important policy mechanism and legal framework to help leading businesses in attracting FDI like KBC a sustainable development in the next 10 years and 20 years.

- Currently, Vietnam is being evaluated by foreign investors as a "magnet" - having a good investment policy, an increasingly quality and diversified educational investment, skillful workers in Vietnam are increasing. Therefore, Vietnam is the most attractive investment destination in Asia according to Forbes (2018); being the destination of investment flows from the effects of the US-China trade war; 13 FTAs have come into effect, the CPTPP agreement officially came into effect on January 14th 2019, etc. All these positive points made FDI enterprises continue to invest boldly in Vietnam.

- In 2018 and expected trends in the next few years in addition to the usual direct FDI investment, the type of investment in the form of joint venture with Vietnamese enterprises is showing signs of positive growth. KBC has been developing these two forms of investment attraction as one of the opportunities to maintain long-term development for the business.

### Threats

- Higher investment costs lead to higher rental rates, which will be difficult to attract specific investment projects.
- Unit prices in some other IPs in the neighborhood of KBC are low. This has significantly affected the competitive advantage of KBC.
- Difficulties in attracting investment without tax incentives
- Macro policy changes in the process of managing the management of IPs development.
- Choosing investors that do not pollute the environment, do not use backward technology, etc.
- In 2018, Que Vo IP and Trang Due 2 IP of KBC are almost filled, making KBC's ready-to-sell land fund to be reduced, which is a challenge for KBC next year, KBC will have to quickly boost revenue to attract investment in new IPs, setting up new projects.
- The transformation in investment structure of FDI enterprises is taking place strongly; The view of the Government is to attract FDI selectively in technology, environmental protection, investors who are willing to connect with domestic enterprises, etc. That is also a challenge for KBC.

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

### 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 years. All issues have been proceeded by KBC. Regarding to policies issues, KBC 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.

In recent years, the Ministry of Planning and Investment and the Government have always considered the key task of continuing to improve the investment-business environment, improving the operational efficiency and management of Ips, Economic Zones, timely handling difficulties and problems related to investment, construction, environment and land issues, seize new opportunities opened when implementing trade agreements - bilateral and multilateral investment and research to complete the legal basis for building and implementing new economic zone and IP models, implementing special projects of administrative and economic units after being approved by competent agencies. However, the process of completing policies and mechanisms to leverage the development of IPs – Economic Zones is a process that takes a lot of time, both businesses and authorities work together to improve.

Currently, a number of KBC's expansion projects are in the process of applying for approval of investment procedures, which are also somewhat slowed due to changing policy mechanisms. However, on January 14th 2019, Deputy Prime Minister Vuong Dinh Hue chaired a meeting with ministries, branches and localities to develop the Project "Orientation to improve institutions, policies, improve quality, effectively attract and use foreign investment by 2030", report to the Politburo for consideration and approval. This will be the first time after Vietnam's 30-year process of FDI attraction that Vietnam has a thematic Resolution on FDI attraction, considering FDI attraction as an important economic component, contributing.



### Risks from changes in monetary policies

This is the type of risk that real estate businesses in general and KBC in particular will suffer first, when credit is tightened, real estate enterprises will be squeezed first; Interest rates for real estate businesses are always at the highest level.

KBC has experienced these risks, in the period of 2011 - 2014, KBC has almost no access to any credit sources. In this context, KBC must rely entirely on internal sources, revenue from business activities, many commercial real estate projects must stop (partly due to inability to arrange credit sources, partly when credit interest rates increase and the real estate market is in trouble, the business also wants to choose a solution to suspend project construction).

In the period of 2015 -2016, the risk of monetary policy almost did not happen, KBC easily access credit sources, interest rates at 9.5% - 10%/year.

In 2017, although when Circular 06/2016/TT-NHNN (amending some articles of Circular 36/2014/TT-NHNN) as a factor will negatively impact efforts to stabilize interest rates in the year. That's because since January 1st 2017, the maximum rate of using short-term funds for medium and long-term loans for commercial banks has been reduced from 60% to 50% and at the same time, the number of risks to credits for real estate business increased from 150% to 200%. At the beginning of 2017, some banks are in danger of pausing, "do not grant any medium and long-term credits until they meet the prescribed rate." For banks with a ratio of short-term capital for medium and long-term loans approaching or exceeding 40%, medium and long-term credit granting in 2017 must also be carefully calculated to avoid violating new standards.

In 2018, although there was no unusual movement in the money market negatively affecting the capital attraction situation of businesses, KBC did not encounter obstacles when arranging necessary capital in the year. However, the State Bank issued Circular No. 16/2018/TT-NHNN, amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN stipulating limits and safety ratios to all activities of credit institutions, foreign bank branches and roadmap for application of Circular No. 19/2017/TT-NHNN will affect the ability of enterprises to access capital, especially real estate enterprises, specifically:

"From January 1st 2019, credit for real estate sector will have many changes. This comes from two important regulations: (1) The State Bank (SBV) raises the risk ratio of real estate loans from the current 200% to 250% and (2) short-term capital ratios for medium and long-term loans decreased from 45% to 40% as stipulated in Circular 19/2017/TT-NHNN. Both of the new rules will basically "tighten" the flow of capital into the real estate sector. Increasing the risk ratio means that the capital adequacy ratio (CAR) of banks will decline (in the context that most banks currently cannot guarantee CAR according to Basel II standards) if they continue to promote real estate lending. Reducing the ratio of short-term capital for medium and long-term loans will of course cause banks to consider reducing real estate loans because credit in this sector is mostly medium and long-term.

In the past, both of the above ratios have changed many times. The risk ratio for lending real estate business was set at 100% according to the Decision No. 457/2005/QĐ-NHNN of the SBV. By 2010, it was increased to 250% according to Circular No. 13/2010/TT-NHNN, and after four years (2014), it was reduced to 100% according to Circular No. 36/2014/TT-NHNN. By 2016, the State Bank issued Circular No. 06/2016/TT-NHNN, which stipulates that the risk ratio for real estate lending will be kept at 150% by the end of 2016 and then to 200%. since January 1st 2017. ▶

- ▶ As for the ratio of short-term capital for medium and long-term loans, the initial rate is 60% and is reduced according to the roadmap and the Circular 19/2017/TT-NHNN officially closed this ratio to be reduced to 40% since the beginning of 2019.

Thus, it can be seen that, in the past 10 years, the SBV has issued and adjusted policies to encourage or limit funding for real estate business depending on the risk management requirements of the whole banking system set as well as developments of real estate market. However, from a market perspective, the policy changes somewhat and is relatively fast (about every two years).

In addition, June 18th 2018, the State Bank of Vietnam (SBV) issued Circular No. 15/2018/TT-NHNN amending and supplementing a number of articles of Circular No. 22/2016 TT-NHNN June 30th 2016 of the Governor of the State Bank of Vietnam regulating the purchase of corporate bonds by credit institutions and foreign bank branches. This Circular takes effect from August 2nd 2018 with the following contents: Credit institutions and foreign bank branches must not buy issued corporate bonds with the purpose to restructure debts of businesses. This is a limitation that investors are credit institutions for enterprises that want to issue bond bonds to structure debt.

Thus, facing difficulties in accessing capital market due to a number of policies effective in 2019, KBC is ready to balance capital from business activities, directly issue bonds to invest in projects, joint venture with investment funds, etc.



### 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 2018, FDI into Vietnam reached USD 35.49 billion, equaling 98.8% compared to 2017, disbursed capital reached USD 19.1 billion, increased 9.1% compared to 2017. In 2018, the situation KBC's FDI attraction is quite positive, contributing 85% of the Group's total revenue. This positive is thanks to the influence of the shift of investors from China to Vietnam.

It is expected that by 2019, the prospect of FDI attraction will continue to be stable, growing, and more acceptable when the Ministry of Planning and Investment is developing a scheme to attract Vietnam FDI in the next 10 years to submit to the Politburo for approval the Resolution, considering FDI attraction as an important economic component. Thus, the sign of risk from FDI attraction in the coming year is expected to be low, it may be that growth is not superior to previous years.

### Risks from ineffective management of cash flow

KBC has encountered risks when using capital for multi-sector investment in the period of 2009 - 2010. Therefore, KBC always takes mobilizing capital and using capital seriously to ensure profitable capital flow reaching the goal of promoting business growth and preserving capital when facing difficulties in implementing projects.

In 2017, KBC's finance department approached domestic and foreign financial institutions to arrange capital for KBC's projects, access to investment funds, individuals to buy corporate bonds to restructuring old debts arising from 2009 and supplementing financial capacity for enterprises. KBC did not face any risk of cash flow management in 2017.

In 2018, KBC neither had pressure in the process of arranging necessary capital for enterprises, nor encountered any risk of cash flow management.

In 2019, we also expect no risks can occur in the plan to attract capital for the Group. Due to the cash flow from KBC's business activities, it is expected to collect the payment of due debts and part of business investment, while some banks and investment funds are still willing to finance the KBC projects if KBC needs in 2019.

### Other risks

The operating IPs can not avoid risks such as: The phenomenon of causing environmental pollution from enterprises in the IP; having natural disasters (storms accelerating the roof of factories); fire and explosion (factory fire in the IP); strikes to stop production and business activities of enterprises in the IPs, causing security instability; companies operating in the IP are bankrupt; The decline in global purchasing power affects the export performance of FDI enterprises, etc.



## PART II

### BUSINESS PERFORMANCE IN 2018

2018 closed with many outstanding economic achievements of Vietnam: the highest growth in 11 years, the quality of growth improved, GDP reached 7.08%, increased by 0.27% compared to 2017, inflation was below 4% meeting the target of the National Assembly. For the first time, budget collection exceeded the estimate of 7% (USD 3.5 billion), recurrent expenditure decreased to 62% compared to the total state budget expenditure; Public debt decreased to nearly 61%, the debt structure which was a positive change, the rate of external debt decreased, domestic debt increased, the time for repayment was long and the interest rate of loans dropped sharply; FDI attraction continued to achieve good growth over the same period, foreign direct index (FDI) into Vietnam reached USD 35.46 billion, equaling 98.8% compared to the same period in 2017, FDI capital disbursement reached USD 19.1 billion, increasing 9.1% compared to 2017. From this figure, Vietnam's economy continues to maintain a sustainable growth rate. We can liken Vietnam's economy in 2018 as a stable – developing economy in an uncertain world:

Therefore, the business performance of Vietnamese enterprises in general has prospered. According to SSI Securities Joint Stock Company, the total net profit of 2018 of 1,005 listed companies reached 276.2 trillion, an increase of 18.9% compared to 2017. Number of enterprises reporting losses was only 95 enterprises (accounting for 9.5% of listed companies). Contributing to the overall growth of the economy, KBC is also one of the businesses that contributes significantly to the revenue growth of the IP real estate group. In which, KBC's fourth quarter grew impressively when the total leased area in the fourth quarter of 2018 reached 32ha, the whole year of 2018 leased area reached 110.5 hectares, increased 2.8 times over the same period. The annual net revenue of leasing activities reached VND 2,491.1 billion, equaling to 197.7% compared to 2017. Gross profit margin of 2018 increased by 74% to 58.9%.

Here are the figures specifically illustrating activities of KBC in 2018.

#### 1. THE SITUATION OF PRODUCTION AND BUSINESS ACTIVITIES IN 2018

Unit: VND billion

TARGET	2017	2018	CHANGE %
<b>Net revenue from sales and services</b>	<b>1.260,1</b>	<b>2.491,1</b>	<b>197,7%</b>
Revenue from land lease	716,7	2.018,4	281,6%
Revenue from transferring real estate	232,8	93,2	40%
Revenue from leasing and sale of premises	137,0	178,8	130,4%
Revenue from warehousing, clean water supply, electricity, wastewater treatment, non-service	173,6	200,7	115,6%
<b>Revenue from financial activities</b>	<b>431,4</b>	<b>91,6</b>	<b>21,2%</b>
<b>Other incomes</b>	<b>3,4</b>	<b>3,4</b>	<b>100%</b>
<b>Total revenues</b>	<b>1.694,9</b>	<b>2.586,1</b>	<b>152,6%</b>
<b>Total profit after tax</b>	<b>618,8</b>	<b>808,9</b>	<b>130,7%</b>
<b>Profit attributed to shareholders of the parent company</b>	<b>584,5</b>	<b>746,2</b>	<b>127,7%</b>

(According to the consolidated financial statements in 2018)

In 2018, the Group's consolidated revenue reached VND 2,586.1 billion, equal to 152.6% compared to 2017, equal to 99.5% of the plan. In which, revenue from core business activities includes: land leasing, selling and leasing factories, selling real estate and related services reached VND 2,491.1 billion, accounting for 96.3% of the Group's total revenue.

The Group's consolidated after-tax profit in 2018 reached VND 808.9 billion, equaling 130.7% compared to 2017, equal to 101.1% of the plan; Benefits of shareholders of parent company reached VND 746.2 billion, equal to 127.7% compared to 2017.

The factors of interest expenses and selling expenses, despite a sharp increase compared to 2017, they did not negatively affect the profitability of the Group. Details are presented in Part 3 of this Report.

### The operating results compared to the plan

Unit: VND billion

TARGET	PLAN IN 2018	IMPLEMENTATION IN 2018	COMPLETEMENT
Total Revenue	2.600	2.586,1	99,5%
Net profit	800	808,9	101,1%

(\*) Details are presented in Part III of this report.

## 2. HUMAN RESOURCE ORGANISATION

### BOARD OF MANAGEMENT (BOM)

#### MR. DANG THANH TAM - 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 IPs 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 December 31st 2018:** 75,250,000 shares (16.02%)

#### MS. NGUYEN THI THU HUONG - 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 Labor 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 December 31st 2018:** 299,478 shares (0.06%)

#### MR. NGUYEN VINH THO - 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 his ownership share up to December 31st 2018:** 0 share (0%)

#### MR. PHAM PHUC HIEU – 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 December 8th 2012, appointed to be a Board member since April 26th 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. **During his time as a member of the BOM, Mr. Pham Phuc Hieu has always excellently fulfilled his role, especially in controlling cash flow, directing and arranging capital for businesses.**

**The number and percentage of his ownership share up to December 31st 2018:** 22,817 shares (0.005%)

#### MR. HUYNH PHAT - 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 his ownership share up to December 31st 2018:** 0 share (0%)

## BOARD OF DIRECTORS

### MS. NGUYEN THI THU HUONG – CEO

(Introduced in the BOM part)

### MR. PHAM PHUC HIEU – DEPUTY GENERAL DIRECTOR IN FINANCE AND AUTHORIZED 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 December 31st 2018:** 11,500 shares (0.00002%)

### MS. NGUYEN MY NGOC – DEPUTY GENERAL SALES DIRECTOR

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.

**In 2018, Ms. Nguyen My Ngoc excellently fulfilled her role in attracting FDI enterprises to Que Vo IP, making this IP nearly 100% occupied.**

**The number and percentage of her ownership share up to December 31st 2018:** 0 share (0%)



## THE NUMBER OF STAFFS

### THE LABOUR STRUCTURE IN THE PARENT COMPANY

(In the year, the number of newly recruited people is 29, the number of people leaving is 21)

QUALIFICATIONS	AMOUNT (PEOPLE)	RATE
Post graduated	10	5,3%
Graduated	78	41,5%
College and vocational training	22	11,7%
Technical workers	16	8,5%
Security and guard	62	33%
<b>TOTAL</b>	<b>188</b>	<b>100%</b>

- The total number of staffs in Parent Company up to December 31st 2018 is 188, increasing 8 staffs in comparison with that of 2017.

- The total number of staffs in Group up to December 31st 2018 is 473, decreasing 05 staffs in comparison with that of 2017.

### 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, BONUS AND ALLOWANCE

Salary, bonus and allowance regimes are built in balance with the development of enterprises. KBC fully implemented social insurance, health insurance and unemployment insurance for all employees. The total average income of KBC employees is 14,2 million VND/person/month, unchanged from 2017.

Employees are entitled to leave under the Labor Law. Employees of the Company are entitled to allowances depending on the nature of the work such as: responsibility allowance, part-time allowance, lunch allowance, travel allowance, telephone, monthly phone subscription, etc. In order to ensure the health for employees, the Group organizes a kitchen with clean products, every year the Group organizes for all staff a health-checking at reputable hospital.

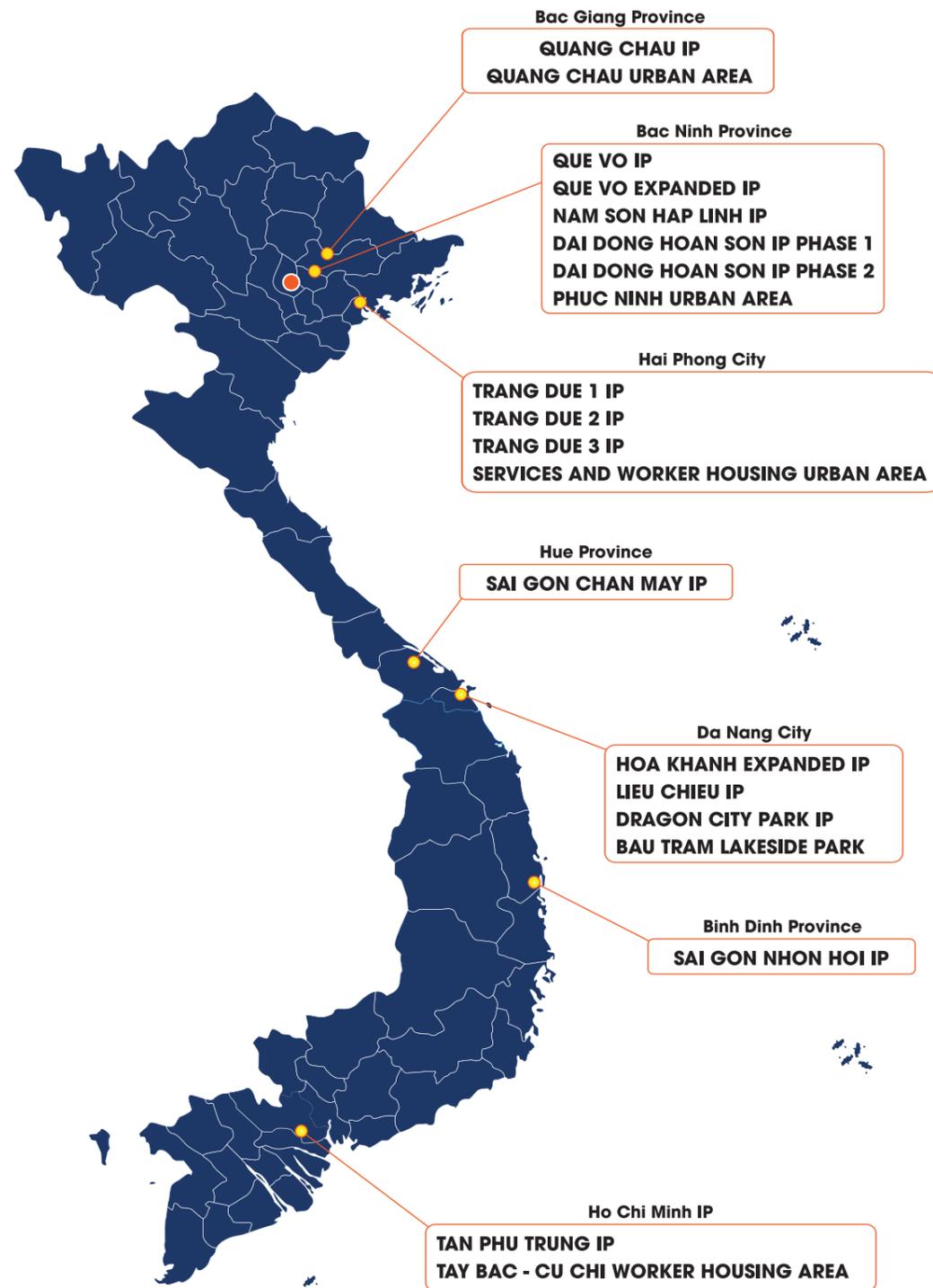
In addition, every year the Group organizes a vacation tour for all employees, as well as organizing many collective activities. Trade union activities are also regularly organized, playing an important role in all activities of employees.

### 3. THE INVESTMENT AND IMPLEMENTATION OF PROJECTS

#### The land bank of the Corporation

The total investment land fund of the Group currently owns more than 5,188 ha of IPs and 1,058.6 ha of Urban Area land concentrated in the North - Central - South region.

#### Location of KBC projects



#### General investment situation

In 2018, the total value of direct investment in IPs and Urban Areas is VND 1.158,6 billion, increasing 100% compared to that of 2017. In particular, KBC focuses on infrastructure investment in the following projects:

- Nam Son Hap Linh IP continues to level and survey the design of clean water station, the total investment value in the year is over VND 69.5 billion.

- Que Vo IP has expanded its investment in the year to VND 241.7 billion for compensation, construction of 7 factories (nearly 15,480 m<sup>2</sup> of factories); Infrastructure construction (road construction, leveling, drainage of rainwater, waste water drainage, lighting systems, electrical systems, etc.)

- Quang Chau IP invested VND 196.2 billion for infrastructure construction (compensation, completion of 800m of roads, leveling of 20ha, 5.2km of electric lines, additional costs of clean water plants, wastewater, v, v.)

- Trang Due IP has invested VND 84.6 billion (compensation, infrastructure construction, renovation of electrical systems, lighting, etc.); Trang Due urban area invested VND 335.3 billion for compensation of 4.51 ha and paid land use fees for 22.61ha of commercial land. The project has completed 100% of the area of compensation and payment of land use fees, is building infrastructure, has started offering market exploration very successfully.

- Tan Phu Trung IP implements 3ha compensation items, and constructs infrastructure (road construction, leveling) with the investment value of VND 128.7 billion.

- Phuc Ninh urban area is a project to be invested in all items on the area of 22ha and 6.3ha including: Compensation, leveling, roads, electricity, water and rough construction. The total investment value of 2018 of Phuc Ninh urban area is VND 102.6 billion.

- KBC has chaired projects to establish new projects in Hai Duong and Hanoi and other areas in line with the sustainable development orientation of KBC, creating a strong breakthrough in housing real estate. In 2019, KBC will also focus on building housing for workers and social houses on the existing land fund. In particular, the land fund for social housing with land use levy is exempted by the state, the value of land depreciation is zero, so the cost will be the best and will contribute very well to society as well as create more profits for the company.



Phuc Ninh Urban Area is completing infrastructure in the 22ha sub-zone

## Investments in subsidiaries, associates and long-term financial investments of the Parent Company

The total investment value of the Parent Company in a subsidiary is calculated based on book value and net value as at December 31st 2018 is VND 2,859.8 billion, increasing 0.04% compared to 2017, due to Parent company capital contributing to Kinh Bac Office and Factory Business One Member Limited Company is VND 1.2 billion.

The total investment value of the parent company in associates calculated at the cost of VND 723.7 billion, net value at December 31st 2018 is VND 367.7 billion, down 8.7% compared to 2017. Total provision is VND 355.9 billion, up VND 20.7 billion compared to 2017: Of which, provision for SGT investment is VND 332.8 billion due to the decrease in share price (However, from 2015 until now, SGT's profit has increased again, contributing to the Group's profit of VND 16.5 billion in 2018); The provision for investment in Saigon - Hue Investment Joint Stock Company is VND 15.9 billion, provision for investment in Scanviwood is 100% of investment capital of VND 7.2 billion.

Investments in Saigon - Hue Investment Joint Stock Company, Saigon Hi-Tech Park Infrastructure Investment and Development Joint Stock Company, Scanviwood Joint Stock Company have caused the Group to record losses from the associates company in 2018 is VND 3.1 billion

For long-term financial investments, KBC owns less than 20%, with a total investment value of VND 448.5 billion, unchanged from 2017, making a provision of VND 17.7 billion to make the total remaining net value of VND 430.8 billion, increased 5.4% compared to 2017, due to the reversal of the provision from the investment in Saigon - Danang Investment Joint Stock Company since this company's business activities grew again in 2018. Among long-term investments, the investment in Sai Gon - Quy Nhon Minerals Joint Stock Company (SQC) was VND 339 billion, accounting for 75.6% of the total value of long-term financial investment; investments in IPs were VND 68 billion, accounting for 15.2% of the total value of long-term financial investments (including IPs in Da Nang, Binh Phuoc and Nhon Hoi); other investments of VND 41.5 billion accounted for 9.3% of the total value of long-term financial investment.

Although investment portfolios for associates, long-term investments have not brought profit for KBC, these enterprises currently own a land bank of 2,087.4 hectares equivalent to 1,470,4 ha of commercial land, the remaining commercial land is 1,052.3 ha which is the value-added asset for KBC in the future.



## OPERATING STATUS AND PROSPECTS OF THE PROJECTS



### THE PROJECTS 100% OWNED BY KBC

#### Que Vo IP

Que Vo IP in Bac Ninh Province has a total area of 611 ha, in which the existed Que Vo IP (300ha) came into operation in 2003, has filled 97.5%; The expanded Que Vo IP (311 ha) has been in operation since 2006, and has filled 97.9%. These are the first 2 IPs to create added value and brand for KBC, which is a typical model to build and develop the Group's modern IPs in the North. With a strategic position in the northern economic center, convenient and diverse traffic system, these IPs have attracted many big-name corporations such as Canon, Foxconn, Tokyo Ink, VS Industry, Hanwha, Goertek and a series of Taiwanese and Korean businesses.

In these two IPs, KBC has built more than 60 factories and offices for the purpose of leasing and selling. Factory products have met the needs of FDI enterprises as satellite companies, secondary companies of large corporations, helping to reduce investment risks as well as shorten the progress when investing in Vietnam. In 2018, KBC built 07 factories. Currently, all factories are sold out and only 4 factories are leased.

In 2018, revenue from leasing land and selling factory of Que Vo IP reached VND 1,155 billion, accounting for 44.7% of the Group's total revenue; In which, revenue from leasing IP land (53.3 ha), sales of 06 factory buildings (34,820m<sup>2</sup>) and revenue from electricity and water services, factory leasing accounted for 3.9% of total revenue.

**Development plan of 2019:** The remaining Que Vo IP remains 4.9 ha of commercial land with the occupancy rate is 97.5%; The expanded Que Vo IP has 3.6ha of commercial land with the occupancy rate of 97.9%. With the remaining area, KBC only sells to retail customers or builds some more factories. ▶

## ► Phuc Ninh Urban Area

KBC is the investor of Phuc Ninh - Bac Ninh Urban Area Project, with a total area of 136.47 ha located in the center of Bac Ninh City, compensated 87.5 ha, handed over in the field about 65ha, paid land use fee of nearly 17.1 ha of commercial land. Currently, Phuc Ninh Urban Area has been completing 50 villas. In 2017, the project opened selling 6.27 ha and 22ha sub-areas which attracted hundreds of interested investors.

In 2018, due to the quieter real estate market, the Company did not launch new sales, concentrating on completing infrastructure, rough houses to soon hand over to customers who signed land purchase agreements in the 2017. During the year, the project recorded VND 93.2 billion in revenue for 5,873 m2.

As of December 31st 2018, the total value of the booking agreement, excluding the signed VAT is VND 1,745.9 billion, the total amount to be collected is VND 1,227.9 billion, the total revenue which has not yet been recorded is VND 1,420 billion.

**Development plan of 2019:** Continuing to complete the legal procedures, infrastructure handed over to the customers the signed land plots in the sub-zone of 6.27ha and 22ha, can open new sales ones.



*Phuc Ninh Urban Area has residents*

## Diplomatic Corps project - Hanoi

The project has a total area of 20,000 m2 in the developing area in the Capital, located on Pham Van Dong street in Hanoi, right next to Hoa Binh Park. In 2017, the company set up a subsidiary, NGD Investment One Member Limited Company, to manage project development. The project is in the process of finding partners for development cooperation.

**The above is the operation situation and development plan of the main projects invested by the parent company: At December 31st 2018, the total assets of the parent company reached VND 12,203.4 billion, an increase of 12.7. % compared to 2017; The outstanding principal of short-term and long-term loans is VND 2,640.7 billion, up 24.05% compared to 2017. In fact, the actual outstanding principal is from credit institutions and bonds as of December 31st 2018 is VND 1,957.1 billion, down 1.4% compared to 2017, outstanding loans to related parties are VND 683.6 billion, 4.8 times higher than 2017; The payable outstanding loan interest is VND 805.5 billion (which is the payable bonds interest for PVcombank arising from 2012, which must be paid at the end of 2020).**

**The total revenue of the parent company in 2018 reached VND 1,601.5 billion, equal to 153.8% compared to 2017, after-tax profit reached VND 544.4 billion, equal to 95.8% compared to 2017. During the year, the business results mainly came from land leasing business, factory sales and related services, which resulted in the mostly occupied expanded Que Vo IP.**

## 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 economic zone, Haiphong city

- **Business line:** IP and Urban Area Real Estate Sales

- **Registered capital:** VND 1,500 billion

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

TCC is the investor of Trang Cat Urban Area and Service project with a total area of 584.9 ha, compensated 511 ha. Total infrastructure investment is expected to be: VND 6,300,000,000 (Six thousand and three hundred billion Vietnamese dong). The total value of investment was VND 3,505.3 billion, including compensation costs, construction of underground tunnel from the Hanoi - Hai Phong highway to the project and the capitalized interest rate loan was implemented. During the year, total investment costs increased by VND 30.2 billion due to interest capitalization.

Update to 9/1/2019, KBC issued a Resolution of the BOM on the transfer of receivable debt to TCC which is VND 2,630 billion into TCC capital contribution, raising the charter capital of TCC to VND 4,130 billion.

The project development strategy is expected to develop towards the direction of building a Vietnamese specialized area with foreign partners. Therefore, depending on the development situation between Vietnam and other countries in the coming years, KBC will develop a detailed development plan.

### Saigon - Haiphong IP Joint Stock Company (SHP)

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

- **Registered capital:** VND 416 billion

- **Business line:** IP 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.

- **For IPs:** Phase 1 of Trang Due IP has an area of 187.8 ha, 99.1% has been filled; Phase 2 of Trang Due IP project implemented investment and business in early 2015, covering an area of 214.2 hectares, equivalent to 133 hectares of commercial land. In 2018, the project sold 25.6ha, the remaining commercial land was 5.1 ha. Occupancy rate is 96.2%

This is the fastest occupied IP in KBC's IPs. Trang Due IP has attracted nearly 50 investors, of which 85% are foreign investors, some major investors that must be mentioned are LG Electronics, LG Display, Dongjin Techwin Vina, Asia Plastic JSC, Haengsung Electronic, Heesung Electronics, Innotek, etc. ►

- ▶ **- For Urban Area:** Trang Due urban area has an area of 42ha. In 2018, the project compensated 4.51ha, paid land use fee and gave 22.6 ha of commercial land. The project has completed 100% of the area of compensation and payment of land use, infrastructure construction, has started to offer and explore very successfully.

As of December 31st 2018: Total assets of the company reached VND 3,071.3 billion, equal to 120% compared to 2017; Total revenue recorded from selling 25.6ha of land in the year reached VND 622.5 billion, equal to 177% compared to 2017, after-tax profit reached VND 292.3 billion, equal to 222% compared to 2017; The total outstanding principal of credit institutions as of December 31st 2018 is VND 129.7 billion, equal to 59% compared to 2017.

**Development plan of 2019:** SHP will fill Trang Due IP in phase 2. Completing legal procedures, clearance for phase 3 of Trang Due IP with an area of 687 ha. Implementing the plan to sell Trang Due urban area with an area of 42ha.



Trang Due IP - Hai Phong City

### Saigon - Bac Giang IP Joint Stock Company (SBG)

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

- **Business line:** IP Infrastructure

- **Registered capital:** VND 220 billion

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

SBG is the investor of Quang Chau IP and Urban Area project: (1) Quang Chau IP is located in Viet Yen district, Bac Giang province, with a total area of 426 ha, total commercial land area is 275.6 ha, filled 53.97%, the remaining commercial land area is 126.9 ha, the land area must be compensated is 108.2 ha. The project is conveniently located adjacent to Bac Ninh province, about 2km away from Que Vo IP and on the traffic axis between many large production areas. This IP has attracted 17 foreign corporations, typical businesses invested in Quang Chau IP such as Nichirin Vietnam Co., Ltd, Umec Vietnam, Crystal Vietnam, JA Solar, ZYF, Luxshare - ICT, Samkwang Vina, HIQ Vina, etc. In 2016, Quang Chau IP was very successful in attracting investment after many years not attracting any customers.

As of December 31st 2018, total assets of the company reached VND 2,070.8 billion, equal to 129% compared to 2017; Total revenue recorded from selling 14.6 hectares of land reached VND 221.4 billion, equal to 90.1% compared to 2017, after-tax profit reached VND 86.1 billion, equaling 157.1% compared to 2017; The total outstanding principal of credit institutions as of December 31st 2018 is VND 190 billion, equal to 65.5% compared to 2017. The outstanding debt balance extended to 2020 is VND 245.6 billion.

**Development plan in 2019:** This IP will continue to promote activities to attract investment, it is expected to continue to build 07 factories for lease and implement the plan to compensate 90ha of land.



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

- **Address:** Tram Bom Hamlet, Highway 22, Tan Phu Trung Commune, Cu Chi District, HCMC
- **Business line:** Real Estate - IP Infrastructure
- **Registered capital:** VND 500 billion
- **KBC's current ownership rate 74,3%, Interest rate 72,44%**

SCD is the investor of Tan Phu Trung IP project in Cu Chi district, 25km away from Ho Chi Minh City center, with a total area of 542 ha, a commercial land area of 314 ha, an occupancy rate of 36.5%. The remaining commercial land is 199.6 ha, the land still requires compensation of 35ha. In addition, SCD is also the investor of the project of workers housing area of 47.7 ha. This real estate project aims to provide housing needs for the labor force in the IP, and is expected to have about 7,800 people.

As of December 31st 2018, total assets of the company reached VND 1445.4 billion, equal to 105% compared to 2017; Total revenue recorded from the sale of 17ha of land in the year reached VND 312.7 billion, equal to 134% compared to 2017, after-tax profit reached VND 87 billion, equal to 116% compared to 2017; The total outstanding principal of credit institutions as at December 31st 2018 is 22 billion VND, equal to 25% compared to 2017. Interest debt balance is 82.3 billion VND.

**Development plan of 2019:** Tan Phu Trung IP has many advantages in location, land availability for rent, meeting customer needs, business development speed maintains stable growth through the recent years. This IP will focus on building appropriate business strategies to maintain minimum sales speed as in years and complete 100% compensation for the project.



### Saigon Hue Joint Stock Company (SGH)

- **Address:** No. 15 Nguyen Hue Street, Hue City
- **Registered capital:** VND 350 billion
- **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 IP 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 - Lang Co 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 m<sup>2</sup>. 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:** VND 740 billion
- **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 investor of the infrastructure construction project of Dai Dong Hoan Son IP, Bac Ninh. IP has a total area of phase 1 of 268 ha in Bac Ninh province, in 2016, the first phase has been filled. Currently, SGT is preparing to compensate for the second phase with an area of 96ha. In 2018, SGT contributed to KBC's consolidated profit before tax of VND 16.5 billion.



During the year, the company established one subsidiary, Kinh Bac - Da Nang Investment One Member Co., Ltd., which is 100% owned by KBC. However, this company has not yet reported any data.



## 4. FINANCIAL STATUS

### a. Financial status in 2018

Unit: dong

TARGET	2017	2018	CHANGE RATE (%)
Total asset	15.779.767.538.270	16.909.732.217.779	107,2%
Equity	9.038.107.349.299	9.837.357.794.557	108,8%
Revenue	1.694.922.374.570	2.586.119.327.652	152,6%
Gross profit	813.430.381.901	1.073.489.475.745	132,0%
Profit	811.539.933.682	1.047.227.401.932	129,0%
Net income	618.777.162.815	808.906.473.494	130,7%
Earn/share (EPS)	1.244	1.588	127,7%

(According to audited consolidated financial statements in 2018)

#### Causes of changes in assets and equity

**About the total Assets:** In 2018, the Group's total assets were 107.2% compared to 2017, net asset value increased by more than VND 1,129.9 billion. The main reason is due to sales activities, in which short-term receivables from Goertek Group is VND 668 billion which is good cash flow, ready for business activities of KBC in 2019.

**About the total capital source:** : In 2018, total capital is 108.8%, net capital value increased by 799.2 billion, mainly due to increased undistributed profits.

#### Causes of changes in revenue - profit

Total revenue in 2018 increased VND 891.2 billion, equal to 152.6% compared to 2017. Consolidated profit after tax in 2018 increased VND 190.1 billion, equaling 130.7% compared to 2017; The profit attributable to shareholders of parent company reached VND 746.2 billion, equal to 127.7% compared to 2017. The main reason was because the Group sold 110.5 ha in the year, equal to 265% compared to 2017 included that **Que Vo IP** has leased 53.3 hectares, 04 factories with an area of 20,576 m<sup>2</sup> and sold 06 factories with an area of 34,820 m<sup>2</sup>; **Quang Chau IP** has sold 14.6 hectares of land and leased 02 factories with an area of 10,320 m<sup>2</sup>; **Trang Due IP** has leased 25.6 ha; **Tan Phu Trung IP** has leased 17 ha.

## b. Financial numbers

RATIOS	2017	2018
<b>1. Liquidity</b>		
+ Short-term liquidity ratio: Current assets/liabilities	4,13	3,80
+ Quick ratio: (Current assets - Inventory)/Current Liabilities	1,63	1,59
<b>2. Capital structure</b>		
+ Debt ratio/Total assets	0,43	0,42
+ Debt ratio/Equity	0,75	0,72
<b>3. Operational capacity</b>		
+ Inventory turnover Cost of goods sold/Average inventory	7,94	4,98
+ Net revenue/Total assets	8%	15%
<b>4. Profitability</b>		
+ Net income/Net revenue	49%	32%
+ Net income/Total revenue (*)	36,5%	31,3%
+ Net income/Equity	6,8%	8,2%
+ Net income/Total assets	4%	5%
+ Gross profit/Net revenue	65%	43%

### LIQUIDITY

KBC's liquidity ratios still remain positive, despite a slight decrease compared to 2017. The short-term liquidity ratio is 3.8 times slightly lower than that of 2017 at 4.13 times. The quick liquidity ratio of the company also tends to decrease slightly compared to 2017. However, the payment index is still at a safe level, ensuring the ability to repay due debts.

### CAPITAL STRUCTURE

As of December 31st 2018, KBC's total assets were being financed by capital structure including 42% of debt and 58% of equity. Capital structure indicators have improved positively compared to 2017. The capital structure is currently a very good rate for a large-scale real estate enterprise like KBC. Compared to other companies in the same industry, account payable accounted 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 due to the characteristics of commodity products of other IP which do not have the business cycle like normal consumer goods. The business cycle of IPs usually lasts for many years, even if projects have to be recorded on Inventories for many years. Therefore, inventory turnover according to accounting estimates as above table excludes the value of inventory of Trang Cat urban area (due to years of not being exploited) is still retaining the influence of Nam Son Hap IP because it has not been put into operation for many years.

The ratio of revenue on total assets in 2018 is 15%, a sudden increase compared to 2017 which was 8%. This is the most positive improvement index of the year.

## PROFITABILITY

Two indicators of Profit after tax compared to Equity and Total assets improved positively compared to 2017. Profit ratios compared to Revenue decreased more positively than 2017. Therefore, the price factor increased is a factor to be aware of for good control of the Group.



## 5. SHAREHOLDER STRUCTURE CHANGES THE OWNER'S CAPITAL

### QUANTITY OF SHARES AS OF March 25th 2019

ITEMS	QUANTITY OF SHARES
<b>Total issued shares</b>	<b>475.711.167</b>
Quantity of common stock	475.711.167
Preferred stock	0
Treasury stock	5.950.978
<b>Outstanding share</b>	<b>469.760.189</b>
Free transfer stock	469.760.189
<b>Restricted transfer stock</b>	<b>0</b>

### SHAREHOLDER STRUCTURE

#### Shareholder structure according to shareholders list in March 25th 2019

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

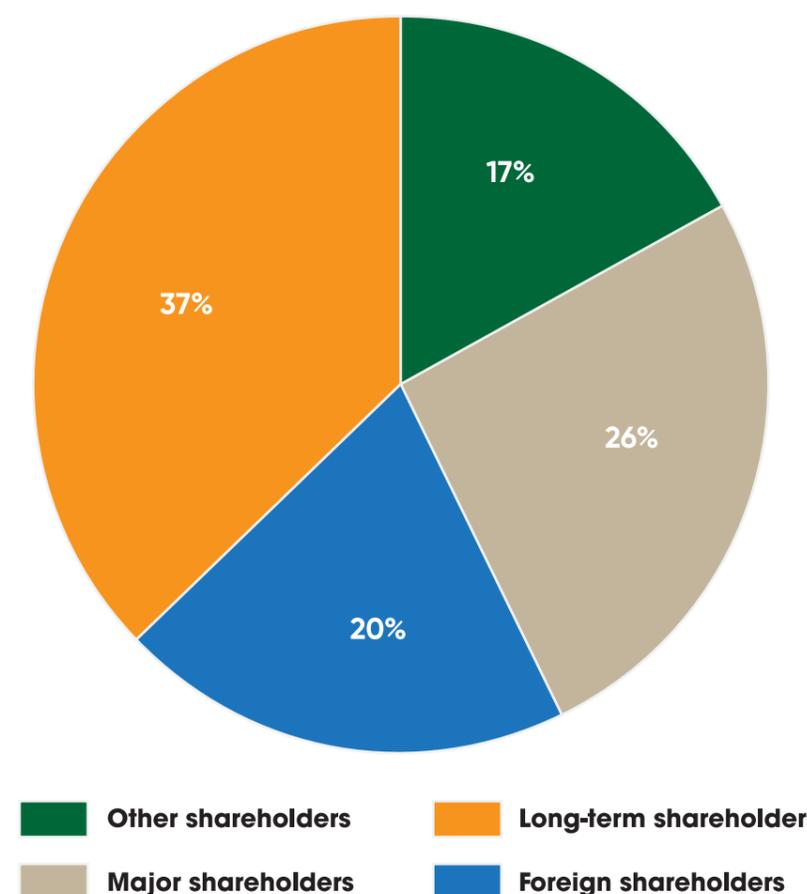
TYPES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	QUANTITY OF SHARES	RATE
<b>Domestic</b>		<b>375.862.175</b>	<b>79,01%</b>
Individual	6.342	299.837.791	63,03%
Organisation	64	76.024.384	15,98%
<b>Foreign</b>		<b>93.898.014</b>	<b>19,74%</b>
Individual	158	3.340.318	0,7%
Organisation	79	90.557.696	19,04%
<b>Total outstanding shares</b>		<b>469.760.189</b>	
Treasury shares	1	5.950.978	1,25%
<b>Total</b>	<b>7.219</b>	<b>475.711.167</b>	<b>100,00%</b>

### SHAREHOLDER CLASSIFICATION

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

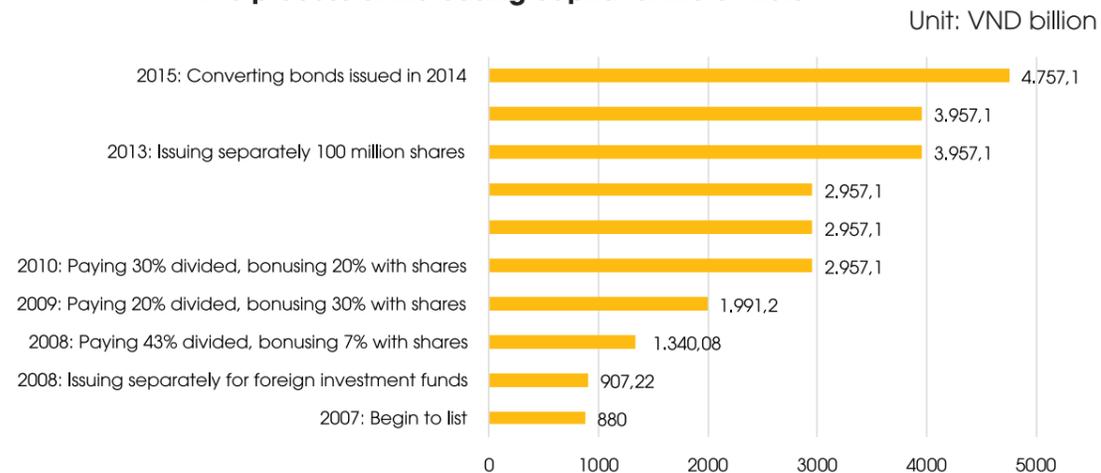
NAME OF SHAREHOLDERS	QUANTITY OF SHARES	RATE
<b>Total issued shares</b>	<b>475.711.167</b>	<b>100%</b>
<b>Treasury shares</b>	<b>5.950.978</b>	<b>1,25%</b>
<b>Outstanding shares</b>	<b>469.760.189</b>	<b>98,75%</b>
<b>Major shareholders</b>	<b>115.681.290</b>	<b>25,53%</b>
Dang Thanh Tam (Chairman)	75.250.000	16,02
Kinh Bac Consultancy and Investment, JSC	44.656.290	9,51%
<b>Foreign shareholders</b>	<b>93.898.014</b>	<b>19,99%</b>
<b>Long-term shareholders</b>	<b>175.851.938</b>	<b>37,43%</b>
<b>Other shareholders</b>	<b>80.103.947</b>	<b>17,05%</b>

### SHAREHOLDER CLASSIFICATION CHART



## THE SITUATION OF CHANGING CAPITAL CONTRIBUTION OF THE OWNERS

### The process of increasing capital of the owners



In 2018, KBC did not issue any additional shares; no transactions of treasury stocks arise; Did not issue other types of securities affecting the change of equity.

## 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

KBC is an investment, business and infrastructure development group of IPs, Urban Areas, and builds standard factories to lease and provide services such as water supply, wastewater treatment, lighting and contact information. Therefore, the materials used to constitute the Group's products are raw materials for basic construction (construction sand, yellow sand, macadam, gravel, concrete piles, reinforcement, roofing sheets, corrugated iron, prefabricated concrete slabs, iron and steel, prefabricated concrete, drainage pipes, lighting equipment, green trees, etc.) to complete infrastructure, land and factories to serve Investors.

However, in order to build infrastructure and works, the Group is in the form of hiring construction contractors, not directly constructing. Each work item is completed, the Group conducts the acceptance of the volume according to the work item, each category includes many different materials. The Group does not manage the detailed volume of materials by type, but manages the volume according to each work item.

"During the construction process, the Labor Safety Board is set up by the company to ensure environmental hygiene, ensuring that all materials used must be made according to construction standards and decrees on construction regulated 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

In KBC's IPs, investors buy electricity directly from EVN, the Group does not directly manage; Total direct electricity consumption in 2018 in the IP is as follows: Quang Chau IP was 1,078,410 KWH, Que Vo IP was 4,181,306 KWH, Trang Due IP was 829,440 KWH, Tan Phu Trung IP was 201,701,744 KWH (including energy consumption of offices, clean water supply stations, waste water supply stations, lighting systems).

### b. Energy saving initiative

For the investor's responsibility is that IPs are always focused on building in a friendly and sustainable way, the electricity and water systems are reasonably designed from the beginning; use of energy-saving electrical equipment such as power-saving led light bulbs. In the future the IP will aim to use electricity source to supply electricity such as solar energy to supply street lighting equipment; In the process of building factories and offices, it is important to use environmentally friendly materials, locally available materials; For the office block, limit the use of electricity and equipment during peak hours, use equipment with low energy consumption, turn off the equipment when not in use, set the air-conditioning temperature to an appropriate level, limit to use paper in printing when not needed, actively use electronic documents to exchange jobs, etc.



### 6.3. Water consumption

KBC's IPs mostly build their own water supply and wastewater treatment plants.

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

- In Que Vo IP, there are 02 clean water supply factories with a total capacity of 9,000m<sup>3</sup> / day and an average consumption of 8,500m<sup>3</sup> / day and night, in addition, it also adds to water sources of Bac Ninh Clean Water Joint Stock company with an average flow of 1,500m<sup>3</sup> / day and night, total water consumption in Que Vo IP in 2018 is 4,115,778 m<sup>3</sup>; There is 01 wastewater treatment plant with a maximum capacity of 6,000m<sup>3</sup>. In October 2017, the Company started construction of Phase 2 WWTP with a capacity of 6,000m<sup>3</sup> / day and night. In October 2018, the company put into operation Phase 2 WWTP. The total amount of wastewater in this IP was treated at 3,030,197 m<sup>3</sup> in the year.

- In Quang Chau IP, there is 01 clean water supply plant that has increased the capacity from 3,500m<sup>3</sup> / day and night to 5,000m<sup>3</sup> / day and night, and is currently building phase 2 with a capacity of 5,000 m<sup>3</sup> / day and is expected to go operating in 2019. Currently, the total clean water consumption of the IP is 1,276,873 m<sup>3</sup>, increasing 129.07% compared to 2017, an average of 3,546 m<sup>3</sup> / day.

Wastewater plant with a capacity of 3,000 m<sup>3</sup> / day and is currently building phase 2 with a capacity of 5,000 m<sup>3</sup> / day, is in trial run and is expected to go into operation in 2019 to ensure capacity water treatment for the whole IP. The average treatment flow of 2,390 m<sup>3</sup> / day. ▶

- ▶ **- In Trang Due IP**, in 2018, there have been steps to invest and operate the Wastewater Treatment Plant and the response plan for the following year:

During the year, SHP also completed the construction of Trang Due wastewater treatment plant phase 1 with a capacity of 5,000m<sup>3</sup> / day and night (total capacity of 13,500m<sup>3</sup> / day and night) which is currently in test operation phase to actively serve clean water supply for secondary investors, contributing to improving infrastructure in the IP. Current water consumption capacity of the whole area averages about 4,500m<sup>3</sup> / day and night, up 69.07% compared to 2017. Each secondary investment unit when implementing the project is installed a water meter, clean water connector to meet user needs. Monthly, it will accurately measure the number of waters used and collect recurring usage fees, not to allow losses or excess water consumption.

The total volume of wastewater generated throughout Trang Due IP is approximately 4,000 m<sup>3</sup> / day. SHP has cooperated with Quoc Viet Science and Technology Co., Ltd to upgrade and upgrade the capacity of the first stage wastewater treatment plant from 1,500m<sup>3</sup> / day to 4,000m<sup>3</sup> / day and night, ensuring to meet the processing capacity before investors come into operation. At the same time, it is expected that in 2019 and the following years, the amount of wastewater from investors will increase because new investors who rent land and large investors are expanding production phase 2, SHP Company continues to coordinate with Posbee Green Environment Joint Stock Company to build a phase 2 wastewater treatment plant with a capacity of 4,000m<sup>3</sup> / day and night, using modern chemical and biological technology, currently in the process of testing operation and applying for discharge license. The total wastewater treatment capacity of 2 wastewater treatment plants reaches 8,000m<sup>3</sup> / day and night, ensuring the wastewater treatment capacity for investors in the IP. In addition, the company continues to improve the items, works, measures to protect the environment of Trang Due IP, seriously implement the committed environmental protection and management, contributing to the general environmental management of the City.



**- Tan Phu Trung IP**, there is 01 water supply plant with a maximum capacity of 3,000m<sup>3</sup> / day and night, in 2018, the total amount of clean water supplied to investors was 431,751m<sup>3</sup>, an average of 1,182.9 m<sup>3</sup> / day; 01 wastewater treatment plant with a capacity of 4,000 m<sup>3</sup> / day and night, the total volume of waste water treated in 2018 was 416,252.4m<sup>3</sup>, the average wastewater treatment flow was 1,140.4m<sup>3</sup>/day.

**b. Percentage and total recycled and reused water**

All used water sources are discharged into the centralized wastewater treatment system of the IP. IPs do not use recycled and reused water. Waste water after treatment qualifies QCVN 40/2011 / BTNMT column A.



#### 6.4. Compliance with the law on environmental protection

KBC's IPs always comply with all regulations on environmental protection in Vietnam.

#### 6.5. Policies related to workers

##### a. Number of employees and average salary:

As of December 31st 2018, the total number of employees at the Parent Company was 188, an increase of 08 people; The total number of employees of the group is 473, down 05 people compared to 2017. The average salary of employees at the parent company (KBC) was 14.2 million VND / person / month, the average salary of workers in subsidiaries in Bac Giang province was VND 8.5 million / person, Hai Phong was VND 9 million / person, Cu Chi TP. HCM was VND 7.5 million / person / month. Regarding labor structure, see details in the number of employees / HR organizations item on page 24 of this report.

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

**Insurance:** Applying social insurance, health insurance, unemployment insurance, and difficulty allowance

**Health care:** Organizing a general health check for all leaders and employees at least once a year.

##### Leaving for taking care of babies:

- Implementing maternity leave for female and male workers according to current legislation.
- Applying maternity protection for female workers in accordance with the current legislation: The leave is still entitled to full salary under the labor contract.

**Pensions:** According to the law on social insurance.

Welfare regulations are defined in the labor 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

The Group applies the policy of respecting talents and satisfactory treatment. Therefore, the Group has 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 above skills are regularly trained.

#### Corporations and units implement social responsibility in 2018:

At the parent company, more than 16 billion VND was spent to implement social responsibilities such as funding for the poor, supporting the construction of rural transport bridges in Duc Hoa, Long An, supporting security and supporting remodeling Dong Duong pagoda relics. Subsidiaries are also involved in implementing social responsibility to support the poor, sponsoring the festival of red phoenix flowers.

#### 6.7. Report related to Green Capital Market: None

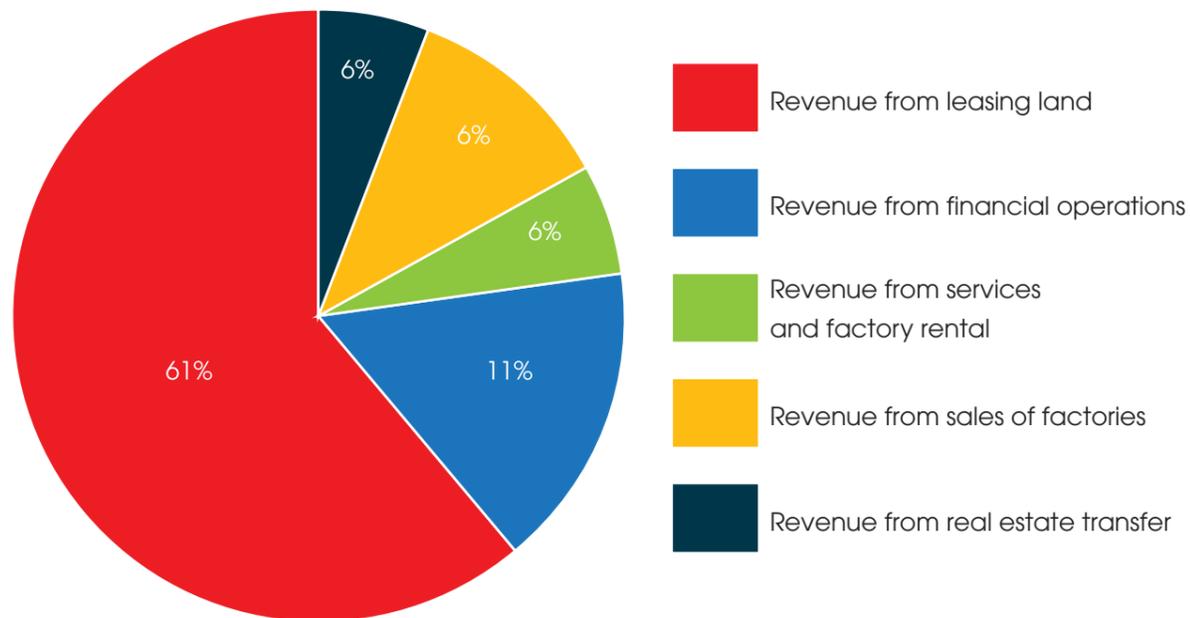


**WE ALWAYS PROMOTE GREEN FINANCIAL MARKETS  
TOWARDS SUSTAINABLE DEVELOPMENT**

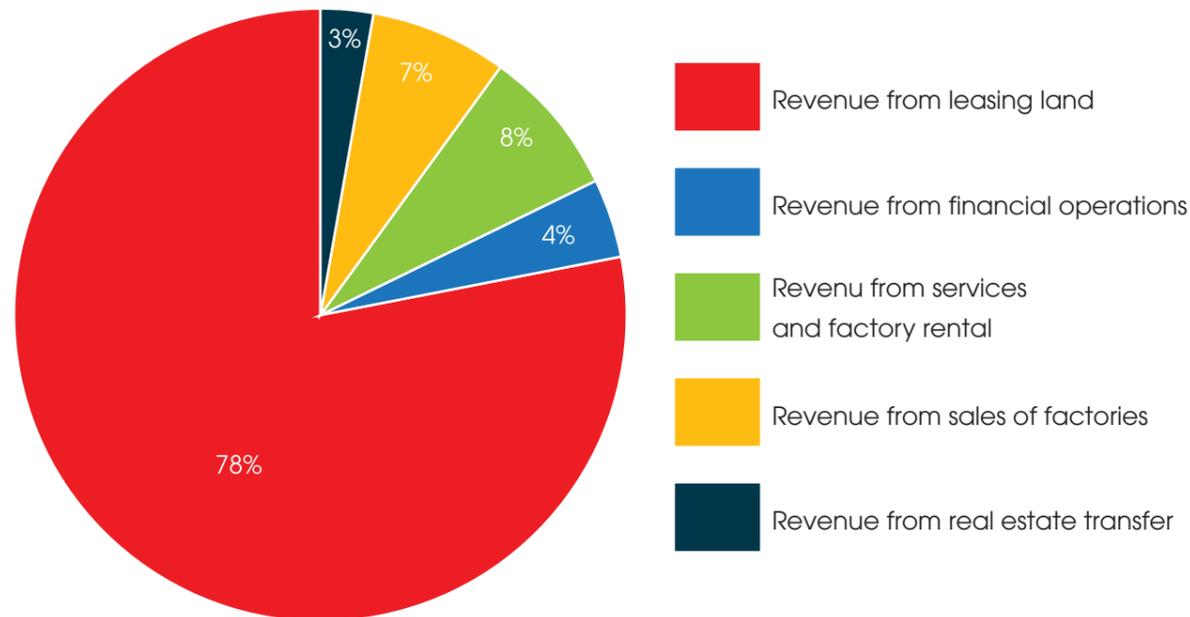


## CHART OF REVENUE STRUCTURE

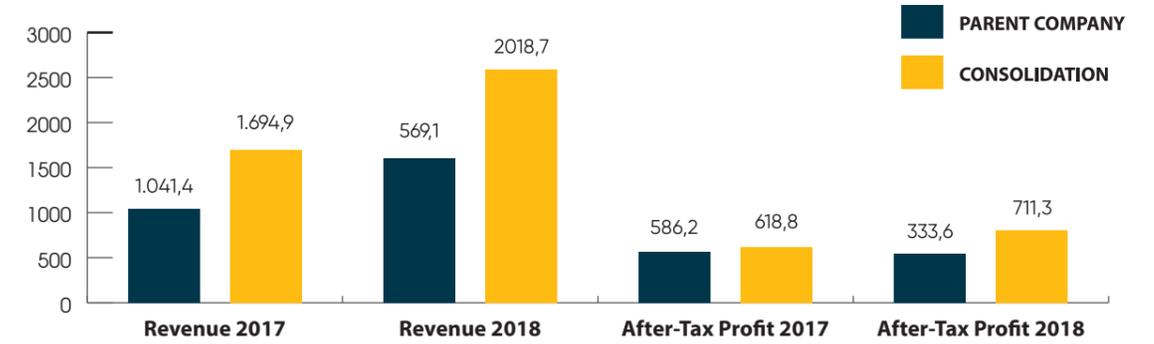
### REVENUE STRUCTURE OF PARENT COMPANY



### CONSOLIDATED REVENUE STRUCTURE



### REVENUE - PROFIT GROWTH CHART (2017 - 2018)



The cost factors increased sharply compared to 2017. However, the sharp increase in cost factors during the year is the necessary expenses to promote business activities of enterprises, not negatively affecting the profit of the Group. Specifically,

- **Interest expense** incurred in the year according to the consolidated report is VND 200.8 billion, an increase of 88% compared to 2017; accounting for 7.8% of total business. The reason for the increase in interest expenses is that in 2017, KBC issued additional 1,530 billion dong of corporate bonds, giving rise to interest expenses in 2018. This interest rate is accepted compared to the scale of KBC.

- **Selling expense** of the whole Corporation is VND 142 billion, up 642% compared to 2017, accounting for 5.5% of total revenue. This item increased sharply mainly in the parent company, due to arising costs for brokerage activities to promote sales in the expanded Que Vo IP to complete a number of contracts of great value in the year. These contracts helped Que Vo IP expand almost to fill the area, recording revenue in the year of VND 976 billion, accounting for 37.7% of total revenue. Although, in the past, selling expenses for IP business activities were low because KBC rarely used brokers and did not create a surge. This change spikes costs, dramatically increases revenue in 2018, which is perfectly relevant, benefiting the parties.

- **Management cost** is VND 164.8 billion, up 7% compared to 2017, accounting for 6.4% of total revenue, in line with the Group's operating scale.

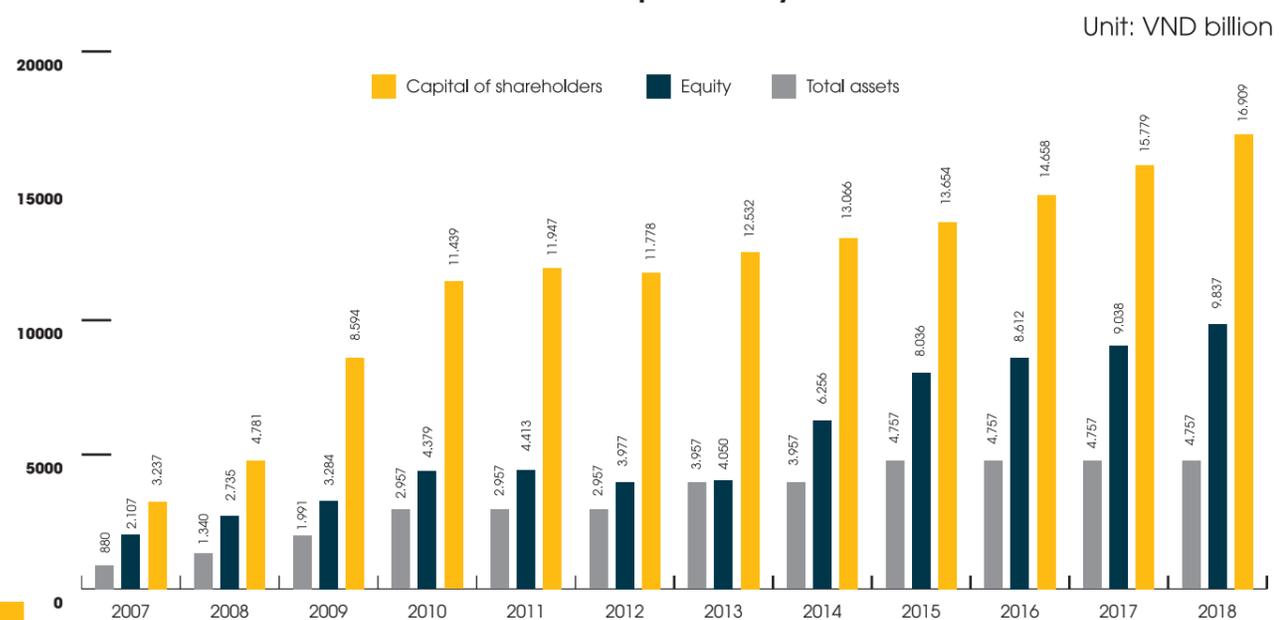
### THE PROGRESS OF THE GROUP IN 2018

In 2018, the business of IPs, especially attracting investment in expanding Que Vo IP and Trang Due urban area, Phase 2 was almost 100% filled, considered the most progressive of the Group. ; Procedures for approving Trang Due IP project phase 3 have also made new progress and are submitted to the Prime Minister, expected to be completed in 2019; The Group strives to establish a number of new projects to create land funds in Hai Duong and Hanoi.

## 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.



As of December 31st 2018, the total assets of the Group reached VND **16,909,732,217,779** (VND 16,909.7 billion), net asset value increased VND **1,129.9 billion**, up 7.2% compared to 2017, the total assets of the Parent Company reached VND **12,203,368,359,565** (VND 12,203.4 billion), net asset value increased VND **1,372.2 billion**, up 12.7% compared to 2017. The main cause is due to sales activities. In particular, short-term receivables from Goertek Group is VND 668 billion which is good cash flow, available for business activities of KBC in 2019.

### Equity situation

As of December 31st 2018, the Group's total equity was VND 9,837,357,794,557 (VND 9,837.4 billion), an increase of VND 799.2 billion, equivalent to 8.8% compared to 2017. Equity in parent companies reached VND 7,444,385,976,172 (VND 7,444.4 billion), an increase of VND 544.4 billion, equivalent to 7.9% compared to 2017. Cause of increasing capital is because the undistributed profits increase.

### Liabilities situation

- As of December 31st 2018, the total liabilities of the Group were VND 7,072.4 billion, total net debt value increased by VND 330.7 billion, equivalent to 4.9% compared to 2017 (growth rate was much slower than 2017 – in 2017, it increased by VND 705.2 billion compared to 2016). The cause of the increase in liabilities item is due to short-term payables item (the accrued cost of capital for the recorded revenue) and the increased tax payable, this is not a negative cause.

- Of the VND 7,072.4 billion of liabilities, loans of credit institutions and related parties as of December 31st 2018 of the Group were VND 2,487.2 billion of principal debts - a reduction of VND 235.3 billion (equivalent to 8.6%) compared to 2017; and interest payable is 1,051.2 billion dong (this is the accumulated bond interest payable to Pvcombank from 2012, will have to be paid before December 31st 2020). During the year, the Group paid the original Debt of VND 1,157.6 billion, new loan of VND 911.9 billion. In which, the Company issued 02 corporate bonds with total value of VND 600 billion with 18-month term and listed 01 KBCBOND2018-02 bond on HOSE with the scale of VND 400 billion.

- Thus, the Group's actual debt including principal and interest is VND 3,538.3 billion, accounting for 35.9% of equity, down 5.25% compared to 2017. This is a very good debt ratio with a large-scale real estate business like KBC.

- The Group has no bad debts; not affected by exchange rate differences; not affected by the interest rate difference (all interest of KBC is in line with the common level of real estate loan interest rates on the market). KBC's credit loan interest rates are 12-month savings interest rates of 4 big banks in Vietnam plus a range from 3% to 4.5%; The highest bond interest rates was 10.5%.



### 3. DEVELOPMENT PLAN FOR 2019

#### Key business investment plans

In 2019, the Group will continue to invest in infrastructure construction of Quang Chau IPs, Nam Son Hap Linh IP, Tan Phu Trung IP, Phuc Ninh Urban Area, Trang Due Urban Area to create available products to meet the needs of investors. Specific objectives are as follows:

- Continuing to complete the infrastructure, procedures for handing over land to the signed agreements at Phuc Ninh Urban Area for the sub-area of 6.3 ha and 22ha and can open the new batch.
- Accelerating investment attraction in Quang Chau IP - Bac Giang, being ready to provide support before and after investment services for investors to feel secure to make investment decisions, feel secure to build factories and add new investors; It is expected to build 07 factories, compensation of about 90ha.
- Completing the legal procedures for Trang Due - Hai Phong IP in phase 3 of 687 ha, to quickly conduct site clearance.
- Completing infrastructure of Trang Due - Hai Phong urban area, strongly deploying selling plans, currently the project has been very successful in market exploration.
- Speeding up the completion of infrastructure, along with investment attraction in Nam Son - Hap Linh and Bac Ninh IPs within 100ha.
- Joint-venture with foreign investment fund to build and develop the project of leasing factory in the IP to create annual cash flow.
- Implementing to build housing fund for workers and social housing on the land fund which is now available.
- Implementing projects to establish a number of new Urban Area – IP projects in Hai Duong
- Implementing the project of Diplomatic Corps and an urban area in Hanoi
- Considering to contribute capital, buying and selling some commercial real estate projects.
- Establishing investment promotion programs in China, Hong Kong, Singapore and the US; Keeping abreast of the Government's economic development goals, benefits from trade agreements that Vietnam has signed and approached new markets.

#### Capital arrangement plan

In 2019, the Group plans to arrange capital from about 1,500 billion VND to 2,000 billion VND to invest in infrastructure of new and old projects and supplement business capital for businesses through credit loans and corporate bond issuance.

#### Revenue and profit plan for 2019

Based on the results of FDI attraction in 2018 and the prospect of attracting FDI of Vietnam in 2019; Based on the demand for leasing land and factories of potential customers who have been negotiating with KBC; Based on the investment promotion programs of KBC; Based on investors' interest in commercial real estate products in KBC's urban area, etc. KBC's Board of Directors plans to consolidate the Group's revenue in 2019 as follows:

**- Total expected consolidated revenue: VND 3,900 billion**

**- Total consolidated profit after tax is expected to be VND 1,036 billion**

### 4. IMPROVEMENTS OF ORGANISATIONAL STRUCTURE AND POLICY

The organizational structure and personnel policies have not changed significantly in 2018. KBC is a Group with a team of leaders and key personnel who maintain the long-term cohesion with the Company.

**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, bridge building, cultural relics repairment, etc.

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.



# PART IV

## ASSESSMENT REPORT OF BOM ON THE OPERATION OF THE GROUP

### 1. ASSESSMENT OF BOM ON ACTIVITIES OF THE GROUP IN 2018

#### Business activities

The BOM is highly valued on the business results achieved by the Group, with strong growth results compared to 2017, recording a total revenue of VND 2,586.1 billion, equal to 152.6% compared to 2017, equal to 99.5% of the plan; The Group's total after-tax profit reached VND 808.9 billion, equaling 130.7% compared to 2017, equal to 101.1% of the plan. In particular, the interests of shareholders of the parent company are 746.2 billion, equal to 127.7% compared to 2017

In order to achieve this result, the Board has flexibly adjusted its business strategy when seeing the wave of investment moves from China, Japan, Hong Kong and Taiwan to Vietnam. Following the direction of the BOM, the BOD has made efforts to focus on investment promotion strategy to welcome the above-mentioned wave of movement, helping the Group to achieve revenue results for the attraction segment investment in IP which reached VND 2,018.4 billion, up 117.2% compared to the original plan.

However, for Phuc Ninh Urban Area, the revenue was only recorded for 5,873m2, equal to 39% compared to 2017. During the year, the project did not have a new launch. This is the project that BOM will be close in 2019.

The BOM appreciated the arrangement of capital resources to ensure the ability to pay due debts, and the work of contacting credit institutions, investment funds to establish relationships, formulating plans to arrange capital resources for the Group.



## Foreign affairs

KBC is a company that always does well in domestic and foreign investment promotion programs. The Chairman of the BOM actively participates in world economic forums and directly contacts with foreign investment funds, helping investors better understand the investment environment of Vietnam & KBC.

Members of the BOM and BOD attended the Summit of the Asia-Pacific Economic Cooperation Forum (APEC) in February 2018 in New Zealand; Attended the Belt and Road Summit in Hong Kong in June 2018 (working with the China Manufacturers Association in Hong Kong; Worked with the Hong Kong Investors Association in Vietnam; Attended the Belt and Road Summit, participated in activities on the sidelines of the Summit; Attended a meeting to meet potential Chinese investors in Beijing - Shanghai.

## Corporate governance activities

KBC complies with the regulations on corporate governance for listed companies, the information provided on the Stock Market is transparent, accurate and timely; The Group regularly participated in programs to exchange and update information with departments such as the State Securities Commission, HOSE Stock Exchange, Tax Department, Ministry of Finance, etc.

The BOM valued the Group's Investor Relations, KBC is always being visited by foreign investment funds to learn about investment opportunities. Investment funds are welcomed by the Company and provide detailed information required by the funds; In addition, KBC is often invited by large securities companies to attend domestic and foreign "Conference of Investors". Every year, KBC meets directly with hundreds of investors representing foreign investment funds.

## Development of labor resources

The BOM appreciated the policies of KBC on recruiting talented people; especially, the policy has focused on not only recruiting qualified and experienced cadres from large corporations but also recruiting and training newly graduated workers. The internal training is top priority, ensuring the goal of sustainable development, avoiding the crisis of human resources.

KBC's BOM will focus on designing domestic and foreign intensive training programs for employees in the direction of rapid integration.

## Responsibility for environmental activities

The BOM appreciated KBC's responsibility for the environment, KBC is an investment attraction company focusing mainly on high-tech companies, reducing environmental pollution; KBC has always focused on building stable infrastructure, fully building clean water supply plants, treating waste water, regularly maintaining and planting trees, beautifying the landscape around IPs. KBC always ensures the stable operation of hundreds of companies in the IP.



## 2. ASSESSMENT OF BOM ON THE OPERATION OF BOD

The BOM highly appreciates the efforts of the BOD in the implementation of 2018 business plans, invests in developing projects, arranges capital for the company. The BOM assessed the truthfulness of the reports of the BOD; The BOM evaluated positively the initiatives, straightforward comment and extraordinary situation handling of the BOD in the process of implementing the plans that the BOM entrusted to the BOD to unify the solutions for enterprise development; The BOM proposed the BOD to be more active in the implementation of infrastructure of IPs projects, creating available products to promptly meet investors demands, establishing investment programs in new markets; Developing detailed plans, directing departments to promote the implementation of projects to establish new projects in Hai Duong and Hanoi are the most important tasks in 2019; Balancing and using reasonable cash flow, improving risk management related to investment and business activities of the company. Specific tasks that the BOM closely followed the BOD including:

- Monitoring the implementation of the Group's projects: Infrastructure investment in Que Vo and Nam Son Hap Linh IPs; Trang Due and Tan Phu Trung; Quang Chau; Infrastructure investment in 22ha Phuc Ninh Urban Area, Bac Ninh and Trang Due urban area - Hai Phong etc....
- Signing a credit contract with BIDV with a limit of VND 480 billion to invest 22ha Phuc Ninh urban area;
- Issuing 02 rounds of corporate bonds with total value of VND 600 billion; Listed 01 bond on HOSE with a total value of VND 400 billion with a 18-month term;
- Presiding, directing and successfully organizing the 2018 Annual General Meeting of Shareholders on April 10th 2018;
- Supervising and checking the operation of the Board of General Directors in business activities: Especially the negotiation and signing deal with the Goertek Investment Group in phase 2 into the expanded Que Vo IP.
- Organizing and supervising to strictly implement the financial reporting regime;
- Supervising the implementation of the Resolutions made by the BOM and the General Meeting of Shareholders;
- Directing and monitoring foreign investment promotion programs in 2018;
- Closely monitoring risk management of investment, business, cash flow management and appropriate financial planning;
- Monitoring the recruitment process.

## 3. BOM'S PROPOSALS FOR 2019

- Supervising and approving the investment plans of the BOD into key projects, deploying actively the Nam Son Hap Linh IP, Quang Chau IP, Trang Due IP Phase 3, Trang Due Urban Area and Phuc Ninh urban area projects;
- Presiding the plan to focus on building houses for workers and social housing on the available land fund.
- Presiding to implement projects to establish new projects in Hai Duong and Hanoi
- Directing the BOD to make plans to balance cash flow, mobilize capital, develop appropriate financial plans, balance investment activities and pay due debts.
- Strengthening to monitor risk management, ensuring financial indicators are improving. Supervising the implementation of the Group's internal processes and regulations, with appropriate reward and punishment regimes.
- Maintaining and building a team of experts who regularly update news, macroeconomic situation, financial situation, changes in policies to promptly propose to the BOM and BOD to make new strategies and policies suitable to the actual situation.
- Enhancing the promotion, commercial trade investment, welcoming and working directly with foreign investment corporations.
- Assigning the Board of General Directors to focus on well performing the work of shareholder relations, regularly monitoring the changes in ownership of major shareholders. Implementing timely and accurately information disclosure to authorities, shareholders and investors.
- Building and developing professional, qualified, experienced and enthusiastic staff. Appointing people to participate in training courses to improve corporate governance capacity in accordance with regulations of listed companies. Continuing to develop salary and bonus policies and improve remuneration regimes for employees, creating a professional, safe and comfortable working environment, encouraging employees' creativity.





## PART V CORPORATION MANAGEMENT

### 1. BOM'S ACTIVITIES IN 2018

**BOM's Council:** None

#### BOM'S ACTIVITIES IN 2018

In 2018, KBC's BOM accompanied with the Executive Board to make decisions to resolve issues related to production, business, investment in IPs, urban areas, arrange capital funding for projects of Group, details as follows:

- The BOM actively participates in foreign affairs, directly contacts with foreign corporations expected to invest directly in Vietnam, indirect investment funds, closely monitors the attraction of FDI enterprises in key IPs such as Quang Chau IP, Trang Due IP, Que Vo IP and Tan Phu Trung IP.
- Directing the preparation and organization of the Annual General Meeting of Shareholders in 2018.
- Directing the implementation of infrastructure investment plans for the 6.27ha and 22ha sub-zone area of Phuc Ninh urban area project;
- Directing the construction of infrastructure in IPs, building factories in Expanded Que Vo IP and Quang Chau IP, working with departments to gradually improve legal procedures for Trang Due IP Phase 3 which has the scale of 687 ha; approving financial plans to ensure compensation and pay land use fees of 100% of the area for Trang Due urban area
- Working with the departments of some provinces to establish new projects
- Closely monitoring risk management activities of investment, business, cash flow management and appropriate financial planning, taking advantage of positive macro conditions to develop corporate values, ensuring financial targets at a safe level;
- Closely monitoring the plan of arranging capital to pay due debts in 2018, and disbursement plan for ground clearance, construction of infrastructure and factories in Que Vo IP, Nam Son Hap Linh IP, Quang Chau IP, Trang Due IP and Trang Due urban area.
- Directing the implementation of programs and actions of the Group in order to develop projects towards sustainable, environmentally friendly, responsible to the local community; ensuring the benefits and dynamic and modern working environment for employees. ▶

## LIST OF RESOLUTIONS APPROVED BY BOM IN 2018

RESOLUTION/DECISION NO.	DATE	CONTENTS
0201/2018/KBC/NQ-HĐQT 0201-1/2018/KBC/QĐ - CTHĐQT 0201-2/2018/KBC/QĐ - CTHĐQT 0201-3/2018/KBC/QĐ - CTHĐQT	02/01/2018	Approving details of remuneration of the BOM, Supervisory Board and salary of the Head of Supervisory Board for 2017
0103/2018/KBC/NQ-HĐQT	01/03/2018	Preparing a plan to convene the 2018 Annual General Meeting of Shareholders
0103-1/2018/KBC/NQ-HĐQT	01/03/2018	Approving the business plan for 2018
1104/2018/KBC/NQ-HĐQT	11/04/2018	Promulgating the Regulation on Information Disclosure applicable to Kinh Bac City Development Holding Corporation
0207/2018/KBC/NQ-HĐQT	02/07/2018	Appointing the person in charge of corporate governance and company secretary
0210/2018/KBC/NQ-HĐQT	02/10/2018	Approving business cooperation to develop Quang Chau IP & Urban Area - Bac Giang with Sai Gon - Bac Giang IP Joint Stock Company (SBG)
1010/2018/KBC/NQ-HĐQT	10/10/2018	Approving business cooperation with development of Hai Phong Trang Due Urban Area with Saigon - Hai Phong IP Joint Stock Company (SHP)
1110/2018/KBC/NQ-HĐQT	11/10/2018	Un-listing KBC_BOND 2017 bonds (KBC11710 bond code)
2910/2018/KBC/NQ-HĐQT	29/10/2018	Approving KBCBOND2018-01 bond issuance
2510/2018/KBC/NQ-HĐQT	25/10/2018	Approving the loan of Saigon-Bac Giang IP Joint Stock Company (SBG)
3110/2018/KBC/NQ-HĐQT	31/10/2018	Approving SHP share mortgage to secure KBC-BOND2018-01 bond obligation
3110-1/2018/KBC/NQ-HĐQT	31/10/2018	Approval for Mr. Dang Thanh Tam - Chairman signing a security contract with the Company
0711/2018/KBC/NQ-HĐQT	07/11/2018	Approving KBCBOND2018-02 bond issuance
0811/2018/KBC/NQ-HĐQT	08/11/2018	Approving SHP share mortgage to secure KBC-BOND2018-02 bond obligations
0911/2018/KBC/NQ-HĐQT	09/11/2018	Approving the loan of Sai Gon - Hai Phong IP Joint Stock Company (SHP)
1611/2018/KBC/NQ-HĐQT	16/11/2018	Commitment to financial support for NGD Investment One Member Limited Company
2811/2018/NQ-HĐQT- KBC	28/11/2018	Establishing Kinh Bac - Da Nang Investment One Member Limited Company, owned by KBC with 100% charter capital
2512/2018/KBC/NQ- HĐQT	25/12/2018	Un-listing KBCBOND02-2017 Bond (KBC11712 Bond code)

## ISSUES APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS HAVE NOT BEEN IMPLEMENTED

### Report on the implementation of dividend payment in 2017 was approved at the 2018 Annual General Meeting of Shareholders

Annual General Meeting of Shareholders in 2018, the General Meeting of Shareholders approved the plan to pay dividends and authorize the BOM to decide the minimum dividend of 30%. In particular, if the capital source is balanced, the ratio of minimum dividend payment by cash is 10%, or a larger ratio and the rest by shares and the General Meeting of Shareholders has approved the authorization for the Board to decide the time of implementation of dividend payment when the Board balances the capital. However, in 2018, the Board has not yet balanced the cash source to pay dividends as planned, because:

According to the plan of cash flow to pay dividends that the Board expected will be taken from the cash flow of signed Agreements for Phuc Ninh Urban Area project. However, for Phuc Ninh urban area project, due to heavy-rained weather in 2018, the implementation of infrastructure construction and housing was slower than planned, so we have not handed over the land and home for customers and not yet collected money from Phuc Ninh urban area, while cash flows from trading in IPs, the parent company must use to pay due debts in the year of 900.7 billion and reinvest. Therefore, the BOM and the BOD could not arrange the cash source to pay dividends as planned and at the same time, the BOM did not want to implement the plan to pay dividends by shares when not paying dividends by cash.

### The BOM and the BOD always remember and try their best to pay dividends. The BOM submitted the dividend payment plan to the General Meeting of Shareholders as follows:

Plan to pay dividends from undistributed after-tax profits as of December 31st 2018 at the audited financial statements of the parent company:

- Respectfully submit to the General Meeting of Shareholders to authorize the BOM to decide the dividend payment by cash is 10% and the rate of dividend payment by shares is 20%. In which:

#### Payment of 10% cash dividend is divided into 2 phases:

- **Phase 1** - payment rate is 5% in Quarter II of 2019;
- **Phase 2** - payment rate is 5% in Quarter III of 2019.

- Payment of dividends by shares at the rate of 20%: Respectfully submit to the General Meeting of Shareholders to authorize the BOM to decide on the dividend payment plan in accordance with the law, in accordance with the business situation of the Corporation.

### INDEPENDENT MEMBER'S ACTIVITIES

Currently, KBC has 01 independent member of the BOM which is Mr. Huynh Phat - one of 5 members of the BOM (*in accordance with Article 26 of the Charter approved by the General Meeting of Shareholders: The number of BOM independent members is determined by the method of rounding down*).

With his role, Mr. Huynh Phat fully participated in 18/18 meetings of the BOM in 2018. In the decisions of the BOM, Mr. Huynh Phat participated in independent opinions before other Board members, along with consider and solve problems to reach agreement.

### Board members with corporate governance training certificates in the year:

Because the members of the BOM often have to go on business trips, they cannot arrange the time to attend the courses directly to coincide with the training schedule of the Training Agency. However, the members of the BOM always update, clearly understand the regulations on corporate governance for listed companies. The Board will try to arrange time to attend courses on corporate governance.

## 2. BOARD OF SUPERVISORS

### a. Members of the Board of Supervisor

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

### b. Activities of Board of Supervisors

**In 2018, 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 reports of the BOM, the Resolutions of the BOM, supervised the investment situation of projects, the implementation of plans and objectives of the BOM which were passed in the meeting; Business and production plan 2018. Based on the Resolutions of the General Meeting of Shareholders, the Resolution of the BOM, the implementation plan of the BOD, the Board of Supervisors also made recommendations for the BOM and the BOD.

- Monitoring financial management activities and preparing financial statements to ensure the truthfulness and reasonableness of financial data given; Exchanging information with the independent auditor appointed in the auditing process of financial statements;

- Reviewing and evaluating the internal management and management activities of the BOM, members of the BOM, members of the BOD, leaders based on the criteria of interests of shareholders and the Group;

- Reviewing and evaluating the coordination of activities of departments in the process of managing and operating businesses;

- Supervise the implementation of resolutions of the General Meeting of Shareholders and Resolutions of the BOM; Closely supporting the BOM and the BOD to implement the Resolutions.

- The Board of Supervisors has 3 members, including 01 Chief of Board of Supervisors and 02 Supervisors. The Supervisors are independent, do not hold managerial positions, do not work in the Accounting and Auditing department of the Corporation.

- In 2018, the Board of Supervisors conducted 4 meetings. The Board of Supervisors has closely coordinated with the BOM and the BOD in the process of managing all activities of the company.

In the course of operation, the Board of Supervisors has been facilitated by the BOM and the BOD to perform its tasks. The Board of Supervisors has received all the resolutions of the BOM, reports on the production and business situation of the BOD; Quarterly, semi-annual financial statements, annual financial statements. In 2018, the Board of Supervisors has not received any feedback from the Company's Shareholders regarding the direction and administration activities of the BOM, the BOD and other managers.

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

### a. Salary and benefits

- Remuneration for the Board of Supervisors in 2018: VND 150,000,000 (*in words: One hundred and fifty million Vietnamese dong*).

- Salary - Rewards of the Head of the Board of Supervisors for the year 2018: VND 151,699,000 (*in words: One hundred and fifty-one million, six hundred and ninety-nine thousand Vietnamese dong*)

- Remuneration for the BOM in 2018 is: VND 672,222,219 (*in words: Six hundred and seventy-two million, two hundred and twenty-two thousand, two hundred and nineteen Vietnamese dong*)

- Salary - Rewards of the General Director received in 2018: VND 5,557,099,000 (*in words: Five billion, five hundred fifty-seven million, hundred and ninety-nine thousand Vietnamese dong*)

- Salary - Rewards of Deputy General Directors and Chief Accountant in 2018: 4,369,724,000 (*in words: Four billion, three hundred and sixty-nine million, seven hundred and twenty-four thousand Vietnamese dong*)

Benefits: Equipped with shuttle cars, mobile phones, payment of monthly fees, payment of business expenses, 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
Kinh Bac Investment Consultant JSC	Major shareholder	40,431,290	8,61%	44,656,290	9,51%

**c. Transactions with related parties**

NO NAME OF ORGANIZATION/INDIVIDUAL RELATION WITH THE COMPANY	TYPE AND TIME OF TRANSACTION	NO. OF RESOLUTION/DECISION OF GENERAL MEETING OF SHAREHOLDERS/BOM...APPROVED (date of issuance, if any)	QUANTITY, STOCK HOLDING RATE AFTER TRADING
1 Mr. Dang Thanh Tam	Chairman of KBC's BOM Perform advance / complete transactions in 2018	Regular transactions according to KBC's regulations on financial management: Resolution No. 0201/2018 / KBC / NQ-HDQT on approving remuneration of the BOM in 2017	75,250,000 (16.02%)
2 Mr. Nguyen Vinh Tho	Member of BOM Receive remuneration of BOM in 2017	Resolution No. 0201/2018 / KBC / NQ-HDQT on approving remuneration of the BOM in 2017	299,478 (0.06%)
3 Mr. Huynh Phat	Independent member of BOM Receive remuneration of BOM in 2017	Resolution No. 0201/2018 / KBC / NQ-HDQT on approving remuneration of the BOM in 2017	22,817 (0.005%)
4 Ms. Nguyen Th Thu Huong	Member of BOM, General Director Receive monthly salary in 2018, remuneration for the BOM in 2017	According to the labor contract & Resolution No. 0201/2018 / KBC / NQ-HDQT on approval of remuneration of the BOM in 2017	
5 Mr. Pham Phuc Hieu	Member of the BOM/Deputy General Director/Person authorized by CBIT Receive monthly salary in 2018, remuneration for the BOM in 2017, payment of expenses of business trip	According to labor contract & Resolution No. 0201/2018 / KBC / NQ-HDQT on approval of remuneration of the BOM in 2017	
6 Ms. Nguyen My Ngoc	Deputy General Manager Receive monthly salary of 2018, advance, return, payment of expenses of business trip management	Under the labor contract; according to KBC's regulations on financial management	
7 Mr. Phan Anh Dung	Deputy General Manager Pay regular expenses	According to the financial management regulations of KBC	11,500 (0.002%)
8 Ms. Nguyen Bich Ngoc	Head of Board of Supervisory Head of Board of Supervisory; receive monthly salary of 2018 and members receive remuneration from the Board of Supervisory in 2017	According to the labor contract for TBKS / Resolution No. 0201/2018 / KBC / NQ-HDQT on approval of remuneration of the Board of Supervisory	
9 Ms. The Thi Minh Hong	Member of the Board of Supervisory		
10 Mr. Tran Tien Hong			
11 Trang Cat Urban Development One Member Company Limited	KBC subsidiary 100% owned The company must collect interest on the loan agreement	Under the loan agreement No./0207/2012/HDV-TCC & 2301/2017/HDV-TCC	
12 Sai Gon - Hai Phong IP Joint Stock Company	Subsidiary of KBC owning 86.54% and KBC's internal person holds the position of a member of the BOM of SHP The company pays interest on loans and car rental fees KBC transfers money to business cooperation Receive SHP loan money	According to the loan agreement & car rental contract: No./N01-02-03/HDV-V/SHP-KBC/2015; 04-06/HDVV/SHP-KBC/2016-2018; 0703/HDV/SHP-KBC/2018 Resolution No. 1010/2018 / KBC / NQ-HDQT on business cooperation & Contract No. 01 / HDHTKD / KBC-SHP / 2018 Resolution No. 0911/2018 / KBC / NQ-HDQT on borrowing capital from Sai Gon Hai Phong IP Joint Stock Company / Loan agreement No. 07 / HDVV / SHP-KBC	
13 Saigon - Bac Giang IP Joint Stock Company	Subsidiary of KBC owning 77.93%, and the insider of KBC is also a member of the BOM/BOD of SBG / KBC 77.93% The company lends with interest rate KBC transfers money for business cooperation;	Under the loan agreement: 01-02 / HDVV / KBC-SBG / 2017; 03 / HDVV / KBC-SBG / 2018 Resolution No. 0210/2018 / KBC / NQ-HDQT on business cooperation; Contract No. 01 / HDHTKD / KBC-SBG / 2018	
14 Kinh Bac Office and Factory Business One Member Limited Company	Subsidiary of KBC owning 100% and Ms. Nguyen My Ngoc - Deputy General Director of KBC is the general director of the subsidiary Receive SBG loan Contribute capital to subsidiaries	Resolution No. 2510/2018 / KBC / NQ-HDQT on borrowing capital from Saigon Bac Giang IP Joint Stock Company Loan agreement No. 01 / HDVV / SBG-KBC / 2018 According to the Company's Charter	
15 NGD Investment Company Limited	KBC's subsidiary 100% owned Contribute capital to subsidiaries	According to the Company's Charter	
16 Saigon Telecommunication Technology Joint Stock Company (SGT)	Associated company of KBC, owns 21.48%, and Chairman of KBC's BOM is the Chairman of SGT. Payment of telecommunication fees	Regular transaction	
17 Kinh Bac Investment and Consultant Joint Stock Company	Major shareholder Performing Advance transactions for suppliers/returning supplier in 2018	Regular transactions to make compensation for projects under signed contracts No: 01-2012 / HD-DV/GPMB / KBC & 02/2012 / HDKT / KBC-KCN	44,656,290 (9.39%)

**d. Implementing regulations on corporate governance:** The company has complied with regulations on corporate governance.

**e. Investor relations activities**

KBC shares are stock converging the influence of macro factors such as domestic and foreign economic growth, policies of socio-economic development, preferential policies of localities and land law, monetary policy, FDI attraction, interest rates, politics, diplomatic relations between countries, environmental pollution, etc. It can be said that KBC is considered a stock with similar movements with the general development trend of the economy. We want to emphasize this so that our shareholders and investors will have a comprehensive view.

KBC's shareholder relations and investor relations activities are always appreciated by KBC. We are ready to answer all questions, listen to all suggestions of Shareholders and Investors. Every year, KBC directly contacts hundreds of investment funds.

Thus, it can be said that KBC always tries its best to provide, update information for shareholders, investors promptly, accurately and transparently. We are looking forward to sharing information with shareholders and investors, as well as receiving comments that contribute to the better development of the Group. Therefore, when there is any concern about the situation of the Company, we respect your shareholders and investors to contact us via email.

**Email:** kinhbac.kbc@gmail.com



## PART 6

### CONSOLIDATED FINANCIAL STATEMENTS



Ernst & Young Viet Nam Limited  
8th Floor, CornerStore Building  
16 Phan Chu Trinh Street  
Hoan Kiem District  
Ha Noi, S.R. of Vietnam

Tel: +84 24 3831 5100  
Fax: +84 24 3831 5090  
ey.com

**Reference:** 60774739/20160678-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 29 March 2019 and set out on pages 6 to 60, which comprise the consolidated balance sheet as at 31 December 2018, 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 2018

## 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 2016, 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 &amp; Young Vietnam Limited

(Signed)

## Le Thi Tuyet Mai

Deputy General Director

Audit Practising Registration:

Certificate No. 1575-2018-004-1

Hanoi, Vietnam

02 April 2019

(Signed)

## Nguyen Thu Hang

Auditor

Audit Practising Registration:

Certificate No. 3342-2015-004-1

Currency: VND

CODE	ASSETS	NOTES	ENDING BALANCE	BEGINNING BALANCE
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>14.862.290.720.411</b>	<b>13.730.010.630.802</b>
<b>110</b>	<b>I. Cash and cash equivalents</b>	<b>4</b>	<b>224.080.823.490</b>	<b>504.567.507.480</b>
111	1. Cash		219,037,572,851	234,137,769,121
112	2. Cash and cash equivalents		5,043,250,639	270,429,738,359
<b>120</b>	<b>II. Short-term investments</b>		<b>2.955.261.620</b>	<b>1.007.697.020</b>
121	1. Held-for-trading securities	5	7,490,461,369	7,490,461,369
122	2. Provision for held-for-trading securities		(6,535,199,749)	(6,482,764,349)
123	3. Held-to-maturity investments	5	2,000,000,000	-
<b>130</b>	<b>III. Current accounts receivable</b>		<b>5.842.379.074.106</b>	<b>4.744.140.601.375</b>
131	1. Short-term trade receivables	6	1,767,072,395,482	1,216,364,937,991
132	2. Short-term advances to suppliers	7	2,081,854,507,943	1,810,839,396,239
135	3. Short-term loan receivables	8	180,662,930,631	52,339,773,629
136	4. Other short-term receivables	9	1,820,123,220,700	1,671,930,474,166
137	5. Provision for doubtful short-term receivables	6, 8	(7,333,980,650)	(7,333,980,650)
<b>140</b>	<b>IV. Inventories</b>	<b>11</b>	<b>8.592.831.569.175</b>	<b>8.322.624.798.504</b>
141	1. Inventories		8,592,831,569,175	8,322,624,798,504
<b>150</b>	<b>V. Other current assets</b>		<b>200.043.992.020</b>	<b>157.670.026.423</b>
151	1. Short-term prepaid expenses	10	58,851,780,787	39,442,270,665
152	2. Value-added tax deductible	18	54,195,425,437	56,801,107,366
153	3. Tax and other receivables from the State	18	86,996,785,796	61,426,648,392

## CONSOLIDATED BALANCE SHEET (continued)

as at 31 December 2018

Currency: VND

CODE	ASSETS	NOTES	ENDING BALANCE	BEGINNING BALANCE
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>2.047.441.497.367</b>	<b>2.049.756.907.468</b>
<b>210</b>	<b>I. Long-term receivables</b>		<b>600.969.000.000</b>	<b>724.507.193.963</b>
211	1. Long-term trade receivables	6	-	26,434,546,048
215	2. Long-term loan receivables	8	700,000,000	26,900,000,000
216	3. Other long-term receivables	9	600,269,000,000	671,172,647,915
<b>220</b>	<b>II. Fixed assets</b>	<b>13</b>	<b>157.072.716.796</b>	<b>118.085.134.469</b>
221	1. Tangible fixed assets		156,823,493,258	118,085,134,469
222	Cost		353,091,930,379	287,795,293,614
223	Accumulated depreciation		(196,268,437,121)	(169,710,159,145)
227	2. Intangible fixed assets		249,223,538	-
228	Cost		327,975,500	72,075,500
229	Accumulated depreciation		(78,751,962)	(72,075,500)
<b>230</b>	<b>III. Investment properties</b>	<b>14</b>	<b>134.161.149.871</b>	<b>134.884.233.798</b>
231	1. Cost		173,618,450,871	161,449,401,105
232	2. Accumulated depreciation		(39,457,301,000)	(26,565,167,307)
<b>240</b>	<b>IV. Long-term assets in progress</b>	<b>15</b>	<b>194.108.847.448</b>	<b>151.323.290.812</b>
242	1. Construction in progress		194,108,847,448	151,323,290,812
<b>250</b>	<b>V. Long-term investments</b>	<b>16</b>	<b>947.733.067.355</b>	<b>911.874.770.412</b>
252	1. Investments in associates, jointly controlled entities	16.1	516,941,269,318	503,087,714,088
253	2. Investment in other entities	16.2	448,500,200,000	448,500,200,000
254	3. Provision for diminution in value of long-term investments	16.2	(17,708,401,963)	(39,713,143,676)
<b>260</b>	<b>VI. Other long-term assets</b>		<b>13.396.715.897</b>	<b>9.082.284.014</b>
261	1. Long-term prepaid expenses	10	13,396,715,897	9,082,284,014
<b>270</b>	<b>TOTAL ASSETS</b>		<b>16.909.732.217.778</b>	<b>15.779.767.538.270</b>

## CONSOLIDATED BALANCE SHEET (continued)

as at 31 December 2018

Currency: VND

CODE	RESOURCES	NOTES	ENDING BALANCE	BEGINNING BALANCE
<b>300</b>	<b>C. LIABILITIES</b>		<b>7.072.374.423.221</b>	<b>6.741.660.188.971</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>3.882.877.663.286</b>	<b>3.325.884.769.036</b>
311	1. Short-term trade payables	17.1	226,117,852,340	134,340,522,730
312	2. Short-term advances from customers	17.2	447,181,815,119	404,146,075,644
313	3. Statutory obligations	18	301,989,007,085	197,504,951,643
314	4. Payables to employees	19	17,270,450	17,270,449
315	5. Short-term accrued expenses	20	1,244,817,157,545	1,086,709,290,552
318	6. Unrealized short-term gains	21	2,908,239,931	-
319	7. Other short-term payables		498,434,960,926	364,314,630,142
320	8. Short-term loans		1,154,306,000,581	1,131,768,768,567
322	9. Bonus and welfare fund		7,105,359,309	7,083,259,309
<b>330</b>	<b>II. Non-current liabilities</b>		<b>3.189.496.759.935</b>	<b>3.415.775.419.935</b>
333	1. Long-term accrued expenses	19	1,051,174,838,754	1,031,951,584,113
336	2. Long-term unearned revenue	20	4,919,362,408	5,046,986,732
337	3. Other long-term liabilities	21	135,158,057,007	167,632,540,891
338	4. Long-term loans	29.3	1,332,864,916,172	1,590,658,068,976
341	5. Deferred tax liabilities		664,427,617,632	619,534,271,261
342	6. Long-term provisions		951,967,962	951,967,962

## CONSOLIDATED BALANCE SHEET (continued)

as at 31 December 2018

Currency: VND

CODE	RESOURCES	NOTES	ENDING BALANCE	BEGINNING BALANCE
<b>400</b>	<b>D. OWNERS' EQUITY</b>		<b>9.837.357.794.557</b>	<b>9.038.107.349.299</b>
<b>410</b>	<b>I. Capital</b>		<b>9.837.357.794.557</b>	<b>9.038.107.349.299</b>
411	1. Share capital	22.1	4.757.111.670.000	4.757.111.670.000
411a	- Shares with voting rights		4.697.601.890.000	4.697.601.890.000
411b	- Shares capital		59.509.780.000	59.509.780.000
412	2. Share premium	22.1	989.064.430.000	989.064.430.000
415	3. Treasury shares	22.1	(364.466.650.000)	(364.466.650.000)
418	4. Investment and development fund	22.1	2.223.693.823	2.223.693.823
421	5. Undistributed earnings	22.1	3.650.661.947.305	2.904.506.892.048
421a	- Undistributed earnings of prior year		2.904.506.892.048	2.319.984.494.101
421b	- Undistributed earnings of current year		746.155.055.257	584.522.397.947
429	6. Non-controlling interests	23	802.762.703.429	749.667.313.428
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>16.909.732.217.778</b>	<b>15.779.767.538.270</b>

## CONSOLIDATED INCOME STATEMENT

as at 31 December 2018

Currency: VND

CODE	ITEMS	NOTES	CURRENT YEAR	PREVIOUS YEAR
01	1. Revenue from sale of goods and rendering of services	24.1	2.491.178.878.521	1.260.198.518.971
02	2. Deductions	24.1	-	-
10	3. Net revenue from sale of goods and rendering of services	24.1	2.491.178.878.521	1.260.198.518.971
11	4. Cost of goods sold and services rendered	25	(1.022.343.984.750)	(610.528.435.391)
20	5. Gross profit from sale of goods and rendering of services		1.468.834.893.771	649.670.083.580
21	6. Finance income	24.2	91.568.246.480	431.362.490.060
22	7. Finance expenses	26	(193.894.216.853)	(109.457.617.841)
23	In which: Interest expenses		(200.751.707.293)	(106.963.449.754)
24	8. Shares of profit of associates, joint-ventures	16.1	13.853.555.230	18.736.345.748
25	9. Selling expenses	27	(142.014.567.928)	(22.123.288.484)
26	10. General and administrative expenses	27	(164.858.434.955)	(154.757.631.162)
30	11. Operating profit		1.073.489.475.745	813.430.381.901
31	12. Other income		3.372.202.651	3.361.365.539
32	13. Other expenses		(29.634.276.464)	(5.251.813.758)
40	14. Other profit/(loss)		(26.262.073.813)	(1.890.448.219)
50	15. Accounting profit before tax		1.047.227.401.932	811.539.933.682
51	16. Current corporate income tax expense	29.1	(193.422.721.494)	(177.234.691.188)
52	17. Deferred tax expense	29.3	(44.898.206.944)	(15.528.079.679)
60	18. Net profit after tax		808.906.473.494	618.777.162.815
61	19. Net profit after tax attributable to shareholders of the parent		746.155.055.257	584.522.397.947
62	20. Net profit/(loss) after tax attributable to non-controlling interests		62.751.418.237	34.254.764.868
70	21. Basic earnings per share	31	1.588	1.244
71	22. Diluted earnings per share	31	1.588	1.244

## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2018

Currency: VND

CODE	ITEMS	NOTES	CURRENT YEAR	PREVIOUS YEAR
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>				
01	<b>Profit before tax</b>		1,047,227,401,932	811,539,933,682
	Adjustments for:			
02	Depreciation of fixed assets and investment properties	13, 14	39,457,088,131	39,803,508,880
03	Provisions/(Reversal of provision)		(21,952,306,313)	226,832,209
04	Foreign exchange gains arising from revaluation of monetary accounts denominated in foreign currency		-	1,610,155
05	Profits from investing activities		(91,546,563,432)	(431,772,792,808)
06	Interest expenses	26	200,751,707,293	106,963,449,754
08	<b>Operating profit before changes in working capital</b>		1,173,937,327,611	526,762,541,872
09	(Increase)/decrease in receivables		(949,635,634,140)	(428,899,747,843)
10	Decrease/(increase) in inventories		(270,206,770,671)	32,641,792,756
11	Increase/(decrease) in payables (other than interest, corporate income tax)		605,558,766,081	208,428,305,059
12	Increase in prepaid expenses		(18,183,942,004)	(41,830,276,810)
14	Interest paid		(207,096,211,688)	(86,731,541,215)
15	Corporate income tax paid	18	(204,735,338,191)	(149,651,288,625)
17	Other cash outflows from operating activities		22,100,000	-
20	<b>Net cash flows from/(used in) operating activities</b>		<b>129,660,296,998</b>	<b>60,719,785,194</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>				
21	Purchase and construction of fixed assets and other long-term assets		(62,074,851,215)	(94,145,215,209)
22	Proceeds from disposals of fixed assets and other long-term assets		-	1,080,000,000
23	Loans to other entities and payments for purchase of debt instruments of other entities		(119,186,943,534)	(606,782,533,777)
24	Collections from borrowers and proceeds from sale of debt instruments of other entities		10,302,500,883	17,350,811,579
25	Payments for investments in other entities		6,780,000,000	52,250,000,000
26	Proceeds from sale of investments in other entities		9,372,322,513	7,077,246,731
27	Interest and dividends received			
30	<b>Net cash flows (used in)/from investing activities</b>		<b>(154,806,971,353)</b>	<b>(623,169,690,676)</b>

## CONSOLIDATED CASH FLOW STATEMENT (continued)

for the year ended 31 December 2018

Currency: VND

CODE	ITEMS	NOTES	CURRENT YEAR	PREVIOUS YEAR
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
33	Drawdown of borrowings		911,900,329,277	1,692,479,652,750
34	Repayment of borrowings		(1,157,584,310,677)	(914,297,437,623)
36	Dividends and profits paid to owners		(9,656,028,235)	(6,250,000,000)
40	<b>Net cash flows used in financing activities</b>		(255,340,009,635)	771,932,215,127
50	<b>Net increase in cash and cash equivalents for the year</b>		(280,486,683,990)	209,482,309,645
60	<b>Cash and cash equivalents at beginning of the year</b>		504,567,507,480	295,085,197,835
70	<b>Cash and cash equivalents at ending of the year</b>	4	224,080,823,490	504,567,507,480

Signed

\_\_\_\_\_  
**Luu Phuong Mai**  
Preparer

Signed

\_\_\_\_\_  
**Pham Phuc Hieu**  
Deputy General Director  
and Chief Accountant

Signed

\_\_\_\_\_  
**Nguyen Thi Thu Huong**  
General Director

29 March 2019

Shareholder and Investors may see  
Financial Statement on Website:  
[www.kinhbaccity.vn](http://www.kinhbaccity.vn) and [www.hsx.vn](http://www.hsx.vn)

*“Ready  
for new journeys”*

