Hanoi Southern City Development Joint Stock Company

Consolidated financial statements

31 December 2016

Hanoi Southern City Development Joint Stock Company

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Hanoi Southern City Development Joint Stock Company

GENERAL INFORMATION

THE COMPANY

Hanoi Southern City Development Joint Stock Company ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate No. 0103022741 issued by the Hanoi Department of Planning and Investment on 6 March 2008 and the Business Registration Certificate No. 0102671977 dated 5 August 2010 on registration of a shareholding company. The Company subsequently received amended Enterprise Registration Certificates, with the latest being the 17th amended Enterprise Registration Certificate dated 13 May 2013.

The current principal activities of the Company are leasing offices, constructing and selling apartments at Vinhomes Times City project at No. 458 Minh Khai Street, Vinh Tuy Ward, Hai Ba Trung District, Hanoi, Vietnam and No. 25, Alley 13, Linh Nam Street, Mai Dong Ward, Hoang Mai District, Hanoi, Vietnam ("Vinhomes Times City project").

The Company's head office is located at No. 458, Minh Khai Street, Vinh Tuy Ward, Hai Ba Trung District, Hanoi, Vietnam. The Company's business address is at No. 7, Bang Lang 1 Street, Vinhomes Riverside Eco-urban Area, Viet Hung Ward, Long Bien District, Hanoi, Vietnam.

BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report are:

Ms Mai Huong Noi	Chairwoman
Mr Pham Thieu Hoa	Member
Ms Nguyen Mai Hoa	Member

BOARD OF SUPERVISION

Members of the Board of Supervision during the year and at the date of this report are:

Ms Le Thi Kim Thanh	Head of Board of Supervision	
Ms Doan Thi Bich Ngoc	Member	
Ms Doan Thi Ha	Member	Appointed on 28 June 2016
Mr Bui Thanh Viet	Member	Resigned on 28 June 2016

MANAGEMENT

Members of the management during the year and at the date of this report are:

Mr Nguyen Viet Quang	General Director
Ms Phi Thi Thuc Nga	Deputy General Director
Mr Pham Thieu Hoa	Deputy General Director
Ms Mai Thu Thuy	Deputy General Director

LEGAL REPRESENTATIVE

The legal representatives of the Company during the year and at the date of this report is Mr Nguyen Viet Quang, General Director.

AUDITORS

The auditor of the Company is Ernst & Young Vietnam Limited.

REPORT OF MANAGEMENT

Management of Hanoi Southern City Development Joint Stock Company ("the Company") is pleased to present its report and the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the consolidated financial statements of each financial year which give a true and fair view of the consolidated financial position of the Company and its subsidiaries and of the consolidated results of its operations and its consolidated cash flows for the year. In preparing those consolidated financial statements, management is required to:

- select suitable accounting policies and then apply them consistently ;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- prepare the consolidated financial statement on the going concern basis unless it is inappropriate to presume that the Company and its subsidiaries will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Company and its subsidiaries and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Company and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management confirmed that it has complied with the above requirements in preparing the accompanying consolidated financial statements.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company and its subsidiaries 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.

For and on behalf of management:

CÔNG TY CỔ PHẦN PHÁT TRIỂN ĐÔ THỊ NAM HÀ NỘI
MSDN: 0102671977

Nguyễn Việt Quang
General Director

Hanoi, Vietnam

31 March 2017

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Building a better working world

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16 Phan Chu Trinh Street
Hoan Kiem District
Hanoi, S.R. of Vietnam

Tel : + 84 4 3831 5100
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Reference: 60871645/18490348-HN

INDEPENDENT AUDITORS' REPORT

To: The Shareholders of Hanoi Southern City Development Joint Stock Company

We have audited the accompanying consolidated financial statements of Hanoi Southern City Development Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Company and its subsidiaries") as prepared on 31 March 2017 and set out on pages 5 to 72, which comprise the consolidated balance sheet as at 31 December 2016, 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 the 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 auditors consider internal control relevant to the Company'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 Company'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.

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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 Company and its subsidiaries 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 the preparation and presentation of the consolidated financial statements.

Ernst & Young Vietnam Limited

Le Thi Tuyet Mai	Tran Thanh Thuy
Deputy General Director	Auditor
Audit Practising Registration	Audit Practising Registration
Certificate No. 1575-2013-004-1	Certificate No. 3076-2014-004-1

Hanoi, Vietnam

31 March 2017

Hanoi Southern City Development Joint Stock Company B01-DN/HN

CONSOLIDATED BALANCE SHEET
as at 31 December 2016

Currency: VND

Code	*ASSETS*	*Notes*	*Ending balance*	*Beginning balance*
100	**A. CURRENT ASSETS**		**16,491,882,437,206**	**12,376,608,929,832**
110	***I. Cash and cash equivalents***	***5***	***2,802,422,910,160***	***556,711,486,785***
111	1. Cash		941,467,410,160	546,157,486,785
112	2. Cash equivalents		1,860,955,500,000	10,554,000,000
120	***II. Short-term investments***		-	***418,092,189,939***
123	1. Held-to-maturity investments		-	418,092,189,939
130	***III. Current accounts receivable***		***4,615,635,775,596***	***3,906,109,002,838***
131	1. Short-term trade receivables	6.1	425,995,510,193	117,214,819,235
132	2. Short-term advances to suppliers	6.2	535,598,217,891	1,031,249,668,156
135	3. Short-term loan receivables	7	3,122,655,962,694	2,207,939,790,100
136	4. Other short-term receivables	8	540,119,773,553	553,833,632,002
137	5. Provision for doubtful short-term receivables	7	(8,733,688,735)	(4,128,906,655)
140	***IV. Inventories***	***10***	***8,475,032,237,345***	***6,146,477,243,822***
141	1. Inventories		8,483,419,117,083	6,147,666,154,513
149	2. Provision for obsolete inventories		(8,386,879,738)	(1,188,910,691)
150	***V. Other current assets***		***598,791,514,105***	***1,349,219,006,448***
151	1. Short-term prepaid expenses	11	403,032,543,445	439,891,935,736
152	2. Value-added tax deductible	21	98,942,332,623	25,310,731,089
153	3. Tax and other receivables from the State		-	250,790,201
155	4. Other current assets	12	96,816,638,037	883,765,549,422

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2016

Currency: VND

Code	*ASSETS*	*Notes*	*Ending balance*	*Beginning balance*
200	**B. NON-CURRENT ASSETS**		**21,028,863,345,245**	**12,930,029,637,409**
210	***I. Long-term receivables***		***100,386,460,732***	***18,505,276,331***
215	1. Long-term loan receivables	7	3,989,915,115	7,559,839,165
216	2. Other long-term receivables	8	96,396,545,617	10,945,437,166
220	***II. Fixed assets***		***3,261,633,710,933***	***2,460,136,369,877***
221	1. Tangible fixed assets	13	3,223,675,926,138	2,431,931,076,020
222	Cost		3,847,360,526,674	2,958,762,567,884
223	Accumulated depreciation		(623,684,600,536)	(526,831,491,864)
227	2. Intangible assets	14	37,957,784,795	28,205,293,857
228	Cost		50,607,397,891	35,233,476,268
229	Accumulated amortisation		(12,649,613,096)	(7,028,182,411)
230	***III. Investment properties***	***15***	***1,918,970,179,376***	***224,400,932,227***
231	1. Cost		1,997,136,660,458	244,727,738,581
232	2. Accumulated depreciation		(78,166,481,082)	(20,326,806,354)
240	***IV. Long-term assets in progress***		***4,453,581,454,272***	***886,365,596,666***
242	1. Construction in progress	17	4,453,581,454,272	886,365,596,666
250	***V. Long-term investments***	***18***	***10,541,691,385,994***	***8,858,115,216,559***
252	1. Investments in associates, jointly controlled entities	18.1	8,846,077,533,594	7,167,618,256,359
253	2. Investment in other entities	18.2	1,645,613,852,400	1,690,496,960,200
255	3. Held-to-maturity investments	18	50,000,000,000	-
260	***VI. Other long-term assets***		***752,600,153,938***	***482,506,245,749***
261	1. Long-term prepaid expenses	11	47,574,090,345	46,753,377,527
262	2. Deferred tax assets	34.3	8,255,174,025	5,528,470,449
269	3. Goodwill	19	696,770,889,568	430,224,397,773
270	**TOTAL ASSETS**		**37,520,745,782,451**	**25,306,638,567,241**

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2016

Currency: VND

Code	*RESOURCES*	*Notes*	*Ending balance*	*Beginning balance*
300	**C. LIABILITIES**		**27,971,803,635,341**	**18,178,088,642,129**
310	***I. Current liabilities***	***20***	***26,828,479,016,702***	***17,030,537,199,124***
311	1. Short-term trade payables	20.1	1,666,274,701,367	827,713,481,005
312	2. Short-term advances from customers	20.2	10,663,036,084,145	7,960,185,281,623
313	3. Statutory obligations	21	672,182,791,882	92,222,428,174
314	4. Payable to employees		22,622,263,771	3,479,791,181
315	5. Short-term accrued expenses	22	1,203,017,876,116	1,085,884,696,148
318	6 Short-term unearned revenue	23	40,532,077,606	22,646,894,838
319	7. Other short-term payables	24	3,404,186,074,203	3,151,040,822,436
320	8. Short-term loans	25	9,156,627,147,612	3,887,363,803,719
330	***II. Non-current liabilities***		***1,143,324,618,639***	***1,147,551,443,005***
336	1. Long-term unearned revenue	23	1,101,722,564,138	28,382,379,631
337	2. Other long-term liabilities	24	5,279,232,731	4,091,492,912
338	3. Long-term loans	25	-	1,084,796,155,561
341	4. Deferred tax liabilities		-	2,927,921,312
342	5. Long-term provisions	26	36,322,821,770	27,353,493,589

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2016

Currency: VND

Code	*RESOURCES*	*Notes*	*Ending balance*	*Beginning balance*
400	**D. OWNERS' EQUITY**		**9,548,942,147,110**	**7,128,549,925,112**
410	***I. Capital***	***27***	***9,548,942,147,110***	***7,128,549,925,112***
411	1. Issued share capital	27.1	2,000,000,000,000	2,000,000,000,000
411a	- *Shares with voting rights*		*2,000,000,000,000*	*2,000,000,000,000*
420	2. Other funds belonging to owners' equity	27.1	(2,768,622,679,306)	(41,216,278,212)
421	3. Undistributed earnings		2,970,805,560,320	1,446,491,007,481
421a	- *Undistributed earnings up to prior year*		*1,446,491,007,481*	*648,468,088,833*
421b	- *Undistributed earnings of current year*		*1,524,314,552,839*	*798,022,918,648*
429	4. Non-controlling interests	27	7,346,759,266,096	3,723,275,195,843
440	**TOTAL LIABILITIES AND OWNERS' EQUITY**		**37,520,745,782,451**	**25,306,638,567,241**

CÔNG TY CỔ PHẦN PHÁT TRIỂN ĐÔ THỊ NAM HÀ NỘI

Tran Thanh Tam
Preparer

Bui Thi Ha
Chief Accountant

Nguyen Viet Quang
General Director

Hanoi, Vietnam

31 March 2017

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2016

Currency: VND

Code	*ITEMS*	*Notes*	*Current year*	*Previous year*
01	**1. Revenue from sale of goods and rendering of services**	**28.1**	**11,217,376,095,522**	**4,920,362,967,860**
02	**2. Deductions**	**28.1**	-	-
10	**3. Net revenue from sale of goods and rendering of services**	**28.1**	**11,217,376,095,522**	**4,920,362,967,860**
11	**4. Cost of goods sold and services rendered**	**29**	**(6,763,559,185,952)**	**(3,286,014,581,026)**
20	**5. Gross profit from sale of goods and rendering of services**		**4,453,816,909,570**	**1,634,348,386,834**
21	**6. Finance income**	**28.2**	**822,034,511,730**	**89,464,728,244**
22	**7. Finance expenses**	**31**	**(946,663,181,685)**	**(264,363,634,014)**
23	*In which: Interest expenses*		*(384,720,077,362)*	*(265,013,754,574)*
24	**8. Shares of profit of associates, joint-ventures**	**18.1**	**504,832,648,035**	**161,345,587,300**
25	**9. Selling expenses**	**30**	**(1,298,335,291,291)**	**(416,891,013,798)**
26	**10. General and administrative expenses**	**30**	**(883,874,735,719)**	**(499,525,076,277)**
30	**11. Operating profit**		**2,651,810,860,640**	**704,378,978,289**
31	**12. Other income**	**32**	**181,549,283,406**	**274,581,279,701**
32	**13. Other expenses**	**32**	**(38,454,358,354)**	**(489,295,974)**
40	**14. Other profit**	**32**	**143,094,925,052**	**274,091,983,727**
50	**15. Accounting profit before tax**		**2,794,905,785,692**	**978,470,962,016**
51	**16. Current coporate income tax expense**	**34.2**	**(585,985,392,868)**	**(192,111,071,670)**
52	**17. Deferred tax (expense)/income**	**34.3**	**(1,621,267,702)**	**5,528,470,449**
60	**18. Net profit after tax**		**2,207,299,125,122**	**791,888,360,795**

CONSOLIDATED INCOME STATEMENT (continued)
for the year ended 31 December 2016

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
61	**19. Net profit after tax attributable to shareholders of the parent**		**1,648,549,290,410**	**795,075,484,745**
62	**20. Net profit after tax attributable to non-controlling interests**		**558,749,834,712**	**(3,187,123,950)**
70	**21. Basic earnings per share**	36	**8,243**	**3,975**
71	**22. Diluted earnings per share**	36	**8,243**	**3,975**

Tran Thanh Tam
Preparer

Bui Thi Ha
Chief Accountant

Nguyen Viet Quang
General Director

Hanoi, Vietnam

31 March 2017

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2016

Currency: VND

Code	*ITEMS*	*Notes*	*Current year*	*Previous year*
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	**Profit before tax**		**2,794,905,785,692**	**978,470,962,016**
	Adjustments for:			
02	Depreciation of tangible fixed assets and investment properties and amortisation of intangible fixed assets (including amortisation of goodwill)	13,14, 15,19	355,233,525,481	178,916,834,516
03	Provisions		20,772,079,308	3,634,941,295
04	Foreign exchange losses/(gains) arisen from revaluation of monetary accounts denominated in foreign currency		18,389,448	(400,858,218)
05	Profits from investing activities		(746,694,602,847)	(250,810,315,544)
06	Interest expenses	31	384,720,077,362	265,013,754,574
08	**Operating profit before changes in working capital**		**2,808,955,254,444**	**1,174,825,318,639**
09	Decrease in receivables		1,638,891,342,965	1,093,796,448,747
10	Decrease/(increase) in inventories		955,820,656,746	(764,927,510,981)
11	(Decrease)/increase in payables (other than interest, corporate income tax)		(272,903,519,333)	8,670,898,632,758
12	Decrease/(increase) in prepaid expenses		95,352,984,466	(485,405,661,732)
14	Interest paid		(140,484,923,411)	(601,836,360,332)
15	Corporate income tax paid	21	(344,271,766,727)	(265,156,018,040)
20	**Net cash flows from operating activities**		**4,741,360,029,150**	**8,822,194,849,059**

CONSOLIDATED CASH FLOW STATEMENT (continued)
for the year ended 31 December 2016

Currency: VND

Code	*ITEMS*	*Notes*	*Current year*	*Previous year*
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase and construction of fixed assets and other long-term assets		(2,222,134,748,949)	(738,033,080,781)
22	Proceeds from disposals of fixed assets and other long-term assets		75,084,489,463	-
23	Loans to other entities and payments for purchase of debt instruments of other entities		(489,200,738,202)	(9,206,540,083,992)
24	Collections from borrowers and proceeds from sale of debt instruments of other entities		2,604,904,018,627	2,396,279,238,678
25	Payments for investments in other entities (net of cash hold by entity being acquired)		(15,923,861,346,083)	(1,005,945,213,284)
26	Proceeds from sale of investments in other entities (net of cash hold by entity being disposed)		5,637,411,141,821	3,000,000,000
27	Interest and dividends received		197,068,616,393	50,922,180,818
30	**Net cash flows used in investing activities**		**(10,120,728,566,930)**	**(8,500,316,958,561)**
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
31	Issuance of shares		3,393,212,365,000	3,360,734,490,000
33	Drawdown of borrowings		11,161,421,565,443	9,455,999,433,335
34	Repayment of borrowings		(6,589,869,040,550)	(12,548,137,026,536)
36	Dividends paid		(339,697,297,800)	(339,697,297,800)
40	**Net cash flows from/(used in) financing activities**		**7,625,067,592,093**	**(71,100,401,001)**
50	**Net increase in cash and cash equivalent for the year**		**2,245,699,054,313**	**250,777,489,497**
60	**Cash and cash equivalents at the beginning of the year**		**556,711,486,785**	**305,945,516,262**
61	Impact of exchange rate fluctuation		12,369,062	(11,518,974)
70	**Cash and cash equivalents at the end of the year**	5	**2,802,422,910,160**	**556,711,486,785**

CÔNG TY CỔ PHẦN PHÁT TRIỂN ĐÔ THỊ NAM HÀ NỘI

Tran Thanh Tam Preparer	Bui Thi Ha Chief Accountant	Nguyen Viet Quang General Director

Hanoi, Vietnam

31 March 2017

1. CORPORATE INFORMATION

Hanoi Southern City Development Joint Stock Company ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate No. 0103022741 issued by the Hanoi Department of Planning and Investment on 6 March 2008 and the Business Registration Certificate No. 0102671977 dated 5 August 2010 on registration of a shareholding company. The Company subsequently received amended Enterprise Registration Certificates with the latest, being the 17th amended Enterprise Registration Certificate dated 13 May 2013.

The current principal activities of the Company are leasing offices, constructing and selling apartments in Vinhomes Times City project at No. 458 Minh Khai Street, Vinh Tuy Ward, Hai Ba Trung District, Hanoi, Vietnam and No. 25, Alley 13, Linh Nam Street, Mai Dong Ward, Hoang Mai District, Hanoi, Vietnam ("Vinhomes Times City project").

The Company's head office is located at No. 458, Minh Khai Street, Vinh Tuy Ward, Hai Ba Trung District, Hanoi, Vietnam. The Company's business address is at No. 7, Bang Lang 1 street, Vinhomes Riverside Eco-urban Area, Viet Hung Ward, Long Bien District, Hanoi, Vietnam.

The number of the Company's employees as at 31 December 2016 is 10 (31 December 2015: 12).

The Company and its subsidiaries' business cycle of real estate development activity begins when the Company and its subsidiaries receive investment certificate, carries out land clearance and construction works until the project is completed. Accordingly, the business cycle of real estate development activity ranges from 12 months to 36 months.

The Company and its subsidiaries' business cycle of other activities is normally within 12 months.

As at 31 December 2016, the Company owns investments in associates as presented in Note 18.1.

1. CORPORATE INFORMATION (continued)

Corporate structure

As at 31 December 2016, the Company has 6 subsidiaries. The information on these subsidiaries, along with the Company's voting rights and equity interest in each subsidiary are as below:

No.	*Entity*	*Voting right (%)*	*Equity interest (%)*	*Registered office's address*	*Principal activities*
1	Vinpearlland JSC	98.19%	98.19%	Hon Tre island, Vinh Nguyen Ward, Nha Trang City, Khanh Hoa Province	Providing entertainment services, domestic tourism services, passenger transport, restaurant and food court services
2	VinDS Trading and Services LLC ("VinDS LLC")	99.00%	99.00%	No. 7, Bang Lang 1 Street, Vinhomes Riverside Eco-urban Area, Viet Hung Ward, Long Bien District, Hanoi	Retail and wholesale in general merchandising stores, specialty stores, management consulting and business support activities
3	Ecology Development and Investment JSC ("Ecology JSC")	80.94%	80.94%	No.191, Ba Trieu Street, Le Dai Hanh Ward, Hai Ba Trung District, Hanoi	Investing, developing and trading real estate properties
4	Gia Lam Urban Development and Investment LLC ("Gia Lam LLC)	85.00%	68.80%	No. 7, Bang Lang 1 Street, Vinhomes Riverside Eco-urban Area, Viet Hung Ward, Long Bien District, Hanoi	Investing, developing and trading real estate properties
5	Phu Gia Property Trading LLC ("Phu Gia LLC")	98.00%	79.32%	No.63 Hang Ga Street, Hang Bo Ward, Hoan Kiem District, Hanoi	Investing, developing and trading real estate properties
6	Vietnam Investment and Consulting Investment JSC ("Lieu Giai JSC")	50.00%	40.47%	No.191, Ba Trieu Street, Le Dai Hanh Ward, Hai Ba Trung District, Hanoi	Investing, developing and trading real estate properties

2. BASIS OF PREPARATION

2.1 Accounting standards and system

The consolidated financial statements of the Company and its subsidiaries, which are expressed in Vietnam dong ("VND"), are prepared in accordance with Vietnamese Enterprise Accounting System and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 5).

Accordingly, the accompanying consolidated financial statements, including their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

2.2 Applied accounting documentation system

The Company's applied accounting documentation system is the General Journal.

2.3 Fiscal year

The Company and its subsidiaries' fiscal year applicable for the preparation of its consolidated financial statements starts on 1 January and ends on 31 December.

2.4 Accounting currency

The consolidated financial statements are prepared in VND.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2016.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continued to be consolidated until such control ceases.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-company balances, income and expenses and unrealised gains or losses result from intra-company transactions are eliminated in full.

2. BASIS OF PREPARATION (continued)

2.5 *Basis of consolidation* (continued)

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Impact of change in the ownership interest of a subsidiary, without a loss of control, is recorded in undistributed earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash in banks and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

3.2 *Inventories*

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and less costs to completion and the estimated selling costs.

The perpetual method is used to record inventories, which are valued using first in, first out basis and weighted average basis.

Inventory property

Property acquired or being constructed for sale in the ordinary course of business or for long-term lease qualified for recognition of outright sales, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost incurred in bringing the inventories to their present location and condition, and net realisable value.

Cost of inventory property includes:

- Freehold and leasehold rights for land, land development fees; and
- Amounts paid to contractors for construction; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to completion and the estimated costs of sale.

The cost of inventory property recognised in the consolidated income statement on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of common costs based on the relative size of the inventory property.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 *Inventories* (continued)

Provision for obsolete inventories

An inventory provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Company and its subsidiaries, based on appropriate evidence of impairment available at the consolidated balance sheet date.

Increases or decreases to the provision balance are recorded in the cost of goods sold account in the consolidated income statement.

3.3 *Receivables*

Receivables are presented in the consolidated financial statements at the carrying amounts due from customers and other debtors, after provision for doubtful debts .

The provision for doubtful debts represents amounts of outstanding receivables at the consolidated balance sheet date which are doubtful of being recovered. Increases and decreases to the provision balance are recorded as general and administrative expense in the consolidated income statement.

3.4 *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset comprises its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the consolidated income statement as incurred.

When tangible fixed assets are sold or retired, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the consolidated income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 *Leased assets*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Where the Company and its subsidiaries are lessors

Assets subject to operating leases are presented as investment properties in the consolidated balance sheet. Initial direct costs incurred in negotiating an operating lease are recognised in the consolidated income statement as incurred.

Lease income is recognised in the consolidated income statement on a straight-line basis over the lease term.

Where the Company and its subsidiaries are lessees

Rentals under operating leases are charged to the consolidated income statement on a straight-line basis over the lease term.

3.6 *Intangible fixed assets*

Intangible fixed assets are stated at cost less accumulated amortisation.

The cost of an intangible fixed asset comprises its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use.

Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the consolidated income statement as incurred.

When intangible fixed assets are sold or retired, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the consolidated income statement.

Land use rights

Definite and indefinite land use rights are recorded as intangible fixed assets based on land use right certificates issued by governing bodies.

The advance payment for land rental, of which the land lease contracts have effectiveness prior to 2003 and Land use right certificate being issued, are recorded as intangible asset according to Circular No. 45/2013/TT-BTC issued by the Ministry of Finance on 25 April 2013 guiding the management, use and depreciation of fixed assets ("Circular 45").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Depreciation and amortisation

Depreciation of tangible fixed assets and amortisation of intangible fixed assets are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Buildings and structures	8 - 48 years
Machinery and equipment	9 - 10 years
Means of transportation	3 - 12 years
Office equipment	2 - 10 years
Copyrights	5 - 10 years
Computer software	3 - 10 years
Others	4 years

3.8 Investment properties

Investment properties are stated at cost including transaction costs less accumulated depreciation.

Subsequent expenditure relating to an investment property that has already been recognized is added to the net book value of the investment property when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment property, will flow to the Company and its subsidiaries.

Depreciation and amortisation of investment properties are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Buildings and structures	47 years
Others	9 - 10 years

The Company and its subsidiaries does not amortise indenfinite land use rights presented as investment properties.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the assets is recognised in the consolidated income statement in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. The transfer from investment property to owner-occupied property or inventories does not change the cost or the carrying value of the property for subsequent accounting at the date of change in use.

3.9 Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs are recorded as expense during the year in which they are incurred, except to the extent that borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the consolidated balance sheet and amortised over the period for which the amounts are paid or the period in which economic benefits are generated in relation to these expenses.

Short-term prepaid expenses include commission fees for selling apartments, provisional corporate income tax for down payments from customers for the purchase of apartments at Vinhomes Times City project, Vinhomes Metropolis project and other prepaid expenses that are expected to generate future economic benefit for less than one normal business cycle.

Long-term prepaid expenses include long-term prepaid land rental, pre-operation expenditure, tools and supplies, and other prepaid expenses that bring future economic benefits for more than one year.

Prepaid land rental

The prepaid land rental represents the unamortised balance of advance payment made in accordance with the lease contract signed with the authorities. Such prepaid rental is recognised as a long-term prepaid expense and is amortised to the consolidated income statement over the remaining lease period according to Circular 45.

Other prepaid expenses

Substantial expenditure on fixed asset overhaul is recorded as prepaid expense and are amortised to the consolidated income statement.

3.11 Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Company and its subsidiaries' interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortisation. Goodwill is amortised over 10-year period on a straight-line basis. The parent company conducts the periodical review for impairment of goodwill of investment in subsidiaries. If there are indicators of impairment loss incurred is higher than the yearly allocated amount of goodwill on the straight-line basis, the higher amount will be recorded in the consolidated income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 *Business combinations and goodwill* (continued)

Business combinations involving entities or businesses under common control

Business combinations involving entities or businesses under common control are accounted for as follows:

- The assets and liabilities of the two combined entities are reflected at their carrying amounts on the date of business combination;
- No goodwill is recognised from the business combination;
- The consolidated income statement reflects the results of the combined entities from the date of the business combination; and
- Any difference between the consideration paid and the net assets of the acquiree is recorded in equity.

3.12 *Investments*

Investments in associates

The Company and its subsidiaries' investment in their associate is accounted for using the equity method of accounting. An associate is an entity in which the the Company and its subsidiaries have significant influence that is neither subsidiaries nor joint ventures. The Company and its subsidiaries generally deem they have significant influence if they have over 20% of the voting rights.

Under the equity method, the investment is carried in the consolidated balance sheet at cost plus post acquisition changes in the Company and its subsidiaries' share of net assets of the associates. Goodwill arising on acquisition of the associate is included in the carrying amount of the investment. Goodwill is not amortised and subject to annual review for impairment by the Company and its subsidiaries. The consolidated income statement reflects the share of the post-acquisition results of operation of the associate.

The share of post-acquisition profit/(loss) of the associates is presented on face of the consolidated income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividend/profit sharing received or receivable from associates reduces the carrying amount of the investment.

The financial statements of the associates are prepared for the same reporting period and use the same accounting policies as the Company and its subsidiaries. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company and its subsidiaries.

Held-for-trading securities and investments in other entities

Held-for-trading securities and investments in other entities are stated at their acquisition costs.