

**SEOUL METAL VIET NAM JOINT STOCK COMPANY
AUDITED FINANCIAL STATEMENTS**

For the year ended 31 December 2016

Bac Ninh - March 2017

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STATEMENT OF BOARD OF DIRECTORS

The Board of Directors of Seoul Metal Viet Nam Joint Stock Company presents this report together with the Company's audited financial statements for the year ended 31 December 2016.

THE COMPANY

Seoul Metal Viet Nam Joint Stock Company ("the Company") is 100% foreign owned company, established under the Investment Certificate No. 212033.000119 issued the first time by Bac Ninh Industrial Zones Authority on 19 February 2008, register to change the 9th on 17 April 2014 and the Business Registration Certificate of Joint Stock Company No. 2300323118 issued the first time on 19 February 2008, register to change the 2nd on 5 December 2016.

Business name: SEOUL METAL VIETNAM JOINT STOCK COMPANY

Abbreviated name: SMV., JSC.

Registered office at: Yen Phong Industrial Zone, Long Chau Commune, Yen Phong district, Bac Ninh Province, Viet Nam.

THE BOARDS OF MANAGEMENT AND DIRECTORS

The boards of management

Mr. Na Yun Bok Chairman

Mr. Na Youn Hwan Member

Mr. Na Yoon Yeng Member

Members of Board of Directors who held the Company during the year and at the date of this report are as follows:

The board of directors

Mr. Cha Guyn Young Director

SUBSEQUENT EVENTS

According to the Board of Directors, in all material respects, there have been no other significant events occurring after the balance sheet date that would require adjustments to or disclosures to be made in the financial statements for the year ended 31 December 2016.

AUDITORS

CPA VIETNAM Auditing Company Limited - An independent member firm of Moore Stephens International Limited, has audited the financial statements for the year ended 31 December 2016.

STATEMENT OF BOARD OF DIRECTORS (Cont.)

THE BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Director of the Company is responsible for preparing the financial statements of each year, which give a true and fair view of the financial position of the Company and of its results and cash flows for the period. In preparing those financial statements, the Board of Director is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been complied with, material differences are disclosed and explained in the financial statements; and
- Design, execute and maintain an effective internal control related to the appropriate preparation and presentation of financial statements so as to obtain reasonable assurance that the financial statements are free of material misstatements caused by even frauds and errors.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of Director confirms that the Company has complied with the above requirements in preparing the financial statements.

The Board of Director is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the financial statements comply with Vietnamese Standards on Accounting, Vietnamese Accounting System and relevant legal regulations in preparing and financial statements. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

For and on behalf of the Board of Director



Cha Gyun Young
Director

Bac Ninh, 20 March 2017

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INDEPENDENT AUDITOR'S REPORT
About Financial Statements for the year ended 31 December 2016
of Seoul Metal Viet Nam Joint Stock Company

To: The Boards of Management and Directors
Seoul Metal Viet Nam Joint Stock Company

We have audited the accompanying financial statements of Seoul Metal Viet Nam Joint Stock Company as set out on pages 05 to pages 31, which prepared on 20 March 2017 comprise the Balance sheet as at 31 December 2016, and the Statement of income, and Statement of Cash flows for the year then ended, and Notes to the financial statements.

The Board of Directors' responsibility

The Board of Directors' are responsible for the preparation and presentation of these financial statements comply with Vietnamese Standards on Accounting, Vietnamese Accounting System and relevant legal regulations in preparing and financial statements and for such internal control as the Board of Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Vietnam 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 financial statements are free from material misstatement.

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

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

Auditor's Opinion

In our opinion, the accompanying financial statements gives a true and fair view of, all material respects, the financial position of the Company as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam.



Vu Ngoc An
Deputy General Director
Audit Practising Registration Certificate
No. 0496-2015-137-1

For and on behalf of

CPA VIETNAM AUDITING COMPANY LIMITED

An independent member of Moore Stephens International Limited

Hanoi, 20 March 2017

Bui Thi Thuy
Auditor
Audit Practising Registration Certificate
No. 0580-2015-137-1

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BALANCE SHEET
As at 31st December 2016

ASSETS	CO DE	NO TE	31/12/2016 VND	01/01/2016 VND
A. CURRENT ASSETS (100 = 110+120+130+140+150)	100		245,809,729,410	116,198,342,268
I. Cash and cash equivalents	110	5.1	86,932,749,165	29,012,336,363
1. Cash	111		46,932,749,165	29,012,336,363
2. Cash equivalents	112		40,000,000,000	-
II. Short-term financial investments	120		60,000,000,000	-
3. Investments held to maturity	123	5.2	60,000,000,000	-
III. Short-term receivables	130		46,693,196,716	49,301,442,691
1. Short-term trade accounts receivable	131	5.3	45,098,727,496	48,047,805,374
2. Short-term advances to suppliers	132	5.4	890,863,200	256,397,317
6. Other short-term receivables	136	5.5	703,606,020	997,240,000
IV. Inventories	140		35,663,569,797	27,735,721,968
1. Inventories	141	5.6	35,663,569,797	27,735,721,968
V. Other current assets	150		16,520,213,732	10,148,841,246
1. Short-term prepaid expenses	151	5.10	5,019,885,097	343,087,212
2. Deductible VAT	152	5.7	11,500,328,635	9,805,754,034
B. NON-CURRENT ASSETS (200 = 210+220+240+250+260)	200		113,333,775,551	114,932,746,895
I. Long - terms receivables	210		-	-
II. Fixed assets	220		112,916,053,115	114,494,653,838
1. Tangible fixed assets	221	5.8	96,118,094,978	97,245,277,828
- Cost	222		144,299,816,540	136,250,026,840
- Accumulated Depreciation	223		(48,181,721,562)	(39,004,749,012)
3. Intangible fixed assets	227	5.9	16,797,958,137	17,249,376,010
- Cost	228		19,928,637,817	19,928,637,817
- Accumulated Depreciation	229		(3,130,679,680)	(2,679,261,807)
III. Investment property	230		-	-
IV. Long-term assets in progress	240		-	-
V. Long-term financial investments	250		-	-
VI. Other long-term assets	260		417,722,436	438,093,057
1. Long-term prepaid expenses	261	5.10	417,722,436	438,093,057
TOTAL ASSETS (270 = 100+200)	270		359,143,504,961	231,131,089,163



BALANCE SHEET (Cont.)

As at 31st December 2016

RESOURCES	CO DE	NO TE	31/12/2016 VND	01/01/2016 VND
C. LIABILITIES (300 = 310+330)	300		69,939,376,616	101,686,626,785
I. Current liabilities	310		69,939,376,616	48,741,126,785
1. Short-term trade accounts payable	311	5.11	60,714,917,874	40,500,887,247
2. Short-term advances from customers	312	5.12	82,747,000	-
3. Taxes and other payables to State	313	5.13	6,224,075,530	5,011,733,535
4. Short-term payables to employees	314		2,434,384,716	2,186,011,656
5. Short-term accrued expenses	315	5.14	-	890,827,351
9. Other current payables	319	5.15	483,251,496	151,666,996
II. Long - term liabilities	330		-	52,945,500,000
8. Long-term loans and financial leases	338	5.16	-	52,945,500,000
D. EQUITY (400 = 410+430)	400		289,204,128,345	129,444,462,378
I. Owner's equity	410	5.17	289,204,128,345	129,444,462,378
1. Paid-in capital	411		112,690,400,000	72,690,400,000
- Voting ordinary shares	411a		112,690,400,000	72,690,400,000
- Preference shares	411b		-	-
2. Share premium	412		68,773,970,000	8,907,970,000
11. Undistributed post-tax profits	421		107,739,758,345	47,846,092,378
- Undistributed post-tax profits accumulated by the end of the previous period	421a		47,846,092,378	4,942,142,749
- Undistributed post-tax profits of current period	421b		59,893,665,967	42,903,949,629
II. Other resources and funds	430		-	-
TOTAL RESOURCES (440 = 300+400)	440		359,143,504,961	231,131,089,163

Bac Ninh, 20 March 2017

Preparer



Nguyen Thi Anh Nguyet

Accountant



Nguyen Thi Anh Nguyet

Director



Cha Gyun Young

INCOME STATE
For the year ended 31st December 2016

ITEMS	CO DE	NO TE	Year 2016	Year 2015
			VND	VND
1. Gross sales of merchandise and services	01	5.18	348,021,071,965	264,597,997,949
2. Deductions	02	5.18	545,689,648	23,908,163
3. Net sales of merchandise and services (10 = 01-02)	10	5.18	347,475,382,317	264,574,089,786
4. Cost of goods sold	11	5.19	236,142,232,399	175,029,137,601
5. Gross profit from sales of merchandise and services (20 = 10-11)	20		111,333,149,918	89,544,952,185
6. Financial income	21	5.20	1,267,224,061	31,379,949
7. Financial expenses	22	5.20	1,062,774,822	3,535,974,566
<i>In which: Interest expenses</i>	23		888,303,149	1,381,216,141
8. Selling expenses	24	5.21	18,639,556,741	4,686,619,433
9. General and administration expenses	25	5.21	26,722,791,936	34,037,661,424
10. Operating profit {30 = 20+(21-22)-(24+25)}	30		66,175,250,480	47,316,076,711
11. Other income	31	5.22	49,388,447	446,060,963
12. Other expenses	32	5.22	207,881,247	705,140,966
13. Profit (Loss) from other activities (40=31-32)	40		(158,492,800)	(259,080,003)
14. Accounting profit (loss) before tax (50=30+40)	50		66,016,757,680	47,056,996,708
15. Current tax expense	51	5.23	6,123,091,713	4,153,047,079
16. Deferred tax income/(expense)	52		-	-
17. Net profit (loss) after income tax (60=50-51-52)	60		59,893,665,967	42,903,949,629
18. Basic earnings per share	70	5.24	7,940	5,902
19. Diluted earnings per share	71		-	-

Bac Ninh, 20 March 2017

Preparer



Nguyen Thi Anh Nguyet

Accountant



Nguyen Thi Anh Nguyet

Director



Cha Gyun Young

CASH FLOW STAMENT

(Indirect method)

For the year ended 31st December 2016

ITEMS	CO DE	Year 2016 VND	Year 2015 VND
1	2	4	5
I. Cash flows from operating activities			
1. <i>Profit before tax</i>	01	66,016,757,680	47,056,996,708
2. <i>Adjustments for</i>			
- Depreciation and amortisation	02	10,046,104,279	8,895,114,139
- Provisions	03	-	-
- Gain/loss from unrealized foreign exchange differences	04	96,945,580	1,763,834,130
- Gain, loss from investment activities	05	114,811,199	(31,379,949)
- Interest expenses	06	888,303,149	1,381,216,141
3. <i>Operating profit before movements in working capital</i>	08	77,162,921,887	59,065,781,169
- (Increase) decrease receivables	09	913,671,374	(2,634,394,849)
- (Increase) decrease inventories	10	(7,927,847,829)	(10,487,926,104)
- (Increase) decrease accounts payable	11	19,874,908,701	(7,822,083,144)
- (Increase) decrease prepaid expenses	12	(4,656,427,264)	418,806,269
- Interest paid	14	(1,549,427,254)	(973,434,011)
- Corporate income tax paid	15	(4,324,198,187)	(1,100,224,850)
- Other cash inflows	16	-	252,834,724
- Other cash outflows	17	(69,807,240)	(705,140,966)
<i>Net cash from operating activities</i>	20	79,423,794,188	36,014,218,238
II. Cash flows from investing activities			
1. Payments for acquisition, construction of fixed assets and other long- term assets	21	(8,978,577,563)	(15,759,745,518)
2. Proceeds from disposal or sale of fixed assets and other long- term assets	22	373,000,000	-
3. Payment for lending, purchasing debt instruments of other entities	23	(60,000,000,000)	-
7. Interest income, dividends received	27	23,262,808	31,379,949
<i>Net cashflow from investing activities</i>	30	(68,582,314,755)	(15,728,365,569)
III. Cash flows from financing activities			
1. Proceeds from issuing stock, receiving capital contribution from the owners	31	99,866,000,000	-
3. Proceeds from borrowings	33	-	40,890,386,150
4. Repayments of borrowings	34	(52,945,500,000)	(72,964,376,973)
<i>Net cashflow from financing activities</i>	40	46,920,500,000	(32,073,990,823)
Net cashflow during the period (50 = 20+30+40)	50	57,761,979,433	(11,788,138,154)
Cash and cash equivalents at beginning of year	60	29,012,336,363	40,692,025,585
Effects of change in foreign exchange rate	61	158,433,369	108,448,932
Cash and cash equivalents at end of year (70 = 50+60+61)	70	86,932,749,165	29,012,336,363

Bac Ninh, 20 March 2017

Preparer



Nguyen Thi Anh Nguyet

Accountant



Nguyen Thi Anh Nguyet

Director



Cha Gyun Young

1. GENERAL INFORMATION

1.1. Structure of ownership

Seoul Metal Viet Nam Joint Stock Company (“the Company”) is 100% foreign owned company, established under the Investment Certificate No. 212033.000119 issued the first time by Bac Ninh Industrial Zones Authority on 19 February 2008, register to change the 9th on 17 April 2014 and the Business Registration Certificate of Joint Stock Company No. 2300323118 issued the first time on 19 February 2008, register to change the 2nd on 5 December 2016.

Business name: SEOUL METAL VIETNAM JOINT STOCK COMPANY

Abbreviated name: SMV., JSC.

Registered office at: Yen Phong Industrial Zone, Long Chau Commune, Yen Phong district, Bac Ninh Province, Viet Nam

Total charter capital is VND 112,690,400,000 equivalent to \$ 5,818,000, which is divided into 11,269,040 shares with par value of VND 10,000/ share.

1.2. Operating industry and principal activities

- Producing screws, bolts, hi – tech electronic components for mobiles and other electronic products (including the process of plating);
- Producing tools to heat the water for electric blanket which used mainly steam power.
- Factories for rent./.

The principal activity of the Company is production in screws, bolts and factories for rent.

2. FINANCIAL YEAR AND MONETARY UNIT IN ACCOUNTING

Financial year

The Company’s financial year begins on 1 January and ends on 31 December.

Monetary unit in accounting

The accompanying financial statements are expressed in Vietnam Dong (VND).

3. APPLIED ACCOUNTING STANDARDS AND ACCOUNTING SYSTEM

Applied accounting standards and accounting system

The Company applied Vietnamese Enterprise Accounting System promulgated under Circulars No.200/2014/TT-BTC dated 22 December 2014 issued by the Ministry of Finance.

Statements for the compliance with Accounting Standards and System

The Company’s Board of Directors confirmed to completely comply with Vietnam Accounting Standards and System promulgated and taken effect relating to preparation and presentation of the financial statements for the year ended 31 December 2016.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial statements

The accompanying financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with the prevailing Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and relevant legal regulations relating to preparation and presentation of the interim financial statements.

Cash and cash equivalents Recognition

Cash: Including cash, cash in bank (call deposits) and cash in transit.

Cash, bank deposits are recognized on the basics of actual transaction.

Cash in transit: Money transfer orders without Debit note and payment papers without Credit note.

Cash equivalents

Including short-term investments, time deposits whose recovery period or maturity not exceeding 3 months from the date of investment, deposits could be liquidated into particular amount and have no liquidation risk as at reporting time.

Financial instruments

Held to maturity investments

Held to maturity investments includes: term deposits (including treasury bills, promissory notes), bonds, preference shares which the issuer is required to re-buy them in a certain time in the future and held to maturity loans to earn profits periodically and other held to maturity investments.

Held to maturity investments shall be stated at the historical cost and determined according to fair value upon recovery abilities.

All of held to maturity investments classified accounts derived from foreign currencies shall be revaluated according to actual transaction exchange rate at the date of the financial.

Investments in subsidiaries, joint ventures, associates and other investments

- Investments in joint ventures, associates: Investments in joint ventures, associates that the company obtains control right are stated at historical cost in the financial statements.

Distributions from profits that the Company received from the accumulated profits of the subsidiaries after the date the Company obtains control are recognized in income statement of the company. Other distributions are considered a recovery of investment and are deducted from the investment value.

Receivables

The receivables shall be kept records in details according to period receivables, entities receivables, kind of currency receivable and other factors according to requirements for management

The amounts receivable includes trade receivables and other receivables following rules below:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Receivables (Cont.)

- Trade receivables include commercial receivables generating from purchase-sale related transactions between enterprises and buyers (independent unit against buyers, including receivables between parent companies and subsidiary companies or joint-venture companies). The trade receivables are recognized in accordance with the standards of the time revenue recognition based on invoices.
- Other receivables includes of non-commercial receivables.
- Intra-company receivables include receivables between superior organizations and affiliated organizations having no legal status and dependent cost-accounting.

The receivables shall be classified into short-term receivables or long-term receivables in Balance Sheet according to their remaining terms as at preparing Financial Statement date.

Provisions for doubtful debts: is made for doubtful debts based on overdue repayment of original debt commitments (not counting for the rescheduling of the parties), or expected losses that may occur under the guidance in Circular 228/2009/TT-BTC dated 07/12/2009.

Inventories

Inventories are stated at the historical cost. When historical cost is higher than net realizable value, inventories shall be stated at net realizable value. The historical cost of inventories comprises direct materials expenses, direct labour expenses and general production expenses based on normal levels of operating activity that have been incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the normal course of business minus all estimated costs of completion and costs of marketing, selling and distribution. The Company uses the perpetual inventory system to account for its inventories. The value of inventories is calculated according to specific identification method.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations, which allow provisions to be made for obsolete, damaged, or sub-standard inventories which have a book value higher than net realisable value as at the balance sheet date.

Fixed assets and depreciation, amortization

Company manage, use and allocate depreciation of fixed assets in accordance with the guidance in Circular 45/2013/TT-BTC dated 25 April 2013 and Circular No.147/2016/TT-BTC dated 13 October 2016 by Ministry of Finance which revised and amended some articles of the Circular 45/2014/TT-BTC.

a. Rules for accounting

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The historical cost of the tangible fixed assets comprises its purchase price and all direct attributable costs of bringing the assets to its working condition and location for its intended use.

When fixed assets are sold or disposed, their cost and accumulated depreciation are eliminated and any gain or loss (if any) arising from the disposal are allocated in other income or other expenses in the period.



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Fixed assets and depreciation, amortization (Cont.)

Intangible fixed assets

Intangible fixed assets: Land use rights at Yen Phong Industrial Zone – Bac Ninh, total area is 35.000 m2 which issued the Land Use Rights Certificates for 47 years (from 2008 to 2055). Computer software is are initially recognized at buying cost and stated at cost less accumulated depreciation.

b. Method of depreciation

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

	2016 Years
Buildings and structures	06 - 45
Machinery and equipment	05 - 15
Office equipment	05 - 10
Motor vehicles	06 - 10
Other Tangible fixed assets	10 - 25

Intangible asset is computer software that is amortised using the straight-line method over 3 years.

Prepaid expenses

This account is used to record expenses actually incurred but they are related to operation output of many accounting period and the transfer of these expenses to operating expenses of subsequent accounting periods.

Prepaid expenses: are stated at the historical cost and classified into short-term and long-term according to prepaid time of each contract.

Long-term prepaid expenses relating to tools and equipment are stated at the historical cost and allocated gradually for within 03 years in line method.

Payables

The payables are monitored in detail by maturity terms, subjects, kind of currency and other factors according to management demand of the Company.

The payables include payable to suppliers and other payables which are determined almost certainly about the recorded value and duration which are not less than the obligation payable, they are classified as follows

- Trade payables: includes commercial payables arising from the purchase of goods, services and assets between the Company and the seller (the independent unit of the Company, including amounts between the Holding company and its subsidiaries, joint ventures, affiliate). These payables include amounts payable arising due to importing through trustees (in trust import transactions);
- Other payables includes of non-commercial payables, non-related transactions of purchasing and selling of goods and services.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Loans and finance lease liabilities

Including loans, finance lease liabilities, except loans under the forms of issuance of bonds or preference shares with provisions requiring the issuer to repurchase at a certain time in the future.

The loans and finance lease liabilities are kept records in details according to entities, and classified into short-term receivables or long-term receivables according to their payment periods.

Borrowing expenses directly related to the loans shall be accounted for in financial expenses. Where these expenses arise from loans for purposes of investment, construction or production of assets in progress, they shall be capitalized according to "Borrowing cost" accounting standard.

Recognition and capitalization of borrowing cost

All borrowing costs should be recognized into Income Statement in the period in which they are incurred, unless they are capitalized according to provisions of "Borrowing cost" accounting standard.

Accrued expenses

Expenses that have not actually been incurred but are pre-recorded to operating expenses during the year to ensure that when these expenses actually occurs, they will not have a significant influence on operating expenses based on matching principle between income and expenses.

The Company records accrued expenses as following: Interest expense, maintenance minimal infrastructure expense.

Owner's equity

Share capital is recognized as the actual capital contributed to the Company.

Share premium is recognised by the difference between the actual price and face value of the shares when firstly issued, additionally issued or when the Company reissue treasury share.

Treasury shares are shares issued by companies and bought-back by the companies which issued shares. Actual value of Treasury shares shall be recorded a decrease in owner's capital in Balance Sheet.

Undistributed profit shall be determined on the basis of income after tax and the distribution of profits or settlement of losses of the Company.

Profit after tax shall be distributed dividends to shareholders after being approved by the Board of Shareholders at the Annual General Meeting and after being allocated to the reserve fund in accordance with the Company's charter.

Dividends that would be paid depend on estimated profit. In the following year, dividends would be declared and paid officially from undistributed profit under agreement of Members' Council in Annual Meeting.

Funds under owner's equity shall be set up according to Company's charters.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenue Recognition

For trading company

Revenue from sale of goods shall be recognized if it simultaneously meets the following five (5) conditions:

- a/ The Company has transferred to the buyer the significant risks and reward of ownership of the goods;
- b/ The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c/ The amount of revenue can be measured reliably;
- d/ It is probable that the economic benefits associated with the transaction will flow to the Company; and ;
- e/ The cost incurred or to be incurred in respect of transaction can be measured reliably.

For services company

Sales of services are recognized by reference to the stage of completion of the service at the balance sheet date The outcome of a service provision transaction shall be determined only when it satisfies all the four (4) conditions below:

- a/ the amount of revenue can be measured reliably;
- b/ It is probable that the economic benefits associated with the transaction will flow to the Company;
- c/ The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- d/ The costs incurred for the transaction and the costs to complete transaction can be measured reliably.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the interest rate applicable.

Cost of goods sold

Cost of goods sold including of cost of products, goods and services, real estate sold in the period (including depreciation, repair expenses, other expense for real estate leasing under the form of operating lease, real estate investment liquidation expense...) are recognized in accordance with revenue in the period.

For the cost of direct materials consumed exceeds normal levels, labour costs, fixed general administration expense which are not allocated to finished goods will be recognized in cost of sales (after minus the amount of compensation, if any) even if the goods have not been determined to be consumed.

Current corporate income tax and deferred tax expenses

Income tax expense (tax income): is the aggregate amount of current income tax expense (income) and deferred income tax expense (income) included in the determination of profit or loss for the period.

- Current income tax expenses are income tax payables computed on taxable income during year and current income tax rate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**Current corporate income tax and deferred tax expenses (Cont.)**

Taxable income is different from accounting profit caused by the adjustment of the difference between accounting profit and taxable income under current tax policies.

- Deferred income tax expenses are income taxes payables in the future, arising from: Recognising deferred income tax payables during the year; Reversing deferred tax assets which were recorded in previous years; Not recognising deferred tax assets or deferred tax liabilities arising from the transaction recorded directly in owner's equity.

Company is obliged to pay corporate income tax with rate of tax at 15% for 12 years, start at the first year when the enterprise had sales revenues from activities that receives tax incentives prescribes at point b, clause 2 of Articles 34, Circular 24/2007/ND-CP dated 14 February 2017. The Company were exempt form income tax for 3 years (from 2012 to 2014) and reduce 50% total taxable amount for the next 7 years (from 2015 to 2021) that prescribes at clause 4 of Articles 35 Circular 24/2007/ND-CP dated 14 February 2007.

Estimates

The preparation of interim financial statements in conformity with Vietnamese Standards on Accounting, Vietnamese Enterprise Accounting System and other prevailing accounting regulations in Vietnam requires The Board of Directors to make estimates and assumptions that affect the reported amounts of liabilities, assets and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Actual results could differ from those estimates and assumptions.

Financial instrumentsInitial recognition*Financial assets*

At the date of initial recognition, the financial assets are recognized under historical cost plus transaction cost directly relating to procuring those financial assets.

The Company's financial assets include cash on hand, short-term deposit, short-term receivables and other receivables, deposits.

Financial liabilities

At the date of initial recognition, financial liabilities are recognized under historical cost plus transaction cost directly relating to issuing those financial liabilities.

The Company's financial liabilities include trade accounts payable, other payables, debts.

Revaluation after initial recognition

At present, there are no regulations on revaluation of the financial instruments after initial recognition.

Earnings per share

Basic earnings per share shall be caculate by dividing profit or loss attributable to common stock holders by the weighted average number of common shares outstanding during the period. Diluted earnings per share shall be calculated by adjusting profit or loss attributable to common stock holders, and the weighted average number of shares outstanding due to the effects of common shares which are possible to dilute including convertible bonds and share option.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Related parties

Parties considered as related parties are enterprises that include the Holding Company - Housing and Urban Development Corporation, subsidiaries of the Holding Company, individuals owning, directly or indirectly through one or more intermediaries, control over the Company or under control with the Company. Associations, individuals possess directly or indirectly voting right of the Company that considerably influence the Company. Key management that include General Directors, Officers of the Company and closed members of families of these individuals or associations or companies in association with these individuals are considered as related parties.

Sectional Report

Section is a recognizable part of the Company participated in supplying products or related services (Business sections), or participated in supplying products or services in a specified business environment (Geographical sections) which has different risk and economic profits with other sections. The Board of Director believe that Company operates in business fields which are manufacturing exact screws and bolts, renting workshops, selling products and others... and operates in a sole geographical section which is Vietnam. Sectional report will be constructed based on Business sections.

5. INFORMATION SUPPLEMENTING THE ITEMS IN BALANCE SHEET, INCOME STATEMENT

5.1 Cash and cash equivalents

	31/12/2016	01/01/2016
	VND	VND
Cash on hand	32,065,894	63,565,353
Cash in bank	46,900,683,271	28,948,771,010
Cash equivalents (*)	40,000,000,000	-
Total	86,932,749,165	29,012,336,363

(*) Deposits with maturity less than 3 months at Shinhan Bank



5.2 Held to maturity investments

	31/12/2016		01/01/2016	
	Historical cost	Book value	Historical cost	Book value
Short-term	60,000,000,000	60,000,000,000	-	-
Time deposits 6 months at Shinhan Bank	60,000,000,000	60,000,000,000	-	-
Long-term	-	-	-	-
Total	60,000,000,000	60,000,000,000	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT).

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5.3 Trade receivables

	31/12/2016	01/01/2016
	VND	VND
Short-term	45,098,727,496	48,047,805,374
Seoul Metal Holdings (Korea)	1,294,515,205	8,019,929,871
SEOUL METAL PHILIPPINES INC	5,751,695,855	6,622,869,942
Samsung Electronics Viet Nam Thai Nguyen Company Ltd	2,878,023,960	6,003,932,168
GLOBA SM TECH (M) SDN BHD	7,813,582,510	5,844,535,292
Samsung Electronics Viet Nam Company Ltd	5,086,009,958	5,244,653,855
Others	22,274,900,008	16,311,884,246
Long-term	-	-
Total	45,098,727,496	48,047,805,374

5.4 Advances to suppliers

	31/12/2016	01/01/2016
	VND	VND
Short-term	890,863,200	256,397,317
Mirae Asset Wealth Management Securities (Vietnam) Joint Sock Company	603,000,000	-
Kum Kang Enertech Vina Company Ltd	60,000,000	60,000,000
Others	227,863,200	196,397,317
Long-term	-	-
Total	890,863,200	256,397,317

5.5 Other receivables

	31/12/2016		01/01/2016	
	Book value	Provision	Book value	Provision
Short-term	703,606,020	-	997,240,000	-
Advances	703,606,020	-	997,240,000	-
Long-term	-	-	-	-
Total	703,606,020	-	997,240,000	-

5.6 Inventories

	31/12/2016		01/01/2016	
	Historical Cost	Provision	Historical Cost	Provision
Raw materials	8,445,057,303	-	7,244,062,660	-
Tools and supplies	792,690,365	-	385,820,861	-
Work in progress	5,807,774,444	-	5,591,532,432	-
Finished products	7,300,915,899	-	8,193,186,776	-
Goods	13,317,131,786	-	6,321,119,239	-
Total	35,663,569,797	-	27,735,721,968	-

5.7 Deductible VAT and receivables from the State

	01/01/2016 VND	Amount deductible/ Amount to be paid VND	Amount deducted/ Amount paid VND	31/12/2016 VND
Value added tax	9,805,754,034	36,667,108,598	34,972,533,997	11,500,328,635
Total	9,805,754,034	36,667,108,598	34,972,533,997	11,500,328,635

5.8 Tangible fixed assets

Unit: VND

2016	Buildings and Structures	Machinery and Equipment	Motor Vehicles	Office equipment	Other Assets	Total
<i>Cost</i>						
As at 01/01	48,185,869,656	80,339,802,192	3,545,414,937	3,638,940,055	540,000,000	136,250,026,840
Increase	-	6,825,554,563	1,952,400,000	200,623,000	-	8,978,577,563
Purchases	-	6,825,554,563	1,952,400,000	200,623,000	-	8,978,577,563
Decrease	-	-	928,787,863	-	-	928,787,863
Liquidated assets	-	-	928,787,863	-	-	928,787,863
As at 31/12	48,185,869,656	87,165,356,755	4,569,027,074	3,839,563,055	540,000,000	144,299,816,540
<i>Accumulated Depreciation</i>						
As at 01/01	5,434,034,391	30,916,082,512	1,020,563,967	1,576,175,951	57,892,191	39,004,749,012
Increase	1,470,187,076	7,290,161,742	400,133,825	394,003,763	40,200,000	9,594,686,406
Depreciation	1,470,187,076	7,290,161,742	400,133,825	394,003,763	40,200,000	9,594,686,406
Decrease	-	-	417,713,856	-	-	417,713,856
Liquidated assets	-	-	417,713,856	-	-	417,713,856
As at 31/12	6,904,221,467	38,206,244,254	1,002,983,936	1,970,179,714	98,092,191	48,181,721,562
<i>Net book value</i>						
As at 01/01	42,751,835,265	49,423,719,680	2,524,850,970	2,062,764,104	482,107,809	97,245,277,828
As at 31/12	41,281,648,189	48,959,112,501	3,566,043,138	1,869,383,341	441,907,809	96,118,094,978

5.9 Tangible fixed assets

Unit: VND

2016	Land use rights	Computer software	Total
<i>Cost</i>			
As at 01/01	19,885,547,817	43,090,000	19,928,637,817
Increase	-	-	-
Decrease	-	-	-
As at 31/12	19,885,547,817	43,090,000	19,928,637,817
<i>Accumulated depreciation</i>			
As at 01/01	2,646,505,440	32,756,367	2,679,261,807
Increase	441,084,240	10,333,633	451,417,873
Depreciation	441,084,240	10,333,633	451,417,873
Decrease	-	-	-
As at 31/12	3,087,589,680	43,090,000	3,130,679,680
<i>Net book value</i>			
As at 01/01	17,239,042,377	10,333,633	17,249,376,010
As at 31/12	16,797,958,137	-	16,797,958,137

5.10 Prepaid expenses

	31/12/2016	01/01/2016
	VND	VND
Short-term	5,019,885,097	343,087,212
- Tools and equipment awaiting allocation	5,019,885,097	343,087,212
Long-term	417,722,436	438,093,057
- Tools and equipment awaiting allocation	417,722,436	438,093,057
Total	5,437,607,533	781,180,269

5.11 Trade payables

	31/12/2016		01/01/2016	
	VND		VND	
	Book value	Amount can be paid	Book value	Amount can be paid
Short-term	60,714,917,874	60,714,917,874	40,500,887,247	40,500,887,247
Hilock Viet Nam Company Ltd	15,582,688,980	15,582,688,980	15,798,355,898	15,798,355,898
Seoul Metal Company Ltd (Korea)	12,062,922,255	12,062,922,255	6,418,918,211	6,418,918,211
SEOUL METAL (DONG GUAN) CO., LTD	8,496,405,535	8,496,405,535	5,645,720,153	5,645,720,153
Seoul Metal Holdings Company Ltd (Korea)	4,057,918,346	4,057,918,346	4,011,623,534	4,011,623,534
WEIHAI YG TRADE CO.,LTD	3,334,108,630	3,334,108,630	2,020,143,438	2,020,143,438
Other suppliers	17,180,874,128	17,180,874,128	6,606,126,013	6,606,126,013
Long-term	-	-	-	-
Total	60,714,917,874	60,714,917,874	40,500,887,247	40,500,887,247

5.12 Advances from customers

	31/12/2016	01/01/2016
	VND	VND
Short-term	82,747,000	-
Thuan Thanh Environment Joint Stock Company	82,747,000	-
Long-term	-	-
Total	82,747,000	-

5.13 Taxes and payables to the State

	01/01/2016	Amount to be paid	Amount paid	31/12/2016
	VND	VND	VND	VND
Value added tax	-	18,523,341,623	18,523,341,623	-
VAT for imported goods	-	9,483,940,382	9,483,940,382	-
Corporate income tax	4,153,047,079	6,123,091,713	4,324,198,187	5,951,940,605
Personal income tax	858,686,456	2,366,514,557	2,953,066,088	272,134,925
Contractor tax	-	322,931,634	322,931,634	-
Other taxes	-	3,000,000	3,000,000	-
Total	5,011,733,535	36,822,819,909	35,610,477,914	6,224,075,530

5.14 Accrued expenses payables

	31/12/2016	01/01/2016
	VND	VND
Short-term	-	890,827,351
Payable loan interest	-	738,085,351
Infrastructure maintenace Fee	-	152,742,000
Long-term	-	-
Tổng	-	890,827,351

5.15 Other short-term payables

	31/12/2016	01/01/2016
	VND	VND
Short-term	483,251,496	151,666,996
Trade Union fee	23,769,420	18,460,350
Social insurance, Health insurance	285,898,155	93,003,516
Unemployment insurance	18,747,420	27,818,544
Other Payables	154,836,501	12,384,586
Long-term	-	-
Total	483,251,496	151,666,996

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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5.16 Loans and finance lease liabilities

Unit: VND

	31/12/2016		In year		01/01/2016	
	Value	Amount can be paid	Increase	Decrease	Value	Amount can be paid
Shor-term	-	-	-	-	-	-
Long-term	-	-	-	52,945,500,000	52,945,500,000	52,945,500,000
Bank for Investment and Development of Korea	-	-	-	10,138,500,000	10,138,500,000	10,138,500,000
Seoul Metal Company Ltd (Hong Kong)	-	-	-	42,807,000,000	42,807,000,000	42,807,000,000
Total	-	-	-	52,945,500,000	52,945,500,000	52,945,500,000



SEOUL METAL VIETNAM JOINT STOCK COMPANY

Financial Statements for the year ended 31 December 2015

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FORM B 09 - DN
5.17 Owner's equity
a. Reconciliation of movements in owners' equity

	<i>Unit: VND</i>			
	Owner's capital	Share premium (**)	Retained earnings	Total
As at 01/01/2015	72,690,400,000	8,907,970,000	4,942,142,750	86,540,512,750
Increase	-	-	42,903,949,629	42,903,949,629
Profit after tax	-	-	42,903,949,629	42,903,949,629
Decrease	-	-	1	1
Other decrease	-	-	1	1
As at 31/12/2015	72,690,400,000	8,907,970,000	47,846,092,378	129,444,462,378
As at 01/01/2016	72,690,400,000	8,907,970,000	47,846,092,378	129,444,462,378
Increase	40,000,000,000	59,866,000,000	59,893,665,967	159,759,665,967
Increase capital (*)	40,000,000,000	59,866,000,000	-	99,866,000,000
Profit after tax	-	-	59,893,665,967	59,893,665,967
Decrease	-	-	-	-
As at 31/12/2016	112,690,400,000	68,773,970,000	107,739,758,345	289,204,128,345

(*) On 05/12/2016, the company completed procedures to increase capital to 4,000,000 shares, collect VND 40,000,000,000 in par value and amount of capital surplus after payment of consulting and brokerage fees. Onion is VND 59,866,000,000.

(**) The share premium at 31/12/2016, including VND 8,907,970,000, is the difference in exchange rate between actual exchange rate of investment funds and exchange rate of chartered funds on investment certificate

b. Details of owner's equity

Shareholders	Shares Quantity	Amount VND	Ratio %	Capital recorded	
				31/12/2016 VND	01/01/2016 VND
Seoul Metal Hong Kong Company Ltd	4,949,040	49,490,400,000	43.92%	49,490,400,000	49,490,400,000
Global SM Tech Company Limited	1,744,000	17,440,000,000	15.48%	17,440,000,000	17,440,000,000
SCIC Investment One Member Company Limited	1,200,000	12,000,000,000	10.65%	12,000,000,000	-
Mirae Asset Wealth Management Securities (Vietnam) Joint Sock Company	300,000	3,000,000,000	2.66%	3,000,000,000	-
Mr Na Youn Hwan	192,000	1,920,000,000	1.70%	1,920,000,000	1,920,000,000
Mr Na Yun Bok	192,000	1,920,000,000	1.70%	1,920,000,000	1,920,000,000
Mr Na Yoon Yeeng	192,000	1,920,000,000	1.70%	1,920,000,000	1,920,000,000
Other Shareholders	2,500,000	25,000,000,000	22.18%	25,000,000,000	-
Total	11,269,040	112,690,400,000	-	112,690,400,000	72,690,400,000

5.17 Owner's equity (cont.)

c. Capital transactions with owners and dividends distribution

	Year 2016 VND	Year 2015 VND
- Owner's equity		
As at 01/01	72,690,400,000	72,690,400,000
Increase	40,000,000,000	-
Decrease	-	-
As at 31/12	112,690,400,000	72,690,400,000
- Dividends, profit paid	-	-

d. Shares

	31/12/2016 Shares	31/12/2015 Shares
- Number of shares registered to sell	11,269,040	7,269,040
- Number of shares sold in public	11,269,040	7,269,040
+ Ordinary share	11,269,040	7,269,040
+ Preferred share	-	-
- Number of outstanding shares	11,269,040	7,269,040
Ordinary share	11,269,040	7,269,040

Par value of shares outstanding: VND 10.000 /Share

5.18 Sales of merchandise and services

	Year 2016 VND	Year 2015 VND
Sale turnover from goods sale	347,772,355,601	264,332,139,960
Sale turnover from services supply	248,716,364	265,857,989
Total	348,021,071,965	264,597,997,949
Deductions (Devaluation of sale)	545,689,648	23,908,163
Total	347,475,382,317	264,574,089,786

5.19 Cost of goods sold

	Year 2016 VND	Year 2015 VND
Cost of goods, finished products	236,142,232,399	175,029,137,601
Total	236,142,232,399	175,029,137,601

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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5.20 Financial income / Financial expenses

	Year 2016 VND	Year 2015 VND
<i>Financial income</i>		
Bank interest	23,262,808	31,379,949
Interest exchange rate differences	1,243,779,378	-
Sale discount	181,875	-
Total	1,267,224,061	31,379,949
<i>Financial expenses</i>		
Loan interest cost	888,303,149	1,381,216,141
Foreign exchange rate losses	-	1,946,131,007
Discount for early payment from customer	174,471,673	208,627,418
Total	1,062,774,822	3,535,974,566
Profit (Loss) from financial activities	204,449,239	(3,504,594,617)

5.21 Selling expenses and General and administration expenses

	Year 2016 VND	Year 2015 VND
Selling expenses		
Employees	4,415,302,931	1,747,509,951
Materials and wrapping	877,520,474	839,372,220
Stationaries for sale	169,594,727	169,594,727
Depreciation of fixed assets	615,677,745	126,833,495
Royalty for sale of screws	10,228,202,900	-
Maintenance	-	12,763,636
Outsourcing expenses	2,112,707,113	1,681,348,896
Other expenses in cash	220,550,851	109,196,508
General and administration expenses	26,722,791,936	34,037,661,424
Administrative staffs	10,018,931,858	10,041,519,703
Tools and supplies for management, office stationary	1,022,388,661	802,160,939
Fixed asset depreciation	1,870,465,796	1,886,710,956
Taxes, fees and charges	28,762,817	77,604,808
Outsourcing expenses	3,664,828,870	10,565,604,567
Other expenses in cash	10,117,413,934	10,664,060,451
Total	45,362,348,677	38,724,280,857

5.22 Other income / other expenses

	Year 2016 VND	Year 2015 VND
Other income		
Others	49,388,447	446,060,963
Total	49,388,447	446,060,963
Other expenses		
Administrative violations expenses	69,807,240	705,140,966
Loss on sale of liquidated assets	138,074,007	-
Total	207,881,247	705,140,966
Profit (Loss) From other activities	(158,492,800)	(259,080,003)

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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5.23 Current corporate income tax expenses

	Year 2016 VND	Year 2015 VND
Total accounting profit before tax	66,016,757,680	47,056,996,708
Profits from production are entitled to tax incentives	62,458,797,109	47,684,060,606
Increase adjustments	7,412,516,100	7,689,900,452
Decrease adjustments	-	-
Operating taxable profits are entitled to tax incentives	69,871,313,209	55,373,961,058
<i>Current tax rate 15% off 50%</i>	7.5%	7.5%
CIT expense	5,240,348,491	4,153,047,079
Operating profit does not benefit from tax incentives	3,557,960,571	(627,063,898)
<i>Current tax</i>	20%	22%
CIT expense	711,592,114	-
CIT Additional for 2015	171,151,108	-
Current corporate income tax expense	6,123,091,713	4,153,047,079

5.24 Basic earning per share

	Year 2016 VND	Year 2015 VND
Accounting profit after tax	59,893,665,967	42,903,949,629
Net profit/ or loss attributable to ordinary equity holders for basic earning (VND)	59,893,665,967	42,903,949,629
Weighted average number of ordinary shares for basic earnings per share	7,543,013	7,269,040
Earnings per share (VND/share)	7,940	5,902

5.25 Business and production cost by factors

	Year 2016 VND	Year 2015 VND
Cost of direct raw materials	49,343,745,428	42,821,812,863
Employee expenses	30,573,371,130	28,646,746,728
Depreciation expenses	9,609,120,967	8,498,287,229
Tool and supply cost	23,953,641,565	23,983,828,350
Cost of services purchased	21,043,433,939	19,209,983,381
Other expenses in cash	10,565,884,537	10,786,020,595
Total	145,089,197,566	133,946,679,146

6. OTHER INFORMATION

6.1 Related party transactions and balances

Ending balance with related parties at 31/12/2016 as follows:

Related parties	Relationship	Nature of transactions	31/12/2016 VND	01/01/2016 VND
<u>Receivables</u>				
Seoul Metal Holdings Company Ltd (Korea)	Shareholders	Trade receivables	1,294,515,205	8,019,929,871
SEOUL METAL PHILIPPINES INC	In same Corporation	Trade receivables	5,751,695,855	6,622,869,942
Seoul Metal Company Ltd (Korea)	In same Corporation	Trade receivables	530,712,000	-
Mirae Asset Wealth Management Securities (Vietnam) Joint Sock Company	Shareholders	Advances to suppliers	603,000,000	-
<u>Payables</u>				
SEOUL METAL (DONG GUAN) CO.,LTD	In same Corporation	Trade payables	8,496,405,535	5,645,720,153
Seoul Metal Holdings Company Ltd (Korea)	Shareholders	Trade payables	4,057,918,346	4,011,623,534
Seoul Metal Company Ltd (H.K)	In same Corporation	Trade payables	70,778,903	69,971,421
SEOUL METAL PHILIPPINES INC	In same Corporation	Trade payables	2,589,340,318	-
Seoul Metal Company Ltd (Korea)	In same Corporation	Trade payables	12,062,922,255	6,418,918,211
SEOUL METAL (HUIZHOU) CO.,LTD	In same Corporation	Trade payables	4,486,301,748	951,691,307
SEOUL METAL (TIANZIN) CO.,LTD	In same Corporation	Trade payables	256,227,970	463,149,210



6.1 Related party transactions and balances (cont.)

Related party transactions for financial year ended on 31/12/2016:

Related parties	Relationship	Nature of transactions	Year 2016 VND	Year 2015 VND
<u>Purchase transaction</u>				
SEOUL METAL HOLDINGS CO., LTD	Shareholders	Purchase goods	-	1,636,010,394
SEOUL METAL (DONG GUAN) CO.,LTD	In same Corporation	Purchase goods	8,911,901,225	8,723,076,484
SEOUL METAL KOREA CO.,LTD	In same Corporation	Purchase goods Royalty for sale of screws	84,863,401,040 10,228,202,900	63,240,462,044 -
SEOUL METAL (HUIZHOU) CO.,LTD	In same Corporation	Purchase goods	3,480,911,731	3,765,138,770
SEOUL METAL PHILIPPINES INC	In same Corporation	Purchase goods	2,812,883,943	87,177,887
SEOUL METAL (SUZHOU) CO.,LTD	In same Corporation	Purchase goods	-	14,109,723
SEOUL METAL HOLDINGS CO., LTD	Shareholders	Purchase goods	-	249,214,588
SEOUL METAL (TIANZIN) CO.,LTD	In same Corporation	Purchase goods	250,285,750	463,149,210
Mirae Asset Wealth Management Securities (Vietnam) Joint Sock Company	Shareholders	Fees for issuing and consulting services Capital contribution	4,134,000,000 3,000,000,000	- -
SEOUL METAL EUROPE KFT	In same Corporation	Purchase goods	4,420,430,597	-
<u>Selling transaction</u>				
Seoul Metal Company Ltd (Korea)	In same Corporation	Sale goods	520,767,000	-

Transactions with key personnel:

Related parties	Nature of transactions	Year 2016 VND	Year 2015 VND
Board of Managements and Board of Directors	Salary and Benefits	5,505,950,985	9,842,303,234
	Other benefits	2,798,722,712	1,763,037,495
	Total	8,304,673,697	11,605,340,729

6.2 Sectional Report

The Company constructed sectional report based on 2 business sections: Manufacturing exact bolts and screws and other services, renting workshops and sales of products,...

Sectional assets and sectional liabilities on 31/12/2016

	<i>Unit: VND</i>		
	Manufacturing exact bolts and screws	Other services, renting workshops and sales of products	Total
ASSET			
Fixed assets	112,916,053,115	-	112,916,053,115
Receivables	36,572,634,527	10,120,562,189	46,693,196,716
Inventory	22,346,438,011	13,317,131,786	35,663,569,797
Property not allocated	-	-	163,870,685,333
Total assets	171,835,125,653	-	359,143,504,961
LIABILITIES			
Payable	50,915,862,606	19,023,514,010	69,939,376,616
Total liabilities	50,915,862,606	19,023,514,010	69,939,376,616

Sectional report for financial year ended on 31/12/2015

	<i>Unit: VND</i>		
	Manufacturing exact bolts and screws	Other services, renting workshops and sales of products	Total
REVENUE			
Net revenue from sales to outside	233,644,796,554	113,830,585,763	347,475,382,317
Net revenue from sales to other divisions			
Total revenue	233,644,796,554	-	347,475,382,317
RESULTS OF BUSINESS ACTIVITIES			
Profits from business activities do not include interest on loans	63,680,064,731	3,557,960,571	67,238,025,302
Financial expenses allocated	1,062,774,822	-	1,062,774,822
Business results department	62,617,289,909	3,557,960,571	66,175,250,480
<i>Other income / (losses) are not relevant to business activities</i>	<i>(158,492,800)</i>	<i>-</i>	<i>(158,492,800)</i>
Accounting profit before tax			66,016,757,680
Corporate income tax			6,123,091,713
Profit in the year			59,893,665,967

6.3 Financial instruments - Risk management

Capital risk management

The Company managed capital resource to ensure that the Company can operate continuously and maximize benefits of shareholders under optimizing balances of capital resources and liabilities.

Capital structure of the Company includes liabilities (cash and cash equivalents) and owners' equity of shareholders of the Company including contribution capital, reserved funds and retained earnings.

Significant accounting policies

Details of significant accounting policies and methods are applied by the Company (including the criteria for recognition, the basis of valuation and the basis of recognition of income and expenses) for each type of financial assets, financial liabilities and equity instruments are detailed in Note 5.

Categories of financial instruments

	31/12/2016	01/01/2016
	VND	VND
Financial assets		
Cash and cash equivalents	86,932,749,165	29,012,336,363
Trade receivables and other receivables	45,802,333,516	49,045,045,374
Total	192,735,082,681	78,057,381,737
Financial liabilities		
Borrowings	-	52,945,500,000
Trade payables and other payables	61,198,169,370	40,652,554,243
Accured expenses	-	890,827,351
Total	61,198,169,370	94,488,881,594

The Company has not yet evaluated fair-value of financial assets and financial liabilities as at the date ended accounting period because Circular 210 as well as prevailing regulations do not have detailed guidance on determination of fair-value of financial assets and financial liabilities. Circular 210 requires to apply International Financial Report Standards on presentation of the financial statements and Notes of information to financial instruments, but not provide equivalent guidance for information evaluation and recognition of financial instruments including fair-value application in accordance with International Financial Report Standards.

Objective of financial risk management

Financial risks include market risks (including exchange rate risks, interest rate risk and price risk) credit risk, liquidity risk and interest rate risk of cash flow. business activities

Market risks

The Company's business activities mainly suffer from risks when having changes in foreign exchange rate and interest rate. The Company does not implement prevention methods of these risks due to the shortage of markets purchasing financial instruments.

Management of interest rate risk

The Company suffers from material interest rate arising from signed borrowings with interest rate. These risks will be managed by maintaining borrowings at the reasonable level, under floating interest rate and fixed interest rate.

6.3 Financial instruments – Risk management (Cont.)

Credit risk

Credit risks accrued when a client or partner cannot meet obligations in contract leading to financial loss for the Company. The Company has suitable credit policy and regularly observe situation to evaluate whether the Company suffers from credit risks. The Company does not have any material credit risks with the clients or partners because receivables come from large number of clients who operate in different fields and allocates in different geography areas.

Management of liquidity risk

Purpose of liquidity risk management is to ensure adequate capital source to meet financial obligations at present and in the future. Liquidity is also managed by the Company to ensure addition level between liabilities due to date and assets due to date in the period at controllable level to capital believed to create in that period by the Company. The Company's policy is to observe regularly requirements on liquidity at present and in the future to ensure that the Company maintain adequate prevision for cash on hand, borrowings and capital source that shareholders commit to contribute to meet regulations on more short-term and long-term liquidity.

	Under 1 year VND	From 1- 5 years VND	Total VND
31/12/2016			
Borrowings	-	-	-
Trade payables and other payables	61,198,169,370	-	61,198,169,370
Accured expenses	-	-	-
	Under 1 year VND	From 1- 5 years VND	Total VND
01/01/2016			
Borrowings	-	52,945,500,000	52,945,500,000
Trade payables and other payables	40,652,554,243	-	40,652,554,243
Accured expenses	890,827,351	-	890,827,351

The Board of Directors believe to create money source to meet financial obligations due to date.

The following table presents in detail of maturity level of non-arising financial assets. The table is made on the basics of maturity level under contract that has not yet been discounted of financial assets including interest from these assets, if any. The presentation of non-arising financial assets information is necessary to understand liquidity risk management of the Company when liquidity is managed on the basics of liabilities and net assets.

	Under 1 year VND	From 1- 5 years VND	Total VND
31/12/2016			
Cash and cash equivalents	86,932,749,165	-	86,932,749,165
Trade receivables and other receivables	45,802,333,516	-	45,802,333,516
	Under 1 year VND	From 1- 5 years VND	Total VND
31/12/2016			
Cash and cash equivalents	29,012,336,363	-	29,012,336,363
Trade receivables and other receivables	49,045,045,374	-	49,045,045,374

6.4 **Comparative figures**

The figures are which in financial statements of the Company for the financial year ended 31 December 2015 have been audited by CPA VIETNAM Auditing Company Limited - An Independent Member Firm of Moore Stephens International Limited.

Bac Ninh, 20 March 2017

Preparer



Nguyen Thi Anh Nguyet

Accountant



Nguyen Thi Anh Nguyet

Director



Cha Gyun Young

