



**HUDLAND REAL ESTATE INVESTMENT AND DEVELOPMENT  
JOINT STOCK COMPANY**

**AUDITED FINANCIAL STATEMENTS  
For the year ended 31 December 2016**

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# HUDLAND REAL ESTATE INVESTMENT AND DEVELOPMENT JOINT STOCK COMPANY

## STATEMENT OF BOARD OF DIRECTORS

The Board of Directors of HUDLAND Real Estate Investment and Development Joint Stock Company presents this report together with the Company's audited financial statements for the year ended 31 December 2016.

### THE COMPANY

HUDLAND Real Estate Investment and Development Joint Stock Company ("the Company") is established under the Business Registration Certificate ("BRC") of Joint Stock Company No. 0103018988 issued by Hanoi Department of Planning and Investment on 10 August 2007 and the fourth amendment of BRC No. 0102340326 was on 15 April 2014.

Business name: HUDLAND REAL ESTATE INVESTMENT AND DEVELOPMENT JOINT STOCK COMPANY

Abbreviated name: HUDLAND., JSC

Registered office at: 5th Floor HUD Building, 364 Ngo Gia Tu str., Duc Giang ward, Long Bien district, Hanoi

The company is listed on the Hanoi Stock Exchange. Stock: HLD

### THE BOARDS OF MANAGEMENT AND DIRECTORS

#### The boards of management

Mr. Bui Duc Thinh	Chairman
Ms. Dinh Thi Minh Hang	Vice Chairman
Mr. Pham Cao Son	Member
Mr. Le Anh Vu	Member
Mr. Nguyen Thanh Huong	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. Pham Cao Son	Director
Mr. Nguyen Thanh Tu	Deputy Director
Mr. Vu Tuan Linh	Deputy Director
Mr. Nguyen Nam Cuong	Deputy 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



**Pham Cao Son**

**Director**

*Hanoi, 01 March 2017*



No: 129/2017/BCKT-BCTC/CPA VIETNAM

### **INDEPENDENT AUDITOR'S REPORT**

About Financial Statements for the year ended 31 December 2016  
of HUDLAND Real Estate Investment and Development Joint Stock Company

**To: The Boards of Management and Directors  
HUDLAND Real Estate Investment and Development Joint Stock Company**

We have audited the accompanying financial statements of HUDLAND Real Estate Investment and Development Joint Stock Company as set out on pages 05 to pages 32, which prepared on 01 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.



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**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, 01 March 2017*

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



**BALANCE SHEET**  
As at 31<sup>st</sup> December 2016

ASSETS	CODE	NOTE	31/12/2016 VND	01/01/2016 VND
<b>A. CURRENT ASSETS</b> (100 = 110+120+130+140+150)	<b>100</b>		<b>549,263,880,960</b>	<b>634,420,503,038</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	5.1	<b>83,789,625,762</b>	<b>216,017,498,993</b>
1. Cash	111		1,450,519,936	1,896,702,515
2. Cash equivalents	112		82,339,105,826	214,120,796,478
<b>II. Short-term financial investments</b>	<b>120</b>		<b>28,627,796,567</b>	<b>31,393,930,000</b>
3. Investments held to maturity	123	5.2	28,627,796,567	31,393,930,000
<b>III. Short-term receivables</b>	<b>130</b>		<b>239,943,772,131</b>	<b>179,862,670,916</b>
1. Short-term trade accounts receivable	131	5.3	181,791,606,693	159,348,280,582
2. Short-term advances to suppliers	132	5.4	35,056,214,856	15,246,092,943
5. Short-term loan receivables	135	5.5	20,000,000,000	-
6. Other short-term receivables	136	5.6	3,095,950,582	5,268,297,391
<b>IV. Inventories</b>	<b>140</b>		<b>193,433,039,706</b>	<b>206,778,161,218</b>
1. Inventories	141	5.7	193,433,039,706	206,778,161,218
<b>V. Other current assets</b>	<b>150</b>		<b>3,469,646,794</b>	<b>368,241,911</b>
2. Deductible VAT	152	5.8	3,449,322,809	368,241,911
3. Taxes and other revenues to the state	153	5.8	20,323,985	-
<b>B. NON-CURRENT ASSETS</b> (200 = 210+220+240+250+260)	<b>200</b>		<b>137,023,072,603</b>	<b>102,589,099,844</b>
<b>I. Long - terms receivables</b>	<b>210</b>		-	-
<b>II. Fixed assets</b>	<b>220</b>		<b>5,112,013,607</b>	<b>1,667,732,267</b>
1. Tangible fixed assets	221	5.9	5,101,180,274	1,635,232,267
- Cost	222		9,087,947,543	5,021,082,089
- Accumulated Depreciation	223		(3,986,767,269)	(3,385,849,822)
3. Intangible fixed assets	227	5.10	10,833,333	32,500,000
- Cost	228		65,000,000	65,000,000
- Accumulated Depreciation	229		(54,166,667)	(32,500,000)
<b>III. Investment property</b>	<b>230</b>		-	-
<b>IV. Long-term assets in progress</b>	<b>240</b>		<b>128,919,868,622</b>	<b>97,942,924,621</b>
2. Construction in progress	242	5.11	128,919,868,622	97,942,924,621
<b>V. Long-term financial investments</b>	<b>250</b>		<b>2,500,000,000</b>	<b>2,500,000,000</b>
2. Investments in joint ventures and associates	252	5.12	2,500,000,000	2,500,000,000
<b>VI. Other long-term assets</b>	<b>260</b>		<b>491,190,374</b>	<b>478,442,956</b>
1. Long-term prepaid expenses	261	5.13	491,190,374	478,442,956
<b>TOTAL ASSETS (270 = 100+200)</b>	<b>270</b>		<b>686,286,953,563</b>	<b>737,009,602,882</b>

**BALANCE SHEET (Cont.)**  
As at 31<sup>st</sup> December 2016

RESOURCES	MS	NOTE	31/12/2016 VND	01/01/2016 VND
<b>C. LIABILITIES</b> (300 = 310+330)	<b>300</b>		<b>220,854,130,510</b>	<b>283,457,420,539</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>121,549,673,221</b>	<b>178,356,646,577</b>
1. Short-term trade accounts payable	311	5.14	14,585,136,316	38,261,434,626
2. Short-term advances from customers	312	5.15	1,081,714,263	395,836,296
3. Taxes and other payables to State	313	5.16	3,533,427,794	3,378,562,438
4. Short-term payables to employees	314		2,466,700,001	2,656,062,345
5. Short-term accrued expenses	315	5.17	19,558,406,389	65,113,856,178
9. Other current payables	319	5.18	4,065,176,822	26,490,353,017
10. Short-term loans and financial leases	320	5.19	67,441,214,227	34,638,291,268
12. Bonus and welfare funds	322		8,817,897,409	7,422,250,409
<b>II. Long - term liabilities</b>	<b>330</b>		<b>99,304,457,289</b>	<b>105,100,773,962</b>
8. Long-term loans and financial leases	338	5.19	99,304,457,289	105,100,773,962
<b>D. EQUITY</b> (400 = 410+430)	<b>400</b>		<b>465,432,823,053</b>	<b>453,552,182,343</b>
<b>I. Owner's equity</b>	<b>410</b>	5.20	<b>465,432,823,053</b>	<b>453,552,182,343</b>
1. Paid-in capital	411		200,000,000,000	200,000,000,000
- <i>Voting ordinary shares</i>	411a		200,000,000,000	200,000,000,000
8. Investment and development fund	418		210,832,092,113	197,232,092,113
11. Undistributed post-tax profits	421		54,600,730,940	56,320,090,230
- <i>Undistributed post-tax profits accumulated by the end of the previous period</i>	421a		10,028,865,230	5,052,765,386
- <i>Undistributed post-tax profits of current period</i>	421b		44,571,865,710	51,267,324,844
<b>II. Other resources and funds</b>	<b>430</b>		-	-
<b>TOTAL RESOURCES (440 = 300+400)</b>	<b>440</b>		<b>686,286,953,563</b>	<b>737,009,602,882</b>

Hanoi, 01 March 2017

Preparer



Tran Thanh Thanh Huyen

Chief Accountant



Le Quoc Chung

Director



Pham Cao Son



**INCOME STATE**  
 For the year ended 31<sup>st</sup> December 2016

ITEMS	CODE	NOTE	Year 2016	Year 2015
			VND	VND
1. Gross sales of merchandise and services	01	5.21	125,173,079,376	341,550,191,867
2. Deductions	02		-	-
3. Net sales of merchandise and services (10 = 01-02)	10	5.21	125,173,079,376	341,550,191,867
4. Cost of goods sold	11	5.22	53,330,672,880	258,053,001,323
<b>5. Gross profit from sales of merchandise and services (20 = 10-11)</b>	<b>20</b>		<b>71,842,406,496</b>	<b>83,497,190,544</b>
6. Financial income	21	5.23	10,115,334,520	6,621,825,249
7. Financial expenses	22	5.23	4,788,380,694	540,655,175
<i>In which: Interest expenses</i>	23		<i>4,788,380,694</i>	<i>540,655,175</i>
8. Selling expenses	24	5.24	858,533,424	5,744,857,110
9. General and administration expenses	25	5.24	18,842,890,107	17,699,373,779
<b>10. Operating profit {30 = 20+(21-22)-(24+25)}</b>	<b>30</b>		<b>57,467,936,791</b>	<b>66,134,129,729</b>
11. Other income	31	5.25	491,327	1,919,498
12. Other expenses	32	5.25	226,981,711	408,709,682
<b>13. Profit (Loss) from other activities (40=31-32)</b>	<b>40</b>		<b>(226,490,384)</b>	<b>(406,790,184)</b>
<b>14. Accounting profit (loss) before tax (50=30+40)</b>	<b>50</b>		<b>57,241,446,407</b>	<b>65,727,339,545</b>
15. Current tax expense	51	5.26	12,669,580,697	14,460,014,701
16. Deferred tax income/(expense)	52		-	-
<b>17. Net profit (loss) after income tax (60=50-51-52)</b>	<b>60</b>		<b>44,571,865,710</b>	<b>51,267,324,844</b>
18. Basic earnings per share	70	5.27	2,229	2,563
19. Diluted earnings per share	71		-	-

Hanoi, 01 March 2017

Preparer

Chief Accountant

Director



Tran Thanh Thanh Huyen



Le Quoc Chung



Pham Cao Son

**CASH FLOW STATEMENT**  
*(Direct method)*  
 For the year ended 31<sup>st</sup> December 2016

ITEMS 1	CODE 2	Year 2016	Year 2015
		VND 4	VND 5
<b>I. Cash flow from operating activities</b>			
1. Sales and other revenue	01	115,953,893,766	438,675,924,680
2. Payments for suppliers	02	(172,752,821,613)	(128,489,361,118)
3. Payment for employees	03	(12,455,408,323)	(13,614,566,983)
4. Interest paid	04	(16,187,223,780)	(10,914,233,815)
5. Corporate income tax paid	05	(12,424,265,946)	(26,244,706,774)
6. Other receipts from operating activities	06	4,234,923,769	7,597,439,138
7. Payments for other activities	07	(30,556,330,123)	(1,898,320,329)
<i>Net cash flows from operating activities</i>	20	<i>(124,187,232,250)</i>	<i>265,112,174,799</i>
<b>II. Cash flows from investing activities</b>			
1. Payments for acquisition, construction of fixed assets and other long-term assets	21	(4,066,865,454)	(51,818,182)
3. Cash outflow for lending, buying debt instruments of other entities	23	(23,258,533,333)	(647,716,270,942)
4. Cash recovered from lending, selling debt instruments of other entities	24	6,320,000,000	498,563,448,830
7. Interest earned, dividends and profit received	27	10,115,334,520	5,256,998,725
<i>Net cash flows from (used in) investing activities</i>	30	<i>(10,890,064,267)</i>	<i>(143,947,641,569)</i>
<b>III. Cash flows from financing activities:</b>			
3. Proceeds from borrowings	33	114,979,378,101	149,940,615,979
4. Repayments of borrowings	34	(82,558,222,815)	(144,179,472,498)
6. Dividends and profits paid	36	(29,571,732,000)	(31,488,021,600)
<i>Net cash flows from financial activities</i>	40	<i>2,849,423,286</i>	<i>(25,726,878,119)</i>
<i>Net cash flows in the year (50 = 20+30+40)</i>	50	<i>(132,227,873,231)</i>	<i>95,437,655,111</i>
Cash and cash equivalents at beginning of year	60	<u>216,017,498,993</u>	<u>120,579,843,882</u>
Cash and cash equivalents at end of year (70 = 50+60+61)	70	<u>83,789,625,762</u>	<u>216,017,498,993</u>

Hanoi, 01 March 2017

Preparer



Tran Thanh Thanh Huyen

Chief Accountant



Le Quoc Chung

Director



Pham Cao Son



**NOTES TO THE FINANCIAL STATEMENTS**

**FORM B 09 - DN**

**1. GENERAL INFORMATION**

**1.1. Structure of ownership**

HUDLAND Real Estate Investment and Development Joint Stock Company (“the Company”) is official established under the Business Registration Certificate (“BRC”) of Joint Stock Company No. 0103018988 issued by Hanoi Department of Planning and Investment on 10 August 2007 and the fourth amendment of BRC No. 0102340326 was on 15 April 2014.

English business name: HUDLAND REAL ESTATE INVESTMENT AND DEVELOPMENT JOINT STOCK COMPANY.

Abbreviated Name: HUDLAND., JSC.

Registered office at: 5th Floor HUD Building, 364 Ngo Gia Tu str., Duc Giang ward, Long Bien district, Hanoi.

Total charter capital recorded in the BRC is of VND 200,000,000,000, which is divided into 20,000,000 shares with par value of VND 10,000/ share. The Company’s legal capital is of VND 6,000,000,000.

**1.2. Operating industry and principal activities**

- Construction of other civil: Construction and renovation house; construction of commercial centers, supermarkets, service, office, sports center, warehouses, factories, markets; construction of economic zones and industrial parks; construction and installation of civil, industrial, transport, irrigation, telecommunications, urban infrastructure works, industrial, transmission lines and power station under 35KV;
- Architectural engineering and consult: Investment consultancy in construction house and urban infrastructure;
- Business construction materials, interior and exterior decoration, construction machinery and equipment;
- Wholesale trade machinery, equipment and spare parts: Business specialized machinery construction;
- Agents, brokers, auction: Purchase agent, dealer, consignment;
- Business real estate, land use rights of the owner, the owner or lessee uses: Investment residential development, new urban areas;
- Export and import construction materials, interior and exterior decoration, construction machinery and equipment.

The principal activity of the Company is investment in residential development and new urban areas.

**1.3 Structure of business**

As at 31 December 2016, the Company has subsidiaries, associates and affiliated units as follows:

	<b>Main activities</b>	<b>Share of capital contribution</b>	<b>Voting right</b>
<b>Associates</b>			
Hudland trade and service JSC	Supplying services	50,72%	50,72%

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)



### Financial instruments (Cont.)

#### 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:

- 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.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**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

**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.

Intangible fixed assets

Intangible fixed assets: 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:

	<b>2016</b>
	<b>Years</b>
Buildings and structures	07
Machinery and equipment	05 - 07
Office equipment	05
Motor vehicles	07

Intangible asset is computer software that is amortised using the straight-line method over 03 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.

In year, borrowing cost recognized into assets in progress is VND 10,147,517,059.

**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: Employee, materials expenses would be accrued according to quantity of finished work.

**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 as below:

- + Development investment fund would be deducted 52,79% from profit after tax.
- + Bonus and welfare fund and executive board bonus fund: 4,57% from profit after tax.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

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 (05) 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 (04) 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.

**Turnovers from properties**

Revenue will be recognized if material risks and ownership had been transferred to the buyer, usually upon the unconditional transfer of contracts. For conditional transfer, revenue shall be recognized if all of material conditions are met.

**Construction contract**

Where a construction contract stipulates that the contractor is allowed to make payments according to the value of performed work volume, and when the contract performance result is reliably determined and certified by customers, the revenues and costs related to such contract shall be recognized by reference to the completed work volume certified by the customers in the period and reflected in the billed invoices.

When the outcome of a construction contract cannot be estimated reliably and the Corporation can recover the expenses of the contract, the revenue is recognized to the level of withdrawable expenses. Therefore, there is no profit that is recognized, even when the total expenses of contract may exceed the total revenue of the contract.

**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.



**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**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.

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 20% of taxable income.

**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 instruments**

Initial 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 calculate 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

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.

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	342,630,748	55,479,310
Cash in bank	1,107,889,188	1,841,223,205
Cash equivalents (*)	82,339,105,826	214,120,796,478
<b>Total</b>	<b>83,789,625,762</b>	<b>216,017,498,993</b>

(\*) Deposits with maturity less than 3 months and deposits at VP Finance Company and BIDV, SHB, PVCOMBANK.

5.2 Held to maturity investments

	31/12/2016		01/01/2016	
	VND		VND	
	Historical cost	Book value	Historical cost	Book value
<b>Short-term</b>	<b>28,627,796,567</b>	<b>28,627,796,567</b>	<b>31,393,930,000</b>	<b>31,393,930,000</b>
PVcomBank - Hanoi Branch	28,627,796,567	28,627,796,567	25,073,930,000	25,073,930,000
BIDV - Hanoi Branch	-	-	6,320,000,000	6,320,000,000
<b>Long-term</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>28,627,796,567</b>	<b>28,627,796,567</b>	<b>31,393,930,000</b>	<b>31,393,930,000</b>

Held to maturity investments This is the deposits with terms of 03 months to 01 year in banks.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

5.3 Trade receivables

	31/12/2016	01/01/2016
	VND	VND
<b>Short-term</b>	<b>181,791,606,693</b>	<b>159,348,280,582</b>
CT17 Building Project in Viet Hung urban area	123,028,414,741	94,878,992,813
Nhac Son Company Limited	13,052,813,628	-
HH05 Project in Viet Hung urban area	38,380,424,149	51,602,122,707
Le Thai To Townhouse Project, Bac Ninh	189,625,599	1,943,522,687
Le Thai To Project, Bac Ninh	2,094,938,143	4,907,160,209
Van Canh Project	3,142,858,079	6,005,709,918
The gym green, sport TP CV02	1,863,529,000	-
Others	39,003,354	10,772,248
<b>Long-term</b>	-	-
<b>Total</b>	<b>181,791,606,693</b>	<b>159,348,280,582</b>

5.4 Advances to suppliers

	31/12/2016	01/01/2016
	VND	VND
<b>Short-term</b>	<b>35,056,214,856</b>	<b>15,246,092,943</b>
Housing and urban Development Corporation	20,338,935,457	-
HUDLANDTS., JSC	2,772,514,930	-
Tan Hoang Minh trading investment and services company Ltd.	-	2,855,334,881
COTANA GREEN., JSC	1,480,849,100	-
Thanh Nam Construction and Investment JSC	2,386,418,350	1,000,000,000
Others	8,077,497,019	11,390,758,062
<b>Long-term</b>	-	-
<b>Total</b>	<b>35,056,214,856</b>	<b>15,246,092,943</b>

5.5 Short-term loan receivables

Housing and urban Development Corporation borrowed VND 20,000,000,000 loan term 3 months from the date of 04/11/2016, interest rate is 8% /year.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

5.6 Other receivables

	31/12/2016		01/01/2016	
	VND		VND	
	Book value	Provision	Book value	Provision
<b>Short-term</b>	<b>3,095,950,582</b>	-	<b>5,268,297,391</b>	-
Health insurance, social insurance	-	-	2,841,419	-
Customer service fees	1,181,637,000	-	1,432,467,000	-
Red document payable	182,901,064	-	267,831,961	-
Maintenance costs	39,497,408	-	-	-
Other Receivables	1,681,915,110	-	3,509,157,011	-
Advances	10,000,000	-	56,000,000	-
<b>Long-term</b>	-	-	-	-
<b>Total</b>	<b>3,095,950,582</b>	-	<b>5,268,297,391</b>	-

5.7 Inventories

	31/12/2016		01/01/2016	
	VND		VND	
	Historical Cost	Provision	Historical Cost	Provision
Work in progress	193,182,109,302	-	206,366,822,980	-
- Project Bac Ninh Area B	164,789,723,770	-	182,165,468,592	-
- Low-income Project housing in Bac Ninh	11,602,718,819	-	10,449,309,728	-
- Other projects	16,789,666,713	-	13,752,044,660	-
Purchase costs	250,930,404	-	411,338,238	-
<b>Total</b>	<b>193,433,039,706</b>	-	<b>206,778,161,218</b>	-

5.8 Deductible VAT and receivables from the State

	01/01/2016	Amount deductible/ Amount to be paid	Amount deducted/ Amount paid	31/12/2016
	VND	VND	VND	VND
Value added tax	368,241,911	11,016,354,277	7,935,273,379	3,449,322,809
Personal income tax	-	20,323,985	-	20,323,985
<b>Total</b>	<b>368,241,911</b>	<b>11,036,678,262</b>	<b>7,935,273,379</b>	<b>3,469,646,794</b>



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

5.9 Tangible fixed assets

Unit: VND

2016	Buildings and Structures	Machinery and Equipment	Motor Vehicles	Office equipment	Total
<i>Cost</i>					
As at 01/01	727,255,454	277,156,365	3,512,653,988	504,016,282	5,021,082,089
Increase	-	-	3,966,400,000	100,465,454	4,066,865,454
Purchases	-	-	3,966,400,000	100,465,454	4,066,865,454
Decrease	-	-	-	-	-
As at 31/12	<u>727,255,454</u>	<u>277,156,365</u>	<u>7,479,053,988</u>	<u>604,481,736</u>	<u>9,087,947,543</u>
<i>Accumulated depreciation</i>					
As at 01/01	662,783,661	225,612,946	2,273,415,460	224,037,755	3,385,849,822
Increase	32,235,896	34,481,317	453,819,172	80,381,062	600,917,447
Depreciation	32,235,896	34,481,317	453,819,172	80,381,062	600,917,447
Decrease	-	-	-	-	-
As at 31/12	<u>695,019,557</u>	<u>260,094,263</u>	<u>2,727,234,632</u>	<u>304,418,817</u>	<u>3,986,767,269</u>
<i>Net book value</i>					
As at 01/01	<u>64,471,793</u>	<u>51,543,419</u>	<u>1,239,238,528</u>	<u>279,978,527</u>	<u>1,635,232,267</u>
As at 31/12	<u>32,235,897</u>	<u>17,062,102</u>	<u>4,751,819,356</u>	<u>300,062,919</u>	<u>5,101,180,274</u>

Cost of fixed assets fully depreciated which are still in use as at 31/12/2015 is VND 1,931,840,266.  
Cost and net book value of the assets pledged property mortgage loans respectively VND 5,053,976,359 and VND 4,188,825,071.

5.10 Tangible fixed assets

Unit: VND

2016	Land use rights	Computer software	Total
<i>Cost</i>			
As at 01/01		65,000,000	65,000,000
Increase	-	-	-
Decrease	-	-	-
As at 31/12	<u>-</u>	<u>65,000,000</u>	<u>65,000,000</u>
<i>Accumulated depreciation</i>			
As at 01/01		32,500,000	32,500,000
Increase	-	21,666,667	21,666,667
Depreciation	-	21,666,667	21,666,667
Decrease	-	-	-
As at 31/12	<u>-</u>	<u>54,166,667</u>	<u>54,166,667</u>
<i>Net book value</i>			
As at 01/01	-	32,500,000	32,500,000
As at 31/12	-	10,833,333	10,833,333

5.11 Construction in progress

	31/12/2016 VND	01/01/2016 VND
Construction in progress	128,919,868,622	97,942,924,621
- Construction: Office Building Lot A - CC7	128,919,868,622	97,942,924,621
<b>Total</b>	<u>128,919,868,622</u>	<u>97,942,924,621</u>

**HUDLAND REAL ESTATE INVESTMENT AND DEVELOPMENT JOINT STOCK COMPANY**

Financial Statements for the year ended 31 December 2016

**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**FORM B 09 – DN**

**5.12 Investments in associates**

*Unit: VND*

	Rate		31/12/2016			01/01/2016		
	Capital owned	Voting right	Historical Cost	Fair value	Provision	Historical Cost	Fair value	Provision
<b>Investments in joint ventures or associates</b>			<b>2,500,000,000</b>	<b>2,640,731,436</b>	<b>-</b>	<b>2,500,000,000</b>	<b>2,500,000,000</b>	<b>-</b>
Hudland trade and service JSC	30.50%	30.50%	2,500,000,000	2,640,731,436	-	2,500,000,000	2,500,000,000	-
<b>Total</b>			<b>2,500,000,000</b>		<b>-</b>	<b>2,500,000,000</b>		<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**FORM B 09 - DN**

**5.13 Prepaid expenses**

	31/12/2016	01/01/2016
	VND	VND
<b>Short-term</b>	-	-
<b>Long-term</b>	491,190,374	478,442,956
- Tools and equipment awaiting allocation	491,190,374	478,442,956
<b>Total</b>	<b>491,190,374</b>	<b>478,442,956</b>

**5.14 Trade payables**

	31/12/2016		01/01/2016	
	VND		VND	
	Book value	Amount can be paid	Book value	Amount can be paid
<b>Short-term</b>	<b>14,585,136,316</b>	<b>14,585,136,316</b>	<b>38,261,434,626</b>	<b>38,261,434,626</b>
HUD2 Housing and urban development JSC	-	-	17,922,477,000	17,922,477,000
Tan Hoang Minh trading investment and services company Ltd.	3,200,703,278	3,200,703,278	567,181,466	567,181,466
Thanh Nam Construction and Investment JSC	834,500	834,500	13,362,811,966	13,362,811,966
Construction Joint Stock Company No. 2	-	-	2,957,454,555	2,957,454,555
Branch Construction Joint Stock Company No. 1	5,393,396,850	5,393,396,850	1,421,407,504	1,421,407,504
Other suppliers	5,990,201,688	5,990,201,688	2,030,102,135	2,030,102,135
<b>Long-term</b>	-	-	-	-
<b>Total</b>	<b>14,585,136,316</b>	<b>14,585,136,316</b>	<b>38,261,434,626</b>	<b>38,261,434,626</b>

**In which: Payables to related parties**

Thanh Nam Construction and Investment JSC	834,500	834,500	13,362,811,966	13,362,811,966
HUD1 Construction and Investment JSC	175,045,491	175,045,491	1,460,393,490	1,460,393,490
HUD2 Housing and urban development JSC	-	-	17,922,477,000	17,922,477,000
Housing and urban services Company Ltd.-HUDS	-	-	1,007,309,217	1,007,309,217
HUDLANDTS., JSC	-	-	2,646,393,123	2,646,393,123



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

5.15 Advances from customers

	31/12/2016	01/01/2016
	VND	VND
<b>Short-term</b>	<b>1,081,714,263</b>	<b>395,836,296</b>
DACT17 - CT17 Viet Hung Project	106,315,720	164,984,358
DALKBN - Le Thai To Townhouse Project, Bac Ninh	751,406,601	197,868,856
APOLLO English center	189,675,486	-
Other customers	34,316,456	32,983,082
<b>Long-term</b>	-	-
<b>Total</b>	<b>1,081,714,263</b>	<b>395,836,296</b>

5.16 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	-	12,530,460,940	12,530,460,940	-
Corporate income tax	3,288,113,043	12,669,580,697	12,424,265,946	3,533,427,794
Personal income tax	90,449,395	1,193,522,144	1,283,971,539	-
Housing tax, land rental charges	-	753,947,432	753,947,432	-
Other taxes	-	3,000,000	3,000,000	-
<b>Total</b>	<b>3,378,562,438</b>	<b>27,150,511,213</b>	<b>26,995,645,857</b>	<b>3,533,427,794</b>

5.17 Accrued expenses payables

	31/12/2016	01/01/2016
	VND	VND
<b>Short-term</b>	<b>19,558,406,389</b>	<b>65,113,856,178</b>
Multi project 05, Viet Hung urban area	495,862,443	4,157,838,756
Accrued expenses for DACT17	19,062,543,946	60,956,017,422
<b>Long-term</b>	-	-
<b>Tổng</b>	<b>19,558,406,389</b>	<b>65,113,856,178</b>

5.18 Other short-term payables

	31/12/2016	01/01/2016
	VND	VND
<b>Short-term</b>	<b>4,065,176,822</b>	<b>26,490,353,017</b>
Trade Union fee	-	6,781,486
Unemployment insurance	-	3,342,360
Dividends payable	95,617,500	119,215,500
Maintenance costs paid under the contract	537,514,567	18,746,844,110
Deposit to make the Red document, service fees, and deposits under Contract	3,432,044,755	7,614,169,561
<b>Long-term</b>	-	-
<b>Total</b>	<b>4,065,176,822</b>	<b>26,490,353,017</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**FORM B 09 - DN**

**5.19 Loans and finance lease liabilities**

*AUnit: VND*

	31/12/2016		In year		01/01/2016	
	Value	Amount can be paid	Increase	Decrease	Value	Amount can be paid
<b>Shor-term</b>	<b>67,441,214,227</b>	<b>67,441,214,227</b>	<b>109,331,745,774</b>	<b>76,528,822,815</b>	<b>34,638,291,268</b>	<b>34,638,291,268</b>
BIDV - Hanoi Branch (1)	46,370,254,009	46,370,254,009	79,087,996,543	57,356,033,802	24,638,291,268	24,638,291,268
Pvcombank - Hanoi Branch (2)	21,070,960,218	21,070,960,218	30,243,749,231	19,172,789,013	10,000,000,000	10,000,000,000
<b>Long-term</b>	<b>99,304,457,289</b>	<b>99,304,457,289</b>	<b>5,647,632,327</b>	<b>11,443,949,000</b>	<b>105,100,773,962</b>	<b>105,100,773,962</b>
Pvcombank - Hanoi Branch (3)	70,730,600,000	70,730,600,000	1,760,000,000	6,029,400,000	75,000,000,000	75,000,000,000
Personal loans (4)	28,573,857,289	28,573,857,289	3,887,632,327	5,414,549,000	30,100,773,962	30,100,773,962
<b>Total</b>	<b>166,745,671,516</b>	<b>166,745,671,516</b>	<b>114,979,378,101</b>	<b>87,972,771,815</b>	<b>139,739,065,230</b>	<b>139,739,065,230</b>

(1) Credit limit contract No.01/2016/1906164/HĐTD on 08/06/2014. Credit limit granted: VND 175.000.000.000; purpose of borrowing: temporarily support supplement working capital to projects: investment in construction of new urban area on Le Thai To Street, Bac Ninh (Villas and townhouses), investment in construction of condominiums CT17 – new Viet Hung urban area, Hanoi. Loan term: 12 months from the date contract signed. Interest rate and term are specified in each particular credit contract. Measures to ensure: Mortgage accounts receivable has been established and will shape in future that arises from home sales contracts and entire rights arising under home sales contracts of CT17 Project, new Viet Hung urban area, Hanoi; mortgage Toyota Camry car – License Plate of 31F- 6178 under property mortgage contract No. 01/2014/HĐTCTS, notaries number: 271/2014/HĐTC on 24/2/2014 and amended documents attached.

(2) Contract of granting credit limit No. 387/2016/HĐTD/HUDLAND/PVB-HAN on 12/12/2016. Credit limit VND 100.000.000.000; the purpose: supplement capital to business activities of HUDLAND. Credit term: 12 months, provide loans according to loans, maximum term is not exceeding 09 months, specified in Lending bonds. Interest rate is under the provision of bank and adjusted once each month. Measures to ensure: Mortgage deposit contract guaranting minimum of 30% short-term credit balance, profit from TNT housing project of Bac Ninh project, Linh Dam building project, remaining debt claims from HH05 project; other measures to ensure under agreement between the Bank and client or third party các biện pháp tài sản bảo đảm khác theo thỏa thuận giữa Ngân hàng và khách hàng hoặc bên thứ 3 (if any).



**5.19 Loans and finance lease liabilities (Cont.)**

(3) The credit contract No. 2906/2015/HDCVDA-DN.HN dated 26 Junet 2015: the maximum credit amount is of VND 83,000,000,000; the purpose: performing asset purchase agreement attached to the leased land use rights certificate number of 543/2015 / SC , Vol 1 / TP / CC / HDGD signed on 19/05/2015 at Ba Dinh District Notary Office between HUD2 Investment Development Joint Stock Company and HUDLAND Real Estate Investment and Development Joint Stock Company. The loan term is 8 years. The interest rate is investment credit interest rate of Viet Nam Public Bank - Ha Noi Branch provisions in each period. Measures to ensure : Mortgage entire project office building in Lot A - CC7 of general resort and housing Linh Dam Lake was formed in the future.

(4) Personal loans with a duration of 36 months and interest rate at 10 % / year

**5.20 Owner's equity**

**a. Reconciliation of movements in owners' equity**

*Unit: VND*

	Owner's capital	Investment and Development fund	Fund financial reserve	Retained earnings	Total
<b>As at 01/01/2015</b>	<b>200,000,000,000</b>	<b>151,122,092,113</b>	-	<b>87,346,340,386</b>	<b>438,468,432,499</b>
Increase	-	46,110,000,000	-	51,268,832,344	97,378,832,344
Profit after tax	-	-	-	51,267,324,844	51,267,324,844
Allocation to funds	-	46,110,000,000	-	-	46,110,000,000
Other income	-	-	-	1,507,500	1,507,500
Decrease	-	-	-	82,295,082,500	82,295,082,500
Remuneration to BOM, BOS	-	-	-	692,082,500	692,082,500
Allocation to funds	-	-	-	49,603,000,000	49,603,000,000
Dividend paid in 2014	-	-	-	32,000,000,000	32,000,000,000
<b>As at 31/12/2015</b>	<b>200,000,000,000</b>	<b>197,232,092,113</b>	-	<b>56,320,090,230</b>	<b>453,552,182,343</b>
<b>As at 01/01/2016</b>	<b>200,000,000,000</b>	<b>197,232,092,113</b>	-	<b>56,320,090,230</b>	<b>453,552,182,343</b>
Increase	-	13,600,000,000	-	44,571,865,710	58,171,865,710
Profit after tax	-	-	-	44,571,865,710	44,571,865,710
Allocation to funds	-	13,600,000,000	-	-	13,600,000,000
Decrease	-	-	-	46,291,225,000	46,291,225,000
Remuneration to BOM, BOS	-	-	-	232,225,000	232,225,000
Allocation to funds	-	-	-	16,059,000,000	16,059,000,000
Dividend paid in 2015	-	-	-	30,000,000,000	30,000,000,000
<b>As at 31/12/2016</b>	<b>200,000,000,000</b>	<b>210,832,092,113</b>	-	<b>54,600,730,940</b>	<b>465,432,823,053</b>

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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5.20 Owner's equity (Cont.)

b. Details of owner's equity

Shareholders	Shares	Amount	Ratio	Capital recorded
	Quantity	VND	%	31/12/2016 VND
Housing and urban development Corporation	10,200,000	102,000,000,000	51.00%	102,000,000,000
Ha Nam textile company Ltd.	1,900,000	19,000,000,000	9.50%	19,000,000,000
Mrs Dinh Thi Minh Hang	1,406,000	14,060,000,000	7.03%	14,060,000,000
Mr Kenneth Ruby Kamon	1,204,700	12,047,000,000	6.02%	12,047,000,000
Thanh Nam Construction And Investment JSC	629,400	6,294,000,000	3.15%	6,294,000,000
Mrs Nguyen Thanh Huong	248,000	2,480,000,000	1.24%	2,480,000,000
Other shareholders	4,411,900	44,119,000,000	22.06%	44,119,000,000
<b>Total</b>	<b>20,000,000</b>	<b>200,000,000,000</b>	<b>-</b>	<b>200,000,000,000</b>

c. Capital transactions with owners and dividends distribution

	Year 2016 VND	Year 2015 VND
<b>- Owner's equity</b>		
As at 01/01	200,000,000,000	200,000,000,000
Increase	-	-
Decrease	-	-
As at 31/12	200,000,000,000	200,000,000,000
<b>- Dividends, profit paid</b>	<b>30,000,000,000</b>	<b>31,488,021,600</b>

d. Shares

	Year 2016 Cổ phiếu	Year 2015 Cổ phiếu
<b>- Number of shares registered to sell</b>	<b>20,000,000</b>	<b>20,000,000</b>
<b>- Number of shares sold in public</b>	<b>20,000,000</b>	<b>20,000,000</b>
+ Ordinary share	20,000,000	20,000,000
+ Preferred share	-	-
<b>- Number of outstanding shares</b>	<b>20,000,000</b>	<b>20,000,000</b>
Ordinary share	20,000,000	20,000,000

Par value of shares outstanding: VND 10.000 /Share

e. Funds

	31/12/2016 VND	01/01/2016 VND
Development investment fund	210,832,092,113	197,232,092,113
<b>Total</b>	<b>210,832,092,113</b>	<b>197,232,092,113</b>

5.21 Sales of merchandise and services



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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	Year 2016 VND	Year 2015 VND
Sales of real estate projects	124,483,776,326	341,196,078,349
Other revenue	689,303,050	354,113,518
<b>Total</b>	<b>125,173,079,376</b>	<b>341,550,191,867</b>
<b>5.22 Cost of goods sold</b>		
	Year 2016 VND	Year 2015 VND
Cost of real estate projects sold	52,641,369,830	258,053,001,323
Other	689,303,050	-
<b>Total</b>	<b>53,330,672,880</b>	<b>258,053,001,323</b>
<b>5.23 Financial income and Financial expenses</b>		
	Year 2016 VND	Year 2015 VND
<i>Financial income</i>		
Bank interest	10,115,334,520	6,621,825,249
<b>Total</b>	<b>10,115,334,520</b>	<b>6,621,825,249</b>
<i>Financial expenses</i>		
Interest expenses	4,788,380,694	540,655,175
<b>Total</b>	<b>4,788,380,694</b>	<b>540,655,175</b>
<b>Profit (Loss) from financial activities</b>	<b>5,326,953,826</b>	<b>6,081,170,074</b>
<b>5.24 Selling expenses and General and administration expenses</b>		
	Year 2016 VND	Year 2015 VND
<b>Selling expenses</b>	<b>858,533,424</b>	<b>5,744,857,110</b>
Outsourcing expenses	816,623,856	140,251,093
Other expenses in cash	41,909,568	5,604,606,017
<b>General and administration expenses</b>	<b>18,842,890,107</b>	<b>17,699,373,779</b>
Administrative staffs	13,395,666,528	11,229,033,407
Fixed asset depreciation	915,493,223	1,029,065,710
Taxes, fees and charges	449,325,588	256,800,461
Outsourcing expenses	3,852,404,768	4,735,801,201
Other expenses in cash	230,000,000	448,673,000
<b>Total</b>	<b>19,701,423,531</b>	<b>23,444,230,889</b>

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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5.25 Other income/ Other expenses

	Year 2016 VND	Year 2015 VND
<b>Other income</b>		
Others	491,327	1,919,498
<b>Total</b>	<b>491,327</b>	<b>1,919,498</b>
<b>Other expenses</b>		
Other	226,981,711	408,709,682
<b>Total</b>	<b>226,981,711</b>	<b>408,709,682</b>
<b>Profit (Loss) From other activities</b>	<b>(226,490,384)</b>	<b>(406,790,184)</b>

5.26 Current corporate income tax expenses

	Year 2016 VND	Year 2015 VND
<b>Total accounting profit before tax</b>	<b>57,241,446,407</b>	<b>65,727,339,545</b>
<i>Profit from usual business activities</i>	<i>57,241,446,407</i>	<i>65,727,339,545</i>
Adjustments	2,572,269,794	-
<b>Taxable profit from usual business activities</b>	<b>59,813,716,201</b>	<b>65,727,339,545</b>
Current tax rate	20%	22%
<b>Current corporate income tax expense</b>	<b>11,962,743,241</b>	<b>14,460,014,701</b>
CIT arrears under the tax inspection concluded in 2015	706,837,456	-
<b>CIT payable from usual business activities</b>	<b>12,669,580,697</b>	<b>14,460,014,701</b>

5.27 Basic earning per share

	Year 2016 VND	Year 2015 VND
<b>Accounting profit after tax</b>	<b>44,571,865,710</b>	<b>51,267,324,844</b>
<b>Net profit/ or loss attributable to ordinary equity holders for basic earning (VND)</b>	<b>44,571,865,710</b>	<b>51,267,324,844</b>
Weighted average number of ordinary shares for basic earnings per share	20,000,000	20,000,000
<b>Earnings per share (VND/share)</b>	<b>2,229</b>	<b>2,563</b>

5.28 Business and production cost by factors

	Year 2016 VND	Year 2015 VND
Employee expenses	13,395,666,528	13,694,660,938
Depreciation expenses	915,493,223	1,029,065,710
Accrued expenses	19,558,406,389	51,088,020,976
Cost of services purchased	38,851,507,585	198,282,812,098
Other expenses in cash	311,022,686	17,402,672,490
<b>Total</b>	<b>73,032,096,411</b>	<b>281,497,232,212</b>



**6. OTHER INFORMATION**

**6.1 Related party transactions and balances**

<b>Related parties</b>	<b>Relationship</b>	<b>Nature of transactions</b>	<b>Year 2016 VND</b>	<b>Year 2015 VND</b>
<b>Purchasing transaction</b>				
Housing and urban development Corporation	Parents Corporation	Electricity charges, office rental & others	752,426,000	2,952,260,179
		Construct projects	169,411,727	-
		Transfer infrastructure	(20,338,935,057)	-
HUD1 Construction and Investment JSC	In same Corporation	Construct projects	-	6,220,738,182
HUD2 Housing and urban development JSC	In same Corporation	Purchase fixed assets	-	93,565,888,182
HUD10 Construction and Investment JSC	In same Corporation	Construct projects	-	422,516,364
Thanh Nam Construction and Investment JSC	Capital contributors	Construct projects	-	15,821,291,665
		Services	44,058,820	3,954,545,455
HUDLANDTS., JSC	Associate	Services	5,420,553,443	13,344,025,751
<b>Selling transaction</b>				
Housing and urban development Corporation	Parents Corporation	Construct infrastructure	1,694,117,273	-
Housing and urban services Company Ltd. (HUDS)	In same Corporation	Services	2,163,945	-



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FORM B 09 - DN

6.1 Related party transactions and balances (Cont.)

*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
<b>Receivables</b>			<b>27,908,979,737</b>	<b>7,449,526,500</b>
Housing and urban development Corporation	Parents Corporation	Trade receivables	1,863,529,000	-
		Advances to suppliers	20,338,935,457	-
Thanh Nam Construction and Investment JSC	Capital contributors	Advances to suppliers	2,386,418,350	1,000,000,000
HUDLANDTS., JSC	Associate	Advances to suppliers	2,772,514,930	1,043,690,900
HUD10 Construction and Investment JSC	In same Corporation	Advances to suppliers	-	4,858,253,600
Housing and urban services Company Ltd. - HUDS	In same Corporation	Advances to suppliers	-	547,582,000
		Trade receivables	547,582,000	-
<b>Related parties</b>	<b>Relationship</b>	<b>Nature of transactions</b>	<b>31/12/2016 VND</b>	<b>01/01/2016 VND</b>
<b>Payables</b>			<b>175,045,491</b>	<b>23,036,572,830</b>
Housing and urban services Company Ltd. - HUDS	In same Corporation	Trade payables	-	1,007,309,217
HUD1 Construction and Investment JSC	In same Corporation	Trade payables	175,045,491	1,460,393,490
HUD2 Construction and Investment JSC	In same Corporation	Trade payables	-	17,922,477,000
HUDLANDTS., JSC	Associate	Trade payables	-	2,646,393,123

*Transactions with key personnel and shareholders in 2016*

Related parties	Nature of transactions	Year 2016 VND	Year 2015 VND
Board of Managements and Board of Directors	Remuneration	4,109,308,614	4,666,403,834

6.2 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.



**6.2 Financial instruments – Risk management (Cont.)**

**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**

	<b>31/12/2016</b>	<b>01/01/2016</b>
	<b>VND</b>	<b>VND</b>
<b>Financial assets</b>		
Cash and cash equivalents	83,789,625,762	216,017,498,993
Trade receivables and other receivables	184,887,557,275	164,616,577,973
Long-term investments	2,500,000,000	2,500,000,000
<b>Total</b>	<b>299,804,979,604</b>	<b>414,528,006,966</b>
<b>Financial liabilities</b>		
Borrowings	166,745,671,516	139,739,065,230
Trade payables and other payables	18,650,313,138	64,751,787,643
Accrued expenses	19,558,406,389	65,113,856,178
<b>Total</b>	<b>204,954,391,043</b>	<b>269,604,709,051</b>

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.

**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.

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**6.2 Financial instruments – Risk management (Cont.)**

**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 provision for cash on hand, borrowings and capital source that shareholders commit to contribute to meet regulations on more short-term and long-term liquidity.

	<b>Under 1 year</b>	<b>From 1- 5 years</b>	<b>Total</b>
<b>31/12/2016</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
Borrowings	67,441,214,227	99,304,457,289	166,745,671,516
Trade payables and other payables	18,650,313,138	-	18,650,313,138
Accured expenses	19,558,406,389	-	19,558,406,389
<b>01/01/2016</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
Borrowings	34,638,291,268	105,100,773,962	139,739,065,230
Trade payables and other payables	64,751,787,643	-	64,751,787,643
Accured expenses	65,113,856,178	-	65,113,856,178

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.

	<b>Under 1 year</b>	<b>From 1- 5 years</b>	<b>Total</b>
<b>31/12/2016</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
Cash and cash equivalents	83,789,625,762	-	83,789,625,762
Trade receivables and other receivables	184,887,557,275	-	184,887,557,275
Long-term investments	-	2,500,000,000	2,500,000,000
<b>31/12/2016</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
Cash and cash equivalents	216,017,498,993	-	216,017,498,993
Trade receivables and other receivables	164,616,577,973	-	164,616,577,973
Long-term investments	-	2,500,000,000	2,500,000,000



**6.3 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.

**Preparer**



**Tran Thanh Thanh Huyen**

**Chief Accountant**



**Le Quoc Chung**

Hanoi, 01 March 2016

**Director**



**Pham Cao Son**

