

# MESSAGE OF CHAIRMAN OF THE BOARD OF DIRECTORS

**Kind attention: Shareholders, customers, investors and all employees.**

Dear all,

2016 was the year that the company achieved many great results, contributing to create more profits exceeded expectation (increased by 12% as compared to the same period). It was the contribution of all officials and employees in the company, together with the right and wise leadership guideline of Executive Board which has controlled PINACO to overcome difficulties and challenges in order to finish a year with many encouraging results.

With its achievements and contribution, over the years, PINACO has been awarded many noble honors by Party and State such as Independence Medal 1st-2nd-3rd Class, Labor Medal 1st-2nd-3rd Class. Especially, in 2000, PINACO was awarded the title as “Labor Hero of Renovation Era” by the Socialist Republic of Vietnam and was recognized as “National Brand” by Government from 2012 to present.

PINACO’s dry cells and storage batteries are voted as “Vietnamese High-Quality Goods” for 20 consecutive years. Moreover, PINACO also won other titles such as Vietnam Gold Star – one of 100 Strong Brands and Prestigious Exported Enterprises in 2013.

PINACO commits that our company always direct to the customers and only supply the highest quality products and services in order to deserve the title as "National Brand representing industry of dry cells and storage batteries".

We commit to perform the following quality policies:

1. Customer’s direction: to meet various demands of the market, to supply fully and immediately products which have stable quality and reasonable price for customers
2. Domestic market is vital, export market is developed.
3. Ensuring the continuous improvement in order to achieve sufficiency and transparency in all operating activities.
4. To ensure the harmony of benefits of shareholders, employees, businesses, customers and the community.

For environmental issues, we commit:

1. To comply with applicable laws, regulations and other relevant environmental requirements.
2. To establish, maintain and continuously improve the appropriate environmental management system to prevent pollution, protect environment.
3. To convey environmental policies to all employees, contractors and other relevant parties to ensure their participation.

Once again, on behalf of the Board of Directors, I would like to express our sincere thanks to all Shareholders, Customers, Investors and all employees for their cooperation, unanimity, and sharing difficulties during the past time. PINACO commits that our company will constantly strive to accelerate its production and business activities to deserve the trust of Shareholders, Customers, Investors and all employees.

Respectfully,

**CHAIRMAN OF THE BOARD OF DIRECTORS**

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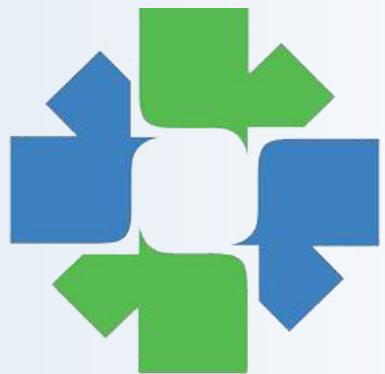
# Part I

# GENERAL

# INFORMATION

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Vietnam Value



## OVERVIEW

<b>Company's name</b>	: CỘNG TY CỔ PHẦN PIN ÁC QUY MIỀN NAM
<b>Name in English</b>	: DRY CELL AND STORAGE BATTERY JOINT STOCK COMPANY
<b>Abbreviated name</b>	: PINACO
<b>Certificate of Business Registration</b>	: No. 0300405462 issued by the Department of Planning and Investment of HCMC, 1 <sup>st</sup> issue dated 23/09/2004 and 14 <sup>th</sup> amendment registration dated 22/08/2016
<b>Charter capital</b>	: 464,717,070,000 VND (Four hundred sixty four billion seven hundred seventeen million and seventy thousand VND)
<b>Head office</b>	: No. 321 Tran Hung Dao, Co Giang Ward, District 1, HCMC
<b>Tel</b>	: (84.8) 3920 3062 – 3920 3063
<b>Fax</b>	: (84.8) 3920 3060 – 3920 3061
<b>Email</b>	: <a href="mailto:pinaco@pinaco.com.vn">pinaco@pinaco.com.vn</a>
<b>Website</b>	: <a href="http://www.pinaco.com">www.pinaco.com</a>
<b>Stock code</b>	: PAC
<b>Stock exchange</b>	: Ho Chi Minh City Stock Exchange (HOSE)

# GENERAL INFORMATION

## INCORPORATION AND DEVELOPMENT PROCESS

1976

•Precursor of PINACO is Drycell and Storage Battery Company established on 19 April 1976 under decision of The General of Chemical (now known as Vietnamese Chemical Group). The company was founded on the basis of the nationalization of all factories: Eagle Battery (Vidopin), Cat Battery, Diamond Battery, VABCO battery factory and VIDEKO battery factory.

1993

•On 25 May 1993, according to Decree 388 of the Government on the establishment of State enterprises, Ministry of Heavy Industry (now: Ministry of Trade and Industry) made decision No. 304/QD/TCNSDT to establish Drycell and Storage Battery Company (Pinaco) belonging to Vietnamese Chemical Group.

1998

•Since 1998, Pinaco continuously inversed in renewal of equipment to increase production capacity, replacing old obsolete production technology with new one.

2003

•The company also made completely new investment in Saigon Battery Factory in Tan Tao Industrial Park.

2004

•Since 01 Oct 2004, PINACO officially transformed into joint-stock companies according to business registration certificate number 4103002690 issued by Department of Planning and Investment of Ho Chi Minh City for the first time on 23 September 2004.

2006

•PINACO listed on Ho Chi Minh Stock Exchange according to Share Listed License No. 69/UBCK-GPNY of the State Securities Commission and officially implemented first transaction on 12 Dec 2006 with transaction price of 40,000 VND per share and stock code of PAC..

2011

•The company also invested in new battery factory in Nhon Trach-Dong Nai (Dong Nai 2 Battery Factory).

2012

• PINACO constantly invested in new equipment, replacing old obsolete technology production with new one, in accordance with increasing demand for high technology of the market.

2015

• Increased the charter capital from 269,878,430,000 VND to 309,812,930,000 VND in the form of issue of shares for dividend.

2016

\* Has increased the charter capital from 309,812,930,000 VND to 464,717,070 VND under the form of issue of shares for dividend.

During nearly 41 years of development, with the goal of always strengthening the inherent competitive capacity to be ready for process of integration, PINACO has achieved a proud achievement for the company in particular and electrochemical industry in general. In the keen competitive situation of economic integration, PINACO still firmly defended its position as a leading business in Vietnam, and received many achievements and noble titles awarded by the State and institutions.

## AWARDS, TITLES ACHIEVED

- Competitive flag of the Prime Minister (2013, 2014, 2015)
- Competitive flag of Vietnam National Chemical Group for the Branch of the company in Hanoi (2016)
- Competitive flag of Vietnam General Confederation of Labour for obtaining the outstanding performance in the labor emulation movement and the building of a strong trade union (2015)
- Independence Medal for First Class (2011, 2015), Second Class (2005), Three Class (2002)
- Labor Hero Unit in Renovation Era (2000)
- Labor Medal for First Class (2015), Second Class (2013), Third Class (2000, 2001, 2003)
- National brand (2012, 2014, 2016)
- The Top 5 Enterprise for Employee Benefits recognized by Vietnam National Chemical Company (2015)
- The Enterprise for Employee Benefits recognized by Vietnam National Chemical Company and Vietnam General Confederation of Labour (2016)
- Certificate of Preferred Supplier of Ford Group, Quarter 1 (2014)
- The best innovation supplier of HONDA (2014)
- The Reputed Exporter in 2014
- Top 50 most efficient businesses in Vietnam (2012)
- High-quality Vietnamese goods during 20 consecutive years (1997 – 2016)
- ISO 14001 Certificate – environment management system (2012)
- ISO/TS 17025 Certificate – management system of experiment laboratory (2013)
- ISO 9001 Certificate- Quality Management System (2011)
- ISO / TS 16949:2009 Certificate - Quality management systems for suppliers of products for automotive industry (2011)
- Reliable Supplier in 2011
- Vietnam Golden Star (2009 - 2011)
- Gold Stocks (2009)
- TOP 100 leading brands in Vietnam (2008)
- Brand reputation for securities & leading joint stock company in Vietnam (2008)
- Top 50 Best Listed Vietnamese Companies (2015, 2016)

## LINES AND LOCATIONS OF THE BUSINESS

### ❖ Business lines

The main activities that generate revenue and profit of the Company are as follows:

- Manufacturing Battery and Storage Battery: provide diverse categories of batteries and storage batteries for domestic market and export. Including common types of zin-carbon battery and types of battery used for many purposes such as: storage batteries for automobiles, motorbikes, boats; civil storage batteries for lighting, electric vehicles and various kinds of storage battery for industry, etc...
- Trading, importing and exporting battery and storage battery products, materials and equipment for production and trade of battery and storage battery.

### ❖ Typical products

The products of PINACO have achieved leading quality standards with technology transferred from Europe, Japan, produced on advanced the machinery, equipment of Austria, the USA, Germany, England, Italy, etc .. and advanced management system, met the stringent requirements of many customers and the world leading automobile and motorbike assembly companies in Vietnam, including Ford Vietnam, Suzuki Vietnam, Honda, Piaggio, Yamaha, Mercedes - Benz Vietnam, etc ..

- Battery: having products with bands such as Con O, Eagle with sizes as follows:
  - AA size: AA, UM3, R6P, LR6
  - AAA size: AAA, UM4, R03, LR03
  - D size: D size, UM1, R20
- Storage battery: having products wich brands such as Pinaco, Dong Nai, JP, PAC, Sakura,... used for following applications:
  - ✓ For vehicles, trucks, ships;
  - ✓ For motorbikes:
  - ✓ For lighting, UPS, mosquito rackets, rechargeable lights, electric bicycles, etc...

## ❖ Business location

### Inland market

The company has a Head Office in District 1, Ho Chi Minh City, 3 enterprises for storage battery and 1 enterprise for battery – all are located in Ho Chi Minh City and Dong Nai Province.

2 branches in Hanoi and Da Nang; 06 showrooms are also established in HCMC, Nanoi and Da Nang to operate the distribution system in whole the country. The business locations are covered whole the country.



#### Enterprises

- 01 Battery Enterprise in HCMC.
- 01 Storage Battery Enterprise in HCMC.
- 02 Storage Battery Enterprises in Dong Nai.

#### Showrooms

- 03 showrooms in District 1 and 6 - HCMC.
- 01 showroom in Dong Nai.
- 01 showroom in Da Nang.
- 01 showroom in Hanoi.

## ✚ Distribution system

### • *Distributors and agents*

The company has the system of distributors/agents covering all over the country and the staff who regularly monitor the market, support the distributors for sales, deploy promotion programs and support the product warranty. The efficient distribution system has helped the company successfully compete in the market and serve the customers well. This has created the difference between the service quality of PINACO as compared to other companies of same sector in the market.

### • *Supermarkets and stores*

Pinaco's products are available in supermarkets and stores nationwide.

# GENERAL INFORMATION

## Export

Export has contributed about 18% of total revenue. As of the end of 2016, the company exported to more than 31 countries and territories. The company maintained its exports to traditional markets in the Middle East, South East Asia, Africa, Latin America, etc... as Cambodia, Hong Kong, Myanmar, Nigeria, Algeria, China, Thailand, Sri Lanka, Lebanon, Jordan, Sudan, Syria, etc., and three new markets, Afghanistan, Yemen and Indonesia.



## Images of products



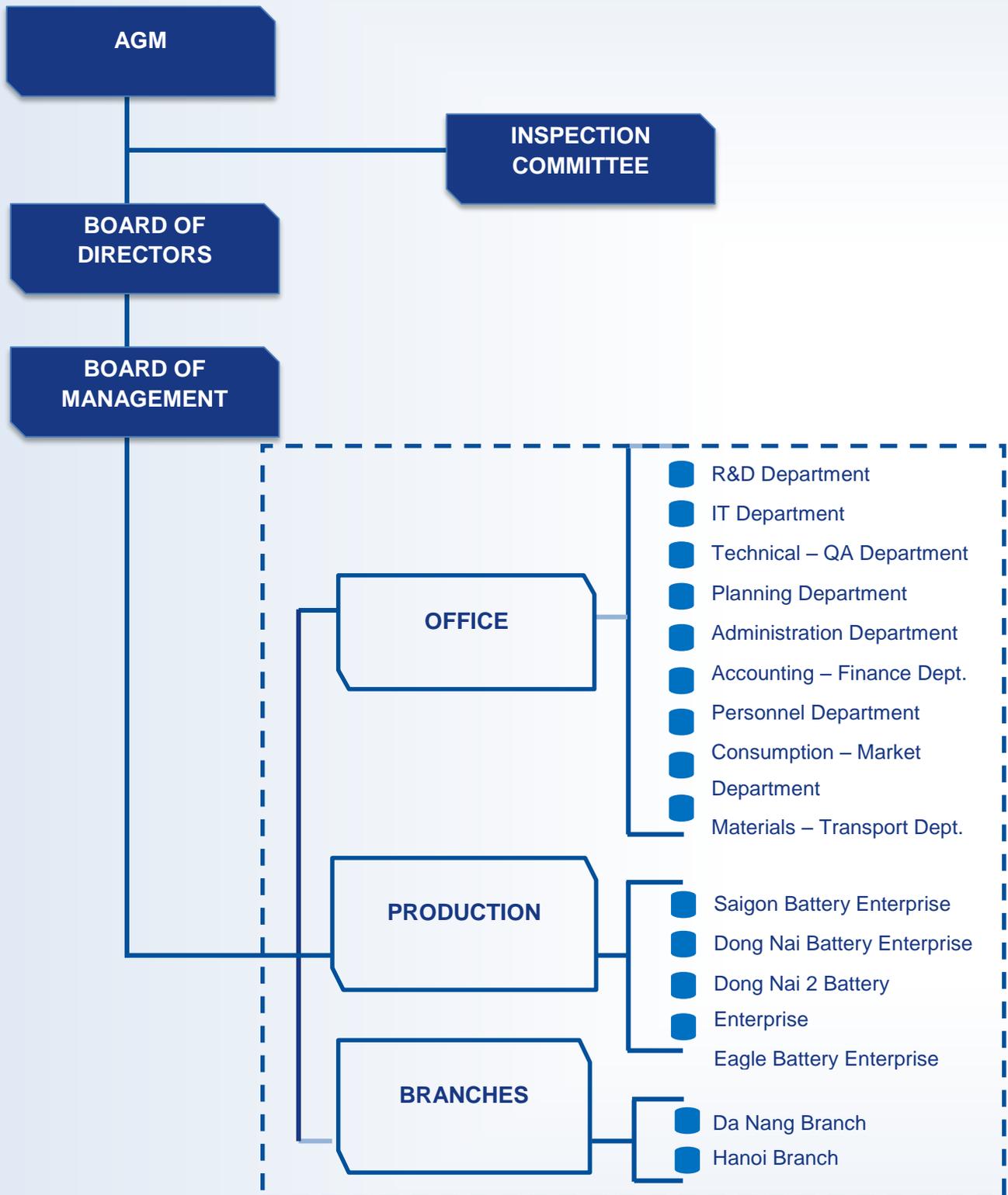
Please see more product information of the company at: <https://www.pinaco.com.vn/>

## Typical customers



# GENERAL INFORMATION

## GOVERNANCE MODEL, BUSINESS ORGANIZATION AND MANAGERIAL APPARATUS



## AFFILIATES

ENTERPRISES		
<p><b>Eagle Battery Enterprise</b> 752 Hau Giang, Ward 12, District 6, HCMC Tel: (84 8) 38 750 556</p>	<p><b>Dong Nai Battery Enterprise</b> Road No. 1, Bien Hoa 1 Industrial Park, An Binh Ward, Bien Hoa City, Dong Nai Tel: (84 61) 3 836 116</p>	
<p><b>Saigon Battery Enterprise</b> Block 64, Road No. 2, Tan Tao Industrial Park, Tan Tao A Ward, Binh Tan District, HCMC Tel: (84 8) 37 540 244</p>	<p><b>Dong Nai 2 Battery Enterprise</b> Road N2, Nhon Trach Textile Industrial Park, Nhon Trach, Dong Nai Tel: (84 61) 3 569 968</p>	
BRANCHES		
<p><b>Ha Noi Branch</b> 18 Lane 44 Duc Giang, Thuong Thanh Ward, Long Bien District, Ha Noi Tel : (84 4) 39 333 611</p>	<p><b>Da Nang Branch</b> 348 Dien Bien Phu, Thanh Khe District, Da Nang City Tel: (84 511) 3 649 957</p>	
WARRANTY SERVICE CENTERS		
<p><b>Northern Region Warranty Center</b></p> <p><b>Address:</b> 02 Dang Thai Than, Hoan Kiem District, Hanoi City</p> <p><b>Tel:</b> (84 4) 3826 1030</p>	<p><b>Central Region Warranty Center</b></p> <p><b>Address:</b> 348 Dien Bien Phu, Thanh Khe District, Da Nang</p> <p><b>Tel:</b> (84 511) 3769 055</p>	<p><b>Southern Region Warranty Center</b></p> <p><b>Address:</b> Block 64, Road 2, Tan Tao Industrial Park, Binh Tan District, HCMC</p> <p><b>Tel:</b> (84 28) 35 373 077</p>
SHOWROOMS		
<p>321 Tran Hung Dao, District 1, HCMC</p> <p>Tel: (84 28) 38 368 529</p>	<p>21-23 Tran Hung Dao, District 1, HCMC</p> <p>Tel: (84 8) 293 932</p> <p>Tel: (84 28) 38 293 932</p>	<p>752 Hau Giang, District 6, HCMC</p> <p>Tel: (84 8) 38752 230</p> <p>Tel: (84 28) 37 516 145</p>
<p>Road No. 1, Bien Hoa 1 Industrial Park, Dong Nai Province</p> <p>Tel : (84 61) 3 836 116</p>	<p>02 Dang Thai Than, Hoan Kiem District, Hanoi</p> <p>Tel: (84 4) 38 261 030</p>	<p>348 Dien Bien Phu, Thanh Khe District, Da Nang</p> <p>Tel: (84 236) 3 649 952</p>

## DEVELOPMENT ORIENTATIONS

### ❖ Strategies in medium and long term

#### **Business strategies**

- Continuing research and development of dry cells & storage batteries in line with domestic and foreign consumption.
- Improving competitiveness based on five key criteria: quality, price, distribution system, customer care policy and product diversification.
- Taking advantage of opportunities as Vietnam is in the process of deep integration to expand the company's global market.

#### **Investment strategies**

- Enhancing investment in the development of production scale to meet the market demands while simultaneously planning the production of dry cells and storage batteries in the direction of specialization aimed at maximizing production and business efficiency.
- Focusing on researching and applying advanced production technology in the world in order to diversify and improve the quality of products, maintaining the leading market share in the country.
- Investing in renewing existing battery manufacturing equipment and actively seeking investment in new technologies for the battery industry.

#### **HS strategies**

- Reviewing and adjusting yearly KPIs in line with the Company's overall objectives and assessment criteria that is close to reality, in conformity with the functions of the units and as a basis for assessing to raise salary and bonus.
- Coordinating with the units to assign KPIs personally of the whole company.
- Building payroll for social insurance under Circular 15/2016/TT-BLDTBXH.
- Finalizing the regulations on increase of job wage and payroll throughout the

## ❖ Goals for environment, society and community

### **Environmental policy**

- Always complying strictly with the law on environment through practical activities such as investment in environmental management system, equipment for collection and treatment and control of environmental pollution under set standards. At the same time, to promote the propaganda and education in order to raise the awareness of each employee in the issue of environmental protection.
- Promoting researches and investing in the application of technical advances to minimize emissions from the source, strictly controlling to minimize the risk of environmental pollution.
- Maintaining environmental management system under ISO 14001

### **Social responsibilities**

- Committed to manufacture and supply of products with good quality, safety for humans and the environment as stipulated by the relevant legislation. In addition, the company is committed to providing customers with cost competitive products to ensure the interests of buyers.
- Strengthening social work activities to help, share with disadvantaged circumstances; In addition to promote charitable activities, support the community, contributing to promote the society towards sustainable development.



## RISKS

### ❖ Macro risk

The world economy in 2016 had a lot of fluctuations due to the influence of political events and climate change leading to the economic growth of most countries in the world have not reached the set plan. Specifically: the world's largest economy was that the United States has experienced a year of turmoil from economics to politics; The Japanese economy in the past year was difficult due to the appreciation of the Yen, affecting the import and export of machinery and equipment as well as orders in the industry of this country; South Korea's GDP this year only reached 2.6% instead of 2.8% as compared to the previous forecast. The year of 2016 was assessed by business failures, political scandals and poorly growing economy.

Along with the general trend of the world economy in 2016, Vietnam's GDP growth rate was only 6.21% and did not meet the target of 6.7% set at the beginning of the year. In addition to the effects of abnormal climate change and a series of external negative factors such as declining global commodity prices, a rapidly growing trend of protectionism around the globe has made the overall export performance of the country to become more difficult than in previous years.

### ❖ Interest rate risk

After interest rates have increased by 0.2-0.3% in the first 3 months of 2016, until April interest rates of the country have been stable. Especially between April and late September 2016, some credit institutions have reduced lending interest rates by 0.5 - 1% per annum for business production and priority sectors. Owing to the fact that a company has entered a stable development period, the Company's debt ratio fluctuated highly between 60% - 70% of its total assets, equivalent to about 500 billion VND. Therefore, the fluctuations in the increase or decrease of interest rates in the market would cause the financial cost of the company fluctuations. During the year the interest rate in VND of the Company fluctuated around 3.8% - 6.7%, with USD 1.4% - 1.5%. Generally, in 2016, with a stable interest rate along with a professional financial management level, the company managed its financial expenses well.

### ❖ Exchange rate risk

In 2016, the world's foreign exchange market fluctuated unprecedentedly, swinging everywhere from major economies in Europe to emerging markets in Asia and the America. The British pound plunged; the Euro fell to the lowest level in 14 years, the Renminbi was lowest for 8 years against the Dollar. The central exchange rate mechanism came into operation at the beginning of the year, helping the local currency not fluctuate strongly against other foreign currencies. However, with the decision to stop lending foreign currency to exporters from March 2016 and then re-open the loan from June to the end of 2016, then allow the extension until the end of 2017 has made demand for foreign currency fluctuated abnormally throughout the year. To proactively source foreign currency for production and business activities, last year the Company planned to reserve foreign currency sources to ensure the operation of the company continuously, without interruption.

### ❖ Raw materials risk

In 2016, as the supply of ores was narrowed and the output of large metallurgical plants was plummeted leading to the price of zinc and lead in the world market to increase sharply. By the end of 2016, world zinc prices increased by more than 80% while lead prices increased by nearly 40% as compared to the beginning of the year. As an enterprise using raw materials as lead and zinc accounted for a large proportion of the total consumption of raw materials, the company has actively sought sources of zinc in the country to replace imports; for lead materials, the company has implemented the policy of buying goods at the time price to avoid fluctuations due to increasing world prices. In addition, the company also step up research activities, looking to buy materials and semi-finished products to create the initiative with the price fluctuation of input materials.



## ❖ Legal risks

Due to the special characteristics of the company's production is the production of groups of products having high risk of environmental pollution, so the company attached great importance to each stage of its production. In order to minimize the Company's environmental impact, the Company strictly complied with environmental requirements, equipment and facilities for waste treatment and disposal, etc...

In addition, the company has been listed on the Ho Chi Minh City Stock Exchange, so it is subject to the Law on Enterprises, the Law on Securities, the Tax Law, etc...

The documents in this field are in the process of being completed. The change in policy will affect the management of the Company. In order to minimize legal risks, the Company always updates the latest legal documents and directs the relevant departments to comply with the regulations set by the State.

## ❖ Competitive risk

Strengthening international economic cooperation has created conditions for many foreign companies to enter the Vietnamese market to bring more products to compete with the domestic market. Over the past years, domestic automobile production has been encouraged by the State and demand for batteries has increased rapidly. Recognizing this situation, large enterprises in the battery industry in the world has gradually penetrated into the Vietnam market which is typical like GS Yuasa. With the advantage of being a multinational company, GS always has the advantage of adopting new technologies in the industry. In order to adapt to this situation, PINACO has been focusing on the development of products with the highest quality standards in the past years with a number of investment activities in importing technologies from Europe, Japan and advanced machinery, equipment from Austria, America, Germany, UK, Italy, etc... A series of new products with high quality has helped Pinaco gradually regain its position in the market.

## ❖ Environment risk

Protecting the green environment is a concern of many countries in the world including Vietnam. At present, the State is implementing more closely environmental protection policies towards the goal of sustainable development. With its unique characteristics in the dry cell and battery industry, it is one of the most influential businesses in the environment due to the use of a wide range of environmentally harmful chemicals such as Lead, Zinc, Acid ... Being aware of the importance of environmental protection, PINACO has strictly implemented the regulations of the State on environmental protection in the past years, at once the Company has also set up internal regulations in order to minimize the impact on production activities which might affect the surrounding environment. In addition, the work of educating the employees in environmental protection has been always paid attention to by the Company, monitored and promoted the awareness of all staffs and employees on green environmental protection.



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# Part II

## SITUATION OF OPERATIONS

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PINACCO

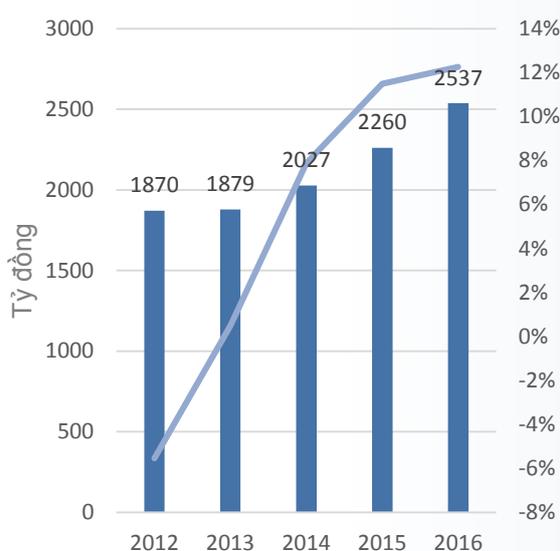
## SITUATION OF PRODUCTION AND BUSINESS OPERATIONS

Target	Unit	Actual 2015	Plan 2016	Actual 2016	A 2016/ A 2015	A 2016/ P 2016
Total revenue	Billion VND	2,260	2,440	2,537	112.26%	103.99%
EBT	Billion VND	120	130	160	132.59%	123.36%
Dividend	%	75	>=12	(*)22	29.33%	183.33%

(\*) Advanced 12% by cash, expected 10% more to be approved by AGM

Revenue of growth in the Period of

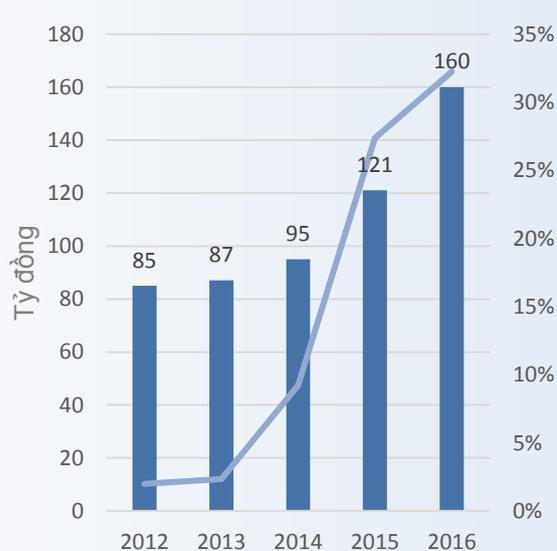
2012 - 2016



Revenue Growth of revenue

EBT and growth in the Period of

2012 - 2016



EBT Growth of profit

In 2016, PINACO has exceeded the targets set with revenue of 2,537 billion VND, increased by 112.26% as compared to 2015 and achieved 103.99% of the set plan. Thanks to good financial investment and good management of input costs, last year EBT reached 160 billion VND, increased by 132.59% over the same period in 2015 and reached 123.36% as compared to the set plan.

# SITUATION OF OPERATIONS

## ORGANIZATION OF HUMAN RESOURCES

### Board of Management

#### Mr. TRAN THANH VAN

Position: CEO, Member of BOD cum Secretary of Party Committee

DOB: 1960

Native village: Ben Tre

Qualifications: Engineer of Mechanism – Master of Economics

Political theory: Advanced politics

Number of holding shares: 127,305 shares

#### Mr. LE VAN NAM

Position: Deputy CEO of Engineering - Production

DOB: 1967

Native village: Dong Thap

Qualifications: Chemical Engineer

Political theory: Advanced politics

Number of holding shares: 3,577 shares

#### Mr. NGUYEN DUY HUNG

Position: Chief Accountant

DOB: 1973

Native village: Ha Tinh

Qualifications: Bachelor of Economics

Number of holding shares: 852 shares

#### Mr. CAO TRONG MIEN

Position: Assistant to CEO in charge of Investment – Research and Development/Chief of R&D Department.

DOB: 1968

Native village: Thua Thien Hue

Qualifications: Chemical Engineer

Number of holding shares: 1,644 shares.

#### Mr. DAO MINH TIEN

Position: Assistant to CEO in charge of Sales - Market

DOB: 1961

Native village: Ho Chi Minh City

Qualifications: Mechanical Engineer, Bachelor of Economics

Political theory: Intermediate politics

Number of holding shares: 9 shares.

## Changes in the Board of Management, Managing Officers

### The Board of Management has appointed

- Appointed Mr. Dao Ngoc Minh Tien - Assistant General Director cum Chief of Market Department (The Market Department was newly established in 2015)
- Appointed Mr. Tran Manh Thang - Deputy Director to the position of Director of Dong Nai Battery Enterprise (Instead of Mr. Nguyen Hong Phuc, who has retired).
- Mr. Le Thanh Hung was appointed as Deputy Chief of Technical – QA Department in charge of technology.

### The Board of Directors has appointed and transferred officers

- Mobilizing and appointing Mr. Pham Gia Vinh, from the position of Chief of Technical – QA Department to the position of Director of Dong Nai 2 Battery Enterprise (instead of Mr. Le Van Nam).
- Mobilizing and appointing Mr. Le Huu Ly, from the position of Deputy Chief of Technical – QA Department to the position of Deputy Director of Dong Nai Battery Enterprise (instead of Mr. Tran Manh Thang).
- Mobilizing and appointing Mr. Vo Duy Minh from the position of Chief of Technical – QA Department of Dong Nai Battery Enterprise to the position of Deputy Chief of Mechanical – QA Department in charge of mechanism and electricity (instead of Mr. Le Huu Ly).



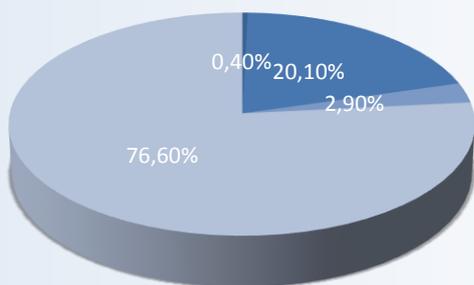
# SITUATION OF OPERATIONS

## ❖ Employees policy

### Labor structure of the company in 2016

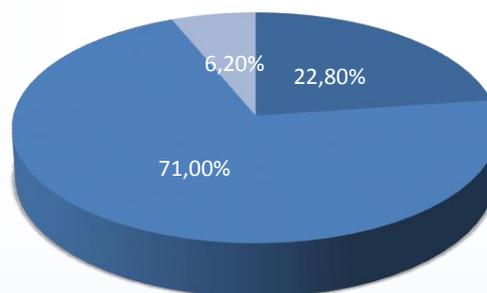
No.	Criteria	Quantity	Rate
<b>A</b>	<b>Education level</b>	<b>1,136</b>	<b>100%</b>
1	Post-university	5	0.4%
2	University	228	20.1%
3	College	33	2.9%
4	Others	870	76.6%
<b>B</b>	<b>Type of labor contract</b>	<b>1,136</b>	<b>100%</b>
1	Definite term	259	22.8%
2	Indefinite term	807	71.0%
3	Seasonal labor contract (timework)	70	6.2%

#### Under education level



■ Post-university ■ University ■ College ■ Others

#### Under labor contract



■ Definite term labor contract  
 ■ Indefinite term labor contract  
 ■ Reasonal labor contract (time-work)

## Personnel - Salary

- Based on the results of the survey in 2015, the Company reviewed, formulated and drafted the regulations on salary and bonus in line with the actual performance to submit to the General Director and the Board of Directors for approval.



- Building and assigning cost management, cost price for each product, each unit that both encourages emulation for award and helping increase productivity of the company.
- Coordinating with Technical – QA Department and Planning Department to integrate "Quality objectives" and KPIs for easier implementation.
- Signing health insurance contracts, accident insurance 24/24 for all employees. In addition, the Company has implemented the life insurance package for staffs throughout the company as recognition of the contribution of employees to the development of the company, ensuring the material and spirit life for the employees to be peace of mind to work.

## Emulation movement and social work

- During the year, two emulation campaigns were launched in Quarter 1 and Quarter 4/2016 to complete the business plan. Continuing to maintain the movement of cost-saving competition, labor protection, polite and spacious offices, cafeteria, innovation, ...
- Taking care of the lives of employees, retired people, supporting workers with difficult family circumstances, support for localities, nurturing elderly people, orphans and disabled children.

# SITUATION OF OPERATIONS

## FINANCIAL SITUATION

### ❖ Financial targets

Unit: VND

Target	2015	2016	% increase, decrease
Total assets	1,264,214,065,772	1,684,003,013,235	33.21%
Total revenue	2,260,209,841,679	2,537,379,612,088	12.26%
Net revenue	2,094,677,384,213	2,290,907,630,122	9.37%
Profit from operating results	121,373,968,131	158,944,775,360	30.95%
Other profits	-422,126,863	1,428,219,912	-
EBT	120,951,841,268	160,372,995,272	32.59%
EAT	90,476,338,470	121,341,940,590	34.11%
DPS/F	75%	(*)22%	(70.67%)

(\*) Advanced 12% by cash, expected 10% more to be approved by AGM



In 2016, the total assets of the company reached over 1.684 million VND, increased by 33.21% as compared to 2015. Assets increased mainly in short-term assets, of which short-term financial investment increased by 133.41%, Inventory increased by 28.68% over the beginning of the year. Over the past year, the Company has made good use of the advantage of preferential loan interest rate difference and investment interest in term deposits of less than one year to create high efficiency in the field of financial management.

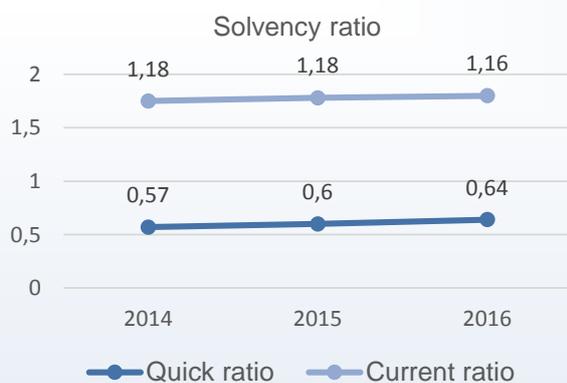


In 2016, total revenue reached 2,537 billion VND, increased by 12.26% over the same period. Meanwhile, EBT reached 160 billion VND, increased 32.59%. To achieve this result, last year the company focused on developing distribution system. At the same time, the cost control has been taken seriously and synchronously, contributing to the profit growth in the past year.

## ❖ financial ratios

Targets	Unit	2015	2016
<b>Solvency ratio</b>			
Current ratio (Current assets/Current debts)	Time	1.18	1.16
Quick ratio (Current assets - Inventories)/ Short-term debts	Time	0.60	0.64
<b>Capital structure ratio</b>			
Debt/Total assets ratio	%	59.97	66.23
Debt/Owner's equity	%	149.79	196.11
<b>Operation capability ratio</b>			
Inventory turnover ratio <i>Cost of goods sold/Average inventory</i>	Round	4.07	3.79
Total assets turnover <i>Net revenue /Total average assets</i>	Round	1.67	1.55
<b>Target on profitability</b>			
EAT/Net revenue ratio	%	4.27	5.30
EAT/Average owner's capital ratio	%	17.78	22.58
EAT/Total average assets ratio	%	7.19	8.23
Operating results/Net revenue ratio	%	5.73	6.94

Generally, the financial situation of the company was relatively stable last year. Financial ratios did not change much. Specifically:



Ratios of solvency of the Company were maintained stable. Short-term solvency ratio > 1, which showed that the Company's ability to pay due debts was always guaranteed. Apart from inventory, which accounted for about 45% of short-term assets, other items had high liquidity, ensuring the Company's solvency.

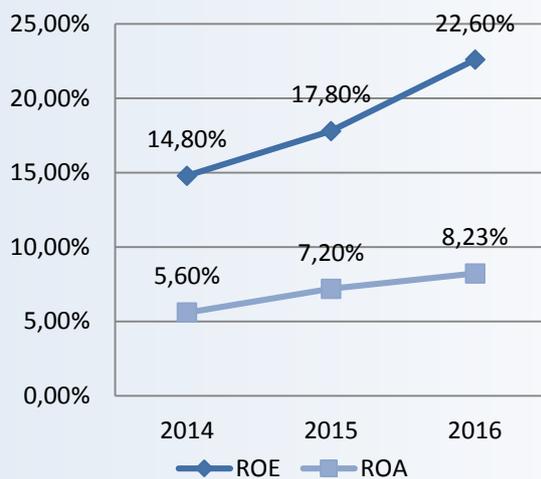
# SITUATION OF OPERATIONS

**Operation capability ratio**



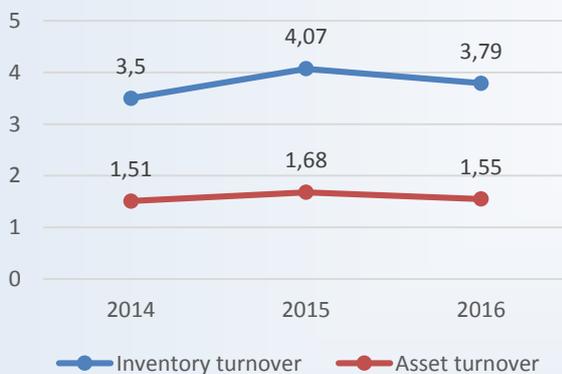
Last year, the operation capability ratio decreased slightly due to the investment in many projects, these projects were in the process of implementation and they has not yet come into operation, thus not bringing revenue to the Company. However, some of the projects have been and will be completed by 2017, so the expected performance of the company will increase sharply in the future.

**Profitability ratio**



Profitability ratio of the company tended to increase sharply through the years. The reason was that the Company has applied uniform revenue growth measures such as focusing on improving the quality of each product through the application of technology transfer from Europe, Japan and new machinery and equipment of Austria, USA, Germany, England, Italy, etc,... and use the bar code system to prevent warranty fraud while ensuring product prestige while saving the company warranty costs.

**Operation capability ratio**



In 2016, the company has invested in many projects such as the construction of negative plate workshops in Saigon Battery Enterprise or projects to increase the capacity of the battery factories by loans. This has led to a change in the Company's capital structure towards greater debt use. However, these loans were secured by assets with high liquidity so the risk was reduced significantly.

## SHAREHOLDERS STRUCTURE

### Shares

- Total number of shares : 46,471,707 shares
  - Treasury stock : 0 share
  - Outstanding shares : 46,471,707 shares
- Type of shares : Common shares
- Par value : 10,000 VND/share

### Shareholders structure (closing on 15/3/2017)

Type of shareholder	Quantity (shareholder)	Quantity (share)	% of charter capital
<b>Total</b>	<b>2,322</b>	<b>46,471,707</b>	<b>100%</b>
<b>Domestic shareholder</b>	<b>2,101</b>	<b>34,982,992</b>	<b>75.28%</b>
Institutional	34	24,119,901	52%
Individual	2,067	10,863,091	23%
<b>Foreign shareholder</b>	<b>221</b>	<b>11,488,715</b>	<b>24.72%</b>
Institutional	40	10,988,012	24%
Individual	181	500,703	1%

### List of large shareholders

STT	Tên cổ đông	Quantity (share)	Value under par value (VND)	Percentage of ownership
1	VIETNAM NATIONAL CHEMICAL GROUP	23,898,273	238,982,730,000	51,43%
2	THE FURUKAWA BATTERY CO., LTD.	4,899,708	48,997,080,000	10,54%

### Changes in owner's equity

In the year, the Company sold treasury shares and issued shares to increase share capital from owner's equity to pay dividends as follows:

No.	Content	Before	Change	After	Reason
1	Charter capital (VND)	309,812,930,000	154,904,140,000	464,717,070,000	Sold treasury shares and issued shares for dividend payment
2	Total shares	30,981,293	15,490,414	46,471,707	
3	Number of treasury shares	362,812	362,812	-	
4	Number of voting shares	30,618,481	15,127,602	46,471,707	

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Part III

**REPORT OF THE BOARD  
OF MANAGEMENT**

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**PINACO**

## REPORT ON OPERATING RESULTS

### ❖ Operating results

Unit: Million VND

No.	Target	2016	2015	Rate (%)
1	Revenue from sales of goods and providing services	2,537,379	2,260,210	112.26%
2	Deductions	246,472	165,532	148.90%
3	Net revenue from sales of goods and providing services	2,290,907	2,094,678	109.37%
4	Cost of goods sold	1,896,229	1,744,355	108.71%
5	Gross profit from sales of goods and providing services	394,678	350,322	112.66%
6	Revenue from financial activities	26,883	19,873	135.27%
7	Financial expenses	24,153	39,189	61.63%
-	<i>Of which: Interest expenses</i>	13,710	9,590	142.96%
8	Sales expenses	173,180	171,202	101.16%
9	Administration expenses	65,282	38,429	169.88%
10	Net profit from operating activities	158,944	121,374	130.95%
11	Other incomes	1,762	2,060	85.53%
12	Other expenses	334	2,481	13.46%
13	other profits	1,428	(422)	-338.39%
14	Total profit before tax	160,373	120,952	132.59%
15	Applicable corporate income tax expense	45,797	35,456	129.17%
16	Deferred corporate income tax expense	(6,766)	(4,981)	135.84%
17	Profit after tax	121,342	90,476	134.12%
18	Earning per share (VND/share)	2,394	1,733	138.14%

## ❖ General situation

The year of 2016 was a very successful year in the company's business activities in general and each enterprise in particular with the comprehensive completion, exceeding all the targets set out early this year. To achieve such impressive results was due to the continuous efforts of all employees of the Company; Besides, it was the right direction of development strategy and suitable with the market demand of the Board of Management. All have created the PINACO brand leader in the country in terms of both quality and price of each product. Quality management system operated efficiently, quality consciousness was strengthened to help the Company control production process and minimize quality defects.

### ➤ Advantages

In 2016, the economic situation was difficult but the macro factors such as inflation, interest rates, exchange rates were kept relatively stable to create favourable conditions for production and business.

Materials prices were low although the price of lead and zinc has increased significantly in the last two months of the year, but prices have been steadily stable at 1,700-1,800 USD/tonne, leading to significant savings in input costs.

Strong brand, stable product quality and constant improvement created confidence for customers, contributing to enhance the competitiveness of the PINACO products on the market.

### ➤ Disadvantages

The economy of Vietnam in 2016 has faced many difficulties due to the impact of climate change such as drought, salt marshes in the Mekong Delta, environmental incidents, floods in the Central Region has affected not only the product consuming activities inland, but also affect the activities of exporting goods abroad.

In addition, the company's production has encountered difficulties in some phases, such as: slab molding, metamorphosing, lead powder has reached its peak capacity, so the Company had to import lead powder with high cost to have enough lead powder for production.

In addition, last year, the competition between companies in the same industry was harsh in terms of price, product structure and marketing strategies to dominate the market.

With the difficulties and advantages as mentioned above and the unceasing efforts of the staff of employees and the Board of Management, last year, the company has achieved remarkable results as follows:

Target	Unit	Plan 2016	Actual 2016	(%) YoY
Revenue	Billion VND	2.440	2.537	103,99%
EBT	Billion VND	130	160	123,36%
Dividend	%	>=12	(*)22	183,33%

(\*) Advanced 12% by cash, expected 10% more to be approved by AGM

In 2016, PINACO has exceeded the targets set with revenue of 2,537 billion VND, increased by 112.26% as compared to 2015 and achieved 103.99% of the set plan. Thanks to good financial investment and good management of input costs, last year EBT reached 160 billion VND, increase by 132.59% as compared to the same period in 2015 and reached 123.36% as compared to the set plan.

#### ➤ Markets and consumption of products

The flexible sales policy, consistent with each market combined with the ongoing promotions and reviewing activities, the replacement of some distributors, agents lacking capacity has helped the company successfully compete, maintain its leading position, steadily increase sales across all domestic markets.

In the export market, despite the drastic competition with other products, the company has maintained its traditional markets and opened new markets: Afghanistan, Indonesia and Syria... Export revenue reached over 21 million USD, increased by 8% as compared to last year.

Communication, advertisement and promotion activities have been carried out with the largest scale and cost ever. Publicity activities on the 40<sup>th</sup> anniversary of the company had a huge transmission capacity to the public. In addition, sponsor AFF Cup 2016 has brought PINACO image to fans in 11 Southeast Asian countries.

#### ➤ Engineering - Production

The specialization of group-based production among enterprises helped increase labor productivity, save costs and contribute to the company's ability to meet the rising demand of the market in the condition that the production was in the peak capacity and the investment did not meet the schedule.

The quality management system was operating efficiently and the quality consciousness has been strengthened and the Company has been in control of the whole production process and minimizing quality defects.

Currently, PINACO's products have been supplied to major automobile manufacturers such as Thaco, Ford, Hyundai, Mercedes Benz, Honda, Yamaha, Suzuki ...

Implementing vigorously search for alternative sources of raw materials at competitive prices, partly replacing imported lead, zinc, and caps from domestic sources to reduce costs and reduce reliance on imports. The company has also supported domestic suppliers to step by step rectify the management work to ensure the quality of supplies.

## ➤ Investment and development research

In order to meet market demand in time, the Company invested a complete a R6 dry cells line, a motorbike storage battery assembly line, CMF wet charging system and a number of retail equipment to serve dry cell and battery production with a total expense of 113.12 billion VND.

Research into the development of product lines: Hybrid batteries for trucks, Tubular batteries for forklifts, ISS batteries for cars, motorcycles. The company also discussed with FB partner on a strategic partnership agreement and the transfer of hi-tech battery technology.

## ➤ Financial management

In 2016, the company continued to closely monitor exchange rate fluctuations, interest rates to negotiate with banks to achieve the most reasonable interest rates.

The cash flow management was effectively implemented, ensuring liquidity and taking advantage of unemployed capital deposited in prestigious banks, bringing in 26.88 billion VND in revenue, increased by 35.27% as compared to 2015.

In addition, strict management of inventory costs, customer debts didn't generate any bad debts. Inventory turnover rate reached 3.38 rounds/year.

The Company also maintained regular activities of the Internal Control Board to promptly correct errors and ensure compliance with the procedures of all activities of the Company.

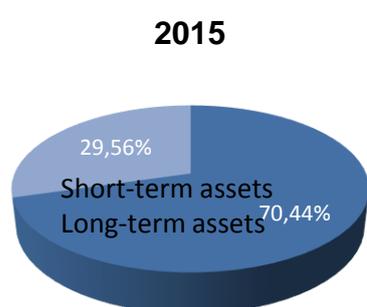
## ➤ Projects of exploitation of facilities in HCMC:

- *The project of building the Business Center and Office Building at 445-449 Gia Phu:*
  - The partner has been issued the Building Permit, PINACO has handed over the whole premises, by quarter 1/2017 has received the relocation support cost was 21 billion VND. The remaining amount will be received in Q2 / 2017.
- *The cooperative project for the facility at 752 Hau Giang:*
  - The company has been urgently preparing for the relocation of Eagle Battery Enterprise to Tan Tao Industrial Park after completion of anti-settlement, premises improvement and transfer of battery production to Dong Nai. It is expected that by the end of 2018, it will be completed the relocation of the Eagle Battery out of the old side of Saigon Battery.
  - The company received the 1<sup>st</sup> advance in November 2016 with the amount of 03 billion VND of cost support for relocation from the partner. In the second quarter of 2017 will continuously receive 5 billion VND and the remaining relocation cost support will be received after PINACO completing handover of the premises.

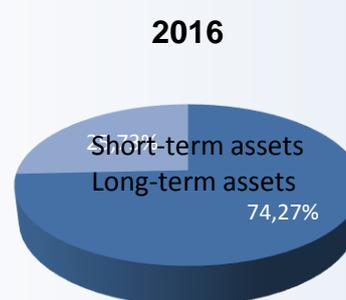
## FINANCIAL SITUATION

### ❖ Assets situation

Target	Unit	2015	2016	% increase, decrease
Short-term assets	Million VND	890,569	1,250,694	40,44%
Long-term assets	Million VND	373,644	433,308	15,97%
<b>TOTAL ASSETS</b>	Million VND	<b>1,264,213</b>	<b>1,684,002</b>	<b>33,21%</b>



■ Tài sản ngắn hạn ■ Tài sản dài hạn



■ Tài sản ngắn hạn ■ Tài sản dài hạn

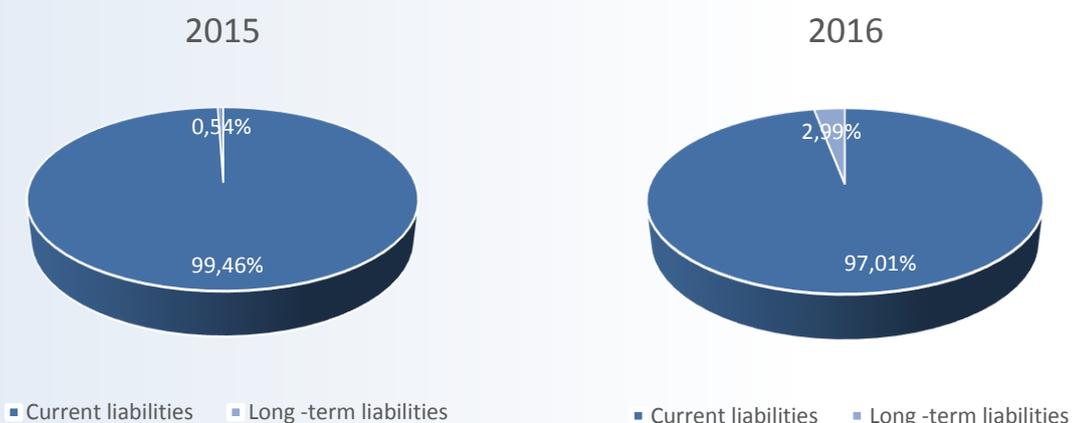
In 2016, total assets of the company reached 1,684 billion VND, increased by 33.21% as compared to 2015; Of which, short term assets increased by 40.44%; Long-term assets increased by 15.97%. Short-term assets increased mainly in short-term financial investments and inventories. Specifically, in the short-term financial investment increased by 133.41% as compared to the same period in 2015, reached 466 billion VND. The reason was that the company took advantage of the difference in deposit interest rates (including VND fluctuated between 3% -5% and USD fluctuated around 1.5%) and interest rates on term deposits for over 3 months and less than 1 year with

interest rates ranging from 6.7% to 9.75% to boost financial performance, creating great investment efficiency. Inventory as of 31/12/2016 reached 562 billion VND, increased by 28.68% as compared to the same period in 2015, mainly finished battery. Long-term assets of the Company at the end of 2016 reached 433 billion VND, increased by 15.97% as compared to 2015. Long-term assets increased mainly due to increased investment in upgrading projects of a number of battery workshops and the expansion of the battery factory in the North to expand the market there.

# REPORT OF THE BOARD OF MANAGEMENT

## ❖ Liabilities

Target	Unit	2015	2016	% increase, decrease
Current liabilities	Million VND	753,980	1,080,483	43.30%
Long-term liabilities	Million VND	4,123	33,803	744.12%
<b>Total liabilities</b>	Million VND	<b>758,103</b>	<b>1,115,286</b>	<b>47.12%</b>



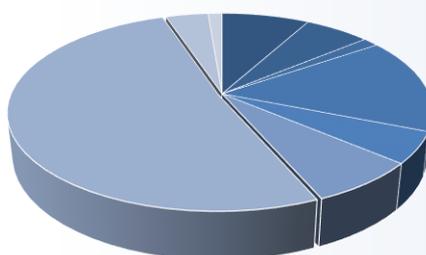
The chart above shows that in the structure of the Company's debt is mainly short-term debt; As of 31/12/2016, short-term debt was 1,081 billion VND, accounting for 97.01% of the Company's total loans.



Target	Unit	31/12/2016	Percentage
Short-term payables to sellers	Million VND	86,499	8.01%
Short-term prepaid by buyers	Million VND	64,669	5.99%
Taxes and payables to State	Million VND	15,817	1.46%
Payables to employees	Million VND	168,980	15.64%
Short-term expense payables	Million VND	55,586	5.14%
Other short-term payables	Million VND	78,597	7.27%
Short-term loans and financial leases	Million VND	588,632	54.48%
Short-term provision payables	Million VND	7,837	0.73%
Bonus, welfare fund	Million VND	13,865	1.28%
Total short-term liabilities	Million VND	1,080,482	100.00%

Details of loans of the company are as follows:

- Short-term payables to sellers
- Short-term prepaid by buyers
- Taxes and payables to State
- Payables to employees
- Short-term expense payables
- Other short-term payables
- Short-term loans and financial leases
- Short-term provision payables
- Bonus, welfare fund



In the short-term debt structure of the Company, short-term loans and finance leases accounted for 54.48%, reaching 588 billion VND. In which, debt in USD reached about 280 billion VND, accounting for about 47% of total short-term debts. The USD loan had an interest rate of 1.5% per annum, which is the preferential interest rate applied by the banks to the Company due to Pinaco's high reputation for repayment of due debts.

In addition, the items of payables to sellers and prepaid by buyers were relatively high, showing Pinaco's reputation in paying debts to suppliers and loyal customers. Thus, in 2016, the financial performance of the Company was stable and highly effective, meeting the capital demand for business and contributing to the high profit result in the past year.

## DEVELOPMENT PLANS IN THE FUTURE

### ❖ Judgment of general situation

In 2017, macroeconomic forecasts will continue to be more prosper, positive: macroeconomics is stable and general business environment is more favourable. However, Vietnam's economy may still be affected by China's economic turmoil and changes in U.S. trade policy, the trend of trade protection of the regional trade of developed countries.... Therefore, opportunities and challenges are likely to be at a higher level than in 2016.

#### ➤ Advantages

Currently, the stock situation at distributors/dealers at reasonable levels facilitates to increase sales right from the first months of the year. In addition, the company is on the good growth, efficiency and stability; A healthy financial position along with a strengthening brand reputation are fundamental factors that help the company maintain its competitive advantage in the market.

#### ➤ Disadvantages

In the coming years, prices of materials and raw materials will increase again according to oil prices; Inflationary pressures, the downward pressure on the VND against the US dollar and the impact of devaluations on the Renminbi will increase input costs, while exerting competitive pressure on export markets. In addition, the competition among battery companies is increasingly fierce and extends in many aspects: quality, price and advertising, marketing, promotion. In addition, the relocation of the Eagle Battery Enterprise, re-planning the production of battery plants while the production is at its peak and the market demand is still high has forced PINACO to both renovate the premises, receive investment and relocate machines and production to meet sales requirements is a very difficult task.

## ❖ Targets, plans of production - business

Target	Unit	Plan 2017
Value of industrial production	Billion VND	2.547
Total revenue	Billion VND	2.750
EBT	Billion VND	165
Total investment	Billion VND	141,23
- Construction	Billion VND	9,75
- Equipment	Billion VND	108,84
- Other	Billion VND	22,64

## ❖ General tasks:

- 1. Revenue: 2,750 billion VND; Profit of 165 billion VND; Employee income increases by 5% as compared to 2016.*
- 2. Investing to raise the battery capacity to 2.2 million kwh per year and arranging and planning the battery production to 2 factories in Dong Nai.*
- 3. Completing the renovation of the former Saigon Battery Enterprise to prepare for the relocation of the Eagle Battery Enterprise in the following year.*
- 4. Signing strategic cooperation agreement with FB to develop high technology battery and expand cooperation into business field.*
- 5. Building and strengthening corporate culture based on Pinaco's cultural tradition and 4C core values.*

## ❖ Specific orientations, methods

### ➤ Consumption - market

Having a flexible, consistent sales policy, combined with trade marketing programs to successfully compete on each point of sale.

Continuing the planning of the distribution system in the direction of separating the distribution of the storage batteries and checking, replacing suppliers who fail to meet the requirements.

Caring for large household businesses: caring thoughtfully to maintain traditional customers, supporting sales of spare part channel, and finding new, larger customers.

Renovating the website interface, adding the function of selling online. Simultaneously enhancing interaction with customers through promotions, advertising, social networks like facebook, zalo, etc.

Promoting exports to traditional markets; supporting consumption for new markets in 2016, such as: Afghanistan and Syria, and focusing on developing new markets, especially in Africa.

### ➤ Engineering - production

Regulating production reasonably to maximize the existing production capacity to timely meet the consumption demand and successfully deploying the program of re-planning battery production and relocating the Eagle Battery Enterprise.

Strengthening the inspection and periodical reviewing enterprises on quality management and product quality, and promoting the role of QA network for the quality management system will be effective and effective.

Continuing to evaluate the use of cheap raw materials and screening, replacing less competitive suppliers to reduce costs. Regularly checking to ensure the suppliers comply with the quality requirements. Controlling Inventory of materials to increase the efficiency of using capital, contributing to reduce costs, lower cost prices.



➤ **Investment, research and development**

Continuing to complete the investment projects of 2016: frame molding machine, lead powder system, zinc rolling line, PA battery assembly line ... Implementing new investment projects in 2017: R6-600 dry cell assembly, automotive battery assembly line and factory construction works for relocating and planning production.

Cooperating with FB to transfer ISS technology to automotive, motorcycle, industrial battery for telecommunication and other applications.

Continuing research on the development of tubular battery lines for forklifts.

➤ **Others**

Coordinating with the units to convert the new salary system, deploying to assign KPIs personally to evaluate the performance of the work.

Strengthening propaganda, explaining to the staff to understand and agree on relocation policy, production planning of the company. Studying to have policies to help and provide employees who will be affected during the implementation process.



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Part IV

**EVALUATION OF THE  
BOARD OF  
DIRECTORS**

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**PINACO**

## Evaluation on the Company's operations in the year

### ➤ Situation of the company's performance in the year

In 2016, the economy growth was not high, but the macro factors are relatively stable, quite favorable for the production and consumption of products. Prices of main imported materials: lead and zinc prices were stable at low level from 1,700-1,800 USD/tonne, low input costs, therefore, the profit target was quite favorable.

Reasonable sales promotion policies have created outstanding competitiveness in the domestic market.

The OEM market, export market, in addition to good maintenance with old customers, in the year, the Company have developed new customers such as Hyundai Thanh Cong, Daehan Kolao, TCL, Legacy supermarket and 3 export markets: Indonesia, Afghanistan and Syria.

Advertising, promotion, media, and publicity of the 40<sup>th</sup> anniversary of the company's establishment to the employees, distributors/outlets, customers, consumers and the sponsor AFF Cup 2016 has brought the image of PINACO to fans of 11 Southeast Asian countries.

The resolution of the AGM in 2016 approved the business plan with the target: revenue of 2,440 billion VND, profit of 130 billion VND, dividend of 12% (1,200 VND). In 2016, the company strived to fulfill its plan, specifically: achieved 2,537 billion VND, exceeding 97 billion VND as compared to the original plan, reached 160 billion VND of profit, exceeding 30 Billion VND as compared to the plan. In terms of dividends, the company has fully paid 12% of cash (1<sup>st</sup> time by 7% in August 2016, 2<sup>nd</sup> time by 5% in April 2017), therefore, the dividend plan of 2016 was completed. However, with the business results achieved, the Board of Directors expected to pay dividends for 2016 at 22% and paid in cash. If approved by the AGM, the remaining 10% will go through soon after having the resolution of the General Meeting of Shareholders.

➤ **Activities, remuneration and operating expenses of the Board of Directors and each member of the BOD in the year**

**Board of Directors' performance**

In 2016, the Board of Directors held 14 meetings and issued 23 resolutions/decisions, specifically:

No.	Resolution/Division No.	Date	Content
1	No. 42/NQ-HDQT/2016	11/01/2016	Unanimously selected the plan to relocate the Eagle Battery Enterprise.
2	No. 94/NQ-HDQT/2016	29/02/2016	Approved the business plan and investment plan for construction in 2016.
3	No. 95/NQ-HDQT/2016	29/02/2016	Approved the Application for resignation of Mr. Lam Thai Duong from the position of Chairman of the Board of Directors and Member of the Board of Directors of the Dry Cell and Storage Battery Joint Stock Company of the term 2012-2017, from 29/02/2016.
4	No. 96/NQ-HDQT/2016	29/02/2016	Approved the election of Mr. Phan Van Tien, former head of the Board - Representative of Vietnam Chemical Group, as a member of the Board of Directors, Chairman of the Board of Dry Cell and Storage Battery Joint Stock Company for the term 2012-2017. The BOD agreed to submit to the General Meeting of Shareholders to approve Mr. Phan Van Tien to officially become a member of the Board of Directors,

			Chairman of the Company's Board of Directors at the nearest General Meeting of Shareholders.
5	No. 133/NQ-HDQT/2016	16/03/2016	Approved the date of holding the General Meeting of Shareholders in 2016 (07/05/2016) and the plan to sell treasury shares.
6	No. 134/QD-PA	16/03/2016	Approved the authorized representative and management of capital contribution at Think Phat Real Estate Co., Ltd.
7	No. 173/NQ-HDQT/2016	09/04/2016	Passed the principle of determining the selling price of treasury shares.
8	No. 217/NQ-HDQT/2016	09/05/2016	<p>Passed the program of the Annual General Meeting of Shareholders of Pinaco and submitted to the General Meeting of Shareholders 2016 for approval.</p> <p>Passed the Report of the Board of Directors in 2015; Remuneration activities of the Board of Directors in 2015, direction of activities in 2016, submitted to the General Meeting of Shareholders 2016 for approval.</p> <p>Passed the report of the Board of Management in 2015; Results of production and business activities of the Board of Management in 2015, orientations and tasks in 2016, submitted to the General Meeting of Shareholders 2016 for approval.</p> <p>Approved the summary of audited</p>

## EVALUATION OF THE BOARD OF DIRECTORS

			<p>financial statement of 2015, submitted to the Annual General Meeting of Shareholders 2016 for approval.</p> <p>Approved the plan of profit allocation to pay dividends in cash of the year 2015, submitted to the General Meeting of Shareholders 2016 for approval.</p> <p>Approved the amendment of the content of the Charter of the company to comply with the Law on Enterprises in 2014, effective from 01/07/2015, submitted to the General Meeting of Shareholders 2016 for approval.</p> <p>Approved the plan to issue shares to increase share capital from owners' equity, submit to the General Meeting of Shareholders 2016 for approval.</p> <p>Approved the additional election of members of the Board of Directors, submitted to the General Meeting of Shareholders 2016 for approval.</p> <p>Approved the plan to select the auditing company in 2016, submitted to the General Meeting of Shareholders 2016 for approval.</p>
9	No. 232/QD-HDQT/2016	10/05/2016	Approved the election of Mr. Phan Van Tien to hold the position of Chairman of the Company for the term 2012-2017.
10	No. 233/QD-HDQT/2016	10/05/2016	Approved the election of Ms. Nguyen Thi Ngoc Anh as the Head of the Inspection

			Committee for the term 2012-2017.
11	No. 246/QD-HDQT/2016	27/05/2016	Agreed to pass the implementation of the plan to issue shares to increase share capital from the owner's equity to submit to the State Securities Commission.
12	No. 268/QD-PA-HDQT	14/06/2016	Approval of the investment project of producing lead powder 30 tonnes/day in Dong Nai 2 Battery Enterprise.
13	No. 269/QD-PA-HDQT	14/06/2016	Approval of the plan of selecting contractors to invest in the production of lead powder plant with 30 tons /day at Dong Nai 2 Battery Factory.
14	No. 284/QD-PA	21/06/2016	Regulated on the establishment, management and use of reward sources for managers.
15	No. 339/NQ-HDQT/2016	01/08/2016	Approved to increase charter capital of the Company.
16	No. 340/NQ-HDQT/2016	01/08/2016	First dividend payment in 2016 (7%).
17	No. 399/NQ-HDQT/2016	19/09/2016	Passed the assignment of duties to the members of the Board of Directors, the Company Secretary. Approved the investment plan in 2016. Approved the divestment of Viet Gia Phu Real Estate Company Limited.
18	No. 400/NQ-HDQT/2016	19/09/2016	Passed the change of the person disclosing information.
19	No. 494/NQ-HDQT/2016	10/11/2016	Passed the nomination of leadership positions.

## EVALUATION OF THE BOARD OF DIRECTORS

20	No. 608/QD-PA-HDQT	28/11/2016	Promulgated amendments to the Regulation on organization and Personnel.
21	No. 622/QD-PA-HDQT	08/12/2016	Issued the amendment of regulations on corporate governance.
22	No. 623/QD-PA-HDQT	08/12/2016	Issued the amendment of regulations on financial management.
23	No. 624/QD-PA-HDQT	08/12/2016	Issued the regulations on debt management.

**Total remuneration of the Board of Directors in the year was 396,000,000 VND, of which:**

- *Remuneration of the Chairman of BOD: 108,000,000 VND.*
- *Remuneration of members: 288,000,000 VND.*

### **Operations of each member of BOD**

- Mr. Phan Van Tien – Chairman of BOD.

Organizing and presiding at meetings, issued resolutions and decisions of the Board of Directors. Directing the drafting of internal regulations of the company.

- Mr. Tran Thanh Van- Member of BOD/CEO.

Studying the company's development strategy, directing the operation of the production and business apparatus, organizing the staff and monitoring the financial situation.

- Mr. Ngo Dinh Luyen – Member of BOD.

Supervising plans of production and business of the company.

- Mr. Cao Trong Mien – Member of BOD.

Supervising plans of new product development and investment projects of the company.

- Ms. Pham Kieu Diem – Member of BOD.

Supervising development of battery industry.

## ❖ Operation orientations of the Board of Directors in 2017

Based on the forecasts of the world economy and Vietnam, based on the five year development plan (2016-2020), the Board of Directors set out the business plan in 2017, the orientations of governance, management including some following contents.

### **Business targets in the year**

- Total revenue: 2,750 Billion VND, by 108% as compared to 2016.
- EBT: 165 Billion VND, by 103% as compared to 2016.
- Dividend: 15% minimum.

### **Operation orientations of the Board of Directors**

- In the short term continues to invest in retail equipment to increase capacity to meet the growth of the market, studies investment in high capacity, modern equipment, high productivity, synchronization with the concentrated production planning of the battery industry in Nhon Trach.
- Signing contracts and receiving technology transfer of production: industrial batteries, telecommunications batteries, ISS ... to have more market segments to create growth opportunities.
- Assigning targets to reduce the cost of production by 2% on the basis of promoting innovation in the management of production, technology, deployment of propaganda and saving practice against waste. .
- Directing implementation of the relocation of the Eagle Battery Enterprise, in conjunction with the battery sector plan, collecting compensation for the production facility at 752 Hau Giang.

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Part V

**CORPORATE  
GOVERNANCE**

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**PINACCO**

## BOARD OF DIRECTORS

### ❖ Members and structure of the Board of Directors

No	Full name	Position	Member	Rate of holding shares at PAC	Type of holding shares at PAC
1	Phan Van Tien	Chairman of BOD		0%	Individual
				21.43%	Representative of VN National Chemical Group
2	Tran Thanh Van	Member of BOD cum CEO	Executive member	0.27%	Individual
				20.00%	Representative of VN National Chemical Group
3	Ngo Dinh Luyen	Member of BOD		0.05%	Individual
				10.00%	Representative of VN National Chemical Group
4	Cao Trong Mien	Member of BOD		0.01%	Individual
5	Pham Kieu Diem	Member of BOD		0.17%	Individual

### ❖ Subcommittees of the BOD: No

### ❖ Operations of BOD:

#### Meetings of BOD

No.	Full name	Position	Number of meeting attended	Rate	Note
1	Lam Thai Duong	Chairman of BOD	3/3	100%	T01-T02/2016
2	Phan Van Tien	Chairman of BOD	11/11	100%	T02-T12/2016
3	Tran Thanh Van	Member of BOD	14/14	100%	
4	Ngo Dinh Luyen	Member of BOD	14/14	100%	
5	Pham Kieu Diem	Member of BOD	14/14	100%	
6	Cao Trong Mien	Member of BOD	14/14	100%	

#### Resolutions/Divisions of the Board of Directors

In 2016, the Board of Directors held 14 meetings and issued 23 resolutions/decisions (detailed in the Report of the Board of Directors on page 54).

# CORPORATE GOVERNANCE

## ❖ List of members of the Board of Directors possessing certificates on corporate governance

All members of BOD have the certificates on corporate governance.

No.	Full name	Position	Rate of holding share at PAC	Note
1	NGUYEN THI NGOC ANH	Head	0.006%	
2	TA DUY LINH	Member	0.084%	
3	BUI THU HANG	Member	0%	

## INSPECTION COMMITTEE

### ❖ Members of Inspection Committee

### ❖ Operations of the Inspection Committee in the year

#### 1 – Personnel and remuneration of the Inspection Committee.

- Staff of the Inspection Committee of the term 2012-2017 (first 04 years) consists of 03 members:
  - + Mr. Ta Duy Linh : Head, holding concurrently
  - + Mr. Vu Nhat Tam : Member
  - + Ms. Vo Thi Cam Hong : Member
- Staff of the Inspection Committee of the term 2012-2017 (01 last year) consists of 03 members:
  - + Ms. Nguyen Thi Ngoc Anh : Full-time Head
  - + Mr. Ta Duy Linh : Member
  - + Ms. Bui Thu Hang : Member
- The total remuneration of the Inspection Committee in the year is 132 million VND (Pursuant to Resolution No. 196/PA-HDQT dated April 26, 2014 approved by the Annual General Meeting of Shareholders in 2014). Of which:
  - *Remuneration of Head of IC* : 36,000,000 VND
  - *Remuneration of members* : 96,000,000 VND

## ❖ List of members of IC having the professional certificates

All members of the Inspection Committees have the certificates on accounting.

### 2 – Operations of the Inspection Committee.

- During the year, attending the meetings of the Board of Directors, making comments directly to the lawfulness of the resolutions and decisions of the Board of Directors and the General Director;
- Participating with the Internal Control Board of the company to carry out the control of the implementation procedures at its affiliates.
- In the first quarter of 2017, to implement:
  - + Verification of the audited financial statement in 2016;
  - + Assessment of the implementation of the company's production and business plan in 2016;
  - + Assessment of compliance with the Charter, Resolutions of the General Meeting of Shareholders/Board of Directors, resolutions, decisions, regulations and directives of the Group/Company;
  - + Evaluating the management and operation of the Board of Directors, General Director;
  - + Evaluating the observance of the law on the management and use of capital; promulgation and implementation of financial regulations, internal regulations of company, the distribution of profits, the establishment and use of funds;
  - + Evaluating the implementation of the salary, remuneration, bonus, responsibility allowance and other benefits for employees and managers in accordance with the provisions of law;
  - + Evaluating the cash flow management, salary fund settlement, inventory and implementation of norms;
  - + Evaluating the disclosure of the Company's information whether it is complete, true and in compliance with the law.
  - + Participating in organizing the AGM, ensuring that the organization of the General Meeting of Shareholders is in accordance with current regulations.
  - + Attending the Enterprise Supervisor held organized by the Entrepreneur Training School.

## ❖ Results of supervision of the Board of Inspection

### 1 – About organizational structure.

In 2016, there were changes of personnel in the Board of Directors and the Inspection Committee.

- On 29/02/2016, Mr. Lam Thai Duong resigned from the position of Chairman of the Board of Directors and resigned from the position of Board member to transfer the work, Board of Directors voted unanimously to approve the dismissal of Mr. Lam Thai Duong, and the Board of Directors was responsible for reporting to the Annual General Meeting of Shareholders for approval in 2016.
  - + At the same time, on 29/02/2016, the Board of Directors unanimously approved the additional election to replace the vacancy. The election of Mr. Phan Van Tien to hold the position of member of BOD was submitted to the Annual General Meeting of Shareholders for approval in 2016 (According to Paragraph 3, Article 156 of the Law on Enterprises and Paragraph 6 of Article 24 of the Charter of the Company).
  - + At the Annual General Meeting of Shareholders in 2016 held on May 7, 2016, elected another member of the Board of Directors, Mr. Phan Van Tien. The Board of Directors unanimously approved the election of Mr. Phan Van Tien to continue holding the position of Chairman of the Board of Directors.
- On 29/05/2017, having the applications for resignation of Mr. Vu Nhat Tam and Ms. Vo Thi Cam Hong due to inappropriate standards of members of the Inspection Committee in accordance with the new Law on Enterprises which was effective from 01/07/2015. Therefore, at the AGM of 2016, Ms. Nguyen Thi Ngoc Anh and Ms. Bui Thu Hang were elected to supplement the Inspection Committee. The Inspection Committee had the meeting to approve the election of Ms. Nguyen Thi Ngoc Anh as the Head of the IC from 07/05/2016.
- The Inspection Committee has participated in supervising the process of supplementary election, replacing members of the Board of Directors and the Inspection Committee in accordance with the Charter of the Company and the procedures of voting according to the authority of the General Meeting of Shareholders.

## 2 – Situation of production and business operations in 2016.

### \* Operating results.

No.	Target	Actual 2016	Plan 2016	Actual 2015	Comparison (%)	
					Plan	Same period
1	Value of industrial production	2,348	2,285	2,105	103%	11%
2	Total revenue	2,537	2,440	2,260	104%	12%
3	EBT	160	130	121	123%	32%
4	EAT	121	-	90	-	34%
5	Average income/01 staff/month (Million VND)	12,400	-	11,994	-	3.39%
6	EPS (VND/share)	2,394	-	1,733	-	38%
7	Dividend	(*)22%	>=12%	75%	183.33%	(70.67%)

(\*) Advanced 12% by cash, expected 10% more to be approved by AGM

## 3 – Financial situation as of 31/12/2016.

<b>1) Total assets:</b>	<b>1,684,003,013,235</b>
<b>+ Short-term assets:</b>	<b>1,250,694,693,732</b>
- Cash and cash equivalents:	107,606,270,185
- Short-term financial investment:	466,823,472,222
- Short-term receivables:	93,933,186,979
- Inventory:	562,436,767,688
- Other short-term assets:	19,894,996,658
<b>+ Long-term assets and investments:</b>	<b>433,308,319,503</b>
- Fixed assets:	303,765,087,397
- Long-term financial investments:	
- Other long-term assets:	44,698,941,601
<b>2) Total existing source of capital:</b>	<b>1,684,003,013,235</b>
<b>+ Liabilities:</b>	<b>1,115,286,365,227</b>
- Short-term debts:	1,080,482,878,072

## CORPORATE GOVERNANCE

- Long-term debts:	34,803,487,155
<b>+ Owner's capital</b>	<b>568,716,648,008</b>
- Working capital:	478,435,963,283
- Undistributed earnings:	90,280,684,725
- Other expenditure sources and funds:	

### ❖ **Comment, evaluation on management, operation of the Board of Directors, General Director**

#### **1- Board of Directors:**

- Has managed and directed the operation of the unit in accordance with the Law, the Charter of the Company, and the Resolution of the General Meeting of Shareholders as follows:

- Directing the profit distribution in 2016 in accordance with the resolution of the AGM.

- Directing the implementation of business plan in 2016 to achieve high efficiency; Both output, sales and profit exceeded the plan, profit exceeded 23.36% as compared to the plan.

- In the year, the Charter of the company was changed twice:

+ The first time: The Company has consulted the shareholders to pass the amendment of the Charter at the Annual General Meeting of Shareholders held on 07/05/2016.

+ The second time: The Company has amended the charter capital on 01/08/2016 by dividing dividend by shares from the owner's equity to change the charter capital of the Company and carried out procedures to change the Certificate of Business registration of the Joint Stock Company (14<sup>th</sup> amendment dated 22 August 2012).

- Amended and supplemented 23 resolutions and decisions serving the management and operation of production and business activities of the Company in accordance with the regulations of the State.

- Directed, amended and promulgated a number of newly statutes and regulations in line with the situation of business and production activities of the Company and the Law on Enterprises in 2014, issued on 01/07/2015.

## **2- Management, operation of the General Director:**

- It has complied with the current regulations of the State Law, the Charter of the Company, the resolutions and decisions issued by the Board of Directors.

### **\*/ Implemented the business plan in 2016.**

- All targets on output, revenue and profit exceeded the plan, in which profits exceeded 23.36% as compared to the plan.

### **\*/ Organizational management.**

- Has made, amended and submitted to the Board of Directors for approval to issue a number of regulations and internal management regulations in accordance with the State regulations, the Charter of the Company, the business situation of the unit such as: Consuming Regulations, Organization and Personnel Regulations, Corporate Governance Regulations, Financial Management Regulations, Debt Management Regulations, Collective Labor Agreement between the General Director (Employer) and Labor Union who is the representative of the employees.

### **\*/ Accounting.**

- The calculation, recording and data in the report reflect honestly according to the regime and principle within the scope of making, recording, circulation, use, storage and preservation of vouchers, ensuring legality, rationality and validity.

- The management of material costs, raw materials, labor costs, ... each stage of production helps reduce costs to increase competitiveness in the market; Management costs, financial costs achieve high efficiency.

- The contracting of raw materials, machinery and equipment, construction, services, etc., investment costs in projects, bidding and procurement shall be accounted according to regulations and approved cost estimate.

- Generally, the data reported in the Company's financial statements have honestly and reasonably reflected on the essential aspects of the Company's financial position as of 31/12/2016, operating results, and cash flows for the fiscal year ended on the same day, at once in accordance with the regimes of Vietnamese applicable corporate accounting system, standards and relevant regulations of the law.

### **\*/ Implementation of investment projects.**

- Investment projects, procurement of machinery and equipment such as R6 Dry Cell Complete Line, Motorcycle Storage Battery Assembly Line, CMF Wet Loading System, Lead Powder Production System and some retail equipment have been completed fully and put to use to increase capacity.

- Project of exploiting premises in Ho Chi Minh City which was the Land Lot 445-449 Gia Phu and 752 Hau Giang received the first advance payment in the total of 24 billion VND to support to remove from the partner (as of quarter 1/2017).

### **\*/ Implementation of audit mode.**

- The company has selected PricewaterhouseCoopers Vietnam (PWC) as the auditing company that was recognized by the Ministry of Finance and audited in June 2016.

### **\*/ Implementation of policies for workers.**

- The regimes and interests of staff - employees comply with the Labor Law, the Charter of the Company. The monthly salary payment was timely and fully, the average income/1 employee was increased by 3.39% as compared to 2015.

- The signing of contracts between employers and workers was carried out in accordance with the regulations of the State, the Labor Law as the company bought fully social insurance and health insurance for the employees and social insurance and health insurance payment has been paid timely in accordance with the regulations of social insurance.

- Political and social organizations such as the working apparatus of the Party, the Labor Union and the Youth Union have been given favorable conditions in terms of time and funds to operate in accordance with the regulations of the State and the Law on Enterprises. The regime of emulation, rewarding, domestic and foreign travelling, the movement of culture and arts, sports were always maintained.

## ❖ General petition, conclusion

### 1 – General evaluation.

- The Inspection Committee noted that there was nothing unusual in the Company's business activities. All activities have complied with the Law on Enterprises, Securities Law, the Charter of the Company and the provisions of law.

- PINACO has fully complied with the laws and regulations on the management of the Company as well as in transactions. Members of the Board of Directors, Board of Management and managers have strictly exercised their functions and duties in accordance with the Law on Enterprises, the Charter of the Company and resolutions of the General Meeting of Shareholders.

- PINACO didn't generate any disputes related to production and investment projects.

- The accounting system complies basically with the current accounting standards, making and submitting timely accounting reports to competent authorities.

- The company has implemented the information disclosure regime for listed companies in accordance with regulations.

### 2 – Petition.

- Continuing reviewing the old regulations to finalize the promulgation of new regulations to be in conformity to the current situation of the Company.

- Organizing regular and irregular inspection of the observance of internal regulations, regulations, statutes, procedures of documents of the Company, legal policies of the State in the departments, divisions of the Company, enterprises and branches to avoid errors being unrecognized as valid reasonable expenses.

- Continuously taking reasonable and effective management measures in production management, quality management, cost management; Maintaining and performing cost-saving activities such as: energy, material costs, tools put into production ..., management costs to reduce production costs, increase capacity.

- Strengthening the forecast of consumption, material and production plans in order to firmly and timely master and direct the production and business plans of the unit, taking initiative in regulating sales and reasonable prices on the market.

- Promoting the training and development of human resources, adopting appropriate policies to keep talents, developing staff policies and reasonable staff rotation in conformity with e with current time and development requirements of the Company.

## TRANSACTIONS, REMUNERATIONS AND INTERESTS OF THE BOARD OF DIRECTORS, BOARD OF MANAGEMENT AND INSPECTION COMMITTEE

### ❖ Salary, bonus, remuneration and interests in the year

No.	Full name	Position	Remuneration	Note
<b>I</b>	<b>Board of Directors</b>			
1.1	Mr. Lam Thai Duong	Chairman of BOD	18,000,000	01-02/2016
1.2	Mr. Phan Van Tien	Chairman of BOD	90,000,000	03-12/2016
2	Mr. Tran Thanh Van	Member of BOD	72,000,000	
3	Mr. Ngo Dinh Luyen	Member of BOD	72,000,000	
4	Mr. Cao Trong Mien	Member of BOD	72,000,000	
5	Ms. Pham Kieu Diem	Member of BOD	72,000,000	
<b>II</b>	<b>Inspection Committee</b>			
1.1	Mr. Ta Duy Linh	Head of IC	30,000,000	01-05/2016
1.2	Mr. Ta Duy Linh	Member of IC	28,000,000	06-12/2016
2	Ms. Vo Thi Cam Hong	Member of IC	20,000,000	01-05/2016
3	Mr. Vu Nhat Tam	Member of IC	16,000,000	01-04/2016
4	Ms. Nguyen Thi Ngoc Anh	Head of IC	6,000,000	06-12/2016
5	Ms. Bui Thu Hang	Member of IC	32,000,000	05-12/2016

### ❖ Transactions of internal shareholders and relevant parties

- Ms. Do Thi Ngan - wife of Mr. Tran Thanh Van – Member of BOD/CEO bought 26,300 shares. On 23/6/2016 closed the right to receive bonus shares: 13,180 shares - Total number of shares: 39,540 shares.
- Mr. Ngo Dinh Luyen - Board of Directors sold 10,000 shares;
- Beira Limited sold 150,000 shares (22/06/2016) - no longer as a major shareholder.
- The Furukawa Battery Co., Ltd. purchased 4,899,708 shares - becoming a major shareholder.

### ❖ Implementation of regulations on corporate governance

The Company has complied and implemented well the corporate governance in accordance with the internal regulations, the Charter of the company and regulations of the law on public companies.



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Part VI

**REPORT ON  
SUSTAINABLE  
DEVELOPMENT**

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**PINACO**

Currently, the problem of living environment is attracting the attention of all mankind. The Earth, our common home has been seriously polluted by large-scale mining, production operations of the age of modernization, industrialization, consumer society, and population growth which are quickly out of control; environmental pollution and its harmful effects on human life is getting heavier. Therefore, the protection of green - clean - beautiful environment is the duty of everyone in the world.

One of the most serious pollutants to mention is lead, which is a very toxic metal that is capable of causing cancer. This heavy metal infection will affect the nervous system in the long run, causing the activity of the fingers, wrists, ankles to weaken, blood pressure increases slightly, anemia. High doses of lead lead to serious damage to the brain, kidneys, even death.

Lead and zinc are the two main inputs used in dry cell and battery production. Recognizing the importance of environmental protection, over the years, the Company has implemented many measures to minimize the impact of production and business activities of the Company to the surrounding environment, contribute part to the goal of sustainable development in the future.



## ❖ Material resources management

In the days of competitive market mechanism, in order to survive and develop sustainably, enterprises have to change their designs and improve product quality and the matter which has no less importance is to lower the cost of production while quality is guaranteed. But to lower the price of finished products must consider the factors constituting the product, in which raw materials are one of the three important factors of the production process and the cost of raw materials accounted for a large proportion. Therefore, striving for rational and economical use of raw materials is also a key action of the Company.

Last year, Pinaco Company has step by step implemented a policy of saving raw materials in each stage of production in order to lower product cost and save natural resources. The total amount of materials consumed by the Company during the year is as follows:

No.	Name of raw material	Unit	Total
1	Lead	Tonne	23,682
2	Acid Sulphuric	Tonne	3,425
3	Electricity	KWH	26,042,138
4	Water	M3	220,702
5	Gas(liter)	L	1,805,998
6	Zinc	Tonne	1,376



In 2016, the recovery of lead and zinc scraps was carried out in all enterprises of the company. Lead waste in the production process was collected and assigned to a recycling unit for production, the rate of 62%. Ex: 10 tons of lead scrap from production recovered about 6.2 tons of input material.

Last year, the percentage of recycled materials used to produce key products and services was 62 percent. Specifically:

No.	Enterprise	Unit	Quantity of collected lead in the year
1	Dong Nai	Kg	157,657
2	Nhon Trach	Kg	505,532
3	Saigon	Kg	232,485
4	Eagle	Kg	756
<b>Total</b>			<b>896,430</b>
<b>Total materials for production (lead, zinc)</b>			<b>25,057,637</b>



## ❖ Energy consumption

Energy is a global issue, and energy has posed major challenges in the economic development of every nation; Fossil energies are running out, leading to higher prices for primary energy; The issue of coping with climate change in energy use; and energy security to ensure economic growth as well as access to energy for all. In order to cope with these challenges, the Government of Vietnam has prioritized the resolution of energy issues in its socio-economic development strategy of which particularly emphasising on Energy saving and efficient use.

As a leading enterprise of the industry, the company has made uninterrupted efforts to find solutions to save energy resources used in business activities such as:

- Replacing the led bulb for fluorescent tube has helped the company save about 8,552 kWh.
- Making proper production planning by dividing the production of product lines between factories to reduce mold replacement and increase productivity. The amount of electricity saved from this activity is about 1,398,077 Kwh.
- Application of wet charging technology for battery-free maintenance (CMF) to reduce some stages of production, reducing electricity, water, gas, ... for the type of free maintenance battery (CMF) .

**The amount of electricity, water and gas that the Company decreases during the year:**

Target	Unit	Rate %	Value
Electricity reduced	KWH	30%	646,032.50
Gas reduced	Liter of Gas	15%	22,377.07
Water reduced	M3	50%	2,559.16

Tp.Hồ Chí Minh, ngày 13 tháng 01 năm 2016.

**ĐƠN ĐĂNG KÝ SÁNG KIẾN - Ý TƯỞNG CẢI TIẾN**

Kính gửi: Hội đồng Sáng kiến Công ty

Tôi ghi tên dưới đây

TT	Họ tên tác giả	Ngày sinh	Nơi công tác	Chức vụ	Trình độ chuyên môn	Tỷ lệ % đóng góp vào việc tạo ra sáng kiến, ý tưởng cải tiến	Ký tên
1	HỒ Văn Phúc	10/10/1962	Phòng Hành chính Cty	NV	Trung cấp	100	

Đề nghị xét công nhận sáng kiến: Thay hệ thống chiếu sáng từ sử dụng bóng đèn Huỳnh Quang sang sử dụng bóng đèn led thấp sáng trong văn phòng công ty 321 Trần Hưng Đạo.

**Mô tả giải pháp:**

- Tình trạng kỹ thuật hiện tại:

Hiện nay, Văn phòng Công ty sử dụng hệ thống chiếu sáng bằng bóng đèn Huỳnh quang 1,2m, có công suất bóng đèn 40w/h + công suất tổn thất do chấn lưu 8w/h. Như vậy, công suất 1 bóng đèn Huỳnh quang 1,2m tiêu thụ là: 48w/h; hệ thống chiếu sáng này sử dụng cả ban ngày và báo vệ ban đêm; trung bình mỗi ngày sử dụng 10h, có biệt có một số bóng, sử dụng 24/24h trong ngày (như trong nhà xe gắn máy). Do đó tiêu thụ một lượng điện năng tương đối lớn.

Hiện nay, hệ thống chiếu sáng VPCT có tổng cộng: 175 bóng (trong đó có 30 bộ bóng đôi = 60 bóng đơn) và 115 bóng đơn

Các phòng như: Hội trường, nhà ăn, phòng y tế, phòng CTHDQT, phòng họp lầu 3 (có 30 bóng đơn), thời lượng sử dụng ít không cần thiết phải chuyển đổi

Số bóng đèn cần chuyển đổi: 175 - 30 = 145 bóng.

Như vậy, mỗi năm Công ty phải trả số tiền sử dụng điện thấp sáng cho 145 bóng này là:

**Bảng tính tiền sử dụng điện trong 1 năm (đồng bóng đèn Huỳnh Quang)**  
( Theo đơn giá điện trung bình của tháng 12 năm 2015)

S	Số lượng	Điện năng tiêu thụ/h	Điện năng Tiêu thụ/ngày	Điện năng Tiêu thụ/tháng (24 ngày)	Đơn giá (VND)	Thành tiền/tháng (VND)	Thành tiền/1 năm (VND)
1	145	145x4 kw = 6,96kw (6,96kw)	6,96kw x 10h = 69,6kw	69,6kw x 24 = 1.670,4 kw	2.910đ	4.860.364đ	4.860.364x12 = 58.330.368đ
<b>Tổng tiền điện chi trả cho 1 năm:</b>							<b>58.330.368đ</b>

Bảng chữ: Năm mươi tám triệu, ba trăm ba mươi ngàn, ba trăm sáu tám đồng.

## ❖ Water consumption

Water plays a special role in the life of human existence and development. Therefore, the protection of water resources is becoming a major problem of the community, in which every citizen, every business should be aware that: saving and rational use of water resources is not just save money but also protect your own life.

Last year, the amount of water used in the Company's enterprises was as follows:

Factory	Supply	Quantity of water used (m <sup>3</sup> )		
		2014	2015	2016
Dong Nai	Dong Nai Water Supply Co., Ltd.	93,145	123,145	151,287
Dong Nai 2	Vinatex Tan Tao Investment Joint Stock Company	63,159	72,400	86,022
<b>Total</b>		<b>156,304</b>	<b>195,545</b>	<b>237,309</b>

## Total water recycled and reused in the year

CONTENT	UNIT	2015	2016
Use of water after waste water treatment to wash the area of metamorphosing area	m <sup>3</sup>	1049	3,166
Installing the water circulation system to rollers	m <sup>3</sup>	300	300
<b>TOTAL</b>		<b>1,349</b>	<b>3,466</b>



## Compliance with the Law on Environmental

In 2016, the company has always fully and strictly implemented the regulations on environmental issues, so the company was not sanctioned violations of environmental laws.

### **DRY CELL AND STORAGE BATTERY JOINT STOCK COMPANY IS COMMITTED TO**

- ✓ Compliance with relevant laws, regulations and environmental requirements;
- ✓ Establishing, maintaining and continually improving the appropriate environmental management system to prevent pollution and protect the environment;
- ✓ Communicating environmental policies to all employees, contractors and related parties to ensure everyone's participation.



## Specific measures are as follows:

### ***On strengthening the apparatus for environmental protection in the unit***

Organizational structure, assignments, personnel and operating funds: From the company level to the member factories all have an Environmental Board, with the head of the Board and the standing environment committee under the direct management of the Board of Directors of the Company and the Enterprise. At the same time, planning operational budget: with operating funds from the company level to the enterprise, specifically environmental protection funds implemented in 2016: 8,308,329,462 VND.

### ***Organizing the inspection and supervision of the implementation of environmental protection***

In addition, Pinaco has implemented the environmental management system ISO14001: 2004 in member units and has been granted the Certificate of Environmental Management System ISO 14001: 2004 by BUREAU VERITAS CERTIFICATION VIET NAM LIMITED at Dong Nai Battery Enterprise; Dong Nai 2 Battery Enterprise and Sai Gon Battery Enterprise in July 2016.

In addition, the Company has reduced the adverse environmental impacts of production and social environments by strictly complying with current environmental regulations. In 2016, the company used all fixed asset depreciation funds related to environmental treatment to repair, upgrade and invest new equipment for treating waste gas, waste water, solid waste, etc... Always maintaining a clean environment to keep the health of workers and the community.

In addition, the Company has reduced the burden of environmental pollution through the control of the environment in the enterprises, including: minimizing waste directly from waste sources, collecting, sorting and storing according to the regulations of the Ministry of Natural Resources and Environment and only transfer waste to companies/units collecting, transporting, treating and disposing of waste with the functions permitted by law. At the same time, last year, the company has strengthened and cooperated closely among departments in the company in environmental protection activities; Promoting training and dissemination of environmental knowledge for all employees in the Company.

Finally, the Company periodically reviewed its proposed specific environmental objectives and set other higher environmental goals to continue to improve.



### **Environmental targets:**

+ For waste water: All enterprises of PINACO have invested in wastewater treatment system 24/24, all production waste water and domestic waste water were collected and treated to standards permitted before being discharged into the environment or discharged into the industrial wastewater treatment system. Waste water after treatment at Dong Nai Battery Enterprise was re-used, contributing to saving water use and minimizing environmental impacts and using environmental resources (re-used water: 20 m<sup>3</sup>/day).

+ For dust - exhaust gases: All enterprises of PINACO have invested in dust and exhaust gas treatment systems, all places had dust, exhaust gas, such as: Acidic gas treatment system in the metamorphosing factories of battery manufacturing enterprises, treatment systems of dust, toxic gas emitted from lead, zinc, plate sawing, assembling, etc. . .

+ For solid waste - Hazardous waste: To invest in temporary storage facilities in accordance with the regulations of the Ministry of Natural Resources and Environment. The company contracted with the functional units to collect and recycle back to use. Specifically, zinc slag, lead slag, lead scrap.

+ For domestic waste: To contract with functional units for collection, transportation and treatment.

The company always attaches great importance to environmental protection towards the goal of sustainable development with environmentally friendly activities.

## Policies related to the employees

- As of 31/12/2016, the Company had 1,136 employees.
- The company has established a Labor Protection Council to supervise the labor safety and hygiene in the whole company, such as equipping workers with appropriate personal protective equipment for each job of the employee. Developing and strictly implementing the collective labor agreement with many terms in favor of the employees. Organizing nontoxic fostering and periodical health examination and medical examination according to the State's regulations. Every year, employees are organized to go on holiday to recuperate their labor power. The government and the Labor Union regularly organize cooking competitions, sports and entertainment events to take care of material and spirit for the employees.

## Training policy

Target	Unit	Value
<b>INDIRECT</b>	Person	266
Total training number of indirect labors	Person	214
Total training hours	Hour	12,427.429
Average	Hour/Person/Year	46.72
<b>DIRECT</b>		
Total training number of labors	Person	993
Total training hours	Hour	4,292
Average	Hour/Person/Year	4.93
<b>MANAGERS</b>		
Number of managers	Person	28
Total training hours	Hour	1,555
Average	Hour/Person/Year	55.53
<b>Overall average</b>	<b>Hour/Person/Year</b>	<b>14.72</b>

## Report on responsibility for local community

### ➤ Social work, charity of the year

- In addition to caring for the employees, the company also paid attention to the employees' children and retired employees: regular allowance for 03 difficult pensioners with the amount of 1,500,000 VND/person/quarter. Offering gifts for children on the occasion of Mid-Autumn Festival and International Children's Day for 1/6 for 1,792 children with the amount of 113.965 million VND. Awarding 332 children who achieved the title of excellent student and passed the university entrance exam with the amount of 118,934 million VND, and the Labor Union of the company considered to offer the scholarship "Nguyen Duc Canh" for 17 outstanding students who overcame difficulties to study well with the amount of 18.4 million VND. Visiting and offering gifts to 131 retired cadres and workers on Traditional New Year, National Day 2/9 with the amount of 79.6 million VND. Offering gifts for 330 retired cadres and workers: 188.5 million VND. Means-tested benefits for workers: 24 turns, with the amount of 51 million VND. Supporting for 15 workers to repair and rebuild houses with the amount of 293 million VND.
- The company was also interested in doing well social work, charity with many activities: support for flood victims in Ha Tinh and Quang Binh Provinces with the amount of 407 million VND; support for soldiers in Spratly Islands with 100 battery cases - over 80 million VND; Support for the construction of martyrs' monuments, nurture areas for people with disabilities; Building 01 house of love in Co Giang Ward, District 1; Serving a Vietnamese Heroic Mother with 1 million VND/mother/month; 1 seriously wounded soldier; Contribution to the social security fund of the Group with the amount of 300 million VND; Support for families of war invalids and martyrs on the occasion of 27/7; Visiting to help the nursing home for lonely elderly, poor children, disabled orphans ... on holidays, new year, etc...
- The total amount of money involved in charitable activities of the unit in the year WAS over 1,300 million VND.
- On the occasion of the Lunar New Year 2010, Dong Nai 2 Company Union and the Youth Union of Dong Nai 2 Battery Enterprise together with the Youth Union organized a business trip to the root to Can Thanh Commune – Can Gio District such as: Visiting and burning incense at the Rung Sat Cemetery; Visiting and presenting gifts to two Vietnamese Heroic Mothers, 64 families of wounded soldiers and Can Gio Disable Children School - Can Gio District - Ho Chi Minh City, etc...

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Part VII

**FINANCIAL  
STATEMENT**

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**PINACCO**



# **PINACO**

## **FINANCIAL STATEMENT OF 2016**

For the year end as of 31/12/2016

(Audited)

**DRY CELL & STORAGE BATTERY JOINT STOCK COMPANY**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**AUDITORS  
COPY**

**DRY CELL & STORAGE BATTERY JOINT STOCK COMPANY**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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## DRY CELL & STORAGE BATTERY JOINT STOCK COMPANY

### CORPORATE INFORMATION

#### Business Registration Certificate

No. 4103002690 dated 23 September 2004

The Business Registration Certificate has been amended many times and the latest one is the Business Registration Certificate No. 0300405462 (14<sup>th</sup> amendment) dated 22 August 2016. The Business Registration Certificate and its amendments were issued by the Department of Planning and Investment of Ho Chi Minh City

#### Board of Management

Mr Pham Van Tien	Chairman (from 29 February 2016)
Mr Lam Thai Duong	Chairman (until 29 February 2016)
Mr Tran Thanh Van	Member
Ms Pham Kieu Diem	Member
Mr Ngo Dinh Luyen	Member
Mr Cao Trong Mien	Member

#### Board of Supervision

Ms Nguyen Thi Ngoc Anh	Head
Mr Ta Duy Linh	Member
Ms Bui Thu Hang	Member

#### Board of Directors

Mr Tran Thanh Van	General Director
Mr Le Van Nam	Deputy General Director

#### Legal Representative

Mr Tran Thanh Van	General Director
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#### Registered Office

321 Tran Hung Dao, Co Giang Ward, District 1,  
Ho Chi Minh City, Vietnam

#### Auditor

PricewaterhouseCoopers (Vietnam) Limited

## DRY CELL & STORAGE BATTERY JOINT STOCK COMPANY

### STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF DIRECTORS OF THE COMPANY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors of Dry Cell & Storage Battery Joint Stock Company (“the Company”) is responsible for preparing financial statements which give a true and fair view of 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 preparing these financial statements, the Board of Directors is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of Directors 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 which enable financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the financial statements. The Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements as set out on pages 5 to 36 which give a true and fair view of the financial position of the Company as at 31 December 2016 and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements.

On behalf of the Board of Directors



Tran Thanh Van  
General Director

Ho Chi Minh City, SR Vietnam  
15 March 2017



## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DRY CELL & STORAGE BATTERY JOINT STOCK COMPANY**

We have audited the accompanying financial statements of Dry Cell & Storage Battery Joint Stock Company ("the Company") which were prepared on 31 December 2016 and approved by the Board of Directors on 15 March 2017. The financial statements comprise the balance sheet as at 31 December 2016, the income statement and the cash flow statement for the year then ended, and explanatory notes to the financial statements including significant accounting policies, as set out on pages 5 to 36.

### **The Board of Directors' Responsibility to the Financial Statements**

The Board of Directors of the Company is responsible for the preparation and the true and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements and for such internal control which the Board of Directors determines is necessary to enable the preparation and fair presentation 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 the financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical standards and requirements, plan and perform the audit in order to obtain reasonable assurance as to 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 an 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 preparation and true and fair 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 the Board of Directors, 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 financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements.

### Other Matter

The financial statements of the Company for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 14 March 2016.

### For and on behalf of PricewaterhouseCoopers (Vietnam) Limited



Mai Viet Hung Tran  
Audit Practising Licence No. 0048-2016-006-1  
Authorised signatory

Dao Quang Huy  
Audit Practising Licence No. 1895 -2016-006-1

Report reference number: HCM5753  
Ho Chi Minh City, 15 March 2017

As indicated in Note 2.1 to the financial statements, the accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam, and furthermore their utilisation is not designed for those who are not informed about SR Vietnam's accounting principles, procedures and practices.

DRY CELL & STORAGE BATTERY JOINT STOCK COMPANY

Form B 01 – DN

BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2016 VND	2015 VND
<b>100</b>	<b>CURRENT ASSETS</b>		<b>1,250,694,693,732</b>	<b>890,569,482,441</b>
<b>110</b>	<b>Cash and cash equivalents</b>	3	<b>107,606,270,185</b>	<b>132,718,096,879</b>
111	Cash		77,606,270,185	92,718,096,879
112	Cash equivalents		30,000,000,000	40,000,000,000
<b>120</b>	<b>Short-term investment</b>		<b>466,823,472,222</b>	<b>200,000,000,000</b>
123	Investments-held-to maturity	4	466,823,472,222	200,000,000,000
<b>130</b>	<b>Short-term receivables</b>		<b>93,933,186,979</b>	<b>109,863,293,067</b>
131	Short-term trade accounts receivable	5	63,588,506,863	72,266,232,794
132	Short-term prepayments to suppliers		15,079,526,116	27,550,166,480
136	Other short-term receivables	6	17,492,150,986	12,037,746,085
137	Provision for doubtful debts – short term	7	(2,319,479,698)	(2,051,100,538)
139	Shortage of assets awaiting resolution		92,482,712	60,248,246
<b>140</b>	<b>Inventories</b>	8	<b>562,436,767,688</b>	<b>437,076,456,605</b>
141	Inventories		603,546,529,190	452,572,826,457
149	Provision for decline in value of inventories		(41,109,761,502)	(15,496,369,852)
<b>150</b>	<b>Other current assets</b>		<b>19,894,996,658</b>	<b>10,911,635,890</b>
151	Short-term prepaid expenses		2,611,790,874	3,720,897,514
152	Value Added Tax to be reclaimed		17,283,205,784	7,190,738,376
<b>200</b>	<b>LONG-TERM ASSETS</b>		<b>433,308,319,503</b>	<b>373,644,583,331</b>
<b>220</b>	<b>Fixed assets</b>		<b>303,765,087,397</b>	<b>315,661,022,116</b>
221	Tangible fixed assets	9(a)	275,205,478,099	284,914,847,976
222	Cost		770,303,454,937	719,779,006,909
223	Accumulated depreciation		(495,097,976,838)	(434,864,158,933)
227	Intangible fixed assets	9(b)	28,559,609,298	30,746,174,140
228	Cost		57,567,728,716	57,567,728,716
229	Accumulated amortisation		(29,008,119,418)	(26,821,554,576)
<b>240</b>	<b>Long-term asset in progress</b>		<b>44,698,941,601</b>	<b>8,542,154,671</b>
242	Construction in progress	10	44,698,941,601	8,542,154,671
<b>250</b>	<b>Long-term investments</b>		<b>32,500,000,000</b>	<b>3,600,000,000</b>
252	Investment in associate	11	32,500,000,000	-
253	Investment in other entity		-	3,600,000,000
<b>260</b>	<b>Other long-term assets</b>		<b>52,344,290,505</b>	<b>45,841,406,544</b>
261	Long-term prepaid expenses	12	4,889,485,538	2,407,932,898
262	Deferred income tax assets	13	15,771,363,407	9,005,082,120
263	Long-term tools and supplies	8	31,233,941,560	34,248,891,526
268	Other long-term assets		449,500,000	179,500,000
<b>270</b>	<b>TOTAL ASSETS</b>		<b>1,684,003,013,235</b>	<b>1,264,214,065,772</b>

The notes on pages 10 to 36 are an integral part of these financial statements.

DRY CELL & STORAGE BATTERY JOINT STOCK COMPANY

Form B 01 – DN

BALANCE SHEET (continued)

Code	RESOURCES	Note	As at 31 December	
			2016 VND	2015 VND
<b>300</b>	<b>LIABILITIES</b>		<b>1,115,286,365,227</b>	<b>758,103,792,756</b>
<b>310</b>	<b>Short-term liabilities</b>		<b>1,080,482,878,072</b>	<b>753,980,792,756</b>
311	Short-term trade accounts payable	14	86,499,511,869	94,330,348,979
312	Short-term advances from customers		64,668,886,442	13,886,036,753
313	Taxes and other payables to the State Budget	15	15,817,408,815	19,700,051,233
314	Payable to employees		168,979,544,277	116,533,424,916
315	Short-term accrued expenses	16	55,585,690,917	69,038,956,110
319	Other short-term payables	17	78,597,166,923	1,143,885,410
320	Short-term borrowings	18	588,632,147,774	421,442,078,873
321	Provision for short-term liabilities	19	7,837,855,717	7,281,312,372
322	Bonus and welfare funds	20	13,864,665,338	10,624,698,110
<b>330</b>	<b>Long-term liabilities</b>		<b>34,803,487,155</b>	<b>4,123,000,000</b>
337	Other long-term payables		820,000,000	4,123,000,000
342	Provision for long-term liabilities	21	33,983,487,155	-
<b>400</b>	<b>OWNERS' EQUITY</b>		<b>568,716,648,008</b>	<b>506,110,273,016</b>
<b>410</b>	<b>Capital and reserves</b>		<b>568,716,648,008</b>	<b>506,110,273,016</b>
411	Share capital	22, 23	464,717,070,000	309,812,930,000
411a	Ordinary shares with voting rights	22	464,717,070,000	309,812,930,000
412	Share premium	22	1,584,699,224	62,295,088,755
415	Treasury shares	22	-	(14,419,110,657)
418	Investment and development fund	22	12,134,194,059	93,729,583,577
421	Undistributed earnings	22	90,280,684,725	54,691,781,341
421a	- Undistributed post-tax profits of previous years		23,710,488,341	109,015,241,950
421b	- Undistributed post-tax profits of the current year		66,570,196,384	25,548,585,891
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>1,684,003,013,235</b>	<b>1,264,214,065,772</b>

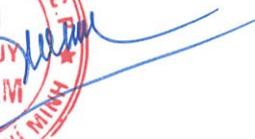


Le Thi Cam Tu  
Preparer



Nguyen Duy Hung  
Chief Accountant



  
Tran Thanh Van  
General Director  
15 March 2017

The notes on pages 10 to 36 are an integral part of these financial statements.

DRY CELL & STORAGE BATTERY JOINT STOCK COMPANY

Form B 02 – DN

INCOME STATEMENT

Code	Note	For the year ended 31 December	
		2016 VND	2015 VND
01	Sales	2,537,379,612,088	2,260,209,841,679
02	Less deductions	246,471,981,966	165,532,457,466
10	Net sales (10 = 01 – 02)	2,290,907,630,122	2,094,677,384,213
11	Cost of sales	1,896,229,352,633	1,744,354,988,585
20	Gross profit (20 = 10 – 11)	394,678,277,489	350,322,395,628
21	Financial income	26,882,776,992	19,872,808,195
22	Financial expenses	24,153,001,753	39,189,490,696
23	- Including: Interest expense	13,709,909,913	9,590,403,327
25	Selling expenses	173,180,793,397	171,202,538,734
26	General and administration expenses	65,282,483,971	38,429,206,262
30	Net operating profit {30 = 20 + (21 – 22) – (25 + 26)}	158,944,775,360	121,373,968,131
31	Other income	1,762,688,306	2,059,505,301
32	Other expenses	334,468,394	2,481,632,164
40	Net other income/(other expenses) (40 = 31 – 32)	1,428,219,912	(422,126,863)
50	Net accounting profit before tax (50 = 30 + 40)	160,372,995,272	120,951,841,268
51	Business income tax - current	45,797,335,969	35,456,054,235
52	Business income tax - deferred	(6,766,281,287)	(4,980,551,437)
60	Net profit after tax (60 = 50 – 51 – 52)	121,341,940,590	90,476,338,470
70	Basic earnings per share	2,394	1,733



Le Thi Cam Tu  
Preparer



Nguyen Duy Hung  
Chief Accountant



Tran Thanh Van  
General Director  
15 March 2017

The notes on pages 10 to 36 are an integral part of these financial statements.

**CASH FLOW STATEMENT**  
(Indirect method)

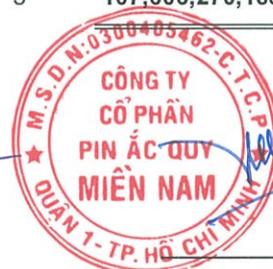
Code	Note	For the year ended 31 December	
		2016 VND	2015 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01		<b>160,372,995,272</b>	<b>120,951,841,268</b>
		Net profit before tax	
		Adjustments for:	
02		69,101,738,359	65,945,157,314
03		60,421,801,310	12,669,703,444
04			
			Unrealised foreign exchange losses arising from revaluation of monetary items denominated in foreign currencies
		4,073,213,465	(776,394,263)
05	29	(23,687,667,605)	(15,614,414,641)
06	30	13,709,909,913	9,590,403,327
08		<b>283,991,990,714</b>	<b>192,766,296,449</b>
09		13,638,615,427	(33,816,737,199)
10		(147,958,752,767)	(871,978,409)
11		138,678,856,312	73,263,465,797
12		(1,372,446,000)	(35,081,727,304)
14		(13,313,714,513)	(9,590,403,327)
15	15	(32,659,472,447)	(35,020,168,674)
17		(6,867,388,020)	(4,916,571,648)
20		<b>234,137,688,706</b>	<b>146,732,175,685</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21		(93,362,590,570)	(20,025,283,247)
22			
		65,709,091	449,579,272
23		(266,823,472,222)	(55,000,000,000)
26		3,600,000,000	-
27		15,410,479,707	10,946,974,258
30		<b>(341,109,873,994)</b>	<b>(63,628,729,717)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
31	22	14,883,277,549	-
33		2,117,965,113,381	1,788,397,194,972
34		(1,987,259,493,326)	(1,854,621,331,799)
36		(63,511,487,900)	(85,865,268,000)
40		<b>82,077,409,704</b>	<b>(152,089,404,827)</b>
50		<b>(24,894,775,584)</b>	<b>(68,985,958,859)</b>
60	3	<b>132,718,096,879</b>	<b>200,636,882,571</b>
61		(217,051,110)	1,067,173,167
70	3	<b>107,606,270,185</b>	<b>132,718,096,879</b>

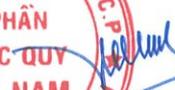


Le Thi Cam Tu  
Preparer



Nguyen Duy Hung  
Chief Accountant





Tran Thanh Van  
General Director  
15 March 2017

The notes on pages 10 to 36 are an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**1 GENERAL INFORMATION**

Dry Cell & Storage Battery Joint Stock Company (“the Company”) is a joint stock company established in SR Vietnam pursuant to the Business Registration Certificate No. 4103002690 issued by the Department of Planning and Investment in Ho Chi Minh City on 23 September 2004 and the latest amended Business Registration Certificate No. 0300405462 (14<sup>th</sup> amendment) dated 22 August 2016.

The Company’s shares were listed and traded on the Ho Chi Minh City Stock Exchange pursuant to the Decision No. 69/UBCK-GPNY dated 9 November 2006 of the State Securities Commission.

The principal activities of the Company are manufacturing and selling dry cells and storage battery.

The normal business cycle of the Company is 12 months.

As at 31 December 2016, the Company had 1,136 employees (2015: 1,081 employees).

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared in accordance with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements. The financial statements have been prepared under the historical cost convention.

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam. The accounting principles and practices utilised in Vietnam may differ from those generally accepted in countries and jurisdictions other than Vietnam.

**2.2 Significant changes in the Company’s accounting policies applied**

Circular No. 53/2016/TT- BTC (“Circular 53”) - Amended some articles of Circular No. 200/2014/TT-BTC (“Circular 200”) – Providing guidance on Corporate Accounting System was issued by the Ministry of Finance on 21 March 2016. Circular 53 is applicable to fiscal years beginning on or after 1 January 2016. However, enterprises can choose to apply those changes relating to foreign exchange rates for the fiscal year 2015.

According to Circular 200, transactions arising in foreign currencies are translated at actual exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are respectively translated at the buying and selling exchange rates of the commercial bank where the Company regularly trades. Foreign currencies deposited in bank at the balance sheet date are translated at the buying exchange rate of the commercial bank where the Company holds the foreign currency accounts.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Significant changes in the Company's accounting policies applied (continued)**

According to Circular 53, the actual exchange rate can be the approximate exchange rate that is the rate approximating the average transfer exchange rate of the buying and selling rates of the commercial bank where the Company regularly trades. The approximate exchange rate disparity must not exceed +/- 1% compared with the average transfer exchange rate. The average transfer exchange rate is determined daily or weekly or monthly based on the average between the daily buying transfer rate and selling transfer rate of the commercial bank.

In addition, under Circular 53, if the Company uses the approximate exchange rate to account for transactions denominated in foreign currencies in the accounting period, the Company must use the transfer rate of the commercial bank where it regularly trades to revalue balances denominated in foreign currencies at end of the accounting period. The transfer rate can be the buying or selling rate or average transfer rate of the commercial bank.

**2.3 Fiscal year**

The Company's fiscal year is from 1 January to 31 December.

**2.4 Currency**

The financial statements are measured and presented in Vietnamese Dong ("VND").

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are respectively translated at the buying and selling exchange rates at the balance sheet date of the commercial bank where the Company regularly trades. Foreign currencies deposited in bank at the balance sheet date are translated at the buying exchange rate of the commercial bank where the Company opens the foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the income statement.

**2.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash in bank, cash in transit, demand deposits and other short-term investments with an original maturity of three months or less.

**2.6 Trade receivables**

Trade receivables are carried at the original invoice amount less an estimate made for doubtful receivables based on a review by the Board of Directors of all outstanding amounts at the reporting date. Bad debts which are made provisions are written off when identified.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.7 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of operating activity. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. Provision is made, where necessary, for obsolete, slow-moving and defective inventory items.

**2.8 Investments**

**(a) Investments held-to-maturity**

Investments held-to-maturity are investments which the Company's Board of Directors has positive intention and ability to hold until maturity.

Investments held-to-maturity include bank term deposits. Those investments are accounted for at cost less provision. Provision for diminution in value of investments held to maturity is made when there is evidence that part or the whole of the investment is uncollectible.

**(b) Investment in associate**

Associate is the investment that the Company has significant influence but not control and would generally have from 20% to under 50% voting shares of the investee.

Investment in associate is accounted for at cost less provision for diminution in value. Provision for diminution in value is made when there is a reduction in value of the investment.

**2.9 Fixed assets**

*Tangible and intangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation/amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

*Depreciation and amortisation*

Fixed assets are depreciated/amortised using the straight-line over their estimated useful lives. The estimated useful lives are as follows:

Buildings and structures	5 - 25 years
Machinery and equipment	3 - 12 years
Means of transportation	6 - 10 years
Office equipment	3 - 5 years
Software	3 - 5 years
Others	5 - 8 years

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.9 Fixed assets (continued)**

Land use right with definite useful life includes the purchase price plus other expenses directly related to acquiring the land use right. The land use right is amortised using the straight-line method over a period of 50 years.

Other intangible fixed assets include the purchase price of technology transfer fee and human management consulting fee capitalised into intangible fixed assets. The historical cost of other intangible fixed assets is amortised using straight-line method over a period from 3 to 5 years.

*Disposals*

Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in the income statement.

*Construction in progress*

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost. Depreciation of these assets, on the same basis as other fixed assets, commences when the assets are ready for their intended use.

**2.10 Prepaid expenses**

Prepaid expenses include short-term and long-term prepayments on the balance sheet. Prepaid expenses are recorded at historical cost and allocated using the straight-line method over estimated useful lives.

**2.11 Payables**

Classifications of payables are based on their nature as follows:

- Trade accounts payable are trade payables arising from the purchase of goods and services.
- Other payables include non-trade payables, and are not relating to the purchase of goods and services.

Payables are reclassified as short-term or long-term on the balance sheet based on remaining period from the balance sheet date to the maturity date.

**2.12 Borrowing costs**

Borrowing costs are recognised in the income statement when incurred.

**2.13 Accrued expenses**

Accrued expenses include liabilities for goods and services received in the period but not yet paid due to pending invoice or insufficient records and documents. Accrued expenses are recorded as expenses in the reporting period.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.14 Provisions**

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provision is not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provision will be measured at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

**2.15 Provision for severance allowances**

In accordance with Vietnamese labour laws, employees of the Company who have worked regularly for full 12 months or longer, are entitled to a severance allowance. The working period used for the calculation of severance allowance is the period during which the employee actually works for the Company less the period during which the employee participates in the unemployment insurance scheme in accordance with the labour regulations and the working period for which the employee has received severance allowance from the Company.

The severance allowance is accrued at the end of the reporting period on the basis that each employee is entitled to half of an average monthly salary for each working year. The average monthly salary used for calculating the severance allowance is the employee's average salary for the six-month period prior to the balance sheet date.

This allowance will be paid as a lump sum when the employees terminate their labour contracts in accordance with current regulations.

The Company did not make provision for severance allowance for employees because of the adoption of Circular No. 180/2012/TT-BTC issued by the Ministry of Finance on 24 October 2012 for the previous years. The adoption of this Circular causes the difference with Vietnamese Accounting Standard No. 18 - "Provisions, contingent assets and liabilities" ("VAS18"). However, the Board of Directors of the Company decided to provide such severance allowance based on the basis of Labor Law requirement in conformity with VAS18 in 2016. Accordingly, the provision of severance allowance provision has been recognized in the income statement for the year ended 31 December 2016.

**2.16 Share capital**

Contributed capital of the shareholders is recorded according to actual amount contributed. Contributions from owners are recorded according to par value of the share.

Share premium is the difference between the par value and the issue price of shares and the difference between the repurchase price and re-issuing price of treasury shares.

Treasury shares are shares issued by the Company and bought-back by itself, but these are not cancelled and shall be re-issued in the period in accordance with the Law on securities.

Undistributed earnings record the Company's accumulated operation results after business income tax at the reporting date.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.17 Appropriation of net profit**

**(a) Dividend**

Dividend of the Company is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders at the Annual General Shareholders' Meeting

**(b) Bonus and welfare fund**

The bonus and welfare fund is appropriated from the Company's net profit after tax and subject to shareholders' approval at the Annual General Shareholders' Meeting.

**(c) Development and investment fund**

Development and investment fund is appropriated from the Company's net profit after tax and subject to shareholders' approval at the Annual General Shareholders' Meeting.

**2.18 Revenue recognition**

**(a) Sales of goods**

Revenue from the sale of goods is recognised in the income statement when all five (5) following conditions are satisfied:

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

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

Revenue is recognised based on principle of "substance over form" and allocated to each sales obligation. In case that the Company gives promotional goods to customers associated with customers' purchase, the Company allocates total consideration received for goods sold and promotional goods. Cost of promotional goods is recognised as cost of sales in the income statement.

**(b) Financial income**

Financial income includes interest income and realised foreign exchange gains. Financial income is recognised on an earned basis.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.19 Sales deductions**

Sales deductions include trade discounts, sales returns and allowances. Sales deductions incurred in the same period of the related sales of products, goods and services are recorded as deduction of revenue of that period.

Sales deductions for products, goods or services which are sold in the period but are incurred after the balance sheet date but before the issuance of the financial statements are recorded as deduction of revenue of the period.

**2.20 Cost of sales**

Cost of goods sold is cost of finished goods, merchandises and materials sold during the year, and recorded on the basis of matching with revenue and on prudent concept.

**2.21 Financial expense**

Finance expenses are expenses incurred in the year for financial activities including expenses of lending and borrowing, provision for diminution in value of investment, losses incurred when selling foreign currencies, losses from foreign exchange differences and payment discounts.

**2.22 Selling expenses**

Selling expenses represent expenses that are incurred in the process of selling products and goods which mainly include advertising expenses, sale commissions, warranty charges of goods and products, and transportation.

**2.23 General and administration expenses**

General and administration expenses represent expenses for administrative purposes which mainly include salary expenses of administrative staffs (salaries, wages, allowances,...); social insurance, medical insurance, labour union fees, unemployment insurance of administrative staff, expenses of office materials, tools and supplies, depreciation of fixed assets used for administration, land rental, licence tax, provision for bad debts, outside services and other cash expenses.

**2.24 Current and deferred income tax**

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries with which the Socialist Republic of Vietnam has not signed any double taxation agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profits and the current year tax rates. Current and deferred tax should be recognised as an income or an expense and included in the profit or loss of the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.24 Current and deferred income tax (continued)**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**2.25 Related parties**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering the related party relationship, the Company considers the substance of the relationship not merely the legal form.

**2.26 Segment reporting**

A segment is a component which can be separated by the Company engaged in providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment). Each segment is subject to risks and returns that are different from those of other segments. A reportable segment is the Company's business segment or the Company's geographical segment.

Segment reporting is prepared and presented in accordance with accounting policies applied to the preparation and presentation of the Company's financial statements in order to help users of financial statements understand and evaluate the Company's operations in a comprehensive way.

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**3 CASH AND CASH EQUIVALENTS**

	<b>2016</b>	<b>2015</b>
	<b>VND</b>	<b>VND</b>
Cash on hand	1,585,105,490	433,178,872
Cash in bank	76,021,164,695	92,284,918,007
Cash equivalents	30,000,000,000	40,000,000,000
	<u>107,606,270,185</u>	<u>132,718,096,879</u>

Cash equivalents represent term deposits at commercial banks with an original maturity of three months or less.

**4 INVESTMENTS HELD-TO-MATURITY**

Investments held-to-maturity represent term deposits at commercial banks with original maturities of more than 3 months but less than 1 year, and earn interest at the rate ranging from 5.3% to 9.75% (2015: 6.7% to 7.0%).

**5 SHORT-TERM TRADE ACCOUNTS RECEIVABLE**

	<b>2016</b>	<b>2015</b>
	<b>VND</b>	<b>VND</b>
Mr. Chea Ly Veng	-	14,855,982,856
Mr. Chea Se	24,386,255,880	-
Honda Vietnam Limited	5,843,674,317	7,649,654,215
Faith Chemical Enterprises	6,684,209,766	5,330,321,236
Chu Lai Trucks Manufacturing & Assembling One-Member Co., Ltd.	1,428,072,773	6,137,572,050
Others	25,246,294,127	38,292,702,437
	<u>63,588,506,863</u>	<u>72,266,232,794</u>

As at 31 December 2016 and 31 December 2015, the balances of short-term trade accounts receivable which were past due, amounted to VND3,106,277,032 and VND2,147,748,833, respectively, and are presented in Note 7.

**6 OTHER SHORT-TERM RECEIVABLES**

	<b>2016</b>		<b>2015</b>	
	<b>Book value</b>	<b>Provision</b>	<b>Book value</b>	<b>Provision</b>
	<b>VND</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
Accrued interest income	14,461,154,670	-	9,364,111,111	-
Advances to employees	2,995,609,191	-	2,563,117,017	-
Others	35,387,125	-	110,517,957	-
	<u>17,492,150,986</u>	<u>-</u>	<u>12,037,746,085</u>	<u>-</u>

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7 PROVISION FOR DOUBTFUL DEBTS

	2016			Time to maturity Days
	Cost VND	Recoverable amount VND	Provision VND	
Can Tho Vietnam Motors Joint Stock Company	114,952,000	-	114,952,000	Over 3 years
My Phuong Private Enterprise	1,361,678,197	-	1,361,678,197	Over 3 years
Hop Luc Trading Co-operative Unit	256,132,002	-	256,132,002	Over 3 years
Faith Chemicals Enterprises Limited	1,077,042,814	753,929,970	323,112,844	6 months to 1 year
Others	296,472,019	32,867,364	263,604,655	Over 3 years
	<u>3,106,277,032</u>	<u>786,797,334</u>	<u>2,319,479,698</u>	
	2015			Time to maturity Days
	Cost VND	Recoverable amount VND	Provision VND	
My Phuong Private Enterprise	1,361,678,197	-	1,361,678,197	Over 3 years
Hop Luc Trading Co-operative Unit	256,132,002	-	256,132,002	Over 3 years
Hai Phuong Manufacturing and Trading Co., Ltd	151,677,800	42,504,000	109,173,800	2 to 3 years
Can Tho Vietnam Motors Joint Stock Company	114,952,000	-	114,952,000	Over 3 years
Others	263,308,834	54,144,295	209,164,539	Over 3 years
	<u>2,147,748,833</u>	<u>96,648,295</u>	<u>2,051,100,538</u>	

The Board of Directors believes that the provision for doubtful debts is reasonable.

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8 INVENTORIES

	2016		2015	
	Cost VND	Provision VND	Cost VND	Provision VND
Raw materials	252,468,088,388	-	131,042,277,032	-
Finished goods	211,169,804,367	(3,969,951,040)	128,343,764,791	(1,275,915,461)
Work in progress	127,101,539,802	(1,882,549,634)	111,595,355,300	-
Goods in transit	8,501,058,245	-	78,772,670,195	-
Tools and supplies	4,306,038,388	(4,262,205,638)	2,797,803,524	-
Merchandise	-	-	20,955,615	-
	<u>603,546,529,190</u>	<u>(10,114,706,312)</u>	<u>452,572,826,457</u>	<u>(1,275,915,461)</u>
Long-term tools and supplies	<u>31,233,941,560</u>	<u>(30,995,055,190)</u>	<u>34,248,891,526</u>	<u>(14,220,454,391)</u>

Movement in the provision for decline in value of inventories during the year is as follows:

	2016 VND	2015 VND
Opening balance	15,496,369,852	3,208,674,175
Increase	25,613,391,650	24,199,411,608
Reversal	-	(11,911,715,931)
Closing balance	<u>41,109,761,502</u>	<u>15,496,369,852</u>

Provision for decline in value of inventories includes the decline in value of finished goods and slow-moving tools and supplies.



**9 FIXED ASSETS (continued)**

**(b) Intangible fixed assets**

	Land use right VND	Software VND	Others VND	Total VND
<b>Historical cost</b>				
As at 1 January 2016 and 31 December 2016	47,293,702,056	5,055,248,004	5,218,778,656	<b>57,567,728,716</b>
<b>Accumulated depreciation</b>				
As at 1 January 2016	20,701,379,672	4,257,348,488	1,862,826,416	<b>26,821,554,576</b>
Charge for the year	543,360,877	403,381,567	1,239,822,398	<b>2,186,564,842</b>
As at 31 December 2016	21,244,740,549	4,660,730,055	3,102,648,814	<b>29,008,119,418</b>
<b>Net book value</b>				
As at 1 January 2016	26,592,322,384	797,899,516	3,355,952,240	<b>30,746,174,140</b>
As at 31 December 2016	26,048,961,507	394,517,949	2,116,129,842	<b>28,559,609,298</b>

As at 31 Decemer 2016 and 31 December 2015, cost of fully amortised intangible fixed assets but still in use was VND19,663 million.

**10 CONSTRUCTION IN PROGRESS**

Movement in the construction in progress during the year is as follows:

	2016 VND	2015 VND
Opening balance	8,542,154,671	5,634,772,664
New purchases	89,445,393,661	9,170,177,409
Transfers to tangible fixed assets (Note 9(a))	(53,288,606,731)	(4,792,295,402)
Transfers to intangible fixed assets	-	(1,470,500,000)
Closing balance	44,698,941,601	8,542,154,671

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**10 CONSTRUCTION IN PROGRESS (continued)**

Major projects of construction in progress are as follows:

	<b>2016 VND</b>	<b>2015 VND</b>
Machinery and equipment	7,636,068,548	3,843,033,354
Others	37,062,873,053	4,699,121,317
	<u>44,698,941,601</u>	<u>8,542,154,671</u>

**11 INVESTMENT IN ASSOCIATE**

Details of investment in associate are as follows:

<b>Entity</b>	<b>Principal activity</b>	<b>Business Registration Certificate</b>	<b>Ownership (%)</b>
Thin Phat Real Estate Investment and Trading Limited	Trading of real estate and civil construction	Business Registration Certificate No. 0313711629 issued initially by the Department of Planning and Investment on 22 March 2016 and the recent amendment was on 9 December 2016	26%

As at 31 December 2016, the Board of Directors of the Company did not disclose the fair value of this investment as it has not been listed in the stock market. There was no fair value information available of this investment.

**12 LONG-TERM PREPAYMENTS**

	<b>2016 VND</b>	<b>2015 VND</b>
Tools and supplies	3,782,971,362	2,225,628,304
Others	1,106,514,176	182,304,594
	<u>4,889,485,538</u>	<u>2,407,932,898</u>

Movement of long-term prepayments during the year is as follows:

	<b>2016 VND</b>	<b>2015 VND</b>
Opening balance	2,407,932,898	6,544,748,557
Increase in the year	5,816,772,651	1,319,579,225
Amortisation during the year	(3,335,220,011)	(5,456,394,884)
Closing balance	<u>4,889,485,538</u>	<u>2,407,932,898</u>

**13 DEFERRED INCOME TAX**

Movement in the deferred income tax, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	2016 VND	2015 VND
Opening balance	9,005,082,120	4,024,530,683
Credit to income statement	6,766,281,287	4,980,551,437
Closing balance	<u>15,771,363,407</u>	<u>9,005,082,120</u>

Details of deferred tax assets are as follows:

	2016 VND	2015 VND
Accrued expenses	355,642,667	4,627,244,636
Provision for warranty and severance allowance	8,364,268,574	1,274,589,492
Provision for doubtful debts	-	3,974,022
Provision for decline in value of inventories	7,051,452,166	3,099,273,970
	<u>15,771,363,407</u>	<u>9,005,082,120</u>

The Company uses tax rate of 20% in year 2016 and 2015 for determining deferred tax assets.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**14 SHORT-TERM TRADE ACCOUNTS PAYABLE**

	2016		2015	
	Value VND	Able-to-pay amount VND	Value VND	Able-to-pay amount VND
Third parties				
<i>Thye Ming Viet Nam Limited</i>	23,559,498,820	23,559,498,820	8,391,491,832	8,391,491,832
<i>Thai United Plastic Industry Limited</i>	6,569,125,566	6,569,125,566	7,455,566,009	7,455,566,009
<i>Thai United Industry Company Limited</i>	6,562,309,168	6,562,309,168	9,137,011,000	9,137,011,000
<i>Glencore Singapore Pte. Limited</i>	-	-	14,491,286,756	14,491,286,756
<i>Samji Metal IND Limited</i>	-	-	12,524,023,279	12,524,023,279
Others	48,441,553,645	48,441,553,645	41,559,710,823	41,619,710,823
Related parties (Note 36(b))	1,367,024,670	1,367,024,670	771,259,280	711,259,280
	<u>86,499,511,869</u>	<u>86,499,511,869</u>	<u>94,330,348,979</u>	<u>94,330,348,979</u>

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**15 TAXES AND OTHER PAYABLES TO THE STATE BUDGET**

	As at 1.1.2016 VND	Payable during the year VND	Settled during the year VND	As at 31.12.2016 VND
Business income tax	3,965,216,144	45,869,032,000	(32,659,472,447)	17,174,775,697
Personal income tax	491,984,926	4,620,794,362	(4,607,408,914)	505,370,374
Value added tax	4,648,648,986	7,971,630,815	(12,620,279,801)	-
Land rental and other taxes	10,594,201,177	117,966,694,556	(130,423,632,989)	(1,862,737,256)
	<u>19,700,051,233</u>	<u>176,428,151,733</u>	<u>(180,310,794,151)</u>	<u>15,817,408,815</u>

**16 SHORT-TERM ACCRUED EXPENSES**

	2016 VND	2015 VND
Discounts and selling expenses payable to distributors	54,024,004,571	62,761,364,847
Marketing and advertisement	-	1,520,097,568
Transportation	395,154,000	3,626,517,141
Interest expense	396,195,400	614,306,554
Others	770,336,946	516,670,000
	<u>55,585,690,917</u>	<u>69,038,956,110</u>

**17 OTHER SHORT-TERM PAYABLES**

	2016 VND	2015 VND
Third parties	<u>78,597,166,923</u>	<u>1,143,885,410</u>

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**18 SHORT-TERM BORROWINGS**

	As at 1 January 2016 VND	Increase VND	Decrease VND	As at 31 December 2016 VND
Borrowings from banks (*)	421,442,078,873	2,121,949,562,227	(1,987,259,493,326)	556,132,147,774
Others (**)	-	32,500,000,000	-	32,500,000,000
	<u>421,442,078,873</u>	<u>2,154,449,562,227</u>	<u>(1,987,259,493,326)</u>	<u>588,632,147,774</u>

(\*) These are unsecured loans from commercial banks. Details are as follows:

	Currency	Interest rate (per annum)	2016 VND	2015 VND
HSBC Bank (Vietnam) Limited	USD	1.50%	6,490,946,157	22,561,844,637
Bank for Investment and Development of Vietnam	VND	3.8% - 4.39%	63,894,491,317	-
ANZ Bank (Vietnam) Limited	USD	1.50%	-	5,869,629,014
Military Joint Stock Commercial Bank	VND	4.10%	-	47,438,626,149
Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)	USD	1.40%	-	26,038,681,089
Asia Commercial Bank	USD	1.40%	5,639,338,553	63,989,642,718
	VND	4.4% - 4.5%	183,891,865,900	255,543,655,266
	VND	5.1% - 6.7%	28,300,079,065	-
	USD	1.4% - 1.5%	184,113,401,623	-
	USD	1.40%	83,802,025,159	-
			<u>556,132,147,774</u>	<u>421,442,078,873</u>

(\*\*) This is an unsecured and non-interest bearing short-term loan from Viet Real Trading Joint Stock Company. This loan is re-payable on 2 May 2017.

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**19 PROVISION FOR SHORT-TERM LIABILITIES**

	<b>2016</b>	<b>2015</b>
	<b>VND</b>	<b>VND</b>
Provision for warranty	7,837,855,717	6,372,947,458
Provision for fixed asset overhaul	-	908,364,914
	<u>7,837,855,717</u>	<u>7,281,312,372</u>

Movement of provision for short-term liabilities during the year is as follows:

	<b>2016</b>	<b>2015</b>
	<b>VND</b>	<b>VND</b>
Opening balance	7,281,312,372	6,908,915,025
Provision made in the year	13,410,759,873	908,364,914
Reversal and use of provision in the year	(12,854,216,528)	(535,967,567)
Closing balance	<u>7,837,855,717</u>	<u>7,281,312,372</u>

**20 BONUS AND WELFARE FUND**

Movement of bonus and welfare fund during the year is as follows:

	<b>2016</b>	<b>2015</b>
	<b>VND</b>	<b>VND</b>
Opening balance	10,624,698,110	5,588,872,526
Increase in the year	10,107,355,248	10,051,397,232
Utilisation	(6,867,388,020)	(5,015,571,648)
Closing balance	<u>13,864,665,338</u>	<u>10,624,698,110</u>

**21 PROVISION FOR LONG-TERM LIABILITIES**

Provision for long-term liabilities mainly represents the severance allowance provision made for employees as at 31 December 2016.

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**22 MOVEMENTS IN OWNERS' EQUITY**

	Share capital VND	Share premium VND	Treasury shares VND	Investment and development funds VND	Undistributed earnings VND	Total VND
As at 1 January 2015	269,878,430,000	62,295,088,755	(14,419,110,657)	84,681,949,730	109,015,241,950	511,451,599,778
Net profit for the year	-	-	-	-	90,476,338,470	90,476,338,470
Dividend in cash	-	-	-	-	(85,865,268,000)	(85,865,268,000)
Stock dividend	39,934,500,000	-	-	-	(39,934,500,000)	-
Appropriation to funds	-	-	-	9,047,633,847	(9,047,633,847)	-
Appropriation to bonus and welfare funds	-	-	-	-	(9,952,397,232)	(9,952,397,232)
As at 31 December 2015	309,812,930,000	62,295,088,755	(14,419,110,657)	93,729,583,577	54,691,781,341	506,110,273,016
Addition (*)	154,904,140,000	(61,174,556,423)	-	(93,729,583,577)	-	-
Net profit for the year	-	-	-	-	121,341,940,590	121,341,940,590
Dividend in cash (**)	-	-	-	-	(63,511,487,900)	(63,511,487,900)
Re-issuance of treasury shares	-	464,166,892	14,419,110,657	-	-	14,883,277,549
Appropriation to funds	-	-	-	12,134,194,059	(12,134,194,059)	-
Appropriation to bonus and welfare funds	-	-	-	-	(10,107,355,247)	(10,107,355,247)
As at 31 December 2016	464,717,070,000	1,584,699,224	-	12,134,194,059	90,280,684,725	568,716,648,008

(\*) According to the Resolution of Annual General Shareholders' Meeting dated 9 May 2016, the Company issued additional shares (Rate: 2:1) to increase its share capital from other owners' items up to 31 December 2015 with the respective priority: Investment and development fund and Share premium.

(\*\*) According to the Resolution of Annual General Shareholders' Meeting dated 9 May 2016 and the Board of Directors' Decision No. 340/NQ-HDQT/2016 dated 1 August 2016, the Company paid dividend in cash at the rate of 17% of its Share capital.

**23 OWNERS' CAPITAL**

**(a) Number of shares**

	31.12.2016		31.12.2015	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of shares registered	46,471,707	-	30,981,293	-
Number of shares issued	46,471,707	-	30,981,293	-
Number of shares repurchased	-	-	(362,812)	-
Number of existing shares in circulation	46,471,707	-	30,618,481	-

**(b) Details of owners' shareholding**

	31.12.2016		31.12.2015	
	Ordinary shares	%	Ordinary shares	%
Shares owned by the State	23,898,273	51,43	15,716,466	51,33
Shares owned by other shareholders	22,573,434	48,57	14,902,015	48,67
Number of shares	46,471,707	100	30,618,481	100

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at the Shareholders' Meeting of the Company. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

**(c) Movement of share capital**

	Number of share capital	Ordinary shares VND	Total VND
As at 1 January 2015	26,987,843	269,878,430,000	<b>269,878,430,000</b>
Share issuance	3,993,450	39,934,500,000	<b>39,934,500,000</b>
As at 31 December 2015	30,981,293	309,812,930,000	<b>309,812,930,000</b>
Share issuance	15,490,414	154,904,140,000	<b>154,904,140,000</b>
As at 31 December 2016	46,471,707	464,717,070,000	<b>464,717,070,000</b>



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26 OFF BALANCE SHEET ITEMS

(a) Operating leases assets

The future minimum lease payments under non-cancellable operating leases are VND2,413,400,000 and VND1,641,400,000 for the years ended 31 December 2016 and 31 December 2015, respectively (Note 36(a)).

(b) Foreign currencies

	2016		2015	
	Original currency	VND	Original currency	VND
USD	858,940	19,575,234,624	1,567,494	35,189,521,785
EUR	253	6,125,300	246	6,005,343
		<u>19,581,359,924</u>		<u>35,195,527,128</u>

27 SALES

	2016 VND	2015 VND
<b>Sales</b>		
Sales of dry cells and storage battery	<u>2,537,379,612,088</u>	<u>2,260,209,841,679</u>
<b>Sales deductions</b>		
Trade discounts	<u>246,471,981,966</u>	<u>165,532,457,466</u>
<b>Net sales</b>		
Net sales of dry cells and storage battery	<u>2,290,907,630,122</u>	<u>2,094,677,384,213</u>

28 COST OF SALES

	2016 VND	2015 VND
Cost of goods sold	1,870,615,960,983	1,732,067,292,908
Provision for decline in value of inventories (Note 8)	<u>25,613,391,650</u>	<u>12,287,695,677</u>
	<u>1,896,229,352,633</u>	<u>1,744,354,988,585</u>





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**34 SEGMENT REPORTING**

**Geographical segment**

Information of net revenue and capital expenditure based on the geographical location of the Company is as follows:

	Domestic sales		Export sales		Total	
	2016 VND	2015 VND	2016 VND	2015 VND	2016 VND	2015 VND
Net revenue	1,854,819,564,450	1,690,157,725,062	436,088,065,672	404,519,659,151	2,290,907,630,122	2,094,677,384,213

**Business segment**

As the Company's revenue and profit are mainly derived from the business activities of manufacturing and selling dry cells and storage battery while other sources of revenue are not material as a whole, the Board of Directors accordingly believes that the Company operates in a sole business segment only.

**35 BUSINESS INCOME TAX**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate of 20% (2015: 22%) as follows:

	<b>2016</b>	<b>2015</b>
	<b>VND</b>	<b>VND</b>
Net accounting profit before tax	160,372,995,272	120,951,841,268
Tax calculated at a rate of 20% (2015: 22%)	32,074,599,054	26,609,405,079
Effect of:		
Non-deductible expenses	4,685,418,375	631,915,241
Changes in tax rate	-	900,508,212
Under-provision in previous year	2,271,037,252	2,333,674,266
Business income tax charge	<u>39,031,054,681</u>	<u>30,475,502,798</u>
Charged to income statement:		
Business income tax – current (*)	45,797,335,969	35,456,054,235
Business income tax – deferred (Note 13)	(6,766,281,287)	(4,980,551,437)
	<u>39,031,054,681</u>	<u>30,475,502,798</u>

(\*) The business income tax charge for the period is based on estimated taxable income and is subject to review and possible adjustments by the tax authorities.

**36 RELATED PARTY TRANSACTIONS**

**(a) Related party transactions**

	<b>2016</b>	<b>2015</b>
	<b>VND</b>	<b>VND</b>
<i>i) Purchases of goods</i>		
Southern Basic Chemicals Joint Stock Company	17,726,006,210	21,465,252,522
Microbiological And Chemical Industry Joint Stock Company	1,278,984,762	959,328,425
Industrial Gas And Welding Electrode Joint Stock Company	345,666,750	359,844,350
Duc Giang Chemicals And Detergent Powder Joint Stock Company	2,097,164,790	1,739,924,439
	<u>21,447,822,512</u>	<u>24,524,349,736</u>

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36 RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

	2016 VND	2015 VND
<i>ii) Compensation of key management</i>		
Gross salaries and other benefits	2,001,613,202	1,471,588,015
<i>iii) Financing activities</i>		
Payment of dividend	32,660,973,100	33,526,853,600

(b) Year end balances with related parties

	2016 VND	2015 VND
<i>Trade accounts payable (Note 14)</i>		
Southern Basic Chemicals Joint Stock Company	1,255,287,550	754,781,280
Microbiological And Chemical Industry Joint Stock Company	85,073,120	-
Industrial Gas And Welding Electrode Joint Stock Company	26,664,000	16,478,000
	<u>1,367,024,670</u>	<u>771,259,280</u>

37 COMMITMENTS

(a) Operating lease commitment

The future minimum lease payments under non-cancellable operating leases are as follows:

	2016 VND	2015 VND
Within one year	1,956,000,000	986,400,000
From two to five years	457,400,000	655,000,000
	<u>2,413,400,000</u>	<u>1,641,400,000</u>

37 COMMITMENTS (continued)

(b) Capital commitment

Capital expenditure contracted for at the balance sheet date but not reflected in the financial statements is as follows:

	2016 VND	2015 VND
Machinery and equipment	23,852,521,004	35,806,698,997
Buildings and structure	4,192,881,708	2,554,931,420
Electrical system	552,303,493	1,194,756,000
Others	21,320,942,422	2,840,518,992
	49,918,648,627	42,396,905,409

38 CORRESPONDING FIGURES

Certain corresponding figures in the income statement for the year ended 31 December 2015 have been reclassified to conform with the current year's presentation. Details are as follows:

		31.12.2015		
Code		As previously reported VND	Reclassification VND	As reclassified VND
02	Less deductions	143,408,191,619	22,124,265,847	165,532,457,466
10	<b>Net sales</b>	<b>2,116,801,650,060</b>	<b>(22,124,265,847)</b>	<b>2,094,677,384,213</b>
20	<b>Gross profit</b>	<b>372,446,661,475</b>	<b>(22,124,265,847)</b>	<b>350,322,395,628</b>
25	Selling expenses	193,326,804,581	(22,124,265,847)	171,202,538,734

The financial statements were approved by the Board of Directors on 15 March 2017.



Le Thi Cam Tu  
Preparer



Nguyen Duy Hung  
Chief Accountant





Tran Thanh Van  
General Director