

ANNUAL REPORT 2016



GARMEX
Saigon js
HoSE: **GMC**

**THE INVESTOR'S
TRUSTWORTHY CHOICE**

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01 GENERAL INFORMATION

GENERAL INFORMATION OF THE COMPANY
LINES AND LOCATIONS OF THE BUSINESS
INCORPORATION AND DEVELOPMENT PROCESS
GOVERNANCE MODEL
BUSINESS ORGANIZATION AND MANAGERIAL
APPARATUS
DEVELOPMENT ORIENTATIONS
RISK FACTORS

GENERAL INFORMATION

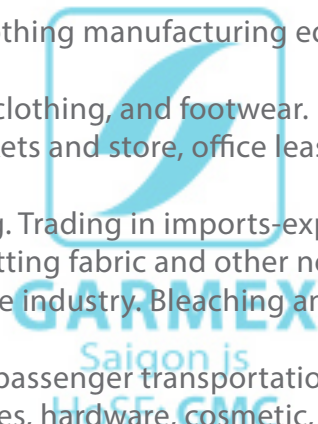
SAIGON GARMENT MANUFACTURING TRADING JOINT STOCK COMPANY

- Certificate of business registration No. 0300742387
- Charter capital: 155,556,200,000 VND
- Owner's capital: 155,556,200,000 VND
- Address: 252 Nguyen Van Luong, Ward 17, Go Vap District, Ho Chi Minh City
- Telephone: (08) 3984 4822
- Fax: (08) 3984 4746
- Website: www.garmexsaigon-gmc.com
- Stock code: GMC

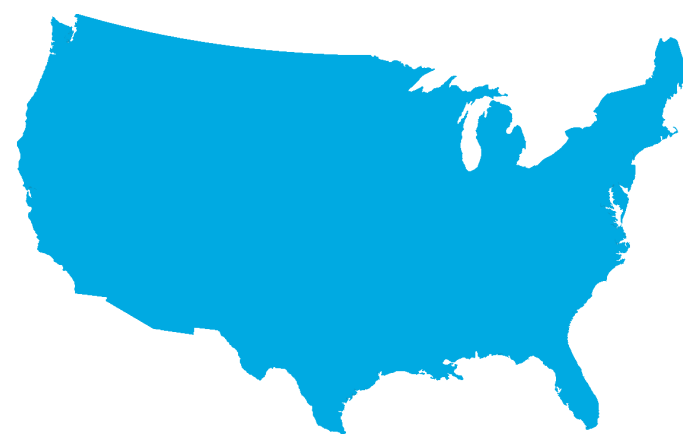


BUSINESS LINES

- Sewing clothes, except for clothes from leather and animal fur, main products are ready-made clothing of all kinds
- Trade brokerage
- Trading in material, machines, clothing manufacturing equipment, materials and accessories for clothing manufacturing.
- Wholesale of fabric, ready-made clothing, and footwear.
- Investment, trading in supermarkets and store, office leasing service. Trading in housing. Factory leasing
- Business management consulting. Trading in imports-exports forwarding service
- Manufacturing knitted fabric, knitting fabric and other non-woven fabric.
- Perfecting woven products: textile industry. Bleaching and washing services (do not operate at the Head Office).
- Transportation service, overland passenger transportation.
- Retail of clothing, footwear, articles, hardware, cosmetic, jewelry, toys, sports stuff. Retail of garment, footwear, leatherette and leather goods in specialized shops.



LOCATIONS OF THE BUSINESS



USA



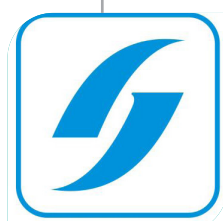
Euro



Japan

The products of the company are exported mainly to the markets of America, Japan, and Europe. Some major customers of the company include: Columbia Sportswear (America), Decathlon (France)

INCORPORATION AND DEVELOPMENT PROCESS



CHANGE FOR SUCCESS IN THE FACE OF NEW OPPORTUNITY

2016- Increasing charter capital to 155,556,200,000 VND in the form of issuing more shares. Saigon Garmex is now managing An Phu Enterprise (Ho Chi Minh City), An Nhon Enterprise (Ho Chi Minh City), Tan My Garment Company (Ba Ria-Vung Tau Province), Blue Saigon Garment Company Ltd. Total number of employees of all system of Saigon Garmex currently comes to more than 4000 persons. In the year, the company had new investment in An Phu Garment Enterprise, increasing two more lines, raising production capacity of the Enterprise to 20 sewing lines; Ha Lam Garment Enterprise (directly under Blue Saigon Garment Company Ltd.) was invested to increase two more lines, raising production capacity of the Enterprise to 10 sewing lines.

Subsidiaries companies

Associated companies

BLUE SAIGON GARMENT COMPANY LTD.

Address: 332 Luy Ban Bich, Hoa Thanh Ward, Tan Phu District, Ho Chi Minh City

Paid-in charter capital: 86 billion VND

Owners' equity ratio of GMC: 100%

Major business lines: Sewing clothing, manufacturing woven fabric, wholesaling machines, equipment and machine attachment, wholesaling fabric, ready-made goods, footwear.

Ha Lam Garment Enterprise: Area: 27,000 m2, capacity: 10 lines.

Major markets: America, major customers: Columbia Sportswear (America), Perry Ellis (America).

The company trading in textile and garment in America (Blue Saigon L.L.C.) - Subsidiary company: 100% capital

TAN MY GARMENT COMPANY LTD.

Address: Trang Cat Hamlet, Hac Dich Commune, Tan Thanh District, Ba Ria - Vung Tau

Paid-in charter capital: 15 billion VND .

Owners' equity ratio of GMC: 100%

Major business lines: Manufacturing knitted goods and fabric

Main markets: America, Europe, Australia

Main customers: Columbia Sportswear (America), Orvis (America), Cutter&Buck (America) Decathlon (France), New Wave (Swedish), Kathmandu (Australia)

Area: 50,000 m2

Capacity: 17 sewing lines (Investment is expected to increase 40 sewing lines)

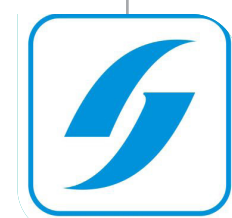
PHU MY JOINT STOCK COMPANY

Address: Trang Cat Hamlet, Hac Dich Commune, Tan Thanh District, Ba Ria - Vung Tau

Paid-in charter capital: 4,341,000,000 VND

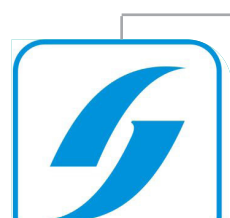
Owners' equity ratio of GMC: 32.47%

Major line of business: Developing the infrastructure of industrial zone, industrial cluster. Building civil and industrial works. Providing the related services in investment and operation of industrial zone, industrial cluster.



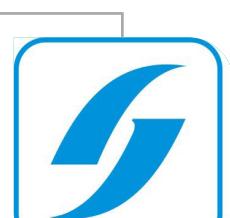
FORMATION

1976 - One year after the day of unified country, Sai Gon Garment Manufacturing Trading Joint Stock Company (Saigon Garmex js) was established initially as a state-owned Enterprise. The company was initially called Ho Chi Minh City Garment Enterprises Union, a governing unit managed a large quantity of garment Enterprises for export in Ho Chi Minh city.



CAPITALIZATION

2004 - Saigon Garmex carried out capitalization. Until this time, Saigon Garmex has been operating with 3 Enterprises directly under it including An Nhon Garment Enterprise, An Phu Garment Enterprise, Binh Tien Garment Enterprise. The Head Office of the company was situated at 236/7 Nguyen Van Luong, Ward 17, Go Vap District, Ho Chi Minh City, Vietnam.



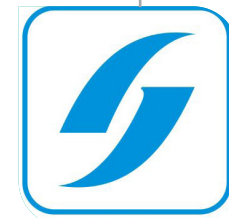
LISTING

2006 - The year 2006, Saigon Garmex was listed at Ho Chi Minh City Stock Exchange (HOSE) with Stock Code: GMC. The Head office of the company was still situated at 236/7 (it is now changed into 252) Nguyen Van Luong, Ward 17, Go Vap District, Ho Chi Minh City, Vietnam



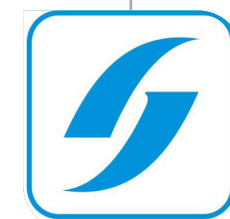
TO BE RECOGNIZED BY ITS PARTNERS

2012 - Saigon Garmex was offered a Performance Excellence Cup by Columbia Sportswear for excellent performance of quality, delivery time, sample development capacity, and responsibility for social community.



TO BE GLORIFIED IN THE WHOLE COUNTRY

2013 - Saigon Garmex received honorably a Labor Medal of Third Class for performances achieved in business production operations and care for the employees' living conditions. The company was chosen honorably as one of the best Vietnamese 50 listed companies by Forbes Vietnam Magazine.



SUCCESSES IN SERIES

2014 - Saigon Garmex was offered again a Performance Excellence Cup by Columbia Sportswear for excellent performance of quality, delivery time, sample development capacity, and responsibility for social community. Apart from it, the company continued to be chosen honorably as one of best Vietnamese 50 listed companies by Forbes Vietnam Magazine.

1976 - 2009

2004

2006

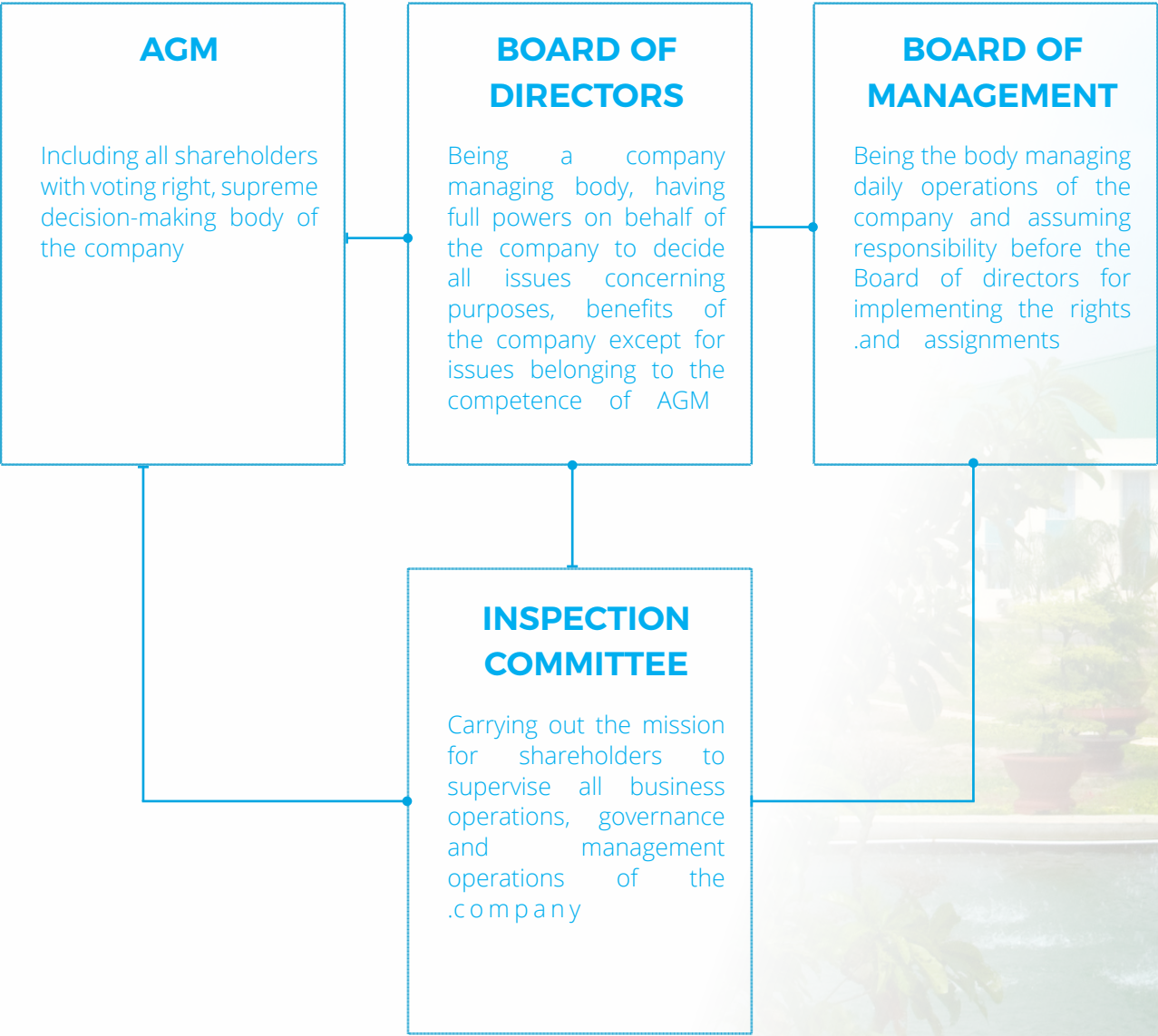
2012-2013

2014

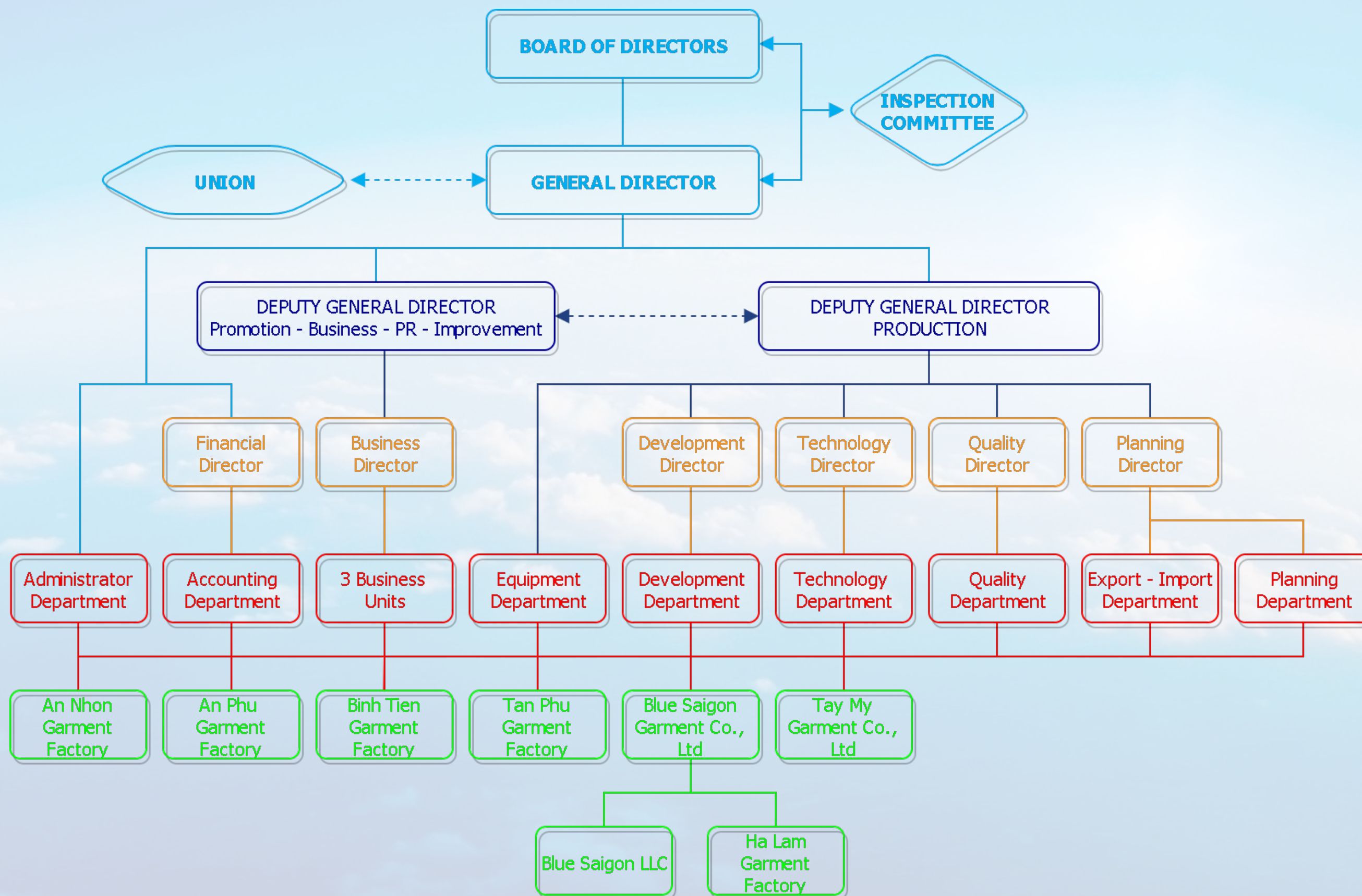
Now

GOVERNANCE MODEL

The company operates in a joint stock company model according to the regulations of Law on Enterprises and the regulations of the law in force.



GOVERNANCE MODEL



DEVELOPMENT ORIENTATIONS

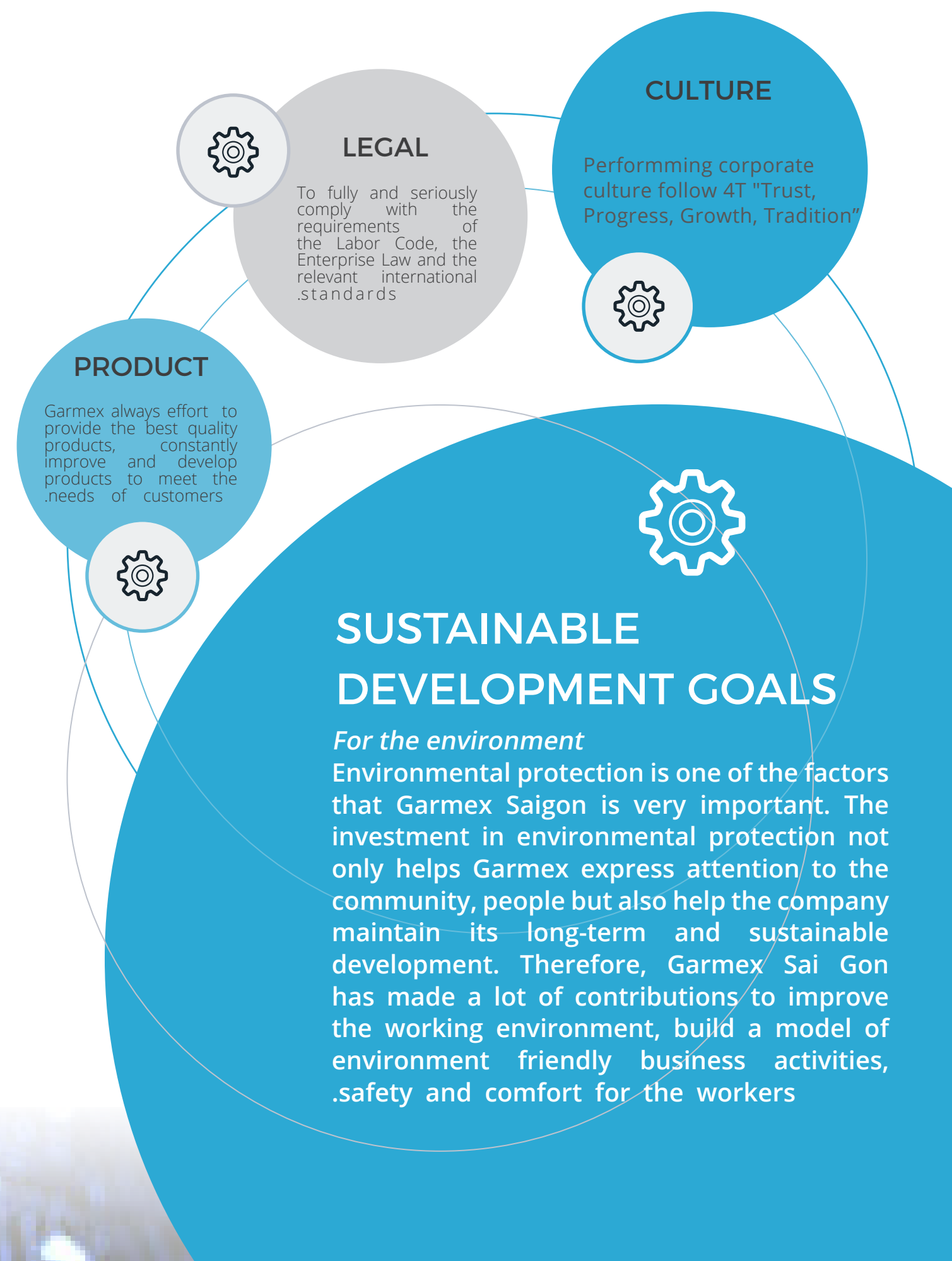
MAIN OBJECTIVES OF THE COMPANY

With the forecast that Vietnam garment industry is difficult to grow, simple products are gradually transferred to regional countries, European market continues to be unstable. GMC has proposed orientations as follows:

1. Concentrating mainly on export markets, because the situation and the competitive ability of domestic market meet with difficulties and barrier.
2. Seeking and developing new potential markets of such as Russia to make up for the shortage of European market.
3. Continuing to transfer the business production structure to high-tech, towards qualitative products of complex design for competitive increase.
4. Providing service products for consulting processes in order to increase revenue and profits outside main business production which is processing and trading.
5. Paying more attention to risks management if it can make a major impact on production and business operations such as risks of exchange rate, interest rate due to many changes.

DEVELOPMENT STRATEGIES IN MEDIUM AND LONG TERM

BUSINESS TARGETS UNTIL 2018	PRODUCTION MODEL	TRADE SERVICE
1. Trying to achieve EBT of 100 billion VND in 2018 2. Average income of employees: from 8 million VND to 10 million VND/person/month 3. Dividend is maintained from 20% to 30% of charter capital per year	Raising production capacity on the basis of the company resources optimization with the viewpoint: "capital deepening, labor-intensive reduction" conversing product strategies in accordance with conditions and skills of every area. With regard to products, concentrating to develop hi-tech, complex products to increase competitive advantage. In addition to the policy of market multilateralization and product diversification to minimize "crop" risks when increasing production capacity, simultaneously increasing gross profit margin and raising competitive advantage. With regard to production revenue structure, achieving 70%-75% and trade service achieving 25%-30% in 2018	Developing indirect capability (subcontractor), building and developing customer systems in America, Europe, Russia from the existing distribution system and other brands in the forms such as M&A, cooperation lease, self-investing. Developing the chain of "design - production - distribution", to create premise for the development of OBM mode, service development for FOB demand on the basis of advantage, experience of the company.



RISK FACTORS

The precursor was Ho Chi Minh City Garment Enterprise Union established in 1976, after more than 40 years of development, the ceaseless efforts of Executive Board of the Company and staff have reaped great successes with reasonable specific development orientations and strong personnel apparatus, Sai Gon Garment Manufacturing Trading Joint Stock Company always actively advances solutions, the policy of risk prevention throughout the business operation process of the company. The risks include:

ECONOMIC GROWTH RISKS

In 2016, the emergent and developing economies decreased growth rate due to a decline in the commodity price of the world. An important cause was due to proportion conversion of Chinese economy from export and investment oriented economy to one depending more on consumption expenditure, which resulted in a decline in goods demand for investment and intermediate goods. Apart from it, developed economies decreased their productivity due to geo-political problems, population ageing and spare ground of global financial crisis in 2008. These problems made the influence of trade on the growth decrease.

General growth of the world economy slowed down, approximately 3.1% and decreased by 0.1% as compared to the growth of the year 2015. The trend of speed reduction continued to show in global trade growth, a drop to 2.3%. Consumer goods industry such as textile and garment was one of branches affected greatly from economic growth because garment depended largely on the income of the consumers. With the trend of speed reduction of the world economy, consumers' demand also decreased correspondingly.

In 2017, the world economy is forecast better as compared to the year 2016 thanks to the recovery of commodity price. US Energy

Information Administration (EIA) forecasts WTI oil price will fluctuate about 50.66 USD/barrel in 2017 higher than 43.07 USD/barrel of the year 2016. The World Bank (WB) forecasts non-energy goods will increase 2% in 2017. The International Monetary Fund (IMF) (WEO, 10/2016) forecasts the world's economic growth in 2017 will be at the rate of 3.4% (as compared to 3.1% of the year 2016), global trade growth will be at the rate of 3.8% (as compared to 2.3% of the year 2016).

However, the world economy will confront many indefinite factors in 2017.

Populism bursts out in America and countries in Eurozone

Risks from China's credit system and European Central Bank system; The countries with developed economies fall into a low inflation trap;

Political instability and armed conflict in Middle East and East Asian areas.

Though Vietnam follows development orientations towards the world, the unfathomable fluctuations of its economy are still risks making a considerable impact on the business operation situation of the company. Grasping these difficulties, the company always continues to inspect foreign and domestic economic situation, markets in the world to advance reasonable, opportune operation plans to limit negative impacts caused by economic situation.

EXCHANGE RATE RISKS

Foreign exchange market witnessed a series of strong fluctuation at the end of the year 2016 when it was under pressure from the devaluation of foreign currencies in the area, FED monetary policy adjustment itinerary and the results of American presidential election. Exchange rate changes inclined to wait in front before the policy expectations of major economies, especially of American economy. Therefore, VN Dong reduced the price about 1.1% to 1.2% against US Dollar as compared with the time at the beginning of the year 2016.

Unfathomable exchange rate changes in 2017 will cause large influences on Textile and garment enterprises. With an enterprise whose export operations are oriented as a decisive factor but its raw material for production is imported from foreign countries, the stability of exchange rate is the most important factor for the results of business operations.

On the other hand, strong USD is one of causes leading to an increase in USD interest rate, affecting financial expenses of GMC because the company is using credit services concerning USD such as LC, payment by Tradecard ...The strong USD still affects negatively the buying power of consumers in America, EU areas - which are the customers of order forms carried out by GMC. Therefore, the company has built itself a risk management policy concerning the

changes in foreign exchange rate by forecasting the exchange rate of foreign currency to optimize payment time as well as debt restructuring. In addition, GMC also steps up export operations, creating revenue in USD to make up for USD demand for raw material import, permanently basing itself on the market situation to predict the changes in exchange rate in order to have suitable policy for risk minimization.

LEGAL RISKS

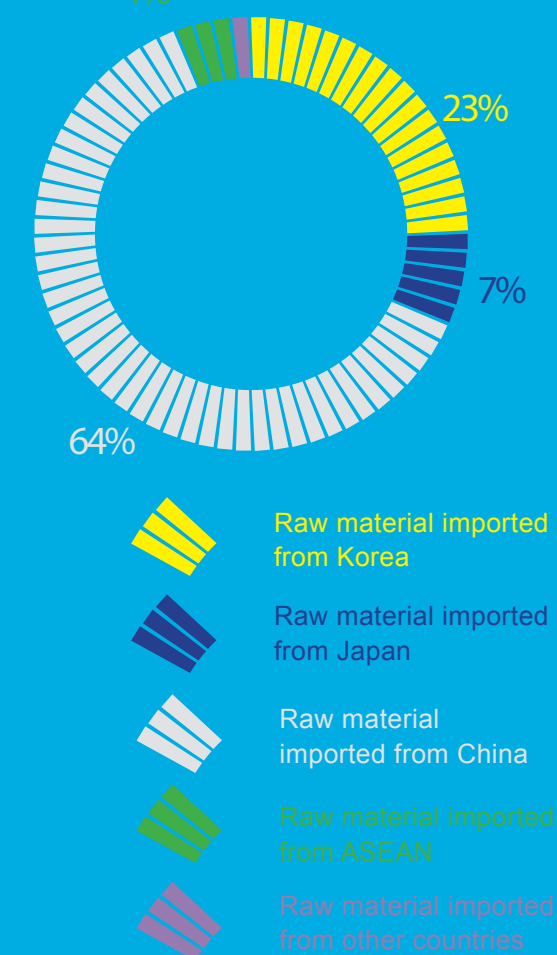
Business production operations of Saigon Garmex is under the adjustment of Vietnam legislative system such as Law on Enterprises, investment law, tax policies, customs; in addition, as an enterprise listed on securities trading floor, the company is also under the influence of legal frame system of Vietnam securities market. Some laws, sanctions, policies are now being innovated, therefore, Saigon Garmex must have more careful preparation to satisfy these requirements.

When Vietnamese economy has begun to integrate more deeply into the world economy, the opportunity for textile and garment industry is also accompanied with a great challenge. Therefore, to grasp opportunities in the forthcoming time, the company needs to have research and very careful preparation for international law issues so that the business operations of the company can achieve the highest effect.



RAW MATERIAL RISKS

In 2016, Vietnam imported raw material cloth equivalent to 8.6 billion USD from 7 countries and territorial areas in the world. In which import from China accounted for more than 63% of value.



OTHER RISKS

Apart from the above mentioned risks, unpredictable risks such as natural disasters, fires, etc., which may cause damage to the Company's assets as well as affect the Company's business operations. These are rare risks in reality, but when they occur, they cause a great deal of material and human damage to the Company.

Although identified as risks that can not be excluded, it can still be minimized. Therefore, the company regularly catches up the information and ensures good prevention such as fire protection, etc .. At the same time, it plans to conduct the work optimally, purchase insurance for goods and property of the Company.

Textile and garment industry in general, GMC in particular are under the influence of the shortage of input raw material. With GMC, yearly average, the expenses of input raw material account for about 60% of total business production expenses and 70% of cost of goods sold. Therefore, a change in the prices of input raw material will make a great impact on gross profit margin of the company. Moreover, the raw material of GMC depends largely on import.

As a prestigious enterprise, GMC has had many positive measures in order to take more initiative for raw material as well as the maintenance of relationship with many suppliers in the sector, seeking better suppliers to limit risks from suppliers and finding the better raw material supply, creating competitive advantage by negotiating with suppliers, building a subcontractors system supplying well.

02 YEARLY OPERATIONS

SITUATION OF PRODUCTION AND BUSINESS
OPERATIONS

ORGANIZATION AND HUMAN RESOURCE

INVESTMENT ACTIVITIES, PROJECT
IMPLEMENTATION

FINANCIAL SITUATION

SHAREHOLDERS STRUCTURE, CHANGE IN THE
OWNER'S EQUITY.

THE SITUATION OF PRODUCTION OPERATIONS IN THE YEAR

In 2016, the company did not have the revenue of abnormal financial operations as it was in 2015, so these operations decreased nearly 55% and achieved 9.7 billion VND . A decline in the revenue of financial operations is one of main factors causing a decline in net profit from business operations of the company.

However, this decline was completely in the plan as expected by the company (due to no more cooperation receipts from medical examination and treatment), if carefully examined, revenue from financial operations was only temporary, not originating from the core of the Enterprise, the permanent business operations of the company were still very good - expressed in the large growth of net revenue as compared to the proposed objectives, plans.

NO	Figures	2015	2016	Increase/decrease 2016
1	Net revenue	1.502.065	1.611.379	7,28%
2	Cost of goods sold	1.249.641	1.336.254	6,93%
3	Revenue of financial operations	21.563	9.722	-54,91%
4	Financial expenses, sale, Enterprise management	196.271	213.886	8,97%
5	Profits from operating activities	77.716	70.961	-8,70%
6	Other profits	4.441	4.736	6,64%
7	EBT	82.157	75.697	-7,86%
8	EAT	60.130	60.986	1,42%
9	EPS	4.320	5.146	19,12%

Net revenue and the cost of goods sold had relatively similar growth rate, however, thanks to the application of LEAN 5S production process, the increase rate of cost expenses was somewhat lower, helping to increase profit margin of the company.

In 2016, the company did not have the revenue of abnormal financial operations as it was in 2015, so these operations decreased nearly 55% and achieved 9.7 billion VND . A decline in the revenue of financial operations is one of main factors causing a decline in net profit from business operations of the company.

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Although in the period of the end of the year 2016, the company issued more shares but the end of the year 2016 EPS of the company achieved 5,146 VND/share, increasing by 19.12% as compared to the year 2015, which proved that the business operations of the company were stable and effective.

Summary of business operations of Saigon Garmex implemented in 2016, the situation of business operations of the company was progressing very favorably, its revenue and profit grew as compared to the general plan of Vietnam textile and garment industry. If impermanent profit factors and stock diluting factors had been eliminated, the activities of Saigon Garmex in 2016 were assessed as excellence beyond the expectation of Executive Board of the company.

PLAN IMPLEMENTATION



IMPLEMENTATION SITUATION AGAINST THE PLAN

No	Figures	Actual 2016	Plan 2016	Actual/Plan
1	Net revenue	1.611.379	1.550.000	103,96%
2	EBT	75.697	60.000	126,16%
3	Dividend payment	30%	20% - 30%	

Assessment was based on the proposed plan at AGM in 2016, Saigon Garmex completed excellently profit targets before tax when it achieved 26.2%, net revenue targets increased by nearly 4% in 2016. The Board of Directors also advanced the company’s shareholders 15% of dividend in the year and was expected to continue to pay the remaining 15% in the period of the beginning of the year 2017

THE NUMBER OF STAFFS

No	Criteria	Quantity (person)	Percentage (%)
I	Under labor level	4.178	100,00%
1	Postgraduate and university level/College level	146	3,49%
2	Technical secondary school	205	4,91%
3	Primary level and technical worker	26	0,62%
4	Junior high school-Senior high school	3.801	90,98%
II	According to Labor Contract	4.178	100,00%
1	Full-time	4178	100,00%
2	Part-time	0	0,00%
III	Under gender	4178	100,00%
1	Male	995	23,82%
2	Female	3183	76,18%
Total		4.178	100,00%



ORGANIZATION AND HUMAN RESOURCE

Changes in Board of Management

- On August 12th, 2016, Chairman of the Board made decision No.26/QD-HDQT to appoint Ms. Le Thi Phuong Thao to Deputy General Director of Plan and Business, the term of office from August 12th, 2016 to the third term of office (2014-2018) of Board of Directors of Saigon Garment Manufacturing Trading Joint Stock Company.
- On September 26th, 2016, Chairman of the Board made a decision No.29/ QD-HDQT to pass the retirement policy of Ms. Do Thi Kim Nhan from October 01st 2016.



MR. NGUYEN AN
GENERAL DIRECTOR

Year of birth: 1953

Qualification: University of Industrial Economics

Employment history:

From 8/1972 - 3/1975: Operating in the urban movement of youth union Committee of Saigon-Gia Dinh area.

From 3/1975 - 4/1975: Joining the Ho Chi Minh campaign - Youth Union Branch B3K42 Inter-District 4, Saigon-Gia Dinh area.

From 5/1975 - 2/1976: Secretary of youth union of Ward 5, Binh Hoa District, and Secretary of Youth Union of Ward 11, Binh Thanh District.

From 3/1976 - 10/1978: Student of cadre training school of central youth union, Ha Noi

From 11/1978 - 4/1981: Deputy Secretary of Youth Union of District 8, concurrently a Cell Secretary of Youth Union of District 8

From 5/1981 - 1/1986: Deputy Chief of Section of Handicraft Industry Block of City Group, Deputy Chief of Youth Section of City Group, a Cell Secretary - the Party Member of Party Committee of Ho Chi Minh City Group.

From 1/1987 - 4/1993: Deputy Manager of Planning and Material Department, Manager of Ex-Import Department of Garment Union

From 5/1993 - 11/1995: Director of An Nhon Garment Joint-Venture Company, Party member of Party Committee of the company.

From 12/1995 - 5/1997: Deputy Director of Garmex Enterprise No.2

From 6/1997 - 12/1997: Temporary Director of Garmex No.2

From 1/1998 - 8/1999: Director of Garmex Enterprise No.2

From 9/1999 - 12/2003: Deputy Director of Saigon Garment Ex-Import Manufacturing Company, concurrently Director of Garmex Enterprise No.2, a Party member, a Cell Secretary of the Enterprise.

From 1/2004 - 2/2007: A Party member, Deputy Chairman of the Board - General Director of Saigon Garment Manufacturing Trading Joint Stock Company, concurrently Director of An Nhon Garment Enterprise.

From 3/2007 - 3/2015: A Party member, Deputy Chairman of the Board - General Director of Saigon Garment Manufacturing Trading Joint Stock Company.

From 3/2015 until now: Deputy Chairman of the Board - General Director of Saigon Garment Manufacturing Trading Joint Stock Company.

Securities ownership ratio:

Ownership representative: 0 share, accounting for 0% of charter capital

Ownership individual: 384,530 shares, accounting for 2.47% of charter capital

Ownership at other companies: None



MS. NGUYEN THI THU HUONG
DEPUTY GENERAL DIRECTOR

SAIGON GARMENT MANUFACTURING TRADING JOINT STOCK COMPANY | 27

Year of birth: 1965

Qualification: Bachelor of Economics – Majored in Administration

Employment history:

From 1/1987 - 7/1987: Worker of Saigon Garment Enterprise No.1

From 8/1987 - 3/1993: Secretary of Youth Union in charge of Saigon Garment Enterprise No.1, concurrently Deputy Secretary of Youth Union of Saigon Garment Ex-import Manufacturing Company

From 4/1993 - 4/2000: Secretary of Youth Union concurrently Deputy Manager of Garmex Garment Enterprise No.1

From 5/2000 - 3/2002: Deputy Manager of Department of Organization - Administration of Garmex Garment Enterprise No.1

From 3/2002 - 12/2003: Manager of Department of Organization - Administration of Garmex Garment Enterprise No.1

From 1/2004 - 4/2009: Manager of Department of Organization - Administration of An Nhon Garment Enterprise

From 5/2009 - 5/2010: Standing member of Party Committee, Deputy chairperson of trade union of the company, member of the Board of management, Deputy General Director of Saigon Garment Manufacturing Trading Joint Stock Company.

From 6/2010 until now: Secretary of Party Committee, member of the Board of management, Deputy General Director of Saigon Garment Manufacturing Trading Joint Stock Company.

Securities ownership ratio:

Ownership representative: 0 share, accounting for 0% of charter capital

Ownership individual: 29,610 shares, accounting for 0.19 % of charter capital

Ownership at other companies: None



MS. NGUYEN THI MINH HANG
FINANCIAL DIRECTOR

Year of birth: 1977

Qualification: Bachelor of Economics

Employment history:

From 1/1999 - 1/2004: Accountant of Saigon Garment Ex-Import Manufacturing Company

From 1/2004 - 12/2006: Accountant of Saigon Garment Manufacturing Trading Joint Stock Company.

From 1/2007 - 2/2008: Deputy manager of Statistical Accounting Department of Saigon Garment Manufacturing Trading Joint Stock Company.

From 3/2008 - 6/2009: Manager of Statistical Accounting Department of the Company

From 7/2009 - 16/06/2014: Chief Accountant of Saigon Garment Manufacturing Trading Joint Stock Company

From 17/06/2014 - 03/2015: Financial Director concurrently Chief Accountant of Saigon Garment Manufacturing Trading Joint Stock Company

From 03/2015 until now: Member of Party Committee Financial Director concurrently Chief Accountant of Saigon Garment Manufacturing Trading Joint Stock Company

Securities ownership ratio:

Ownership representative: 0 share, accounting for 0% of charter capital

Ownership individual: 16,070 shares, accounting for 1% of Charter capital

Ownership at other companies: None

BUSINESS AT SUBSIDIARIES



TAN MY GARMENT COMPANY LTD.

Address: Trang Cat Hamlet, Hac Dich Commune, Tan Thanh District, Ba Ria - Vung Tau
Paid-in charter capital: 15 billion VND .
Owners’ equity ratio of GMC: 100%
Major business lines: Manufacturing knitted goods and fabric
Main markets: America, Europe, Australia
Main customers: Columbia Sportswear (America), Orvis (America), Cutter&Buck (America) Decathlon (France), New Wave (Swedish), Kathmandu (Australia)
Area: 50,000 m2
Capacity: 17 sewing lines (Investment is expected to increase 40 sewing lines)



BLUE SAIGON GARMENT COMPANY LTD.

Address: 332 Luy Ban Bich, Hoa Thanh Ward, Tan Phu District, Ho Chi Minh City
Paid-in charter capital: 86 billion VND
Owners’ equity ratio of GMC: 100%
Major business lines: Sewing clothing, manufacturing woven fabric, wholesaling machines, equipment and machine attachment, wholesaling fabric, ready-made goods, footwear.
Ha Lam Garment Enterprise: Area: 27,000 m2, capacity: 10 lines.
Major markets: America, major customers: Columbia Sportswear (America), Perry Ellis (America).
The company trading in textile and garment in America (Blue Saigon L.L.C.) - Subsidiary company: 100% capital

Targets	Unit	2015	2016	2016 compare to 2015
Total assets	Miliion VND	57.571	48.081	83,52%
Total revenue	Miliion VND	171.724	145.930	84,98%
EAT	Miliion VND	2.783	6.283	225,75%
Profit margin after tax	%	1,62%	4,31%	265,66%

Targets	Unit	2015	2016	2016 compare to 2015
Total assets	Miliion VND	88.789	172.430	194,20%
Total revenue	Miliion VND	101.291	152.879	150,93%
EAT	Miliion VND	(6.792)	(1.748)	25,74%
Profit margin after tax	%	(6,71%)	(1,14%)	17,05%



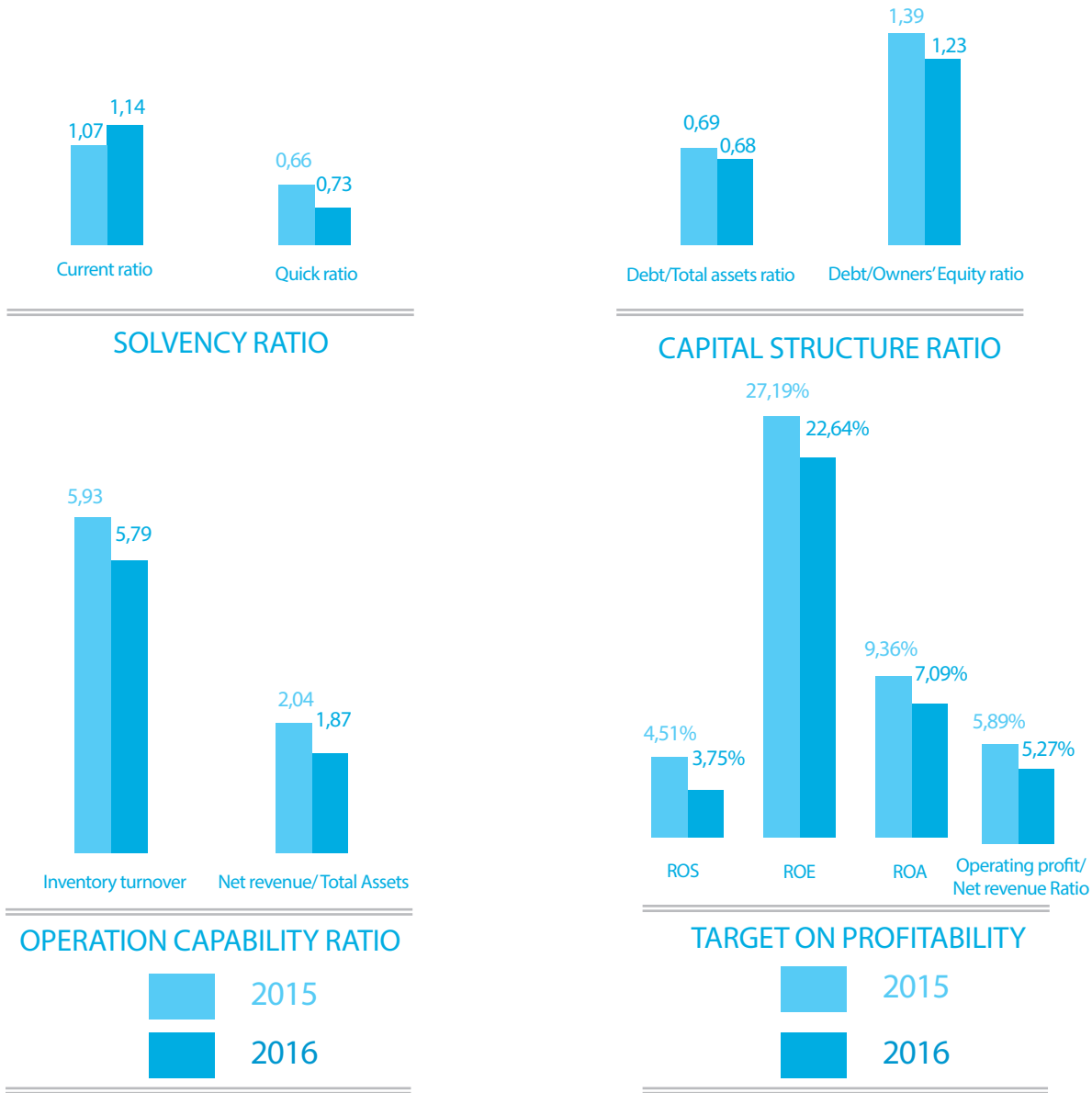
FINANCIAL STITUATION

FINANCIAL FIGURES IN 2016

No	Figures	2015	2016	Increase/ decrease 2016
1	Total assets	836.544	883.468	5,61%
2	Net revenue	1.502.065	1.611.379	7,28%
3	Profit from operating activities	77.716	70.961	(8,69%)
4	Other profits	4.441	4.736	6,64%
5	EBT	82.157	75.697	(7,86%)
6	EAT	60.130	60.986	1,42%



Cooperation receipts from medical examination and treatment (Activities are only temporary, not essential) were main factors making revenue from financial activities decrease in net profit from operating activities of the company. On the other hand, in the year the company invested in more machines, equipment to raise productivity; so financial situation between two years 2015 and 2016 had basic difference as follows: net revenue increased by 7.28% as compared to previous year but EBT decreased by 7.86%



SOLVENCY RATIO

Being basically improved through the years, the current ratio increased continuously in three years later, up to 2016 it achieved 1.14 times, increasing 0.07 round as compared to previous year. Similarly, quick ratio increased continuously and reached the rate of 0.73 round in 2016. With solvency ratio as expressed at present time, the company can pay easily its short term debts.

CAPITAL STRUCTURE RATIO

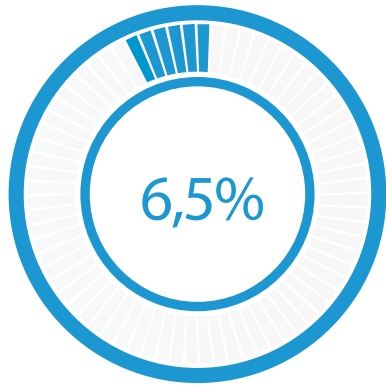
Showed the debt of the company inclined to decrease as compared to the year 2015. Specifically debts on total assets and debts on owners' equity decreased by 1.45% and 11.27% as compared to the same period.

TARGET ON PROFITABILITY

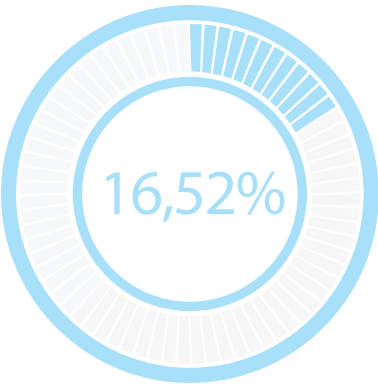
Basically decreased as compared to the year 2015, on the one hand there was no sudden change in profit as it was in 2015, on the other hand, revenue growth was slower than the growth of owners' equity of the company.

SHAREHOLDER STRUCTURE, CHANGE IN THE OWNER’S EQUITY

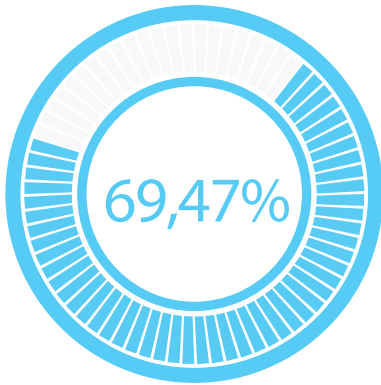
The number of shares issued: 15,555,620 shares
The number of common shares: 15,555,620 shares
The number of preferred shares: 0 share
The number of outstanding shares: 15,506,360 shares
The number of treasury stocks: 49,260 shares
Par value: 10,000



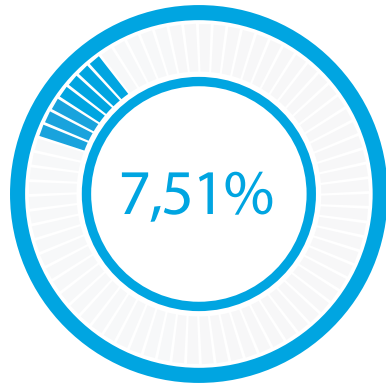
FOREIGN INDIVIDUAL



DOMESTIC ORGANIZATION



DOMESTIC INDIVIDUAL



FOREIGN ORGANIZATION

LIST OF MAJOR SHAREHOLDERS

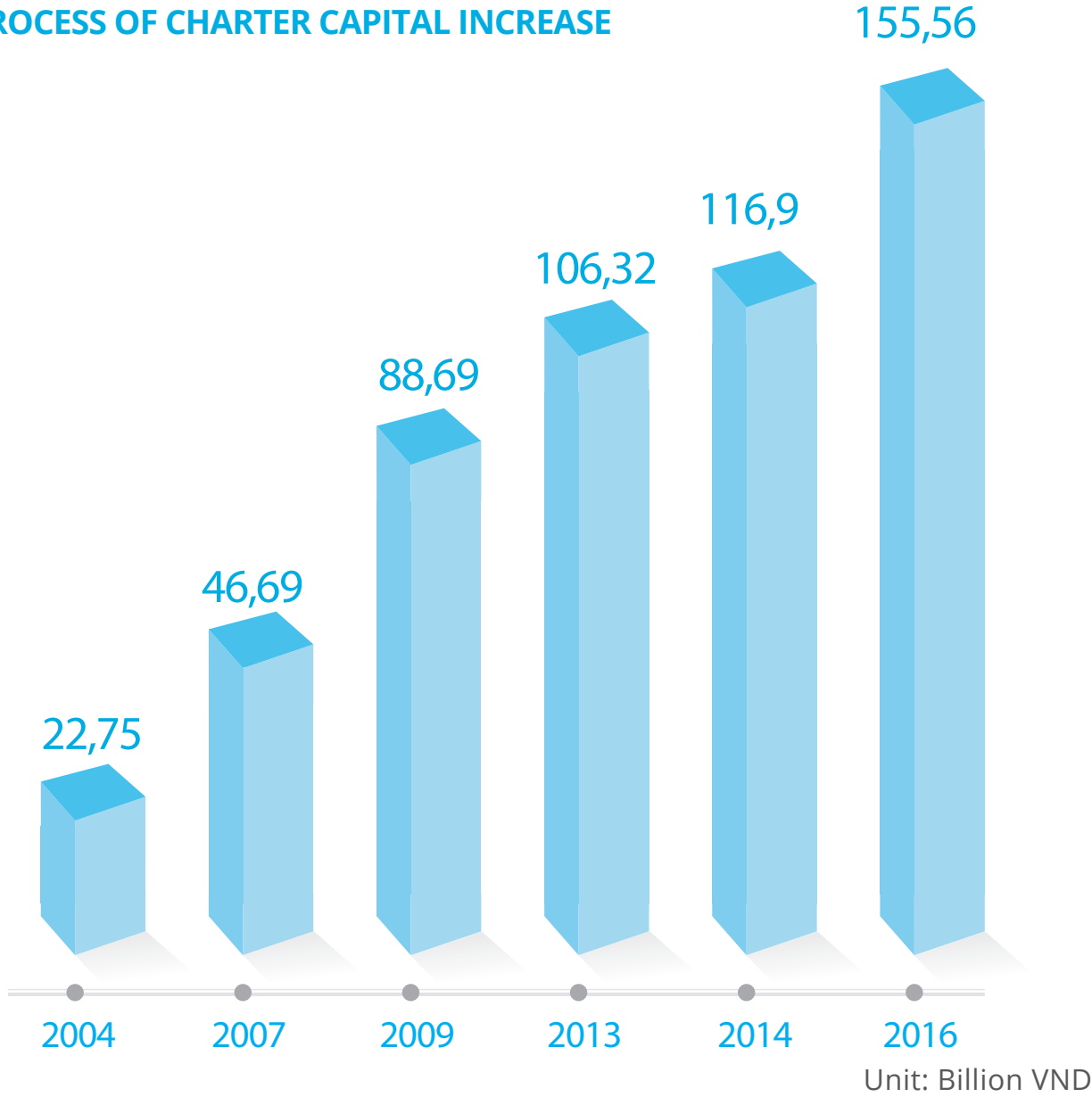
No	Name of organization/individual	The number of shares	Ownership ratio/ Charter capital
I The group of major shareholders			
1	Lam Quang Thai	2.478.314	15,93%
2	Gia Dinh Textile And Garment Corporation	1.564.385	10,06%
3	Tran Canh Thong	1.031.348	6,63%
Total (I)		5.074.047	32,62%
II The group of major shareholders (1 group)			
Lam Tu Thanh		1.691.530	10,87%
1	Personal ownership	817.910	5,26%
2	Representative - Asia Trade Company Ltd	436.810	2,81%
3	Representative - Tan A Company Ltd	436.810	2,81%
Total (II)		1.691.530	10,88%
TOTAL		6.765.577	43,50%



SHAREHOLDER STRUCTURE, CHANGE IN THE OWNER’S EQUITY

No	Object	The number of shares	Ownership ratio (%)
1	State shareholders	-	-
	Founding shareholders	-	-
2	- Domestic	-	-
	- Foreign	-	-
3	Major shareholders	6.765.577	43,50
	- Domestic	6.765.577	43,50
4	- Foreign	-	-
	Treasury stocks	49.26	0,32
5	Shareholders own preferred shares	-	-
	Other shareholders	8.740.783	56,18
6	- Domestic	6.561.285	42,17
	- Foreign	2.179.498	14,01
Total		15.555.620	100
Domestic		13.376.122	85,99
Foreign		2.179.498	14,01

THE PROCESS OF CHARTER CAPITAL INCREASE



In 2016, the company carried out the issue of stocks to the existing shareholders to supplement floating capital for the company. The charter capital of the company as of December 31st 2016 was VND 155,556,200,000

TRANSACTION OF TREASURY STOCKS

In 2016, the company did not carry out any transaction of treasury stocks, nowadays the number of treasury stocks of the company is still 49,260 shares

OTHER SECURITIES

None



SUSTAINABLE DEVELOPMENT

QUALITY MANAGEMENT

The start-up of working day at the beginning of the year 2016, Saigon Garmex advanced many action programs in order to actively overcome the difficulties of the market in the forthcoming time.

The action program put forward measures which Saigon Garmex shall try to carry out to maintain competitive ability in this year, they are:

- Continuing to supplement to perfect production model according to the mode of Lean Manufacturing - 5S
- Stepping up improvement from the section of sample development to the section of finish, concentrating on the advanced manipulation of workers.
- Continuing to inspect and maintain quality management, keeping defective products less than 2%, controlling quality closely in every section, and making the most of maximum efficiency of production management software system.
- Considering personnel task as a decisive section for success and competitive ability in short and long term of the company
- Extending production capability at Ha Lam and Tan My
- Concentrating on the business model of Blue Saigon LLC headquartered in America, developing Gramicci brand franchise.
- Building the model of working attitude definition at the company with the motto: Working attitude is all.

According to the chain of value of textile and garment industry, end-product stage is a decisive one, to achieve effect in business, first of all the company needs to carry out well lean manufacturing by LEAN method in order to minimize loss, waste due to lack of information, surplus production, inventory, defective products ..., this is just the strategic

objective of companies in the branch in general and GMC in particular.

Grasping this important factor, Executive Board of the company always mobilizes staff to practise the model of **LEAN 5S** with essential components from the use of the model of LEAN 5S, applying managerial tools in production according to tradition 5S: S1: Screening, S2: Arrangement, S3: Cleanness, S4: Care, S5: Readiness.

Improving production, raise effect through reality, Saigon Garmex has combined between 2 tools: LEAN and 5S to build into the company's own standard called LEAN 5S including:

READINESS

S1: Readiness. Readiness is expressed in self-awareness of employees toward the activities of 5S. Members recognize clearly the importance of 5S, taking the initiative in skillful combination of standards 5S and job to make personal and common productivity of the company higher. The company considers commitment to carry out improvement, improvement objective as the most important objective in the formation of consciousness, creating self-conscious habit, strict compliance with regulations at workplace. Meetings are permanently held to inspect improvement, to learn from experience and replicate improvement.

SCREENING

S2: Screening: Is examining, classifying, selecting and eliminating unnecessary things at workplace. All things (tools, equipment, raw materials, spoiled appliance ...) that are irrelevant and unnecessary for activities in an area will be separated from necessary things then eliminated or removed from the place of production. Only necessary objects are placed at workplace, ensuring the safety of factory, machines and equipment.

CLEANNES

S4: Cleanness. This is the centroidal content of Lean, "Drawing system" including the formation of sewing lines, inventory management, quality assurance at source, laying lines in small scale. Permanently keeping cleanness at workplace, machines, equipment, work instrument or areas around workplace to ensure good looking environment at workplace.

ARRANGEMENT

S3: Arrangement. Arrangement is the activities of factory plan layout, sewing line layout, arrangement in divisions, line diagram, arranging the factory to guarantee the quality management process, warehouse management. A general principle is any necessary tools are in their place and accompanied with their identification signs.

CARE

S5: Care, Is maintaining the good implementation of the first 4S, eliminating waste, carrying out standardization and periodic, permanent assessment, ensuring the drawing system, continuously improving and training the advanced manipulation and multi-skilled worker. To assess implementation rate, the company has built a detailed scale to assess every specific Criteria as the measure of maintenance.

As a result, in 2016, gross profit margin index of the company increases 1.6% as compared to the year 2015, achieving 17.07%, revenue growth rate is 0.35% higher than the growth rate of cost of goods sold, bringing more profit to the company's shareholders.

SUSTAINABLE DEVELOPMENT

The improvement ability of Saigon Garmex made an impression on QE expert of Columbia Sportswear (America)

The group of senior experts in charge of QE (Quality Engineering) from the head office of Columbia Sportswear (America) paid a visit to An Phu Enterprise directly under Saigon Garmex in their business trip to Vietnam. The production platform was rearranged and a visual quality management system by information technology was applied at the Enterprise, which made a good impression on visitors. The visitors also felt satisfied to learn about the method in which the Enterprise used equipment effectively in the section of heat-press and laser cut. The highlight of the Enterprise's activities was the improved pattern and attachment helping convenient production and raising productivity as well as efficiency. Production engineers from the head office of Columbia Sportswear (America) wanted to learn about the improvement ability of field technicians when they advanced many kinds of pattern and attachment used when manufacturing by the order forms of the global



famous American sports brand. Open and cooperative, American technical experts still even encouraged workers and technicians of the Enterprise to make comments on the samples developed in America, applying the improved patterns to better aesthetic look, use and effect of cost price of finished products.



SAIGON GARMEX IS NOW THE STRATEGIC PARTNER OF COLUMBIA SPORTSWEAR, IT HAS BEEN DEVELOPING SUSTAINABLY IN RECENT YEARS"

Saigon Garmex and Columbia Sportswear (Vietnam) often hold technical meetings to exchange deeply about technical requirements of customers as well as proposing improvements in technology both to ensure aesthetics and movement function of sporting products of Columbia brand and to make it easy in production on a large scale later. Two parties discussed in detail and Columbia Sportswear (Vietnam) was satisfied with thorough preparation and professional nature of Saigon Garmex. They believed that these offered samples would bring about good results to the business of both parties. Apart from it, Columbia Sportswear encouraged QFI (Qualified Factory Inspector) at Saigon Garmex to take more initiative in making decisions related to quality and technique problems in production. QFI is a title for quality auditors (QA) of Saigon Garmex company and Enterprises directly under it trained by Columbia Sportswear to global quality standards and certified after testing their qualification and skills. Currently QFIs of Saigon Garmex have enough capability and competence to inspect quality of export order forms for Columbia Sportswear.



SUSTAINABLE DEVELOPMENT

ENERGY CONSUMPTION

No	Business unit	Power	Gas	Coal	D/O oil
		(Kwh)	(KG)	(KG)	(Litre)
1	Garmex SaiGon	3,653,671	26,613	267,817	-
2	Tan My Garment Company Limited	1,008,890	12,299	156,562	4,500
3	Blue Saigon Garment Company Limited	539,520	5,400	-	-
Total		5,202,081	44,312	424,380	4,500

In general, total power is 5,202,081 Kwh, increasing about 783.256 Kwh as compared to the year 2015. The unit having a change in power use is parent company - Saigon Garmex when its consumption rate comes to 748.196 Kwh, Tan My increases 119.660 Kwh while Blue Saigon decreases about 84.600 Kwh. The conversion of coal-fired boiler into power used one is to contribute to the environmental protection and investment in two more sewing lines at An Phu Garment Enterprise and production increase for export order forms are main causes of power consumption increase at Saigon Garmex.



RESPONSIBILITY FOR ENVIRONMENT AND SOCIAL COMMUNITY

Throughout its formation and development, Saigon Garmex always recognizes its role of environmental protection and contribution to the community in the sustainable development strategy of the company. In the past time, the company has continuously taken support measures in order to improve the environment, clean wind and light as well as contributing its own capacity to economic and social development at the locality.

COMPLIANCE WITH ENVIRONMENTAL LAW

Paying attention to investment business, production line, ensuring safety for employees, guaranteeing to meet the environmental quality standards as well as satisfying well the customers' requirements about product quality.

A waste disposal system is also examined by the company, ensuring to treat waste well in production process before it is discharged into environment in which kinds of waste are classified carefully before it is treated and expelled to environment.

A water supply system at the company treats and disposes impurities to ensure to drink immediately from any water tap at the company. Canteens at factories of Saigon Garmex are operated and managed by enterprises, ensuring food safety and health for employees at the company.

In addition, the company always ensures to comply closely with regulations concerning the environmental protection. Thanks to it, in the past time, Saigon Garmex has not yet violated any regulations of the law related to this issue. In addition, The Unit's Assessment of Compliance with Social Responsibility of Columbia Sportswear, the global famous brand for two years in succession has been conducting the phase of unannounced inspection and satisfied with the compliance of An Nhon Enterprise directly under Saigon Garmex. This Enterprise is assessed as "Acceptable" level - adjacent to the peak level of "Best in Class" in the classification system of Columbia Sportswear. In principle, Columbia Sportswear's order forms will be pouring into Enterprises with results of compliance meeting requirements. The results of assessment phase have proved the efforts of Saigon Garmex in general and An Nhon Enterprise in particular in creating safe working environment, providing maximum support for employees to achieve the best effect, simultaneously still ensuring the environmental protection standards, responsibility for social community. In addition, An Phu Enterprise has joined the project of Columbia customers' and employees' satisfaction survey and for two years, the company has achieved the highest score in the group of 11 Enterprises supplying FOB products for Columbia customers, this is the effort of Saigon Garmex company in order to retain employees and raise the sustainable value of Saigon Garmex company.



RESPONSIBILITY FOR ENVIRONMENT AND SOCIAL COMMUNITY

EMPLOYEES CARE

Saigon Garmex considers employees as precious asset; therefore, the company always conducts the assessment of danger, risks at every specific work position to take corresponding measures, providing labor safety to minimize risks, preventing industrial accident and reducing the danger of occupational disease. The dangerous parts of machines, equipment are covered up suitably by equipment. Equipment, machines are maintained periodically to ensure good operation and safety. Inspecting monthly periodically issues concerning labor safety to discover and overcome opportunely. Periodically testing machines, equipment with the strict requirements of labor safety. Organizing employees to join the courses of training in fire fighting and prevention, labor safety in accordance with the requirements of the law. Internal training for newly recruited workers and yearly periodic training to raise workers' consciousness of labor safety, standards and internal regulations of the company. The employees meet with unexpected difficulties, the company makes support payment from 500,000 VND and over. Every year on the occasion of Lunar New Year's day, apart from policy to care for Lunar New Year's day, the company still gives workers in difficult situation 700,000 VND to help to reduce employees' worries on Lunar New Year's day.

At the company, human resource is always considered as a centroidal factor and human resource development is perfected step by step through the policies of salary, rewards and compensation; Recruitment and Training and Development. Policies of salary, bonus, allowances ... for employees are always examined and settled satisfactorily, the assessment of staff's mission completion is organized fairly, the income division by working capability is carried out to ensure income for employees. The company is gradually perfecting the payment model 3P for indirect office block, the company considers it as important solutions to raise the labor productivity of every individual, simultaneously encourages employees to enforce responsibility, rights and obligations to create self-consciousness in raising work skills. For direct production block, the company applies LEAN 5S model, considered as solutions to shorten working time and increase labor productivity but still ensure salary and income for employees.



All staffs are paid insurance premium (health, society, unemployment) according to regulations and ensured rights by labor code. The company always undertakes to ensure all spiritual and material interests for employees according to the regulations of the law and collective labor agreement. Every year the company spends more than 400 million VND to buy accident insurance and health care for employees.

Combining with Labor Union and Youth Union, the company always looks after employees' living conditions, organizing industrial kitchens, periodically assessing the quality of the kitchen through survey questionnaire to improve opportunely and have the ration improvement policy in accordance with every time. On public holidays, the company holds light meals for employees (total amount of 206,159,000 VND). On the occasion of Lunar New Year's day, Labor Union organizes end-of-year gathering for workers far from home to celebrate New Year and gives presents to the Labor Union member in difficult situation and organizes coaches to go to the countryside for New Year celebration (total amount of 204,518,945 VND). In addition, the company still supports workers who meet with unexpected difficulties (total 6,424,993,859 VND) and supports single female workers nursing their babies (total 234,750,000 VND), helping employees buy accident insurance with the price of 56,000 VND/year ...In 2016, total amount used to support the company's employees was about 10 billion VND.



RESPONSIBILITY FOR ENVIRONMENT AND SOCIAL COMMUNITY

LOOKING AFTER THE EMPLOYEES’ AND THEIR RELATIVES’ LIVING CONDITIONS:

In 2016, the company organized major classes, training, to diffuse the importance of nutrition, vaccinating female workers at the company. On International Women’s day (March 08th), the company still organized the competitions of flower arrangement, cooking and gave presents and congratulated women.... In addition, the company still created conditions for employees to join activities organized by higher authorities of Labor Union such as female football prize, fashion sewing design competition and festival of performing arts competition. In these competitions, the company won the first prize in design and fashion performance, the second prize in illustration dance, total value of prizes was 13 million VND .

The company also gives preferential treatment to staffs’ children in the company, in 2016, the company appointed 8 children having good performances in learning to join Thanh Da- Binh Thanh summer camp and kindly requested agencies to give presents to 3,456 children in the location on the occasion of International Children’s day 01/06. In addition, the company still gave presents and Nguyen Duc Canh scholarships to children having excellent performances in learning.

As part from preferential treatment, support for employees’ living conditions, the company still organized the specialist knowledge training courses, professional training to create conditions for employees to learn more about the operation model of the company, LEAN 5S model, helping old employees have opportunity to exercise, practise in accordance with the spirit of model 5S.



SOCIAL WORK

In the year, the company gave the amount of 300,000,000 VND to Central Vietnam compatriots who were under the influence of act of God, this amount was given to Ho Chi Minh City Fatherland Front by the company. Giving Youth Union of Ward 17, Go Vap District the amount of 5,000,000 VND for the purpose of environmental improvement, dredging garbage at Ba Mien canal in the area of the operation location of the company. In addition, the company still regularly visited Disabled Children Center in the location of Go Vap District, Pediatrics, Oncology Hospital - Ho Chi Minh City and Children Hospital No.2 with total amount of 43,480,000 VND . To create conditions for building employees’ mutual assistance fund of the company controlled by Labor Union of the company, the key cadres of the company drew their part of bonus in 2015 to contribute to the fund, the amount came to 1,050,000,000 VND .

EMPLOYEES’ DEVELOPMENT TRAINING

Textile and garment are a former industry which has demand for high labor and the requirement of stable and good skill, for that reason employees are a key factor to decide success and failure of the company in the branch. At Saigon Garmex, employees are permanently trained in working skill and determined on labor factor. Production workers are trained in production skill, business personnel is trained in relevant business skills, Group leaders are trained to raise management capability depending on relevant management level. Total training hours of the employees at the company in 2016 achieved 66,848 hours in all, with 4,178 employees at the company, the average number of training hours was 16 hours/employee. The company still appointed business personnel to join the outside training courses to raise working skill to satisfy new conditions.

No.	Classification	Period-end quantity	Average salary level (Unit: Million/person)	The average number of training hours
1	Sex:			
	- Male	995	9.076.611	16h/ 1 Year
	- Female	3.183	7.985.599	
2	Labor contract:			
	- Full-time	4.178	8.243.283	16h/ 1 Year
	- Part-time	-		
3	Qualification:			
	- University	146	17.622.885	16h/ 1 Year
	- College	205	10.512.756	
	- High school	3.827	7.763.883	

03

REPROT AND ASSESSMENT

REPORTS AND ASSESSMENTS OF THE BOARD
OF MANAGEMENT

ASSESSMENTS OF THE BOARD OF
MANAGEMENT ON THE COMPANY'S OPERATION



REPORT AND ASSESSMENT OF BOARD OF GENERAL MANAGEMENT

In 2016, the textile and garment situation of the world was not satisfactory. The growth rate of textile and garment import of America, EU, Japan was very low or decreased. Specifically, the textile and garment import of American market in 2016 achieved approximately 113.8 billion USD, decreasing 4.84% as compared to the year 2015, the textile and garment import of Japan achieved approximately 34.7 billion USD, decreasing 1.7%; the textile and garment import of Korea achieved approximately 13.3 billion USD, decreasing 4.03%. As for European market, there was more satisfactory signal with the growth rate of textile and garment import of 5.12%, achieving approximately 260 billion USD"

The export turnover of the whole Vietnam textile and garment industry in 2016 achieved approximately 28.3 billion USD, only increasing 5% as compared to the year 2015 but if it was considered in global context as well as major changes of politics and economy at major market, this was an effort worth acknowledging. In which: export turnover to America achieved 11.8 billion USD, increasing 5.8%; to EU, achieved 3.7 billion USD, increasing 6.3%; to Japan achieved 3.1 billion USD, increasing 5.4%; to Korea achieved 2.6 billion USD, increasing 5.1%.



The end of the year 2016, GMC implemented the revenue of 1,611 billion, and continued to exceed plan indicator of 1,550 billion in excess of 3.93%. In the context of wide and deep integration of Vietnam, some international agreements were signed, which made competition in textile and garment industry happen more and more severely, the successes which the company achieved showed the effort of Board of General management in correctly designating the management and operation plans of business activities. To achieve satisfactory performances, Board of General management implemented strategies as follows:

01

The strategic conversion of hi-tech products developed Vietnamese employees' skill advantage, minimizing competition with the regional countries because this was the distinct advantage of Vietnam.

02

A grey matter 'investment-intensive' policy and the resources of the company in building LEAN 5S lines, investing in dedicated, automatic device and raising skills in direct and indirect labor, satisfying the requirements of technological transfer, technical design from foreign countries actually have reaped effect and strengthened its position toward customers, reserving preferential treatment in allocating order forms together with gradually perfecting coordination in a management system have created the advanced, effective production models such as An Phu (from June to September, An Phu always achieved the processing revenue of more than 690,000 USD and especially in August achieved 809,000 USD. Conversion by FOB, revenue from 2.8 million USD to 3.2 million USD/month, or total revenue of 62 billion to more than 71 billion VND/month).

03

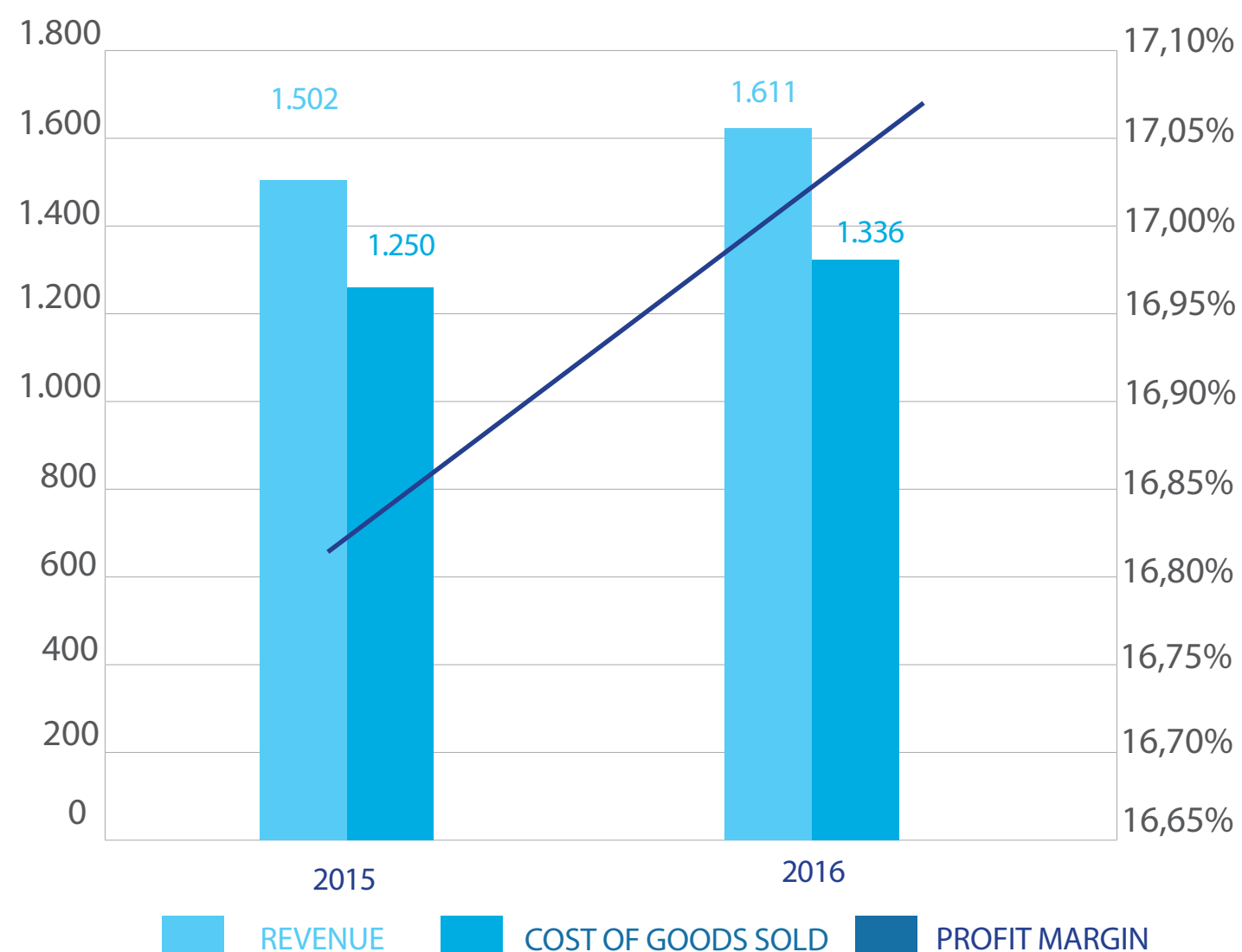
In addition, Board of General Management always inspects closely geo-political, economic happenings of partners and major market of the company to cope actively with market changes for appropriate decisions.

THE ASSESSMENTS OF BUSINESS PRODUCTION

OPERATION RESULTS IN THE YEAR

THE INDICATORS OF BUSINESS PRODUCTION RESULTS IN THE YEAR

No.	Items	2015	2016	Increase/decrease 2016
1	Total asset	836,543	883,468	5.61
2	Short-term asset	615,644	628,853	2.15
3	Inventory	233,854	227,459	(2.73)
4	Liabilities	579,356	604,955	4.42
5	Current liabilities	576,478	553,574	(3.97)
6	Owners' equity	260,236	278,513	7.02
7	Net Revenue	1,502,065	1,611,379	7.28
8	EBT	82,158	75,696	(7.87)
9	EAT	60,130	60,986	1.42



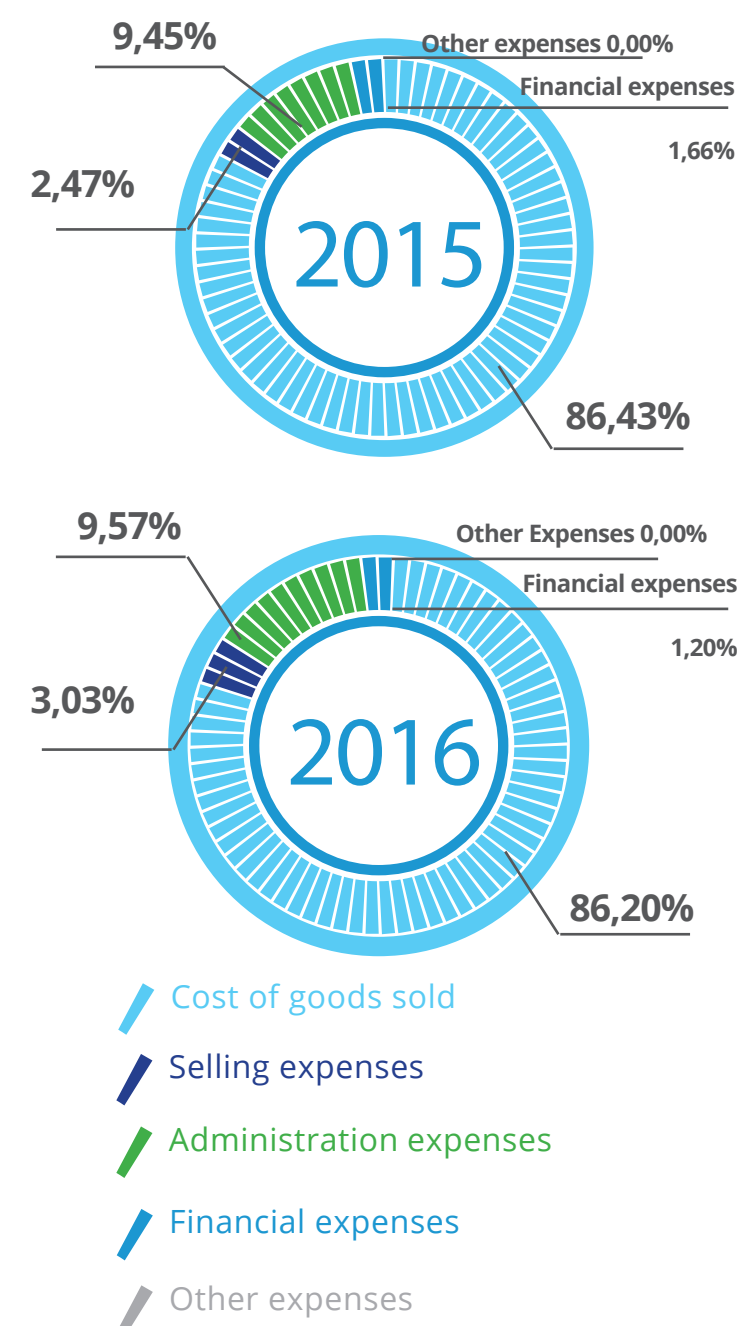
The year 2016 was a year that left the outstanding marks of Saigon Garmex, its business production effect was improved clearly, expressing the effect of LEAN 5S application and improvement at the company. As one of companies having a revenue of 1000 billion in Vietnam, increasing gross profit margin to 0.27% expressed a positive effort of staff at the company, in which:

WITH REGARD TO REVENUE

Revenue in 2016 achieved 1.611 billion VND, increasing 7.28% as compared to the same period of previous year. Revenue growth in 2016 increased because the traditional markets of the company developed well, the application of technology to production also made partners give more priority to Saigon Garmex in choosing producers. Garment segment was still one that contributed mainly to the company's revenue. With regard to gross profit, in 2016, Saigon Garmex recorded 275 billion VND, increasing 8.99% as compared to the year 2015.

WITH REGARD TO WORKING EXPENSE

Cost expense was still an item which accounted for the highest proportion in the working expense structure of Saigon Garmex. The cost of goods sold in 2016 accounted for 86.20% of total expenses, decreasing 0.23% as compared to 2015, maintenance and administration expense was about 9.5% in 2016 in which selling expenses increased slightly and financial expenses decreased slightly as compared to the year 2015. Selling expenses increased because the company actively extended production operations and searched for new markets, potential customers in the year and sold goods by DDP mode.





THE INDICATORS OF BUSINESS PRODUCTION RESULTS IN THE YEAR

No.	Items	Unit	Actual 2015	Plan 2016	Actual 2016	Actual as compared to Plan	2016 as compared to 2015
1	Total revenue	Billion VND	1.528	1.550	1.626	104,90%	106,41%
2	EBT	Billion VND	82	60	76	126,67%	92,68%
3	Dividend/Charter capital	%	30,00%	20%-30%	30%		100,00%

In 2016, the company exceeded the proposed plan, objective at AGM 2016, the company advanced shareholders 15% dividends in 2016 and was expected to pay the remaining 15% in quarter 1 in 2017.

OPERATION’S IMPROVEMENT IN 2016



WITH REGARD TO MANAGERIAL APPARATUS

In 2016, the company rearranged the technical management system for specific purposes for the purpose of maximum development of strong point of every individual as well as specific responsibility increase of every employee, every division on the basis of intensifying design capability, developing product samples to help Saigon Garmex save the fixed asset investment expenses estimated nearly 3 billion VND.

WITH REGARD TO PRODUCTION LINE

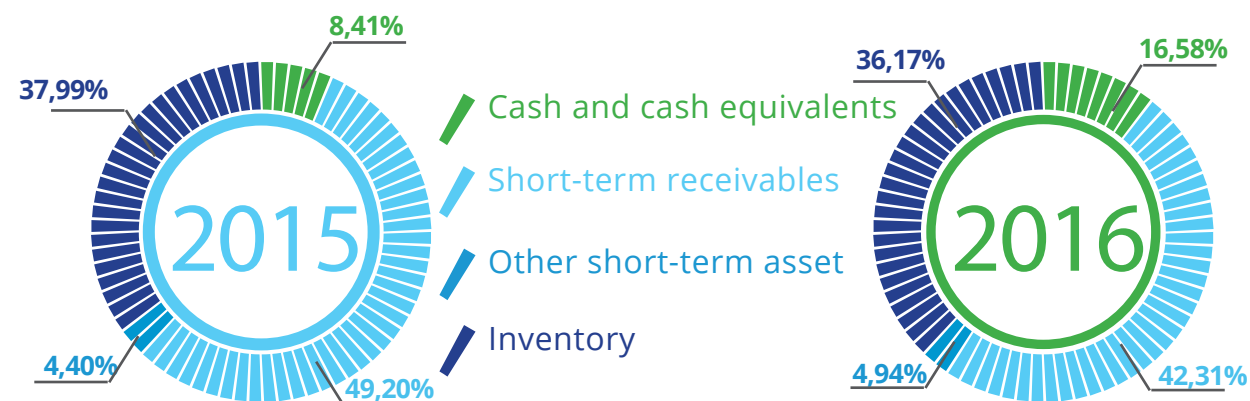
The company studied optimal methods and gradually raised the capability of production lines to reorganize, rearrange production lines from letter II into letter U. Its effect was expressed in the fact that the company intensified managerial work and controlled the activities of producing shops at three factories, on the one hand the company’s position toward customers was strengthened, on the other hand expenses and time were saved, and value added was brought to the shareholders of Saigon Garmex.

FINANCIAL SITUATION OF THE COMPANY IN 2016

No.	Items	2015	2016	Increase/decrease 2016
1	Short-term asses	615.644	628.853	2,15%
2	Long-term asset	220.898	254.615	15,26%
3	Total asset	836.542	883,468	5,61%

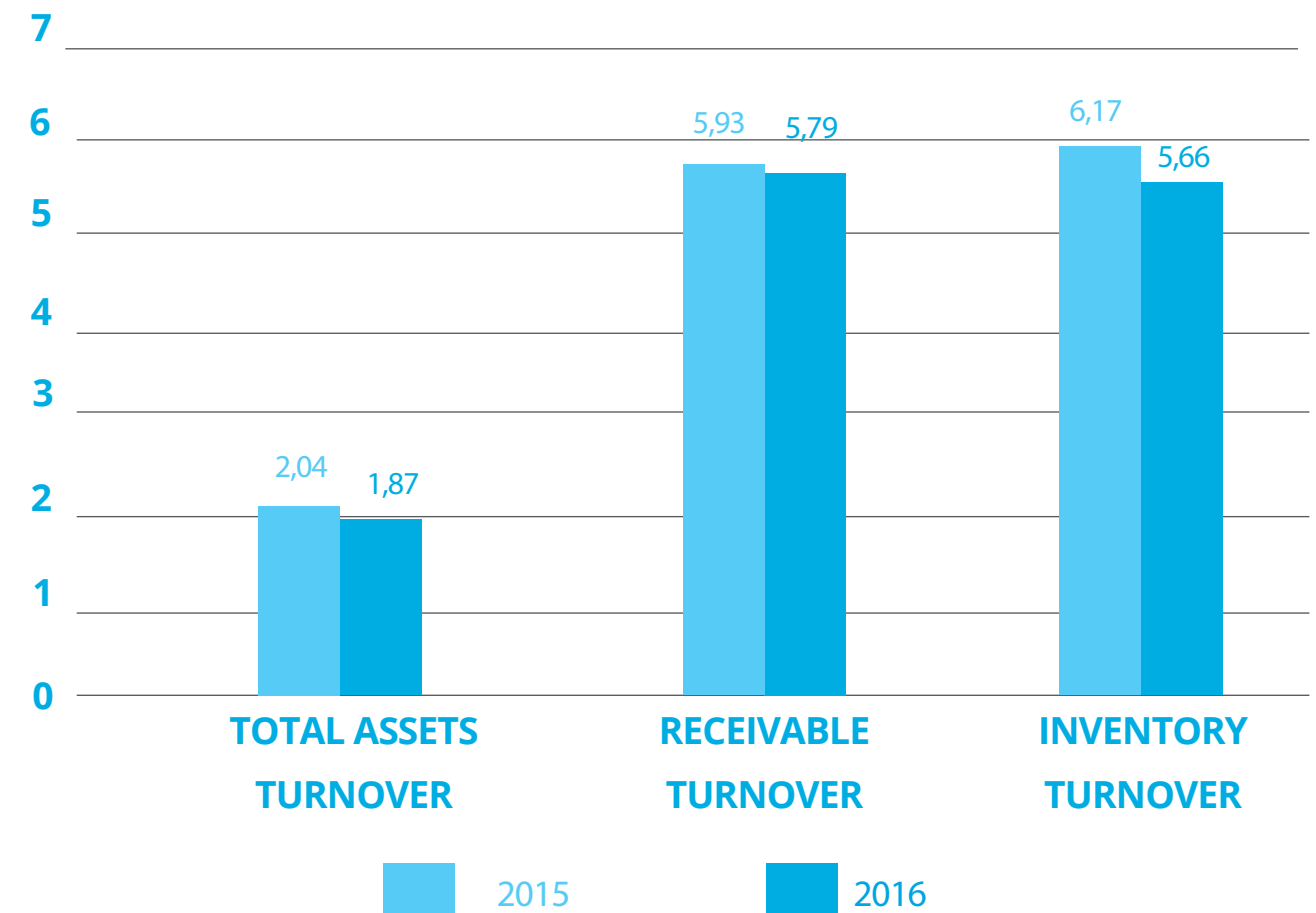
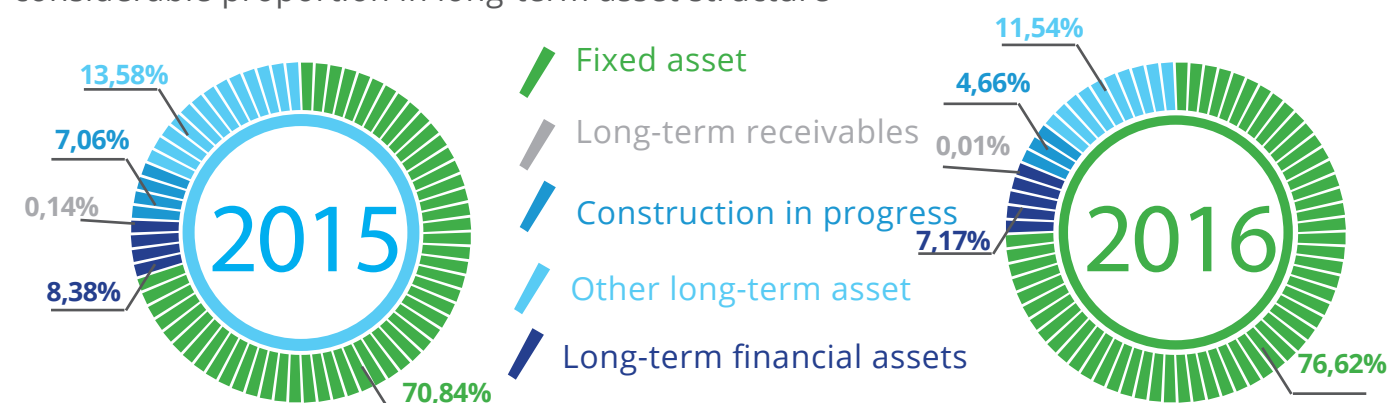
In 2016, the fixed asset of the company increased 38.6 billion VND, which made long-term asset increase 15.26% as compared to the same period of previous year, short-term asset had slower rate, achieving 2.15%. Growth difference decreased the proportion of short-term asset in the asset structure of the company to 71.18% in 2016, long-term asset increased 28.82% correspondingly. In the structure of short-term asset, short-term receivables and inventory of the company accounted for the largest proportion, accounting for 42.31% and 36.17% in turn, the next, currency and other short-term asset.

SHORT-TERM ASSET SITUATION



LONG-TERM ASSET SITUATION

For long-term asset, fixed asset is an item accounting for the highest proportion, achieving 76.62%. In addition, long-term receivables and assets in progress also accounted for a considerable proportion in long-term asset structure



Operation capability ratios of Saigon Garmex in 2016 did not have many changes as compared to the year 2015, in which:

Total assets turnover: Asset turnover was still maintained around the rate of 1.9 rounds

Receivable turnover: Decreased from 6.17 to 5.66, equivalent to 63 days to collect sale proceeds from customers. Since the company has many foreign partners, payment is sometimes time-consuming, on the other hand, foreign customers are also inclining to raise payment schedule to 60 days, this is the matter to which the company must pay special attention in 2017.

Inventory turnover: Inventory turnover inclined to decrease slightly in 2016, decreasing 0.14 round as compared to 2015.

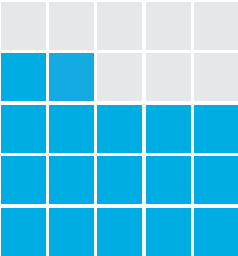
LIABILITIES

No.	Items	2015	2016	% increase/decrease
1	Short-term debt	576.478	553.574	-3,97%
2	Long-term debt	0	51.382	-
3	Total debts	576.478	604.955	4,94%
4	Owners' equity	260.236	278.513	7,02%
5	Total liabilities and owners' equity	836.714	883.468	5,59%

FINANCIAL SITUATION OF THE COMPANY IN 2016

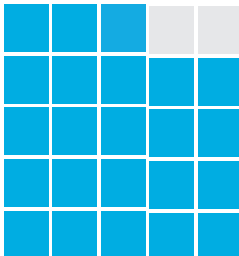
LIABILITIES

As of December 31st 2016, total debts of the company achieved 605 billion VND, accounting for 68.48% of asset structure of the company. As compared to the time 2015, total debts of the company decreased slightly about 0.61% in which short-term debt accounted for 91.51% in the proportion of total debts, achieving 554 billion VND, decreasing 8.49% as compared to previous year. Long-term debt achieved 51 billion VND in 2016.



0,61%

Total debts/Total assets in 2016 achieved **598** billion VND, accounting for **68.48%** of asset structure.



8,49%

Short-term debt/ Total debts in 2016 decreased **8.49%** as compared to the same period, achieving **554** billion VND

DEBT AND CAPITAL STRUCTURE

No.	Items	2015	2016	Increase/ decrease 2016
1	Debt/Total asset	68,90%	68,48%	(0,61%)
2	Current debt/ Total debt	100,00%	91,51%	(8,49%)

INFLUENCE OF INTEREST DIFFERENCES

No.	Items	2015	2016
1	Short-term debt	362.044,33	298.742,76
2	Long-term debt	0,00	45.055,14
3	Interest Expenses	6.324,17	9.270,69
4	Interest Expenses / Net revenue	0,42%	0,58%

In general, total value of borrowings of the company in 2016 inclined to decrease more than 63 billion VND of short-term debt as compared to the same period, however, long-term debts of 45 billion arose together with the fact that the bank limited foreign currency borrowing financing to domestic payments from April to June/2016, which made interest expenses of the company increase from 6.3 billion to 9.3 billion in 2016 (The year 2016: short-term interest was 7.7 billion; medium long term: 1.5 billion) making interest expenses on net revenue from 0.42% to 0.58%.



IMPROVEMENTS IN 2016

ORGANIZATIONAL STRUCTURE

In 2016, the company stepped up the available human resource professionalization at the company, paying attention to training and raising managerial skills of staff from group leader level upward, professional business personnel was intensified to improve their working skills and train professional skill for workers. Perfecting the LEAN line production model, continuing to raise the improvement of tools and methods, eliminating waste and unreasonableness in production process to gradually save expenses, raising competitive ability of the company.

Rearranging human resource apparatus at some departments to professionalize every work segment in accordance with new conditions such as:

Arranging technical design staff in order to make the best of using design and human resource software but still ensure well the section of production preparation.

Arranging the administrative organization apparatus into 3 groups:

- Administrative management
- Social responsibility attaches to salary, bonus
- Human apparatus, training

OPERATION POLICY

The policies of salary, bonus are gradually changed to salary assessment mode in accordance with capability and operation effect, which is an important solution to increase labor productivity of every individual, simultaneously encourage employees in enforcing his/her responsibility, rights, obligations to raise self-conscious working skill, creation and advance the idea of shortening production process, creating more values added.

Implementing “the investment intensive instead of labor intensive policy”, the company concentrates to step up investment in infrastructure, grey matter in perfecting and replicating LEAN 5S model.

Carrying out criticism, creation, determination to perfect LEAN 5S model at the company, gradually raising the labor productivity of the whole team, reducing working time but still ensuring the stable income for the employees at the company.

Investing in human resource of high quality to create premise for the development of hi-tech product manufacturing capability, having determination to implement the strategic objective 2018 proposed by Board of Directors.



ASSESSMENTS OF THE BOARD OF MANAGEMENT ON THE COMPANY'S OPERATION

The assessments of the impact of the world's economic situation on Vietnam

The world's economic growth slows down, approximately at 3.1%. European area economies develop slowly due to geopolitical problems, the aftershock of the global financial crisis in 2008 and population ageing. Emergent and developing economies decrease growth rate due to the decrease of the world demand.

American economy continues to recover and grow. In 2016, there were 180,000 more new jobs created per month on average, unemployment rate decreased to 4.6% in November, record lowness in the past 9 years in America. In addition, FED's interest rate increase of 0.255 for the first time since 2008, the itinerary of interest rate increase to 2.125% in 2018 and the result of American presidential election also made USD increase high. Export Enterprises were at a disadvantage when the exchange rate of VN VND was nearly unchanged as compared to competitive countries in this market.



European economy continues to stagnate, buying power is weak. In addition, European Central Bank has carried out a currency loosening policy from March, 2016 until now, interest rate was lowered to 0% in order to step up inflation increase. Although the first step had positive results, consumer price index (CPI) increased 1.1%, the highest rate in the past 3 years but this result only achieved a half as compared to the proposed objective of 2%. If this growth trend was maintained, European Central Bank could tighten some monetary policies in the future. Apart from it, political crisis, religious contradiction, terrorism or weakness and shortcoming of some central banks, unemployment rate increase, population ageing are also problems that make an impact on European economic growth.

Chinese economy is shifting from export and investment-oriented economy to an economy based on consumption, which has led to a decrease in commodity demand for investment and intermediate goods. In 2016, the growth rate of China continued to decrease, Chinese currency was devalued continuously and indirectly made the integration advantage of our country from the signed trade agreements decrease.



ASSESSMENT ABOUT GARMENT INDUSTRY SITUATION IN 2016

“The growth rate of textile and garment industry 2016 decreased clearly, asserting the developing trend was decreasing gradually. By the data of Vietnam Textile and Apparel Association, if in 2014, the growth of the branch achieved 20.9%, in 2015, it dropped to 10.9% and the year 2016 about 5%. Therefore, with this trend, the effect of textile and garment industry decreases with every passing day when input expenses increases about 10%/year on average”



At part from much instability in traditional market, there is fierce competitive pressure from countries in the area such as Bangladesh, Cambodia, Myanmar ... when these countries have low salary expenses not equal to 1/2 expenses in Vietnam. At home, in addition to competition among Vietnamese businesses in the branch, it meets with drastic competition with FDI block when the advantage leans gradually toward them. Waiting in front for FTA with Europe as well as TPP, multinational companies that come from the countries having a strong position in the branch have invested billions USD to build the chain of closed production from spinning to garment, finished-product for export by the order forms of parent companies in foreign countries. The closed model has created a competitive advantage when product supply time is shortened, cost price decreases due to favorable transportation in accordance with a quick reaction trend of modern business and the world's economic situation nowadays.

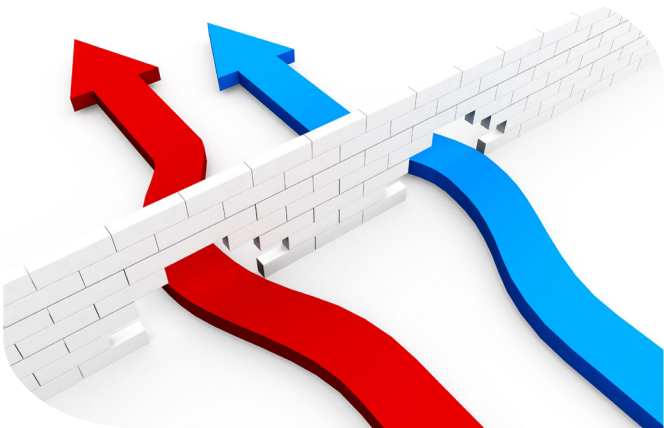
However, the alarming thing does not come from the competition of countries in the area or FDI but from business thinking and passiveness of Vietnam businesses. According to

statistics from Vitas, 70% of export sales of the branch is implemented by 30% of FDI businesses, the remainder is produced by 70% Vietnam businesses but foreign currency collection is very modest because 85%Vietnam businesses produce in processing method, only 25% value in product cost structure, the remaining 75% is received by foreign businesses. There is now only 12% Vietnam garment businesses trading by FOB mode (buying raw material, selling end-product) and 3% produced by ODM mode including product design. Because the very majority of Vietnam garment companies produce in processing method,they are very passive in developing the source of supply, depending much on order forms of the customers. And also for processing, profit is low, accumulation is little and it is very difficult to have ability to invest in depth or human resource of high quality because almost all production conditions are prepared by customers. Therefore, the competitiveness of Vietnam businesses is not only weak as compared to FDI block but easy to be replaced with other attractive destinations such as Bangladesh, Myanmar or Cambodia ... for processing, labor expenses have decisiveness.

ASSESSMENTS OF BOARD OF DIRECTORS ON THE COMPANY’S ACTIVITIES IN 2016

WITH REGARD TO BUSINESS OPERATIONS

No	Items	2015	2016	% Change
1	Net Revenue	1.502.065	1.611.379	7,28%
2	Cost of goods sold	1.249.641	1.336.254	6,93%
3	Revenue of financial operations	21.563	9.722	-54,91%
4	Financial,sale, and enterprise management expenses	196.270	213.887	8,97%
5	Profits from operating activities	77.716	70.961	-8,69%
6	Other profits	4.441	4.736	6,64%
7	EBT	82.158	75.696	-7,86%
8	EAT	60.130	60.986	1,42%
9	EPS	4.320	5.146	19,12%



Right from the beginning of the year 2016, when submitting business plans to AGM, Board of Directors of the company advanced the forecast of difficulties of export market when revenue figures were only 1,600 billion, +5 as compared to the year 2015. Through many discussions, it carried the shareholders' consent. The consistent viewpoint in the past terms of office of Board of Directors was not building a lower plan than actual capability for the plan completion, when submitting to AGM, Board of Directors based itself on analysis, forecast of situation and ability of internal force to propose. Actually in the past year, the market changes of the branch proved the forecast of Board of Directors was sound and practical.

ASSESSMENTS OF BOARD OF DIRECTORS ON THE COMPANY’S ACTIVITIES IN 2016 (CONTINUED)

WITH REGARD TO BUSINESS OPERATIONS

The traditional market structure of GMC is America, Europe and other markets, apart from developing domestic order forms in order to balance the production capability of off season and reduce support expenses for employees. In 2016, GMC still exported mainly to traditional markets but had a change in ratio in accordance with situation changes. Specifically, increasing customer promotion in America to become the essential market of the company accounted for 54.44% revenue proportion, increasing 9% as compared to the year 2015. European market decreased 12%, accounting for 31.69%, the remainder was Japan and other markets. Domestic market accounted for very small proportion, mainly to make the best of materials and accessories in stock.



No	Benchmarks	2016
1	Short term Asset/Total asset	71,18%
2	Long term Asset/Total asset	28,82%
3	Total liabilities/ Total resources	68,48%
4	Owners’ equity/ Total resources	31,52%
5	Current ratio	1,14
6	Quick ratio	0,73
7	Profit after tax/ Net revenue Ratio	4,70%
8	Profit after tax/ Total capital Ratio	3,78%
9	Profit before tax/ Total assets Ratio	8,80%
10	ROA	7,09%
11	ROE	22,64%

INVESTMENT SITUATION IN 2016

“The company development strategy in the third term of office submitted to AGM was changing products from simplicity to hi-tech, high value in addition to the change in “investment-intensive viewpoint for labor-intensive one”

INVESTMENT SITUATION IN 2016 (CONTINUED)

In the past years and in 2016, Board of Directors and Board of Management continued to step up investment in grey matter, improve and raise managerial ability, the productivity of sewing lines such as building the production model of LEAN lines in combination with managerial skills 5S as a basis for training line managers, conversion of production lines into model U, both increasing quality supervision ability and helping cell managers manage favorably. Organizing and rearranging technical apparatus, developing samples and deploying production in order to increase managerial responsibility and improvement skills, production rationalization. In addition, in the year the company invested 31 billion

SOME OUTSTANDING PERFORMANCES

In addition to the specific results of the investment in business production operations. In the year, the company rearranged technical management apparatus for specific purposes in order to develop strong points as well as specific responsibility of everybody, every unit on the basis of the intensification of design advantage, the sample development of the company as well as tool, equipment automation; the rearrangement of the managerial system in order to raise the operation responsibility and act as an advisor in building and perfecting the LEAN 5S management model;

Organizing investment, rearranging the production lines from letter II to letter U to intensify management, production control of producing shops at 3 factories An Phu, An Nhon and Ha Lam, helping to consolidate the company’s position toward customers.

to raise equipment automation ratio as well as applying IT to management, production process. The above-mentioned all measures were to realize an “investment-intensive” policy for the conversion of production strategy, raising the competitive advantage of the company in a new situation by raising labor productivity, minimizing overtime shift, increasing revenue, decreasing fixed cost maximizing product value per head.

Sau 3 năm thực hiện chuyển đổi chiến lược sản phẩm và “thâm dụng đầu tư”, hiện Công ty đã xây dựng được một đội ngũ cán bộ kỹ thuật, nghiệp vụ và quản lý điều hành sản xuất chất lượng cao, sẵn sàng đáp ứng yêu cầu chiến lược phát triển bền vững của Công ty trong tình hình mới.

ASSESSMENTS ON THE ACTIVITIES OF BOARD OF GENERAL MANAGEMENT OF THE

Inspecting closely changes in market, customers and having flexible, effective response plans; therefore, opportunely limiting risks in managing business production of the company.

Consolidating, intensifying human resource in Board of management, preparing the inheritance resources in the next term of office



ASSESSMENT OF SITUATION 2017

Economic situation in 2017 forecasts many unstable impacts on the textile and garment product export businesses, an upward trend in USD after American presidential election, interest rate increase prospect of FED and the recovery of American economy while Europe will probably have political instabilities when Holland, Austria, France and Germany conduct the elections in 2017, Brexit event and policies on interest rate of European Central Bank System weaken Euro and the instabilities of economic growth will reduce the demand of textile and garment industry at this market. The above-mentioned forecasts need to be closely watched to respond opportunely because these are two major export markets of GMC, especially the prospect of market share growth in America has



With the advantages of cheap labor cost preferential import policies and floating exchange rate of countries in the area such as Bangladesh, Myanmar, Cambodia, the shift trend of garment product processing from Vietnam to them will continue with a faster and stronger rate. Apart from it, competitive pressure with traditional garment export countries also increases more strongly when investment incentives and export promotion policies will make the most of it, when their governments cope with TPP change in the past years.

As for domestic businesses, depreciation requirements, payback of FDI businesses that have invested and waited in front for FDA in the past years, they have changed when TPP comes to a standstill. In the face of the above reality, FDI businesses in the branch will probably intensify promotion, cost reduction, order form increase to take all depreciation and reduce loss. With closed investment advantages, competitive cost price, short production time, FDI businesses will increase competitive pressure on Vietnam businesses.

However, positive aspect may be a change in tectonics, management mechanism of the government in accordance with the integration itinerary signed by our country. in the face of the above

situation, Vietnam businesses will meet with difficulties in competition, especially small businesses that still carry out the processing mode and remain passive in market promotion, order forms. Therefore, it is very necessary to have a change in situation cognition, business thinking in state of mind of active development strategy construction, "restart-up company" in accordance with situation changes. Business mode must be changed positively into FOB or ODM, OBM to actively tap the integration advantage, balance the order form capability, increase accumulation, invest in depth, minimize labor-intensive dependence, wait in front for the four technology wave in the equipment, resources automation application. The greatest advantage of trade agreements is not a decrease in export tax rate but the very opportunity so that Vietnam businesses can change business production mode and increase value. We can say that when trade agreements become effective, tariff incentives and a change in management policy of the government are a change motivation in Vietnam businesses to increase competitiveness, ensure existence and development in new situation.

DEVELOPMENT STRATEGY

JUDGMENT OF SITUATION IN 2017

Interest rate and inflation will increase due to factors such as a change in the interest rate policy of FED, a rise in oil price as forecast the short-term economic policy of America will cause a shock after president Donald Trump assumes governmental powers (such as America-China trade war, TPP stagnation and American domestic production protection measures ...). However, Mr. Trump's domestic production protection policy on garment industry is not worrying because it is a former labor-intensive industry, it is only worrying in case that America raises a tariff barrier against imports; Vietnam will meet with difficulties in competing with countries in the area. Political situation in EU happens complexly, unfathomably after Brexit and depends on the results of new elections in Germany, France, ... it is likely to lead to Euro devaluation and economic consequences from bad debts which cannot restructured in Italia to bank system, finance of the whole Europe; terrorist risks are also major problems in this area.

The happenings of the integration itinerary of 12 bilateral, multilateral trade agreements and regional competition will bring about opportunities as well as challenges to Vietnam businesses. FTAs will create effect to speed up two-way trade

value as well as reform motivator and economic restructuring; a strong impact on competitive capability enhancement of goods, businesses and the management of the government in accordance with the integration trend. Improvement efforts, thinking innovation, know-how will be decisive; the largest harvest from long-term, sustainable integration is the opportunity to change the trade business model, increase surplus value, customs incentives are motivation.

The market situation of the branch will happen complexly, unstably since global economy has not really recovered and impacts from political situation changes, terrorism, East sea ... are complex, unfathomable;

FORECAST OF SITUATION IN 2017

Business production operations in 2017 are carried out in the context of the instability of traditional export market. The shift trend of simple products from Vietnam to competitive countries in the area will be common, domestic competitive pressure will be stronger when Supply is higher than demand, domestic market will compete fiercely when garment import duty from ASEAN, China decreases gradually when a change in shopping habit of the young by e-commerce mode helps to increase pressure on currently traditional common distribution system of businesses.

GROWTH MODEL

From lively reality in the strategic implementation of the past third term of office and the branch situation happenings as well as the current resources of the company, Board of Directors was unanimous on the viewpoint of development, strategic realization with assessment criteria of 100 billion EBT in 2018 with strategies and solutions as follows:

1

PRODUCT VALUE INCREASE

Increasing capability for hi-tech product strategy (value added from grey matter, skills/technique, product quality, raw material value ...)

2

PERFECTION OF PRODUCTION APPARATUS

Investing, perfecting LEAN 5S production model from infrastructure to human resource of high quality in order to raise labor productivity, minimize fixed cost increase business effect and comply with social responsibility.

3

PERFECTION OF PROCESS

Raising FOB effect through process perfection and surplus increase from technical products and raw materials of high value apart from shaping the closed chain of design - production - business ODM/OBM

4

BUILDING PRODUCTION MODEL

Forming the model of production - service/trade on the basis of competitive advantage and experience of the company such as: support service, FOB lump-sum supply ; building and developing a subcontractor system: management and tally services combined with construction/assessment of management system/social responsibility; cooperating and developing the closed chain of production - business, ... With production revenue structure of 70-75% and service/trade 25-30% in 2018, creating premise for growth in the 4th term of office.

GROWTH SOLUTIONS

Continuing to implement the policy of “investment intensive for labor intensive”, from infrastructure investment, automatic equipment, grey matter to perfect LEAN 5S model to investment human resource of high quality in accordance with the development strategy of hi-tech product manufacturing capability.

INTERNAL INVESTMENT ALLOCATION

RESOURCES ALLOCATION

Priority is given to resources allocation in the implementation of growth model, including adjustment, expense allocation, profit when investing in material facilities, human resource ...

Supporting Board of Management's successful deployment of “7 action programs”, implementing the objective of 100 billion EBT in 2018.

OBJECTIVE ALLOCATION

RISK MANAGEMENT

Paying more attention to risk management in business production operations such as exchange rate risks, interest rate or market, customer.

Intensifying and innovating the market and customer development promotion in the viewpoint of “market/customer multi-lateralization, product diversification” for “growth model conversing strategy” of the company.

MARKET DEVELOPMENT

TECHNOLOGICAL APPLICATION

Intensifying technological investment in controlling the business - production process apart from a risk handling and control, management system in development process.



05

CORPORATE GOVERNANCE

MEMBER OF THE BOARD OF MANAGEMENT

TRANSACTIONS, REMUNERATION AND OTHER BENEFITS
OF BOARD OF DIRECTORS, BOARD OF MANAGEMENT AND
INSPECTION COMMITTEE.



CORPORATE GOVERNANCE

MEMBER OF THE BOARD OF MANAGEMENT

MEMBER OF THE BOARD OF MANAGEMENT

No.	Full name	Position	Number of shares held	Ownership ratio/ charter capital
1	Le Quang Hung	Chairman of the Board	443.620	2,85%
2	Nguyen An	Deputy Chairman of the Board	384.530	2,47%
3	Lam Tu Thanh	Member of the Board of directors	817,910	5,26%
4	Nguyen Thi Thu Huong	Member of the Board of directors	29.610	0,19%
5	Nguyen Minh Hang	Member of the Board of directors	16.070	0,10%
6	Phan Thi Phuong	Member of the Board of directors	3.940	0,03%
5	Lam Quang Thai	Member of the Board of directors	2.478.314	15,93%

THE OPERATIONS OF THE COMMITTEES OF THE BOARD OF DIRECTORS

The Committee of Strategy - Development combined with the Committee of Investment - Finance and the Committee of Internal audit discussed and passed the following issues:

- The content of AGM program in 2016 was organized on April 27th, 2016;
- The modification of the Charter of organization and operation of the company by Law on Enterprises 2014;
- The members of the existing Board of supervisor were preserved unanimously until the end of the third term of office (2018), Chief of supervision Board prepared the statement of AGM 2016 passed;
- Unanimity on the investment scheme of stage 2, Ha Lam Garment Enterprise and project financing capital resources.
- Unanimity on the company development strategy in the context of integration was the action message of Board of Directors before new opportunities from now to 2018;
- Financial Director prepares the statement for consulting Board of Directors on principle contract with companies under ownership or joint ownership of Mr. Lam Quang Thai, the member of Board of Directors of Saigon Garment Manufacturing Trade Joint

- Stock Company and Blue Saigon LLC branch (in America).
- The issuance of stocks to the existing shareholders in order to increase charter capital for floating capital supplementation and corporate development strategy;
- Unanimously negotiating with Hoa Loi Service and Trade Investment Joint Stock Company on investment cooperation and determining the investment procedure completion time for the project of 213 Hong Bang, District 5;
- Unanimously promoting more partners for investment cooperation in ground space of 332 Luy Ban Bich, Hoa Thanh Ward, Tan Phu District;
- Unanimously authorizing Chairman of the Board to prepare the current ground space use scheme of the company to achieve optimal effect;
- Unanimously establishing the Committee of human resource for senior personnel preparation for the fourth term of office;
- Unanimously appointing managing director: Deputy General Director in charge of Plan - Business in order to perfecting gradually the operation management apparatus of the company;
- Unanimity on the strategic objective of the company until 2018 with the target on EBT from 100 billion VND and over;
- Unanimity on fractional share handling and the remainder undistributed after more share offering to the existing shareholders in 2016;
- Unanimously finding partners for investment cooperation at ground space of 252 Nguyen Van Luong, Ward 17, Go Vap District;
- Unanimously negotiating about investment cooperation with Tuong Long Textile Company Ltd.;
- Unanimously transferring LEAN 5S management model to partners and policy for implementers;
- Charter capital increase of the company for public offerings and modification of Item 1 Article 5 of corporate Charter due to Charter capital increase by the authorization of AGM in 2016;
- Registration and supplementary share listing for public offering according to the Certificate of registration for public offering of State Securities Commission of Vietnam.

THE OPERATIONS OF THE BOARD OF DIRECTORS

IN 2016, BOARD OF DIRECTOR DISCUSSED AND PASSED THE FOLLOWING ISSUES:

Reports on business and production results in 2015 and business and production indicator in 2016 passed and submitted to AGM;

Passing profit allocation in 2015; the bonus fund distribution of Board of Directors to the members of Board of Directors, Inspection Committee and key staff of the company;

Repurchase of 49% Owners’ equity of Blue Exchange Company Ltd. at Blue Saigon Garment Two-Member Company Ltd. was passed and licensed to change to Blue Saigon Garment One-Member Company Ltd. by Department of Planning and Investment;

The completion of investment capital increase of Blue Saigon LLC branch in America was passed and licensed to adjust capital increase by Department of Planning and Investment;

Passing reports on business and production results for the first 6 months of the year 2016 and plan for the last 6 months of the year 2016;

Supervising the payment of 15% dividend in cash of stage 2 in 2015 and advancing 15% dividend in cash of stage 1 in 2016 (2 stages by nominal value: 10,000/share) to the existing shareholders;

Supervising the issue of more shares to the existing shareholders, increasing charter capital for supplementation of



floating capital; issue ratio: 3:1, issue price: 15,000 VND/stock;
Passing reports on business and production results for the first 9 months of the year 2016 and the plan of quarter 4/2016

TRAINING IN CORPORATE GOVERNANCE

The members of Board of Directors, the members of Inspection Committee, Board of management of the corporation permanently update texts, regulations of the law on management in which there were one member of Board of Directors and one member of Inspection Committee attending the course of training in corporate governance, they have been issued certificates. The remaining members will continue to attend when training centers are recognized to have appropriate training courses

IN 2016, THE BOARD OF DIRECTORS HELD FIVE MEETINGS, AND ALL SEVEN MEMBERS OF THE BOARD OF DIRECTORS ARE FULLY PRESENT. THE BOARD OF DIRECTORS APPROVED 14 RESOLUTIONS AS FOLLOWS:

No.	Resolution/ Decision	Date	Content
1	08/16/NQ-HĐQT	10/03/2016	DECISION OF BOARD OF DIRECTORS Organizing AGM 2016 on April 27th 2016; the last registration date: March 25th 2016
2	1 6 / N Q - HĐQT	06/05/2016	RESOLUTION OF BOARD OF DIRECTORS Blue Saigon LLC (the branch of Blue Saigon Garment One-Member Company Ltd. in America, Director: Mr. Nguyen Ngoc Trung) implements corporate development strategy in the conversion of model and business mode, preparing for integration when TPP becomes effective. Approving the content of business contract (principle) between Saigon Garment Manufacturing -Trade Joint Stock Company and Blue Saigon LLC.
3	1 7 / N Q - HĐQT	06/05/2016	RESOLUTION OF BOARD OF DIRECTORS Board of Directors determines domestic goods is a provisional solution in settlement of production capability in off season and trade - service - business structure change process of the company Unanimity on the content of business contract (principle) between Saigon Garment Manufacturing -Trading Joint Stock Company and companies under the ownership of Mr. Lam Quang Thai, the member of Board of Directors of Saigon Garment Manufacturing -Trading Joint Stock Company
4	1 7 A / N Q - HĐQT	06/05/2016	RESOLUTION OF BOARD OF DIRECTORS Unanimity on the choice of Hoa Loi Service and Trade Investment Joint Stock Company Ltd. for exploitation cooperation of area 213 Hong Bang, Ward 11, District 5, Ho Chi Minh City
5	1 8 / N Q - HĐQT	11/05/2016	RESOLUTION OF BOARD OF DIRECTORS Unanimity on the choice of An Lac General Company Ltd. for exploitation cooperation of area 332 Luy Ban Bich, Hoa Thanh Ward, Tan Phu District, Ho Chi Minh City.
6	1 9 / Q Đ - HĐQT	06/06/2016	RESOLUTION OF BOARD OF DIRECTORS Passing the capital use scheme from public offerings to the existing shareholders for business production of the company (floating capital supplementation of 58,205,340,000 VND)

THE OPERATIONS OF THE BOARD OF DIRECTORS



No.	Resolution/Decision	Date	Content
7	20/QĐ-HĐQT	06/06/2016	RESOLUTION OF BOARD OF DIRECTORS Passing the public securities issue registration records submitted to State Securities Commission of Vietnam
8	24/QĐ-HĐQT	04/07/2016	RESOLUTION OF BOARD OF DIRECTORS Passing the detailed capital use scheme from public offerings to the existing shareholders for business production of the company: Payment of materials and accessories: VND 32,205,340,000 Spending on salary: VND 18,000,000,000 Processing expenses: VND 8,000,000,000
9	27/NQ-HĐQT	12/09/2016	RESOLUTION OF BOARD OF DIRECTORS Decision on payment of 15% dividend in cash of stage 2 in 2015 and an advance of 15% dividend in cash of stage 1 in 2016 (02 stages by nominal value: 10,000/share) to the existing shareholders; the last registration date: 26/09/2016 and dividend payment time: 17/10/2016.
10	28/NQ-HĐQT	12/09/2016	RESOLUTION OF BOARD OF DIRECTORS Decision on the last registration date for share purchase according to the certificate of share offering No. 55/GCN-UBCK dated 08/09/2016 by State Securities Commission of Vietnam, it is expected on 26/09/2016

No.	Resolution/Decision	Date	Content
11	33/NQ-HĐQT/2016	07/11/2016	RESOLUTION OF BOARD OF DIRECTORS Passing the results of more shares offering to the existing shareholders through 28/10/2016 Passing the list of fractional share distribution and the remainder not yet distributed after more shares offering to the existing shareholders in 2016 with offering price: 15,000 VND/share
12	34/16/NQ-HĐQT	09/11/2016	RESOLUTION OF BOARD OF DIRECTORS Unanimity on the strategic objective of the company until 2018, achieving profit target before tax from 100 billion VND and over
13	38/2016/NQ-HĐQT	06/12/2016	RESOLUTION OF BOARD OF DIRECTORS Increasing charter capital of the company from 116,903,300,000 VND to 155,556,200,000 VND due to public offering (offering to the existing shareholders) Modifying Item 1 Article 5 of corporate charter from 116,903,300,000 VND (11,690,330 shares) to 155,556,200,000 VND (15,555,620 shares)
14	39/2016/NQ-HĐQT	06/12/2016	RESOLUTION OF BOARD OF DIRECTORS Passing registration and supplementary listing of number of shares for public offering according to the certificate of registration for public offering No. 55/GCN-UBCK dated 08/09/2016 by State Securities Commission of Vietnam with the number of registered shares of 3,865, 290 (common) shares, nominal value: 10,000/share



INSPECTION COMMITTEE

THE MEMBERS AND STRUCTURE OF THE INSPECTION COMMITTEE

No.	Full Name	Position	Number of shares held	Ownership ratio/ charter capital
1	Le Thi Chin	Head of the Inspection Committee	3.940	0,02%
2	Nguyen Thi Hong Lien	Inspector	4.050	0,02%
3	Lam Quang Kieu Phuong	Inspector	7.880	0,05%



THE ACTIVITIES OF THE INSPECTION COMMITTEE

THE ACTIVITIES OF THE INSPECTION COMMITTEE IN 2016

- Head of the Inspection Committee participates in all meetings of Board of Directors
- Passing the results of the AGM resolution implementation in 2015:
 - The expected reports on the results of business production operations of the company (data not yet audited), analysis of market structure, customers and guiding solutions in the year
 - Reports on the remuneration advance of the Board of Directors, the Inspection Committee and the distribution of bonus fund of the Board of Directors according to meeting conclusion in April/2015.
 - The amalgamation of Blue Saigon Garment Co. Ltd., the investment scheme of stage 2 of Ha Lam Garment Enterprise, the capital increase of Blue Saigon LLC, project investment scheme of 213 Hong Bang
 - Preparation for AGM in 2016
 - Implementation of AGM resolution in 2016;
 - The appointment of managing director: Deputy General Director in charge of plan business for the gradual perfection of the operation management apparatus of the company;
 - The strategic objective of the company until 2018 with profit target before tax from 100 billion VND and over.
 - Reports on the results of business production combination (audited data) for the first 6 months of the year 2016.
 - The payment of 15% dividend in cash of stage 2 in 2015 and advance of 15% dividend in cash of stage 1 in 2016 to the existing shareholders;

THE OPERATION CO-ORDINATION BETWEEN THE INSPECTION COMMITTEE AND THE BOARD OF MANAGEMENT AND OTHER MANAGERS

- Passing the scheme of share issue to the public (issue to the existing shareholders), increasing charter capital for the supplementation of floating capital expected to increase 3,880,356 shares, nominal value: 10,000/shares.
- Issuing more shares to the existing shareholders, increasing charter capital for the supplementation of floating capital; issue ratio: 3:1, issue price: 15,000/share

OTHER ACTIVITIES

- Passing the reports of the Inspection Committee submitted to AGM.
- Passing (new Law on Enterprises): Head of the Inspection Committee is the person in charge, the member of the Inspection Committee is an auditor or an accountant.
- Passing the reports of the Inspection Committee for the first 6 month of the year 2016
- Passing the reports on the business production results for 9 months and the remaining plan in 2016.

TRANSACTIONS, REMUNERATION AND OTHER BENEFITS OF BOARD OF DIRECTORS, BOARD OF MANAGEMENT AND INSPECTION COMMITTEE.

SALARY, WELFARE, AND REMUNERATIONS

No	Full name	Position	Wages, benefits and remunerations
			2016
1	Board of Management		
-	Le Quang Hung	Chairman of the Board	1.431.534.100
-	Nguyen An	Deputy Chairman of the Board General Director	2.206.985.658
-	Lam Tu Thanh	Member of the Board of Directors	100.834.471
-	Nguyen Thi Thu Huong	Member of the Board of Directors Duputy General Director	1.169.104.065
-	Nguyen Minh Hang	Member of the Board of Directors Financial Director	1.205.292.602
-	Phan Thi Phuong	Member of the Board of Directors	100.834.471
-	Lam Quang Thai	Member of the Board of Directors	100.834.471
2	Inspection Committee		
-	Le Thi Chin	Head of the Inspection Committee	53.070.774
-	Nguyen Thi Hong Lien	Inspector	520.489.884
-	Lam Quang Kieu Phuong	Inspector	26.535.387
3	Board of Management		
-	Do Thi Kim Nhan	Duputy General Director	866.010.572
-	Le Thi Phuong Thao	Duputy General Director	357.379.163

TRANSACTIONS OF INTERNAL SHAREHOLDERS

In 2016, there was no potential transaction concerning key members (Chairman of the Board, member of the Board of Directors, General management, Chief accountant)
In 2016, the company issued shares for capital increase, which resulted in changing the ownership of internal person and affiliated person of internal person as follows:

No.	Transacted by	Relationship to internal person	Number of shares owned for the first period		Number of shares owned for the last period		Reason for change (buying, selling, conversing, rewarding)
			Number of shares	Ratio	Number of shares	Ratio	
A Board of Directors							
1	Le Quang Hung	Chairman of the Board	329.755	2,82	443.620	2,85	Increase due to purchase of additional shares
Affiliated person							
1.1	Tong Nu Hoai Phuong	Wife	616	0,00	821	0,00	Increase due to purchase of additional shares
2	Nguyen An	Deputy Chairman of the Board	285.441	2,44	384.530	2,47	Increase due to purchase of additional shares
3	Nguyen Thi Thu Huong	Member of the Board of Directors	19.247	0,16	29.610	0,19	Increase due to purchase of additional shares
4	Nguyen Minh Hang	Member of the Board of Directors	9.079	0,07	16.070	0,10	Increase due to purchase of additional shares
5	Phan Thi Phuong	Member of the Board of Directors	-	-	3.940	0,02	Increase due to purchase of additional shares

TRANSACTIONS OF INTERNAL SHAREHOLDERS

No.	Transacted by	Relationship to internal person	Number of shares owned for the first period		Number of shares owned for the last period		Reason for change (buying, selling, conversing, rewarding)
			Number of shares	Ratio	Number of shares	Ratio	
5.1	Gia Dinh Textile and Garment One-Member Co. Ltd		1.173.289	10,04	1.564.385	10,06	Increase due to purchase of additional shares
6	Lam Tu Thanh	Member of the Board of Directors	392.070	3,35	817.910	5,26	Increase due to purchase of additional shares
7	Lam Quang Thai	Major shareholder Member of the Board of Directors	1.826.996	15,63	2.478.314	15,93	Increase due to purchase of additional shares

B Inspection Committee

1	Le Thi Chin	Head of Inspection Committee	-	-	3.940	0,02	Increase due to purchase of additional shares
2	Nguyen Thi Hong Lien	Member of Inspection Committee	81	0,00	4.050	0,02	Increase due to purchase of additional shares
3	Lam Quang Kieu Phuong	TV.Ban KS	2	0,00	7.880	0,05	Increase due to purchase of additional shares

TRANSACTIONS OF INTERNAL SHAREHOLDERS

No.	Transacted by	Relationship to internal person	Number of shares owned for the first period		Number of shares owned for the last period		Reason for change (buying, selling, conversing, rewarding)
			Number of shares	Tỷ lệ	Number of shares	Ratio	

C Board of General management

1	Nguyen An	General Director	Refer to the section of Board of Directors				
2	Nguyen Thi Thu Huong	Deputy General Director	Refer to the section of Board of Directors				
3	Le Thi Phuong Thao	Deputy General Director	9	0,00	3.950	0,02	Increase due to purchase of additional shares

D Financial Director

1	Nguyen Minh Hang		XRefer to the section of Board of Directors				
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E Chief accountant

1	Nguyen Minh Hang		Refer to the section of Board of Directors				
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G Information announcer

1	Nguyen Minh Hang		Refer to the section of Board of Directors				
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CONTRACT OR TRANSACTION WITH INTERNAL SHAREHOLDERS

In 2016, transactions arose between the company and subsidiaries, between the company and the branches of subsidiaries as follows:

TRANSACTION BETWEEN THE COMPANY AND AFFILIATED PERSONS

No.	Name of organization/ individual	Relationship to the company	Transaction time with the company
1	Tan My Garment Co. Ltd.	Subsidiary	Transaction concerning garment processing; sale of materials and accessories, lease and sale of machines, equipment; factory leasing in 2015, 2016
2	Blue Saigon Garment Co. Ltd.	Subsidiary	Transaction concerning garment processing; sale of materials and accessories, machines, equipment since 2015, 2016

Transaction between the company and subsidiaries was transaction concerning garment processing; sale of materials and accessories, lease and sale of machines, equipment; factory leasing was permanently potential transaction, compliance with the regulations in corporate charter and Law on Enterprises

INTER-COMPANY TRANSACTION IN WHICH THE AFFILIATED PERSON OF THE MEMBER OF THE BOARD OF DIRECTORS, THE MEMBER OF THE INSPECTION COMMITTEE, CHIEF EXECUTIVE OFFICER IS THE MEMBER OF THE BOARD OF DIRECTORS, CHIEF EXECUTIVE OFFICER

No.	Name	Relationship to the company	Transaction with the company	Note
1	Blue Saigon LLC	The branch of Blue Saigon Garment Subsidiary Company Ltd. Mr. Nguyen Ngoc Trung Director of the branch is the person related to Mr. Nguyen An - Member of the Board of Directors - concurrently General Director of the company	Transaction concerning garment processing; sale of materials and accessories from 2014 until now has been reflected in financial statements and most recently in financial statements audited in the years: 2014, 2015 and 2016	Resolution 1 6 / N Q - HDQT dated 06/05/2016 still becomes effective until it is replaced with a new text



TRANSACTION BETWEEN THE COMPANY AND OTHER OBJECTS (INTER-COMPANY TRANSACTION IN WHICH THE MEMBER OF THE BOARD OF DIRECTORS, MANAGING DIRECTOR HAS BEEN A FOUNDER MEMBER OR THE MEMBER OF THE BOARD OF DIRECTORS, MANAGING DIRECTOR (GENERAL DIRECTOR).

No.	Name of organization/ individual	Relationship to the company	Transaction with the company
1	Tan My Garment Co. Ltd.	Subsidiary; Mr. Nguyen An, Member of the Board of Directors is Chairman of the company	Transaction concerning garment processing; sale of materials and accessories, lease and sale of machines, equipment; factory leasing from 2014 until now has been reflected in financial statements and most recently in financial statements audited in the years: 2014, 2015 and 2016
2	Blue Saigon Garment Co., Ltd.	Subsidiary Mr. Le Quang Hung - Chairman of the Board of the company is Director of the company	Transaction concerning garment processing; sale of materials and accessories, sale of machines, equipment from 2014 until now has been reflected in financial statements audited in 2014, 2015 and 2016
3	Blue Exchange One-Member Co., Ltd.	Mr. Lam Quang Thai - Member of the Board of Directors is the owner of these companies	Transaction concerning purchase and sale of garment from 2014 until now has been reflected in financial statements audited in the years: 2014, 2015, 2016
4	Quang Nam Blue Way One-Member Co., Ltd.		Transaction concerning purchase and sale of garment, materials and accessories from 2014 until now has been reflected in financial statements audited in the years: 2014, 2015, 2016
5	Blue Way One-Member Co., Ltd.		Transaction concerning purchase and sale of garment, materials and accessories from 2014 until now has been reflected in financial statements audited in the years: 2014, 2015, 2016
6	Coconut-Palm Garment Co. Ltd.		Transaction concerning purchase and sale of materials and accessories in 2015 and 2016 was reflected in financial statements audited in the years: 2015, 2016
7	Tra Tan Co., Ltd.		Transaction concerning garment processing; from 2015 until now has been reflected in financial statements audited in the years: 2015, 2016

THE IMPLEMENTATION OF THE REGULATIONS ON CORPORATE GOVERNANCE

Participating in securities market since 2006, the company has always maintained an update on the regulations promulgated by State Securities Commission of Vietnam and seriously deployed and applied to internal management of the company.

06 FINANCIAL STATEMENTS

AUDITOR'S OPINIONS

AUDITED FINANCIAL STATEMENTS

THE BOARD OF DIRECTORS' REPORT

For the fiscal year ended 31 December 2016

The Board of Directors has the pleasure in presenting this report and the audited consolidated financial statements of Saigon Garment Manufacturing Trade Joint Stock Company and its subsidiaries ("the Group") for fiscal year ended 31 December 2016.

1. General information

Saigon Garment Manufacturing Trade Joint Stock Company ("the Parent Company") is a joint stock company established by equitizing the former State-owned Garmex Saigon JS in accordance with the Decision No. 1663/QB-UB dated 05 May 2003 of the Chairman of the People's Committee of Ho Chi Minh City. The parent company has been operating in accordance with the business registration certificate No. 0300742387 issued by the Department of Planning and Investment of Ho Chi Minh City on 07 January 2004 and the 13th amendment of business registration certificates on 19 December 2016.

The Parent Company's shares were officially listed on the Ho Chi Minh City Stock Exchange (HOSE) from 22 December 2006 under the ticker GMC.

2. The Board of Directors, Board of Supervision and Management

The members of the Board of Directors, Board of Supervision for the fiscal year ended 31 December 2016 and to the date of this report are:

Board of Directors

Full Name	Position	Appointed Date	Resigned Date
Mr. Le Quang Hung	Chairman	31/12/2003	-
Mr. Nguyen An	Deputy Chairman	31/12/2003	-
Mr. Lam Tu Thanh	Member	15/04/2009	-
Ms. Nguyen Thi Thu Huong	Member	04/08/2010	-
Ms. Nguyen Minh Hang	Member	12/04/2014	-
Mr. Lam Quang Thai	Member	12/04/2014	-
Ms. Phan Thi Phuong	Member	12/04/2014	-

Board of Supervision

Full Name	Position	Appointed Date	Resigned Date
Ms. Le Thi Chin	Head of Board of Supervision	15/04/2009	-
Ms. Nguyen Thi Hong Lien	Member	15/04/2009	-
Ms. Lam Quang Kieu Phuong	Member	12/04/2014	-

The members of the Management for the fiscal year ended 31 December 2016 and to the date of this report are:

Management

Full Name	Position	Appointed Date	Resigned Date
Mr. Nguyen An	General Director	31/12/2003	-
Ms. Do Thi Kim Nhan	Deputy General Director	31/12/2003	26/09/2016
Ms. Nguyen Thi Thu Huong	Deputy General Director	31/12/2003	-
Ms. Le Thi Phuong Thao	Deputy General Director	12/08/2016	-
Ms. Nguyen Minh Hang	Financial Director	17/06/2014	-

THE BOARD OF DIRECTORS' REPORT

For the fiscal year ended 31 December 2016

Legal Representative

Legal Representative of the parent company who held office during the fiscal year ended 31 December 2016 and to the date of this report is:

Full name	Nationality	Position
Mr. Nguyen An	Viet Nam	General Director

3. Head office

The Parent Company's head office is located at 252 Nguyen Van Luong Street, Ward 17, Go Vap, District, Ho Chi Minh City, Vietnam.

In addition, the Parent Company has dependent units as follows:

No.	Name	Address
1	Binh Tien Garment Factory	55E Minh Phung Street, Ward 5, District 6, Ho Chi Minh City
2	Tan Phu Garment Factory	332 Luy Ban Bich Street, Hoa Thanh Ward, Tan Phu District, Ho Chi Minh City
3	An Phu Garment Factory	14/5 Chanh 2 Hamlet, Tan Xuan Ward, Hoc Mon Village, Ho Chi Minh City
4	An Nhon Garment Factory	252 Nguyen Van Luong Street, Ward 17, Go Vap District, Ho Chi Minh City

4. The Group's consolidated financial position and operating results

The Group's consolidated financial position and its consolidated operating result for the fiscal year ended 31 December 2016 are reflected in the accompanying consolidated financial statements.

5. Events subsequent to the balance sheet date

There have been no significant events occurring after the consolidated balance sheet date which would require adjustments or disclosures to be made in the consolidated financial statements.

6. Auditors

PKF Vietnam Co., Ltd has been appointed to audit the consolidated financial statements for the fiscal year ended 31 December 2016.

7. Statement of the Management responsibility in respect of the consolidated financial statements

The Management is responsible for the consolidated financial statements for the fiscal year ended 31 December 2016 which gives a true and fair view of the consolidated financial position of the Group, as well as of its consolidated operation results and its consolidated cash flows for the fiscal year then ended. In preparing those consolidated financial statements, the Management is required to:

- Design, implement and maintain the Group's internal control for prevention and detection of fraud and error;
- Select suitable accounting policies and then apply them consistently;

THE BOARD OF DIRECTORS' REPORT

For the fiscal year ended 31 December 2016

- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- Prepare and present the financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and legal regulations relating to consolidated financial reporting; and
- Prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Management confirms that it has complied with the above requirements in preparing the consolidated financial statements and is aware that there are no significant events can affect the Group's ability to continue as a going concern.

The Management is responsible for ensuring that the proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Group and to ensure that the accounting records comply with the Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting.

It is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The Management confirms that it has complied with the above requirements in preparing the consolidated financial statements for the fiscal year ended 31 December 2016.

In addition, the Management commits that the Group does not violate the obligation to disclose information under provisions of Circular No. 155/2015/TT-BTC dated 6 October 2015 issued by the Ministry of Finance on guiding the disclosure of information on securities market.

8. Approval of the consolidated financial statements

The Board of Directors, hereby approve the accompanying consolidated financial statements which give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and the results of its operations and its consolidated cash flows for the fiscal year then ended in accordance with the Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to preparation and presentation of consolidated financial statements.



LE QUANG HUNG
Chairman

Ho Chi Minh City, 15 March 2017

INDEPENDENT AUDITORS' REPORT

**To: The Shareholders,
The Board of Directors and the Management of
SAIGON GARMENT MANUFACTURING TRADE JOINT STOCK COMPANY**

We have audited the accompanying consolidated financial statements for the fiscal year ended 31 December 2016 of Saigon Garment Manufacturing Trade Joint Stock Company and its subsidiaries ("the Group") prepared on 15 March 2017, which comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement, consolidated cash flow statement and notes to the consolidated financial statements for the fiscal year then ended, as set out from page 6 to page 45.

The accompanying audited consolidated financial statements are not intended to reflect the financial position, results of operation and cash flows in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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INDEPENDENT AUDITORS' REPORT (cont.)

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the fiscal year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting.

Other matter

The consolidated financial statements for the fiscal year ended 31 December 2015 of Saigon Garment Manufacturing Trade Joint Stock Company were audited by another independent auditing firm whose report dated 30 March 2016, expressed an unqualified opinion on those statements.

For and on behalf of PKF Vietnam Company Limited



NGUYEN HONG QUANG
Deputy General Director
Audit Practising Registration Certificate
No. 0576-2015-242-1

TO BUU TOAN
Auditor
Audit Practising Registration Certificate
No. 1201-2016-242-1

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

Form B 01-DN/HN

	Code	Note	31/12/2016 VND	01/01/2016 (Restated) VND
ASSETS				
A - CURRENT ASSETS	100		628,853,301,952	615,643,774,120
I. Cash and cash equivalents	110	5.1	104,277,219,892	51,781,890,649
1. Cash	111		104,277,219,892	51,781,890,649
2. Cash equivalents	112		-	-
II. Short-term financial investments	120			
1. Trading securities	121		-	-
2. Allowance for diminution in the value of trading securities	122		-	-
3. Held-to-maturity investments	123		-	-
III. Short-term receivables	130		266,064,834,495	302,905,875,100
1. Accounts receivable from customers	131	5.2	245,023,077,023	239,154,405,097
2. Prepayments to suppliers	132	5.3	15,368,294,418	18,141,534,173
3. Intra-company receivables	133		-	-
4. Receivables on construction contracts according to stages of completion	134		-	-
5. Loans receivable	135		-	-
6. Other receivables	136	5.4	5,673,463,054	45,609,935,830
7. Allowance for doubtful debts	137		-	-
8. Shortage of assets awaiting resolution	139		-	-
IV. Inventories	140	5.5	227,458,893,180	233,854,327,383
1. Inventories	141		227,458,893,180	233,854,327,383
2. Allowance for inventories	149		-	-
V. Other current assets	150		31,052,354,385	27,101,680,988
1. Short-term prepaid expenses	151	5.11	5,658,989,464	999,516,206
2. Deductible value added tax	152	5.14	25,393,364,921	26,093,428,782
3. Taxes and other receivables from State Treasury	153	5.14	-	8,736,000
4. Government bonds under purchase and resale agreements	154		-	-
5. Other current assets	155		-	-

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

Form B 01-DN/HN

	Code	Note	31/12/2016 VND	01/01/2016 (Restated) VND
B – NON-CURRENT ASSETS	200		254,614,610,125	220,898,207,994
I. Long-term receivables	210		26,424,000	305,108,361
1. Accounts receivable from customers – long-term	211		-	25,728,361
2. Prepayments to suppliers – long-term	212		-	-
3. Operating capital allocated to subordinated units	213		-	-
4. Intra-company long-term receivables	214		-	-
5. Loans receivable – long-term	215		-	-
6. Other long-term receivables	216	5.4	26,424,000	279,380,000
7. Allowance for doubtful long-term debts	219		-	-
II. Fixed assets	220		195,095,790,559	156,477,415,861
1. Tangible fixed assets	221	5.6	190,137,068,753	150,742,468,031
- Cost	222		340,445,430,425	281,520,334,733
- Accumulated depreciation	223		(150,308,361,672)	(130,777,866,702)
2. Finance lease tangible fixed assets	224		-	-
- Cost	225		-	-
- Accumulated depreciation	226		-	-
3. Intangible fixed assets	227	5.7	4,958,721,806	5,734,947,830
- Cost	228		6,698,538,955	6,153,653,855
- Accumulated amortisation	229		(1,739,817,149)	(418,706,025)
III. Investment property	230		-	-
- Cost	231		-	-
- Accumulated depreciation	232		-	-
IV. Long-term work in progress	240		11,863,383,000	15,605,652,407
1. Long-term work in progress	241		-	-
2. Construction in progress	242	5.8	11,863,383,000	15,605,652,407
V. Long-term financial investments	250		18,243,502,000	18,509,757,800
1. Investments in subsidiaries	251		-	-
2. Investments in associates, joint-ventures	252	5.9	4,341,000,000	4,341,000,000
3. Equity investments in other entities	253	5.10	17,314,330,000	17,314,330,000
4. Allowance for diminution in the value of long-term financial investments	254	5.10	(3,411,828,000)	(3,145,572,200)
5. Held-to-maturity investments	255		-	-
VI. Other long-term assets	260		29,385,510,556	30,000,273,565
1. Long-term prepaid expenses	261	5.11	29,385,510,566	30,000,273,565
2. Deferred tax assets	262	5.19	-	-
3. Long-term tools, supplies and spare parts	263		-	-
4. Other long-term assets	268		-	-
5. Goodwill	269		-	-
TOTAL ASSETS	270		883,467,912,077	836,541,982,114

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

Form B 01-DN/HN

	Code	Note	31/12/2016 VND	01/01/2016 (Restated) VND
RESOURCES				
C – LIABILITIES	300		604,955,187,853	581,820,068,334
I. Current liabilities	310		553,573,538,033	578,942,057,493
1. Accounts payable to suppliers	311	5.12	91,752,020,564	93,928,426,264
2. Advances from customers	312	5.13	7,513,986,558	6,147,808,506
3. Taxes payable to State Treasury	313	5.14	3,989,119,916	8,547,489,355
4. Payables to employees	314	5.15	100,975,214,696	83,236,916,982
5. Accrued expenses	315	5.16	6,343,205,919	6,780,390,905
6. Intra-company payables	316		-	-
7. Payables on construction contracts according to stages of completion	317		-	-
8. Unearned revenue – short-term	318		-	-
9. Other payables – short-term	319	5.17	21,462,201,507	1,891,210,580
10. Short-term borrowings, bonds and finance lease liabilities	320	5.18	298,742,756,337	362,044,331,925
11. Provisions – short-term	321		-	-
12. Bonus and welfare funds	322	5.20	22,795,032,536	16,365,482,976
13. Price stabilization fund	323		-	-
14. Government bonds under sale and repurchase agreements	324		-	-
II. Non-current liabilities	330		51,381,649,820	2,878,010,841
1. Long-term accounts payable to suppliers	331		-	-
2. Long-term advances from customers	332		-	-
3. Long-term accrued expenses	333		-	-
4. Intra-company payables for operating capital received	334		-	-
5. Long-term intra-company payables	335		-	-
6. Long-term unearned revenue	336		-	-
7. Other payables – long-term	337		-	-
8. Long-term borrowings, bonds and finance lease liabilities	338	5.18	45,055,135,228	-
9. Convertible bonds	339		-	-
10. Preference shares	340		-	-
11. Deferred tax liabilities	341	5.19	6,326,514,592	2,878,010,841
12. Provisions – long-term	342		-	-
13. Science and technology development fund	343		-	-

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

Form B 01-DN/HN

	Code	Note	31/12/2016 VND	01/01/2016 (Restated) VND
D – EQUITY	400		278,512,724,224	254,721,913,780
I. Owners' equity	410	5.21	278,512,724,224	254,721,913,780
1. Share capital	411		155,556,200,000	116,903,300,000
- Ordinary shares with voting rights	411a		155,556,200,000	116,903,300,000
- Preference shares	411b		-	-
2. Share premium	412		28,314,942,370	9,138,322,370
3. Options to convert bonds into shares	413		-	-
4. Other capital	414		-	-
5. Treasury shares (*)	415		(863,138,686)	(863,138,686)
6. Differences upon asset revaluation	416		-	-
7. Foreign exchange differences	417		(537,935,735)	37,827,601
8. Investment and development fund	418		67,859,802,989	56,863,245,987
9. Enterprise reorganization assistance fund	419		-	-
10. Other equity funds	420		-	-
11. Retained profits	421		28,182,853,286	45,152,179,723
- Retained profits brought forward	421a		2,809,740,854	2,767,904,072
- Retained profit for the current period/year	421b		25,373,112,432	42,384,275,651
12. Capital expenditure fund	422		-	-
13. Non-controlling interest	429		-	27,490,176,785
II. Non-business expenditure fund and other funds	430		-	-
1. Non-business expenditure fund	431		-	-
2. Non-business expenditure fund invested in fixed assets	432		-	-
TOTAL RESOURCES	440		883,467,912,077	836,541,982,114

TRAN THI THU TRAM
Preparer

NGUYEN MINH HANG
Chief Accountant

NGUYEN AN
General Director
Ho Chi Minh City, 15 March 2017



SAIGON GARMENT MANUFACTURING TRADE JOINT STOCK COMPANY
252 Nguyen Van Luong Street, Ward 17, Go Vap District, Ho Chi Minh City, Vietnam

CONSOLIDATED INCOME STATEMENTS

For the fiscal year ended 31 December 2016

Form B 02-DN/HN

	Code	Note	Year 2016 VND	Year 2015 (Restated) VND
Revenue from sale of goods and rendering of services	01		1,618,811,584,240	1,504,057,829,976
Deductions	02		7,432,874,608	1,992,553,765
Net revenue from sale of goods and rendering of services	10	6.1	1,611,378,709,632	1,502,065,276,211
Cost of goods sold	11	6.2	1,336,254,164,067	1,249,640,731,601
Gross profit from sale of goods and rendering of services	20		275,124,545,565	252,424,544,610
Financial income	21	6.3	9,721,987,402	21,562,847,866
Financial expenses	22	6.4	18,607,441,721	24,039,661,530
- In which: Interest expense	23		9,270,690,113	6,324,168,678
Share of profit/(loss) in associates and jointly controlled entities	24		-	-
Selling expenses	25	6.5	46,979,794,836	35,648,681,130
General and administration expenses	26	6.6	148,299,438,422	136,581,571,152
Operating profit	30		70,959,857,988	77,717,478,664
Other income	31	6.7	4,767,330,226	4,450,116,262
Other expenses	32		31,452,785	9,244,475
Other profit	40		4,735,877,441	4,440,871,787
Accounting profit before tax	50		75,695,735,429	82,158,350,451
Current corporate income tax expense	51	6.8	11,261,203,031	18,747,835,291
Deferred corporate tax (income)/expense	52	6.9	3,448,503,751	3,280,984,434
Net profit after corporate income tax	60		60,986,028,647	60,129,530,726
Net profit after tax attributable to shareholders of the parent	61		60,986,028,647	63,457,806,533
Net profit after tax attributable to non-controlling interests	62	5.21	-	(3,328,275,807)
Basic earnings per share	70	6.10	5,146	4,320

TRAN THI THU TRAM
Preparer

NGUYEN MINH HANG
Chief Accountant

NGUYEN AN
General Director
Ho Chi Minh City, 15 March 2017



CONSOLIDATED CASH FLOW STATEMENT*(Indirect method)*

For the fiscal year ended 31 December 2016

	Code	Year 2016 VND	Year 2015 VND
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	75,695,735,429	82,158,350,451
2. Adjustments for:			
- Depreciation and amortisation	02	22,531,725,950	19,671,339,221
- Allowances and provisions/(reversal)	03	266,255,800	(540,892,400)
- Exchange losses/(gains) arising from revaluation of monetary items denominated in foreign currencies	04	3,457,767,548	649,441,651
- (Gain)/ loss from investing activities	05	(462,110,378)	(1,262,749,588)
- Interest expense	06	9,270,690,113	6,324,168,678
- Other adjustments	07	-	-
3. Operating profit before movements in working capital	08	110,760,064,462	106,999,658,013
- (Increase)/decrease in receivables	09	4,752,936,095	(123,250,223,522)
- (Increase)/decrease in inventories	10	6,395,434,203	(46,456,024,533)
- Increase/(decrease) in accounts payable (not including accrued interest and corporate income tax payable)	11	31,714,316,845	24,936,601,026
- (Increase)/decrease in prepaid expenses	12	(1,982,384,383)	597,998,410
- Increase/decrease in trading securities	13	-	-
- Interest paid	14	(8,826,950,016)	(6,324,168,678)
- Corporate income tax paid	15	(14,389,106,205)	(17,132,333,901)
- Other cash inflows	16	-	-
- Other cash outflows	17	(25,606,038,522)	(27,897,095,587)
Net cash flows from/(used in) operating activities	20	102,818,272,479	(88,525,588,772)
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(51,372,220,465)	(39,907,413,206)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	1,047,259,013	531,452,273
3. Cash outflow for lending, buying debt instruments of other entities	23	-	-
4. Cash recovered from lending, selling debt instruments of other entities	24	-	-
5. Investments in other entities	25	-	-
6. Cash recovered from investments in other Entities	26	-	-
7. Interest earned, dividends and profits received	27	259,315,883	731,297,315
Net cash flows used in investing activities	30	(50,065,645,569)	(38,644,663,618)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from issuing stocks, receiving capital from owners	31	57,829,520,000	11,174,040,000
2. Capital withdrawals, buying treasury shares	32	-	-
3. Proceeds from borrowings	33	1,100,943,669,702	954,853,435,641
4. Payments to settle loan principals	34	(1,124,139,115,805)	(792,099,253,168)
5. Payments to settle finance lease liabilities	35	-	-
6. Dividends and profits paid	36	(34,923,210,000)	(34,911,436,650)
Net cash flows (used in)/from financing activities	40	(289,136,103)	139,016,785,823

CONSOLIDATED CASH FLOW STATEMENT*(Indirect method)*

For the fiscal year ended 31 December 2016

	Code	Year 2016 VND	Year 2015 VND
Net increase/(decrease) in cash (50 = 20 + 30 + 40)	50	52,463,490,807	11,846,533,433
Cash and cash equivalents at the beginning of the year	60	51,781,890,649	39,968,106,554
Effects of changes in foreign exchange rates	61	31,838,436	(32,749,338)
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61)	70	104,277,219,892	51,781,890,649


TRAN THI THU TRAM
 Preparer


NGUYEN MINH HANG
 Chief Accountant


NGUYEN AN
 General Director
 Ho Chi Minh City, 15 March 2017



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

1. BUSINESS HIGHLIGHTS

Structure of ownership

Saigon Garment Manufacturing Trade Joint Stock Company ("the Parent Company") is a joint stock company established by equitizing the former State-owned Garmex Saigon JS in accordance with the Decision No. 1663/QB-UB dated 05 May 2003 of the Chairman of the People's Committee of Ho Chi Minh City. The parent company has been operating in accordance with the business registration certificate No. 0300742387 issued by the Department of Planning and Investment of Ho Chi Minh City on 07 January 2004 and the 13th amendment of business registration certificates on 19 December 2016.

The Group's shares were officially listed on the Ho Chi Minh City Stock Exchange (HOSE) from 22 December 2006 under the ticker GMC.

Quantity: 15,555,620 shares.

Par value: 10,000 VND per share.

Nature of business operations

According to business registration certificate, the parent company's business activities are:

- Sewing costumes (except for those made of fur), i.e. providing industrial garments with the main products of ready-made clothes of all kinds;
- Acting as agent, broker and auctioneer, i.e. acting as commercial broker;
- Trading machinery, equipment and other spare parts, i.e. trading supplies, machinery and equipment used in garment industry;
- Trading cloths, garments and shoes;
- Trading real estates, land use rights of which the company is the owner, user or lessee such as making investments in trading supermarkets and leasing offices, stores; trading houses; leasing plants;
- Trading other specialized products which have not been classified, i.e. trading materials and supplies used in garment industry;
- Providing service of business management consultancy, i.e. providing service of business management consultancy, providing services of forwarding imports and exports;
- Manufacturing knitted materials and other non-textile cloths, i.e. providing woolen products of all kinds;
- Finishing textile products, i.e. providing service of laundry (not at the head office);
- Manufacturing woven cloth, i.e. providing industrial textile products of all kinds;
- Transporting merchandises by road, i.e. providing service of transportation;
- Transporting passengers by roads;
- Other retails in department stores, i.e. retailing clothes, shoes, utensils, hardware products, cosmetics, jewelry, toys and sport stuff;
- Retailing garment, shoes, leather and leather-imitation products in specialized stores.

In the fiscal year ended 31 December 2016, the parent company is principally engaged in the processing and manufacture of garments.

The normal business cycle:

The normal operating cycle of the Group is generally within 12 months.

Structure of the Group

The Group consisted of Saigon Garment Manufacturing Trade Joint Stock Company ("the parent company") and its two (2) subsidiaries and one (1) associate as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

The parent company

The parent company has four (4) dependent units as follows:

No	Name	Address
1	Binh Tien Garment Factory	55E Minh Phung Street, Ward 5, District 6, Ho Chi Minh City
2	Tan Phu Garment Factory	332 Luy Ban Bich Street, Hoa Thanh Ward, Tan Phu District, Ho Chi Minh City
3	An Phu Garment Factory	14/5 Chanh 2 Hamlet, Tan Xuan Ward, Hoc Mon Village, Ho Chi Minh City
4	An Nhon Garment Factory	252 Nguyen Van Luong, Ward 17, Go Vap District, Ho Chi Minh City

Subsidiaries

Tan My Garment Co., Ltd ("Tan My"), full owned by its parent company, is a one member limited liabilities company established in Vietnam in accordance with Business Registration Certificate No. 3500816433 issued by the Department of Planning and Investment of Ba Ria Vung Tau Province on 29 August 2007 and the 5th amendment business registration certificates on 06 October 2015. Tan My's registered office is located at Hac Dich Industrial Cluster – Small Scale Industrial Group, Trang Cat Hamlet, Hac Dich Commune, Tan Thanh District, Ba Ria - Vung Tau Province, Vietnam. Tan My is principally engaged in the manufacture and sale of garments.

Blue Saigon Garment Co., Ltd ("Blue Saigon"), full owned by its parent company, is a one member limited liabilities company established in Vietnam in accordance with Business Registration Certificate No. 0311908926 issued by the Department of Planning and Investment of Ho Chi Minh City on 03 August 2012 and the third amendment business registration certificates on 29 December 2016. Blue Saigon's registered office is located at 252 Nguyen Van Luong Street, Ward 17, Go Vap District, Ho Chi Minh City. Blue Saigon is principally engaged in the manufacture and sale of garments.

Blue Saigon has an accounting-dependent branch and an overseas subsidiary as follow:

- Dependent branch: Ha Lam Garment Factory is located at Lot B/B2 Ha Lam – Cho Duoc Industrial Cluster, Binh Phuc Hamlet, Thang Binh Commune, Quang Nam Province, Vietnam.			
-	Subsidiary Company	Address	Establishment license
	Blue Saigon L.L.C	No. 11100 Valley Boulevard Street, Suite 222, El Monte City, California, CA91731, USA	Blue Saigon L.L.C was established in the United States of America under Investment Certificate No. 564/BKHDT-DTRNN issued by the Ministry of Planning and Investment dated 02 November 2012, the first amendment No.201500059 dated 09 November 2015, its investment capital is USD 600,000, equivalent to VND13,076,058,000
			Rate of ownership 100%

Associate

Phu My Joint Stock Company ("Phu My"), is a joint stock company established in Vietnam in accordance with Business Registration Certificate No. 4903000177 issued by the Department of Planning and Investment of Ba Ria - Vung Tau Province on 13 July 2005 and amendment business registration certificates. Phu My were invested by Saigon Garment Manufacturing Trade Joint Stock Company an amount of VND 4,341,000,000, equivalent to 32.47% of charter capital. Phu My is principally engaged in the development of industrial zones and industrial clusters.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

Employee

The number of employees as at 31 December 2016 was 4,270 (31 December 2015: 4,372).

2. ACCOUNTING STANDARDS AND REGULATIONS APPLICATION

Accounting standards and system

The consolidated financial statements are prepared and presented in accordance with accounting regime for enterprises under circular No.200/2014/TT-BTC 22 December 2014, Circular No. 53/2016/TT-BTC dated 21 March 2016 amending and supplementing some articles of Circular No. 200/2014/TT-BTC issued by Ministry of Finance and Circular No.202/2014/TT-BTC dated 22 December 2014 and Vietnamese Accounting Standards.

3. FISCAL YEAR, ACCOUNTING CURRENCY

The fiscal year of the Parent Company and subsidiary begins on 1 January and ends on 31 December.

The financial statements are prepared in Vietnam Dong (VND) which is also the Group's accounting currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company and enterprises controlled by the parent company up to reporting date each year. Control is achieved where the parent company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All inter-company transactions and balances between group enterprises are eliminated on consolidation.

Business combinations

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit and loss in the period of acquisition.

The interest of Non-controlling shareholders is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

The results and assets and liabilities of associates are incorporated in these reviewed/audited financial statements using the equity method of accounting. Interests in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

4.2 Accounting estimates

The preparation of the Group's consolidated financial statements for the fiscal year ended 31 December 2016 in accordance with Vietnamese Accounting Standards, Vietnamese Accounting Regime for Enterprises and the relevant statutory requirements applicable to financial reporting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the fiscal year. Actual results could differ from those estimates.

4.3 Cash and cash equivalents

Cash comprises cash on hand, cash in banks (demand deposits) and cash in transit. Cash equivalents are short-term liquid investments with an original maturity of three months or less which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

4.4 Foreign currency transactions

Transactions in currencies other than the Group's reporting currency of VND are recorded at the actual transaction exchange rates at transaction dates which are determined as follows:

- Transactions resulting in receivables are recorded at the buying exchange rate of the commercial banks designated for collection;
- Transactions resulting in liabilities are recorded at the selling exchange rate of the commercial banks designated for payment; and
- Payments for assets or expenses (without account liabilities) initially being recognised is recorded at the buying exchange rate of the commercial banks that process these payments.

At the end of fiscal period, monetary balances denominated in foreign currencies are translated at the actual transaction exchange rates at the consolidated balance sheet date which are determined as follows:

- Monetary assets are translated at buying exchange rate of the commercial bank where the parent company conduct transactions regularly; and
- Monetary liabilities are translated at selling exchange rate of the commercial bank where the parent company conduct transactions regularly.

All realised and unrealised foreign exchange differences are taken to the consolidated income statement.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are translated to reporting currency (including comparatives) using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Foreign exchange difference arising from translation of financial statements of overseas subsidiaries are reflected in accumulated equity portion of the consolidated balance sheet following accounting principles:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

- Exchange differences attributable to the Group is presented in the "Foreign exchange differences" account of the owner's equity of the consolidated balance sheet;
- Exchange differences attributable to non-controlling shareholders is presented in the "Non-controlling interest" account.

Exchange differences arising from translation of goodwill amounts has not yet fully allocated at the closing date is counted in the Group and are recorded in the "Foreign exchange difference" in the owner's equity of the consolidated balance sheet.

Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4.5 Investments in associates

Investments in equity of other entities

Investments in equity of other entities comprise investments in equity instruments which the Group has no right to hold control or joint control or significant influence on the investee.

Investments in equity of other entities are stated at their acquisition costs

Provision for devaluation of investment in security is made for each particular type of securities in the market and for which the market value decreases in comparison with the book value. The market price is used as the bases to consider appropriation for provision are as follows:

- As for securities being listed on Hanoi Stock Exchange (HNX): the average trading price on the date of appropriating the provision.
- As for securities being listed on Ho Chi Minh City Stock Exchange (HOSE): the closing price on the date of appropriating the provision.
- As-for the securities being registered for trading in the market of unlisted public companies (UPCom): the average trading price in the system on the date of appropriating the provision.
- As for securities, which have not been registered for trading in the market of UPCom: the average price, which is based on the trading prices of at least 3 securities companies as at the date of appropriating the provision,
- As for listed securities, of which the trading have been cancelled or suspended from the sixth trading days: the book values on the date of making the latest accounting balance sheet.

Provisions for loss of investments in other economic organizations are made when these organizations invested by the Group get loss (except cases of loss anticipated in the business plans compiled before making investment) at the level of appropriation equivalent to the difference between the parties' actual investment capital at economic organization and actual equity capital of economic organization multiplying (x) the capital contribution rate of the Group in comparison with the parties' actual investment capital at economic organization.

Any increase/ (decrease) of the balance of provision for financial investments is recorded into "Financial expenses" in the income statement during the year.

When an investment is liquidated, the differences between net liquidation values and book values are recorded into financial income or financial expenses in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

4.6 Account Receivable

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

- The receivable shall be classified into short-term receivables if its recovery term is within 12 months or within a normal operating cycle at the time of the reporting;
- The receivable shall be classified into long-term receivables if its recovery term is more than 12 months or more than an operating and trading cycle at the time of reporting.

The provision for doubtful debts represents the estimated loss due to non-payment arising on receivables that were outstanding at the balance sheet date.

Provision for doubtful debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt (excluded receivables were over due date but they were payment processing or payment commitment in following years).

4.7 Inventories

Inventories are determined at cost. Where the net realisable value is lower than cost, inventories should be measured at the net realisable value.

Cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price of inventory items, less the estimated costs of completion and selling expenses.

The perpetual method is used to record inventories. Cost is determined on a weighted average basis.

Work in progress are raw material and direct labor cost, overheads allocated on the basis of the normal production capacity of machinery.

Provision for devaluation of inventories is created for raw materials, finished goods and other inventories when the costs of inventories are carried in excess of net realisable value in accordance with Vietnamese Accounting Standards No.2 "Inventories" and Circular No.228/2009/TT-BTC dated 07 December 2009 of the Ministry of Finance guiding the appropriation and use of provisions for devaluation of inventories, loss of financial investments, bad receivable debts and warranty for products, goods and construction works at enterprises.

4.8 Prepaid expenses

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

4.9 Tangible fixed asset

The initial cost of a tangible fixed asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The historical cost of a self-constructed or self-made tangible fixed asset is its actual cost, the production cost, the installation and trial operation cost. Expenditures for additions, improvement and renewals are capitalised on fixed assets accounts, expenditures for maintenance and repairs are charged to the income statement. When assets are sold or retired, their cost and accumulated depreciation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

Tangible fixed assets are depreciated using the straight-line method, applicable for all tangible assets at the rate to be calculated to allocate the cost over estimated useful lives in accordance with Circular No.45/2013/TT-BTC dated 25 April 2013 issued by the Ministry of Finance guiding the management, use and depreciation/ amortization of fixed assets, detail as follows:

	Year
Buildings and structures	10 – 50
Machinery and equipment	05 – 07
Motor vehicles	06 – 10
Office equipment	03 – 08

4.10 Intangible fixed asset

The initial cost of an Intangible fixed asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures for additions, improvement and renewals are capitalised on fixed assets accounts, expenditures for maintenance and repairs are charged to the income statement. When assets are sold or retired, their cost and accumulated depreciation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the income statement

Intangible fixed assets are depreciated using the straight-line method, applicable for all tangible assets at the rate to be calculated to allocate the cost over estimated useful lives in accordance with Circular No.45/2013/TT-BTC dated 25 April 2013 issued by the Ministry of Finance guiding the management, use and depreciation/ amortization of fixed assets, detail as follows:

The Intangible include:

Software

Cost of acquiring new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. The cost of software comprises its purchase prices and any directly attributable costs of bringing the software to its working condition. Software cost is amortised on a straight-line basis over 03 years.

License & concession license

License & concession license represent cost of Enterprise Security Software that are stated at cost less accumulated amortization. Its cost is amortised on a straight-line basis from 04 - 08 years.

4.11 Construction in progress

Cost of construction in progress reflects the related directly costs (including interest expenses which relevant accounting policies of the Group) or the cost of unfinished construction, machinery is installed to serve the purpose of manufacturing, leasing and management, as well as costs related to the repair of fixed assets are performing. These assets are recorded at cost and are not amortized.

Construction in progress will be recognized into tangible fixed assets when the building work is completed, totally accepted and put into operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

4.12 Payables and accruals

Payables are presented in the consolidated financial statements at the carrying amounts of payable to suppliers and other payables and are accounted in details for every entity. At the reporting date if:

- The payable shall be classified into short-term payable if the amount payable to the seller with payment term is within 12 months or within one operating cycle at the time of reporting;
- The payable shall be classified into long-term payable if the amount payable to the seller with payment term is more than 12 months or more than one operating cycle at the time of reporting.

Accrued expenses include expenses which are charged to the income statement for the fiscal year but not yet paid due to lack of invoices or related documents at the fiscal year end. When expenses actually incur, if there is any difference from the amounts previously accrued, those expense shall be increased or decreased by the corresponding amount.

4.13 Salary

Salary expenses are determined based on basic salary, productivity wage and allowances as stated in agreed-upon labor contracts and the collective labor agreements.

4.14 Social and health insurance and unemployment insurance

The Group and employee are respectively required to contribute 18% and 8% of the basic salary of each employee to social insurance fund.

The Group and employee are respectively required to contribute 3% and 1.5% of the basic salary of each employee to health insurance fund.

The Group and employees are required to contribute 1% each of employee basic salaries to unemployment insurance fund.

The Group and employees are required to contribute 2% of the basic salaries to union fees

4.15 Borrowing cost

All other borrowing costs are recognised in financial expenses in fiscal period except borrowing costs directly related in investing construction or production of uncompleted assets are being recognised in the value of the asset (being capitalization). The capitalization of borrowing costs will terminate when the main activities necessary to prepare bringing the uncompleted asset in the use or sale when it's completed.

4.16 Capital and funds

Owner's equity

Capital is recorded according to the amount actually invested by shareholders.

Share premium

Share premium is recorded at the difference between the issuance price and the face value upon the initial issuance, additional issuance or the difference between re-issuance price and the net book value of treasury shares. Direct expenses related to additional issuance and re-issuance of treasury shares are recorded as a decrease in share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

Treasury shares

When a share capital in the owner's equity is re-purchased, the amount payable including the expenses related to the transaction is recorded as treasury shares and is recorded as a decrease in owner's equity. When this share capital is re-issued, the difference between the re-issuance price and book values of treasury shares is recorded in "Share premium".

4.17 Appropriation of net profits

Funds are appropriated and used in line with the parent company's Charter as follows:

Investment and development fund

To expand business activities or to make intensive investments of the Group. These funds are appropriated in line with the Resolution of the Annual Shareholders' Meeting.

Bonus and welfare fund

To reward and to encourage material benefits, to improve and to develop material and spiritual life for employees. These funds are appropriated in line with the Resolution of the Annual Shareholders' Meeting.

4.18 Distribution profit

Profit after tax is distributed to shareholders after an appropriation of funds under the Charter of the parent company as same as the law and is approved by the General Meeting of Shareholders.

The distribution of profits to shareholders is considered to non-cash items in undistributed profit may affect cash flow and ability to pay dividends as profit from revaluation of assets contributed as capital, interest due to the revaluation of monetary items, the financial instruments and other non-cash items.

Dividends are recognized as liabilities when approved by the General Meeting of Shareholders.

4.19 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, which comprise convertible bonds and share options.

Prior to 01 January 2015, the profit or loss attributable to the ordinary shareholders of the parent company included amounts appropriated to bonds and welfare funds, if any. Effective from 1 January 2015, the profit or loss attributable to the ordinary shareholders of the Group is determined after deducting any amounts appropriated to bonus and welfare funds.

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4.20 Revenue

Revenue from sale of goods

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

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group 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 Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue of a transaction involving the rendering of services is recognised when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognised in each period by reference to the percentage of completion of the transaction at the balance sheet date of that period. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group;
- The percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Sale from processing service

Sale from processing service are recorded when the processed goods are completed and are accepted by customers. Sale from processing service will not be recorded in case that there are material uncertain factors related to payments or additional costs.

Rental income

Rental income arising from operating leases is accounted for on a straight line basis over the terms of the lease. In case of assets lease, the Group received rent in advance for many periods, and then recording turnovers shall be made under the principle of allocating the rent received in advance in accordance with the lease period.

Financial revenue

Revenue from interests, royalties, distributed dividends and profits of the enterprises shall be recognized on the basis of:

- Interest should be recognised on a time proportion basis that takes into account the effective yield on the asset;
- Dividends should be recognized when the shareholder's right to receive payment is established. When the Group receive dividends in shares, the Group only monitor the number of shares increased in the note of financial statements, do not record the value of shares received.

4.21 Corporate income tax ("CIT")

Corporate income tax ("CIT") for the year comprises current income tax and deferred income tax.

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Current income tax

Current income tax is the tax amount is calculated on taxable income. Taxable income is different from accounting profit due to the adjustments of temporary differences between accounting and tax, non-deductible expenses as well as adjusted income are not taxed and losses be transferred.

Deferred income tax

Deferred income tax is the corporate income tax that will pay or will be refunded by the temporary differences between the carrying amounts of assets and liabilities for the purpose of preparing the consolidated financial statements and the basis to calculate income tax. Deferred income tax is recognized for all temporary differences tax. Deferred tax assets are only recognized when the certainty of future get the taxable profits to use those temporary deductible differences.

The carrying amount of deferred tax assets are reconsidered at closing of the financial year and will be reversed to make sure that there is enough taxable profit to allow the benefit of part or all assets to be used. The deferred tax assets did not previously recognize to be reconsidered at closing of the financial year and is recognized when it is sure to enough taxable profit to be able to use this deferred tax assets.

Deferred tax assets and deferred income tax payable is calculated at the estimated tax rates that is applied in the asset is realized or the liability is settled in accordance with the tax rates in effect at closing fiscal year. Deferred income tax is recognized in the income statement and record directly to equity when the tax relates to items directly to equity.

Deferred tax assets and deferred income tax payables are off set as below:

- The Group has a legal right to offset between current income tax assets and current income taxes payable; and
- Deferred tax assets and deferred income tax payables are related to corporate income tax is administered by the same tax authority:
 - For the same taxable company; or
 - The Group intends to pay current income taxes and deferred tax assets on the basis of net assets or recovered asset at the same with the payment of liabilities for each of periods in future when the materiality of deferred income tax or deferred tax assets to be paid or recovered.

Tax settlement of the parent company and its subsidiaries will be assessed by the Tax Department. Due to the application of laws and regulations on taxes for different incurred transactions that can be explained in many different ways, tax payable presented in the financial statements can be immediately changed according to the decision of the tax authorities.

4.22 Segment reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

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4.23 Financial instruments

Initial recognition

Financial assets

At the date of initial recognition, financial assets are recognized at cost plus transaction costs that are directly attributable to the acquisition of the financial assets.

Financial assets of the Group comprise cash and deposits, mortgages and collateral, receivables and other receivables.

Financial liabilities

At the date of initial recognition, financial liabilities are recognized at cost net of transaction costs that are directly attributable to the issue of the financial liabilities.

Financial liabilities of the Group comprise trade payables and other payables, accrued expenses and loans.

Re-measurement after initial recognition

Currently there are no requirements for the re-measurement of the financial instruments after initial recognition.

4.24 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if one party are controlled by, or are under common control with the Group:

The following parties are considered as the Group's related parties:

Company	Location	Relationship
Phu My Joint Stock Company	Vietnam	Associate
Blue Exchange Co., Ltd	Vietnam	The company whose owner is member of the Board of Director
Quang Nam Blue Way One Member Co., Ltd	Vietnam	The company whose owner is member of the Board of Director
B&O Co., Ltd	Vietnam	The company whose owner is member of the Board of Director
Coconut Tree Garment Co., Ltd	Vietnam	The company whose owner is member of the Board of Director
Blue Way Co., Ltd	Vietnam	The company whose owner is member of the Board of Director
Tra Tan Co., Ltd	Vietnam	The company whose owner is member of the Board of Director

5. ADDITIONAL INFORMATION TO ITEMS IN THE CONSOLIDATE BALANCE

5.1 Cash

	31/12/2016 VND	01/01/2016 VND
Cash on hand – VND	1,645,970,711	1,302,895,466
Cash in bank	102,631,249,181	50,478,995,183
- VND	1,874,797,581	3,987,347,251
- USD	100,681,561,289	46,413,329,251
- EUR	74,890,311	78,318,681
	104,277,219,892	51,781,890,649

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Detail of balance of cash in foreign currency as at 31 December 2016 is as follows:

	Foreign currency	Equivalent VND
Cash in bank		
USD	4,435,311.07	100,681,561,289
EUR	3,140.45	74,890,311

5.2 Short-term trade receivables

	31/12/2016 VND	01/01/2016 VND
Trade receivables – third parties		
- Columbia Sportswear Company	51,461,095,447	48,902,041,631
- Promiles S.N.C Company	78,705,309,021	70,104,491,921
Other customers	28,178,576,517	12,934,563,798
Trade receivables – related parties		
- Blue Exchange Co., Ltd	47,070,467,766	52,144,115,501
- Quang Nam Blue Way One Number Co., Ltd	24,078,110,358	38,573,373,681
- Coconut Tree Garment Co., Ltd	15,529,517,914	16,495,818,565
	245,023,077,023	239,154,405,097
Allowance for doubtful debts - Short-term	-	-
Net value	245,023,077,023	239,154,405,097

All of accounts receivable, of which the total value at any time is not less than USD 1,000,000, has been used to collateral for the short-term loans at HSBC Bank (Vietnam) Ltd to secure banking facilities granted to the Group with total amount equivalent to USD 1,000,000 according to the regulation at mortgage contract No. VNM 080613/MR dated 31/10/2008 (See Note 5.18).

5.3 Short-term prepayments to suppliers

	31/12/2016 VND	01/01/2016 VND
Short-term prepayments to suppliers – related parties		
Phu My Joint Stock Company	2,037,626,437	2,037,626,437
Short-term prepayments to suppliers – third parties		
Binh Phu Joint Stock Company	5,509,957,380	-
Branch of Seven Gold Star Joint Stock Company	-	7,339,607,500
Other suppliers	7,820,710,601	8,764,300,236
	15,368,294,418	18,141,534,173

5.4 Other receivables**5.4.1 Other short-term receivables**

	31/12/2016 Amount VND	Provision VND	01/01/2016 Amount VND	Provision VND
Related parties				
Blue Exchange Co., Ltd	-	-	42,140,000,000	-
Other receivables				
Import tax awaiting refund	2,454,003,917	-	2,754,141,908	-
Advances to employees	600,055,137	-	286,244,172	-
Other receivables	2,619,404,000	-	429,549,750	-
	5,673,463,054	-	45,609,935,830	-

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5.4.2 Other long-term receivables

	31/12/2016 Amount VND	Provision VND	01/01/2016 Amount VND	Provision VND
Long-term deposit	26,424,000	-	279,380,000	-

5.5 Inventories

	31/12/2016 Amount VND	Provision VND	01/01/2016 Amount VND	Provision VND
Raw materials	118,773,348,037	-	137,289,574,129	-
Tools and supplies	1,353,921,304	-	1,848,156,897	-
Work-in-process	1,695,182,911	-	1,955,632,565	-
Finished goods	68,370,812,466	-	78,493,654,736	-
Merchandises	37,265,628,462	-	14,267,309,056	-
Total	227,458,893,180	-	233,854,327,383	-

In which, the total value of inventory items in store at 252 Nguyen Van Luong Street, Ward 17, Go Vap District, Ho Chi Minh City at any time is not less than USD 1,000,000 has been used to collateral for the short-term loans at HSBC (Vietnam) at 3rd amendment mortgage contract No. VNM 100291/MS dated 20/7/2015 (see Note 5.18).

5.6 Movement of Tangible fixed assets

	Buildings Structures VND	Machinery & equipment VND	Motor Vehicles VND	Office Equipment VND	Total VND
COST					
As at 01/01/2016	143,043,499,933	117,525,295,504	9,995,388,806	10,956,150,490	281,520,334,733
Addition	1,639,687,506	15,543,360,924	1,310,203,637	2,245,650,652	20,738,902,719
Transfer from CIP	40,477,950,993	109,431,254	-	110,952,277	40,698,334,524
Disposals	-	(2,138,983,096)	-	(375,400,865)	(2,514,383,961)
Foreign exchange differences	-	-	-	2,242,410	2,242,410
As at 31/12/2016	185,161,138,432	131,039,104,586	11,305,592,443	12,939,594,964	340,445,430,425
ACCUMULATED DEPRECIATION					
As at 01/01/2016	43,422,272,666	73,021,944,219	6,658,869,789	7,674,780,028	130,777,866,702
Charge for the year	4,781,641,932	13,762,822,518	1,165,550,364	1,449,132,888	21,159,147,702
Disposals	-	(1,356,765,359)	-	(271,806,613)	(1,628,571,972)
Foreign exchange differences	-	-	-	(80,760)	(80,760)
As at 31/12/2016	48,203,914,598	85,428,001,378	7,824,420,153	8,852,025,543	150,308,361,672
NET BOOK VALUE					
As at 01/01/2016	99,621,227,267	44,503,351,285	3,336,519,017	3,281,370,462	150,742,468,031
As at 31/12/2016	136,957,223,834	45,611,103,208	3,481,172,290	4,087,569,421	190,137,068,753

As at 31 December 2016, the cost of the Group's fixed assets include VND 79,471,056,410 (01/01/2016: VND 67,395,979,688) of assets which have been fully depreciated but are still in use.

As mentioned in Note 5.18, the Group has pledged its machine and equipment, which has a carrying value of approximately VND 2,594,121,531 as at 31 December 2016 (01/01/2016: VND 4,971,983,265), to secure banking facilities granted to the Group. At the date of this report, the loan has been liquidated, but these fixed assets have not been released.

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5.7 Movement of Intangible fixed assets

	Software VND	License & concession license VND	Total VND
Cost			
As at 01/01/2016	6,002,635,673	151,018,182	6,153,653,855
Addition in year	2,652,492,850	-	2,652,492,850
Foreign exchange differences	7,422,250	-	7,422,250
Decreased in year	(2,115,030,000)	-	(2,115,030,000)
As at 31/12/2016	6,547,520,773	151,018,182	6,698,538,955
Accumulated Amortisation			
As at 01/01/2016	321,015,125	97,690,900	418,706,025
Charged for the year	1,560,242,323	28,713,633	1,588,955,956
Decreased in year	(269,081,832)	-	(269,081,832)
Foreign exchange differences	1,237,000	-	1,237,000
As at 31/12/2016	1,613,412,616	126,404,533	1,739,817,149
Net Book Value			
As at 01/01/2016	5,681,620,548	53,327,282	5,734,947,830
As at 31/12/2016	4,934,108,157	24,613,649	4,958,721,806

As at 31 December 2016, the cost of the Group's intangible fixed assets include VND 22,302,783 (01/01/2016: VND 22,302,783) of assets which have been fully depreciated but are still in use.

5.8 Construction in progress

Project	As at 01/01/2016 VND	Increasing VND	Transfer to fixed assets, expenses VND	As at 31/12/2016 VND
Land expenses at No. 213 Hong Bang	10,020,000,000	-	-	10,020,000,000
Expenses for project of Tan My Garment Factory at Hac Dich Industrial Cluster	1,843,383,000	-	-	1,843,383,000
Expenses for built and expand An Nhon factory	147,613,897	277,757,336	(425,371,233)	-
Expenses for built and expand company office	341,738,254	(100,391,497)	(241,346,757)	-
Expenses for built and expand An Phu factory	3,164,612,711	360,751,072	(3,525,363,783)	-
Expenses for built Ha Lam factory – stage 2	88,304,545	33,588,099,565	(33,676,404,110)	-
Fire protection system	-	3,400,531,958	(3,400,531,958)	-
	15,605,652,407	37,526,748,434	(41,269,017,841)	11,863,383,000

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5.9 Investments in associates

	31/12/2016 VND	01/01/2016 VND
Phu My Joint Stock Company	4,341,000,000	4,341,000,000

Phu My Joint Stock Company ("Phu My"), is a joint stock company established in Vietnam in accordance with Business Registration Certificate No. 4903000177 issued by the Department of Planning and Investment of Ba Ria - Vung Tau Province on 13 July 2005 and amended business registration certificates. Phu My was invested by the parent company an amount of VND 4,341,000,000, equivalent to 32.47% of charter capital. Phu My is principally engaged in the development of industrial zones and industrial clusters.

As at the date of this report, the financial statements of Phu My Joint Stock Company for the fiscal year 31 December 2016 had not been approved by the Board of Directors of Phu My. The profit and loss part of the Group in associate has still not been determined surely and non-significant so it was not recognized.

5.10 Equity investments in other entities

	31/12/2016				01/01/2016			
	Number of shares	Cost of investment VND	Provision VND	Fair value VND	Number of shares	Cost of investment VND	Provision VND	Fair value VND
Sagoda Corporation	98,155	1,919,150,000	-	1,919,150,000	98,155	1,919,150,000	-	1,919,150,000
Viet A Bank	196,855	3,998,050,000	(3,013,775,000)	984,275,000	196,855	3,998,050,000	(3,013,775,000)	984,275,000
Vietcombank	25,266	1,269,730,000	(398,053,000)	871,677,000	18,716	1,269,730,000	(131,797,200)	1,137,932,800
Gia Dinh Development Investment J.S.C	843,950	10,127,400,000	-	10,127,400,000	843,950	10,127,400,000	-	10,127,400,000
	1,164,226	17,314,330,000	(3,411,828,000)	13,902,502,000	1,157,676	17,314,330,000	(3,145,572,200)	14,168,757,800

5.11 Short-term and long-term prepayments

5.11.1 Short-term prepayments

	31/12/2016 VND	01/01/2016 VND
Webbvest design expenses	2,837,318,400	-
Sample expenses	1,601,253,914	-
Advertising printing expenses	406,534,754	-
Others	813,882,396	999,516,206
	5,658,989,464	999,516,206

5.11.2 Short-term prepayments

	31/12/2016 VND	01/01/2016 VND
Tools and supplies	3,304,029,738	3,469,774,137
Land rental	15,498,340,112	15,860,172,738
Machinery	6,509,967,046	9,471,330,580
Computer software	2,805,550,003	-
Others	1,267,623,667	1,198,996,110
	29,385,510,566	30,000,273,565

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5. 12 Short-term trade payable

	31/12/2016		01/01/2016	
	Amount	Repayment capability	Amount	Repayment capability
	VND	VND	VND	VND
Trade payables – related party				
Phu My Joint Stock Company	3,878,088,972	3,878,088,972	4,341,000,000	4,341,000,000
Blue Exchange Co., Ltd	-	-	514,647,000	514,647,000
Quang Nam Blue Way One Member Co., Ltd	1,246,584,250	1,246,584,250	1,099,394,082	1,099,394,082
Tra Tan Co., Ltd	79,226,400	79,226,400	103,361,207	103,361,207
Blue Way Co., Ltd	109,903,705	109,903,705	109,903,705	109,903,705
Coconut garment Co., Ltd	195,239,000	195,239,000	195,239,000	195,239,000
Trade payables – third party				
Desipro Pte. Ltd.	21,449,386,681	21,449,386,681	15,987,939,469	15,987,939,469
N.I.Teijin Shoji	23,139,460,266	23,139,460,266	21,318,818,587	21,318,818,587
YKK Vietnam Co., Ltd	5,994,901,494	5,994,901,494	8,162,810,973	8,162,810,973
Other supplies	35,659,229,796	35,659,229,796	42,095,312,241	42,095,312,241
	91,752,020,564	91,752,020,564	93,928,426,264	93,928,426,264

5. 13 Short-term advances from customers

	31/12/2016	01/01/2016
	VND	VND
Seeland International A/A	5,600,059,474	5,999,202,822
Hampshire group Ltd	1,760,924,046	-
Other customers	153,003,038	148,605,684
	7,513,986,558	6,147,808,506

5. 14 Taxes**5.14.1 Taxes receivables from state budget**

	01/01/2016		31/12/2016	
	Receivable	Transaction	Receivable	
	VND	Payable VND	VND	VND
Value added tax deductibles	26,093,428,782	66,675,386,155	67,375,450,016	25,393,364,921
Natural resources tax	8,736,000	3,494,400	12,230,400	-
	26,102,164,782	66,678,880,555	67,387,680,416	25,393,364,921

5.14.2 Taxes payable to state budget

	01/01/2016		31/12/2016	
	Payable	Transaction	Payable	
	VND	Payable VND	VND	VND
Value added tax	1,643,293,903	24,077,742,679	24,994,477,259	726,559,323
Import-Export tax	-	222,550	222,550	-
Corporate income tax	4,424,736,733	11,261,203,031	14,389,106,205	1,296,833,559
Personal income tax	2,192,134,429	4,802,752,336	5,123,661,150	1,871,225,615
Natural resources tax	-	5,835,000	5,835,000	-
Land fees	264,177,608	7,612,176,728	7,876,354,336	-
Business license tax	-	15,000,000	15,000,000	-
Withholding	23,146,682	505,160,725	433,805,988	94,501,419
	8,547,489,355	48,280,093,049	52,838,462,488	3,989,119,916

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5. 15 Payables to employees

	31/12/2016	01/01/2016
	VND	VND
Salary and bonus payables to employees	100,975,214,696	83,236,916,982

5. 16 Short-term accrued expenses

	31/12/2016	01/01/2016
	VND	VND
Export expenses under FOB terms	323,823,550	518,982,516
Vacation payable to employees	4,589,528,309	4,408,618,240
Interest expenses	443,740,097	-
Others	986,113,963	1,852,790,149
	6,343,205,919	6,780,390,905

5. 17 Other short-term payable

	31/12/2016	01/01/2016
	VND	VND
Union expense and insurances	2,251,135,707	1,521,637,051
An Lac General Co., Ltd	9,800,000,000	-
Hoa Loi Investment Trading & Service JSC	9,000,000,000	-
Others	411,065,800	369,573,529
	21,462,201,507	1,891,210,580

5. 18 Borrowings and finance lease obligations**5. 18.1 Short-term borrowings**

	31/12/2016		Increase	Decrease	01/01/2016	
	Amount	Repayment capacity			Amount	Repayment capacity
	VND	VND	VND	VND	VND	VND
Short-term borrowings						
The Hong Kong and Shanghai Banking Corporation Limited (Vietnam) (HSBC) JSC Bank for Foreign Trade of Vietnam – Ho Chi Minh Branch (Vietcombank)	23,972,136,217	23,972,136,217	273,005,233,952	336,494,859,747	87,461,762,012	87,461,762,012
ANZ Bank (Viet Nam) – Ho Chi Minh Branch	12,735,862,412	12,735,862,412	87,697,188,623	91,288,402,787	16,327,076,576	16,327,076,576
First Commercial Bank – Ho Chi Minh Branch	3,159,109,234	3,159,109,234	9,767,842,300	28,820,235,171	22,211,502,105	22,211,502,105
Military Commercial Joint Stock Bank – North Saigon Branch	-	-	291,230,150	291,230,150	-	-
Add: Current portion of long-term debt	4,214,000,000	4,214,000,000	4,214,000,000	508,400,100	508,400,100	508,400,100
	298,742,756,337	298,742,756,337	1,057,677,040,217	1,120,978,615,805	362,044,331,925	362,044,331,925

Short-term loans from HSBC bank (Vietnam) are to finance the Group's working capital requirements. The loans are secured by a number of inventory and trade receivables items of the Group with total amount of USD 2,000,000 (see Note 5.2 and 5.5).

Short-term loans from Vietcombank- Ho Chi Minh City branch; ANZ Bank (Vietnam) – Branch in Ho Chi Minh and First Commercial Bank – Branch in Ho Chi Minh City are to finance the Group's working capital requirements. The loans are unsecured by assets.

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5. 18.2 Long-term borrowings

	31/12/2016		Increase	Decrease	01/01/2016	
	Amount	Repayment capacity			Amount	Repayment capacity
	VND	VND	VND	VND	VND	VND
Long-term borrowings						
JSC Bank for Foreign Trade of Vietnam – Ho Chi Minh Branch (Vietcombank)	49,269,135,228	49,269,135,228	52,429,635,228	3,160,500,000	-	-
First Commercial bank – Ho Chi Minh Branch	-	-	-	-	508,400,100	508,400,100
Less: Current portion long-term debt	(4,214,000,000)	(4,214,000,000)	-	4,214,000,000	(508,400,100)	(508,400,100)
	45,055,135,228	45,055,135,228	52,429,635,228	7,374,500,000	-	-

The long-term borrowings from JSC Bank for Foreign Trade of Vietnam – Ho Chi Minh City Branch included 02 contracts:

The parent company entered into a long-term borrowing contract with JSC Bank for Foreign Trade of Vietnam – Ho Chi Minh City Branch in order to buy the contributed capital of Blue Exchange Co., Ltd in Blue Saigon Garment Co., Ltd under Credit contract of the investment project No. 007/KHDN2/16CD dated 02 February 2016. The borrowings are secured by the additional capital contribution acquired from the loan in accordance with the mortgage agreement No. 0012/NHNT-TC dated 02 February 2016.

At Blue Saigon Garment Co., Ltd.: Long-term borrowing represents a long-term loan from Joint Stock Commercial Bank for Foreign Trade of Vietnam – Ho Chi Minh City Branch with total amount of VND 42,521,000,000 with the loan term of 84 months as from the first drawdown date. The purpose of the loan is to implement the Saigon Garment Factory Project - stage 2 at Lot B/B2 Ha Lam – Cho Duoc Industrial Cluster, Binh Phuc Hamlet, Thang Binh Commune, Quang Nam Province, Vietnam. This loan is secured by:

- The remaining land use right at Lot B/B2 Ha Lam, Cho Duoc Industrial Cluster, Binh Phuc Hamlet, Thang Binh Commune, Quang Nam Province.
- Property on land is the remaining old factory;
- Property on land are the new factory and new equipment acquired from the loan.

5. 19 Deferred income tax assets and deferred income tax payables

a) Deferred income tax assets

	31/12/2016 VND	01/01/2016 (Restated) VND
Corporate income tax rates used for determination of value of deferred income tax assets	20%	20%
Deferred income tax assets related to deductible temporary differences	2,683,681	171,544,196
- Balance of deferred income tax payables	(2,683,681)	(171,544,196)
Deferred income tax assets	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

b) Deferred income tax payables

	31/12/2016 VND	01/01/2016 (Restated) VND
Corporate income tax rates used for determination of value of deferred income tax payables	20%	20%
Deferred income tax payables arising from taxable temporary differences	3,451,187,432	3,452,528,630
Balance of deferred income tax payables	(2,683,681)	(171,544,196)
Deferred income tax payables	3,448,503,751	3,280,984,434

5. 20 Bonus and welfare fund

	Year 2016 VND	Year 2015 VND
As at 01/01	16,365,482,976	15,537,084,249
Increased from appropriation	13,535,196,165	7,720,745,970
Disbursements	(7,105,646,605)	(6,892,347,243)
As at 31/12	22,795,032,536	16,365,482,976

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

5.21 Owner's Equity

5.21.1 Movement in Owner's Equity

	Ordinary shares with voting rights VND	Share premium VND	Treasury shares VND	Foreign exchange difference VND	Investment and development fund VND	Financial reserve fund VND	Undistributed earnings VND	Non-controlling interests VND	Total VND
As at 01/01/2015	116,903,300,000	9,138,322,370	(863,138,686)	78,827,213	49,070,226,933	10,632,431,000	42,532,721,458	19,644,412,592	247,137,102,880
Restate following Circular No.200	-	-	-	-	10,632,431,000 (10,632,431,000)	-	-	-	-
Capital contribution	-	-	-	-	-	-	63,457,806,533	11,174,040,000	11,174,040,000
Net profit for the year	-	-	-	-	7,793,019,054	-	(14,972,900,039)	(3,328,275,807)	60,129,530,726
Appropriation to funds	-	-	-	-	-	-	(33,287,250)	-	(33,287,250)
Addition of unpaid dividends for minority shareholders	-	-	-	-	-	-	(17,457,373,650)	-	(17,457,373,650)
Declared dividend second time in 2014	-	-	-	-	-	-	(17,461,605,000)	-	(17,461,605,000)
Declared dividend first time in 2015	-	-	-	-	-	-	(6,176,509,091)	-	(6,176,509,091)
Refund to State budget following No.12/QĐ-CT-XP 13 January 2015	-	-	-	-	(10,632,431,000)	-	(3,613,473,238)	-	(16,808,940,091)
Bonus and remuneration of the Board of Directors	-	-	-	-	-	-	(1,123,200,000)	-	(1,123,200,000)
Remuneration of the Board of Directors, Supervision 2015	-	-	-	-	-	-	-	-	-
Foreign exchange difference	-	-	-	(40,999,612)	-	-	-	-	(40,999,612)
As at 31/12/2015 (restated)	116,903,300,000	9,138,322,370	(863,138,686)	37,827,601	56,863,246,987	-	45,152,179,723	27,490,176,785	254,721,913,780
Capital contribution	38,652,900,000	19,176,620,000	-	-	-	-	60,986,028,647	-	57,829,520,000
Net profit for the year	-	-	-	-	10,996,557,002	-	(24,163,116,696)	-	60,986,028,647
Loss in buying capital contribution in subsidiary (*)	-	-	-	-	-	-	(14,649,823,215)	(27,490,176,785)	(42,140,000,000)
Declared dividend second time in 2015	-	-	-	-	-	-	(17,461,605,000)	-	(17,461,605,000)
Declared dividend first time in 2016	-	-	-	-	-	-	(17,461,605,000)	-	(17,461,605,000)
Paid remuneration for the Board of Directors and Supervision 2015	-	-	-	-	-	-	(717,717,171)	-	(717,717,171)
Paid remuneration for the Board of Directors and Supervision 2016 (**)	-	-	-	-	-	-	(2,538,840,000)	-	(2,538,840,000)
Remuneration of the Board of Directors, Supervision 2016	-	-	-	-	-	-	(962,648,000)	-	(962,648,000)
Foreign exchange difference	-	-	-	(575,763,336)	-	-	-	-	(575,763,336)
As at 31/12/2016	155,556,200,000	28,314,942,370	(863,138,686)	67,859,802,989	-	-	28,182,853,286	-	278,512,724,224

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

Movement in Owner's Equity (cont.)

(*) On 13 January 2016, the parent company completed the investment procedures in its subsidiary to achieve 100% ownership ratio in Blue Saigon Garment Co., Ltd, the difference between the cost of the additional investment and the carrying amount of the net assets of subsidiary has been recorded directly to the net profit after tax undistributed and been treated as equity transactions.

(**) According to the Resolution No.01/NQ-DHCD-16 dated 27 April 2016, in the period the parent company has distributed profit after tax for funds under regulations (See Note 5.21.4)

5.21.2 Authorised capital detail

Shareholder	31/12/2016			01/01/2016		
	Share	Currency (VND)	Rate (%)	Share	Currency (VND)	Rate (%)
- Local shareholders, include:	13,326,862	133,268,620,000	85.67	11,641,070	116,410,700,000	99.58
+ State shareholder	-	-	-	1,173,289	11,732,890,000	10.03
+ Other shareholder	13,326,862	133,268,620,000	85.67	10,467,781	104,677,810,000	89.55
- Overseas shareholders	2,179,498	21,794,980,000	14.01	-	-	-
- Treasury shares	49,260	492,600,000	0.32	49,260	492,600,000	0.42
Total	15,555,620	155,556,200,000	100	11,690,330	116,903,300,000	100

5.21.3 Shares

	31/12/2016 VND	01/01/2016 VND
Number of shares authorised to be issued	15,555,620	11,690,330
Number of shares issued to the public	15,555,260	11,690,330
Common shares	15,555,620	11,690,330
Number of treasury shares	49,260	49,260
Common shares	49,260	49,260
Number of outstanding shares	15,506,360	11,641,070
Common shares	15,506,360	11,641,070

Par value: 10,000 VND/share,

5.21.4 Dividends paid as follows:

	Year 2016 VND	Year 2015 VND
Dividends of previous year was paid by cash	17,461,605,000	17,490,660,900
Dividends of current year was paid by cash	17,461,605,000	17,461,605,000
	34,923,210,000	34,952,265,900

According to the Resolution No.01/NQ-HDQT dated 27/04/2016, the parent company has paid dividends in period, as follow:

	VND
Bonus for the Board of Directors, Board of Supervision and key management 2015	717,717,171
Bonus for the Board of Directors, Board of Supervision and key management 2016	2,538,840,000
Remuneration of the Board of Directors, Board of Supervision 2016	962,648,000
Dividend paid 15% second time in year 2015	17,461,605,000
Dividend paid 15% first time in year 2016	17,461,605,000
Appropriation to Investment and development funds	10,996,557,002
Appropriation to bonus and welfare fund	13,166,559,696
	63,305,531,869

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

5.21.5 Non-controlling interests

Non-controlling interests represent the minority's portion in net assets value and income statement of Blue Saigon.

Rate of non-controlling interests was calculated as follow:

	31/12/2016	01/01/2016
	VND	VND
The subsidiary's charter capital (Blue Saigon)	86,000,000,000	86,000,000,000
In which:		
Capital of parent company	86,000,000,000	43,860,000,000
Capital of non-controlling interests	-	42,140,000,000
Rate of non-controlling interests	100%	49%

On 13 January 2016, the parent company has achieved 100% ownership ratio in Blue Saigon Garment Co., Ltd, after completing the buying of entire share capital of the former shareholders of Blue Exchange Co., Ltd.

Non-controlling interests in net assets as at 31 December 2016 and 01 January 2016 as follow:

	31/12/2016	01/01/2016
	VND	VND
Total asset	-	88,788,584,915
Total liabilities	-	(32,648,355,712)
Net asset	-	56,140,229,203

Detail:	31/12/2016	01/01/2016
	VND	VND
Charter capital	-	86,000,000,000
Foreign exchange differences	-	37,827,601
Accumulated losses	-	(29,897,598,398)
	-	56,140,229,203

Non-controlling interests	31/12/2016	01/01/2016
	VND	VND
Detail:		
Charter capital	-	42,140,000,000
Foreign exchange differences	-	-
Accumulated losses	-	(14,649,823,215)
	-	27,490,176,785

Non-controlling interests in operating result for the year ended 31 December 2016 and 31 December 2015:

	Year 2016	Year 2015
	VND	VND
Profit/(loss) of Blue Saigon	-	(6,792,399,607)
Profit/(loss) of non-controlling interests	-	(3,328,275,807)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

5. 22 Off-balance sheet items**Assets, materials and goods held for third parties or held for processing**

	31/12/2016	01/01/2016
	VND	VND
Materials and goods held for third parties or held for processing	-	-
Goods held on consignment for sale, collaterals or deposits		2,435,217,000

Foreign currencies

	31/12/2016	01/01/2016
	Currency	Currency
Dollar (USD)	4,435,311.07	2,067,410.14
Euro (EUR)	3,140.45	3,207.81

6. ADDITIONAL INFORMATION FOR ITEMS SHOWN IN THE CONSOLIDATED FINANCIAL STATEMENT**6.1 Net Revenue from sale of goods and rendering of services****6.1.1 Net Revenue**

	Year 2016	Year 2015
	VND	VND
Export sales	1,578,875,609,102	1,372,502,869,010
Domestic sales	39,110,223,742	130,718,271,889
Service rendered	825,751,396	836,689,077
	1,618,811,584,240	1,504,057,829,976
Less:		
Sale allowances	(7,432,874,608)	(1,986,631,765)
Returned goods	-	(5,922,000)
Net revenue	1,611,378,709,632	1,502,065,276,211

6.1.2 Revenue from related parties

	Year 2016	Year 2015
	VND	VND
Quang Nam Blue Way One Member Co., Ltd	3,725,547,475	33,909,090,333
Blue Exchange Co., Ltd	25,546,175,294	65,381,794,034
Coconut garment Co., Ltd	1,848,817,590	14,996,198,695
	31,120,540,359	114,287,083,062

6.2 Cost of goods sold and services rendered

	Year 2016	Year 2015
	VND	VND
Cost of goods sold and services rendered	1,336,254,164,067	1,249,640,731,601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

*These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.***6.3 Finance income**

	Year 2016 VND	Year 2015 VND
Bank interest income	63,931,883	260,913,056
Gains from co-operation with HCMC University Medical Center	-	7,373,749,090
Dividends received	195,384,000	195,395,000
Foreign exchange gain	9,228,899,336	13,457,801,461
Others	233,772,183	274,989,259
	9,721,987,402	21,562,847,866

6.4 Finance expense

	Year 2016 VND	Year 2015 VND
Loan interest expenses	9,270,690,113	6,324,168,678
Foreign exchange loss	5,575,207,413	17,600,499,870
Exchange losses arising from revaluation of monetary items denominated in foreign currencies	3,495,288,395	655,885,382
Provision/ Return of provision for diminution in the value of financial investments	266,255,800	(540,892,400)
	18,607,441,721	24,039,661,530

6.5 Selling expenses

	Year 2016 VND	Year 2015 VND
Material expense	1,927,017,548	2,252,138,968
Outside services purchasing expense	44,315,730,728	32,547,587,739
Others expense	737,046,560	848,954,423
	46,979,794,836	35,648,681,130

6.6 General and administration expenses

	Year 2016 VND	Year 2015 VND
Employee expense	108,393,778,939	99,637,482,129
Stationary expense	5,496,703,205	3,822,419,107
Depreciation fixed asset expense	9,477,056,279	8,645,393,516
Utilities expense	14,925,877,893	11,048,356,894
Other cash expense	10,006,022,106	13,427,919,506
	148,299,438,422	136,581,571,152

6.7 Other income

	Year 2016 VND	Year 2015 VND
Proceeds from disposal of fixed assets	163,294,758	531,452,273
Other income	4,604,035,468	3,918,663,989
	4,767,330,226	4,450,116,262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

*These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.***6.8 Current corporate income tax expense**

	Year 2016 VND	Year 2015 VND
Profit before tax	75,695,735,429	82,158,350,451
Adjustment for income on tax		
Add: Non-deductible expenses	1,097,320,039	3,406,230,648
Less: Non-assessable income	(13,243,780,374)	(633,013,839)
Assessable income	63,549,275,094	84,931,567,260
Corporate income tax expense	11,777,365,503	16,517,150,844
Tax deduction (50%)	(516,162,472)	(233,662,010)
Corporate income tax expense	11,261,203,031	16,283,488,834
Adjustment	-	2,464,346,457
Current corporate income tax expense	11,261,203,031	18,747,835,291
In which		
- Parent company	10,745,040,560	18,514,173,281
- Tan My	516,162,471	233,662,010

6.9 Deferred corporate income tax expenses

	Year 2016 VND	Year 2015 (Restated) VND
Deferred corporate income tax expenses incurred from taxable temporary differences;	3,451,187,432	3,452,528,630
Deferred corporate income tax income arose from deductible temporary differences	(2,683,681)	(171,544,196)
	3,448,503,751	3,280,984,434

6.10 Basic earnings per share

The calculation of the basic earnings per share, which is attributable to ordinary shareholders of the parent company, is based on the following data:

	Year 2016 VND	Year 2015 (Restated) VND
Net profit after tax attributable to ordinary shareholders of the parent company	60,986,028,647	63,457,806,533
Appropriation to bonus and welfare fund	-	13,166,559,696
Net profit after tax to calculate earnings per share	60,986,028,647	50,291,246,837
Weighted average number of ordinary shares outstanding during the period (share)	11,852,288	11,641,070
Basic earnings per share	5,146	4,320

The Group has no diluted earnings per share at the fiscal year ended.

Net profit belongs to ordinary shareholders of the parent company determinate after appropriation to bonus and welfare fund. However, at the date of this report, the appropriation to bonus and welfare fund from undistributed earnings for the fiscal year ended 31 December 2016 has not been adopted shareholders' meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

On 12 December 2016, Ho Chi Minh City Stock Exchange had an announcement about the listing and trading of listed shares of the Group as follows:

Items	Number of shares	Additional transaction date
Number of shares are freely transferable	3,786,432	20 Dec 2016
The number of shares to be offered to the investors to determine the distribution and retail shares of the offer is limited to transfer within 1 year from the date of offering (from 11 Nov 2016 to the end of 10 Nov 2017)	78,858	11 Nov 2017
Total	3,865,290	

Weighted average number of ordinary shares outstanding during the period is calculated as follows:

	Year 2016	Year 2015 (Restated)
Ordinary shares outstanding at the beginning	11,641,070	11,641,070
Effect of the redemption of ordinary shares outstanding (treasury shares)	-	-
Effect of ordinary shares issued	211,218	-
Weighted average number of ordinary shares outstanding during the period	11,852,288	11,641,070

6.11 Production and business costs by factor

	Year 2016 VND	Year 2015 VND
Material expense	932,034,174,809	839,305,354,664
Salary expense	500,575,029,469	491,215,270,394
Depreciation expense	22,531,725,950	19,671,339,221
Utilities expense	289,641,136,574	235,733,651,675
Others expense	25,923,787,075	30,166,764,873
	1,770,705,853,877	1,616,092,380,827

7. ADDITIONAL INFORMATION FOR ITEMS SHOWN IN THE CONSOLIDATED CASH FLOW STATEMENT

Supplemental non-cash disclosures

Cash outflows for purchases of fixed assets and non-current assets during the period include an amount of VND 2,289,092,951 representing an addition in fixed assets during the period that prepayment to suppliers. Consequently, changes in accounts receivable have been adjusted by the same amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

8. FINANCIAL INSTRUMENT

The Group has financial assets such as trade and other receivables, cash and short-term bank deposits that arise directly from its operations. The Group's financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to market risk, credit risk and liquidity risk.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Group has not applied any method to prevent these risks due to the lack of market of buying financial instruments.

The Management reviews and agrees policies for managing each of these risks which are summarised below:

i. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks include four kinds: interest rate risk, currency risk, goods price risk and other price risk, such as equity price risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rate relates primarily to the Group's cash and short-term bank deposits and loans. The Group manages interest rate risk by looking at the competitive structure of the market to obtain rates which are favourable for its purpose within its risk management limits.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective accounting currencies of Group, primarily the VND, but also U.S. Dollars (USD) and Euro (EUR). The currencies in which these transactions primarily are denominated are VND, USD and EUR.

The Group's exposure to currency risk is managed by keeping the exposure to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term over-exposures.

At 31 December 2016, the Group had the following net monetary asset/liability position exposed to currency risk:

	USD	EUR
Cash and cash equivalents	4,435,311.07	3,140.45
Trade receivables	6,972,301.25	-
Trade payables	2,519,997.25	-
Advance from customers	250,693.13	-
Prepayment to suppliers	406,856.57	-
Borrowings	12,555,367.58	-
Deposits	1,120.00	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

ii. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and payable to a related party.

Accounts receivable

Outstanding customer receivables are regularly monitored. The requirement for impairment is analysed at each reporting date on an individual basis for major clients. The Group seeks to maintain strict control over its outstanding receivables and has a credit control personnel to minimise credit risk. In the view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Bank deposits

The Group's bank balances are mainly maintained with well-known banks in Vietnam. Credit risk from balances with banks is managed by the Group's treasury department in accordance with the Group's policy. The Group's maximum exposure to credit risk for the components of the balance sheet at each reporting dates are the carrying amounts as illustrated in Note 5.1. The Group's management evaluates the concentration of credit risk in respect to bank deposit as low.

iii. Liquidity risk

The liquidity risk is the risk that Group will encounter difficulty in meeting financial obligation due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities.

The Group monitors its liquidity risk by maintain a level of cash and cash equivalents and bank loans deemed adequate by Management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The table below summaries the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Less than 1 year	From 1 to 5 Years	VND Total
31 December 2016			
Loans	298,742,756,337	45,055,135,228	343,797,891,565
Trade payables – third parties	86,242,978,237	-	86,242,978,237
Trade payables – related parties	5,509,042,327	-	5,509,042,327
Accrued expenses and other payables	20,796,625,660	-	20,796,625,660
	411,291,402,561	45,055,135,228	456,346,537,789
01 January 2016			
Loans	362,044,331,925	-	362,044,331,925
Trade payables – third parties	87,564,881,270	-	87,564,881,270
Trade payables – related parties	6,363,544,994	-	6,363,544,994
Accrued expenses and other payables	4,262,983,245	-	4,262,983,245
	460,235,741,434	-	460,235,741,434

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to necessary sources of funding is sufficiently available.

Collateral

As at 31 December 2016, The Group uses the account receivable, inventory, fixed asset as against the loan (Note No 5.2, 5.5, 5.6).

The Group did not have any secure asset of third party as at 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

iv. Fair value

(1) Fair values versus carrying amounts

Categories of financial instruments

	Carrying amount		Fair value	
	31/12/2016	01/01/2016	31/12/2016	01/01/2016
	VND	VND	VND	VND
Financial assets				
Trade receivable – third party	158,344,980,985	131,941,097,351	158,344,980,985	131,941,097,351
Trade receivable – related party	86,678,096,038	107,213,307,747	86,678,096,038	107,213,307,747
Other receivable – third party	5,673,463,054	3,469,935,830	5,673,463,054	3,469,935,830
Other receivable – related party	-	42,140,000,000	-	42,140,000,000
Long-term investment	17,314,330,000	17,314,330,000	13,902,502,000	14,168,757,800
Cash and cash equivalents	104,277,219,892	51,781,890,649	104,277,219,892	51,781,890,649
	372,288,089,969	353,860,561,577	368,876,261,969	350,714,989,377
Financial liabilities				
Loan	343,797,891,565	362,044,331,925	343,797,891,565	362,044,331,925
Trade payable – third party	86,242,978,237	87,564,881,270	86,242,978,237	87,564,881,270
Trade payable – related party	5,509,042,327	6,363,544,994	5,509,042,327	6,363,544,994
Accrued expenses and other payables	20,796,625,660	4,262,983,245	20,796,625,660	4,262,983,245
	456,346,537,789	460,235,741,434	456,346,537,789	460,235,741,434

The fair value of the financial assets and liabilities had not been formally assessed and determined as at 31 December 2016 and 01 January 2016. However, it is Management' assessment that the fair values of these financial assets and liabilities are not materially different from their carrying amount at the balance sheet date.

(2) Basis for determining fair values

Trade and other receivables

The fair value of trade and other receivables, excluding receivables and payables on construction contracts according to stages of completion, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value of the instruments is determined for disclosure purposes only.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

v. Hedging

The Group does not apply hedge accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

9. OTHER INFORMATION

9.1. Transactions and balances with related parties

The related parties include key management members and their related persons, and other related parties.

Remuneration paid to key management members during the period was as follows:

	Year 2016	Year 2015
	VND	VND
Salary, Bonus	7,236,306,160	6,957,384,963

During the year, the Group entered into the following transactions with related parties:

Related party	Nature of transaction	Year 2016	Year 2015
		VND	VND
Phu My Joint Stock Company	Charges on water and waste water treatment of washing plant	528,527,964	913,904,472
Blue Exchange Co., Ltd	Purchase of goods	1,880,840,136	14,240,684,907
	Sale of goods and rendering of services	25,033,218,874	65,381,794,034
	Commission agent	512,956,419	-
	Receiving capital	-	11,174,040,000
Quang Nam Blue Way One Member Co., Ltd	Processing expenses, printing, washing	133,809,244	999,449,165
	Sale of goods	3,725,547,475	33,909,090,333
Coconut Tree Garment Co., Ltd	Processing expenses	-	177,490,000
	Sale of goods	1,848,817,590	14,996,198,695
Blue Way Co., Ltd	Processing expenses	120,292,000	-

The balance of account receivable-related and account payable-related on 31 December 2016:

	31/12/2016	01/01/2016
	VND	VND
Trade receivables		
Blue Exchange Co., Ltd	47,070,467,766	52,144,115,501
Quang Nam Blue Way One Member Co., Ltd	24,078,110,358	38,573,373,681
Coconut Tree Garment Co., Ltd	15,529,517,914	16,495,818,565
	86,678,096,038	107,213,307,747
Other receivables		
Blue Exchange Co., Ltd	-	42,140,000,000
	-	42,140,000,000
Advance to suppliers		
Phu My Joint Stock Company	2,037,626,437	2,037,626,437
	2,037,626,437	2,037,626,437
Trade payables		
Phu My Joint Stock Company	3,878,088,972	4,341,000,000
Blue Exchange Co., Ltd	-	514,647,000
Quang Nam Blue Way One Member Co., Ltd	1,246,584,250	1,099,394,082
Tra Tan Co., Ltd	79,226,400	103,361,207
Blue Way Co., Ltd	109,903,705	109,903,705
Coconut Tree Garment Co., Ltd	195,239,000	-
	5,509,042,327	6,168,305,994

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

9.2. Segment information

Business segments

The Group's major business activities are to manufacture and trade productions in garment industry and its export revenue is more than 90% of total revenue of the Group. Thus, the Group's business segment is not presented as required in Vietnamese Accounting Standards No. 28 "Segment Reporting".

Geographical segments

Currently, the Group is mainly operating in Vietnam, the overseas entity (a subsidiary of Blue Saigon is incorporated in the United States of America) assets, revenue and operation result is immaterial (less than 10%) of total assets, revenue and operation results of the Group. Thus, the Management decided not to present the Geographical segments according to Vietnamese Accounting Standards No. 28 "Segment Reporting".

9.3. Other information

Net profit from business operations in the consolidated financial statements was detailed as follow:

Year	Saigon Garment Manufacturing Trade J.S.C VND	Blue Saigon Garment Co., Ltd VND	Tan My Garment Co., Ltd VND	Excluding of internal transactions VND	Total VND
Net revenue from sale of goods and rendering of services	1,583,901,400,345	152,788,732,567	145,642,928,157	270,954,351,437	1,611,378,709,632
Cost of goods sold	1,385,281,997,463	102,956,049,902	115,789,311,991	267,773,195,289	1,336,254,164,067
Gross profit	198,619,402,882	49,832,682,665	29,853,616,166	3,181,156,148	275,124,545,565
Financial income	20,239,836,485	43,451,187	183,962,487	10,745,262,757	9,721,987,402
Financial expenses	34,724,098,258	234,499,514	47,060,130	16,398,216,181	18,607,441,721
Selling expenses	25,803,285,724	18,985,917,674	2,190,591,438	-	46,979,794,836
General and administration expenses	97,066,479,575	32,418,448,610	21,072,511,670	2,258,001,433	148,299,438,422
Net profit	61,265,375,810	(1,762,731,946)	6,727,415,415	4,729,798,709	70,959,857,988

9.4. Expenditure commitments

As at 31 December 2016, the Group entered into contract with the third parties to purchase material with amount of VND 5,580,843,202.

9.5. Comparative figures

The comparative figures items on Consolidated Financial statements are the figures on the consolidated financial statements for the year ended 31 December 2015 were audited by another independent auditing firm.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended 31 December 2016

*These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.***Restatement**

Some items on the consolidated financial statements for the year ended 31 December 2015 have been restated as follows:

	Consolidated Balance Sheet as at 31 December 2015		
	As previously reported VND	As restated VND	Net change VND
Deferred tax assets	171,544,196	-	(171,544,196)
Taxes payable to State Treasury	6,083,142,898	8,547,489,355	2,464,346,457
Deferred tax liabilities	-	2,878,010,841	2,878,010,841
Undistributed earnings	50,666,081,217	45,152,179,723	(5,513,901,494)

	Consolidated Income Statements for the fiscal year ended 31 December 2015		
	As previously reported VND	As restated VND	Net change VND
Current corporate income tax expense	16,283,488,834	18,747,835,291	2,464,346,457
Deferred corporate tax expense	231,429,397	3,280,984,434	3,049,555,037
Net profit after corporate income tax	65,643,432,220	60,129,530,726	(5,513,901,494)
Net profit after tax attributable to shareholders of the parent company	68,971,708,027	63,457,806,533	(5,513,901,494)
Basic earnings per share	6,196	4,320	(1,876)

9.6. Post balance sheet event

There have been no significant events occurring after the balance sheet date, 31 December 2016, which would require adjustments or disclosures to be made in the consolidated financial statements.


TRAN THI THU TRAM
 Preparer


NGUYEN MINH HANG
 Chief Accountant


NGUYEN AN
 General Director
 Ho Chi Minh City, 15 March 2017

**CONFIRMATION OF LEGAL
REPRESENTATIVE OF COMPANY**

HO CHI MINH CITY, 04ST APRIL 2017

GENERAL DIRECTOR



TỔNG GIÁM ĐỐC
NGUYỄN AN



CÔNG TY CỔ PHẦN SX TM MAY SÀI GÒN

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