



MACHINERY SPARE PARTS N01 JOINT STOCK COMPANY

COMPREHENSIVE COMPANY REPORT



Head Office

6th floor Anh Minh Building, 36 Hoang Cau Street,
Dong Da Dist., Ha Noi City
Tel: (84-24) 6328 9520

Ho Chi Minh City Representative Office

5th floor Pax Sky Building, 123 Nguyen Dinh Chieu St., Ward 6,
Dist. 3, Ho Chi Minh City
Tel: (84-28) 6680 8523

Website: viracresearch.com

Mail: viracresearch@virac.com.vn

TABLE OF CONTENTS

SNAPSHOT.....	3
SALES.....	4
COMPANY HISTORY.....	6
OWNERSHIP STRUCTURE.....	8
MANAGEMENT AND ORGANISATION.....	9
OPERATION.....	12
LINKAGES.....	14
INDUSTRY ANALYSIS.....	15
COMPANY INSIGHTS.....	20
Z-SCORE.....	26
FINANCIAL ANALYSIS.....	28
COMMENTARY.....	30
APPENDIX.....	31
CONFIDENTIALITY.....	41
DISCLAIMER.....	41

MACHINERY SPARE PARTS N01 JSC

Address: 3/2 St., Group 10, Mo Che Ward, Song Cong City,
Thai Nguyen Province

Website: www.futu1.com.vn

Tel: (84-208) 386 2205

Fax: (84-208) 386 2316

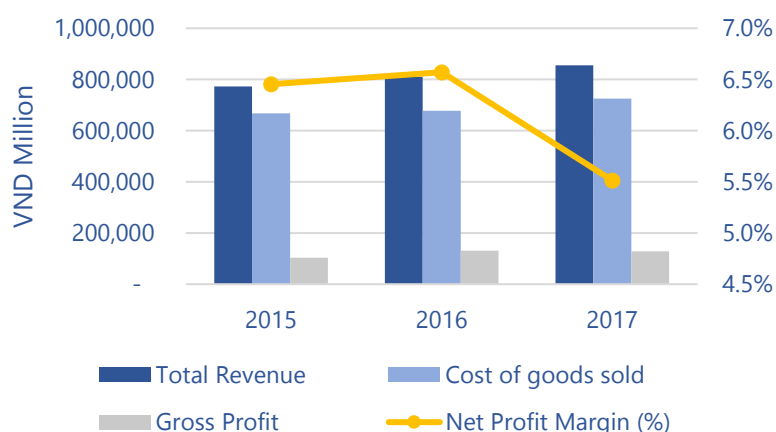
Email: phutung1@futu1.com.vn

Main Business Activities	- Manufacture and distribute of motorcycles parts	
Key Products	- Automobile & motorcycles parts and components - Mechanical parts & components - Materials	
Key Market	Domestic market and overseas markets	
Sector	Supporting Industry for Motorcycle Manufacturing	ICB: 3355 VSIC: 2930 – 2591 – 2592 – 2599 – 2814 – 4530 – 4543 – 5669
	Registration Code	4600358468
Incorporated Date	December 31, 2008	
Parent Company	Vietnam Engine and Agricultural Machinery Corporation	
Accounting Period	Annually	
Stock Listing	Public unlisted	
No. of Employees	1,225 (Updated: Dec. 2017)	
Legal Representative's Profile	Mr. Nguyen Duc Hien <ul style="list-style-type: none"> Nationality: Vietnamese ID No./Passport No.: B1726967 YOB: 1962 	
No. of Shareholders	868 (Updated: Dec. 2017)	
Tax Status	Good	

SNAPSHOT

Established in 2008, Machinery Spare Part N01 Joint Stock Company (FUTU1), a subsidiary of Vietnam Engine and Agricultural Machinery Corporation, mainly engaging in manufacturing parts for motorcycle (sprocket, gear, sleeve cylinder, connecting rod etc.) and automobile as well as precision mechanical parts (flange, ball bearing unit). Initially, FUTU1 was known as No. 1 Auto Parts Factory when it was established in 1968. With strong expertise and investments in technology, facility and management systems on quality, energy and environment (ISO 9001:2015, ISO 50001:2011, ISO 14001:2015), the company is one of the leading parts manufacturers in Vietnam with many renown customers, including Honda Vietnam, Atsumitec Vietnam, Yamaha Motor Vietnam etc. FUTU1 owns one factory with 10 production lines equipped with modern technologies and machineries such as CNC gear measuring machines, casting machines, forging and pressing machine, heat treatment system, painting production line etc. The company's products are supplied to domestic market as well as foreign markets, including Thailand, Japan, Italy, China, etc. FUTU1 was listed in Sept. 2017 (UPCoM:FT1).

COMPANY PERFORMANCE REVIEW



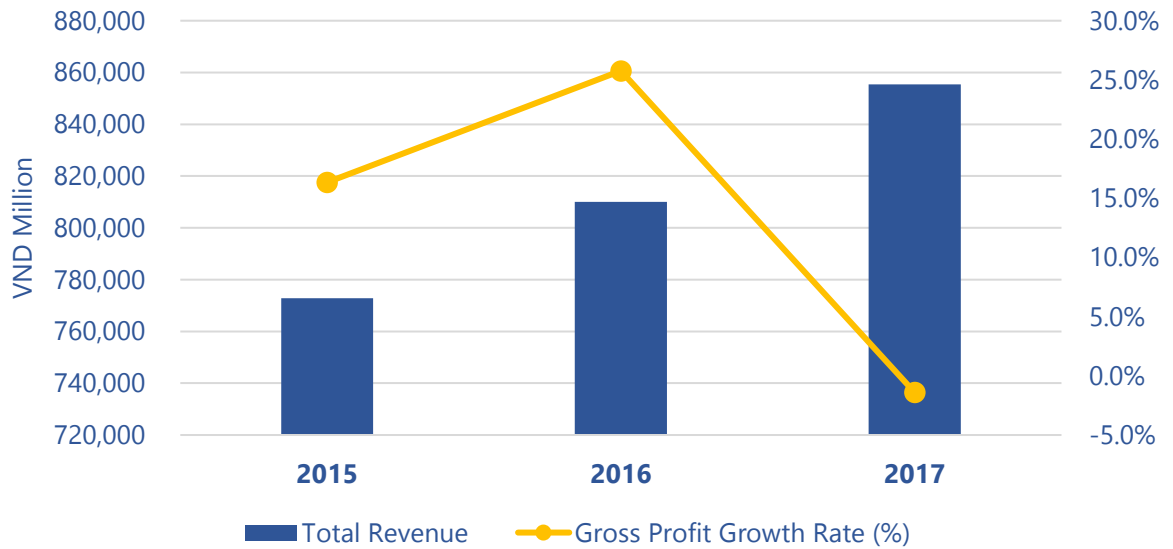
Financial Data

Charter Capital	US \$3,123,694.24
Revenue	US \$37,739,988.32
Net Profit	US \$2,080,834.19
Total Assets	US \$14,889,985.22
Net Debts	US \$8,465,156.25
Owner's Equity	US \$6,360,294.66
ROE	31.67%
ROA	13.53%
Market Capitalization	US \$12,494,776.97
Outstanding Share	7,079,853.00

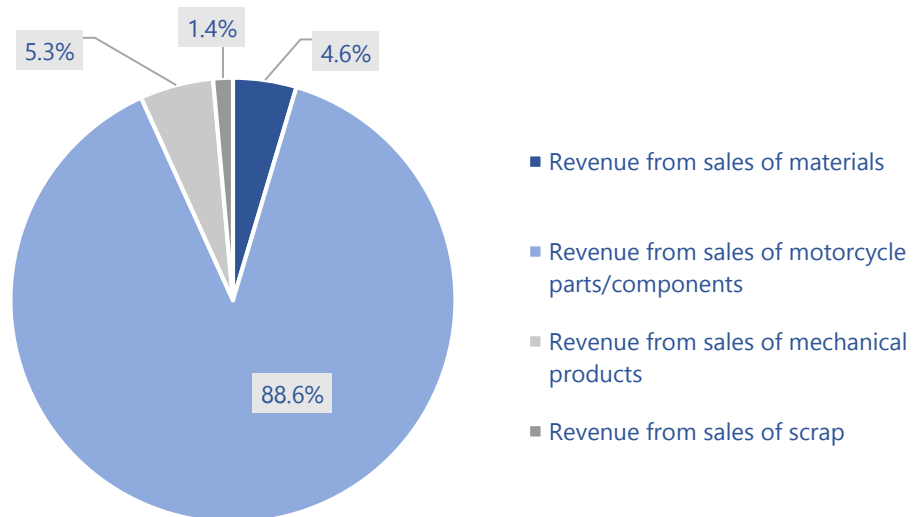
Updated: Dec. 2017

SALES

REVENUE IN 3 YEARS



REVENUE BREAK DOWN IN 2017



Target Markets

Domestic market	Nationwide
Overseas Markets	Thailand, Japan, Italy, China etc.

Key Customers

Name	Address	Tel
Honda Vietnam Co., Ltd.	Phuc Thang Ward, Phuc Yen Town, Vinh Phuc Province	(84-211) 386 8888
Atsumitec Vietnam Co., Ltd.	Lot H3, Thang Long Industrial Park, Vong La Commune, Dong Anh Dist., Hanoi City	(84-24) 3951 6445
Yamaha Motor Vietnam Co., Ltd.	Binh An Hamlet, Trung Gia Commune, Soc Son Dist., Hanoi City	(84-24) 3582 4900
Vietnam Auto Parts Co., Ltd.	Nhu Quynh Industrial Zone, Van Lam Town, Hung Yen Province	-
Sumitomo Heavy Industries (Vietnam) Co., Ltd.	Lot I-7, I-8, I-9, M-2, M-3 Thang Long Industrial Park, Vong La Commune, Dong Anh Dist., Hanoi City	(84-24) 3955 0010
Vietnam Manufacturing & Export Processing Co., Ltd.	Quarter 5, Tam Hiep Ward, Bien Hoa City, Dong Nai Province	(84-251) 381 2080

Distribution Channel

The company has no distribution channel. Its commercial transactions are conducted via Business-to-Business (B2B) model.

COMPANY HISTORY

Background

Machinery Spare Part N01 Joint Stock Company (FUTU1) was established in Thai Nguyen province on Dec. 31th, 2008 with enterprise code number 4600358468 and chartered capital of VND 70,798,530,000. Its tax registration number (4600358468) was issued on Jul. 16th, 2004. The company went into operation since Jun. 18th, 2004. Noneless, the company was previously established in 1968 under the name No. 1 Auto Parts Factory. With experience and expertise in manufacturing parts for vehicles with engine, machines serving agricultural and quaculture sectors, FUTU1 has turned into one of the leading manufacturers of motorcycle parts in Vietnam and a strong supplier of many famous motorcycle assemblers in the country as well as overseas. Besides parts for motorcycle, automobile parts, precision mechanical parts are other product categories of the company.

As of Dec. 2017, Vietnam Engine and Agricultural Machinery Corporation (VEAM Corporation) is a major shareholder of FUTU1 with 55% ownership. FUTU1 has become a public company since May 31, 2017 and was listed in Sep. 2017 (UPCoM:FT1).

Legal Form

The company is registered with the Department of Planning and Investment of Thai Nguyen province as a joint stock company and currently operated under tax registration number and enterprise code number 4600358468.

History of Amendments

As of August 2017, the latest amendment (fourth time) was made on July 01, 2015.

Important Milestones

1968	Established as No. 1 Auto Parts Factory in Ha Tay province
1991	Changed name to No. 1 Engine and Agricultural Machine Parts Factory
1995	Changed name to No. 1 Parts Company
2004	Changed name to No. 1 Parts Limited Company
07/2008	Changed name to Machinery Spare Part N01 Joint Stock Company
12/2008	Became a joint stock company with enterprise code number 4600358468 and chartered capital of VND 70,798,530,000



Litigations

There is no litigation information available for FUTU1.

OWNERSHIP STRUCTURE

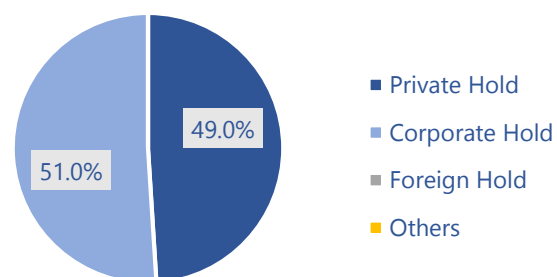
Management Interest

Name	Position	%	Update Date
Nguyen Duc Hien	BOD member/Director	2.7%	Dec. 2017
Le Van Hung	BOD member/Deputy Director	0.8%	Dec. 2017
Nguyen Van Thuy	Deputy Director	0.4%	Dec. 2017
Nguyen Quang Binh	Deputy Director	0.0%	Dec. 2017

Ownership Structure

Ownership	%	Update Date
Private Hold	40.33%	Dec. 2017
Corporate Hold	59.67%	Dec. 2017
Foreign Hold	0.00%	Dec. 2017
Others	0.00%	Dec. 2017

Ownership Structure



Corporate Hold

Name	ID No.	%	Update Date
Vietnam Engine and Agricultural Machinery Corporation	0100103866	55.00%	Dec. 2017

MANAGEMENT AND ORGANISATION

Board of Directors

Name	Position	YOB	Education
Vu Tu Cong	Chairman/Non-Executive BOD member	1968	Bachelor of Finance and Accounting
Nguyen Duc Hien	BOD member/Director	1962	Bachelor of Engineering
Le Van Hung	BOD member/Deputy Director	1963	Bachelor of Engineering
Pham Van Khay	Non-Executive BOD member	1953	Bachelor of Engineering
Tran Thi Huyen	Non-Executive BOD member	1976	Bachelor of Foreign language
Nguyen Duc Giang	Head of Inspection Committee	1979	Bachelor of Economics and Bachelor of Laws
Ly Kieu Anh	Member of Inspection Committee	1975	Bachelor of Economics
Nguyen Anh Dung	Member of Inspection Committee	1968	Bachelor of Economics

Profile Details

1	Mr.	Vu Tu Cong
	Position	Chairman
	Nationality	Vietnamese
	Education	Bachelor of Finance and Accounting
	Experience	<ul style="list-style-type: none"> - 06/2005 – Apr. 2009: Deputy of Finance and Accounting Department of VEAM - May 2009 – Jun. 2011: Head of Finance and Accounting Department of VEAM - Jul. 2011 – Apr. 2016: Chief Accountant of VEAM - May 2016 – Present: Deputy General Director of VEAM - Apr. 2014 – Present: Chairman of FUTU1
	Date appointed	Apr. 2014

2 Mr.	Nguyen Duc Hien
Position	Director
Nationality	Vietnamese
Education	Bachelor of Engineering
Experience	<ul style="list-style-type: none"> - Apr. 2008 – Dec. 2014: Deputy Director of FUTU1 - Jan. 2009 – Present: BOD member of FUTU1 - Jan. 2015 – Present: Director of FUTU1
Date appointed	May 1984

3 Mr.	Le Van Hung
Position	Deputy Director
Nationality	Vietnamese
Education	Bachelor of Engineering
Experience	<ul style="list-style-type: none"> - Apr. 2008 – Present: Deputy Director of FUTU1 - Jan. 2009 – Present: BOD member of FUTU1
Date appointed	Mar. 1988

4 Mr.	Pham Van Khay
Position	BOD member
Nationality	Vietnamese
Education	Bachelor of Engineering
Experience	<ul style="list-style-type: none"> - Aug. 2000 – Apr. 2014: Director of FUTU1 - Jan 2009 – Mar. 2014: Chairman of FUTU1 - Apr. 2014 – Present: BOD member of FUTU1 - Feb. 2007 – Dec 2014: Deputy General Director of VEAM
Date appointed	Feb. 1975

5 Ms.	Tran Thi Huyen
Position	BOD member
Nationality	Vietnamese
Education	Bachelor of Foreign language
Experience	<ul style="list-style-type: none"> - Dec. 1995 – Apr.2011: Administrative Officer of VEAM - May 2011 - Present: Deputy Administrator of VEAM - Apr. 2017 – Present: BOD member of FUTU1
Date appointed	Apr. 2017

6 Mr.	Nguyen Duc Giang
Position	Head of Inspection Committee
Nationality	Vietnamese
Education	Bachelor of Economics and Bachelor of Laws
Experience	<ul style="list-style-type: none"> - 2001 – 2014: Accountant at FUTU1 - 2014 - 2016: Deputy of Finance Dept. of FUTU1 - 2016 – Present: Head of Inspection Committee
Date appointed	2001

7 Ms.	Ly Kieu Anh
Position	Member of Inspection Committee
Nationality	Vietnamese
Education	Bachelor of Economics
Experience	<ul style="list-style-type: none"> - Jan. 1997 – 2011: Officer of Finance and Accountant Dept. at VEAM - 2011 – Dec. 2016: Deputy of Finance and Accountant Dept. of VEAM - Jan. 2017 – Present: Head of General Administration Dept. of VEAM - Apr. 2015 – Mar. 2016: Head of Inspection Committee of FUTU1 - Apr. 2016 – Present: Member of Inspection Committee of FUTU1 - 2015 – Present: BOD member of Pho Yen Mechanical JSC
Date appointed	Apr. 2015

8 Mr.	Nguyen Anh Dung
Position	Member of Inspection Committee
Nationality	Vietnamese
Education	Bachelor of Economics
Experience	<ul style="list-style-type: none"> - Jan. 2007 – Dec. 2013: Deputy of General Administration Dept. of FUTU1 - Jan. 2014 – Present: Head of Director Office of FUTU1 - Apr. 2016 – Present: Member of Inspection Committee of FUTU1
Date appointed	1998

OPERATION

Production

Line of Business

Motorcycle parts & components	Engine parts, sprocket, connecting rod and gear shift fork etc.
Automobile parts & components	<ul style="list-style-type: none"> - Components of automobile's compressor - Components of automobile's brake system
Mechanical parts & components	Flange, ball bearing unit etc.
Others	Materials, scrap etc.

Office

Name	Head Office
Location	Mo Che Ward, Song Cong City, Thai Nguyen Province
Start of Operation	1975

Factory

Name	Factory
Location	Mo Che Ward, Song Cong City, Thai Nguyen Province
Capacity	-
Detail	<ul style="list-style-type: none"> - Equipped with 700 equipment: Press machines (1,600 ton), machining centers, lathe machines, grind machines and boring machines etc. - Area: 80,000 m²
Start of Operation	1975

Legal Environment

Vietnamese Civil Law System – Government Corporate Law of Vietnam – Corporate Law of Vietnam 2006.

Personnel

Employee Size: 1,225 (Updated: Dec. 2017)

Key Partners

Name	Product Supplied	Address	Tel
Material & Complete Equipment Export - Import Corporation	Materials	Km 3, Pham Van Dong St., Co Nhue 1 Ward, North Tu Liem Dist., Hanoi City	(84-24) 3756 4715
Vietnam Engine and Agricultural Machinery Corporation	Financial services	Phu Thuong Ward, Tay Ho Dist., Hanoi City	(84-24) 6280 0802
Me Linh Mechanical One Member Co., Ltd.	-	Quang Minh Industrial Zone, Quang Minh Town, Me Linh Dist., Hanoi City	(84-24) 3813 4268
Research Institute Of Technology For Machinery	-	25 Vu Ngoc Phan St., Lang Ha Ward, Dong Da Dist., Hanoi City	(84-24) 3776 3322
Song Cong Diesel Ltd., Co.	-	Luong Chau Ward, Song Cong City, Thai Nguyen Province	(84-208) 386 2332

LINKAGES

Parent

Name	Address	Tel
Vietnam Engine and Agricultural Machinery Corporation	Phu Thuong Ward, Tay Ho Dist., Hanoi City	(84-24) 6280 0802

Subsidiaries and Affiliates

The company has no subsidiary and affiliate.

Branch

The company has no branch.

INDUSTRY ANALYSIS

Industry	Supporting Industry
Sector	Supporting Industry for Motorcycle Manufacturing
Sub-Sector	Manufacturing of Metal Motorcycle Parts

Outlook for Industry

- The beginning of Vietnam Motorcycle Industry in the late 1980s had boosted the development of the infant Vietnam Motorcycle Parts Industry. During the 1990s, many renown motorcycle makers set foot in Vietnam and brought along the influx of Foreign Direct Investment (FDI) part companies from Taiwan, Japan, Korea etc. (divided into two groups: production bases of foreign multinational corporations and small and medium – sized enterprises). Most part manufacturers are located in Northern Vietnam.
- At that time, many local mechanical enterprises, with accumulated experiences and skills in repairing motorcycle and other engines, had transformed into part manufacturers and emerged significantly, especially after the ban on imported parts in the timeframe between 1997 and 2003. After two decades of development, the Part Industry in Vietnam has increased the localization rate of motorcycle manufacturing to 70% to 80% in significant shorter time compared to neighboring countries. Additionally, domestically produced parts can be exported directly or indirectly to many foreign markets such as Japan, Germany, Thailand, China and so on.
- Recently, according to Vietnam Association of Motorbike Manufacturers (VAMM), Vietnam is the World’s fourth largest motorcycle market with approximately three million motorcycles sales per annum. Despite the sign of a saturated motorcycle market in the 2012 to 2015 period in Vietnam, positive aspects, such as the increasing in income per capita and the shift to automatic motorcycle/scooter, have contributed to opportunities for part makers in Vietnam to develop further. However, there have persisted challenges relating to shortage of quality top management personnel in local players, the low quality and cheap parts imported from China, the counterfeited parts and the reliance on imported raw materials.

Industry Life Cycle	Introductory	Growth	Maturity	Decline
---------------------	--------------	--------	-----------------	---------

- FDI firms have subcontracted with local companies and contributed to the spill – over effect, hence, enhancing technologies capability of Vietnamese players. Assemblers, such as Honda Vietnam, have also made similar effects on local suppliers, especially to the experienced and large State – owned enterprises (SOE), through technology transfer, corporation on production management and so on.
- Currently, part manufacturers, including FDI and local ones, supply not only for domestic market but also to overseas markets directly as well as indirectly through motorcycle assemblers. Moreover, after a period of development, many motorcycle part makers can produce some types of automobile parts as well.

These facts indicate that this industry is in the mature stage.

Regulatory Issues	Low	Medium	High
-------------------	-----	---------------	------

- According to Market Surveillance Agency under Ministry of Industry and Trade, within the first six months of 2017, 9,730 motorcycle parts have been detected to be involved in IP right infringement. Protection of Intellectual Property (IP) rights in Vietnam remains problematic because IP Law is still in preliminary stage without strong punishable measures while enforcement has not been carried out effectively. This issue affects strongly to parts and motorcycle manufacturers as well as their motivation to increase investment.
- Moreover, fast and unexpected changes in policies relating to tax, production inputs prices and tariff, wage and social insurance etc. are also obstacles for companies to meet financial and production targets and to make such strategic decision as increasing investment for expansion.

Barrier to Entry/Exit	Low	Medium	High
-----------------------	-----	---------------	------

- This industry's barrier to entry/exit is medium because:
 - While final assembly is labor – intensive, parts manufacturing is considered to be more capital – intensive due to high investment in indivisible machineries, technologies, innovation as well as intensive training for quality labor and engineers.
 - Existing part suppliers in Vietnam are considered to be strong since the localization rate of Vietnam Motorcycle Industry is above 80%.

- Power of buyers is relatively high. Besides know-how, other features required by assemblers, including effective production management capability, human resource, the stability of production system, capabilities to meet delivery timeline, quality consistency, required quantity etc., are significant challenges to newly established firms.
- The competition with counterfeited and smuggled cheap parts can be tough as it can incur substantial time and financial costs for genuine part makers.

Competition	Low	Medium	High
-------------	-----	--------	------

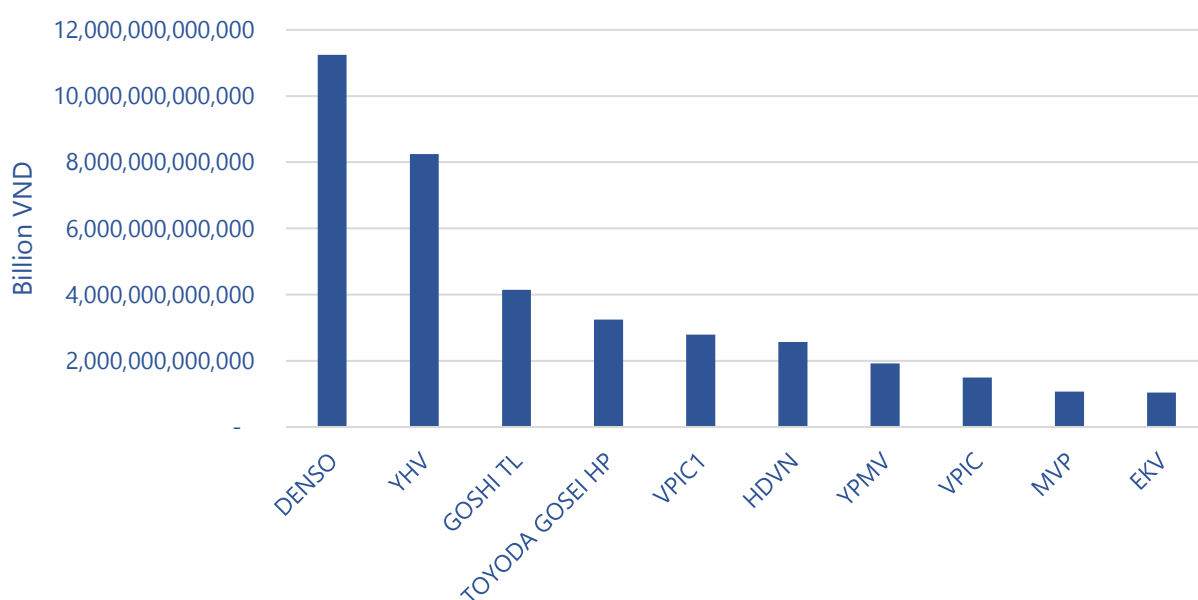
- As mentioned, currently, Vietnam Part Industry consists of not only highly experienced FDI companies but also many local companies who have gained their expertise in production, technology, product types well as management capability. The local companies' development was largely owing to being subcontractors of famous assemblers and learning from foreign partners (from China and Taiwan). Specifically, Vietnam Motorcycle Industry's supplier system is divided into tiers of suppliers. Both local and international players participate in Tier 1 and Tier 2 of the hierarchy of suppliers. However, most of Tier 1 suppliers, focusing on precision machine processing, are strong local and Japanese – owned companies. The majority of local firms as well as other foreign suppliers have strong presence in Tier 2 supplier group, who engage in manufacturing of stamping, plastic, forging, casting and machine processing products.
- Counterfeited and smuggled cheap parts from China are also a factor contributing to the competition. Moreover, with a number of new foreign part manufacturers entering into Vietnam since 2010, the competition among players become tougher, especially for local manufacturers in terms of technologies and capital.

These reveal a competitive market where players are highly specialized and keen on maintaining as well as expanding their market share, with competition among firms in Tier 1 less severe than that of Tier 2 suppliers.

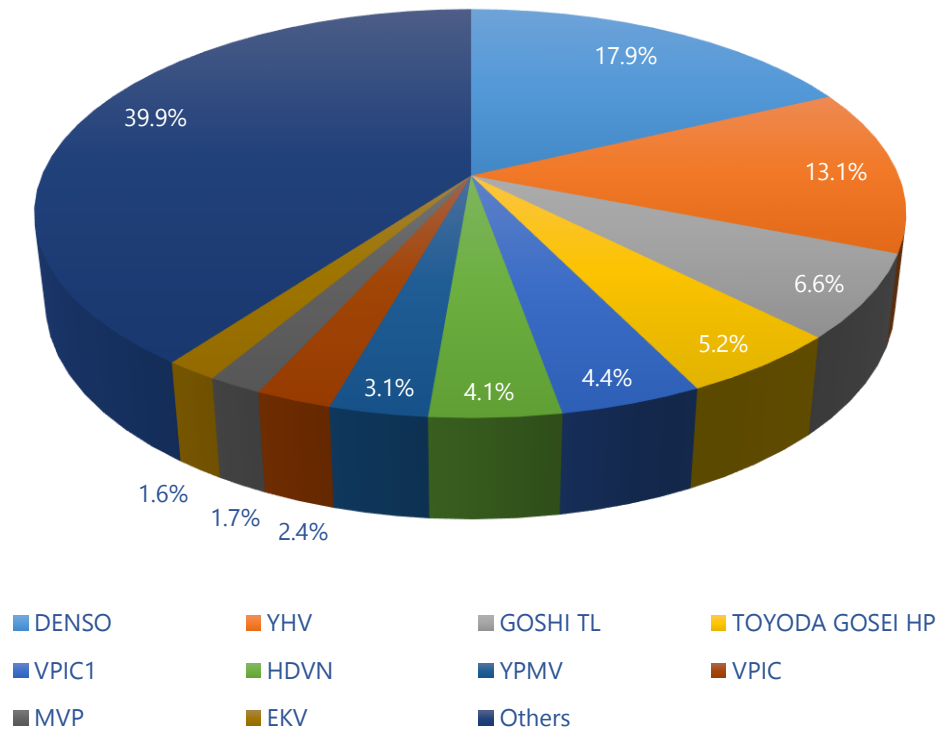
Key Players

Name	Short Name	Total Asset (VND)	Sale Volume (VND)
DENSO MANUFACTURING VIETNAM CO., LTD.	DENSO	5,179,620,000,000	11,240,130,000,000
YAZAKI HAIPHONG VIETNAM LTD.	YHV	5,218,436,000,000	8,246,286,000,000
GOSHI-THANG LONG AUTO-PARTS CO., LTD.	GOSHI TL	1,567,994,000,000	4,148,262,000,000
TOYODA GOSEI HAIPHONG CO., LTD.	TOYODA GOSEI HP	2,034,478,000,000	3,242,010,000,000
VIET NAM PRECISION INDUSTRIAL NO.1 CO., LTD.	VPIC1	1,901,770,000,000	2,791,501,000,000
HAMADEN VIETNAM CO., LTD.	HDVN	1,807,017,000,000	2,568,908,000,000
YAMAHA MOTOR PARTS MANUFACTURING VIETNAM CO., LTD.	YPMV	1,525,407,000,000	1,924,746,000,000
VIETNAM PRECISION INDUSTRIAL JSC	VPIC	1,729,741,000,000	1,497,202,000,000
MARUEI VIETNAM PRECISION CO., LTD.	MVP	462,909,200,000	1,065,296,000,000
ENKEI VIETNAM CO., LTD.	EKV	847,506,800,000	1,036,773,000,000

Market Revenue in Dec. 2016



Market Share in Dec. 2016



COMPANY INSIGHTS

Company position

- Machinery Spare Part N01 Joint Stock Company (FUTU1) is a manufacturer of motorcycle and automobile parts and precision mechanical parts with 50 years in operation. Previously, FUTU1 was known as No. 1 Auto Parts Factory specializing in manufacturing of parts for engine motors and agricultural and aquaculture machines. Its main market is Northern Vietnam and revenue mostly comes from manufacturing of motorcycle parts (85% in 2016 and 89% in 2017).
- As one of the most well – known parts manufacturers in Vietnam with over 1,200 employees, FUTU1 has invested in new technologies and modern machinery (CNC gear measurement system, casting machines, heat treatment system etc.) in its 10 production lines and is certified with ISO 9001:2015, ISO 50001:2011 and ISO 14001:2015 standards. With such investments and long – standing experience in manufacturing and dealing with mechanical products/issues, FUTU1 has been the supplier for many famous companies, including Honda Vietnam (contributed 34% to 36% of FUTU1’s revenue in the last few years), Atsumitec Vietnam (14% to 16%), Yamaha Motor Vietnam (10% to 11%), Vietnam Auto Parts (7%) etc.
- FUTU1’s products include motorcycle parts (sprocket, gear, pinion, sleeve cylinder, connecting rod, etc.), automobile parts (product types are not disclosed), precision mechanical parts (flange, ball bearing unit). Agricultural and aquaculture machines are currently not in production. Among all businesses, manufacturing motorcycle parts is the core field (accounted for 70% to 80% of total production), in which sprocket are FUTU1’s main products. FUTU1’s products are supplied to other assemblers and businesses, not retailing. Sprocket is among the few product types of FUTU1 that have been counterfeited.
- Net revenues increased by 5.7% from 2016 to 2017, reaching VND 854.04 billion, an increase of 10.6% compared to 2015. In 2017, with the commitment on reducing prices by 10% to 30% for key customers, such as Honda Vietnam, Yamaha Motor Vietnam, Atsumitec Vietnam etc., and the increase in cost for introducing new product types, the company set its net profit target 25% lower compared to that of 2016, decreasing from VND 53.2 billion to VND 40 billion. The actual net profit in 2017 was VND 47.16 billion, surpassing target by 17.9%. In 2017, gross revenue was also higher than the target by 3%.

Key Business Risks

Strategic Risks

- The Vietnam Motorcycle Industry, with a localization rate of 80%, consists of most reputable manufacturers in the global Motorcycle Industry such as Honda, Yamaha, Suzuki, Piaggio etc. Some of them tend to source a number of their parts/components from FDI suppliers or from those that move/establish factories in Vietnam as they do. Moreover, a wave of automobile and motorcycle parts manufacturers from Japan have entered into Vietnam in the last few years. This can be a threat to domestic suppliers like FUTU1.
- A majority of raw materials (approximately 70%) used in the Supporting Industry for Mechanical Sector is imported; thus, volatility in global prices and exchange rate can affect the COGS of firms significantly.
- This industry constantly seeks for innovation which requires strong R&D activities, quality human resource as well as relatively high amount of capital invested in machinery and technologies for production.

Operational Risks

- As motorcycle and automobile models are changing relatively frequently, it requires adjustments/modifications relating to material, size, technical function and specification, in manufacturing parts, thus, urging firms to constantly keep innovating and updating production technologies so as to meet changing demand. Frequent changes in customers' orders require firms to pay attention to detail in order to avoid failures in meeting requirements.
- Since labor of firms in Mechanical Industry must work with heavy and complex machinery, labor safety is utterly important for firms to operate smoothly and efficiently. Meanwhile, the consistency in labors' work performance can be an issue for firms; hence, conduction of periodical training as well as rehearsals are essential to avoid accidents. Periodical repair and maintenance of machinery and equipment are also required to ensure quality of products.
- The Industry of Manufacturing Components/Parts for Automobile and Motorcycle, as well as all other segments of Mechanical Industry, relies on quality mechanics/engineers because their failures in production can disrupt other steps of production process.

Compliance Risks

- As Vietnam is joining several Free Trade Agreements (FTAs) and firms might have more exporting opportunities to those FTAs markets, they need to comply strictly with regulations of those FTAs regarding rules of origin, labor, environment, intellectual property etc.
- Regulations can be changed relatively often and implemented with short notice. This matter requires firms to have risk control measure in place in order to avoid undesirable consequences to cost and operation.
- The company is required to comply with several laws and regulations while in operation, such as labor safety in the factory. This is considered as both financial and non – financial burden for FUTU1 while operating in heavy mechanical industry because it is required that all the staffs and engineers are well – managed and well – trained so as to maintain this standard.
- Nguyen Trong Tin, Deputy Director under the Market Surveillance Agency (MSA) of Ministry of Industry and Trade, confirmed that motorcycle parts have been counterfeited and smuggled into Vietnam for a long time. In 2016, the MSA fined over 2,530 IP infringement cases. In the first half of 2017, over 2,721 cases were cracked down. These figures reveal significant IP Law risk affecting part manufacturers in terms of financial cost and time to handle and address this problem.

Business Strategies

- The company's current main strategies are to:
 - (1) Diversify and develop new products, expand into new markets and attract potential large customers, such as Schaeffler, Sumitomo etc., by adopting their required quality management systems.
 - (2) Expand current product lines to attract new and exporting customers.
 - (3) Enhance sales of sprockets, spare parts carrying FUTU1 brand in Vietnam market.
 - (4) Maintain existing customer base to keep current market share is also an important task because Japanese customers often demand for price reduction every year. In order to do so, FUTU1 has continuously invested in technology upgrade, automated production lines, quality management system and practiced lean

manufacturing tool, Single-Minute Exchange of Dies (SMED), reducing production cost and unit capital cost and developing new products meeting changing demands of current customers (VMEP, Piaggio etc.).

- (5) Either lower the prices or enhance product quality while keeping prices unchanged, depending on customers' requirements or market trend.
 - (6) Invest in technology improvement for production lines of groups of products with high defective rate, high production cost or low productivity, especially casting products.
 - (7) Improve moulds and jigs for casting, pressing and forging moulds group.
 - (8) Continue to reorganize production lines following steps layout.
 - (9) Develop more automobile parts.
- Even though the company tries to manufacture more types of automobile's parts, manufacturing motorcycle parts is still its main focus.
 - In order to control product quality, the company emphasizes the importance of production input quality. Its inputs are strictly controlled and sourced from reputed suppliers.
 - Production process is also frequently examined for improvement in order to utilize machineries' function to the fullest. Ideas for technique improvement, through applying Kaizen and facilitating idea competitions within the company, will be tested and put into use if they can enhance the company's production process.

Company Prospects

- Sales of motorcycles recovered within the last two consecutive years in Vietnam (after stagnant sales in the period of 2012 to 2014). Moreover, as income per capita has been rising in recent years, automatic motorcycles/scooters purchase of domestic buyers has also increased, contributing to the rise in the country's sales of motorcycles. This is a positive sign to motorcycle part manufacturers such as FUTU1.
- In the coming midterm to long – term period, authorities of large cities such as Hanoi, Danang, Ho Chi Minh City have planned or considered to cut down the usage of private motorcycles by banning or restricting them in city central areas as well as gradually limiting the issuance of licenses to new motorcycles. These are substantial measures of the domestic lawmakers to combat traffic congestion which can negatively affect motorcycle and parts manufacturers in Vietnam.

- Motorcycle has long been the most common mean of transportation in Vietnam with sales of over three million units yearly thanks to the increase in income and introduction of new models despite the fact that nearly one in every two Vietnamese owns a motorcycle. Encouraged by these figures, assemble makers such as Honda Vietnam, Piaggio etc. have continued to invest and establish new factories in Vietnam within the last few years, attracting more foreign part companies to enter Vietnam such as Sanoh Vietnam Co., Ltd., Mitsui Kinzoku Catalysts Vietnam Co., Ltd., Musashi Auto Parts Vietnam Co., Ltd. etc., making competition fiercer for current players.
- However, with the automobile segment being one of the strong focuses of the authorities as well as large corporations and conglomerates in Vietnam recently, FUTU1 has opportunity to supply its automobile parts locally.
- The increases in minimum wage and price of electricity, gasoline in late 2017 and 2018 are significant challenges for many companies, including FUTU1, in terms of cost reduction.
- The motorcycle market is in the maturity stage and the number of supporting companies in the supply chain system of motorcycle companies, such as Honda Vietnam and Yamaha Motor Vietnam, has been increasing, however, with established reputation and more competitive price, thanks to production scale and improvement in technologies, FUTU1 will continue to be a trusting supplier for traditional customers as well as new overseas customers (Japan). Especially, with high quality and decent price, it is expected that the number of FUTU1's motorcycle parts, such as rod connecting, ordered for exporting, will increase in 2018.

Updated Financial Review

Total assets decreased by 6.2% from 2016 to 2017, falling to VND 337.48 billion, an increase of 7.4% compared to 2015. Short-term receivables decreased by 7.7% from 2016 to 2017, falling to VND 84.83 billion (accounted for 25.1% of Total assets), a decrease of 6.8% compared to 2015. Inventories decreased by 13.5% from 2016 to 2017, falling to VND 133.98 billion (accounted for 39.7% of Total assets), an increase of 7.3% compared to 2015. The total of Fixed assets and Long-term assets in progress increased by 28.0% from 2016 to 2017, reaching VND 114.84 billion (accounted for 34.0% of Total assets), an increase of 45.5% compared to 2015.

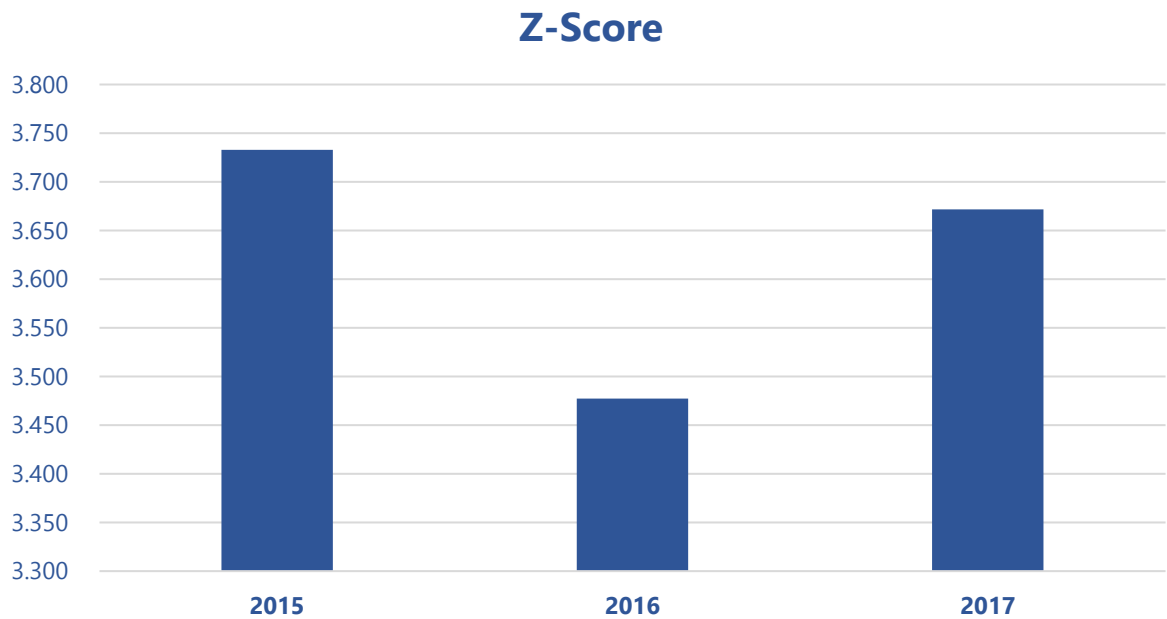
Total liabilities decreased by 6.2% from 2016 to 2017, falling to VND 193.33 billion (accounted for 57.3% of Total resources), an increase of 16.1% compared to 2015. Short-term payables decreased by 11.9% from 2016 to 2017, falling to VND 118.96 billion (accounted for 61.5% of Total liabilities), an increase of 4.9% compared to 2015. Total debts decreased by 25.2% from 2016 to 2017, falling to VND 42.50 billion (accounted for 22.0% of Total liabilities), a decrease of 8.0% compared to 2015.

Owner's equity decreased by 6.2% from 2016 to 2017, falling to VND 144.16 billion (accounted for 42.7% of Total resources), a decrease of 2.4% compared to 2015.

Net revenues increased by 5.7% from 2016 to 2017, reaching VND 854.04 billion, an increase of 10.6% compared to 2015. Gross profit decreased by 1.4% from 2016 to 2017, falling to VND 128.95 billion, an increase of 24.0% compared to 2015. Net profit decreased by 11.4% from 2016 to 2017, falling to VND 47.16 billion, a decrease of 5.4% compared to 2015. Gross profit margin of 2017 was 15.1%, which is higher than the three-year average gross profit margin (14.9%). Net profit margin of 2017 was 5.5%, which is lower than the three-year average net profit margin (6.2%).

In 2017, ROA was 13.5%, ROE was 31.7% and Leverage (D/E Ratio) was 0.29.

Z-SCORE



Z-score Bankruptcy Model

$$Z = 0.717T_1 + 0.847T_2 + 3.107T_3 + 0.420T_4 + 0.998T_5$$

Calculation

	2017	2016	2015
T₁	13.9%	20.7%	27.7%
T₂	19.6%	21.1%	22.2%
T₃	18.1%	19.0%	16.7%
T₄	74.6%	74.6%	88.7%
T₅	253.5%	2.252	2.459
Z-Score	3.672	3.477	3.733

Z > 3.0 – “Safe” Zones

1.8 < Z < 3.0 – “Grey” Zones

Z < 1.8 – “Distress” Zones

Zones of Discrimination:

The Z-Score formula for predicting bankruptcy was published in 1968 by Edward I. Altman. The formula may be used to predict the probability that a firm will go into bankruptcy within two years. Z-scores are used to predict corporate defaults and an easy-to-calculate control measure for the financial distress status of companies in academic studies. The Z-score uses multiple corporate income and balance sheet values to measure the financial health of a company.

$T_1 = \text{Working Capital} / \text{Total Assets}$

$T_2 = \text{Retained Earnings} / \text{Total Assets}$

$T_3 = \text{Earnings before Interest and Taxes} / \text{Total Assets}$

$T_4 = \text{Book Value of Equity} / \text{Total Liabilities}$

$T_5 = \text{Sales} / \text{Total Assets}$

FINANCIAL ANALYSIS

Financial Health Ratios

Name	2017	2016	2015
Cash Ratio	0.01	0.09	0.12
Quick Ratio	0.50	0.56	0.74
Current Ratio	1.27	1.38	1.59
LT Debt/Equity	13.6%	7.8%	13.5%
LT Debt/Total Assets	5.8%	3.3%	6.4%
Debt/Equity	29.5%	37.0%	31.3%
Debt/Total Assets	12.6%	15.8%	14.7%
ST Liabilities/Equity	120.5%	126.3%	99.2%
ST Liabilities/Total Assets	51.5%	53.9%	46.6%

Management Efficiency Ratios

Name	2017	2016	2015
ROE	31.7%	35.3%	35.6%
ROCE	37.1%	41.0%	34.9%
ROA	13.5%	15.8%	16.8%
Account Receivable Turnover	9.67	8.84	8.48
Turnover Ratio (ROI)	66.6%	75.2%	70.5%
Inventory Turnover Ratio	5.02	4.84	5.51
Inventory Turnover-Days	72.72	75.35	66.26
Payment Period Turnover	5.69	5.43	7.78
Average Payment Period	64.15	67.17	46.91
Sales per Employees (VND)	698,266,804	661,288,863	630,909,878
Net Profit per Employees (VND)	38,499,679	43,450,089	40,718,727
EBIT (VND)	61,120,998,658	68,285,291,824	52,511,034,000
EBITDA (VND)	98,597,619,047	97,876,570,529	76,763,434,000

Profitability Ratios

Name	2017	2016	2015
Gross Profit Margin (%)	15.1%	16.2%	13.5%
EBITDA/Revenue (%)	11.5%	12.1%	9.9%
Operating Profit Margin (%)	7.2%	8.4%	6.8%
Pre-Tax Profit Margin (%)	6.9%	8.2%	8.3%
Net Profit Margin (%)	5.5%	6.6%	6.5%
Revenue/Market Capitalization (%)	302.0%	-	-
Asset Turnover	2.45	2.40	2.61
Equity Turnover	5.73	5.36	5.50

Growth Ratios

Name	2017	2016	2015
Sale Growth Rate (%)	5.6%	4.8%	2.7%
Gross Profit Growth Rate (%)	-1.4%	25.8%	16.3%
EBITDA Growth Rate (%)	0.7%	27.5%	0.0%
EBIT Growth Rate (%)	-10.5%	30.0%	-35.6%
Pre-Tax Profit Growth Rate (%)	-11.3%	4.2%	31.0%
Net Profit Growth Rate (%)	-11.4%	6.7%	31.0%
EPS Growth Rate (%)	-11.4%	-	-
Total Assets Growth Rate (%)	-6.2%	14.5%	13.1%
Equity Growth Rate (%)	-6.2%	4.0%	11.3%
Capital Growth Rate (%)	0.0%	0.0%	0.0%

COMMENTARY

- Machinery Spare Part N01 Joint Stock Company (FUTU1) is a parts manufacturer with 50 years in operation. It is also a subsidiary of Vietnam Engine and Agricultural Machinery Corporation (VEAM Corporation). With a strong foundation in mechanical and adequate investment in technologies and machineries, the company has built an impressive customer base, including Honda Vietnam, Yamaha Motor Vietnam, Atsumitec Vietnam, VAP, Piaggio Vietnam, VMEP etc. With established reputation and quality meeting international standards, the company's products are supplied not only domestically but also internationally (Thailand, Japan, Italy, China etc.)
- The company is currently pursuing product diversification and market expansion, offering new products types to potential large international corporations such as Schaeffler, Sumitomo etc. To do so, the company has invested in technologies, lean manufacturing tool, adopted management systems required by customers and has strictly controlled the quality of production inputs. The company can either lower the prices or enhance product quality while keeping prices unchanged to meet customers' requirements or market demand. Manufacturing motorcycle parts is FUTU1's main focus; however, it also aims to develop more automobile parts.
- With the current situation in Vietnam, where national average income per capita and the number of the middle class have been increasing together with the rise in reference for automatic motorcycles in large cities becoming more profound, FUTU1 can benefit from these changes. On the other hand, due to the increasing focus of authorities on reducing the usage of motorcycles to encourage public transportation and reduce environmental impact caused by motorcycle's emission, in the long-term, FUTU1's motorcycle part business might be affected negatively. Nonetheless, manufacturing of automobile has been invested strongly by Vietnamese as well as international conglomerates and corporations, which is an opportunity for FUTU1 to further develop its automobile part business.

APPENDIX

IN VND

BALANCE SHEET

	31/12/2017	31/12/2016	31/12/2015
	VND	VND	VND
A – SHORT-TERM ASSETS	220,703,161,084	268,508,314,208	233,473,500,000
I. Cash and cash equivalents	1,462,670,123	17,310,219,753	17,646,920,000
1. Cash	1,462,670,123	17,310,219,753	17,646,920,000
II. Short-term investments	-	-	-
3. Held to maturity investments	-	-	-
III. Short-term receivables	84,828,590,989	91,868,539,304	91,021,890,000
1. Short-term trade receivables	82,508,059,907	89,890,506,716	87,064,990,000
2. Short-term repayments to suppliers	1,265,315,444	810,962,500	2,542,596,000
6. Other Short-term receivables	759,049,093	752,473,991	1,031,446,000
7. Short-term allowances for doubtful debts	-	-	-
8. Shortage of assets awaiting resolution	296,166,545	414,596,097	382,858,400
IV. Inventories	133,977,341,971	154,948,436,110	124,804,700,000
1. Inventories	133,977,341,971	154,948,436,110	124,804,700,000
2. Allowances for decline in value of inventories	-	-	-
V. Other current assets	434,558,001	4,381,119,041	-
1. Short-term prepaid expenses	289,237,587	4,381,119,041	-
2. Deductible VAT	145,320,414	-	-
3. Taxes and other receivables from government budget	-	-	-
5. Other current assets	-	-	-

B – LONG-TERM ASSETS	116,778,353,978	91,231,765,446	80,798,150,000
I. Long-term receivables	-	-	-
II. Fixed assets	114,713,472,160	89,712,965,446	78,906,740,000
1. Tangible fixed assets	113,461,872,160	88,461,365,446	77,655,150,000
- Historical costs	490,250,671,254	427,773,544,151	387,376,100,000
- Accumulated depreciation	-376,788,799,094	-339,312,178,705	-309,720,900,000
2. Finance lease fixed assets	-	-	-
3. Intangible fixed assets	1,251,600,000	1,251,600,000	1,251,600,000
- Historical costs	1,251,600,000	1,251,600,000	1,251,600,000
III. Investment properties	-	-	-
- Accumulated depreciation	-	-	-
IV. Long-term assets in progress	128,181,818	-	-
2. Construction in progress	128,181,818	-	-
V. Long-term investments	958,800,000	958,800,000	958,800,000
3. Investments in equity of other entities	958,800,000	958,800,000	958,800,000
VI. Other long-term assets	977,900,000	560,000,000	932,604,300
1. Long-term prepaid expenses	977,900,000	560,000,000	932,604,300
TOTAL ASSETS	337,481,515,062	359,740,079,654	314,271,700,000

C – LIABILITIES	193,325,436,560	206,045,415,132	166,526,800,000
I. Short-term liabilities	173,653,436,560	194,045,415,132	146,526,800,000
1. Short-term Trade payables	54,612,990,210	67,536,746,385	44,270,350,000
2. Short-term prepayments from customers	355,136,980	481,630,880	386,073,300
3. Taxes and other payables to government budget	10,437,059,114	9,753,327,546	9,780,036,000
4. Payables to employees	50,467,273,182	54,280,925,072	55,340,470,000
5. Short-term accrued expenses	-	-	-
9. Other Short-term payments	3,446,032,819	3,508,744,647	4,033,847,000
10. Short-term borrowings and finance lease liabilities	22,831,121,430	44,798,012,868	26,212,460,000
11. Short-term provisions	-	-	-
12. Bonus and welfare fund	31,503,822,825	13,686,027,734	6,503,554,000
II. Long-term liabilities	19,672,000,000	12,000,000,000	20,000,000,000
1. Long-term trade payables	-	-	-
2. Long-term repayments from customers	-	-	-
3. Long-term accrued expenses	-	-	-
8. Long-term borrowings and finance lease liabilities	19,672,000,000	12,000,000,000	20,000,000,000
12. Long-term provisions	-	-	-
D – OWNER'S EQUITY	144,156,078,502	153,694,664,522	147,744,900,000
I. Owner's equity	144,156,078,502	153,694,664,522	147,744,900,000
1. Contributed capital	70,798,530,000	70,798,530,000	70,798,530,000
- Ordinary shares with voting rights	70,798,530,000	70,798,530,000	70,798,530,000
2. Capital surplus	-	-	-
4. Other capital	-	-	-
5. Treasury shares	-	-	-
8. Development and investment funds	7,079,853,000	7,079,853,000	7,079,853,000
11. Undistributed profit after tax	66,277,695,502	75,816,281,522	69,866,490,000
- Undistributed profit after tax brought forward	19,115,588,622	22,589,922,840	19,986,050,000
- Undistributed profit after tax for the current year	47,162,106,880	53,226,358,682	49,880,440,000
12. Capital expenditure funds	-	-	-
II. Funding sources and other funds	-	-	-
TOTAL RESOURCES	337,481,515,062	359,740,079,654	314,271,700,000

INCOME STATEMENT

	2017	2016	2015
	VND	VND	VND
1. Revenues from sales and services rendered	855,376,835,197	810,078,857,669	772,864,600,000
2. Revenue deductions	1,336,986,518	1,758,753,771	1,025,106,000
3. Net revenues from sales and services rendered	854,039,848,679	808,320,103,898	771,839,500,000
4. Cost of goods sold	725,087,198,656	677,543,781,383	667,852,700,000
5. Gross revenues from sales and services rendered	128,952,650,023	130,776,322,515	103,986,700,000
6. Financial income	210,254,441	462,291,109	647,000,500
7. Financial expenses	2,892,030,131	2,272,389,387	3,390,493,000
- In which: Interest expenses	2,842,320,819	2,170,607,287	3,353,694,000
9. Selling expenses	14,227,476,285	9,340,421,674	6,968,046,000
10. General and administration expenses	53,604,175,080	53,150,609,017	44,507,620,000
11. Net profits/(loss) from operating activities	58,439,222,968	66,475,193,546	49,767,580,000
12. Other incomes	748,170,182	235,461,128	14,210,360,000
13. Other expenses	85,000,000	51,374,978	28,651,800
14. Other profits/(loss)	663,170,182	184,086,150	14,181,710,000
15. Total net profit before tax	59,102,393,150	66,659,279,696	63,949,290,000
16. Current corporate income tax expenses	11,940,286,270	13,432,921,014	14,068,840,000
17. Deferred corporate income tax expenses	-	-	-
18. Profits after enterprise income tax	47,162,106,880	53,226,358,682	49,880,440,000
21. Basic earnings per share	399,551	450,926	-
22. Diluted earnings per share	-	-	-

CASH FLOW STATEMENT

	2017	2016	2015
Direct Method	VND	VND	VND
I. Cash Flows From Operating Activities			
1. Proceeds from sales and services rendered and other revenue	815,517,804,922	722,942,930,187	723,036,300,000
2. Expenditures paid to suppliers	-464,580,977,526	-441,473,931,596	-439,132,500,000
3. Expenditures paid to employees	-176,610,881,699	-164,958,821,526	-148,339,100,000
4. Paid interest	-2,842,320,819	-2,249,763,578	-3,280,360,000
5. Paid enterprise income tax	-12,168,426,187	-12,331,115,002	-10,848,410,000
6. Other proceeds from operating activities	3,372,262,455	4,440,802,624	3,164,675,000
7. Other expenditures from operating activities	-53,145,752,189	-51,804,096,835	-46,824,700,000
Net cash flows from operating activities	109,541,708,957	54,566,004,274	77,775,880,000
II. Cash Flows From Investing Activities			
1. Expenditures on purchase and construction of fixed assets and long-term assets	-76,501,059,763	-30,315,160,192	-45,647,160,000
2. Proceeds from disposal or transfer of fixed assets and other long-term assets	752,000,000	-	-
4. Proceeds from lending or repurchase of debt instruments from other entities	-	-	1,000,000,000
7. Proceeds from interests, dividends and distributed profits	54,000,333	227,932,973	108,171,400
Net cash flows from investing activities	-75,695,059,430	-30,087,227,219	-44,538,980,000
III. Cash Flows From Financial Activities			
1. Proceeds from issuance of shares and receipt of contributed capital	-	-	-
2. Repayment of contributed capital and repurchase of stock issued	-	-	-
3. Proceeds from borrowings	148,311,860,265	176,403,245,473	344,037,500,000
4. Repayment of principal	-162,606,751,703	-165,817,697,623	-336,350,100,000
6. Dividends or profits paid to owners	-35,399,265,000	-35,399,265,000	-27,748,230,000
Net cash flows from financial activities	-49,694,156,438	-24,813,717,150	-20,060,830,000
Net cash flows during the fiscal year	-15,847,506,911	-334,940,095	13,176,070,000
Cash and cash equivalents at the beginning of fiscal year	17,310,219,753	17,646,924,527	4,470,851,000
Effect of exchange rate fluctuations	-42,719	-1,764,679	-
Cash and cash equivalents at the end of fiscal year	1,462,670,123	17,310,219,753	17,646,920,000

IN USD

BALANCE SHEET

	31/12/2017	31/12/2016	31/12/2015
	USD	USD	USD
End of year Exchange rate(VND/USD)	22,665	22,720	22,450
A – SHORT-TERM ASSETS	9,737,620.17	11,818,147.63	10,399,710.47
I. Cash and cash equivalents	64,534.31	761,893.48	786,054.34
1. Cash	64,534.31	761,893.48	786,054.34
II. Short-term investments	-	-	-
3. Held to maturity investments	-	-	-
III. Short-term receivables	3,742,713.04	4,043,509.65	4,054,427.17
1. Short-term trade receivables	3,640,329.14	3,956,448.36	3,878,173.27
2. Short-term repayments to suppliers	55,826.85	35,693.77	113,255.95
6. Other Short-term receivables	33,489.92	33,119.45	45,944.14
7. Short-term allowances for doubtful debts	-	-	-
8. Shortage of assets awaiting resolution	13,067.13	18,248.07	17,053.83
IV. Inventories	5,911,199.73	6,819,913.56	5,559,229.40
1. Inventories	5,911,199.73	6,819,913.56	5,559,229.40
2. Allowances for decline in value of inventories	-	-	-
V. Other current assets	19,173.09	192,830.94	-
1. Short-term prepaid expenses	12,761.42	192,830.94	-
2. Deductible VAT	6,411.67	-	-
3. Taxes and other receivables from government budget	-	-	-
5. Other current assets	-	-	-

B – LONG-TERM ASSETS	5,152,365.06	4,015,482.63	3,599,026.73
I. Long-term receivables	-	-	-
II. Fixed assets	5,061,260.63	3,948,634.04	3,514,776.84
1. Tangible fixed assets	5,006,038.92	3,893,546.01	3,459,026.73
- Historical costs	21,630,296.55	18,828,060.92	17,255,060.13
- Accumulated depreciation	-16,624,257.63	-14,934,514.91	-13,796,031.18
2. Finance lease fixed assets	-	-	-
3. Intangible fixed assets	55,221.71	55,088.03	55,750.56
- Historical costs	55,221.71	55,088.03	55,750.56
III. Investment properties	-	-	-
- Accumulated depreciation	-	-	-
IV. Long-term assets in progress	5,655.50	-	-
2. Construction in progress	5,655.50	-	-
V. Long-term investments	42,303.11	42,200.70	42,708.24
3. Investments in equity of other entities	42,303.11	42,200.70	42,708.24
VI. Other long-term assets	43,145.82	24,647.89	41,541.39
1. Long-term prepaid expenses	43,145.82	24,647.89	41,541.39
TOTAL ASSETS	14,889,985.22	15,833,630.27	13,998,739.42

C – LIABILITIES	8,529,690.56	9,068,900.31	7,417,674.83
I. Short-term liabilities	7,661,744.39	8,540,731.30	6,526,806.24
1. Short-term Trade payables	2,409,573.80	2,972,568.06	1,971,953.23
2. Short-term prepayments from customers	15,668.96	21,198.54	17,197.03
3. Taxes and other payables to government budget	460,492.35	429,283.78	435,636.35
4. Payables to employees	2,226,661.07	2,389,125.22	2,465,054.34
5. Short-term accrued expenses	-	-	-
9. Other Short-term payments	152,042.04	154,434.18	179,681.38
10. Short-term borrowings and finance lease liabilities	1,007,329.43	1,971,743.52	1,167,592.87
11. Short-term provisions	-	-	-
12. Bonus and welfare fund	1,389,976.74	602,377.98	289,690.60
II. Long-term liabilities	867,946.17	528,169.01	890,868.60
1. Long-term trade payables	-	-	-
2. Long-term repayments from customers	-	-	-
3. Long-term accrued expenses	-	-	-
8. Long-term borrowings and finance lease liabilities	867,946.17	528,169.01	890,868.60
12. Long-term provisions	-	-	-
D – OWNER'S EQUITY	6,360,294.66	6,764,729.95	6,581,064.59
I. Owner's equity	6,360,294.66	6,764,729.95	6,581,064.59
1. Contributed capital	3,123,694.24	3,116,132.48	3,153,609.35
- Ordinary shares with voting rights	3,123,694.24	3,116,132.48	3,153,609.35
2. Capital surplus	-	-	-
4. Other capital	-	-	-
5. Treasury shares	-	-	-
8. Development and investment funds	312,369.42	311,613.25	315,360.94
11. Undistributed profit after tax	2,924,231.00	3,336,984.22	3,112,093.10
- Undistributed profit after tax brought forward	843,396.81	994,274.77	890,247.22
- Undistributed profit after tax for the current year	2,080,834.19	2,342,709.45	2,221,845.88
12. Capital expenditure funds	-	-	-
II. Funding sources and other funds	-	-	-
TOTAL RESOURCES	14,889,985.22	15,833,630.27	13,998,739.42

INCOME STATEMENT

	2017	2016	2015
	USD	USD	USD
<i>End of year Exchange rate(VND/USD)</i>	22,665	22,720	22,450
1. Revenues from sales and services rendered	37,739,988.32	35,654,879.30	34,426,040.09
2. Revenue deductions	58,989.04	77,409.94	45,661.74
3. Net revenues from sales and services rendered	37,680,999.28	35,577,469.36	34,380,378.62
4. Cost of goods sold	31,991,493.43	29,821,469.25	29,748,449.89
5. Gross revenues from sales and services rendered	5,689,505.85	5,756,000.11	4,631,924.28
6. Financial income	9,276.61	20,347.32	28,819.62
7. Financial expenses	127,598.95	100,017.14	151,024.19
- In which: Interest expenses	125,405.73	95,537.29	149,385.03
9. Selling expenses	627,728.93	411,110.11	310,380.67
10. General and administration expenses	2,365,063.98	2,339,375.40	1,982,522.05
11. Net profits/(loss) from operating activities	2,578,390.60	2,925,844.79	2,216,818.71
12. Other incomes	33,009.94	10,363.61	632,978.17
13. Other expenses	3,750.28	2,261.22	1,276.25
14. Other profits/(loss)	29,259.66	8,102.38	631,702.00
15. Total net profit before tax	2,607,650.26	2,933,947.17	2,848,520.71
16. Current corporate income tax expenses	526,816.07	591,237.72	626,674.39
17. Deferred corporate income tax expenses	-	-	-
18. Profits after enterprise income tax	2,080,834.19	2,342,709.45	2,221,845.88
21. Basic earnings per share	17.63	19.85	-
22. Diluted earnings per share	-	-	-

CASH FLOW STATEMENT

	2017	2016	2015
Direct Method	USD	USD	USD
End of year Exchange rate(VND/USD)	22,665	22,720	22,450
I. Cash Flows From Operating Activities			
1. Proceeds from sales and services rendered and other revenue	35,981,372.38	31,819,671.22	32,206,516.70
2. Expenditures paid to suppliers	-20,497,726.78	-19,431,070.93	-19,560,467.71
3. Expenditures paid to employees	-7,792,229.50	-7,260,511.51	-6,607,532.29
4. Paid interest	-125,405.73	-99,021.28	-146,118.49
5. Paid enterprise income tax	-536,881.81	-542,742.74	-483,225.39
6. Other proceeds from operating activities	148,787.23	195,457.86	140,965.48
7. Other expenditures from operating activities	-2,344,837.95	-2,280,109.90	-2,085,732.74
Net cash flows from operating activities	4,833,077.83	2,401,672.72	3,464,404.45
II. Cash Flows From Investing Activities			
1. Expenditures on purchase and construction of fixed assets and long-term assets	-3,375,294.94	-1,334,294.02	-2,033,281.07
2. Proceeds from disposal or transfer of fixed assets and other long-term assets	33,178.91	-	-
4. Proceeds from lending or repurchase of debt instruments from other entities	-	-	44,543.43
7. Proceeds from interests, dividends and distributed profits	2,382.54	10,032.26	4,818.33
Net cash flows from investing activities	-3,339,733.48	-1,324,261.76	-1,983,918.93
III. Cash Flows From Financial Activities			
1. Proceeds from issuance of shares and receipt of contributed capital	-	-	-
2. Repayment of contributed capital and repurchase of stock issued	-	-	-
3. Proceeds from borrowings	6,543,651.46	7,764,227.35	15,324,610.24
4. Repayment of principal	-7,174,354.81	-7,298,314.16	-14,982,187.08
6. Dividends or profits paid to owners	-1,561,847.12	-1,558,066.24	-1,236,001.34
Net cash flows from financial activities	-2,192,550.47	-1,092,153.04	-893,578.17
Net cash flows during the fiscal year	-699,206.13	-14,742.08	586,907.35
Cash and cash equivalents at the beginning of fiscal year	763,742.32	776,713.23	199,147.04
Effect of exchange rate fluctuations	-1.88	-77.67	-
Cash and cash equivalents at the end of fiscal year	64,534.31	761,893.48	786,054.34



CONFIDENTIALITY

CONFIDENTIAL - THIS INFORMATION IS PROVIDED BY VIRAC JSC SUBJECT TO THE TERMS AND CONDITIONS OF YOUR SUBSCRIPTION CONTRACT AND IS NOT TO BE DISCLOSED.

This report is forwarded to the Subscriber in strict confidence for the use by the Subscriber as one factor to consider in connection with credit and other business decisions. This report contains information compiled from information which VIRAC JSC does not control and which has not been verified unless otherwise indicated in this report. VIRAC JSC therefore cannot accept responsibility for the accuracy, completeness or timeliness of the report. VIRAC JSC disclaims all liability for any loss or damage arising out of or in any way related to the contents of this report.

COPYRIGHT 2018 VIRAC JSC. THIS REPORT MAY NOT BE REPRODUCED IN WHOLE OR IN PART IN ANY FORM OR MANNER WHATSOEVER.

DISCLAIMER

Copyright 2018 VIRAC JSC. All rights reserved. This report has been prepared on the basis of information believed to be reliable at the time of publication. VIRAC JSC makes no representation or warranty regarding the completeness and accuracy of such information. Opinions, estimates and projection expressed in this report represent the current views of the author at the date of publication only. They do not necessarily reflect the opinions of VIRAC JSC and are subject to change without notice. This report is provided, for information purposes only, to institutional investor and retail clients of VIRAC JSC, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of VIRAC JSC. Please cite sources when quoting.

- End of report -

Date of report: 03/2018