



SONG BA JOINT STOCK COMPANY

Financial statements

For the year ended 31/12/2018

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REPORT OF THE MANAGEMENT

The Management of Song Ba Joint Stock Company is pleased to present this report together with the audited financial statements for the year ended 31/12/2018.

Overview

Song Ba Joint Stock Company (“the Company”) was incorporated on the basis of converting from Song Ba Electricity Investment and Development Co., Ltd to joint stock company (Song Ba Electricity Investment and Development Co., Ltd was established under the Joint Venture Contract between Power Company No.3 (now being Central Power Corporation) and Vietnam Electricity Construction Joint Stock Corporation). The Company was granted Business Registration Certificate (now being Enterprise Registration Certificate) No. 0400439955 dated 04/07/2007 by Da Nang City Planning and Investment Department (since the establishment date, the Enterprise Registration Certificate has been amended 10 times and the nearest amendment was made on 16/02/2017). The Company is an independent accounting entity, operating in observance of the Enterprise Law, its Charter and other relevant regulations.

The Company registered to list its common shares on the Ho Chi Minh City Stock Exchange with code SBA. The official transaction date of shares was 01/06/2010.

Charter capital: VND604,882,610,000

Paid-in capital as at 31/12/2018: VND604,882,610,000

The Company has 3 dependent entities, namely:

- Branch of Song Ba Joint Stock Company - Khe Dien Hydropower Plant;
- Branch of Song Ba Joint Stock Company - Krong H’ngang Hydropower Plant;
- Branch of Song Ba Joint Stock Company - Dam Safety Testing and Consulting Center.

Principal activities

- Generating, transmitting and distributing electricity. Detail: Generating and trading electricity;
- Architectural activities and related technical consultancy. Detail: Consultancy on preparing investment project of construction works, surveying, designing to construct hydropower, hydraulic projects with capacity up to 30MW, electricity transmission lines and transformer stations up to 110KV; Consultancy on monitoring construction, managing small and medium-scaled hydropower projects, electricity transmission lines and transformer stations up to 110KV; Monitoring the construction of hydropower, hydraulic projects; Consultancy on verifying, testing quality of dam and hydropower plants; Design of engineering infrastructure works (traffice, supply of water for daily life in rural areas); Consultancy on investigation, collection, calculation, forecast of meteorology, hydrology of construction phases; Consultancy on preparing investment projects of construction, civil, engineering infrastructure works, aquariums, river bank and coast protection works; Consultancy on assessing quality of construction works; Geodetic survey of works;
- Construction of other civil engineering projects. Detail: Investing in construction of hydropower projects; construction of hydropower projects with capacity up to 30MW, electricity transmission lines and transformer stations up to 110KV; Repairing, maintaining hydropower plants; construction of small and medium-scaled projects;
- Wholesale of other construction materials, installation equipment;
- Exploiting stone, sand, gravel and clay. Detail: Exploitation of minerals;
- Other specialized construction activities. Detail: Dredging lake bed;
- Vocational education. Detail: Vocational training consultancy (management and operation of hydropower plants);

REPORT OF THE MANAGEMENT (cont'd)

- Management consultancy activities. Detail: Consultancy on solutions to environment, agricultural resettlement, residential resettlement;
- Other construction installation activities. Detail: Installing equipment for construction works;
- Wholesale of other machinery, equipment, parts. Detail: Wholesale of mechanical and electrical equipment, materials;
- Research and experimental development on natural sciences and engineering. Detail: Research and manufacture of mechanical and electrical parts of hydropower plant; transfer of technology for construction techniques, equipment;
- Real estate activities with own or leased property. Detail: Leasing land, workshop and warehouse.

Head office

- Address: 573 Nui Thanh Street, Hoa Cuong Nam Ward, Hai Chau District, Da Nang City, Viet Nam
- Tel: (0236) 3653 592 - (0236) 3653 596
- Fax: (0236) 3653 593
- Email: sba2007@songba.vn
- Website: www.songba.vn

Employees

As at 31/12/2018, the Company had 111 employees, including 11 managing officers.

Members of the Board of Directors, Supervisory Board, Management and Chief Accountant during the year and up to the reporting date are as follows:

Board of Directors

- | | | |
|----------------------------|---------------|---|
| • Mr. Dinh Chau Hieu Thien | Chairman | Elected on 30/03/2018 |
| • Mr. Nguyen Thanh | Chairman | Elected on 10/04/2015
Resigned on 30/03/2018 |
| • Mr. Thai Van Thang | Vice Chairman | Elected on 10/04/2015 |
| • Mr. Pham Phong | Member | Elected on 10/04/2015 |
| • Mr. Nguyen Luong Minh | Member | Elected on 10/04/2015
Resigned on 30/03/2018 |
| • Mr. Truong Thanh Nam | Member | Elected on 10/04/2015 |
| • Mr. Pham Si Huan | Member | Elected on 30/03/2018 |

Supervisory Board

- | | | |
|----------------------------|---------------------------|-----------------------|
| • Ms. Phan Thi Anh Dao | Head of Supervisory Board | Elected on 22/04/2016 |
| • Ms. Nguyen Thi Tran Thao | Member | Elected on 22/04/2016 |
| • Mr. Tran Quang Can | Member | Elected on 10/04/2015 |

REPORT OF THE MANAGEMENT (cont'd)

Management and Chief Accountant

- | | | |
|-----------------------|---------------------------------|---------------------------|
| • Mr. Pham Phong | General Director | Reappointed on 01/06/2018 |
| • Mr. Nguyen The Duy | Vice General Director | Reappointed on 02/05/2015 |
| • Mr. Phan Dinh Thanh | Technical Vice General Director | Reappointed on 01/10/2018 |
| • Mr. Pham Thai Hung | Chief Accountant | Reappointed on 01/06/2015 |

Independent auditor

These financial statements have been audited by AAC Auditing and Accounting Company Ltd (Head office: Lot 78-80, April 30th Street, Hai Chau District, Da Nang City; Tel: (84) 0236.3655886; Fax: (84) 0236.3655887; Website: www.aac.com.vn; Email: aac@dng.vnn.vn).

Responsibility of the Management in preparation and presentation of the financial statements

The Management of the Company is responsible for true and fair preparation and presentation of these financial statements on the basis of:

- Complying with the Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and other relevant regulations;
- Selecting suitable accounting policies and then applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Preparing the interim financial statements on the going concern basis;
- Responsibility for such internal control as the Management determines is necessary to enable the preparation and presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

The members of the Company's Management hereby confirm that the accompanying financial statements including the balance sheet, the income statement, the statement of cash flows and the notes to the financial statements give a true and fair view of the financial position of the Company as at 31/12/2018 and the result of its operations and its cash flows for the year then ended in accordance with the Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and the statutory requirements relevant to the preparation and presentation of financial statements.



On behalf of the Management

Pham Phong
General Director

Da Nang City, 22 March 2019



AAC AUDITING AND ACCOUNTING CO., LTD

AN INDEPENDENT MEMBER OF PRIMEGLOBAL

AUDITING ACCOUNTING AND FINANCE SPECIALITY

Head Office: Lot 78 - 80, April 30th Street, Hai Chau District, Da Nang City

Tel: +84 (236) 3 655 886; Fax: +84 (236) 3 655 887; Email: aac@dng.vnn.vn; Website: http://www.aac.com.vn

No. 392/2019/BCKT-AAC

INDEPENDENT AUDITORS' REPORT

**To: The Shareholders, Board of Directors and Management
Song Ba Joint Stock Company**

We have audited the accompanying financial statements of Song Ba Joint Stock Company ("the Company") as prepared on 18/03/2019 and set out on pages 5 to 33, which comprise the balance sheet as at 31/12/2018, the income statement, statement of cash flows, and notes to the financial statements for the year then ended.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Vietnamese Accounting Standards, Vietnamese Corporate Accounting System, and other regulations relevant to the preparation and presentation of financial statements, and for such internal control as the Management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31/12/2018, and its financial performance and its cash flows for the year then ended in accordance with the Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and the statutory requirements relevant to the preparation and presentation of financial statements.

AAC Auditing and Accounting Co., Ltd.
T.N.H.H
Lam Quang Tu – Deputy General Director
Audit Practicing Registration Certificate
No. 1031-2018-010-1

Da Nang City, 22 March 2019

Thai Thi Anh Nhung – Auditor
Audit Practicing Registration Certificate
No. 3313-2015-010-1

BALANCE SHEET
As at 31/12/2018

Form B 01 - DN
Issued under Circular No. 200/2014/TT - BTC
dated 22/12/2014 by the Ministry of Finance

ASSETS	Code	Note	31/12/2018 VND	01/01/2018 VND
A. CURRENT ASSETS	100		97,549,092,649	131,703,616,479
I. Cash and cash equivalents	110	5	11,270,557,614	52,623,448,960
1. Cash	111		11,270,557,614	7,623,448,960
2. Cash equivalents	112		-	45,000,000,000
II. Short-term financial investments	120		-	-
III. Short-term receivables	130		82,576,094,882	74,424,631,849
1. Short-term trade receivables	131	6	58,324,303,234	58,568,800,663
2. Short-term prepayments to suppliers	132	7	9,426,111,332	359,966,109
3. Other short-term receivables	136	8.a	14,825,680,316	15,495,865,077
IV. Inventories	140	9	2,360,137,559	1,748,203,898
1. Inventories	141		2,360,137,559	1,748,203,898
2. Provision for decline in value of inventories	149		-	-
V. Other current assets	150		1,342,302,594	2,907,331,772
1. Short-term prepaid expenses	151	10.a	581,732,127	2,362,804,797
2. Deductible VAT	152		596,648,576	506,628,588
3. Taxes and amounts recoverable from the State	153	16	163,921,891	37,898,387
B. LONG-TERM ASSETS	200		1,222,747,821,806	1,253,946,118,953
I. Long-term receivables	210		3,368,516,093	2,004,000,000
1. Long-term trade receivables	211		-	-
2. Other long-term receivables	216	8.b	3,368,516,093	2,004,000,000
II. Fixed assets	220		1,194,759,417,406	1,235,197,127,032
1. Tangible fixed assets	221	11	1,189,584,155,606	1,230,021,865,232
- Cost	222		1,600,956,217,650	1,600,806,526,741
- Accumulated depreciation	223		(411,372,062,044)	(370,784,661,509)
2. Intangible fixed assets	227	12	5,175,261,800	5,175,261,800
- Cost	228		5,478,061,800	5,478,061,800
- Accumulated amortization	229		(302,800,000)	(302,800,000)
III. Investment properties	230		-	-
IV. Long-term assets in progress	240		10,880,583,889	8,721,214,787
1. Long-term work in process	241		-	-
2. Construction in progress	242	13	10,880,583,889	8,721,214,787
V. Long-term financial investments	250		-	-
VI. Other long-term assets	260		13,739,304,418	8,023,777,134
1. Long-term prepaid expenses	261	10.b	13,739,304,418	8,023,777,134
2. Other long-term assets	268		-	-
TOTAL ASSETS	270		1,320,296,914,455	1,385,649,735,432

BALANCE SHEET (cont'd)

As at 31/12/2018

RESOURCES	Code	Note	31/12/2018 VND	01/01/2018 VND
C. LIABILITIES	300		559,395,242,777	671,746,695,264
I. Current liabilities	310		125,907,242,777	157,012,695,264
1. Short-term trade payables	311	14	691,909,809	2,035,065,973
2. Short-term advances from customers	312	15	475,046,500	518,903,666
3. Taxes and amounts payable to the State	313	16	13,955,676,830	17,390,931,385
4. Payables to employees	314		4,639,269,126	3,331,843,210
5. Short-term accrued expenses	315	17	12,780,175,742	9,647,091,080
6. Other short-term payables	319	18	7,890,508,419	54,822,824,651
7. Short-term loans and finance lease liabilities	320	19.a	81,246,000,000	67,870,000,000
8. Reward and welfare fund	322		4,228,656,351	1,396,035,299
II. Long-term liabilities	330		433,488,000,000	514,734,000,000
1. Long-term trade payables	331		-	-
2. Long-term loans and finance lease liabilities	338	19.b	433,488,000,000	514,734,000,000
D. EQUITY	400		760,901,671,678	713,903,040,168
I. Owners' equity	410		760,901,671,678	713,903,040,168
1. Share capital	411	20	604,882,610,000	604,882,610,000
- Common shares with voting rights	411a		604,882,610,000	604,882,610,000
- Preferred shares	411b		-	-
2. Share premium	412	20	(95,000,000)	(95,000,000)
3. Other owners' equity	414	20	-	7,260,810,603
4. Treasury shares	415	20	(663,277,833)	(1,589,850,333)
5. Development investment fund	418	20	39,282,271,715	15,130,424,088
6. Undistributed profit after tax	421	20	117,495,067,796	88,314,045,810
- Undistributed profit after tax up to prior year-end	421a	20	21,152,791,708	635,264,318
- Undistributed profit after tax of current year	421b	20	96,342,276,088	87,678,781,492
II. Other resources and funds	430		-	-
TOTAL RESOURCES	440		1,320,296,914,455	1,385,649,735,432



Pham Phong
General Director

Da Nang City, 18 March 2019

Pham Thai Hung
Chief Accountant

Truong Ngoc Hung
Preparer

INCOME STATEMENT
For the year ended 31/12/2018

Form B 02 - DN
Issued under Circular No. 200/2014/TT - BTC
dated 22/12/2014 by the Ministry of Finance

ITEMS	Code	Note	Year 2018 VND	Year 2017 VND
1. Revenue from sales and service provision	01	21	254,006,800,774	333,016,036,443
2. Revenue deductions	02		-	-
3. Net revenue from sales and service provision	10		254,006,800,774	333,016,036,443
4. Cost of goods sold	11	22	82,110,521,852	111,750,120,873
5. Gross profit from sales and service provision	20		171,896,278,922	221,265,915,570
6. Financial income	21	23	388,002,583	274,292,146
7. Financial expenses	22	24	52,644,101,000	58,632,807,677
<i>Including: Interest expense</i>		23	52,644,101,000	57,950,013,948
8. Selling expenses	25		-	-
9. Administration expenses	26	25	16,707,640,461	17,597,017,392
10. Operating profit	30		102,932,540,044	145,310,382,647
11. Other income	31	26	478,007,244	232,258,928
12. Other expenses	32	27	309,430,759	471,183,847
13. Other profit	40		168,576,485	(238,924,919)
14. Accounting profit before tax	50		103,101,116,529	145,071,457,728
15. Current corporate income tax expense	51	28	6,758,840,441	9,162,059,436
16. Deferred corporate income tax expense	52		-	-
17. Profit after tax	60		96,342,276,088	135,909,398,292
18. Basic earnings per share	70	29	1,595	2,120
19. Diluted earnings per share	71	29	1,595	2,120



[Signature]
Pham Phong
General Director

Da Nang City, 18 March 2019

[Signature]
Pham Thai Hung
Chief Accountant

[Signature]
Truong Ngoc Hung
Preparer

STATEMENT OF CASH FLOWS
For the year ended 31/12/2018

Form B 03 - DN
Issued under Circular No. 200/2014/TT - BTC
dated 22/12/2014 by the Ministry of Finance

ITEMS	Code	Note	Year 2018 VND	Year 2017 VND
I. Cash flows from operating activities				
1. Cash receipts from sales, service provision and other income	01		253,007,765,980	332,390,760,450
2. Cash paid to suppliers	02		(44,403,068,056)	(29,733,526,301)
3. Cash paid to employees	03		(16,866,304,335)	(22,748,691,024)
4. Cash paid for borrowing interest	04	17, 24	(52,796,390,574)	(58,155,363,221)
5. Cash paid for corporate income tax	05	16	(7,528,263,317)	(11,853,193,224)
6. Other cash receipts from operating activities	06		53,752,795,078	64,226,397,478
7. Other payments for operating activities	07		(66,209,442,809)	(83,156,001,276)
Net cash provided by operating activities	20		118,957,091,967	190,970,382,882
II. Cash flows from investing activities				
1. Purchases of fixed assets and other long-term assets	21		(3,934,498,844)	(5,250,330,712)
2. Dividends, profit, interest received	27	23	469,724,799	192,569,930
Net cash used in investing activities	30		(3,464,774,045)	(5,057,760,782)
III. Cash flows from financing activities				
1. Repayments of contributed capital, recall of issued stocks	32		-	(930,000)
2. Proceeds from borrowings	33	19	-	3,439,776,200
3. Repayments of borrowings	34	19	(67,870,000,000)	(72,459,776,200)
4. Dividends, profit paid to owners	36	18,20	(88,975,209,268)	(79,088,026,283)
Net cash used in financing activities	40		(156,845,209,268)	(148,108,956,283)
Net cash flows for the period	50		(41,352,891,346)	37,803,665,817
Cash and cash equivalents at the beginning of the period	60	5	52,623,448,960	14,819,783,143
Impact of exchange rate fluctuations	61		-	-
Cash and cash equivalents at the end of the period	70	5	11,270,557,614	52,623,448,960



Pham Phong
General Director

Da Nang City, 18 March 2019

Pham Thai Hung
Chief Accountant

Truong Ngoc Hung
Preparer

NOTES TO THE FINANCIAL STATEMENTS

(These notes form part of and should be read in conjunction with the accompanying financial statements)

Form B 09 - DN
Issued under Circular 200/2014/TT - BTC
dated 22/12/2014 by the Ministry of Finance

1. Nature of operations

1.1. Overview

Song Ba Joint Stock Company ("the Company") was incorporated on the basis of converting from Song Ba Electricity Investment and Development Co., Ltd to joint stock company (Song Ba Electricity Investment and Development Co., Ltd was established under the Joint Venture Contract between Power Company No.3 (now being Central Power Corporation) and Vietnam Electricity Construction Joint Stock Corporation). The Company was granted Business Registration Certificate (now being Enterprise Registration Certificate) No. 0400439955 dated 04/07/2007 by Da Nang City Planning and Investment Department (since the establishment date, the Enterprise Registration Certificate has been amended 10 times and the nearest amendment was made on 16/02/2017). The Company is an independent accounting entity, operating in observance of the Enterprise Law, its Charter and other relevant regulations.

1.2. Principal scope of business: Generating and trading electricity.

1.3. Operating activities

- Generating, transmitting and distributing electricity. Detail: Generating and trading electricity;
- Architectural activities and related technical consultancy. Detail: Consultancy on preparing investment project of construction works, surveying, designing to construct hydropower, hydraulic projects with capacity up to 30MW, electricity transmission lines and transformer stations up to 110KV; Consultancy on monitoring construction, managing small and medium-scaled hydropower projects, electricity transmission lines and transformer stations up to 110KV; Monitoring the construction of hydropower, hydraulic projects; Consultancy on verifying, testing quality of dam and hydropower plants; Design of engineering infrastructure works (traffice, supply of water for daily life in rural areas); Consultancy on investigation, collection, calculation, forecast of meteorology, hydrology of construction phases; Consultancy on preparing investment projects of construction, civil, engineering infrastructure works, aquariums, river bank and coast protection works; Consultancy on assessing quality of construction works; Geodetic survey of works;
- Construction of other civil engineering projects. Detail: Investing in construction of hydropower projects; construction of hydropower projects with capacity up to 30MW, electricity transmission lines and transformer stations up to 110KV; Repairing, maintaining hydropower plants; construction of small and medium-scaled projects;
- Wholesale of other construction materials, installation equipment;
- Exploiting stone, sand, gravel and clay. Detail: Exploitation of minerals;
- Other specialized construction activities. Detail: Dredging lake bed;
- Vocational education. Detail: Vocational training consultancy (management and operation of hydropower plants);
- Management consultancy activities. Detail: Consultancy on solutions to environment, agricultural resettlement, residential resettlement;
- Other construction installation activities. Detail: Installing equipment for construction works;
- Wholesale of other machinery, equipment, parts. Detail: Wholesale of mechanical and electrical equipment, materials;

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

- Research and experimental development on natural sciences and engineering. Detail: Research and manufacture of mechanical and electrical parts of hydropower plant; transfer of technology for construction techniques, equipment;
- Real estate activities with own or leased property. Detail: Leasing land, workshop, and warehouse.

1.4. Normal course of business cycle

The Company's normal course of business cycle is 12 months.

1.5. Business structure

As at 31/12/2018, the Company has 3 dependent entities, namely:

- Branch of Song Ba Joint Stock Company - Khe Dien Hydropower Plant;
- Branch of Song Ba Joint Stock Company - Krong H'ngang Hydropower Plant;
- Branch of Song Ba Joint Stock Company - Dam Safety Testing and Consulting Center.

2. Accounting period, currency used in accounting

The annual accounting period of the Company is from 1 January to 31 December.

Financial statements and accounting transactions are expressed in Vietnamese Dong (VND).

3. Applied accounting standards and accounting system

The Company adopted the Vietnamese Corporate Accounting System guided in Circular No. 200/2014/TT-BTC dated 22/12/2014 and Vietnamese Accounting Standards promulgated by the Ministry of Finance.

4. Summary of significant accounting policies

4.1 Cash and cash equivalents

Cash includes cash on hand, demand bank deposits and cash in transit.

All short-term investments which are collectible or mature of 3 months or less as from purchasing date, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value at reporting date shall be recognized as cash equivalents.

4.2 Receivables

Receivables include trade receivables and other receivables:

- Trade receivables are trade-related amounts arising from trading activities between the Company and its customers;
- Other receivables include non-trade amounts which are not related to trading activities, intra-company transactions.

Receivables are recorded at cost less provision for doubtful debts. Provision for doubtful debts represents the amounts of outstanding receivables at the balance sheet date, which have been overdue for 6 months or which have not been overdue but the debtor is in the state of insolvency, winding up, missing or running away... Provision is made as guided by Circular No. 228/2009/TT-BTC dated 7/12/2009 of the Ministry of Finance.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

4.3 Inventories

Inventories are stated at the lower of cost and net realizable value.

Cost of inventories is calculated using the First-In, First-Out method and accounted for using the perpetual method with value determined as follows:

- Materials, tools, instruments: Cost comprises costs of purchase, costs of conversion and any directly attributable costs of bringing the inventories to their present location and condition.
- Finished products: Cost comprises cost of direct materials and labour plus attributable overhead based on the normal level of activities.

Net realizable value is the estimated selling price less the estimated costs of completing the products and the estimated costs needed for their consumption.

Provision for decline in value of inventories is made when the net realizable value of inventories is less than cost. The provision is made in accordance with Circular No. 228/2009/TT-BTC dated 7/12/2009 by the Ministry of Finance.

4.4 Tangible fixed assets

Cost

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of tangible assets comprises their purchase price and all the costs incurred by the Company to acquire those assets as of the time of putting such assets into the ready-for-use state. The costs incurred after the initial recognition of tangible fixed asset shall be recorded as increase in their historical cost if these costs are certain to augment future economic benefits obtained from the use of those assets. Those incurred costs which fail to meet this requirement must be recognized as production and business expenses in the period.

Depreciation

Depreciation of tangible fixed assets is calculated on a straight-line basis over their estimated useful lives. The depreciation period is in conformity with Circular No. 45/2013/TT-BTC dated 25 April 2013 by the Ministry of Finance. Details are as follows:

<u>Kinds of asset</u>	<u>Depreciation period (years)</u>
Buildings, architectures	15 – 50
Machinery, equipment	6 – 15
Motor vehicles	5 – 30
Office equipment	3 – 5

In which, the depreciation period of fixed assets of Krong H'nang Hydropower Plant applied by the Company is longer than the regulated one. This adjustment was approved by Da Nang City Finance Department in Decision No. 293/QD-STC dated 29/06/2011. Accordingly, specific depreciation period is as follows:

<u>Kinds of asset</u>	<u>Depreciation period (years)</u>
Buildings, architectures	50
Machinery, equipment	15

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

In order to ensure that the depreciation method is in line with the actual use and seasonal nature of hydropower production, the fixed assets used directly at Khe Dien Hydropower Plant and Krong H'ngang Hydropower Plant are depreciated in accordance with the method of depreciation based on volume. Details are as follows:

$$\begin{array}{r} \text{Depreciation} \\ \text{rate in} \\ \text{the period} \end{array} = \frac{\begin{array}{r} \text{Cost of fixed assets} \\ \text{Depreciation period} \\ \text{of fixed assets registered} \\ \text{with tax authority} \end{array}}{\begin{array}{r} \text{Average design} \\ \text{capacity of} \\ \text{each year} \end{array}} \times \begin{array}{r} \text{Volume of electricity} \\ \text{actually generated} \\ \text{in the period} \end{array}$$

4.5 Intangible fixed assets

Cost

Intangible fixed assets are stated at cost less accumulated amortization.

The cost of intangible fixed assets comprises all the costs incurred by the Company to acquire those assets as of the time of putting such assets into the ready-for-use state.

Land use rights

Intangible fixed assets are land use rights including:

- The land use right allocated by the State with land use fee or receiving the transfer of legal land use right (including term and non-term land use right).
- The prepaid land rent (has been paid for the leasing time or paid in advance for many years but the remaining land lease term paid is at least five years) for the land rent contract before the effective date of the Land Act 2013 and being granted with certificate of land use right by the competent authority.

The cost of land use right includes all the costs directly attributable to the putting of land into the ready-for-use state.

Amortization

Intangible fixed assets being land use rights with indefinite term are not amortized. For land use rights with definite term, the amortization period is the period in which the Company is allowed to use the land.

Other intangible fixed assets are amortized in accordance with the straight-line method. Amortization rate is based on their cost and estimated useful lives. Amortization period is in conformity with Circular No. 45/2013/TT-BTC dated 25/4/2013 by the Ministry of Finance.

The amortization period of intangible fixed assets of the Company is as follows:

<u>Kind of asset</u>	<u>Amortization period (years)</u>
Indefinite lived land use rights	not amortized
Computer software	fully amortized

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

4.6 Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses. These are expenditures that have been incurred but related to the operations of many accounting periods. The Company's primary prepayments are as follows:

- Cost of tools and instruments being put into use and repair expenses are amortized in accordance with the straight-line method for a period ranging from 12 to 36 months;
- Costs of afforestation are amortized in accordance with the straight-line method for 60 months;
- Cost of forest tending is amortized with the straight-line method for 12 months from the acceptance on forest tending.
- Insurance expenses of assets, cars are amortized in accordance with the straight-line method over the purchase term stated in the contracts;
- Other prepaid expenses: the Company selects appropriate method and criteria of allocation over the period in which economic benefits are expected to be received based on the nature and extent of the prepaid expenses.

4.7 Payables

Payables include trade payables and other payables:

- Trade payables are trade-related amounts, arising from trading activities between the company and its suppliers;
- Other payables are non-trade amounts, which are not related to trading activities, intra-company transactions.

Payables are recognized at cost and reported as short-term and long-term payables based on the remaining terms at the balance sheet date.

Payables are monitored according to their creditors, principal terms, remaining terms and currencies.

4.8 Loans and finance lease liabilities

Loans and finance lease liabilities are recorded at cost and classified into current and non-current liabilities based on the remaining terms at the balance sheet date.

The Company monitors loans and finance lease liabilities according to their creditors, loan agreements, principal terms, remaining terms and currencies.

Borrowing costs

Borrowing costs comprise interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they qualify the conditions to be capitalized in accordance with Accounting Standard "Borrowing costs".

Borrowing costs associated with a particular borrowing for the purpose of obtaining a qualifying asset shall be capitalized as part of the cost of that asset. For general borrowing funds, the borrowing costs eligible for capitalization in the period shall be determined according to the capitalization rate, which is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period.

Capitalization of borrowing costs shall be suspended during extended periods in which it suspends active development of a qualifying asset, except to the extent that the suspension is necessary. Capitalization shall be ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

4.9 Accrued expenses

Accruals are recognized for amount to be paid in the future for goods and services received, whether or not billed to the Company.

4.10 Owners' equity

Paid-in capital represents the amount of capital actually contributed by shareholders.

Treasury shares

Treasury shares are the amounts payable to repurchase the shares that the Company has issued and all costs directly related to this repurchase transaction.

Share premium

Share premium reflects the difference between the issue price and par value of the shares issued, costs directly related to the issuance of shares; difference between the re-issue price and book value, costs directly related to the re-issuance of shares.

Profit distribution

Profit after corporate income tax is available for appropriation to funds and to shareholders as provided for in the Company's Charter or Decision of the Shareholders' General Meeting.

The dividend to be paid to the shareholders shall not exceed the undistributed profit after tax and with consideration of non-monetary items in undistributed post-tax profits that may affect cash flow and ability to pay dividends.

4.11 Recognition of revenue and other income

- Revenue from sales of electricity is recognized based on the documents on confirming the power capacity sold to the national power grid and unit price stated in the following Economic Contracts:
 - ✓ For Khe Dien Hydropower Plant Branch: According to Economic Contract No. 05/2011/KHEDIEN/EVNCPC-SBA dated 31/05/2011 and Appendix No. 03 dated 12/10/2016 with Central Power Corporation (unit price is applied in accordance with the avoided cost tariff issued annually by the Electricity Regulatory Authority of Vietnam);
 - ✓ For Krong H'ngang: According to Economic Contract No. 06/2012/HD-NMD-KRH dated 10/06/2012 and Contract for Amendment and Supplementation No. 03 dated 24/08/2016 with Viet Nam Electricity (using competitive electricity price).
- Revenue from sales and service provision is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:
 - ✓ Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer and there are no significant uncertainties regarding recovery of the consideration due or the likely return of goods.
 - ✓ Revenue from service provision is recognized when the services have been rendered. In case that the services are to be provided in many accounting periods, the determination of revenue in each period is done on the basis of the service completion rate as of the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

- Revenue from financing activities is recognized when revenue is determined with relative certainty and it is possible to obtain economic benefits from the transactions.
 - ✓ Interests are recognized on the basis of the actual term and interest rates.
 - ✓ Dividends and profits shared are recognized when the Company has the rights to receive dividends or profit from the capital contribution. Stock dividends are not recognized as financial revenue. Dividends received in the period before investment date shall be recorded as a decrease in value of investment.
- Other income is the income derived out of the Company's scope of business and recognized when it can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

4.12 Cost of goods sold

Cost of products, goods sold and services rendered shall be recognized in the correct accounting period in accordance with the matching principle and conservatism principle.

Costs of inventories and services rendered which are incurred in excess of the ordinary level are shall be charged out to cost of goods sold in the period, not to the production cost of goods and services.

4.13 Financial expenses

Financial expenses reflect expenses or losses related to financial investment activities: interest expense, interest on installment purchase, interest on finance lease, payment discounts for buyers, expenses and loss on liquidating, transferring investments; provision for diminution in value of trading securities, provision for loss from investment in other entities, loss from sale of foreign currency, foreign exchange loss and other expenses attributable to other investing activities.

4.14 Administration expenses

Administration expenses recognized are expenses actually incurred related to the overall administration of enterprises.

4.15 Current corporate income tax expense, deferred corporate income tax expense

Corporate income tax expenses in the period include current income tax and deferred income tax.

Current income tax is the tax amount computed based on the taxable income in the period at the tax rates ruling at the balance sheet date. The difference between taxable income and accounting profit is due to the adjustments of temporary differences between tax and accounting figures as well as those of non-taxable or non-deductible income and expenses.

Deferred income tax is determined for temporary differences at the balance sheet date between the tax base of assets and liability and their carrying amount for financial reporting purpose.

4.16 Financial instruments

Initial recognition

Financial assets

A financial asset is recognized initially at cost plus transaction costs directly attributable to the acquisition of the asset. The Company's financial assets include cash on hand, short-term deposits, trade receivables and other receivables.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

Financial liabilities

A financial liability is recognized initially at cost plus transaction costs directly attributable to the issuance of such liability. The Company's financial liabilities include loans, trade payables, accrued expenses and other payables.

Subsequent measurement

Currently, there has been no requirement for subsequent measurement of financial instruments.

4.17 Tax rate and charges paid to the State which the Company applied

- Value Added Tax (VAT): tax rate of 10% is applicable to sales of electricity; other activities are subject to tax rates in accordance with the current regulations.
- Corporate Income Tax (CIT):
 - ✓ For Khe Dien Hydropower Plant: Applicable tax rate is 20%.
 - ✓ For Krong H'Nang Hydropower Plant: tax rate of 10% is applicable for 15 years (from 2010 to 2024), exempted from corporate income tax for 4 years as from the time the taxable income is made and entitled to 50% reduction of corporate income tax for the next 9 years. Since 2010 was the first year Krong H'Nang Hydropower Plant has made taxable income, the Company is exempted from corporate income tax from 2010 to 2013 and entitled to 50% reduction of corporate income tax from 2014 to 2022.

These incentives are indicated in the Investment Certificate No. 36121000085 dated 03/03/2014 by the People's Committee of Phu Yen Province.

- ✓ Other activities are subject to CIT rate of 20%.
- Other taxes and obligation are fulfilled in accordance with the prevailing regulations.

4.18 Related parties

Parties are considered to be related if one party has the ability to (directly or indirectly) control the other party or exercise significant influence over the other party in making financial or operational decisions.

Unit: VND

5. Cash and cash equivalents

	31/12/2018	01/01/2018
Cash on hand	997,748,560	454,844,771
Demand bank deposits	10,272,809,054	7,168,604,189
Bank deposits within 3 months	-	45,000,000,000
Total	11,270,557,614	52,623,448,960

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

6. Short-term trade receivables

	31/12/2018	01/01/2018
Central Power Corporation	6,456,083,315	7,953,161,832
Electricity Power Trading Company	46,817,977,888	46,556,966,260
F.C.L Joint Stock Company	3,801,438,915	3,558,246,210
Other customers	1,248,803,116	500,426,361
Total	<u>58,324,303,234</u>	<u>58,568,800,663</u>

In which: trade receivables from related parties

	Relationship	31/12/2018	01/01/2018
Central Power Corporation	Investor	6,456,083,315	7,953,161,832
Electricity Power Trading Company	Fellow subsidiary of the investor	46,817,977,888	46,556,966,260
Total		<u>53,274,061,203</u>	<u>54,510,128,092</u>

7. Short-term prepayments to suppliers

	31/12/2018	01/01/2018
Dong Tay Consulting and Construction Investment JSC	6,037,361,598	-
Infrastructure and Electric Energy Investment Consultancy JSC	760,000,000	-
Tay Nong Son Construction - Trading - Service JSC	814,820,130	-
Hung Trang JSC	637,565,500	-
Other suppliers	1,176,364,104	359,966,109
Total	<u>9,426,111,332</u>	<u>359,966,109</u>

8. Other receivables

a. Short-term

	31/12/2018		01/01/2018	
	Amount	Provision	Amount	Provision
Asset insurance receivable	410,097,037	-	-	-
Accrued interest	-	-	81,722,216	-
Advances	13,174,184,823	-	14,872,066,909	-
Other receivables	1,241,398,456	-	542,075,952	-
Total	<u>14,825,680,316</u>	<u>-</u>	<u>15,495,865,077</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

b. Long-term

	31/12/2018		01/01/2018	
	Amount	Provision	Amount	Provision
Deposits, collaterals	3,368,516,093	-	2,004,000,000	-
Total	3,368,516,093	-	2,004,000,000	-

9. Inventories

	31/12/2018		01/01/2018	
	Cost	Provision	Cost	Provision
Materials	729,184,113	-	352,154,904	-
Tools, instruments	1,166,204,000	-	1,039,370,000	-
Work in process	464,749,446	-	356,678,994	-
Total	2,360,137,559	-	1,748,203,898	-

- There are no inventories which are unsold, in poor quality at 31/12/2018.
- There are no inventories which were pledged, mortgaged as security for debts as at 31/12/2018.

10. Prepaid expenses

a. Short-term

	31/12/2018	01/01/2018
Insurance expense	125,700,712	115,339,458
Costs of repairing assets	456,031,415	245,701,184
Costs of repairing, supplies, equipment and tending forest of plants	-	2,001,764,155
Total	581,732,127	2,362,804,797

b. Long-term

	31/12/2018	01/01/2018
Costs of tools, instruments pending amortization	584,794,358	697,923,754
Costs of treating discharge canal of Krong H'ngang Project	2,566,565,602	-
Costs of dredging canal for receiving water of Krong H'ngang Project	3,869,840,487	-
Overhaul costs of machine units	4,452,118,424	1,291,205,515
Costs of planting landmark in lake of Khe Dien Project	210,660,362	762,110,308
Costs of building flood map, other expenses	57,492,000	312,736,556
Afforestation costs of Krong H'ngang Hydropower Project	1,997,833,185	3,995,666,377
Other prepaid expenses	-	964,134,624
Total	13,739,304,418	8,023,777,134

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

11. Tangible fixed assets					
	Buildings, architectures	Machinery, equipment	Motor vehicles	Office equipment	Total
Cost					
Beginning balance	1,184,055,609,156	334,580,065,801	81,836,738,864	334,112,920	1,600,806,526,741
Increase in the year	-	-	-	149,690,909	149,690,909
Decrease in the year	-	-	-	-	-
Ending balance	1,184,055,609,156	334,580,065,801	81,836,738,864	483,803,829	1,600,956,217,650
Depreciation					
Beginning balance	180,063,669,296	157,752,673,444	32,712,633,119	255,685,650	370,784,661,509
Charge for the year	20,688,038,801	15,510,049,182	4,339,026,691	50,285,861	40,587,400,535
Decrease in the year	-	-	-	-	-
Ending balance	200,751,708,097	173,262,722,626	37,051,659,810	305,971,511	411,372,062,044
Net book value					
Beginning balance	1,003,991,939,860	176,827,392,357	49,124,105,745	78,427,270	1,230,021,865,232
Ending balance	983,303,901,059	161,317,343,175	44,785,079,054	177,832,318	1,189,584,155,606

- As at 31/12/2018, tangible fixed assets with a carrying value of VND1,184,711,014,377 have been mortgaged as collateral for borrowings granted to the Company.
- Cost of tangible fixed assets fully depreciated but still in active use at 31/12/2018 is VND13,048,600,661.
- There are no tangible fixed assets pending disposal.
- There are no commitments to repurchase fixed assets of high value in the future.
- Pursuant to Decision No. 293/QĐ – STC dated 29/06/2011 of Da Nang City Finance Department on “Approving the plan for changing useful lives of fixed assets”, the Company has changed the useful lives of most of the fixed assets of Krong H'ng Hydropower Plant since 2011. Other than that, the Company also changed the depreciation method (from the straight-line method to the method based on volume) of the fixed assets directly serving the electricity generation and sent Official Letter No. 223/11/S3-TC dated 09/06/2011 to notify the Tax Department of such change, yet the Company has not received written response from Da Nang City Tax Department.
- On 25/04/2013, the Ministry of Finance issued Circular No. 45/2013/TT-BTC guiding the management, use and depreciation of fixed assets. According to Clause c, Point 2, Article 13, one of the conditions for applying the method of depreciation based on volume is that the actual capacity per month in the fiscal year is not less than 100% of design capacity. On 31/07/2013, the Company sent Official Letter No. 279/13/S3-TCKT to the Ministry of Finance asking for the guidance on applying the regulations of Circular 45/2013/TT-BTC to the Company's actual operations. On 14/10/2013, the Ministry of Finance issued Official Letter No. 13633/BTC-TCDN to permit Song Ba Joint Stock Company to keep applying the method of depreciation based on volume to the fixed assets directly participating in the electricity generation which the Company registered with Da Nang City Tax Department in case of failure to reach 100% of design capacity provided that Song Ba Joint Stock Company must ensure sufficient resources to repay investment loans of credit institutions, and the depreciation period does not exceed the technical life of the assets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

12. Intangible fixed assets

	Land use rights (*)	Computer software	Total
Cost			
Beginning balance	5,175,261,800	302,800,000	5,478,061,800
Newly purchased	-	-	-
Sold, disposed	-	-	-
Ending balance	5,175,261,800	302,800,000	5,478,061,800
Amortization			
Beginning balance	-	302,800,000	302,800,000
Charge for the period	-	-	-
Sold, disposed	-	-	-
Ending balance	-	302,800,000	302,800,000
Net book value			
Beginning balance	5,175,261,800	-	5,175,261,800
Ending balance	5,175,261,800	-	5,175,261,800

(*) This is long-term land use right at 573 Nui Thanh Street, Hai Chau District, Da Nang City; area: 410.5 m2, used for the Company's Head Office.

This land use right is mortgaged for the long-term loan borrowed from JSC Bank for Foreign Trade of Vietnam - Da Nang Branch (presented in Note 19).

Cost of intangible fixed assets fully amortized but still in active use at 31/12/2018 is VND302,800,000.

13. Construction in progress

	31/12/2018	01/01/2018
Construction in progress	10,880,583,889	8,721,214,787
- Krong H'nang 2 Hydropower Plant	3,475,284,736	3,475,284,736
- Song Tranh 1 Hydropower Plant	5,245,930,051	5,245,930,051
- Nong Son Coal Mine Side-track Project	1,054,949,531	-
- Khe Dien Hydropower Plant expansion project	1,104,419,571	-
Total	10,880,583,889	8,721,214,787

The total investment capital of Krong H'nang 2 Hydropower Plant Project and Song Tranh 1 Hydropower Plant Project is VND407,915,000,000 and VND552,646,106,000 respectively. The dossiers of these two projects are being completed to submit to the Ministry of Industry and Trade for approval to adjust the planning.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

14. Short-term trade payables

	31/12/2018	01/01/2018
Phong Vu Electricity Co., Ltd	164,232,000	155,916,000
Phuc Hung Construction Investment Import Export JSC	159,361,537	159,361,537
Other suppliers	368,316,272	1,719,788,436
Total	691,909,809	2,035,065,973

15. Short-term advances from customers

	31/12/2018	01/01/2018
Phu Yen Province Science and Technology Department	300,000,000	-
PC3 Investment JSC	144,866,500	-
Bao Phuc Tam Co., Ltd	-	488,903,666
Other customers	30,180,000	30,000,000
Total	475,046,500	518,903,666

16. Taxes and amounts payable to the State

	Beginning balance		Amount to be paid	Actual amount paid	Ending balance	
	Payable	Receivable			Payable	Receivable
Value Added Tax	6,982,551,605	-	24,204,501,291	24,921,821,835	6,265,231,061	-
Corporate Income Tax	1,344,752,380	-	6,758,840,441	7,528,263,317	575,329,504	-
Personal Income Tax	-	37,898,387	3,600,301,009	3,726,324,513	-	163,921,891
Natural resources tax	6,313,515,048	-	16,292,712,597	17,634,833,224	4,971,394,421	-
License fee	-	-	6,000,000	6,000,000	-	-
Forest environment service	2,750,112,352	-	6,817,143,168	7,423,533,676	2,143,721,844	-
Total	17,390,931,385	37,898,387	57,679,498,506	61,240,776,565	13,955,676,830	163,921,891

The Company's tax reports would be subject to examination of tax authorities. The tax amounts reported in these financial statements could be changed under decision of the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

17. Short-term accrued expenses

	31/12/2018	01/01/2018
Loan interest payable	2,405,312,993	2,557,602,567
Expenses for implementing general map for Ba River's lowland	143,541,888	212,859,705
Consulting expenses for dam protection of A Roang HP	38,751,980	47,697,582
Survey expenses for preparing investment project of Tam Phuc Hydropower Plant	986,463,535	344,532,264
Survey expenses for preparing Song Bung 3A Investment Project	6,923,920,747	5,553,418,438
Expenses for preparing plan for flood prevention and dam protection in raining season for Dray H'linh Hydropower Plant	69,527,521	77,471,157
Consulting expenses for installing monitoring equipment of Ry Ninh Dam	379,760,966	107,518,635
Expenses for phase 1 of project on dam safety inspection of A Roang Hydropower Plant	142,014,183	172,651,455
Project costs for flood prevention in the downstream of Dak Pring Hydropower Plant	181,034,185	187,425,094
Supervision and installation expenses of Dak Pring HP	179,203,134	3,846,249
Setting up reservoir operation process - Song Bo Hydropower Project	150,524,636	-
Dam safety inspection fee - Ia Grai 2 Hydropower Plant	201,118,677	-
Expenses for assembling measurement device - Dinh Binh HP	191,447,273	-
Expenses for assembling measurement device - Lai Chau HP	364,856,272	-
Other prepaid expenses	422,697,752	382,067,934
Total	12,780,175,742	9,647,091,080

18. Other short-term payables

	31/12/2018	01/01/2018
Trade union fees	9,946,834	-
Dividend payables	7,283,779,257	54,057,198,825
Other payables	596,782,328	765,625,826
Total	7,890,508,419	54,822,824,651

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

19. Loans and finance lease liabilities

a. Short-term loans and finance lease liabilities

	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Current portion of long-term loans	67,870,000,000	81,246,000,000	67,870,000,000	81,246,000,000
- Vietcombank - Da Nang Branch	5,870,000,000	19,246,000,000	5,870,000,000	19,246,000,000
- OCB - Quang Nam Branch	62,000,000,000	62,000,000,000	62,000,000,000	62,000,000,000
Total	67,870,000,000	81,246,000,000	67,870,000,000	81,246,000,000

b. Long-term loans and finance lease liabilities

	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Long-term loans	582,604,000,000	-	67,870,000,000	514,734,000,000
- Vietcombank - Da Nang Branch	96,604,000,000	-	5,870,000,000	90,734,000,000
- OCB - Quang Nam Branch	486,000,000,000	-	62,000,000,000	424,000,000,000
Total	582,604,000,000	-	67,870,000,000	514,734,000,000
<i>In which:</i>				
- Amount due within one year	67,870,000,000			81,246,000,000
Long-term loans and finance lease liabilities	514,734,000,000			433,488,000,000

The Company is borrowing from JSC Bank for Foreign Trade of Vietnam - Da Nang Branch under 2 loan agreements:

- On 07/02/2013, the Company entered into long-term borrowing contract No. 34/2013/VCB-KHDN with maximum credit amount of VND50,000,000,000. The loan period is 120 months as from the first drawdown date. This loan bears interest at the rate announced by JSC Bank for Foreign Trade of Vietnam – Da Nang Branch and shall be changed once a quarter.
- On 14/05/2014, the Company entered into long-term borrowing contract No. 162/2014/VCB-KHDN with maximum credit amount of VND77,650,000,000. The loan period is 120 months as from the first drawdown date. This loan bears interest at the rate announced by JSC Bank for Foreign Trade of Vietnam – Da Nang Branch and shall be changed once a quarter.

These loans are for the purpose of reimbursing the capital which the Company invested in Khe Dien Hydropower Plant Project. They are secured by the long-term land use right at 573 Nui Thanh Street, Hai Chau District, Da Nang City and Khe Dien Hydropower Plant.

The Company is borrowing from Orient Commercial Joint Stock Bank - Quang Nam Branch under long-term borrowing contract No. 024/2015/HDTD-DN dated 26/03/2015 with maximum credit amount of VND620,000,000,000. The loan period is 120 months as from the first drawdown date. This loan bears interest at the rate announced by Orient Commercial Joint Stock Bank - Quang Nam Branch and shall be changed once a quarter. The loan is to finance the Krong H'ngang Hydropower Project (giving loan to purchase debt of Song Ba Joint Stock Company in Viet Nam Development Bank – Phu Yen Branch) and is secured by Krong H'ngang Hydropower Plant.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

20. Owners' equity

a. Statement of changes in owners' equity

	Share capital	Share premium	Other equity	Treasury shares	Development investment fund	Undistributed profit after tax
As at 01/01/2017	604,882,610,000	(95,000,000)	7,260,810,603	(1,588,920,333)	13,916,957,675	64,207,111,775
Increase in the year	-	-	-	(930,000)	1,213,466,413	135,909,398,292
Decrease in the year	-	-	-	-	-	111,802,464,257
As at 31/12/2017	<u>604,882,610,000</u>	<u>(95,000,000)</u>	<u>7,260,810,603</u>	<u>(1,589,850,333)</u>	<u>15,130,424,088</u>	<u>88,314,045,810</u>
As at 01/01/2018	604,882,610,000	(95,000,000)	7,260,810,603	(1,589,850,333)	15,130,424,088	88,314,045,810
Increase in the year	-	-	-	-	24,151,847,627	96,342,276,088
Decrease in the year	-	-	7,260,810,603	(926,572,500)	-	67,161,254,102
As at 31/12/2018	<u>604,882,610,000</u>	<u>(95,000,000)</u>	<u>-</u>	<u>(663,277,833)</u>	<u>39,282,271,715</u>	<u>117,495,067,796</u>

b. Breakdown of share capital

	31/12/2018	01/01/2018
Central Power Corporation	236,450,000,000	236,450,000,000
Other shareholders	367,598,210,000	366,432,710,000
Par value of treasury shares	834,400,000	1,999,900,000
Total	<u>604,882,610,000</u>	<u>604,882,610,000</u>

c. Capital transactions with owners and distribution of dividend

	Year 2018	Year 2017
Share capital		
- Beginning balance	604,882,610,000	604,882,610,000
- Increase in the period	-	-
- Decrease in the period	-	-
- Ending balance	604,882,610,000	604,882,610,000
Dividend paid	42,201,789,700	108,518,947,800

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

d. Shares

	31/12/2018	01/01/2018
	Shares	Shares
Number of shares registered to be issued	60,488,261	60,488,261
Number of shares issued publicly	60,488,261	60,488,261
- Common shares	60,488,261	60,488,261
- Preferred shares (classified as owners' equity)	-	-
Number of shares bought back (treasury shares)	83,440	199,990
- Common shares	83,440	199,990
- Preferred shares (classified as owners' equity)	-	-
Number of outstanding shares	60,404,821	60,288,271
- Common shares	60,404,821	60,288,271
- Preferred shares (classified as owners' equity)	-	-
Par value of outstanding shares: VND10,000 each		

e. Undistributed profit after tax

	Year 2018	Year 2017
Profit brought forward	88,314,045,810	64,207,111,775
Profit after corporate income tax of current period	96,342,276,088	135,909,398,292
Distribution of profit	67,161,254,102	111,802,464,257
+ Development investment fund	16,891,037,024	1,213,466,413
+ Reward and welfare fund	6,184,325,274	889,370,044
+ Reward fund for the Management	1,103,000,000	500,000,000
+ Paying dividends	42,201,789,700	60,288,331,000
+ Remunerations for the Board of Directors	781,102,104	680,680,000
- Temporary distribution of current-period profit	-	48,230,616,800
Undistributed profit after tax	117,495,067,796	88,314,045,810

(*) The 2017 profit was distributed in accordance with Resolution of the 2018 General Shareholders' Meeting No. 01/2018/NQ-DHDCD dated 30/03/2018.

f. Dividend

Resolution of the 2018 General Shareholders' Meeting No. 01/2018/NQ-DHDCD dated 30/03/2018 approved the plan for paying dividend of 2017 in cash at 15% of the charter capital (equivalent to VND90,432,406,500). The Company closed the list of shareholders entitled to 1st advance payment of dividends on December 2017 (8%) and paid the remaining dividends (7%) in the year 2018.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

21. Revenue from sales and service provision

	Year 2018	Year 2017
Revenue from selling electricity	247,292,306,552	327,749,462,985
Revenue from rendering services	6,714,494,222	5,266,573,458
Total	254,006,800,774	333,016,036,443

22. Cost of goods sold

	Year 2018	Year 2017
Giá vốn bán điện	75,647,821,163	107,006,085,966
Giá vốn dịch vụ đã cung cấp	6,462,700,689	4,744,034,907
Total	82,110,521,852	111,750,120,873

23. Financial income

	Year 2018	Year 2017
Loan interest, deposit interest	388,002,583	274,292,146
Total	388,002,583	274,292,146

24. Financial expenses

	Year 2018	Year 2017
Loan interest	52,644,101,000	57,950,013,948
Interest on late payment of dividends	-	682,243,402
Others	-	550,327
Total	52,644,101,000	58,632,807,677

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

25. Administration expenses incurred in the year

	Year 2018	Year 2017
Material, tool expenses	680,773,363	409,938,062
Labor costs	12,111,241,768	13,714,873,034
Depreciation and amortization expenses	250,231,005	219,863,814
Outside service expenses	2,001,522,904	1,444,786,182
Other cash expenses	1,663,871,421	1,807,556,300
Total	<u>16,707,640,461</u>	<u>17,597,017,392</u>

26. Other income

	Year 2018	Year 2017
Received fee for using electricity of K'rong H'nang Plant	209,774,364	205,973,270
Sales of Certified Emission Reductions	257,089,251	-
Others	11,143,629	26,285,658
Total	<u>478,007,244</u>	<u>232,258,928</u>

27. Other expenses

	Year 2018	Year 2017
Electricity expenses of Krong H'nang Plant	209,774,364	205,973,270
Consulting expenses for transferring Certified Emission Reductions	38,563,454	-
Fines for late payment of taxes, charges	61,083,941	165,808,396
Others	9,000	99,402,181
Total	<u>309,430,759</u>	<u>471,183,847</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

28. Current corporate income tax expense

	Year 2018	Year 2017
Accounting profit before tax	103,101,116,529	145,071,457,728
- From principal activities of Khe Dien Hydropower Plant	9,705,106,290	11,545,651,969
- From principal activities of Krong H'nang Plant	92,551,805,998	132,827,599,765
- From principal activities of the Consulting Center and Head Office	844,204,241	698,205,994
Adjustment to taxable income	152,753,137	952,087,843
- Increasing adjustments (non-deductible expenses)	152,753,137	952,087,843
+ Khe Dien Hydropower Plant	-	33,717,744
+ Krong H'nang Hydropower Plant	61,083,941	803,948,870
+ Consulting center and Head Office	91,669,196	114,421,229
- Decreasing adjustments	-	-
Total taxable income	103,253,869,666	146,023,545,571
- From principal activities of Khe Dien Hydropower Plant	9,705,106,290	11,579,369,713
- From principal activities of Krong H'nang Plant	92,612,889,939	133,631,548,635
- From principal activities of the Consulting Center and Head Office	935,873,437	812,627,223
Corporate income tax as regulated	11,389,484,939	15,841,554,251
+ Khe Dien Hydropower Plant	1,941,021,258	2,315,873,943
+ Krong H'nang Hydropower Plant	9,261,288,994	13,363,154,864
+ Consulting center and Head Office	187,174,687	162,525,444
Reduced, exempted corporate income tax	4,630,644,498	6,681,577,432
+ Krong H'nang Hydropower Plant (50%)	4,630,644,498	6,681,577,432
Current income tax expenses of prior periods	-	2,082,617
Current corporate income tax expense	6,758,840,441	9,162,059,436
In which:		
- Current corporate income tax expense this period	6,758,840,441	9,159,976,819
+ Khe Dien Hydropower Plant	1,941,021,258	2,315,873,943
+ Krong H'nang Hydropower Plant	4,630,644,496	6,681,577,432
+ Consulting center and Head Office	187,174,687	162,525,444
- Adjustment of income tax expenses of prior periods to current-period income tax expense	-	2,082,617

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

29. Basic, diluted earnings per share

	Year 2018	Year 2017
Accounting profit after corporate income tax	96,342,276,088	135,909,398,292
Adjustments increasing or decreasing accounting profit	-	(8,068,427,378)
- Increasing adjustment	-	-
- Decreasing adjustments (appropriated for reward and welfare fund, reward fund of Management, Remunerations for	-	8,068,427,378
Profit or loss attributable to common shareholders	96,342,276,088	127,840,970,914
Weighted average number of outstanding common shares	60,404,821	60,288,331
Basic, diluted earnings per share	1,595	2,120

(*) Basic, diluted earnings per share of the year 2018 are computed before deducting the amounts appropriated to reward and welfare fund. The plan of General Shareholders' Meeting and the Company's Charter do not specify the appropriation rate of reward and welfare fund. Annually, the Management will propose a specific rate for appropriating reward and welfare fund based on the business results at the end of the year. Therefore, this figure may be changed upon the Decision on distribution of profit of the General Shareholders' Meeting later.

30. Operating expenses by elements

	Year 2018	Year 2017
Materials expenses	11,143,671,453	15,450,899,823
Labor costs	22,256,307,590	26,759,122,451
Depreciation and amortization expenses	40,587,400,535	60,936,094,196
Outside service expenses	13,206,401,077	8,575,169,420
Other cash expenses	11,732,452,110	17,733,822,921
Total	98,926,232,765	129,455,108,811

31. Segment reporting

According Vietnamese Accounting Standard No. 28 and the guiding circular, the Company is required to report segment information. A segment is a distinguishable component of the Company that is engaged in providing related products or services (business segment) or providing products or services in a specific economic environment (geographical segment) and that is subject to risks and returns that are different from those of other segments.

Based on the actual operating situation of the Company, the Management assesses that the Company operates in the sole business segment, that is electricity generation and the three main geographical segments are Quang Nam Province, Dak Lak Province and Phu Yen Province.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)*(These notes form part of and should be read in conjunction with the accompanying financial statements)*

Geographical segments	Khe Dien Hydropower Plant - Quang Nam Province		Krong H'ngang Hydropower Plant - Dak Lak and Phu Yen Province		Head Office & Dam Safety Testing and Consulting Center		Total	
	Year 2018	Year 2017	Year 2018	Year 2017	Year 2018	Year 2017	Year 2018	Year 2017
	VND	VND	VND	VND	VND	VND	VND	VND
Revenue from sales and service provision	41,103,635,829	53,386,811,763	206,188,670,723	274,362,651,222	6,714,494,222	5,266,573,458	254,006,800,774	333,016,036,443
Revenue deductions	-	-	-	-	-	-	-	-
Cost of goods sold	18,526,383,218	27,813,930,935	57,121,437,945	79,192,155,031	6,462,700,689	4,744,034,907	82,110,521,852	111,750,120,873
Financial income	174,200	62,500	622,000	622,800	387,206,383	273,606,846	388,002,583	274,292,146
Financial expenses	8,789,604,333	9,426,397,380	43,854,496,667	49,206,410,297	-	-	52,644,101,000	58,632,807,677
Selling expenses	-	-	-	-	-	-	-	-
Administrative expenses	4,086,478,188	4,571,280,235	12,600,468,172	13,015,403,461	20,694,101	10,333,696	16,707,640,461	17,597,017,392
Operating profit	9,701,344,290	11,575,265,713	92,612,889,939	132,949,305,233	618,305,815	785,811,701	102,932,540,044	145,310,382,647
Other income	3,762,000	4,104,000	-	-	474,245,244	228,154,928	478,007,244	232,258,928
Other expenses	-	33,717,744	61,083,941	121,705,468	248,346,818	315,760,635	309,430,759	471,183,847
Other profit (loss)	3,762,000	(29,613,744)	(61,083,941)	(121,705,468)	225,898,426	(87,605,707)	168,576,485	(238,924,919)
Profit before tax	9,705,106,290	11,545,651,969	92,551,805,998	132,827,599,765	844,204,241	698,205,994	103,101,116,529	145,071,457,728
Corporate income tax	1,941,021,258	2,315,873,943	4,630,644,496	6,681,577,432	187,174,687	164,608,061	6,758,840,441	9,162,059,436
Profit after tax	7,764,085,032	9,229,778,026	87,921,161,502	126,146,022,333	657,029,554	533,597,933	96,342,276,088	135,909,398,292
Fixed assets	31/12/2018	01/01/2018	31/12/2018	01/01/2018	31/12/2018	01/01/2018	31/12/2018	01/01/2018
Tangible fixed assets	98,182,181,496	104,681,125,580	1,087,026,352,285	1,120,864,577,731	4,375,621,825	4,476,161,921	1,189,584,155,606	1,230,021,865,232
- Cost	191,908,064,582	191,908,064,582	1,401,454,456,556	1,401,454,456,556	7,593,696,512	7,444,005,603	1,600,956,217,650	1,600,806,526,741
- Accumulated depreciation	93,725,883,086	87,226,939,002	314,428,104,271	280,589,878,825	3,218,074,687	2,967,843,682	411,372,062,044	370,784,661,509
Intangible fixed assets	-	-	-	-	5,175,261,800	5,175,261,800	5,175,261,800	5,175,261,800
- Cost	-	-	-	-	5,478,061,800	5,478,061,800	5,478,061,800	5,478,061,800
- Accumulated amortization	-	-	-	-	302,800,000	302,800,000	302,800,000	302,800,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

32. Risk management

a. Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

b. Financial risk management

Financial risks include market risk (interest rate risk, commodity price risk), credit risk and liquidity risk.

Market risk management: The Company's activities expose it primarily to the financial risks of changes in interest rates and commodity prices.

Interest rate risk management

The Company's interest rate risks mainly derive from interest bearing loans which are arranged. To minimize these risks, the Company has estimated the impact of borrowing costs to its periodic business results as well as making analysis and projection to select appropriate time to repay the loans. The Management assesses that uncontrollable risks arising from fluctuations of interest rates are insignificant.

Price risk management

Since the Company purchases materials from domestic suppliers to serve its production and business activities, it is exposed to the risk of changes in prices of materials. However, costs of materials account for a small proportion of the total production cost, thus the Management assesses that the Company's exposure to risks of changes in commodity prices is low.

Credit risk management

The Company's customers are Central Power Corporation and Electricity Power Trading Company belonging to Viet Nam Electricity (EVN). With the specific characteristics electricity trading in Vietnam, the Management assumes that the Company has no significant exposure to credit risk with customers.

For customer group in the field of consultancy, design, training and operation of dam safety,... the Company implements the prepayment policy under terms of contract. Therefore, the Management believes that the Company has almost no credit risks from this group of customers.

Liquidity risk management

To ensure the availability of funds to meet present and future financial obligations, the Company manages liquidity risk by regularly monitoring and maintaining sufficient cash reserve, optimizing cash flows, making use of credit from customers and counterparties, controlling maturing liabilities in relative to maturing assets and the amount of funds can be generated within that period,...

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

The Company's aggregate financial liabilities are categorized in accordance with their maturity as follows:

31/12/2018	Within 1 year	Over 1 year	Total
Trade payables	691,909,809	-	691,909,809
Accrued expenses	12,780,175,742	-	12,780,175,742
Loans and finance lease liabilities	81,246,000,000	433,488,000,000	514,734,000,000
Other payables	7,880,561,585	-	7,880,561,585
Total	102,598,647,136	433,488,000,000	536,086,647,136
01/01/2018	Within 1 year	Over 1 year	Total
Trade payables	2,035,065,973	-	2,035,065,973
Accrued expenses	9,647,091,080	-	9,647,091,080
Loans and finance lease liabilities	67,870,000,000	514,734,000,000	582,604,000,000
Other payables	54,822,824,651	-	54,822,824,651
Total	134,374,981,704	514,734,000,000	649,108,981,704

The Management assumes that the Company has high exposure to liquidity risk but believes that it can generate sufficient resources to meet its financial obligations as they fall due.

The Company's available financial assets are drawn up on a net asset basis as follows:

31/12/2018	Within 1 year	Over 1 year	Total
Cash and cash equivalents	11,270,557,614	-	11,270,557,614
Trade receivables	58,324,303,234	-	58,324,303,234
Other receivables	1,651,495,493	3,368,516,093	5,020,011,586
Total	71,246,356,341	3,368,516,093	74,614,872,434
01/01/2018	Within 1 year	Over 1 year	Total
Cash and cash equivalents	52,623,448,960	-	52,623,448,960
Trade receivables	58,568,800,663	-	58,568,800,663
Other receivables	623,798,168	2,004,000,000	2,627,798,168
Total	111,816,047,791	2,004,000,000	113,820,047,791

33. Related party information

a. Related parties

	Relationship
Central Power Corporation	Investor, Subsidiary of Viet Nam Electricity
Electricity Power Trading Company	Affiliate of Viet Nam Electricity

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

b. Significant transactions with related parties in the year

	Transactions	Year 2018	Year 2017
Central Power Corporation	Sales of electricity	41,069,611,967	53,357,686,586
	Dividend payable	16,551,500,000	18,916,000,000
	Dividend paid	35,467,500,000	42,561,000,000
Electricity Power Trading Company	Doanh thu bán điện	206,188,670,723	274,362,651,222

c. Income of the Board of Directors and Management in the year

	Year 2018	Year 2017
Remunerations, bonuses of the Board of Directors	1,633,320,000	766,000,000
Income of the Management	2,246,763,724	2,006,952,804

34. Events after the balance sheet date

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

35. Corresponding figures

Corresponding figures were taken from the financial statements for the year ended 31/12/2017 which were audited by AAC.



Pham Phong
General Director

Da Nang City, 18 March 2019

Pham Thai Hung
Chief Accountant

Truong Ngoc Hung
Preparer