



SONG BA JOINT STOCK COMPANY

Financial statements

For the year ended 31/12/2017

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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 31/12/2017.

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 No. 0400439955 dated 04/07/2007 by Da Nang City Planning and Investment Department (since the establishment date, the Business 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 31/12/2017: 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’ nang 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, electric 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 (traffic, 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, electric 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 reservoir 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 31/12/2017, the Company had 114 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. Nguyen Thanh | Chairman | Appointed on 10/04/2015 |
| • Mr. Thai Van Thang | Vice Chairman | Appointed on 10/04/2015 |
| • Mr. Pham Phong | Member | Appointed on 10/04/2015 |
| • Mr. Nguyen Luong Minh | Member | Appointed on 10/04/2015 |
| • Mr. Truong Thanh Nam | Member | Appointed on 10/04/2015 |

Supervisory Board

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

REPORT OF THE MANAGEMENT (cont'd)

Management and Chief Accountant

- | | | |
|----------------------|-------------------------|---------------------------|
| • Mr. Pham Phong | General Director | Reappointed on 10/04/2015 |
| • Mr. Nguyen The Duy | Deputy General Director | Reappointed on 02/05/2015 |
| • 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, Danang City; Tel: (84) 236.3655886; Fax: (84) 236.3655887; 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 31/12/2017 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 preparation and presentation of the financial statements.



On behalf of the Management ✓

Pham Phong

General Director

Da Nang City, 19 March 2018



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. 308/2018/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 18/01/2018 and set out on pages 5 to 33, which comprise the balance sheet as at 31/12/2017, 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 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 and presentation 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.

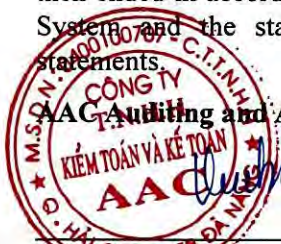
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 give a true and fair view, in all material respects, the financial position of the Company as at 31/12/2017, 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.



Trần Thị Phi Hien – Deputy General Director
Audit Practicing Registration Certificate
No. 0753-2018-010-1
Danang City, 19 March 2018

Do Thi Phuong Thuy – Auditor
Audit Practicing Registration Certificate
No. 2970-2014-010-1

BALANCE SHEET
As at 31/12/2017

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

ASSETS	Code	Note	31/12/2017 VND	01/01/2017 VND
A. CURRENT ASSETS	100		131,703,616,479	86,738,892,153
I. Cash and cash equivalents	110	5	52,623,448,960	14,819,783,143
1. Cash	111		7,623,448,960	14,819,783,143
2. Cash equivalents	112		45,000,000,000	-
II. Short-term financial investments	120		-	-
III. Short-term receivables	130		74,424,631,849	64,573,199,461
1. Short-term trade receivables	131	6	58,568,800,663	48,425,521,593
2. Short-term prepayments to suppliers	132	7	359,966,109	3,358,851,758
3. Other short-term receivables	136	8.a	15,495,865,077	12,788,826,110
IV. Inventories	140	9	1,748,203,898	2,077,928,466
1. Inventories	141		1,748,203,898	2,077,928,466
2. Provision for decline in value of inventories	149		-	-
V. Other current assets	150		2,907,331,772	5,267,981,083
1. Short-term prepaid expenses	151	10.a	2,362,804,797	4,846,684,290
2. Deductible VAT	152		506,628,588	421,296,793
3. Taxes and amounts recoverable from the State	153	16	37,898,387	-
B. LONG-TERM ASSETS	200		1,253,946,118,953	1,316,146,018,494
I. Long-term receivables	210		2,004,000,000	2,004,000,000
1. Long-term trade receivables	211		-	-
2. Other long-term receivables	216	8.b	2,004,000,000	2,004,000,000
II. Fixed assets	220		1,235,197,127,032	1,295,414,238,228
1. Tangible fixed assets	221	11	1,230,021,865,232	1,290,232,698,669
- Cost	222		1,600,806,526,741	1,600,087,543,741
- Accumulated depreciation	223		(370,784,661,509)	(309,854,845,072)
2. Intangible fixed assets	227	12	5,175,261,800	5,181,539,559
- Cost	228		5,478,061,800	5,478,061,800
- Accumulated amortization	229		(302,800,000)	(296,522,241)
III. Investment properties	230		-	-
IV. Long-term assets in progress	240		8,721,214,787	5,691,273,761
1. Long-term work in process	241		-	-
2. Construction in progress	242	13	8,721,214,787	5,691,273,761
V. Long-term financial investments	250		-	-
VI. Other long-term assets	260		8,023,777,134	13,036,506,505
1. Long-term prepaid expenses	261	10.b	8,023,777,134	13,036,506,505
2. Other long-term assets	268		-	-
TOTAL ASSETS	270		1,385,649,735,432	1,402,884,910,647

BALANCE SHEET (cont'd)

As at 31/12/2017

RESOURCES	Code	Note	31/12/2017 VND	01/01/2017 VND
C. LIABILITIES	300		671,746,695,264	714,301,340,927
I. Current liabilities	310		157,012,695,264	130,397,340,927
1. Short-term trade payables	311	14	2,035,065,973	5,910,174,163
2. Short-term advances from customers	312	15	518,903,666	1,134,215,089
3. Taxes and amounts payable to the State	313	16	17,390,931,385	18,771,430,469
4. Payables to employees	314		3,331,843,210	1,169,557,865
5. Short-term accrued expenses	315	17	9,647,091,080	8,779,658,446
6. Other short-term payables	319	18	54,822,824,651	25,391,903,134
7. Short-term loans and finance lease liabilities	320	19.a	67,870,000,000	67,720,000,000
8. Reward and welfare fund	322		1,396,035,299	1,520,401,761
II. Long-term liabilities	330		514,734,000,000	583,904,000,000
1. Long-term trade payables	331		-	-
2. Long-term loans and finance lease liabilities	338	19.b	514,734,000,000	583,904,000,000
D. EQUITY	400		713,903,040,168	688,583,569,720
I. Owners' equity	410		713,903,040,168	688,583,569,720
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	7,260,810,603
4. Treasury shares	415	20	(1,589,850,333)	(1,588,920,333)
5. Investment and development fund	418	20	15,130,424,088	13,916,957,675
6. Undistributed profit	421	20	88,314,045,810	64,207,111,775
- Undistributed profit up to prior year-end	421a	20	635,264,318	-
- Undistributed profit this year	421b	20	87,678,781,492	64,207,111,775
II. Other resources and funds	430		-	-
TOTAL RESOURCES	440		1,385,649,735,432	1,402,884,910,647



Pham Phong
General Director

Da Nang City, 18 January 2018

Pham Thai Hung
Chief Accountant

Truong Ngoc Hung
Preparer

INCOME STATEMENT
For the year ended 31/12/2017

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 2017 VND	Year 2016 VND
1. Revenue from sales and service provision	01	21	333,016,036,443	211,905,171,350
2. Revenue deductions	02		-	-
3. Net revenue from sales and service provision	10		333,016,036,443	211,905,171,350
4. Cost of goods sold	11	22	111,750,120,873	67,903,953,844
5. Gross profit from sales and service provision	20		221,265,915,570	144,001,217,506
6. Financial income	21	23	274,292,146	33,271,356
7. Financial expenses	22	24	58,632,807,677	64,384,939,106
<i>Including: Interest expense</i>	23		57,950,013,948	64,181,390,598
8. Selling expenses	25		-	-
9. Administration expenses	26	25	17,597,017,392	9,515,198,946
10. Operating profit	30		145,310,382,647	70,134,350,810
11. Other income	31	26	232,258,928	293,935,090
12. Other expenses	32	27	471,183,847	811,458,232
13. Other profit	40		(238,924,919)	(517,523,142)
14. Accounting profit before tax	50		145,071,457,728	69,616,827,668
15. Current corporate income tax expense	51	28	9,162,059,436	5,409,715,893
16. Deferred corporate income tax expense	52		-	-
17. Profit after tax	60		135,909,398,292	64,207,111,775
18. Basic earnings per share	70	29	2,254	1,031
19. Diluted earnings per share	71	29	2,254	1,031



Pham Phong
General Director

Da Nang City, 18 January 2018


Pham Thai Hung
Chief Accountant


Truong Ngoc Hung
Preparer

STATEMENT OF CASH FLOWS
For the year ended 31/12/2017

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 2017 VND	Year 2016 VND
I. Cash flows from operating activities				
1. Cash receipts from sales, service provision and other income	01		332,390,760,450	246,259,882,759
2. Cash paid to suppliers	02		(29,733,526,301)	(24,760,519,175)
3. Cash paid to employees	03		(22,748,691,024)	(15,344,209,688)
4. Cash paid for borrowing interest	04	17, 24	(58,155,363,221)	(64,085,675,264)
5. Cash paid for corporate income tax	05	16	(11,853,193,224)	(5,623,744,468)
6. Other cash receipts from operating activities	06		64,226,397,478	45,449,235,331
7. Other payments for operating activities	07		(83,156,001,276)	(55,024,663,592)
Net cash provided by operating activities	20		190,970,382,882	126,870,305,903
II. Cash flows from investing activities				
1. Purchases of fixed assets and other long-term assets	21		(5,250,330,712)	(410,349,329)
2. Dividends, profit, interest received	27	23	192,569,930	33,271,356
Net cash used in investing activities	30		(5,057,760,782)	(377,077,973)
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	12,750,300,077
3. Repayments of borrowings	34	19	(72,459,776,200)	(73,830,300,077)
4. Dividends, profit paid to owners	36	18,20	(79,088,026,283)	(51,431,604,970)
Net cash used in financing activities	40		(148,108,956,283)	(112,511,604,970)
Net cash flows for the period	50		37,803,665,817	13,981,622,960
Cash and cash equivalents at the beginning of the period	60	5	14,819,783,143	838,160,183
Impact of exchange rate fluctuations	61		-	-
Cash and cash equivalents at the end of the period	70	5	52,623,448,960	14,819,783,143



Pham Phong
General Director

Da Nang City, 18 January 2018

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 No. 0400439955 dated 04/07/2007 by Da Nang City Planning and Investment Department (since the establishment date, the Business 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.

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, electric 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 (traffic, 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, electric 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 reservoir 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 31/12/2017, 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 Vietnam 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'ngang 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 2003 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	5

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 and 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 treasury 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: According to 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'nang Hydropower Plant: According to 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 expenses of 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

	31/12/2017	01/01/2017
Cash on hand	454,844,771	787,921,797
Demand bank deposits	7,168,604,189	14,031,861,346
Bank deposits with term under 3 months	45,000,000,000	-
Total	52,623,448,960	14,819,783,143

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

	31/12/2017	01/01/2017
Central Power Corporation	7,953,161,832	8,214,963,977
Electricity Power Trading Company	46,556,966,260	39,229,787,178
F.C.L Joint Stock Company	3,558,246,210	822,906,790
Other customers	500,426,361	157,863,648
Total	<u>58,568,800,663</u>	<u>48,425,521,593</u>

In which: trade receivables from related parties

	Relationship	31/12/2017	01/01/2017
Central Power Corporation	Investor	7,953,161,832	8,214,963,977
Electricity Power Trading Company	Affiliate of Viet Nam Electricity	46,556,966,260	39,229,787,178
Total		<u>54,510,128,092</u>	<u>47,444,751,155</u>

7. Short-term prepayments to suppliers

	31/12/2017	01/01/2017
Thuy Loi Technology Transfer and Consulting JSC	37,233,000	2,969,766,000
VietNam Hydraulic Engineering Consultants Corporation - JSC	81,500,000	-
559 Consultant and Construction JSC	98,741,000	-
Phu An Duong JSC	-	210,440,000
Other suppliers	142,492,109	178,645,758
Total	<u>359,966,109</u>	<u>3,358,851,758</u>

8. Other receivables

a. Short-term

	31/12/2017		01/01/2017	
	Amount	Provision	Amount	Provision
Accrued interest	81,722,216	-	-	-
Advances	14,872,066,909	-	12,074,364,614	-
Other receivables	542,075,952	-	714,461,496	-
Total	<u>15,495,865,077</u>	<u>-</u>	<u>12,788,826,110</u>	<u>-</u>

b. Long-term

	31/12/2017		01/01/2017	
	Amount	Provision	Amount	Provision
Deposits, collaterals	2,004,000,000	-	2,004,000,000	-
Total	<u>2,004,000,000</u>	<u>-</u>	<u>2,004,000,000</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)

9. Inventories

	31/12/2017		01/01/2017	
	Cost	Provision	Cost	Provision
Materials	352,154,904	-	933,460,018	-
Tools, instruments	1,039,370,000	-	895,760,000	-
Work in process	356,678,994	-	248,708,448	-
Total	1,748,203,898	-	2,077,928,466	-

- There are no inventories which are unsold, in poor quality at 31/12/2017.
- There are no inventories which were pledged, mortgaged as security for debts as at 31/12/2017.

10. Prepaid expenses

a. Short-term

	31/12/2017	01/01/2017
Insurance expense	115,339,458	52,016,018
Costs of repairing assets	245,701,184	1,917,314,361
Costs of repairing assets of Khe Dien Project	322,504,910	-
Costs of repairing assets of Krong H'ngang Project	917,860,208	1,319,262,364
Forest planting and tending costs of Krong H'ngang Project	761,399,037	1,558,091,547
Total	2,362,804,797	4,846,684,290

b. Long-term

	31/12/2017	01/01/2017
Costs of tools, instruments pending amortization	697,923,754	246,650,381
Overhaul costs of machine units	1,291,205,515	3,317,406,333
Costs of experimental materials	27,833,336	55,666,668
Costs of planting landmark in reservoir of Krong H'ngang Project	910,428,481	2,048,464,083
Costs of planting landmark in reservoir of Khe Dien Project	762,110,308	1,287,721,591
Costs of repairing transformers, assets	25,872,807	29,198,125
Costs of building flood map, other expenses	312,736,556	57,899,755
Afforestation costs of Krong H'ngang Hydropower Project	3,995,666,377	5,993,499,569
Total	8,023,777,134	13,036,506,505

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	81,158,664,955	293,203,829	1,600,087,543,741
Increase in the period	-	-	678,073,909	40,909,091	718,983,000
Decrease in the period	-	-	-	-	-
Ending balance	1,184,055,609,156	334,580,065,801	81,836,738,864	334,112,920	1,600,806,526,741
Depreciation					
Beginning balance	150,485,333,086	132,642,894,806	26,484,572,441	242,044,739	309,854,845,072
Charge for the period	29,578,336,210	25,109,778,638	6,228,060,678	13,640,911	60,929,816,437
Decrease in the period	-	-	-	-	-
Ending balance	180,063,669,296	157,752,673,444	32,712,633,119	255,685,650	370,784,661,509
Net book value					
Beginning balance	1,033,570,276,070	201,937,170,995	54,674,092,514	51,159,090	1,290,232,698,669
Ending balance	1,003,991,939,860	176,827,392,357	49,124,105,745	78,427,270	1,230,021,865,232

- As at 31/12/2017, tangible fixed assets with a carrying value of VND1,224,916,248,934 have been mortgaged as collateral for borrowings granted to the Company.
- Cost of tangible fixed assets fully depreciated but still in active use at 31/12/2017 is VND11,983,615,508.
- 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’nanh 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	-	296,522,241	296,522,241
Charge for the period	-	6,277,759	6,277,759
Sold, disposed	-	-	-
Ending balance	-	302,800,000	302,800,000
Net book value			
Beginning balance	5,175,261,800	6,277,759	5,181,539,559
Ending balance	5,175,261,800	-	5,175,261,800

(*) The long-term land use right at 573 Nui Thanh Street, Hai Chau District, Da Nang City, which 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 31/12/2017 is VND302,800,000.

13. Construction in progress

	31/12/2017	01/01/2017
Construction in progress	8,721,214,787	5,691,273,761
- Krong H'nang 2 Hydropower Plant	3,475,284,736	1,291,509,910
- Song Tranh 1 Hydropower Plant	5,245,930,051	4,399,763,851
Total	8,721,214,787	5,691,273,761

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

	31/12/2017	01/01/2017
Infrastructure and Electric Energy Investment Consultancy JSC	916,363,636	763,636,364
Vietnam Trading Communication One Member Co., Ltd	203,400,000	-
Power Engineering Consulting Joint Stock Company 4	-	1,000,000,000
Management Board of Hydropower Project 3	-	3,459,345,969
Other suppliers	915,302,337	687,191,830
Total	<u>2,035,065,973</u>	<u>5,910,174,163</u>

15. Short-term advances from customers

	31/12/2017	01/01/2017
Bao Phuc Tam Co., Ltd	488,903,666	925,371,821
Other customers	30,000,000	208,843,268
Total	<u>518,903,666</u>	<u>1,134,215,089</u>

16. Taxes and amounts payable to the State

	Beginning balance	Amount to be paid	Actual amount paid	Ending balance	
				Payable	Recoverable
Value Added Tax	7,026,068,130	33,759,644,762	33,803,161,287	6,982,551,605	-
Corporate Income Tax	4,035,886,168	9,162,059,436	11,853,193,224	1,344,752,380	-
Personal Income Tax	7,160,005	2,553,801,259	2,598,859,651	-	37,898,387
Natural resources tax	5,693,706,526	24,588,510,057	23,968,701,535	6,313,515,048	-
License fee	-	13,011,000	13,011,000	-	-
Forest environment service fee	2,008,609,640	6,736,301,692	5,994,798,980	2,750,112,352	-
Total	<u>18,771,430,469</u>	<u>76,813,328,206</u>	<u>78,231,725,677</u>	<u>17,390,931,385</u>	<u>37,898,387</u>

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

	31/12/2017	01/01/2017
Loan interest payable	2,557,602,567	2,762,951,840
Interest for late payment of dividend	-	1,057,982,388
Expenses for implementing general map for Ba River's lowland	212,859,705	242,761,418
Consulting expenses for dam protection of A Roang HP	47,697,582	72,231,488
Expenses for protecting river bed of Krong H'nang HP	-	106,666,400
Survey expenses for preparing Song Bung 3A Investment Project	5,553,418,438	3,354,407,321
Expenses for preparing plan for flood prevention and dam protection in raining season for Dray H'linh Hydropower Plant	77,471,157	250,745,971
Supervision and installation expenses of Dak Pring HP	3,846,249	188,553,693
Survey expenses for preparing investment project of Tam Phuc Hydropower Plant	344,532,264	483,433,043
Expenses for preparing plan for flood prevention of Zahung HP	-	106,881,612
Consulting expenses for installing monitoring equipment of Ry Ninh Dam	107,518,635	-
Expenses for phase 1 of project on dam safety inspection of A Roang Hydropower Plant	172,651,455	-
Project costs for flood prevention in the downstream of Dak Pring Hydropower Plant	187,425,094	-
Other prepaid expenses	382,067,934	153,043,272
Total	9,647,091,080	8,779,658,446

18. Other short-term payables

	31/12/2017	01/01/2017
Dividend payables	54,057,198,825	24,626,277,308
Other payables	765,625,826	765,625,826
Total	54,822,824,651	25,391,903,134

In which: Other short-term payables to related party

	Relationship	31/12/2017	01/01/2017
Dividend payable to Central Power Corporation	Investor	18,916,000,000	18,916,000,000
Total		18,916,000,000	18,916,000,000

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
Short-term loan	-	3,439,776,200	3,439,776,200	-
- OCB - Quang Nam Branch	-	3,439,776,200	3,439,776,200	-
Current portion of long-term loans	67,720,000,000	69,170,000,000	69,020,000,000	67,870,000,000
- Vietcombank - Da Nang Branch	5,720,000,000	7,170,000,000	7,020,000,000	5,870,000,000
- OCB - Quang Nam Branch	62,000,000,000	62,000,000,000	62,000,000,000	62,000,000,000
Total	67,720,000,000	72,609,776,200	72,459,776,200	67,870,000,000

b. Long-term loans and finance lease liabilities

	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Long-term loans	651,624,000,000	-	69,020,000,000	582,604,000,000
- Vietcombank - Da Nang Branch	103,624,000,000	-	7,020,000,000	96,604,000,000
- OCB - Quang Nam Branch	548,000,000,000	-	62,000,000,000	486,000,000,000
Total	651,624,000,000	-	69,020,000,000	582,604,000,000
<i>In which:</i>				
- Amount due within one year	67,720,000,000			67,870,000,000
Long-term loans and finance lease liabilities	583,904,000,000			514,734,000,000

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	Investment and development fund	Undistributed profit
As at 01/01/2016	604,882,610,000	(95,000,000)	6,749,952,910	(1,588,920,333)	13,094,426,199	51,769,769,357
Increase in the period	-	-	510,857,693	-	822,531,476	64,207,111,775
Decrease in the period	-	-	-	-	-	51,769,769,357
As at 31/12/2016	<u>604,882,610,000</u>	<u>(95,000,000)</u>	<u>7,260,810,603</u>	<u>(1,588,920,333)</u>	<u>13,916,957,675</u>	<u>64,207,111,775</u>
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 period	-	-	-	(930,000)	1,213,466,413	135,909,398,292
Decrease in the period	-	-	-	-	-	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>

b. Share capital

	31/12/2017	01/01/2017
Central Power Corporation	236,450,000,000	236,450,000,000
Other shareholders	366,432,710,000	366,433,310,000
Par value of treasury shares	1,999,900,000	1,999,300,000
Total	<u>604,882,610,000</u>	<u>604,882,610,000</u>

c. Capital transactions with owners and distribution of dividend

	Year 2017	Year 2016
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	108,518,947,800	48,230,664,800

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

	31/12/2017	01/01/2017
	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)	199,990	199,930
- Common shares	199,990	199,930
- Preferred shares (classified as owners' equity)	-	-
Number of outstanding shares	60,288,271	60,288,331
- Common shares	60,288,271	60,288,331
- Preferred shares (classified as owners' equity)	-	-
Par value of outstanding shares: VND10,000 each		

e. Undistributed profit

	Year 2017	Year 2016
Profit brought forward	64,207,111,775	51,769,769,357
Profit after corporate income tax of current period	135,909,398,292	64,207,111,775
Distribution of profit	111,802,464,257	51,769,769,357
- Distribution of prior-period profit (*)	63,571,847,457	51,769,769,357
+ Additional reserve fund	-	510,857,693
+ Investment and development fund	1,213,466,413	822,531,476
+ Reward and welfare fund	889,370,044	1,021,715,388
+ Reward fund for the Management	500,000,000	500,000,000
+ Paying dividends	60,288,331,000	48,230,664,800
+ Remunerations for the Board of Directors and Supervisory Board	680,680,000	684,000,000
- Temporary distribution of current-period profit (advance dividend - phase 1)	48,230,616,800	-
Undistributed profit	88,314,045,810	64,207,111,775

(*) The 2016 profit was distributed in accordance with Resolution of the 2017 General Shareholders' Meeting No. 01/2017/NQ-DHDCD dated 18/04/2017.

f. Dividend

Resolution of the 2017 General Shareholders' Meeting No. 01/2017/NQ-DHDCD dated 18/04/2017 approved the plan for paying dividend of 2016 in cash at 10% of the charter capital (equivalent to VND60,288,331,000). The Company has paid this amount of dividend in the year 2017.

Resolution of the Board of Directors No. 04/17/NQ-HDQT dated 30/11/2017 approved the 2017 advance dividend distribution for the first phase at 8% of the charter capital (equivalent to VND48,230,616,800). The Company closed the list of shareholders entitled to dividends on 29/12/2017 and shall pay the dividend 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 2017	Year 2016
Revenue from selling electricity	327,749,462,985	206,893,448,519
Revenue from rendering services	5,266,573,458	5,011,722,831
Total	<u>333,016,036,443</u>	<u>211,905,171,350</u>

22. Cost of goods sold

	Year 2017	Year 2016
Cost of electricity sold	107,006,085,966	63,014,974,372
Cost of services rendered	4,744,034,907	4,888,979,472
Total	<u>111,750,120,873</u>	<u>67,903,953,844</u>

23. Financial income

	Year 2017	Year 2016
Loan interest, deposit interest	274,292,146	33,271,356
Total	<u>274,292,146</u>	<u>33,271,356</u>

24. Financial expenses

	Year 2017	Year 2016
Loan interest	57,950,013,948	64,181,390,598
Interest on late payment of dividends	682,243,402	202,821,555
Others	550,327	726,953
Total	<u>58,632,807,677</u>	<u>64,384,939,106</u>

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

	Year 2017	Year 2016
Material, tool expenses	409,938,062	486,498,940
Labor costs	13,714,873,034	6,739,102,595
Depreciation and amortization expenses	219,863,814	356,053,898
Outside service expenses	1,444,786,182	960,894,822
Other cash expenses	1,807,556,300	972,648,691
Total	17,597,017,392	9,515,198,946

26. Other income

	Year 2017	Year 2016
Received fee for using electricity of K'rong H'ngang Plant	205,973,270	222,336,648
Others	26,285,658	71,598,442
Total	232,258,928	293,935,090

27. Other expenses

	Year 2017	Year 2016
Electricity expenses of Krong H'ngang Plant	205,973,270	222,336,647
Listing management fee	66,069,181	66,291,408
Fines for late payment of taxes, charges	165,808,396	476,163,777
Others	33,333,000	46,666,400
Total	471,183,847	811,458,232

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 2017	Year 2016
Accounting profit before tax	145,071,457,728	69,616,827,668
- From principal activities of Khe Dien Hydropower Plant	11,545,651,969	12,408,238,287
- From principal activities of Krong H'ngang Plant	132,827,599,765	57,120,791,534
- From principal activities of the Consulting Center	-	3,355,495
- From principal activities of Head Office	698,205,994	84,442,352
Adjustment to taxable income	952,087,843	747,891,740
- Increasing adjustments (non-deductible expenses)	952,087,843	747,891,740
+ Khe Dien Hydropower Plant	33,717,744	41,718,332
+ Krong H'ngang Hydropower Plant	803,948,870	634,061,723
+ Head Office	114,421,229	72,111,685
- Decreasing adjustments	-	-
Total taxable income	146,023,545,571	70,364,719,408
- From principal activities of Khe Dien Hydropower Plant	11,579,369,713	12,449,956,619
- From principal activities of Krong H'ngang Plant	133,631,548,635	57,754,853,257
- From principal activities of the Consulting Center	-	3,355,495
- From principal activities of Head Office	812,627,223	156,554,037
Corporate income tax as regulated	15,841,554,251	8,297,458,556
+ Khe Dien Hydropower Plant	2,315,873,943	2,489,991,324
+ Krong H'ngang Hydropower Plant	13,363,154,864	5,775,485,326
+ The Consulting Center	-	671,099
+ Head Office	162,525,444	31,310,807
Reduced, exempted corporate income tax	6,681,577,432	2,887,742,663
+ Krong H'ngang Hydropower Plant (50%)	6,681,577,432	2,887,742,663
Current income tax expenses of prior periods	2,082,617	-
Current corporate income tax expense	9,162,059,436	5,409,715,893
<i>In which:</i>		
- Current corporate income tax expense this period	9,159,976,819	5,409,715,893
+ Khe Dien Hydropower Plant	2,315,873,943	2,489,991,324
+ Krong H'ngang Hydropower Plant	6,681,577,432	2,887,742,663
+ The Consulting Center	-	671,099
+ Head Office	162,525,444	31,310,807
- 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 2017	Year 2016
Accounting profit after corporate income tax	135,909,398,292	64,207,111,775
Adjustments increasing or decreasing accounting profit	-	(2,070,050,044)
- Increasing adjustment	-	-
- Decreasing adjustments (appropriated for reward and welfare fund, reward fund of Management, Remunerations for Board of Directors and Supervisory Board)	-	2,070,050,044
Profit or loss attributable to common shareholders	135,909,398,292	62,137,061,731
Weighted average number of outstanding common shares	60,288,343	60,288,331
Basic, diluted earnings per share	2,254	1,031

(*) Basic, diluted earnings per share of the year 2017 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 2017	Year 2016
Materials expenses	15,450,899,823	10,881,945,511
Labor costs	26,759,122,451	14,930,355,670
Depreciation and amortization expenses	60,936,094,196	38,336,055,325
Outside service expenses	8,575,169,420	5,100,323,582
Other cash expenses	17,733,822,921	8,071,584,052
Total	129,455,108,811	77,320,264,140

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'nang Hydropower Plant - Dak Lak and Phu Yen Province		Head Office & Dam Safety Testing and Consulting Center		Total	
	Year 2017 VND	Year 2016 VND	Year 2017 VND	Year 2016 VND	Year 2017 VND	Year 2016 VND	Year 2017 VND	Year 2016 VND
Revenue from sales and service provision	53,386,811,763	39,998,712,050	274,362,651,222	166,894,736,469	5,266,573,458	5,011,722,831	333,016,036,443	211,905,171,350
Revenue deductions	-	-	-	-	-	-	-	-
Cost of goods sold	27,813,930,935	15,043,224,161	79,192,155,031	47,971,750,211	4,744,034,907	4,888,979,472	111,750,120,873	67,903,953,844
Financial income	62,500	345,700	622,800	764,100	273,606,846	32,161,556	274,292,146	33,271,356
Financial expenses	9,426,397,380	10,243,240,044	49,206,410,297	54,141,699,062	-	-	58,632,807,677	64,384,939,106
Selling expenses	-	-	-	-	-	-	-	-
Administrative expenses	4,571,280,235	2,267,226,126	13,015,403,461	7,230,019,594	10,333,696	17,953,226	17,597,017,392	9,515,198,946
Operating profit	11,575,265,713	12,445,367,419	132,949,305,233	57,552,031,702	785,811,701	136,951,689	145,310,382,647	70,134,350,810
Other income	4,104,000	4,589,200	-	-	228,154,928	289,345,890	232,258,928	293,935,090
Other expenses	33,717,744	41,718,332	121,705,468	431,240,168	315,760,635	338,499,732	471,183,847	811,458,232
Other profit (loss)	(29,613,744)	(37,129,132)	(121,705,468)	(431,240,168)	(87,605,707)	(49,153,842)	(238,924,919)	(517,523,142)
Profit before tax	11,545,651,969	12,408,238,287	132,827,599,765	57,120,791,534	698,205,994	87,797,847	145,071,457,728	69,616,827,668
Corporate income tax	2,315,873,943	2,489,991,324	6,681,577,432	2,887,742,663	164,608,061	31,981,906	9,162,059,436	5,409,715,893
Profit after tax	9,229,778,026	9,918,246,963	126,146,022,333	54,233,048,871	533,597,933	55,815,941	135,909,398,292	64,207,111,775
Fixed assets	31/12/2017	01/01/2016	31/12/2017	01/01/2016	31/12/2017	01/01/2016	31/12/2017	01/01/2016
Tangible fixed assets	104,681,125,580	115,064,833,524	1,120,864,577,731	1,170,519,026,260	4,476,161,921	4,648,838,885	1,230,021,865,232	1,290,232,698,669
- Cost	191,908,064,582	191,229,990,673	1,401,454,456,556	1,401,454,456,556	7,444,005,603	7,403,096,512	1,600,806,526,741	1,600,087,543,741
- Accumulated depreciation	87,226,939,002	76,165,157,149	280,589,878,825	230,935,430,296	2,967,843,682	2,754,257,627	370,784,661,509	309,854,845,072
Intangible fixed assets	-	-	-	-	5,175,261,800	5,181,539,559	5,175,261,800	5,181,539,559
- Cost	-	-	-	-	5,478,061,800	5,478,061,800	5,478,061,800	5,478,061,800
- Accumulated amortization	-	-	-	-	302,800,000	296,522,241	302,800,000	296,522,241

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:

31/12/2017	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

01/01/2017	Within 1 year	Over 1 year	Total
Trade payables	5,910,174,163	-	5,910,174,163
Accrued expenses	8,779,658,446	-	8,779,658,446
Loans and finance lease liabilities	67,720,000,000	583,904,000,000	651,624,000,000
Other payables	25,391,903,134	-	25,391,903,134
Total	107,801,735,743	583,904,000,000	691,705,735,743

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:

31/12/2017	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

01/01/2017	Within 1 year	Over 1 year	Total
Cash and cash equivalents	14,819,783,143	-	14,819,783,143
Trade receivables	48,425,521,593	-	48,425,521,593
Other receivables	714,461,496	2,004,000,000	2,718,461,496
Total	63,959,766,232	2,004,000,000	65,963,766,232

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

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

b. Significant transactions with related parties in the year

	Transactions	Year 2017	Year 2016
Central Power Corporation	Sales of electricity	53,357,686,586	39,976,782,809
	Dividend payable	18,916,000,000	18,916,000,000
	Dividend paid	42,561,000,000	23,645,000,000
Electricity Power Trading Company	Sales of electricity	274,362,651,222	166,894,736,469

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

	Year 2017	Year 2016
Remunerations, bonuses of the Board of Directors	766,000,000	745,500,000
Income of the Management	2,006,952,804	1,863,470,868

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 31/12/2016 which had been audited by AAC.



Pham Phong
General Director

Da Nang City, 18 January 2018

Pham Thai Hung
Chief Accountant

Truong Ngoc Hung
Preparer