



**SONG BA JOINT STOCK
COMPANY**

Financial statements

For the year ended 31/12/2016

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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 31/12/2016.

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 9 times and the nearest amendment was made on 06/01/2015). 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 31/12/2016: 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, 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;

REPORT OF THE MANAGEMENT (cont'd)

- 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;
- 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, 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 31/12/2016, the Company had 94 employees including 9 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 | Reappointed on 10/04/2015 |
| • Mr. Thai Van Thang | Vice Chairman | Reappointed on 10/04/2015 |
| • Mr. Pham Phong | Member | Reappointed 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 |
| | Head of Supervisory Board | Appointed on 10/04/2015 |
| | | Resigned on 22/04/2016 |
| • Mr. Tran Quang Can | Member | Reappointed on 10/04/2015 |
| • Mr. Tran Ngoc Tuan | Member | Reappointed on 10/04/2015 |
| | | Resigned on 21/04/2016 |

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 31/12/2016 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



[Signature]

Pham Phong
General Director
Da Nang City, 10 March 2017



Head office

Lot 78-80 April 30th St., Hai Chau District, Danang City
Tel: 84.236.3655886; Fax: 84.236.3655887
Email: aac@dng.vnn.vn
Website: http://www.aac.com.vn

Branch in Ho Chi Minh City

47-49 Hoang Sa St. (4th floor Hoang Dan Building)
District 1, Ho Chi Minh City
Tel: 84.8.39102235; Fax: 84.8.39102349
Email: aac.hcm@aac.com.vn

No: 222/2017/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 07/02/2017 and set out on pages 5 to 33, which comprise the balance sheet as at 31/12/2016, the income statement, statement of cash flows, and notes to the financial statements for the year then ended.

The 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 the statutory requirements relevant to 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 Company’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 31/12/2016, 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 preparation and presentation of financial statements.



AAC Auditing and Accounting Co., Ltd.

T.N.H.H

KIỂM TOÁN VÀ KẾ TOÁN
AAC

Lam Quang Tu – Deputy General Director
Audit Practicing Registration Certificate
No. 1031-2013-010-1

Da Nang City, 10 March 2017

Dang Xuan Loc – Auditor
Audit Practicing Registration Certificate
No. 1324-2013-010-1

BALANCE SHEET (cont'd)
As at 31/12/2016

RESOURCES	Code	Note	31/12/2016 VND	01/01/2016 VND
C. LIABILITIES	300		714,301,340,927	781,744,291,775
I. Current liabilities	310		130,397,340,927	128,870,291,775
1. Short-term trade payables	311	14	5,910,174,163	6,714,570,291
2. Short-term advances from customers	312	15	1,134,215,089	105,622,386
3. Taxes and amounts payable to the State budget	313	16	18,771,430,469	23,695,695,874
4. Payables to employees	314		1,169,557,865	3,852,637,356
5. Short-term accrued expenses	315	17	8,779,658,446	4,734,120,365
6. Other short-term payables	319	18	25,391,903,134	28,561,582,185
7. Short-term loans and finance lease liabilities	320	19.a	67,720,000,000	59,830,000,000
8. Reward and welfare fund	322		1,520,401,761	1,376,063,318
II. Long-term liabilities	330		583,904,000,000	652,874,000,000
1. Long-term trade payables	331		-	-
2. Long-term loans and finance lease liabilities	338	19.b	583,904,000,000	652,874,000,000
D. EQUITY	400		688,583,569,720	674,812,838,133
I. Owners' equity	410		688,583,569,720	674,812,838,133
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	6,749,952,910
4. Treasury shares	415	20	(1,588,920,333)	(1,588,920,333)
5. Investment and development fund	418	20	13,916,957,675	13,094,426,199
6. Undistributed profit	421	20	64,207,111,775	51,769,769,357
- Undistributed profit up to prior year-end	421a	20	-	-
- Undistributed profit this period	421b	20	64,207,111,775	51,769,769,357
II. Budget sources and other funds	430		-	-
TOTAL RESOURCES	440		1,402,884,910,647	1,456,557,129,908



Pham Phong
General Director

Da Nang City, 7 February 2017


Pham Thai Hung
Chief Accountant

Truong Ngoc Hung
Preparer

INCOME STATEMENT
For the year ended 31/12/2016

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

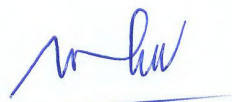
ITEMS	Code	Note	Year 2016 VND	Year 2015 VND
1. Revenue from sales and service provision	01	21	211,905,171,350	194,925,779,987
2. Deductions	02		-	-
3. Net revenue from sales and service provision	10		211,905,171,350	194,925,779,987
4. Cost of goods sold	11	22	<u>67,903,953,844</u>	<u>67,181,704,847</u>
5. Gross profit from sales and service provision	20		<u>144,001,217,506</u>	<u>127,744,075,140</u>
6. Financial income	21	23	33,271,356	87,212,324
7. Financial expenses	22	24	64,384,939,106	63,738,080,830
<i>Including: Interest expense</i>	23		64,181,390,598	61,747,829,453
8. Selling expenses	25		-	-
9. Administration expenses	26	25	<u>9,515,198,946</u>	<u>8,259,071,801</u>
10. Operating profit	30		<u>70,134,350,810</u>	<u>55,834,134,833</u>
11. Other income	31	26	293,935,090	2,064,776,664
12. Other expenses	32	27	<u>811,458,232</u>	<u>376,211,991</u>
13. Other profit	40		<u>(517,523,142)</u>	<u>1,688,564,673</u>
14. Accounting profit before tax	50		<u>69,616,827,668</u>	<u>57,522,699,506</u>
15. Current corporate income tax expense	51	28	5,409,715,893	5,752,930,149
16. Deferred corporate income tax expense	52		-	-
17. Profit after tax	60		<u>64,207,111,775</u>	<u>51,769,769,357</u>
18. Basic earnings per share	70	29	1,065	822
19. Diluted earnings per share	71	29	1,065	822



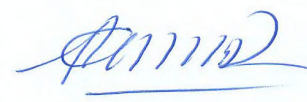
[Signature]

Pham Phong
General Director

Da Nang City, 7 February 2017



Pham Thai Hung
Chief Accountant



Truong Ngoc Hung
Preparer

STATEMENT OF CASH FLOWS
For the year ended 31/12/2016

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 2016 VND	Year 2015 VND
I. Cash flows from operating activities				
1. Cash receipts from sales and service provision	01		246,259,882,759	158,368,508,530
2. Cash paid to suppliers	02		(24,760,519,175)	(24,983,045,091)
3. Cash paid to employees	03		(15,344,209,688)	(10,834,732,993)
4. Cash paid for borrowing interest	04	17, 24	(64,085,675,264)	(62,352,323,919)
5. Corporate income tax paid	05	16	(5,623,744,468)	(2,577,028,486)
6. Other cash receipts from operating activities	06		45,449,235,331	31,147,804,023
7. Other payments for operating activities	07		(55,024,663,592)	(30,504,629,674)
Net cash provided by operating activities	20		126,870,305,903	58,264,552,390
II. Cash flows from investing activities				
1. Purchases of fixed assets and other long-term assets	21		(410,349,329)	(2,013,180,050)
2. Dividends, profit, interest received	27	23	33,271,356	86,186,919
Net cash used in investing activities	30		(377,077,973)	(1,926,993,131)
III. Cash flows from financing activities				
1. Proceeds from borrowings	33	19	12,750,300,077	632,454,000,000
2. Repayments of borrowings	34	19	(73,830,300,077)	(651,344,909,612)
3. Dividends, profit paid to owners	36		(51,431,604,970)	(41,129,995,487)
Net cash used in financing activities	40		(112,511,604,970)	(60,020,905,099)
Net cash flows for the period	50		13,981,622,960	(3,683,345,840)
Cash and cash equivalents at the beginning of the year	60	5	838,160,183	4,521,506,023
Impact of exchange rate fluctuations	61		-	-
Cash and cash equivalents at the end of the year	70	5	14,819,783,143	838,160,183



Pham Phong
General Director

Da Nang City, 7 February 2017

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 9 times and the nearest amendment was made on 06/01/2015). 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, 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: Wholsale 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, 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 31/12/2016, 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.

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, cash at bank 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 includes: trade receivables, other receivables and intra-company receivables:

- Trade receivables are trade-related amounts arising from trading activities between the Company and its customers;
- Intra-company receivables are receivables between superior organizations and affiliated organizations having no legal status and dependent cost-accounting;
- 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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

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.

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, goods: 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 the fixed assets of Krong H'nang Hydropower Plant applied at 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:

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

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

In order to ensure the depreciation in accordance with the actual use and the 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:

Depreciation rate in the period	=	Cost of fixed assets	x	Volume of electricity actually generated in the period
		Depreciation period of fixed assets registered with tax authority	x	Average design capacity of each year

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	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 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 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 care are amortized with the straightline method for 12 months from inspection test forest care.
- 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.

Capitalisation 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 owners 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 expenses of other investing activities.

4.14 Administrative expenses

Administrative 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 0% 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

	31/12/2016	01/01/2016
Cash on hand	787,921,797	189,884,955
Cash in bank	14,031,861,346	648,275,228
Total	14,819,783,143	838,160,183

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

	31/12/2016	01/01/2016
Central Power Corporation	8,214,963,977	12,685,682,691
Electricity Power Trading Company	39,229,787,178	73,957,305,704
Other customers	980,770,438	29,055,027
Total	48,425,521,593	86,672,043,422

In which: trade receivables from related parties

	Relationship	31/12/2016	01/01/2016
Central Power Corporation	Investor	8,214,963,977	12,685,682,691
Electricity Power Trading Company	Affiliate of Viet Nam Electricity	39,229,787,178	73,957,305,704
Total		47,444,751,155	86,642,988,395

7. Short-term prepayments to suppliers

	31/12/2016	01/01/2016
Thuy Loi Technology Transfer and Consulting JSC	2,969,766,000	2,969,766,000
Phu An Duong Joint Stock Company	210,440,000	-
Hung Binh Construction and Cadastre Joint Stock Company	-	981,850,000
Other suppliers	178,645,758	219,591,271
Total	3,358,851,758	4,171,207,271

8. Other receivables

a. Short-term

	31/12/2016		01/01/2016	
	Amount	Provision	Amount	Provision
Advances	12,074,364,614	-	7,792,820,444	-
- Tra Quang Huu	-	-	2,500,000,000	-
- Nguyen Dang Hung	1,156,913,078	-	1,714,140,078	-
- Tran Van Tan	1,155,883,000	-	946,953,000	-
- Phan Dinh Thanh	4,422,223,160	-	1,618,853,160	-
- Others	5,339,345,376	-	1,012,874,206	-
Other receivables	714,461,496	-	701,106,450	-
Total	12,788,826,110	-	8,493,926,894	-

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

	31/12/2016		01/01/2016	
	Amount	Provision	Amount	Provision
Deposits	2,004,000,000	-	2,004,000,000	-
Total	2,004,000,000	-	2,004,000,000	-

9. Inventories

	31/12/2016		01/01/2016	
	Cost	Provision	Cost	Provision
Materials	933,460,018	-	229,992,395	-
Tools, instruments	895,760,000	-	836,450,000	-
Work in process	248,708,448	-	347,597,098	-
Total	2,077,928,466	-	1,414,039,493	-

- There are no inventories which are unsold, in poor quality at 31/12/2016.
- There are no inventories which were pledged, mortgaged as security for debts as at 31/12/2016.

10. Prepaid expenses

a. Short-term

	31/12/2016	01/01/2016
Insurance expense	52,016,018	31,594,754
Costs of checking, repairing assets	1,917,314,361	54,578,590
Forest tending costs of Krong H'ngang Project	1,558,091,547	-
Costs of repairing assets of Krong H'ngang Project	1,319,262,364	-
Total	4,846,684,290	86,173,344

b. Long-term

	31/12/2016	01/01/2016
Costs of tools, instruments pending amortization	246,650,381	319,785,493
Overhaul costs of units	3,317,406,333	4,068,852,425
Costs of experimental materials	55,666,668	113,689,665
Costs of planting landmark in lake of Krong H'ngang Project	2,048,464,083	-
Costs of planting landmark in lake of Khe Dien Project	1,287,721,591	-
Costs of repairing transformers, assets	29,198,125	92,336,125
Costs of building flood map, other expenses	57,899,755	117,655,259
Afforestation costs of Krong H'ngang Hydropower Project	5,993,499,569	7,991,332,760
Total	13,036,506,505	12,703,651,727

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	1,184,082,070,885	334,580,065,801	81,158,664,955	242,044,739	1,600,062,846,380
Increase in the year	-	-	-	51,159,090	51,159,090
Decrease in the year	26,461,729	-	-	-	26,461,729
Ending balance	1,184,055,609,156	334,580,065,801	81,158,664,955	293,203,829	1,600,087,543,741
Depreciation					
Beginning balance	131,119,974,240	117,698,405,490	22,479,393,299	242,044,739	271,539,817,768
Charge for the year	19,365,358,846	14,944,489,316	4,005,179,142	-	38,315,027,304
Decrease in the year	-	-	-	-	-
Ending balance	150,485,333,086	132,642,894,806	26,484,572,441	242,044,739	309,854,845,072
Net book value					
Beginning balance	1,052,962,096,645	216,881,660,311	58,679,271,656	-	1,328,523,028,612
Ending balance	1,033,570,276,070	201,937,170,995	54,674,092,514	51,159,090	1,290,232,698,669

- As at 31/12/2016, fixed assets with a carrying value of VND1,285,583,859,784 have been mortgaged as collateral for borrowings granted to the Company.
- Cost of tangible fixed assets fully depreciated but still in active use at 31/12/2016 is VND3,336,662,318.
- There are no amounts of tangible fixed assets pending disposal.
- There are no commitments to repurchase fixed assets of high value in 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'ngang 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 this, 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)*

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 2016 VND	Year 2015 VND	Year 2016 VND	Year 2015 VND	Year 2016 VND	Year 2015 VND	Year 2016 VND	Year 2015 VND
Revenue from sales and service provision	39,998,712,050	46,576,816,601	166,894,736,469	146,291,543,153	5,011,722,831	2,057,420,233	211,905,171,350	194,925,779,987
Revenue deductions	-	-	-	-	-	-	-	-
Cost of goods sold	15,043,224,161	19,060,469,376	47,971,750,211	46,142,946,786	4,888,979,472	1,978,288,685	67,903,953,844	67,181,704,847
Financial income	345,700	873,800	764,100	769,500	32,161,556	85,569,024	33,271,356	87,212,324
Financial expenses	10,243,240,044	10,414,815,310	54,141,699,062	53,323,265,520	-	-	64,384,939,106	63,738,080,830
Selling expenses	-	-	-	-	-	-	-	-
Administrative expenses	2,267,226,126	2,343,224,029	7,230,019,594	5,672,644,234	17,953,226	243,203,538	9,515,198,946	8,259,071,801
Operating profit	12,445,367,419	14,759,181,686	57,552,031,702	41,153,456,113	136,951,689	(78,502,966)	70,134,350,810	55,834,134,833
Other income	4,589,200	1,621,079,560	-	-	289,345,890	443,697,104	293,935,090	2,064,776,664
Other expenses	41,718,332	52,185,140	431,240,168	32,693,713	338,499,732	291,333,138	811,458,232	376,211,991
Other profit (loss)	(37,129,132)	1,568,894,420	(431,240,168)	(32,693,713)	(49,153,842)	152,363,966	(517,523,142)	1,688,564,673
Profit before tax	12,408,238,287	16,328,076,106	57,120,791,534	41,120,762,400	87,797,847	73,861,000	69,616,827,668	57,522,699,506
Corporate income tax	2,489,991,324	3,612,976,320	2,887,742,663	2,106,058,058	31,981,906	33,895,771	5,409,715,893	5,752,930,149
Profit after tax	9,918,246,963	12,715,099,786	54,233,048,871	39,014,704,342	55,815,941	39,965,229	64,207,111,775	51,769,769,357
Fixed assets	31/12/2016	01/01/2016	31/12/2016	01/01/2016	31/12/2016	01/01/2016	31/12/2016	01/01/2016
Tangible fixed assets	115,064,833,524	122,309,639,813	1,170,519,026,260	1,201,254,221,398	4,648,838,885	4,959,167,401	1,290,232,698,669	1,328,523,028,612
- Cost	191,229,990,673	191,229,990,673	1,401,454,456,556	1,401,454,456,556	7,403,096,512	7,378,399,151	1,600,087,543,741	1,600,062,846,380
- Accumulated depreciation	76,165,157,149	68,920,350,860	230,935,430,296	200,200,235,158	2,754,257,627	2,419,231,750	309,854,845,072	271,539,817,768
Intangible fixed assets	-	-	-	-	5,181,539,559	5,202,567,580	5,181,539,559	5,202,567,580
- Cost	-	-	-	-	5,478,061,800	5,478,061,800	5,478,061,800	5,478,061,800
- Accumulated amortization	-	-	-	-	296,522,241	275,494,220	296,522,241	275,494,220

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 of the activity of purchasing and selling electricity in Vietnam, the Management assumes that the Company has no significant exposure to credit risk with 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:

31/12/2016	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

01/01/2016	Within 1 year	Over 1 year	Total
Trade payables	6,714,570,291	-	6,714,570,291
Accrued expenses	4,734,120,365	-	4,734,120,365
Loans and finance lease liabilities	59,830,000,000	652,874,000,000	712,704,000,000
Other payables	28,561,582,185	-	28,561,582,185
Total	99,840,272,841	652,874,000,000	752,714,272,841

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:

31/12/2016	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

01/01/2016	Within 1 year	Over 1 year	Total
Cash and cash equivalents	838,160,183	-	838,160,183
Trade receivables	86,672,043,422	-	86,672,043,422
Other receivables	701,106,450	2,004,000,000	2,705,106,450
Total	88,211,310,055	2,004,000,000	90,215,310,055

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 2016	Year 2015
Central Power Corporation	Sales of electricity	39,976,782,809	46,555,739,380
	Dividend payable	18,916,000,000	23,645,000,000
	Dividend paid	23,645,000,000	5,000,000,000
	Purchasing electricity	550,684,860	657,471,298
Electricity Power Trading Company	Sales of electricity	166,894,736,469	146,291,543,153

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

	Year 2016	Year 2015
Remunerations, bonus for the Board of Directors	745,500,000	932,000,000
Income of the Management	1,863,470,868	1,406,084,281

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 31/12/2015 which had been audited by AAC.



Pham Phong
General Director

Da Nang City, 7 February 2017

Pham Thai Hung
Chief Accountant

Truong Ngoc Hung
Preparer