



SONG DA 505
JOINT STOCK COMPANY
Financial statements
For the year ended 31/12/2019

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REPORT OF MANAGEMENT

Management of Song Da 505 Joint Stock Company has pleasure in submitting this report together with the audited financial statements for the year ended 31/12/2019.

Overview

Song Da 505 Joint Stock Company (“the Company”) was established on the basis of equitization of Song Da 505 Enterprise attached to Song Da 5 Company of Song Da Corporation under Decision No. 980/QD-BXD dated 22/6/2004 of the Construction Minister. The Company was granted Business Registration Certificate No. 3903000041 by Gia Lai Province Planning and Investment Department on 9/8/2004. Since the establishment date, the Business Registration Certificate (which is now the Enterprise Registration Certificate No. 5900320629) has been amended ten (10) times and the nearest amendment was made on 24/07/2018. The Company is an independent accounting entity, operating in conformity with the Enterprise Law, its Charter and relevant regulations.

The Company registered to list its common shares on the Hanoi Stock Exchange with code S55. The first trading date was 22/12/2006.

Charter capital: VND100,000,000,000.

Paid-in capital as at 31/12/2019: VND100,000,000,000.

Head Office

- Address: IaO Commune, IaGrai District, Gia Lai Province
- Transaction office: Song Da Building - Pham Hung Street - Tu Liem District – Hanoi City
- Tel: (84) 059.3875243
- Fax: (84) 059.3897323
- Email: songda505@vnn.vn
- Website: www.songda505.com.vn

The Company has 2 subsidiaries and 1 associate, including:

- Subsidiaries: Bac Na Electricity Joint Stock Company
Ehula Joint Stock Company
- Associate: Song Ong Hydropower Joint Stock Company

Principal activities

- Construction of industrial, public, civil, housing, hydropower, hydraulic, transportation works;
- Construction and operation of small and medium hydropower plants;
- Exploiting, producing and trading materials, construction materials, concrete, structural metal products, accessories and attachments for construction works;
- Executing construction works by hole blast drilling method, jet drilling method;
- Mining of iron ore;
- Exploiting of sand, stone and gravel;
- Real estate business;

REPORT OF MANAGEMENT (cont'd)

- Testing of building materials, construction quality control, testing equipment calibration, measurement equipment and testing.

Employees

The Company has 565 employees as at 31/12/2019, including 60 managing officers.

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

Board of Directors

- | | | |
|--------------------------|----------|----------------------------|
| • Mr. Dang Quang Dat | Chairman | Appointed on 26/03/2015 |
| • Mr. Dang Van Tuyen | Member | Re-appointed on 26/03/2015 |
| • Mr. Vu Son Thuy | Member | Re-appointed on 26/03/2015 |
| • Mr. Le Tuan Anh | Member | Appointed on 13/04/2018 |
| • Mr. Nguyen Dinh Phuong | Member | Appointed on 26/03/2015 |

Supervisory Board

- | | | |
|-----------------------|------------------|---|
| • Ms. Le Thi Hien | Chief Supervisor | Appointed on 30/03/2019 |
| • Mr. Dang Thanh Nam | Chief Supervisor | Appointed on 26/03/2015
Resigned on 30/03/2019 |
| • Ms. Dang Ngoc Nhung | Member | Appointed on 26/03/2015 |
| • Mr. Nguyen The Hoan | Member | Appointed on 26/03/2015 |

Management and Chief Accountant

- | | | |
|--------------------------|------------------|--|
| • Mr. Dang Quang Dat | Director | Re-appointed on 26/03/2015 |
| • Mr. Tran Thai Binh | Vice Director | Re-appointed on 26/03/2015 |
| • Mr. Nguyen Dinh Phuong | Vice Director | Appointed on 15/05/2015 |
| • Mr. Nguyen Ngoc Anh | Vice Director | Re-appointed on 26/03/2015
Resigned on 01/01/2019 |
| • Mr. Le Van Phuc | Vice Director | Re-appointed on 26/03/2015
Resigned on 01/01/2019 |
| • Mr. Nguyen Tuan Ngoc | Vice Director | Appointed on 10/10/2019
Resigned on 11/11/2019 |
| • Mr. Vu Son Thuy | Chief Accountant | Re-appointed on 26/03/2015 |

REPORT OF MANAGEMENT (cont'd)

Independent auditor

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

Management's statement of responsibility in respect of the financial statements

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

- Complying with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and other relevant regulations;
- Selecting suitable accounting policies and then applying them consist;
- Making judgments and estimates that are reasonable and prudent;
- Preparing the financial statements on the going concern;
- Responsibility for such internal control as 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.

Members of the Management hereby confirm that the accompanying financial statements including the balance sheet, the income statement, the statement of cash flows and notes to the financial statements present fairly, in all material respects, the financial position of the Company as at 31/12/2019 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and relevant statutory regulations on preparation and presentation of financial statements.

On behalf of the Management



Dang Quang Dat
Director

Gia Lai Province, 04 March 2020



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.169/2020/BCKT-AAC

INDEPENDENT AUDITORS' REPORT

To: The Shareholders, Board of Directors and Management
Song Da 505 Joint Stock Company

We have audited the financial statements which were prepared on 25/02/2020 of Song Da 505 Joint Stock Company (“the Company”) as set out on pages 6 to 30, which comprise the balance sheet as at 31/12/2019, the income statement, statement of cash flows, and notes to the financial statements for the year then ended.

Management’s Responsibility

The Management of the Company is responsible for the preparation and fair presentation of these interim financial statements in accordance with the Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and the statutory requirements relevant to preparation and presentation of the interim financial statements, and for such internal control as the Management determines is necessary to enable the preparation and presentation of interim 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 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 31/12/2019, 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.

Emphasis of Matter

We would like to draw your attention to the issue presented in Note 3, the accompanying financial statements is the 2019 separate financial statements of the Company. These financial statements should be read in conjunction with the 2019 consolidated financial statements in order to obtain complete information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Company.

Our audit opinion is not qualified in respect of this matter.



AAC Auditing and Accounting Co., Ltd.

Trần Thị Thu Hien
Trần Thị Thu Hien – Deputy General Director

Audit Practicing Registration Certificate

No. 0753-2018-010-1

Da Nang City, 04 March 2020

Phan Van Si – Auditor

Audit Practicing Registration Certificate

No. 4040-2017-010-1

BALANCE SHEET
As at 31 December 2019

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

ASSETS	Code	Note	31/12/2019 VND	01/01/2019 VND
A. CURRENT ASSETS	100		308,604,016,192	344,703,209,911
I. Cash and cash equivalents	110		22,598,434,135	12,945,389,105
1. Cash	111	5	598,434,135	9,945,389,105
2. Cash equivalents	112	6	22,000,000,000	3,000,000,000
II. Short-term financial investments	120		110,077,616,000	124,058,800,000
1. Trading security	121	7.a	193,296,552	193,296,552
2. Provision for decline in value of trading securities	122	7.a	(115,680,552)	(134,496,552)
3. Held-to-maturity investments	123	7.b	110,000,000,000	124,000,000,000
III. Short-term receivables	130		148,965,182,667	142,808,357,510
1. Short-term trade receivables	131	8	213,753,049,078	187,490,393,065
2. Short-term prepayments to suppliers	132	9	10,594,600,422	23,081,121,828
3. Other short-term receivables	136	10	2,891,132,964	6,681,678,700
4. Provision for doubtful debts	137	11	(78,273,599,797)	(74,444,836,083)
IV. Inventories	140	12	24,920,582,084	64,030,797,030
1. Inventories	141		24,920,582,084	64,030,797,030
2. Provision for decline in value of inventories	149		-	-
V. Other current assets	150		2,042,201,306	859,866,266
1. Short-term prepaid expenses	151	13.a	1,053,109,062	724,463,274
2. Creditable VAT	152		989,054,952	133,455,230
3. Taxes and amounts receivable from the State	153	17	37,292	1,947,762
B. LONG-TERM ASSETS	200		442,927,134,410	273,035,692,336
I. Long-term receivables	210		-	-
II. Fixed assets	220		10,268,645,480	11,913,810,548
1. Tangible fixed assets	221	14	10,268,645,480	11,913,810,548
- Cost	222		72,808,786,517	72,326,657,331
- Accumulated depreciation	223		(62,540,141,037)	(60,412,846,783)
2. Intangible fixed assets	227		-	-
III. Investment properties	230		-	-
IV. Long-term assets in progress	240		-	-
V. Long-term financial investments	250		425,035,360,000	253,335,360,000
1. Investments in subsidiaries	251	7.c	363,529,360,000	192,029,360,000
2. Investments in associates, joint ventures	252	7.c	41,082,000,000	41,082,000,000
3. Investments in other entities	253	7.c	20,424,000,000	20,224,000,000
VI. Other long-term assets	260		7,623,128,930	7,786,521,788
1. Long-term prepaid expenses	261	13.b	7,623,128,930	7,786,521,788
2. Deferred income tax assets	262		-	-
TOTAL ASSETS	270		751,531,150,602	617,738,902,247

BALANCE SHEET (cont'd)
As at 31 December 2019

RESOURCES	Code	Note	31/12/2019 VND	01/01/2019 VND
C. LIABILITIES	300		304,024,186,960	217,042,180,848
I. Current liabilities	310		304,024,186,960	217,042,180,848
1. Short-term trade payables	311	15	42,334,308,497	38,333,900,530
2. Short-term advances from customers	312	16	112,574,641,858	75,258,627,196
3. Taxes and amounts payable to the State Budget	313	17	8,911,582,105	5,011,638,036
4. Payables to employees	314	18	22,141,736,109	20,293,465,892
5. Short-term accrued expenses	315	19	7,197,974,497	3,059,783,403
6. Other short-term payables	319	20	35,108,734,308	11,166,929,838
7. Short-term loan and finance lease obligations	320	21	73,923,214,298	61,450,770,665
8. Reward and welfare fund	322		1,831,995,288	2,467,065,288
II. Long-term liabilities	330		-	-
D. OWNERS' EQUITY	400		447,506,963,642	400,696,721,399
I. Owners' equity	410		447,506,963,642	400,696,721,399
1. Share capital	411	22	100,000,000,000	100,000,000,000
- Common shares with voting rights	411a		100,000,000,000	100,000,000,000
- Preferred shares	411b		-	-
2. Share premium	412	22	63,003,467,265	63,003,467,265
3. Development investment fund	418	22	221,524,899,419	171,296,352,066
4. Undistributed profit	421	22	62,978,596,958	66,396,902,068
- Undistributed profit up to the end of prior period	421a	22	11,168,354,715	10,711,407,798
- Undistributed profit of current period	421b	22	51,810,242,243	55,685,494,270
II. Budget sources and other funds	430		-	-
TOTAL RESOURCES	440		751,531,150,602	617,738,902,247



Dang Quang Dat
Director

Gia Lai Province, 25 February 2020

Vu Son Thuy
Chief Accountant

Tong Thi Thu Hien
Preparer

INCOME STATEMENT
For the year ended 31/12/2019

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 2019 VND	Year 2018 VND
1. Revenue from sales and service provision	01	23	514.798.690.203	338.395.961.818
2. Deductions	02	24	1.816.777.619	122.891.278
3. Net revenue from sales and service provision	10		512.981.912.584	338.273.070.540
4. Cost of goods sold	11	25	467.366.692.913	302.403.288.323
5. Gross profit from sales and service provision	20		45.615.219.671	35.869.782.217
6. Financial income	21	26	32.627.155.345	36.110.316.844
7. Financial expenses	22	27	4.954.487.747	3.783.297.281
<i>Including: Interest expense</i>	23		4.973.303.747	3.778.573.234
8. Selling expenses	25		-	-
9. Administrative expenses	26	28	14.416.666.454	12.116.688.912
10. Operating profit	30		58.871.220.815	56.080.112.868
11. Other income	31	29	1.141.714.276	3.358.915.506
12. Other expenses	32	30	523.834.546	166.082.144
13. Other profit	40		617.879.730	3.192.833.362
14. Accounting profit before tax	50		59.489.100.545	59.272.946.230
15. Current income tax expense	51	31	7.678.858.302	3.587.451.960
16. Deferred tax expense	52		-	-
17. Profit after tax	60		51.810.242.243	55.685.494.270



Dang Quang Dat
Director

Gia Lai Province, 25 February 2020

Vu Son Thuy
Chief Accountant

Tong Thi Thu Hien
Preparer

STATEMENT OF CASH FLOWS
For the year ended 31/12/2019

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 2019 VND	Year 2018 VND
I. Cash flows from operating activities				
1. Profit before tax	01		59,489,100,545	59,272,946,230
2. Adjustments for				
- Depreciation and amortization	02	14	5,333,840,821	5,543,102,037
- Provisions	03		3,809,947,714	374,604,587
- Exchange (gain)/loss upon revaluation of monetary items denominated in foreign currency	04		-	20,047
- (Profits)/losses from investing activities	05	26,29	(33,189,109,486)	(38,552,066,161)
- Interest expenses	06	27	4,973,303,747	3,778,573,234
3. Operating profit before changes in working capital	08		40,417,083,341	30,417,179,974
- Decrease/(increase) in receivables	09		(13,224,549,327)	(20,081,095,265)
- Decrease/(increase) in inventories	10		39,110,214,946	(30,266,951,990)
- (Decrease)/increase in payables (excluding interest and corporate income tax payable)	11		71,190,076,392	43,838,580,401
- Decrease/(increase) in prepaid expenses	12		(165,252,930)	416,838,909
- Loan interest paid	14	19, 20, 27	(5,096,330,821)	(4,143,453,920)
- Corporate income tax paid	15	17	(3,601,275,141)	(3,168,011,095)
- Other payments for operating activities	17		(635,070,000)	(955,927,272)
Net cash provided by operating activities	20		127,994,896,460	16,057,159,742
II. Cash flows from investing activities				
1. Purchases of fixed assets and other long-term assets	21	14	(3,723,509,091)	(8,945,329,091)
2. Proceeds from disposals of fixed assets and other assets	22		602,917,500	3,580,741,393
3. Cash paid for loans, acquisition of debt instruments	23		-	(125,350,000,000)
4. Recovery of loans, re-sales of debt instruments	24	7.b	14,000,000,000	1,350,000,000
5. Cash paid for capital contribution in other entities	25	7.c	(171,700,000,000)	(68,085,760,000)
6. Interest, dividends and profit received	27		35,006,296,528	31,487,626,433
Net cash used in investing activities	30		(125,814,295,063)	(165,962,721,265)

STATEMENT OF CASH FLOWS (cont'd)
For the year ended 31/12/2019

ITEMS	Code	Note	Year 2019 VND	Year 2018 VND
III. Cash flows from financing activities				
1. Proceeds from stock issuance, capital contribution	31		-	59,974,765,000
2. Proceeds from loans	33	21	169,970,147,895	167,365,696,701
3. Repayment of loan principal	34	21	(157,497,704,262)	(131,842,151,773)
4. Dividends, profit paid to owners	36	22.c	(5,000,000,000)	(5,000,000,000)
Net cash provided by financing activities	40		7,472,443,633	90,498,309,928
Net cash flows for the period	50		9,653,045,030	(59,407,251,595)
Cash and cash equivalents at the beginning of the period	60	5, 6	12,945,389,105	72,352,660,747
Impacts of exchange rate fluctuations	61		-	(20,047)
Cash and cash equivalents at the end of the period	70	5, 6	22,598,434,135	12,945,389,105



Dang Quang Dat
Director

Gia Lai Province, 25 February 2020

Vu Son Thuy
Chief Accountant

Tong Thi Thu Hien
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 No. 200/2014/TT - BTC dated 22/12/2014 by the Ministry of Finance

1. Nature of operations

1.1. Overview

Song Da 505 Joint Stock Company (“the Company”) was established on the basis of equitization of Song Da 505 Enterprise attached to Song Da 5 Company of Song Da Corporation under Decision No. 980/QD-BXD dated 22/6/2004 of the Construction Minister. The Company was granted Business Registration Certificate No. 3903000041 by Gia Lai Province Planning and Investment Department on 9/8/2004. Since the establishment date, the Business Registration Certificate (which is now the Enterprise Registration Certificate No. 5900320629) has been amended ten (10) times and the nearest amendment was made on 24/07/2018. The Company is an independent accounting entity, operating in conformity with the Enterprise Law, its Charter and relevant regulations.

1.2. Principal scope of business: Construction.

1.3. Operating activities

- Construction of industrial, public, civil, housing, hydropower, hydraulic, transportation works;
- Construction and operation of small and medium hydropower plants;
- Exploiting, producing and trading materials, construction materials, concrete, structural metal products, accessories and attachments for construction works;
- Executing construction works by hole blast drilling method, jet drilling method;
- Mining of iron ore;
- Exploiting of sand, stone and gravel;
- Real estate business;
- Testing of building materials, construction quality control, testing equipment calibration, measurement equipment and testing.

1.4. Business structure

As at 31/12/2019, the Company has 2 subsidiaries and 1 associate as follows:

- Subsidiaries: Bac Na Electricity Joint Stock Company
Ehula Joint Stock Company
- Associate: Song Ong Hydropower Joint Stock Company

2. Accounting period, currency used in accounting

The Company’s annual accounting period starts on 1 January and ends on 31 December.

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

3. Applied accounting standards and system

The Company adopts the Vietnamese Corporate Accounting System, which was guided under Circular No. 200/2014/TT-BTC dated 22/12/2014 and Vietnamese Accounting Standards issued by the Ministry of Finance.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

As at 31/12/2019, the Company has subsidiaries. Accordingly, in 2019 the Company has prepared both the separate financial statements of the Company and the consolidated financial statements. The separate financial statements of the Company should read together with the 2019 consolidated financial statements to obtain complete information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Company.

4. Summary of significant accounting policies

4.1 Cash and cash equivalents

Cash includes cash on hand, cash in 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 Financial investments

Trading securities

Trading securities are securities which are held for business purposes.

Trading securities are recorded at cost, comprising: buying prices plus (+) buying costs (if any) such as brokerage, transactions, information provision, taxes, bank's fees and charges. The dividends, profits received for the period before the investment date shall be recorded as a decrease in value of investment.

At the end of the fiscal year, if the market prices of trading securities devalue against their cost, the provisions for devaluation shall be made.

Held-to-maturity investments

Held-to-maturity investments are term deposits.

Held-to-maturity investments are recorded at book value upon revaluation. Provision for loss shall be recorded as a decrease directly in the book value of the investments.

Investments in subsidiaries, associates and long-term investments in form of capital contribution in other companies

Subsidiaries are entities controlled by the Company. The subsidiary-parent company relationship is represented through the fact that the Company holds (directly or indirectly) over 50% voting shares in the subsidiary and has the power to govern the financial and operating policies of the subsidiary.

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associate but not control or joint control over those policies. An entity is considered as an associate if the Company holds (directly or indirectly) from 20% to under 50% voting shares of the entity.

Long-term investments in form of capital contribution in other companies are investments over which the Company has no power to control or joint control, no significant influence over the investees.

Investments in subsidiaries; associates and long-term investments in other companies are recorded at cost less provision. Dividends and profits received in money or non-monetary asset for the period before the investment date shall be recorded as a decrease in value of investment.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

Provision

Provision for investments in subsidiaries is made if these investments are impaired or the investees suffer losses leading to the irrecoverability of the Company's investments. Provision for long-term investments in form of capital contribution in other companies is made as follows:

- If an investment in listed shares or the fair value of the investment is determined reliably, the provision shall be made according to the market value of the shares;
- If the market value of the shares is not identifiable, the provision shall be made based on the loss reported in the financial statements of the investee.

With regards to the investees who are required to prepare the consolidated financial statements, the provision is made based on the consolidated financial statements. For other cases, the provision is made based on the financial statements of the investees.

4.3 Receivables

Receivables includes: trade receivables and other receivables.

- Trade receivables include commercial receivables generating from purchase-sale related transactions between the Company and buyers;
- Other receivables include non-commercial receivables, receivables not related to purchase-sale and intra-company transactions.

Receivables are recorded at cost less provision for doubtful debts. The appropriation of provision complies with the guidelines in Circular No. 48/2019/TT-BTC dated 08/08/2019 by the Ministry of Finance. Accordingly, provision is made at the balance sheet date for the amounts receivable which have been overdue for over 6 months or which have not been overdue but are likely to become irrecoverable.

4.4 Inventories

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

Cost is calculated using the weighted average 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;
- Works in progress: Cost comprises direct material costs, direct labour costs and general costs directly related to the constructions being built and not yet accepted and taken over.

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 for each kind of inventories when the net realizable value of that kind of inventories is less than cost.

4.5 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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

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 fixed assets is calculated in accordance with the straight-line method over their estimated useful lives. Depreciation period is in conformity with Circular No. 45/2013/TT-BTC dated 25/4/2013 by the Ministry of Finance. Certain fixed assets are rapidly depreciated. Details are as follows:

<u>Kind of assets</u>	<u>Depreciation period (years)</u>
Machinery, equipment	1.5 - 5
Motor vehicles	3
Office equipment	1.5

4.6 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

4.7 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:

- Prepaid expenses are office rental which is prepaid over the whole lease term and related expenses which are amortized on a straight-line basis over the rent term of contract.
- Cost of tools and instruments being put into use which are amortized in accordance with the straight-line method for a maximum period of 3 years.
- 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.

4.8 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 their remaining terms at the balance sheet date.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

4.9 Loans and finance lease liabilities

Loans and finance lease liabilities are reflected at cost and classified into short-term liabilities and long-term liabilities based on their 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 original 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 completed.

4.10 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.

4.11 Owner's equity

Share capital

Share capital represents the amount of capital actually contributed by shareholders.

Share premium

Share premium represents the difference between issue price and the par value of the share issued, all costs directly attributable to the issuance of shares; the difference between the issue price and the difference between price of repurchasing of treasury stocks and the re-issue price of treasury stocks; capital component of convertible bonds at bond maturity.

Distribution of profit

Profit after is appropriated to funds and to shareholders as provided for in the Company's Charter or a resolution of its Annual Shareholder Meeting.

The dividend or profit amount 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.

4.12 Revenue and other income recognition

- Revenue from construction contract are recognized as follows:

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

- ✓ In the case where it is stipulated in the contract that contractors make payments upon the work's progress, revenue and expenses are recorded for completed portion when the contract outcome is estimated reliably;
- ✓ In the case where the contract stipulates that contractors make payment upon the work volume, revenue and expenses are recognized for the completed portion confirmed by the customer when the contract outcome is measured reliably.
- 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.
- 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 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.

4.13 Revenue deductions

Revenue deductions include trade discounts, sales rebates and sales returns.

In case where revenue is recognized in during the year but the corresponding revenue deductions arise after the balance sheet date, revenue shall be decreased in accordance with the following principles:

- If the corresponding deductions arise before the date of releasing the financial statements, they shall be charged against revenue of the reporting year.
- If the corresponding revenue deductions arise after the date of releasing the financial statements, they shall be charged against revenue of the next reporting year.

4.14 Cost of goods sold

Cost of products, goods sold and services rendered and corresponding revenue are recognized in the right period and in accordance with the matching principle and conservatism principle.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

4.15 Financial expense

Financial expenses reflect expenses or losses related to financial investment activities: interest expense, expenses and loss on liquidating, transferring investments; provision for diminution in value of trading securities, provision for loss from investment in other entities and expenses of other investing activities.

4.16 Administrative expenses

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

4.17 Current corporate income tax expense, deferred corporate income tax expense

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

Current income tax is the tax amount computed based on the taxable income during the period at the tax rates applied as of the balance sheet date. Taxable income is different from accounting profit 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.

4.18 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, other receivables, and financial investments.

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.

4.19 Tax policies and charges payable to the State applied by the Company

- Value added tax (VAT): VAT rate of 10% is applicable to construction activities.
- Corporate income tax (CIT): Applicable CIT rate is 20%.
- Other taxes, fees and charges are paid in accordance with relevant regulations.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

4.20 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.

Currency: VND

5. Cash

	31/12/2019	01/01/2019
Cash on hand	376,589,450	2,697,009,366
Cash in bank	221,844,685	7,248,379,739
Total	598,434,135	9,945,389,105

6. Cash equivalents

	31/12/2019	01/01/2019
Term deposits within 3 months	22,000,000,000	3,000,000,000
Total	22,000,000,000	3,000,000,000

7. Financial investments

a. Trading securities

	31/12/2019			01/01/2019		
	Cost	Fair value	Provision	Cost	Fair value	Provision
SDC shares	193,296,552	77,616,000	115,680,552	193,296,552	58,800,000	134,496,552
Total	193,296,552	77,616,000	115,680,552	193,296,552	58,800,000	134,496,552

Trading securities are revaluated at the lower of cost and market prices. Accordingly, for SDC shares listed at Hanoi Stock Exchange, the fair value is the closing price at the last trading session of the accounting year.

b. Held-to-maturity investments

	31/12/2019		01/01/2019	
	Cost	Book value	Cost	Book value
Term deposits over 3 months and not exceeding 12 months	110,000,000,000	110,000,000,000	124,000,000,000	124,000,000,000
Total	110,000,000,000	110,000,000,000	124,000,000,000	124,000,000,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

c. Long-term financial investments

	31/12/2019			01/01/2019			
	Operation status	% holding	Number of shares	Cost	Provision	Cost	Provision
Investments in subsidiaries							
- Bac Na Electricity Joint Stock Company (i)	Operating	51.18%	7,932,936	363,529,360,000	-	192,029,360,000	-
- Ehula Joint Stock Company (ii)	Under investment process	98.0%	28,420,000	79,329,360,000	-	79,329,360,000	-
Investment in associates, joint ventures							
- Song Ong Hydropower JSC (i)	Operating	33.76%	2,498,000	284,200,000,000	-	112,700,000,000	-
Investments in other entities							
- Anzen Investment JSC (i)	Operating	19.0%	2,000,000	41,082,000,000	-	41,082,000,000	-
- North-West Electric Investment and Development JSC	Operating	0.1%	22,400	41,082,000,000	-	41,082,000,000	-
- EDABA JSC (ii)	Under investment process			20,424,000,000	-	20,224,000,000	-
				20,000,000,000	-	20,000,000,000	-
				224,000,000	-	224,000,000	-
				200,000,000	-	-	-
Total				425,035,360,000	-	253,335,360,000	-

(i) The financial statements of these companies show profit and investment capital is well maintained. As a result, the Company recognized these investments at cost and made no provisions for them.

(ii) These companies are under investment period, thus, these investments are recorded at cost and no provisions are made for them.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

8. Short-term trade receivables

	31/12/2019	01/01/2019
Xekaman 3 Hydropower Project Management Unit	64,197,770,402	64,197,770,402
Song Da 5 Joint Stock Company	19,599,715,924	19,599,715,924
Others	129,955,562,752	103,692,906,739
Total	213,753,049,078	187,490,393,065

9. Short-term prepayments to suppliers

	31/12/2019	01/01/2019
Song Da 10.9 Joint Stock Company	3,000,000,000	-
Toan Thang Construction Trading Co., Ltd	1,200,602,309	-
Ha Do 1 Joint Stock Company	-	11,958,576,245
Hydraulic - Hydropower Project Construction and Consulting JSC	4,185,729,963	8,308,366,028
Others	2,208,268,150	2,814,179,555
Total	10,594,600,422	23,081,121,828

10. Other short-term receivables

	31/12/2019		01/01/2019	
	Amount	Provision	Amount	Provision
Accrued interest	2,237,419,207	-	4,622,690,411	-
Advances	445,264,828	-	1,792,937,336	-
Receivables from employees	74,344,711	-	207,050,953	-
Deposits, collateral	-	-	52,000,000	-
Other receivables	134,104,218	-	7,000,000	-
Total	2,891,132,964	-	6,681,678,700	-

11. Provision for short-term doubtful debts

	31/12/2019	01/01/2019
Provision for debts overdue:	78,273,599,797	74,444,836,083
- For 3 years and over	70,820,594,640	62,937,119,278
- From 2 years to less than 3 years	180,282,803	9,674,082,530
- From 1 year to less than 2 years	4,832,818,902	1,833,634,275
- From over 6 months to less than 1 year	2,439,903,452	-
Total	78,273,599,797	74,444,836,083

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

12. Inventories

	31/12/2019		01/01/2019	
	Cost	Provision	Cost	Provision
Materials	-	-	8,240,777,745	
Work in process	24,920,582,084	-	55,790,019,285	
Total	24,920,582,084	-	64,030,797,030	

- There are no inventories which are stagnant, in poor quality or slow-moving as at 31/12/2019.
- No inventories are mortgaged and secured for debts as at 31/12/2019.

13. Prepaid expenses

a. Short-term

	31/12/2019	01/01/2019
Tools, instruments pending amortisation	817,546,292	554,525,886
Vehicle insurance	228,974,675	153,020,721
Other short-term prepaid expenses	6,588,095	16,916,667
Total	1,053,109,062	724,463,274

b. Long-term

	31/12/2019	01/01/2019
Rental of offices at HH4 Song Da Twin (*)	7,518,628,930	7,764,521,788
Office rent	104,500,000	22,000,000
Total	7,623,128,930	7,786,521,788

(*) This reflects the lease of Floor 12, Block B of HH4 Song Da Twin Tower Building in Pham Hung Street, Tu Liem District, Hanoi under Leasing Contract No. 17/2009/HDTN/TCT-SD505 dated 30/08/2009 signed with Song Da Corporation. The total rent of VND10,327,500,000 is paid in a lump sum. The lease term is up to June 2053.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

14. Tangible fixed assets

	Machinery equipment	Motor vehicles	Office equipment	Total
Cost				
Opening balance	52,880,303,535	19,393,281,069	53,072,727	72,326,657,331
Newly-purchased	3,723,509,091	-	-	3,723,509,091
Sold, disposed	3,241,379,905	-	-	3,241,379,905
Closing balance	53,362,432,721	19,393,281,069	53,072,727	72,808,786,517
Depreciation				
Opening balance	41,033,077,844	19,326,696,212	53,072,727	60,412,846,783
Charge for the year	5,267,255,964	66,584,857	-	5,333,840,821
Sold, disposed	3,206,546,567	-	-	3,206,546,567
Closing balance	43,093,787,241	19,393,281,069	53,072,727	62,540,141,037
Net book value				
Opening balance	11,847,225,691	66,584,857	-	11,913,810,548
Closing balance	10,268,645,480	-	-	10,268,645,480

- No tangible fixed assets are mortgaged for loans as at 31/12/2019.
- Cost of tangible fixed assets fully depreciated but still in active use as at 31/12/2019 is VND47,409,175,607.

15. Short-term trade payables

	31/12/2019	01/01/2019
Ha Do 1 Joint Stock Company	11,169,010,083	-
Hung Phuc Electric Construction One Member Co., Ltd	-	4,420,417,182
Viet Group Joint Stock Company	-	8,577,696,722
SVS Road Construction Co., Ltd	3,033,312,418	2,533,317,418
Others	28,131,985,996	22,802,469,208
Total	42,334,308,497	38,333,900,530

16. Short-term advances from customers

	31/12/2019	01/01/2019
Vientiane Automation and Solution Engineering Co., Ltd	2,363,854,429	4,054,754,893
Bac Na Electricity Joint Stock Company	-	15,470,000,000
EHULA Joint Stock Company	110,200,787,429	23,544,873,286
Thac Xang Hydropower Joint Stock Company	-	1,645,784,850
Song Tranh 4 Hydropower Joint Stock Company	-	30,283,192,096
Song Da 10.1 One Member Limited Company	10,000,000	-
Others	-	260,022,071
Total	112,574,641,858	75,258,627,196

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

17. Taxes and amounts payable to State budget

	Opening balance		Amount to be paid	Actual amount paid	Closing balance	
	Receivable	Payable			Receivable	Payable
Value added tax	-	1,424,186,076	18,506,212,676	18,743,655,561	-	1,186,743,191
Corporate income tax	-	3,587,451,960	7,678,858,302	3,601,275,141	-	7,665,035,121
Personal income tax	1,910,470	-	1,154,897,574	1,093,183,311	-	59,803,793
Other taxes	-	-	134,104,218	134,104,218	-	-
Fees and charges	37,292	-	129,581,122	129,581,122	37,292	-
Total	1,947,762	5,011,638,036	27,603,653,892	23,701,799,353	37,292	8,911,582,105

The Company's tax returns are subject to inspection of tax authorities. The tax amounts presented in the financial statements may be changed under decision of tax authorities.

18. Payables to employees

	31/12/2019	01/01/2019
Payables to employees (*)	22,141,736,109	20,293,465,892
Total	22,141,736,109	20,293,465,892

(*) Of which, the reserve salary fund at the rate of 17% of 2019 is VND12,492,970,850.

19. Short-term accrued expenses

	31/12/2019	01/01/2019
Accrued interest expenses	33,545,104	50,229,876
Materials, construction expenses without financial invoices	7,164,429,393	3,009,553,527
Total	7,197,974,497	3,059,783,403

20. Other payables

	31/12/2019	01/01/2019
Trade union fees	484,042,095	559,494,921
Profit, dividends payable	51,760,000	51,760,000
Other payables	34,572,932,213	10,555,674,917
- Received investment trust	31,564,000,000	7,480,000,000
- Trade union membership fees	359,536,234	324,462,575
- PIT of employees working in Laos	985,570,770	985,570,770
- Personal loan interest payable	640,433,040	746,775,342
- Others	1,023,392,169	1,018,866,230
Total	35,108,734,308	11,166,929,838

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

21. Short-term loans and finance lease liabilities

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Short-term loans	61,450,770,665	169,970,147,895	157,497,704,262	73,923,214,298
- BIDV - Gia Lai Branch	34,100,770,665	99,940,447,895	104,718,004,262	29,323,214,298
- Vietinbank - Lai Chau Branch	10,000,000,000	1,112,800,000	11,112,800,000	-
- Borrowings from employees	17,350,000,000	68,916,900,000	41,666,900,000	44,600,000,000
Current portion of long-term loans	-	-	-	-
Total	61,450,770,665	169,970,147,895	157,497,704,262	73,923,214,298

22. Owners' equity

a. Statement of changes in owners' equity

	Share capital	Share premium	Development investment fund	Undistributed profit
As at 01/01/2018	59,903,490,000	43,125,212,265	138,911,721,351	49,096,038,513
Increase in the year	40,096,510,000	19,878,255,000	32,384,630,715	55,685,494,270
Decrease in the year	-	-	-	38,384,630,715
As at 31/12/2018	100,000,000,000	63,003,467,265	171,296,352,066	66,396,902,068
As at 01/01/2019	100,000,000,000	63,003,467,265	171,296,352,066	66,396,902,068
Increase in the year	-	-	50,228,547,353	51,810,242,243
Decrease in the year	-	-	-	55,228,547,353
As at 31/12/2019	100,000,000,000	63,003,467,265	221,524,899,419	62,978,596,958

b. Shares

	31/12/2019 Shares	01/01/2019 Shares
Shares authorized to be issued	10,000,000	10,000,000
Numbers of shares sold to the public	10,000,000	10,000,000
- Common shares	10,000,000	10,000,000
- Preferred shares	-	-
Outstanding shares	10,000,000	10,000,000
- Common shares	10,000,000	10,000,000
- Preferred shares	-	-
Share face value: VND10,000 each		

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

c. Undistributed profit

	Year 2019	Year 2018
Profit brought forward	66,396,902,068	49,096,038,513
Profit after tax - current year	51,810,242,243	55,685,494,270
Distribution of profit	55,228,547,353	38,384,630,715
- Distribution of prior-year profit (*)	55,228,547,353	38,384,630,715
+ <i>Development investment fund</i>	50,228,547,353	32,384,630,715
+ <i>Reward and welfare fund and bonus for managers and directors</i>	-	1,000,000,000
+ <i>Dividends</i>	5,000,000,000	5,000,000,000
- Temporary distribution of current year profit	-	-
Undistributed profit after tax	62,978,596,958	66,396,902,068

(*) The 2018 profit after tax is distributed in accordance with the Resolution of General Meeting of Shareholders No. 109/NQ-S55-DH19 dated 30/3/2019.

d. Dividends

The 2019 Annual General Meeting of Shareholders dated 12/04/2019 approved the plan for paying the 2018 dividends in cash at the rate of 5% of the new charter capital (equivalent to VND5,000,000,000). These cash dividends were paid to shareholders in 2019 by the Company.

23. Revenue from sales and service provision

	Year 2019	Year 2018
Revenue from construction	502,719,733,885	328,296,880,765
Revenue from rendered services	12,078,956,318	10,099,081,053
Total	514,798,690,203	338,395,961,818

24. Revenue deductions

	Year 2019	Year 2018
Sales rebates	1,816,777,619	122,891,278
Total	1,816,777,619	122,891,278

25. Cost of goods sold

	Year 2019	Year 2018
Cost of construction	456,701,195,490	293,132,799,087
Cost of rendered services	10,665,497,423	9,270,489,236
Total	467,366,692,913	302,403,288,323

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

26. Financial income

	Year 2019	Year 2018
Interest income	6,858,502,124	10,106,748,844
Dividends, profit received	25,762,523,200	26,003,568,000
Realized foreign exchange gain	6,130,021	
Total	<u>32,627,155,345</u>	<u>36,110,316,844</u>

27. Financial expenses

	Year 2019	Year 2018
Interest expenses	4,973,303,747	3,778,573,234
Foreign exchange loss	-	20,047
Appropriation/(Reversal) of provision for diminution in value trading securities and impairment of investment	(18,816,000)	4,704,000
Total	<u>4,954,487,747</u>	<u>3,783,297,281</u>

28. Administrative expenses

	Year 2019	Year 2018
Material and tool expenses	460,837,716	182,017,571
Staff costs	5,437,635,583	5,969,120,193
Outsourced services	1,636,988,936	1,947,540,825
Other expenses	3,052,440,505	3,648,109,736
Appropriation/(Reversal) of provision for doubtful debts	3,828,763,714	369,900,587
Total	<u>14,416,666,454</u>	<u>12,116,688,912</u>

29. Other income

	Year 2019	Year 2018
Proceeds from sales, disposal of fixed assets	568,084,162	2,441,749,317
Receipt of fines on employees, material compensation	38,860,133	12,625,700
Receipt of insurance compensation	482,064,467	-
Other income	52,705,514	904,540,489
Total	<u>1,141,714,276</u>	<u>3,358,915,506</u>

30. Other expenses

	Year 2019	Year 2018
Fines, penalties and arrears	132,456,206	64,291,788
Other expenses	391,378,340	101,790,356
Total	<u>523,834,546</u>	<u>166,082,144</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

31. Current corporate income tax expense

	Year 2019	Year 2018
Accounting profit before tax	59,489,100,545	59,272,946,230
Adjustments to arrive to taxable income	(21,163,924,940)	(25,299,585,269)
- Increasing	4,598,598,260	703,982,731
+ Tax penalties, tax arrears	132,456,206	64,291,788
+ Compensation for non-executive directors	246,000,000	168,000,000
+ Other unqualified expenses	4,220,142,054	471,690,943
- Decreasing	25,762,523,200	26,003,568,000
+ Received dividends, profit	25,762,523,200	26,003,568,000
Total taxable income	38,325,175,605	33,973,360,961
+ From operating activities (preferential rate of 10%)	-	32,072,202,320
+ From non-incentivized areas (tax rate of 20%)	38,325,175,605	1,901,158,641
Corporate income tax	7,665,035,121	3,587,451,960
+ From operating activities (preferential rate of 10%)	-	3,207,220,232
+ From non-incentivized areas (tax rate of 20%)	7,665,035,121	380,231,728
Current corporate income tax expense	7,678,858,302	3,587,451,960
<i>Of which:</i>		
- Current period income tax expense	7,665,035,121	3,587,451,960
- Adjustment to current CIT expense of previous period to current CIT expense of current period	13,823,181	-

32. Operating expenses by elements

	Year 2019	Year 2018
Materials expenses	150,308,340,327	173,801,541,706
Labor costs	79,773,800,530	73,314,940,365
Depreciation and amortisation	5,333,840,821	5,543,102,037
Outsourced services	200,721,971,573	86,294,033,652
Other cash expenses	4,105,721,493	2,371,418,365
Total	440,243,674,744	341,325,036,125

33. 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 (including interest rate risk, exchange rate risk and material 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 material 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 interest expenses to its periodic business results as well as making analysis and projection to select appropriate time to repay the loans. The Management acknowledges that uncontrollable risks arising from fluctuations of interest rates are at a low level.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

Material price risk management

The Company is engaged in capital construction activities, thus has exposure to risks of changes in construction material prices. The Company manages these risks through searching suppliers offering the lowest possible prices, placing large order to obtain price incentives from the suppliers and projecting market changes to ensure sufficient materials resources at most reasonable prices.

Credit risk management

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to the credit risks from some receivables. The Company's main clients are entities of large corporations and project management units. They are traditional customers with whom the Company has regular transactions and the Company also takes many measures to minimize credit risks through regularly monitoring and classifying aging accounts receivable, urging debt collection and making provisions for overdue debts.

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, its payments and 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,...

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

31/12/2019	Within 1 year	Over 1 year	Total
Trade payables	42,334,308,497	-	42,334,308,497
Accrued expenses	7,197,974,497	-	7,197,974,497
Loans and finance lease liabilities	73,923,214,298	-	73,923,214,298
Other payables	34,265,155,979	-	34,265,155,979
Total	157,720,653,271	-	157,720,653,271
01/01/2019	Within 1 year	Over 1 year	Total
Trade payables	38,333,900,530	-	38,333,900,530
Accrued expenses	3,059,783,403	-	3,059,783,403
Loans and finance lease liabilities	61,450,770,665	-	61,450,770,665
Other payables	10,282,972,342	-	10,282,972,342
Total	113,127,426,940	-	113,127,426,940

The Management assessed the Company has almost no exposure to liquidity risks and believes that the Company is able to generate sufficient fund to meet financial obligations when they fall due.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

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

31/12/2019	Within 1 year	Over 1 year	Total
Cash and cash equivalents	22,598,434,135	-	22,598,434,135
Financial investments	110,077,616,000	20,424,000,000	130,501,616,000
Trade receivables	135,479,449,281	-	135,479,449,281
Other receivables	2,445,868,136	-	2,445,868,136
Total	270,601,367,552	20,424,000,000	291,025,367,552
01/01/2019	Within 1 year	Over 1 year	Total
Cash and cash equivalents	12,945,389,105	-	12,945,389,105
Financial investments	124,058,800,000	20,224,000,000	144,282,800,000
Trade receivables	113,045,556,982	-	113,045,556,982
Other receivables	4,888,741,364	-	4,888,741,364
Total	378,938,487,451	20,224,000,000	399,162,487,451

34. Related party information

a. Related parties

	Relationship
Bac Na Power Joint Stock Company	Subsidiary
Ehula Joint Stock Company	Subsidiary
Song Ong Hydropower Joint Stock Company	Associate
Mr. Dang Quang Dat	Director and Chairman

b. Significant related party transactions during the year

	Transactions	Year 2019	Year 2018
Bac Na Power Joint Stock Company	Contributing capital	-	8,405,760,000
	Revenue from construction	62,451,368,528	1,233,010,705
	Receiving dividends	9,519,523,200	7,092,360,000
	Giving loans	-	1,350,000,000
	Collecting loans	-	1,350,000,000
	Loan interest	-	4,536,986
Ehula Joint Stock Company	Contributing capital	171,500,000,000	59,680,000,000
	Revenue from construction	103,174,078,844	31,046,906,583
Song Ong Hydropower JSC	Received dividends	8,743,000,000	10,241,800,000
Mr. Dang Quang Dat	Receiving investment trust	16,100,000,000	-
	Investment trust interest paid	569,979,041	475,699,042
	Borrowings	65,916,900,000	1,200,000,000
	Repaying borrowings	25,666,900,000	-
	Loan interest paid	772,277,293	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

c. Year-end balances with related parties

	Items	31/12/2019	01/01/2019
Bac Na Power Joint Stock Company	Advances from customers	-	15,470,000,000
	Trade receivables	2,485,404,177	1,356,311,776
Ehula Joint Stock Company	Advances from customers	110,200,787,429	23,544,873,286
Mr. Dang Quang Dat	Loan debts payable	41,450,000,000	1,200,000,000
	Other payables (loan interest)	640,433,040	3,254,795
	Other payables (investment trusts)	21,750,000,000	5,650,000,000

d. Income of key management members

Related parties	Particulars	Year 2019	Year 2018
Board of Directors Management	Remuneration	504,000,000	459,000,000
	Income	2,556,175,200	2,210,695,003

35. Significant events after 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 interim financial statements.

36. Corresponding figures

Corresponding figures were taken from the financial statements for the year ended 31/12/2018 which had been audited by AAC.



Dang Quang Dat
Director

Gia Lai Province, 25 February 2020

Vu Son Thuy
Chief Accountant

Tong Thi Thu Hien
Preparer

