

**CONSTRUCTION JOINT STOCK
COMPANY NO.6**

Audited consolidated financial statements
for the fiscal year ended
31 December 2017



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REPORT OF MANAGEMENT

Management of Construction Joint Stock Company No.6 (hereinafter “the Company”) is pleased to present its report and audited consolidated financial statements for the fiscal year ended December 31, 2017 audited by independent auditors.

GENERAL INFORMATION

Construction Joint Stock Company No.6 is a joint stock company converted from state owned enterprise in accordance with Decision No. 4446/QĐ-BGTVT dated December 31, 2002 of the Minister of Transport. The Company operates under the Business Certificate Registration No.0103002966 dated October 29, 2003 issued by Hanoi Department of Planning and Investment of Hanoi. During the course of operation, changes in the business functions of the company, charter capital, information of branch of the company were approved by Hanoi Department of Planning and Investment under the business registration certificate amended from the first to the tenth time dated 20/07/2017, accordingly, the number of the business registration certificate has been replaced with the business code No.0100104901 under the sixth amended Business Registration Certificate dated 12/05/2010.

Organizational structure:

The Company has 04 factories and 01 subsidiary, details are as follows:

Factories

- Factory 602
- Factory 605
- Material and Construction Factory
- Thap Cham Construction Material Factory

Address

Group 36, Dong Anh Town, Dong Anh District, Hanoi
 Group 36, Dong Anh Town, Dong Anh District, Hanoi
 Group 38, Dong Anh Town, Dong Anh District, Hanoi
 Do Vinh Ward, Phan Rang Thap Cham City, Ninh Thuan Province

Subsidiaries

- Phu Ly Stone One Member Co., Ltd

Nam Son Village, Chau Son Ward, Phu Ly City, Ha Nam Province.

The Company's principal activities include:

- Construction of railway and road works; Construction of other civil engineering works; Construction of public utility works; Lease of warehouses and workshops for manufacture; Trade of materials, means, transport equipments; Production and trade of construction materials, steel structure, prefabricated concrete components, asphalt concrete; Testing of construction materials; Quarrying and processing stone.

The Company's head office is located at Group 36, Dong Anh Town, Dong Anh District, Hanoi.

BOARD OF DIRECTORS

The members of the Board of Directors during the year and at the date of this report are:

- | | | |
|---------------------|----------|--------------------------------|
| - Mr. Lai Van Quan | Chairman | |
| - Mr. Pham Xuan Huy | Member | |
| - Mr. Luong Ba Minh | Member | <i>Appointed on 11/04/2017</i> |
| - Mr. Lai The Thien | Member | <i>Appointed on 11/04/2017</i> |
| - Mr. Tran Huu Hung | Member | <i>Dismissed on 11/04/2017</i> |
| - Mr. Phan Anh Tuan | Member | |

MANAGEMENT

The members of Management, chief accountant during the year and at the date of this report are:

- | | | |
|----------------------|-------------------------|--------------------------------|
| - Mr. Lai Van Quan | General Director | <i>Dismissed on 13/04/2017</i> |
| - Mr. Pham Xuan Huy | General Director | <i>Appointed on 13/04/2017</i> |
| - Mr. Trinh Van Thuy | Deputy General Director | <i>Appointed on 13/04/2017</i> |
| - Mr. Luong Ba Minh | Deputy General Director | <i>Appointed on 13/04/2017</i> |
| - Mr. Tran Huu Hung | Deputy General Director | |
| - Mr. Phan Anh Tuan | Chief accountant | |

REPORT OF MANAGEMENT *(continued)*

THE BOARD OF SUPERVISORS

The members of The Board of Supervisors during the year and at the date of this report are:

- Mr. Pham Anh Tu	Head of the Board	
- Mr. To Van Tuyen	Member	
- Mr. Nguyen Van Hoan	Member	<i>Appointed on 11/04/2017</i>
- Mr. Trinh Xuan Thuy	Member	<i>Dismissed on 11/04/2017</i>

THE LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr. Pham Xuan Huy - General Director.

SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

There was no event after the balance sheet date that had material or could have material effects on the Company's operational and business results in subsequent periods after the balance sheet date.

AUDITOR

BDO Audit Services Company Limited has audited the Company's consolidated financial statements for the fiscal year ended 31 December 2017.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible for preparing the Consolidated Financial Statements for the fiscal year ended 31 December 2017, which gives a true and fair view of the Company's position and of its results and cash flows for the fiscal year then ended and confirms that there are no contingent events that might affect the going concern of the Company.

In preparing those Financial Statements, Management is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Consolidated Financial Statements;
- Prepare the Consolidated Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue its business;
- Design and implement the internal control system effectively for the preparation and presentation of the consolidated financial statements to detect fraud and risks.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and ensuring that the accompanying financial statements comply with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and prevailing legal regulations. Management is also responsible for safeguarding assets of the Company and hence taking reasonable steps for prevention and detection of fraud and other irregularities.

Management confirms that the Company has complied with the above requirements in preparing the accompanying consolidated financial statements.

According to Management's opinion, the audited Consolidated Financial Statements (accompanying) give a true and fair view of the financial position of the Company as at 31 December 2017 and the results of its operations and cash flows for the fiscal year then ended.

Hanoi, 19 March 2018

On behalf of Management,



General Director
Pham Xuan Huy

INDEPENDENT AUDITOR'S REPORT

*On Consolidated Financial Statements of Construction Joint Stock Company No.6
for the fiscal year ended 31 December 2017*

**To: SHAREHOLDERS, BOARD OF DIRECTORS AND MANAGEMENT
CONSTRUCTION JOINT STOCK COMPANY NO.6**

We have audited the accompanying Consolidated Financial Statements of Construction Joint Stock Company No.6 issued on 19 March 2018 that set out on pages 05 to 30 including Consolidated Balance sheet as at 31 December 2017, Consolidated Income statement, Consolidated Cash flow statement for the fiscal year ended 31 December 2017, and Notes to the Consolidated Financial Statements.

Responsibilities of Management

The Company's Management is responsible for the preparation and fair presentation of the Company's Consolidated Financial Statements in accordance with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and other prevailing legal regulations, and for such internal control as Management determines to be necessary to ensure the presentation of Consolidated Financial Statements that are free from material misstatements, whether due to fraud or errors.

Responsibilities of Auditors

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We have conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements of the Company are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditors' judgments, including the assessment of the risk of material misstatements on the Consolidated Financial Statements, whether due to fraud or errors. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures 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 Consolidated Financial Statements.

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

Opinion of Auditors

In our opinion, in all material respects, the accompanying Consolidated Financial Statements give a true and fair view of the financial position of Construction Joint Stock Company No.6 as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with the Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and other prevailing legal regulations on the preparation and presentation of the Consolidated Financial Statements.

BDO AUDIT SERVICES COMPANY LIMITED**Bui Van Vuong - Deputy Director**

Certificate for Audit application registry: 0780-2018-038-1

Trinh Thu Huyen - Auditor

Certificate for Audit application registry: 2993-2015-038-1

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

Currency: VND

ASSETS	Code	Note	Closing balance	Opening balance
A - CURRENT ASSETS	100		142,546,652,614	195,220,873,827
I. Cash and cash equivalents	110	V.1	1,489,410,459	24,353,165,261
1. Cash	111		1,489,410,459	24,353,165,261
2. Cash equivalents	112		-	-
II. Current receivables	130		94,275,622,709	122,378,534,119
1. Current trade receivables	131	V.2	88,883,396,114	115,438,517,926
2. Current advances to suppliers	132	V3	2,607,469,338	3,256,450,462
3. Current intercompany receivables	133		-	-
4. Other current receivables	136	V4.1	5,509,933,857	6,099,798,731
5. Provision for doubtful debts	137	V.5	(2,725,176,600)	(2,416,233,000)
III. Inventories	140		46,107,743,317	47,404,762,668
1. Inventories	141	V.6	46,107,743,317	47,404,762,668
IV. Other current assets	150		673,876,129	1,084,411,779
1. Current prepaid expenses	151	V.7.1	473,876,129	1,042,781,279
2. Deductible value - added tax	152		-	-
3. Tax and other receivables from the State	153	V.13.2	200,000,000	41,630,500
B - NON - CURRENT ASSETS	200		36,378,487,652	37,439,515,617
I. Non - current receivables	210		134,600,000	134,600,000
1. Other non - current receivables	216	V.4.2	134,600,000	134,600,000
II. Fixed assets	220		26,158,208,453	26,594,704,424
1. Tangible fixed assets	221	V8	24,717,108,510	25,122,044,478
<i>Historical cost</i>	222		102,983,147,091	105,874,608,428
<i>Accumulated depreciation</i>	223		(78,266,038,581)	(80,752,563,950)
2. Intangible fixed assets	227	V.9	1,441,099,943	1,472,659,946
<i>Historical cost</i>	228		2,235,294,981	2,235,294,981
<i>Accumulated amortization</i>	229		(794,195,038)	(762,635,035)
III. Non - current work in progress	240		6,151,880,427	6,314,866,416
1. Work in progress	241		-	-
2. Construction in progress	242	V.10	6,151,880,427	6,314,866,416
IV. Non - current financial investments	250		-	-
1. Investment in subsidiaries	251		-	-
V. Other non - current assets	260		3,933,798,772	4,395,344,777
1. Non - current prepaid expenses	261	V7.2	3,932,041,345	4,393,994,353
2. Deferred tax assets	262	V.19	1,757,427	1,350,424
3. Goodwill	269		-	-
TOTAL ASSETS	270		178,925,140,266	232,660,389,444

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2017

RESOURCES	Code	Note	Closing balance	Opening balance
C - LIABILITIES	300		125,565,725,413	161,347,960,507
I. Current liabilities	310		124,907,186,413	160,255,352,507
1. Current trade payables	311	V.11	54,051,191,538	44,057,670,538
2. Current advances from customers	312	V.12	1,562,423,760	5,956,144,590
3. Statutory obligation	313	V.13.1	2,466,145,910	3,625,691,671
4. Payables to employees	314	V.14	3,859,550,261	5,964,403,526
5. Current accrued expenses	315	V.15	124,854,289	169,087,018
6. Current intercompany payables	316		-	-
8. Current unrealized revenues	318	V.16	163,886,363	355,636,363
9. Other current payables	319	V.17	3,847,705,287	11,392,549,316
10. Current borrowings	320	V.20.1	57,789,648,431	87,125,053,911
11. Bonus and welfare fund	322		1,041,780,574	1,609,115,574
II. Non - current liabilities	330		658,539,000	1,092,608,000
1. Non - current borrowings	338		-	-
2. Deferred tax liabilities	341		-	-
3. Provision of non - current payables	342	V.18	658,539,000	1,092,608,000
D - OWNERS' EQUITY	400		53,359,414,853	71,312,428,937
I. Owners' equity	410	V.21	53,359,414,853	71,312,428,937
1. Contributed equity	411		61,080,780,000	61,080,780,000
- Common shares with voting rights	411a		61,080,780,000	61,080,780,000
- Preferred shares	411b		-	-
2. Share premium	412		-	-
3. Treasury shares	415		(23,190,000)	(23,190,000)
4. Investment and development fund	418		5,370,231,737	8,701,960,259
5. Retained earnings	421		(13,068,406,884)	1,552,878,678
- Accumulated retained earnings by the end of the previous year	421a		-	-
- Retained earnings of the current year	421b		(13,068,406,884)	1,552,878,678
6. Funds for construction investment	422		-	-
7. Interests of non - controlling shareholders	429		-	-
TOTAL LIABILITIES AND OWNERS' EQUITY	440		178,925,140,266	232,660,389,444

Preparer



Doan Thi Kim Thanh

Chief Accountant



Phan Anh Tuan

Hanoi, 19 March 2018

General Director



Pham Xuan Huy

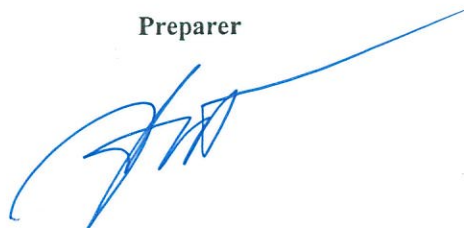
CONSOLIDATED INCOME STATEMENT

Year 2017

Currency: VND

ITEMS	Code	Note	Current year	Previous year
1. Revenue from sale of goods and services	01	VI.1.1	120,681,517,300	191,376,776,714
2. Revenue deductions	02	VI.1.2	1,235,960,184	1,973,397,905
3. Net revenue from sale of goods and services	10		119,445,557,116	189,403,378,809
4. Cost of goods sold	11	VI.2	114,952,954,437	173,155,942,167
5. Gross profits from sale of goods and services	20		4,492,602,679	16,247,436,642
6. Financial income	21	VI.3	189,514,812	22,429,497
7. Financial expenses	22	VI.4	5,761,531,361	7,163,226,503
<i>In which: interest expenses</i>	23		5,542,572,174	7,034,570,539
8. Profit or loss from joint ventures, associates	24		-	-
9. Selling expenses	25	VI.5	1,418,756,803	1,003,893,823
10. General and administrative expenses	26	VI.6	13,876,340,688	14,431,728,154
11. Net profit from operating activities	30		(16,374,511,361)	(6,328,982,341)
12. Other income	31	VI.7	3,648,444,726	9,678,740,782
13. Other expenses	32	VI.8	1,654,975	423,405,484
14. Other profits	40		3,646,789,751	9,255,335,298
15. Profit before tax	50		(12,727,721,610)	2,926,352,957
16. Current corporate income tax	51	VI.9	341,092,277	1,374,166,100
17. Deferred corporate income tax	52	VI.10	(407,003)	(691,821)
18. Profit after corporate income tax	60		(13,068,406,884)	1,552,878,678
19. Profit after tax of the parent company	61		(13,068,406,884)	1,552,878,678
20. Profit after tax of non-controlling shareholders	62		-	-
21. Basic earnings per share	70	VI.11	(2,140)	254
22. Diluted earnings per share	71		-	-

Preparer



Doan Thi Kim Thanh

Chief Accountant



Phan Anh Tuan

Hanoi, 19 March 2018

General Director



Pham Xuan Huy

CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

Year 2017

Currency: VND

ITEMS	Code	Note	Current year	Previous year
I. Cash flows from operating activities				
1. Profit before tax	01		(12,727,721,610)	2,926,352,957
2. Adjustments for:				
- Depreciation of fixed assets and investment properties	02		5,743,089,389	7,361,513,561
- Provisions	03		(125,125,400)	(1,497,870,000)
- Unrealized foreign exchange gains, losses from monetary assets and liabilities in foreign currencies	04		41,502	(272,206)
- Profit, losses from investing activities	05		(2,982,666,083)	(6,992,779,412)
- Interest expenses	06		5,542,572,174	7,034,570,539
3. Operating income before changes in working capital	08		(4,549,810,028)	8,831,515,439
- Increase, decrease in receivables	09		27,542,992,128	7,798,983,096
- Increase, decrease in inventories	10		1,297,019,351	24,486,184,464
- Increase, decrease in payables	11		2,799,745,006	(27,595,255,678)
- Increase, decrease in prepaid expenses	12		1,030,858,158	(577,362,047)
- Interest paid	14		(5,563,924,570)	(6,989,596,677)
- Corporate income tax paid	15		(200,000,000)	(1,814,881,329)
- Other proceeds from operating activities	16		1,500,000	1,191,422,856
- Other payments for operating activities	17		(567,335,000)	(230,025,000)
Net cash flows from operating activities	20		21,791,045,045	5,100,985,124
II. Cash flows from investing activities				
- Payment for purchases or construction of fixed assets and other non - current assets	21		(4,807,616,752)	(5,112,100,346)
- Proceeds from fixed assets and other non - current assets disposal	22		3,156,363,635	10,627,272,727
- Interests and dividends received	27		11,514,812	22,157,291
Net cash flows from investing activities	30		(1,639,738,305)	5,537,329,672
III. Cash flows from financing activities				
- Drawdown of borrowings	33		47,797,628,424	117,255,448,028
- Repayments of borrowings	34		(77,133,033,904)	(107,724,628,187)
- Dividends, profits paid to shareholders	36		(13,679,614,560)	(4,274,031,300)
Net cash flows from financing activities	40		(43,015,020,040)	5,256,788,541
Net increase/decrease in cash and cash equivalents during the year	50		(22,863,713,300)	15,895,103,337
Cash and cash equivalents at the beginning of the year	60	V.1	24,353,165,261	8,457,789,718
Effect of exchange rate changes	61		(41,502)	272,206
Cash and cash equivalents at the end of the year	70	V.1	1,489,410,459	24,353,165,261

Preparer

Chief Accountant

Hanoi, 19 March 2018

General Director

Doan Thi Kim Thanh

Phan Anh Tuan

Pham Xuan Huy

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year 2017

I. CORPORATE INFORMATION

1. Structure of ownership

Construction Joint Stock Company No.6 is a joint stock company converted from state owned enterprise in accordance with Decision No. 4446/QĐ-BGTVT dated December 31, 2002 of the Minister of Transport. The Company operates under the Business Certificate Registration No.0103002966 dated October 29, 2003 issued by Hanoi Department of Planning and Investment of Hanoi. During the course of operation, changes in the business functions of the company, charter capital, information of branch of the company were approved by Hanoi Department of Planning and Investment under the business registration certificate amended from the first to the tenth time dated 20/07/2017, accordingly, the number of the business registration certificate has been replaced with the business code No.0100104901 under the sixth amended Business Registration Certificate dated 12/05/2010.

2. Business sector

Combining various of business sector, include: Commercial business; Service; Construction; Exploiting and processing stone for construction.

3. Business activities

The Company's principal activities include:

- Construction of railways and road projects; Construction of all kinds of houses;
- Investment in the construction of infrastructures in residential areas and urban centers;
- Construction of other civil engineering works;
- Installation of electrical systems; Preparation of surface; Construction of public utility works;
- Rail transport services and rail transport support services;
- Exploiting and processing stone (except for stones banned by the State);
- Lease of warehouses and workshops for manufacture; Agent for petrol and oil retail;
- Testing of construction materials; Topographic survey within the scope of construction projects; Design of railway and road works; Design of civil and industrial structures;
- Commercial business; Guest house (not including bar business, karaoke rooms, discotheque);
- Cargo transportation by road; Repair of motorbikes, construction equipment;
- Manufacture of mechanical products; Trade of materials, means, transport equipments;
- Production of building materials from clay; Production of cement, lime and plaster; Production of prefabricated concrete components, asphalt concrete; Manufacture of steel structures;
- Trading in construction materials, steel structures, prefabricated concrete components, asphalt concrete.
- Exploitation of stone, sand, gravel and clay; Processing stones;

4. Normal operating cycle

The Company's operating cycle is the period from the purchase of materials involved in the production process to the conversion into cash or assets that are easily converted into cash, usually no more than 12 months.

5. Organizational structure

List of the Company's subsidiaries

Name	Address	Ratio of voting rights	Ratio of capital contribution	Ratio of benefits
- Phu Ly Stone One member Co., Ltd	Nam Son Village, Chau Son Ward, Phu Ly City, Ha Nam Province	100%	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year 2017

List of the Company's factories

Name	Address
- Factory 602	Group 36, Dong Anh Town, Dong Anh District, Hanoi
- Factory 605	Group 36, Dong Anh Town, Dong Anh District, Hanoi
- Material and Construction Factory	Group 38, Dong Anh Town, Dong Anh District, Hanoi
- Thap Cham Construction Material Factory	Do Vinh Ward, Phan Rang Thap Cham City, Ninh Thuan Province

6. Employees

The number of Company's employees signing long-term contract as at 31 December 2017 were 169 people (225 employees as at 31 December 2016).

7. Declaration on comparability of figures on financial statements

Comparative figures are presented in accordance with figures from the audited consolidated financial statement for the fiscal year 2016.

II. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY**1. Accounting period:** starts on 01 January and ends on 31 December of the calendar year.**2. Accounting currency**

The accounting currency is Vietnam dong (VND).

III. APPLICABLE ACCOUNTING SYSTEM AND ACCOUNTING STANDARDS**1. Applicable accounting system**

The Company applies the Vietnamese Enterprise Accounting System issued in conjunction with Circular No. 200/2014/TT-BTC dated December 22, 2014 and Circular No. 202/2014/TT-BTC issued by the Ministry of Finance dated December 22, 2014, guiding the preparation and presentation of the consolidated financial statements.

The consolidated Financial Statements are using the historical cost principle and in accordance with Vietnamese Accounting Standards. The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

2. Declaration on compliance with Accounting Standards and Accounting System

Management has ensured that the consolidated financial statements have been prepared and presented in accordance with the requirements of the Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and the guiding documents relating to the preparation and presentation of consolidated financial statements.

IV. APPLICABLE ACCOUNTING STANDARDS**1. Basis of consolidation of financial statements**

The consolidated financial statements have been prepared on the basis of the consolidated financial statements of the parent company and its subsidiaries controlled by the Company as at 31/12/2017 in accordance with Vietnamese Accounting Standards. The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continued to be consolidated until the date when such control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**Year 2017**

The financial statements of the parent and subsidiaries used for the consolidation are prepared for the same accounting period and are accounted for using the accounting policies in a uniform manner. Where necessary, the financial statements of the subsidiaries are adjusted to ensure the consistency with the policies adopted by the Company. Intra-group transactions, debts and unrealized gains, losses on intra-group transactions are eliminated in the consolidated financial statements.

2. Applicable exchange rates

The commercial bank selected by the Company to apply the exchange rate: Bank for Investment and Development of Vietnam - East Hanoi Branch.

Applicable exchange rates for recording transactions

- *Actual exchange rate at the time of transaction:*

Shall be used to convert transactions into the accounting currency for ones recorded for increases: Production and Operating expenses, Advances to suppliers, Payables.

Applicable rates at the end of the period

For foreign currency deposits: The applicable exchange rates shall be the buying exchange rates of the bank where the Company open its accounts.

3. Recognition of cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits, cash in transit and current investments with maturity of less than three months that can be easily transferred to cash without any risks in transferring at the date of the report. The identification of cash and cash equivalents is in accordance with Vietnam Accounting Standard No. 24 "Cash Flow Statement".

4. Recognition of receivables

The amounts of receivables shall be classified into trade receivables, other receivables following principles below:

- *Trade receivables:* include commercial receivables generating from purchase - sale related transactions.
- *Other receivables:* include non - commercial or non - trading receivables (such as: advance for operating activities to employees, collaterals, deposits,...).

Monitoring receivables

Receivables shall be recorded specifically to original terms and remaining recovery terms as at the reporting date, original currencies and each object. At the financial statements' preparation date, receivables which have remaining recovery terms of less than 12 months or a business cycle are classified as current receivables, receivables which have remaining recovery terms of over 12 months or a business cycle are classified as non - current receivables.

Recognized receivables do not exceed the recoverable amounts.

The provision for doubtful debts

- The provision for doubtful debts represents the amounts of outstanding receivables at the balance sheet date that the Company expected to be non-recoverable. Increases and decreases to the provision are recorded as general and administrative expenses on the income statement.
- The provision of doubtful debts which has been overdue for over 6 months (overdue period is determined based on the principal contract, exclusive of the debt rescheduling between contracting parties) is made following principles below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year 2017

<i>Overdue</i>	<i>Rate of provision made</i>
From 1 year to 2 years	50%
From 2 years to 3 years	70%
3 years and more	100%

5. Recognition of inventories

Inventories are determined based on the lower of cost and net realizable value. The determination complies with the provisions of Accounting Standard No. 02 - "Inventories", namely: the price of inventories includes all costs of purchases, costs of conversion and other costs directly related to bringing the inventories to the location and current status. The net realizable value is determined as the estimated selling price minus (-) the estimated costs to complete the product and the estimated costs necessary for consumption.

Method of inventory value calculation: Weighted average

Method of inventory accounting: Perpetual inventory count.

Method of determination of work - in - progress at the end of the period:

Work in progress at the end of the period is determined as the total cost of the works related to construction, renovation, reinforcement and upgrading of railway and road works which have been performed but not yet been approved by the clients and construction materials in progress at the end of fiscal year.

The method of making provision for impairment of inventories: Provision for impairment of inventories is made for the value of expected losses due to devaluation (discounts, obsolete, poor quality, inferior, etc) of raw materials and finished goods owned by the Company based on the reasonable evidence of devaluation at the end of the fiscal year. Increases and decreases in the provision are recorded in cost of goods sold during the period.

According to Management, as at 31 December 2017, the Company did not have inventories which were devalued, obsolete, poor quality, etc. that required provisions.

6. Recognition of fixed assets and depreciation

Tangible fixed assets

Tangible fixed assets are measured at historical cost less accumulated depreciation.

The historical cost of tangible fixed asset comprises of its purchase price and any directly attributable costs to bring the tangible fixed assets into work condition for its intended use. The identification of the historical cost of each category of tangible fixed assets is in accordance with Vietnamese Accounting Standard No. 03 on tangible fixed assets.

Expenditures incurred after the initial recognition (costs of upgrading, renovation, maintenance, etc.) are recognized in operating expenses in the period. Where it can be clearly demonstrated that these expenses increase the expected future economic benefits of the use of fixed assets that exceed the standard operating level initially assessed, these expenses are capitalized as additional costs of the fixed asset.

When a tangible fixed asset is sold or disposed of, its historical cost and accumulated depreciation are removed from the balance sheet, and any gain or loss resulted from the disposal of the asset is included in the income statement.

Depreciation of tangible fixed assets is calculated on a straight - line method over their estimated useful lives as follows:

<u>Assets</u>	<u>Useful life</u>
Building and architectural	06-50 years
Machinery and equipment (*)	03-15 years
Transportation & transmit instrument	06-10 years
Instruments & tools for management	04-08 years
Other tangible fixed assets	06-10 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year 2017

(*): As for the fixed asset "Stone Crushing Line 250 tons per hour", the Company applies the depreciation method using the production with the deduction amount of 9,500 VND per m3 instead of the straight line method since the fiscal year 2012.

Intangible fixed assets

Intangible fixed assets are measured at historical cost less accumulated amortization.

Land use rights

Land use rights are recognized as intangible fixed assets when the Company is granted the certificates of land use right. The cost of a land use right comprises all costs directly attributable to bringing the land into use for its intended use. Land use rights are amortized on a straight-line basis over the period of land use.

Other regulations of management, use and depreciation of fixed assets

Other regulations of management, use and depreciation of fixed assets are complied by the Company according to Circular No. 45/2013/TT-BTC dated 25/04/2013 by the Ministry of Finance, Circular No. 147/2016/TT-BTC dated 13/10/2016 by the Ministry of Finance and Circular No. 28/2017/TT-BTC dated 12/04/2017 by the Ministry of Finance modifies some articles of Circular No. 45/2013/TT-BTC and Circular No. 147/2016/TT-BTC.

7. Tax accounting principles

a) Current corporate income tax

Current tax expense is based on taxable income and corporate income tax rates of the current year. The corporate income tax rate is 20%.

b) Deferred corporate income tax

Deferred corporate income tax is the amount of corporate income tax payable or will be reimbursed due to the temporary difference between the carrying amount of assets and liabilities for the purpose of preparing and presenting the financial statements, and values used for tax purposes.

c) Land rental

The annual land rental expenses of the company is recognized according to the notice of the tax authorities.

d) Other taxes

Other taxes are applied according to current tax regulations in Vietnam.

Tax reports of the Company will be subject to inspection of tax authorities. Since the application of laws and regulations on taxation for different types of transactions can be interpreted in many different ways, the amounts presented in the financial statements could be changed according to the final decision of the tax authorities.

8. Recognition of prepaid expenses

Prepaid expenses are expenses actually incurred but they are related to operation result of many accounting periods and the transfer of these expenses to operating expenses of subsequent accounting periods.

Prepaid expenses are amortized on a straight-line basis, including:

<u>Expenses</u>	<u>Amortization period</u>
Value of tools, rotary packaging, rental furniture	12-36 months
Major repairs of fixed assets expenses incurring one time	18 months
Costs of repairing equipment and concrete yard	15-36 months

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year 2017

Each prepaid expense incurred shall be recorded in details of maturity. At Consolidated Financial Statement's preparation date, prepaid expenses that have maturity of less than 12 months or a business cycle since the date of prepayment are classified as current prepaid expenses, expenses that have maturity of over 12 months or a business cycle since the date of prepayment are classified as non - current expenses.

9. Recognition of payables

The classification of trade payables, other payables are as following principles below:

- **Trade payables:** include commercial payables arisen from purchases of goods, services or assets.
- **Other payables:** include non - commercial payable amounts, not related to trading in goods or services (such as: payables due to borrow property, payables the fines, compensation, payables the collaterals, deposits, payables related to social insurance, health insurance, unemployment insurance, or union funds,...).

Monitoring payables

Payables shall be specially recorded to original terms and remaining terms as at the reporting date, original currencies and each object. At Consolidated Financial Statement's preparation date, payables that have remaining repayment terms of less than 12 months or a business cycle are classified as current payables, payables that have remaining repayment terms of over 12 months or a business cycle are classified as non - current payables.

Recognized payables are not lower than payable obligations.

10. Recognition of record and capitalization of borrowing expenses

Recognition of borrowing expenses

Borrowing expenses include interest expenses and expenses directly relating to the borrowings.

Borrowing expenses are recognized as financial expenses during the period as incurred (except capitalization cases according to regulations in Vietnam Accounting Standards No. 16 "Borrowing expenses").

11. Recognition of accrued expenses

Accrued expenses include expenses that have been recored into the operating cost, but not actually paid at the end of the fiscal year to ensure the consistency between revenues and expenses. Accrued expenses are interest epxenses which are recorded on the basis of borrowing principal, terms and interest applicable.

12. Principles and methods of recording provision of payables

Provisions are recognized when the Company has current debt obligation (legal obligation or jointly liable obligation) due to result from a fact happened; Decrease in economic benefits may happen leading to the requirement for payment of debt obligation; and giving a confident estimation on value of such debt obligation. Provisions are only recorded when having enough conditions for recording as provisions in Accounting Standard No. 18 "Provisions, contingent assets and liabilities".

Recognition of provision of payables

Provision of payables is recorded (refunded) on the difference from provision for payables set up this year, more (less) than unspent provision for payables established for previous year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year 2017

Basis for recognition of provisions payable

Cost of product and construction warranty

Provision for product warranty is made for each type of product, goods, construction works in accordance with regulation at Circular No. 228/2009/TT-BTC dated 7 December 2009 guiding the regime of provisioning and estimated the cost of implementation of the company. Contracts for the construction works and sale of concrete sleepers have one year warranty regulation from the date of acceptance and delivery of the product. Provision for warranty expenses of works is estimated at 1% of the final settlement value of the works, basis of commitment in the contract.

13. Recognition of unrealized revenues

Unrealized revenue is recognized when the Company receives advances from customers in respect of the followings:
Advances for property rental from customers.

Method of unrealized revenue allocate: Unrealized revenues are allocate and recorded in the income statement in the period, based on the term of advance receipt.

14. Recognition of owners' equity

a) Recognition of owners' equity

Contributions from owners: are recorded as the actual contributed capital of owners.

b) Recognition of exchange difference

Exchange differences means differences incurred from real exchange or the conversion of the same amounts of foreign currency into accounting currency unit according to different foreign exchange rates. Exchange differences primarily incurred in the following cases: Actual purchase, sale, transfer, exchange, payment of economic operations which incurred in foreign currency in period; Revaluating accounts derived from foreign currencies at the time of financial statement.

Exchange difference incurred in the year and exchange difference due to revaluation of accounts derived from foreign currencies are recorded in financial income or financial expense at the time of incurring.

c) Recognition of investment and development fund

Authority to issue decision to set up and use the fund: General meeting of Shareholders.

d) Recognition of retained earnings

Retained earnings reflect the business results (loss) after corporate income tax and profit sharing situation or dealing with loss of the Company. Retained earnings shall be specifically recorded to the operational results of each financial year (previous year, current year) and to each profit sharing content (dividends, profits for shareholders).

15. Recognition of revenues

Revenues from sales of finished goods

Sales of concrete sleepers, construction stones, etc are recognized when the outcomes of such transactions can be reliably measured and the Company is able to obtain economic benefits from these transactions. Revenue is recognized when the majority of risks and benefits of ownership of the goods have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding the recovery of the funds or the possible return of funds.

Revenues from provision of services

Revenues from provision of services are from experimental services. Revenues of experimental services were recorded to the business results in the period correspond to the service portion completed in the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year 2017

If the outcome of a contract can not be reliably determined, revenue will only be recognized at the recoverable level of the costs recognized.

Financial incomes

Financial incomes include interests received on deposits and exchange rate differences.

Interests received on deposits: are records based on term and interest rate of each period, unless recoverability is uncertain.

Revenues from construction contracts

Revenue from construction contracts are recognized when they have minutes of acceptance, final settlements and payment accepted by customer. When the results of performance contract can be determined reliably, revenue and costs of good sold related to construction contracts are recognized corresponding to part of works finished at the end of the fiscal year.

16. Recognition of revenue deductions

Revenue deductions include the decreasing of final settlement value of constructions due to the process of Competent state management agencies or auditors, recorded follow rules: revenue deductions incurred in the same year the construction works, decreased to revenue of the period its incurred.

In case of construction's revenue was recorded for the prior period, after the date of issued financial statement of the following year, the revenue deductions incurred: The company decreased revenue of the period its incurred (the following period).

17. Recognition of cost of goods sold

Cost of goods sold is recognized on consistently with revenue.

To ensure the prudent principle, the costs exceeding the normal level of inventories are immediately recognized as expenses during the period (after deducting the compensation, if any), which includes the costs of raw materials for direct consumption exceeding normal levels, labor costs, overall fixed manufacturing costs not allocated to the production costs, lost and missing inventories, etc.

Deductions in cost of goods sold are the value of the construction be reduced after the audit or the final settlement of capital construction.

18. Recognition of financial expenses

Financial expenses include: the cost of borrowing capital, the interest paid on late payment of social insurance. Interest expenses (including accrued expenses) of the financial report period were fully recognized for the period. Expenses for late payment of social insurance premiums are recognized as actually incurred.

19. Selling and General & Administrative expenses

Selling expenses: are actual expenses incurred during the sale of goods including selling staff expenses, shipping costs, etc.

The Company did not incur deduction in selling expenses in the year.

General and administrative expenses: are general management expenses, including salaries for administrative employees (salaries, wages, allowances, etc); social insurance, health insurance, trade union funds, unemployment insurance for business managers; expenses for office supplies, labor tools, depreciation of fixed assets used for enterprise management; excise; provision for doubtful receivables; outsourced services (electricity, water, telephone, fax, asset warranties, etc); other monetary expenses (entertainment, customer conference, etc.).

The Company did not incur deduction in general and administrative expenses in the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year 2017

20. Other accounting principles and methods

Construction in progress

Cost of construction in progress include: the construction costs of the 2 storey house, investment project of Suot Kiet stone quarry - Binh Thuan province, Works to upgrade the dump of materials.

V. ADDITIONAL INFORMATION ABOUT ITEMS ON THE CONSOLIDATED BALANCE SHEET

1. Cash and cash equivalents

	Closing balance	Opening balance
Cash on hand	311,329,811	222,082,878
Cash at bank	1,178,080,648	24,131,082,383
Total	1,489,410,459	24,353,165,261
Total cash and cash equivalents	1,489,410,459	24,353,165,261

2. Trade receivables

2.1 Current trade receivables

	Closing balance	Opening balance
Railway Project Management Board - Ministry of Transport (Construction package 11: Upgrading the railway section of Bieu Nghi - Ha Long (Km105 + 200 - Km124 + 483))	13,584,800,689	13,584,800,689
Group 6 Railway of China Co., Ltd (Contract of supplying tie-bar Cat Linh - Ha Dong No. YNQG-PJHW-W008)	6,320,811,000	11,275,664,636
Group 6 Railway of China Co., Ltd (Package of railway construction Cat Linh - Ha Dong)	9,368,791,200	14,613,398,487
Hanoi Construction Investment Joint Stock Company	444,384,675	1,510,720,675
Others	59,164,608,550	74,453,933,439
Total	88,883,396,114	115,438,517,926

3. Advances to suppliers

3.1 Current advances to suppliers

	Closing balance	Opening balance
Regional Railway Project Management Unit 1	547,781,000	1,267,813,000
Anh Binh An Construction JSC	469,889,352	-
Truong Phuoc Loc Co., Ltd	313,455,179	-
Others	1,276,343,807	1,988,637,462
Total	2,607,469,338	3,256,450,462

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year 2017

4. Other receivables

4.1 Current other receivables

	Closing balance		Opening balance	
	Value	Provision	Value	Provision
The advance payment for ground clearance for the Border Guard Command of Lao Cai province	489,398,000	-	1,310,000,000	-
Advances	950,834,594	-	3,955,607,814	-
Individual receivable compensation for construction costs	2,085,495,789	-		-
Individual receivable payment for Kuwait project	841,044,902	-		-
Others	1,143,160,572	-	834,190,917	-
Total	5,509,933,857	-	6,099,798,731	-

4.2 Non-current other receivables

	Closing balance		Opening balance	
	Value	Provision	Value	Provision
Deposits	134,600,000	-	134,600,000	-
Total	134,600,000	-	134,600,000	-

5. Doubtful debts

5.1 Overdue receivables, loans, or not overdue, but are unlikely to be recovered

	Closing balance		Opening balance	
	Value	Recoverable amount	Value	Recoverable amount
<i>Current receivables, short-term loans</i>				
The hot asphalt concrete floor TNXP Song Da	963,766,356	-	963,766,356	-
Bao Quan Co., Ltd	283,532,774	-	283,532,774	-
Construction of Thach My bridge intersection	404,810,607	-	404,810,607	-
Maintenance and repair 715 Co., Ltd	299,368,000	-	299,368,000	-
Road company 230	503,033,000	-	503,033,000	185,553,000
Others	270,665,863	-	147,275,263	-
Total	2,725,176,600	-	2,601,786,000	185,553,000

5.2 The Company's assessment of the ability to recover overdue debt

The Company has assessed and made provisions for overdue debts, irrecoverable debts with appropriate caution.

The Company will continue to take measures to ensure the recovery of overdue debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year 2017

6. Inventories

	Closing balance		Opening balance	
	Cost	Provision	Cost	Provision
Raw materials	9,407,766,026	-	10,642,962,525	-
Tools and supplies	73,390,208	-	109,935,081	-
Work - in - progress	20,193,853,855	-	23,913,999,589	-
Finished goods	16,269,777,363	-	12,724,848,604	-
Goods	162,955,865	-	13,016,869	-
Total	46,107,743,317	-	47,404,762,668	-

7. Prepaid expenses

7.1 Current prepaid expenses

	Closing balance	Opening balance
Tools and instruments	181,309,629	608,853,831
Grant of mining rights	291,666,667	182,639,400
Others	899,833	251,288,048
Total	473,876,129	1,042,781,279

7.2 Non - current prepaid expenses

	Closing balance	Opening balance
Tools and instruments	1,828,515,086	2,920,862,730
Fixed assets repair and maintenance expenses	287,994,759	1,404,971,807
Others	1,815,531,500	68,159,816
Total	3,932,041,345	4,393,994,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Increase and decrease in tangible fixed assets

	<i>Building and architectonic</i>	<i>Machinery and equipment</i>	<i>Transportation & transmit instrument</i>	<i>Tool and instrument for</i>	<i>Other tangible fixed assets</i>	<i>Total</i>
Historical cost						
As at 01/01/2017	18,923,936,156	63,914,676,112	19,351,101,086	427,526,363	3,257,368,711	105,874,608,428
Purchase in the year	-	-	1,399,461,818	-	-	1,399,461,818
New construction	3,907,131,600	-	-	-	-	3,907,131,600
Transfer to Investment properties	-	-	-	-	-	-
Disposal	-	(2,903,373,860)	(5,294,680,895)	-	-	(8,198,054,755)
As at 31/12/2017	22,831,067,756	61,011,302,252	15,455,882,009	427,526,363	3,257,368,711	102,983,147,091
Accumulated depreciation	-	-	-	-	-	-
As at 01/01/2017	13,793,317,547	47,166,158,708	16,645,134,420	377,907,949	2,770,045,326	80,752,563,950
Depreciation in the year	1,202,395,995	3,130,107,064	1,043,410,662	12,409,533	323,206,132	5,711,529,386
Transfer to Investment properties	-	-	-	-	-	-
Disposal	-	(2,903,373,860)	(5,294,680,895)	-	-	(8,198,054,755)
As at 31/12/2017	14,995,713,542	47,392,891,912	12,393,864,187	390,317,482	3,093,251,458	78,266,038,581
Carrying value						
As at 01/01/2017	5,130,618,609	16,748,517,404	2,705,966,666	49,618,414	487,323,385	25,122,044,478
As at 31/12/2017	7,835,354,214	13,618,410,340	3,062,017,822	37,208,881	164,117,253	24,717,108,510

In which:

Historical cost of fully depreciated tangible fixed assets but still in use:

VND 47,491,719,452

Historical cost of tangible fixed assets for disposal at the year end:

VND 0

Carrying value of tangible fixed assets at the end of the year for mortgage, pledge and guaranteed loans:

VND 10,107,538,439

(Details at Note V.20 to the financial statements)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year 2017

9. Increase and decrease in intangible fixed assets

	<i>Land use rights</i>	<i>Others</i>	<i>Total</i>
Historical cost			
As at 01/01/2017	2,235,294,981	-	2,235,294,981
Purchase in the year	-	-	-
Disposal	-	-	-
Other decreases	-	-	-
As at 31/12/2017	<u>2,235,294,981</u>	<u>-</u>	<u>2,235,294,981</u>
Accumulated amortization			
As at 01/01/2017	762,635,035	-	762,635,035
Amortization in the year	31,560,003	-	31,560,003
Other decreases	-	-	-
As at 31/12/2017	<u>794,195,038</u>	<u>-</u>	<u>794,195,038</u>
Carrying value			
As at 01/01/2017	1,472,659,946	-	1,472,659,946
As at 31/12/2017	<u>1,441,099,943</u>	<u>-</u>	<u>1,441,099,943</u>

10. Construction in progress

	<i>Closing balance</i>	<i>Opening balance</i>
Constructions in progress		
+ Investment project to construct Suoi Kiet quarry	5,589,058,341	5,253,067,664
+ Construction works to expand the processing area	278,173,996	-
+ Two-storey mechanical housing project	284,648,090	284,648,090
+ Construction works to expand the material dump	-	777,150,662
Total	<u>6,151,880,427</u>	<u>6,314,866,416</u>

11. Trade payables

11.1 Current trade payables

	<i>Closing balance</i>		<i>Opening balance</i>	
	<i>Value</i>	<i>Amount able to pay off</i>	<i>Value</i>	<i>Amount able to pay off</i>
Railway Corporation Joint Stock Company	5,739,189,820	5,739,189,820	5,601,706,570	5,601,706,570
Construction Investment 3 Joint Stock Company	19,610,010,014	19,610,010,014	2,753,675,443	2,753,675,443
Construction Investment 2 Joint Stock Company	873,591,568	873,591,568	3,156,936,015	3,156,936,015
Others	27,828,400,136	27,828,400,136	32,545,352,510	32,545,352,510
Total	<u>54,051,191,538</u>	<u>54,051,191,538</u>	<u>44,057,670,538</u>	<u>44,057,670,538</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year 2017

12. Advances from customers

12.1 Current advances from customers

	Closing balance	Opening balance
J&V Medical Instrument JSC (Restoration and repair works of railway No. 3A and the construction of dual stations)	1,092,528,300	1,092,528,300
Project Management of Tuyen Quang province (Project GT01: construction of river bank protection Lo river from CD16 pile to CDK8 pile Tuyen Quang)	-	550,000,000
Lao Cai Transport Project Management Unit (Construction of the project of Vo Lao 2 bridge and Phu Nhuan bridge on provincial road 151)	-	1,894,674,600
Vinacomin Dabac lacoghicity (Package 21: Construction of railway system: Investment in construction of coal transportation system from Khe Ngat warehouse)	-	2,191,788,450
Other	469,895,460	227,153,240
Total	1,562,423,760	5,956,144,590

13. Statutory obligation

13.1 Tax payable

	Opening balance	Payable in year	Paid in year	Closing balance
VAT on domestic goods	3,339,049,347	3,027,121,909	4,594,194,383	1,771,976,873
VAT on imported goods	-	765,574,333	765,574,333	-
Corporate income tax	-	341,092,277.00	-	341,092,277
Personal income tax	-	299,084,385	289,483,552	9,600,833
Resource tax	-	223,328,000	-	223,328,000
Land tax, land rental	2,838,477	2,412,957,231	2,415,795,708	-
Charges, fees and other payables	283,803,847	357,109,379	520,765,299	120,147,927
Total	3,625,691,671	7,426,267,514	8,585,813,275	2,466,145,910

13.2 Tax receivable

	Opening balance	Payable in year	Paid in year	Closing balance
Excess payment of PIT	806,500	806,500	-	-
Corporate income tax	-	-	200,000,000	200,000,000
Resource tax	40,824,000	40,824,000	-	-
Total	41,630,500	41,630,500	200,000,000	200,000,000

14. Payables to employees

	Closingbalance	Openingbalance
Factory 602	446,603,482	799,352,292
Factory 604	-	587,086,968
Factory 605	1,838,378,015	1,208,022,410
Material and Construction Factory	520,045,278	705,055,063
Factory 610	-	382,781,127
Thap Cham construction material Factory	319,895,145	107,652,399
Head office	222,494,375	1,761,379,242
Phu Ly Stone One member Co., Ltd	512,133,966	413,074,025
Total	3,859,550,261	5,964,403,526

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year 2017

15. Accrued expenses

15.1 Current accrued expenses

	Closingbalance	Openingbalance
Interest expenses payable	124,854,289	155,807,518
Others	-	13,279,500
Total	124,854,289	169,087,018

16. Unrealized revenues

16.1 Current unrealized revenues

	Closingbalance	Openingbalance
- Petroleum retail business	-	163,636,363
- Phuc Hung Joint Stock Company	163,886,363	192,000,000
Total	163,886,363	355,636,363

17. Other payables

17.1 Current unrealized revenues

	Closingbalance	Openingbalance
Social insurance, health insurance and unemployment insurance	2,032,244,366	1,340,674,395
Union fund	61,953,169	430,881,684
Receipt of current collaterals and mortgages	50,000,000	50,000,000
Tracking the stock collection of the poor	165,200,000	165,200,000
Others:	1,538,307,752	9,405,793,237
+ Vietnam Railway Corporation	194,425,048	9,195,925,048
+ Others	1,343,882,704	209,868,189
Total	3,847,705,287	11,392,549,316

18. Provision of payables

18.1 Provision of non - current payables

	Closing	Opening
Provision for warranty goods	314,675,927	300,821,547
Provision for warranty of construction works	343,863,073	791,786,453
Total	658,539,000	1,092,608,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Borrowings

20.1 Current borrowings

		Opening balance		During the year		Closing balance	
		Value	Amount able to pay off	Increase	Decrease	Value	Amount able to pay off
Current borrowings							
Joint Stock Commercial Bank for Investment and Development of Vietnam	(i)	75,845,053,911	75,845,053,911	44,097,628,424	68,383,033,904	51,559,648,431	51,559,648,431
Loan of individuals	(ii)	11,280,000,000	11,280,000,000	3,700,000,000	8,750,000,000	6,230,000,000	6,230,000,000
- Ms. Dam Thi Kim Cuc		6,000,000,000	6,000,000,000	-	3,500,000,000	2,500,000,000	2,500,000,000
- Ms. Pham Thi Quynh Mai		2,700,000,000	2,700,000,000	350,000,000	3,050,000,000	-	-
- Ms. Nguyen Thi Hanh		1,200,000,000	1,200,000,000	-	-	1,200,000,000	1,200,000,000
- Mr. Nguyen Van Phong		180,000,000	180,000,000	-	-	180,000,000	180,000,000
- Mr. Nguyen Nam Thang		500,000,000	500,000,000	-	500,000,000	-	-
- Ms. Nguyen Thi Huong		-	-	2,200,000,000	1,700,000,000	500,000,000	500,000,000
- Ms. Le Thi Ngoc		-	-	1,000,000,000	-	1,000,000,000	1,000,000,000
- Ms. Dam Thi Kim Thanh		700,000,000	700,000,000	150,000,000	-	850,000,000	850,000,000
Total		87,125,053,911	87,125,053,911	47,797,628,424	77,133,033,904	57,789,648,431	57,789,648,431

Details of current bank and financial companies borrowings:

(i): The Credit Agreement No 01/2016/153713/HDTD dated 19/7/2016 for the purpose of supplementing working capital. Loan term: 12 months. Interest rate: floating. This loan is secured by the mortgage of movable and immovable properties under the Mortgage Agreement No. 01/2012 / HDTCTS and amendments to this mortgage contract.

(ii): Loan from individual is for the purpose of supplementing working capital. Loan term: None. Interest rate: according to the contract. This loan is a trust loan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Owners' equity

21.1 Increase and decrease in owners' equity

	Charter capital	Share premium	Treasury shares	Exchange differences	Investment and development fund	Retained earnings	Total
Opening balance of the previous year	61,080,780,000	738,841,200	(23,190,000)	-	11,435,152,239	1,049,416,464	74,280,999,903
Profit in the previous year	-	-	-	-	-	1,552,878,678	1,552,878,678
Other increases	-	-	-	272,206	-	-	272,206
Appropriate the development and investment fund	-	-	-	-	-	-	-
Remuneration of the Board of Directors	-	-	-	-	-	-	-
Dividends paid to shareholders	-	-	-	-	-	-	-
Funds appropriated	-	(738,841,200)	-	-	(2,485,773,636)	-	(3,224,614,836)
Other decreases	-	-	-	(272,206)	(247,418,344)	(1,049,416,464)	(1,297,107,014)
Balance of the end of the previous year	61,080,780,000	-	(23,190,000)	-	8,701,960,259	1,552,878,678	71,312,428,937
Beginning balance of the current year	61,080,780,000	-	(23,190,000)	-	8,701,960,259	1,552,878,678	71,312,428,937
Profit in the current year	-	-	-	-	-	(13,068,406,884)	(13,068,406,884)
Other increases	-	-	-	41,502	-	-	41,502
Other decreases	-	-	-	(41,502)	-	-	(41,502)
Distribute profits (*)	-	-	-	-	(3,331,728,522)	(1,552,878,678)	(4,884,607,200)
Closing balance at the end of the current year	61,080,780,000	-	(23,190,000)	-	5,370,231,737	(13,068,406,884)	53,359,414,853

(*): Resolution of the Annual General Meeting of Shareholders of 2017 of Joint Stock Company No.06, No.01/NQ-ĐHĐCĐ dated 11/04/2017 approved the plan of distribution of profits, dividend payment plan for shareholders. During the period, the Company paid dividends to its shareholders (8% of the actual capital contribution) corresponding to the amount of VND 4,884,607,200 in which VND 3,311,728,522 from investment and development fund and VND 1,552,878,678 from retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year 2017

21.2 Details of owners' capital contribution

	Current year	Previous year
Contributed by the State	9,704,330,000	9,704,330,000
Contributions of other shareholders	51,376,450,000	51,376,450,000
Total	61,080,780,000	61,080,780,000

Capital transactions with owners and distribution of dividends, profit sharing

	Closing balance	Opening balance
Investment capital of owners		
+ Equity capital at the beginning of the year	61,080,780,000	61,080,780,000
+ Equity capital increased during the year	-	-
+ Equity capital decreased during the year	-	-
+ Equity capital at the end of the year	61,080,780,000	61,080,780,000
Dividends, profit distributed	4,884,607,200	4,274,031,300

Shares

	Closing balance	Opening balance
Number of shares registered for issuance	6,108,078	6,108,078
Number of shares issued /sold to the public		
- Common shares	6,108,078	6,108,078
- Preferred shares	-	-
Number of bought back shares		
- Common shares	2,319	2,319
- Preferred shares	-	-
Number of outstanding shares	6,105,759	6,105,759
- Common shares	6,105,759	6,105,759
- Preferred shares	-	-
Face value of outstanding shares:	10,000 VND	

21.3. Other funds of equity

Purpose of funds

Investment and development fund: be used according to the State's regulations and shareholders' resolutions.

22. Foreign currencies

Details of amount of foreign currencies held by the Company:

Content	Closing balance	Opening balance
USD	1,097.49	1,108.49

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year 2017

VI. ADDITIONAL INFORMATION ABOUT ITEMS ON THE CONSOLIDATED INCOME STATEMENT

1. Revenue from sale of goods and services

1.1 Revenue from sale of goods and services

	Current year	Previous year
Revenue from sale of goods, finished goods	67,028,094,419	53,564,853,608
Revenue from experimental services	279,020,091	153,659,821
Revenue from construction contract	53,374,402,790	137,658,263,285
Total	120,681,517,300	191,376,776,714

1.2 Revenue deductions

	Current year	Previous year
Deduction of construction contract revenue when approving the project settlement	1,235,960,184	1,973,397,905
Total	1,235,960,184	1,973,397,905

2. Cost of goods sold

	Current year	Previous year
Cost of goods sold and finished goods	57,031,768,591	45,595,142,382
Cost of services provided	195,099,236	89,743,730
Cost of construction activities	57,726,086,610	127,471,056,055
Total	114,952,954,437	173,155,942,167

3. Financial incomes

	Current year	Previous year
Interest on deposits and loans	189,514,812	22,157,291
Gains on foreign exchanges	-	272,206
Total	189,514,812	22,429,497

4. Financial expenses

	Current year	Previous year
Borrowing interests	5,542,572,174	7,034,570,539
Loss on exchange rates	41,502	-
Other	218,917,685	128,655,964
Total	5,761,531,361	7,163,226,503

5. Selling expenses

	Current year	Previous year
Selling staff expenses	424,657,390	400,402,733
Materials, packaging expenses	285,409,246	265,320,527
Fixed asset depreciation expenses	107,166,670	177,940,704
Tools, supplies expenses	3,941,000	-
Outsourced services expenses	584,582,497	134,106,153
Other monetary expenses	13,000,000	26,123,706
Total	1,418,756,803	1,003,893,823

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year 2017

6. General and Administrative expenses

	Current year	Previous year
Administrative employee expenses	4,784,422,617	5,564,129,202
Management material expenses	108,300,416	58,428,133
Office supply expenses	91,142,467	52,374,968
Fixed asset depreciation expenses	1,005,065,354	1,080,997,472
Provisions expenses	308,943,600	-
Taxes, fees and charges	42,029,108	47,009,178
Outsourced service expenses	588,630,493	357,942,425.00
Other monetary expenses	6,947,806,633	7,270,846,776
Total	13,876,340,688	14,431,728,154

Decreases in general and administrative expense

	Current year	Previous year
Reversal provision for bad debts	-	308,400,022

7. Other incomes

	Current year	Previous year
Disposal of fixed assets and tools	3,063,757,453	6,990,626,485
Bonus for fast unloading	-	700,000,000
Returning provision for warranty of products	-	1,431,572,041
Guarantee fee for the tender CP2	-	196,775,282
Others	584,687,273	359,766,974
Total	3,648,444,726	9,678,740,782

8. Other expenses

	Current year	Previous year
Fines according to the results of the tax inspection from 2012 to 2015	-	422,400,934
Others	1,654,975	1,004,550
Total	1,654,975	423,405,484

9. Current corporate income tax

	Current year	Previous year
Corporate income tax calculated based on taxable income for the current year	-	504,878,887
Total current corporate income tax	-	504,878,887

10. Deferred corporate income tax expenses

	Current year	Previous year
Deferred corporate income tax expenses arisen from taxable temporary differences	1,350,424	(1,350,424)
Deferred corporate income tax expenses arisen from the reversal of deferred income tax assets	(1,757,427)	658,603
Total deferred corporate income tax expenses	(407,003)	(691,821)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year 2017

11. Basic earnings per share

Basic earnings per share are calculated by dividing after - tax profit or loss distributed to the Company's common shareholders for the weighted average number of outstanding common shares during the period.

The Company used the following information to calculate basic earnings per share:

	<u>Current year</u>	<u>Previous year</u>
Accounting profits after corporate income tax	(13,068,406,884)	1,552,878,678
Adjustment to increase, decrease accounting profits to identify profit distributed to common shareholders:		
Distributed profits to the Company's common shareholders	(13,068,406,884)	1,552,878,678
Average outstanding common shares during the year (*)	6,105,759	6,105,759
Basic earnings per share	(2,140)	254

(*) Average outstanding common shares during the year are identified as follows:

	<u>Current year</u>	<u>Previous year</u>
Average number of outstanding common shares at the beginning of the year	6,105,759	6,105,759
Add: Average common shares issued during the year	-	-
Deduct: Average number of treasury stocks bought back during the year	-	-
Average number of outstanding common shares during the year	6,105,759	6,105,759

12. Production and Operating costs

	<u>Current year</u>	<u>Previous year</u>
Raw material cost	54,404,164,285	52,215,951,558
Labour cost	27,439,063,058	44,465,002,980
Fixed asset depreciation cost	5,772,172,722	7,552,454,842
Other monetary costs	34,450,484,825	60,923,182,865
Total	122,065,884,890	165,156,592,245

VII. OTHER INFORMATION**1. Contingent liabilities**

As at 31 December 2017, payables to Vietnam Railways of Construction Joint Stock Company No.6 does not reflect the amount of VND 457,937,671 that the Vietnam Railways is debiting (this is the higher level managerial funds of the subcontractors arising before the Company moving to the joint stock company - before 30 September 2003). In the dossier handed over from Construction Company No.6 to Construction Joint Stock Company No.6 that was witnessed by Vietnam Railways and the dossier of capital transfer handed over to Construction Joint Stock Company, there was not this amount. Construction Joint Stock Company No.6 has reported to Vietnam Railway and proposed to handle this difference.

2. Subsequent events after the balance sheet date

There was no event after the balance sheet date that had material or could have material effects on the Company's operational and business results in subsequent periods after the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year 2017

3. Transactions with related parties

A party is considered as related if it can control the other parties or has significant influence on the other party in making financial and operating decisions. Related parties comprise enterprises including parent company, subsidiaries, individual directly or indirectly through one or more intermediaries, control or are controlled by, or under the same control as the Company. Associates, individuals owning, directly or indirectly, an interest in the voting right of the Company and its subsidiaries that give them significant influence on the enterprise, key management personnel, including directors and officers, close members of the family of these individuals or associates and companies associated with these individuals also constitute related parties.

3.1 Transactions with key management personnel and related individuals

Key management members and related individuals include: members of the Board of Directors, Management, the Board of Supervisors and their intimate family members.

Transactions with key management members and related individuals are as follows:

	Current year	Previous year
Management and the Board of Directors, the Board of Supervisors		
Salary, bonus, allowance	2,688,465,620	2,172,866,800
Total	2,688,465,620	2,172,866,800

3.2 Other related parties

List of other related parties of the Company includes:

Related parties	Relationship
Vietnam Railways	Institutional shareholders

At the balance sheet date, receivable and payable balances to other related parties are as follows:

	Current year	Previous year
Trade payables		
Other payables	194,425,048	9,195,925,048
Total	194,425,048	9,195,925,048

4. Comparative figures

Comparative figures are the figures in the consolidated financial statements for the fiscal year ended 31 December 2016 audited by BDO Audit Services Company Limited.

Hanoi, 19 March 2018

Preparer

Chief Accountant

General Director



Doan Thi Kim Thanh



Phan Anh Tuan



Pham Xuan Huy