

**CONSTRUCTION JOINT STOCK
COMPANY NO.6**

Reviewed financial statements
for the period from 01 January 2018 to
30 June 2018



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CONSTRUCTION JOINT STOCK COMPANY NO.6

Address: Group 36, Dong Anh Town, Dong Anh District, Hanoi

REPORT OF MANAGEMENT

Management of Construction Joint Stock Company No.6 (hereinafter "the Company") is pleased to present its report and reviewed financial statements for the period from 01 January 2018 to 30 June 2018 then ended.

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 31 December 2002 of the Minister of Transport. The Company operates under the Business Certificate Registration No.0103002966 dated 29 October 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 July 2017, accordingly, the number of the business registration certificate has been replaced with the business code No.0100104901 under the sixth business registration certificate dated 12 May 2010.

Organizational structure:

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

<u>Factories</u>	<u>Address</u>
- 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
<u>Subsidiaries</u>	
- 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; In addition, the company has no significant activities other than the registered business.

The Company's head quarter is 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
- Mr. Lai The Thien	Member
- Mr. Phan Anh Tuan	Member

MANAGEMENT

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

- Mr. Pham Xuan Huy	General Director
- Mr. Trinh Xuan Thuy	Deputy General Director
- Mr. Luong Ba Minh	Deputy General Director
- Mr. Luong Anh Tuan	Chief accountant

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.

REPORT OF MANAGEMENT (continued)

SUPERVISORY BOARD

Members of the Supervisory Board are elected by the General Meeting of Shareholders for the term of 2017-2022, including:

- Mr. Pham Anh Tu	Head of the Board
- Mr. Nguyen Van Hoan	Member
- Mr. To Van Tuyen	Member

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 reviewed the Company's financial statements for the period from 01 January 2018 to 30 June 2018 then ended.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible for preparing the Financial Statements, which gives a true and fair view of the Company's financial position as at 30 June 2018 and of its performance and its cash flows for the period from 01 January 2018 to 30 June 2018 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 Financial Statements;
- Prepare the 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 financial statements.

According to Management's opinion, the reviewed Financial Statements (accompanying) give a true and fair view of the financial position of the Company as at 30 June 2018 and the results of its operations and cash flows for the period from 01 January 2018 to 30 June 2018 then ended.

Hanoi, 15 August 2018

For and on behalf of Management,



General Director
Pham Xuan Huy

**REPORT ON REVIEW OF INTERIM
FINANCIAL INFORMATION**

*On Financial Statements of Construction Joint Stock Company No.6
for the period from 01 January 2018 to 30 June 2018*

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

We have reviewed the accompanying Interim Financial Statements of Construction Joint Stock Company No.6 (hereinafter "the company") issued on 15 August 2018 that set out on pages 05 to 28 including Balance sheet as at 30 June 2018, Income statement, Cash flow statement and Notes to the Financial Statements for the period from 01 January 2018 to 30 June 2018 then ended.

Responsibilities of Management

The Company's Management is responsible for the preparation and fair presentation of the Company's Interim 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 Interim Financial Statements that are free from material misstatements, whether due to fraud or errors.

Responsibilities of Auditors

Our responsibility is to express a conclusion on these Interim Financial Statements based on our review. We conducted our review in accordance with Vietnamese Standard on Review Engagements 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Vietnamese Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion of Auditors

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of the entity as at 30 June 2018, and of its financial performance and its cash flows for the period from 01 January 2018 to 30 June 2018 then ended in accordance with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and other prevailing legal regulations on the preparation and presentation of the Interim Financial Statements.

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

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

BALANCE SHEET

As at 30 June 2018

Currency: VND

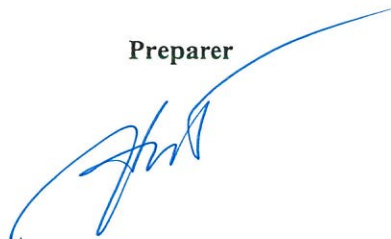
ASSETS	Code	Note	Closing balance	Opening balance
A - CURRENT ASSETS	100		133,279,703,398	136,806,561,351
I. Cash and cash equivalents	110	V.1	521,504,389	1,310,522,899
1. Cash	111		521,504,389	1,310,522,899
II. Current financial investments	120		-	-
III. Current receivables	130		78,467,530,083	90,349,236,813
1. Current trade receivables	131	V.2	67,041,924,519	79,537,933,412
2. Current advances to suppliers	132	V.3	1,793,059,229	2,141,514,159
3. Current loan receivables	135	V.4	6,591,466,325	6,072,417,508
4. Other current receivables	136	V.5	5,139,833,010	4,696,124,734
5. Provision for doubtful current receivables	137	V.6	(2,098,753,000)	(2,098,753,000)
IV. Inventories	140		53,772,141,317	44,769,869,139
1. Inventories	141	V.7	53,772,141,317	44,769,869,139
V. Other current assets	150		518,527,609	376,932,500
1. Current prepaid expenses	151	V.8.1	176,932,500	176,932,500
2. Deductible value - added tax	152		141,595,109	-
3. Tax and other receivables from the State	153	V.15.2	200,000,000	200,000,000
B - NON - CURRENT ASSETS	200		32,839,515,925	35,584,700,462
I. Non - current receivables	210		-	-
II. Fixed assets	220		10,425,891,084	12,207,252,666
1. Tangible fixed assets	221	V.10	9,005,831,143	10,766,152,723
<i>Historical cost</i>	222		78,326,653,335	79,735,478,329
<i>Accumulated depreciation</i>	223		(69,320,822,192)	(68,969,325,606)
2. Finance lease fixed assets	224		-	-
3. Intangible fixed assets	227	V.9	1,420,059,941	1,441,099,943
<i>Historical cost</i>	228		2,235,294,981	2,235,294,981
<i>Accumulated amortization</i>	229		(815,235,040)	(794,195,038)
III. Investment property	230		-	-
IV. Non - current work in progress	240	V.11	5,873,706,431	5,873,706,431
1. Construction in progress	242		5,873,706,431	5,873,706,431
V. Non - current financial investments	250		15,000,000,000	15,000,000,000
1. Investment in subsidiaries	251	V.12	15,000,000,000	15,000,000,000
VI. Other non - current assets	260		1,539,918,410	2,503,741,365
1. Non - current prepaid expenses	261	V.8.2	1,539,918,410	2,503,741,365
TOTAL ASSETS	270		166,119,219,323	172,391,261,813

BALANCE SHEET (Continued)

As at 30 June 2018

RESOURCES	Code	Note	Closing balance	Opening balance
C - LIABILITIES	300		117,861,857,652	119,642,541,910
I. Current liabilities	310		117,203,318,652	118,984,002,910
1. Current trade payables	311	V.13	45,906,359,800	50,743,999,082
2. Current advances from customers	312	V.14	5,933,983,925	1,540,645,010
3. Tax and payables to the State	313	V.15.1	-	1,125,293,819
4. Payables to employees	314	V.16	1,733,792,416	3,347,416,295
5. Current accrued expenses	315	V.17	275,983,365	124,854,289
6. Current unrealized revenues	318	V.18	326,535,453	163,886,363
7. Other current payables	319	V.19	6,304,532,718	3,107,715,721
8. Current borrowings	320	V.20	55,752,887,075	57,789,648,431
9. Bonus and welfare fund	322		969,243,900	1,040,543,900
II. Non - current liabilities	330		658,539,000	658,539,000
1. Provision of non - current payables	342	V.21	658,539,000	658,539,000
D - OWNERS' EQUITY	400		48,257,361,671	52,748,719,903
I. Owners' equity	410	V.22	48,257,361,671	52,748,719,903
1. Contributed equity	411		61,080,780,000	61,080,780,000
- <i>Common shares with voting rights</i>	411a		61,080,780,000	61,080,780,000
2. Share premium	412		-	-
3. Treasury shares	415		(23,190,000)	(23,190,000)
4. Investment and development fund	418		5,370,231,737	5,370,231,737
5. Retained earnings	421		(18,170,460,066)	(13,679,101,834)
- <i>Accumulated retained earnings by the end of the previous period</i>	421a		(13,679,101,834)	1,336,497,737
- <i>Retained earnings of the current period</i>	421b		(4,491,358,232)	(15,015,599,571)
II. Funding and other funds	430		-	-
TOTAL LIABILITES AND OWNERS' EQUITY	440		166,119,219,323	172,391,261,813

Preparer



Doan Thi Kim Thanh

Chief Accountant



Phan Anh Tuan

Issued on 15 August 2018

General Director



Pham Xuan Huy

INCOME STATEMENT

For the period from 01 January 2018 to 30 June 2018 then ended

Currency: VND

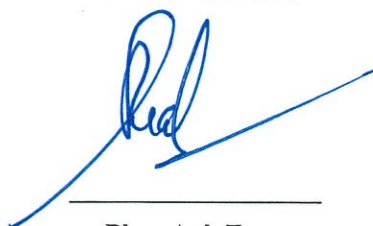
ITEMS	Code	Note	Current period	Previous period
1. Revenue from sale of goods and services	01	VI.1	23,879,800,404	30,279,235,521
2. Revenue deductions	02		-	463,994,595
3. Net revenue from sale of goods and services	10		23,879,800,404	29,815,240,926
4. Cost of goods sold	11	VI.2	22,126,353,638	28,085,149,277
5. Gross profits from sale of goods and services	20		1,753,446,766	1,730,091,649
6. Financial income	21	VI.3	452,173,233	271,205,727
7. Financial expenses	22	VI.4	2,996,407,170	2,520,398,808
<i>In which: interest expenses</i>	23		2,870,905,603	2,487,974,631
8. Selling expenses	25		-	-
9. General and administrative expenses	26	VI.5	3,700,571,061	5,063,909,240
10. Net profit from operating activities	30		(4,491,358,232)	(5,583,010,672)
11. Other income	31		-	3,063,757,453
12. Other expenses	32		-	1,654,975
13. Other profits	40		-	3,062,102,478
14. Profit before tax	50		(4,491,358,232)	(2,520,908,194)
15. Current corporate income tax	51		-	-
16. Deferred corporate income tax	52		-	-
17. Profit after corporate income tax	60		(4,491,358,232)	(2,520,908,194)

Preparer



Doan Thi Kim Thanh

Chief Accountant



Phan Anh Tuan

Issued on 15 August 2018

General Director



Pham Xuan Huy

CASH FLOW STATEMENT

(Indirect method)

For the period from 01 January 2018 to 30 June 2018 then ended

Currency: VND

ITEMS	Code	Note	Current period	Previous period
I. Cash flows from operating activities				
1. Profit before tax	01		(4,491,358,232)	(2,253,908,194)
2. Adjustments for:				
- Depreciation of fixed assets and investment properties	02		1,781,361,582	2,240,344,414
- Profit, losses from investing activities	05		(802,173,233)	(3,427,569,362)
- Interest expenses	06		2,870,905,603	2,487,974,631
3. Operating income before changes in working capital	08		(641,264,280)	(953,158,511)
- Increase, decrease in receivables	09		11,740,111,621	44,951,048,006
- Increase, decrease in inventories	10		(9,002,272,178)	(36,195,502,144)
- Increase, decrease in payables	11		225,288,097	7,148,848,814
- Increase, decrease in prepaid expenses	12		963,822,955	791,328,485
- Increase, decrease in trading securities	13		-	-
- Interest paid	14		(2,729,377,360)	(2,645,769,774)
- Corporate income tax paid	15		-	(200,000,000)
- Other proceeds from operating activities	16		-	1,500,000
- Other payments for operating activities	17		(71,300,000)	(3,814,963,522)
Net cash flow from operating activities	20		485,008,855	9,083,331,354
II. Cash flows from investing activities				
1. Payment for purchases or construction of fixed assets and other non-current assets	21		-	(1,613,318,630)
2. Proceeds from fixed assets and other non-current assets disposal	22		350,000,000	3,156,363,635
3. Expenditures on borrowing and purchase of debt instruments of other units	23		-	-
4. Amounts recovered on borrowing and repurchase of debt instruments of other units	24		-	-
5. Expenditures on investments in other units	25		-	-
6. Sums recovered from capital investments in other units	26		-	-
7. Interests and dividends received	27		452,173,233	9,381,071
Net cash flow from investing activities	30		802,173,233	1,552,426,076

CASH FLOW STATEMENT (continued)

(Indirect method)

For the period from 01 January 2018 to 30 June 2018 then ended

ITEMS	Code	Note	Current period	Previous period
III. Cash flows from financing activities				
1. Sums received from issuance of shares and receipt from contributions of the owners	31		-	-
2. Repayment of contributions to owners, repurchase of stock issued	32		-	-
3. Drawdown of borrowings	33		19,805,595,235	33,984,059,524
4. Repayments of borrowings	34		(21,842,356,591)	(50,155,148,541)
5. Payments of finance lease principal	35		-	-
6. Dividends, profits paid to shareholders	36		(39,439,242)	(13,679,614,560)
<i>Net cash flow from financing activities</i>	40		<u>(2,076,200,598)</u>	<u>(29,850,703,577)</u>
Net cash flows in the period	50		(789,018,510)	(19,214,946,147)
Cash and Cash equivalents at beginning of period	60	V.1	1,310,522,899	24,257,100,393
Effect of exchange rate changes	61		-	-
Cash and cash equivalents at the end of the period	70	V.1	<u>521,504,389</u>	<u>5,042,154,246</u>

Preparer



Doan Thi Kim Thanh

Chief Accountant



Phan Anh Tuan

Issued on 15 August 2018

General Director



Pham Xuan Huy

NOTES TO THE FINANCIAL STATEMENTS

For the period from 01 January 2018 to 30 June 2018 then ended

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 31 December 2002 of the Minister of Transport. The Company operates under the Business Certificate Registration No.0103002966 dated 29 October 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 July 2017, accordingly, the number of the business registration certificate has been replaced with the business code No.0100104901 under the sixth business registration certificate dated 12 May 2010.

2. Business sector

- Combining many business sectors, including: sleepers production, construction, trading, services.

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 construction equipment, motorbikes;
- 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.

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

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

List of the Company's subsidiaries

Name	Address	Ratio of voting rights	Ratio of capital	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 FINANCIAL STATEMENTS (continued)*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 as at 30 June 2018 were 140 people (143 employees as at 31 December 2017).

7. Declaration on comparability of figures on financial statements

Comparative figures are presented in accordance with figures from the audited financial statement for the fiscal year 2017 and reviewed financial statement for the period from 01 January 2017 to 30 June 2017 then ended.

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 22 December 2014.

The 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 financial statements have been prepared and presented in accordance with the requirements of the Vietnamese Accounting Standards, the Vietnamese Accounting System and the guiding documents relating to the preparation and presentation of financial statements.

IV. APPLICABLE ACCOUNTING STANDARDS

1. **Applicable exchange rates**

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

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.

- *Mobile weighted average exchange rate:*

Shall be used to convert transactions into the currency recorded in accounting books in the Credit side of monetary accounts when making payments in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS (continued)*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.

2. Recognition of cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits, cash in transit and short - term 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".

3. Recognition of financial investments*Investments in subsidiaries*

Principles for determining subsidiaries: Based on the proportion of the voting rights.

The book value of investments in subsidiaries: determined at historical cost, accordingly, the cost of the investment is determined by the purchase price plus the costs associated with the purchase. In subsequent accounting periods, investments are recognized at historical cost less provision for impairment of investments.

Base of making the provision for investment losses in subsidiaries: The Company does not make provision for impairment of investments in subsidiaries because, according to management, the investments in subsidiaries are not impaired.

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:

<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%

NOTES TO THE FINANCIAL STATEMENTS (continued)**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 30 June 2018, the Company did not have inventories which were devalued, obsolete, poor quality, etc. that required provisions.

6. Recognition of fixed assets and depreciation***a) Recognition of fixed assets******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

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 architetonic	06-50 years
Machinery and equipment	03-10 years
Transportation & transmit instrument	06-10 years
Instruments & tools for management	04-08 years
Other tangible fixed assets	06-10 years

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)*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 April 2013 by the Ministry of Finance, Circular No. 147/2016/TT-BTC dated 13 October 2016 by the Ministry of Finance and Circular No. 28/2017/TT-BTC dated 12 April 2017 by the Ministry of Finance modifies some articles of Circular No. 45/2013/TT-BTC and Circular No. 147/2016/TT-BTC dated 13 October 2016 by Ministry of Finance guiding of management, use and depreciation of fixed assets.

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) Land rental

The annual land rental expenses of land in Group 36, Dong Anh Town, Dong Anh District, Hanoi is recognized according to the notice of the tax authorities.

c) 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 period 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>Allocation period</u>
Value of tool and instruments used	12-36 months
Cost of repairing machines and equipments	15-36 months

Each prepaid expense incurred shall be recorded in details of maturity. At 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**10. Recognition of borrowings**

Borrowings shall be recorded specially to each object, terms. At Financial Statement's preparation date, borrowings which have remaining repayment terms less than 12 months or business cycle are classified as current borrowings, borrowings which have remaining repayment terms over 12 months or over business cycle are classified as non-current borrowings.

11. Recognition of borrowing expenses*Recognition of borrowing expenses*

Borrowing expenses include interest expenses and expenses directly relating to the borrowings (such as appraisal costs, audit costs, loan application cost, etc.)

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

12. Recognition of accrued expenses

Accrued expenses include expenses which have been recored into the operating cost, but not actually paid at the end of the period to ensure the consistency between revenues and expenses. Accrued expenses are recorded based on the reasonable estimation of amount payable for received goods and services including interest expenses, etc.

Basis for determination of accrued expenses

- *Accruing interest expenses incurred from loans payable in case of deferred loans interests:* Based on the loans principal, terms and interest rates applied.

13. Principles and methods of recording provisions payable

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 provisions payable

Provisions payables is recorded (refunded) on the difference from provision for payables set up this period, more (less) than unspent provision for payables established for previous period in accounting books.

*Basis for recognition of provisions payable**Cost of products, goods and construction warranty*

Provision for product warranty is made for each type of product, goods, construction works committed to the warranty in accordance with commitments with customers.

Provision for warranty expenses of works is estimated at 1% of the final settlement value of the works, basis of commitment in the contract.

14. 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; interests received in advance when lending or buying debt instruments; or the difference between selling prices under deferred and from installment payment as committed and cash price; revenues corresponding to the value of goods, services or discounts to clients in the traditional client programs, etc.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**15. Recognition of owners' equity*****a) Recognition of owners' equity***

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

Treasury shares: Treasury shares are shares issued by companies and bought-back by the companies which issued shares, but they are not cancelled and shall be re-issued in the period which complies with law on securities.

b) Recognition of investment and development fund

According to the Company rules, the establishing and use of the investment and development fund is as follows:

Purpose of use: Expansion investment of business and production scale, or for intensive investment of enterprises.

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

c) 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 period, current period) and to each profit sharing content (dividends for shareholders).

16. Recognition of revenues***Revenues from sales of finished goods***

Sales of concrete sleepers 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 experimental services are recognized when the outcomes of such transactions can be reliably determined. Revenues of experimental services were recorded to the business results in the period correspond to the service portion completed in the period.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Company did not incur deductions in cost of goods sold during the year.

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 interests) of the reporting period are fully recognized in the period.

19. General & administrative expenses

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; lease rent, licence tax; 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 selling expenses in the year.

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 BALANCE SHEET**1. Cash and cash equivalents**

	Closing balance	Opening balance
Cash on hand	265,812,045	140,545,830
Cash at bank	255,692,344	1,169,977,069
Cash in transit	-	-
Total	521,504,389	1,310,522,899
Cash equivalents	-	-
Total cash and cash equivalents	521,504,389	1,310,522,899

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)	1,143,274,000	6,320,811,000
Group 6 Railway of China Co., Ltd (Package of railway construction Cat Linh - Ha Dong)	8,368,791,200	9,368,791,200
Vietnam railways - Package XL VNR-WB4-12	6,743,041,606	6,743,041,606
Others	37,202,017,024	43,520,488,917
Total	67,041,924,519	79,537,933,412

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Advances to suppliers

3.1 Current advances to suppliers

	Closing balance	Opening balance
Regional Railway Project Management Unit 1	547,781,000	547,781,000
Vinh Thai Lao Cai Joint Stock Company	184,026,800	184,026,800
Others	1,061,251,429	1,409,706,359
Total	1,793,059,229	2,141,514,159

4. Current loan receivables

4.1 Current loan

	Closing balance		Opening balance	
	Cost	Fair value	Cost	Fair value
Phu Ly Stone One member Co., Ltd., (*)	6,591,466,325	6,591,466,325	6,072,417,508	6,072,417,508
Total	6,591,466,325	6,591,466,325	6,072,417,508	6,072,417,508

(*): This is a loan to Phu Ly Stone One member Co., Ltd., with interest rates adjusted according to the interest rates of commercial bank which the company borrow, interest rates applied in the period from 01 January 2018 to 30 June 2018 is 10% per year.

5. Other receivables

5.1 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	-	489,398,000	-
Advances	1,434,561,072	-	950,834,594	-
Individuals compensation receivables for construction costs	335,495,789	-	2,085,495,789	-
Mr. Phan Anh Phuong	820,000,000	-	-	-
Mr. Truong Duy Ha	750,000,000	-	-	-
Individuals payment receivables for Kuwait project	841,044,902	-	841,044,902	-
Others	469,333,247	-	329,351,449	-
Total	5,139,833,010	-	4,696,124,734	-

6. Doubtful receivables

6.1 Overdue receivables

	Closing balance		Opening balance	
	Value	Recoverable amount	Value	Recoverable amount
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	-
Others	147,275,263	-	147,275,263	-
Total	2,098,753,000	-	2,098,753,000	-

NOTES TO THE FINANCIAL STATEMENTS (continued)**6.2 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.

7. Inventories

	Closing balance		Opening balance	
	Value	Provision	Value	Provision
Raw materials	11,506,565,006	-	9,342,088,582	-
Tools and supplies	275,836,141	-	73,390,208	-
Work - in - progress	29,342,783,100	-	19,803,335,335	-
Finished goods	12,646,957,070	-	15,551,055,014	-
Total	53,772,141,317	-	44,769,869,139	-

(i) Inventories that are stagnant, inferior or degraded, cannot be sold at the end of the period: 0 VND.

(ii) Book value of inventories used as mortgages, pledge and guarantee for payable debts: 0 VND.

8. Prepaid expenses

	Closing balance	Opening balance
<i>Current prepaid expenses</i>		
Tools and instruments used	176,932,500	176,932,500
Total	176,932,500	176,932,500
	Closing balance	Opening balance
<i>Non - current prepaid expenses</i>		
Tools and instruments used, cost of repairing machines and equipments	1,539,918,410	2,503,741,365
Total	1,539,918,410	2,503,741,365

9. Increase and decrease in intangible fixed assets

	Land use rights	Computer softwares	Total
Historical cost			
Opening balance	2,235,294,981	-	2,235,294,981
Purchase in the year	-	-	-
Disposal	-	-	-
Closing balance	2,235,294,981	-	2,235,294,981
Accumulated amortization			
Opening balance	794,195,038	-	794,195,038
Amortization in the year	21,040,002	-	21,040,002
Closing balance	815,235,040	-	815,235,040
Carrying value			
Opening balance	1,441,099,943	-	1,441,099,943
Closing balance	1,420,059,941	-	1,420,059,941

Trong đó:

Historical cost of fully amortized intangible fixed assets but still in use: VND 0

Historical cost of intangible 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 loans: VND 0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Increase and decrease in tangible fixed assets

	<i>Building and architetonic</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						
Opening balance	19,225,419,172	42,478,953,576	14,346,210,507	427,526,363	3,257,368,711	79,735,478,329
Purchase in the period	-	-	-	-	-	-
Disposal	-	(642,092,000)	(766,732,994)	-	-	(1,408,824,994)
Other decrease	-	-	-	-	-	-
Closing balance	19,225,419,172	41,836,861,576	13,579,477,513	427,526,363	3,257,368,711	78,326,653,335
Accumulated depreciation						
Opening balance	14,034,738,944	39,903,303,866	11,547,713,856	390,317,482	3,093,251,458	68,969,325,606
Depreciation in the year	540,014,148	700,895,935	416,581,962	5,436,366	97,393,169	1,760,321,580
Other increase	-	-	-	-	-	-
Switch to Investment properties	-	-	-	-	-	-
Disposal	-	(642,092,000)	(766,732,994)	-	-	(1,408,824,994)
Other decrease	-	-	-	-	-	-
Closing balance	14,574,753,092	39,962,107,801	11,197,562,824	395,753,848	3,190,644,627	69,320,822,192
Carrying value						
Opening balance	5,190,680,228	2,575,649,710	2,798,496,651	37,208,881	164,117,253	10,766,152,723
Closing balance	4,650,666,080	1,874,753,775	2,381,914,689	31,772,515	66,724,084	9,005,831,143

In which:

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

VND 53,458,942,938

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 65,846,356,780

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**11. Non - current work in progress****11.1 Construction in progress**

	Closing balance	Opening balance
Two-storey mechanical housing project	284,648,090	284,648,090
Investment project to construct Suoi Kiet quarry	5,589,058,341	5,589,058,341
Total	5,873,706,431	5,873,706,431

12. Financial investments**12.1 Investment in subsidiaries**

	Closing balance		Opening balance	
	Cost	Fair value	Cost	Fair value
Phu Ly Stone One member Co., Ltd	15,000,000,000	15,000,000,000	15,000,000,000	15,000,000,000
Total	15,000,000,000	15,000,000,000	15,000,000,000	15,000,000,000

Details of the share capital and voting rights of each Company are as follows:

	Closing balance			Opening balance		
	Owners' contributed capital	Percentage of holdings	Percentage of voting rights	Owners' contributed capital	Percentage of holdings	Percentage of voting rights
Phu Ly Stone One member Co., Ltd	15,000,000,000	100%	100%	15,000,000,000	100%	100%

Summary of the operation of subsidiaries during the year is as follows:

Phu Ly Stone One member Co., Ltd., is established under the Decision No.01/QD-HDQT dated 18 January 2008 of the Chairman of Construction Joint Stock Company No.6. The company operates under the certificate Business Registration Certificate No.0604.000020 dated 20 February 2008 issued by Ha Nam Department of Planning and Investment with the charter capital of VND 15 billions. During the operation, changes in business functions and chartered capital of the Company were approved by Ha Nam Department of Planning and Investment under Business Registration Certificate amended for the second time on 26 May 2011. The company's head quarter is at Nam Son Village, Chau Son Ward, Phu Ly City, Ha Nam Province.

The principal activities of Phu Ly Stone One member Co., Ltd., during the year are exploiting and processing stones.

13. Trade payables**13.1 Current trade payables**

	Closing balance		Opening balance	
	Value	Amount able to pay off	Value	Amount able to pay off
Railway Corporation Joint Stock Company	5,739,189,820	5,739,189,820	5,739,189,820	5,739,189,820
Construction Investment 3 Joint Stock Company	17,732,210,014	17,732,210,014	19,610,010,014	19,610,010,014
Others	22,434,959,966	22,434,959,966	25,394,799,248	25,394,799,248
Total	45,906,359,800	45,906,359,800	50,743,999,082	50,743,999,082

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Advances from customers

14.1 Current advances from customers

	Closing balance	Opening balance
Japan Vietnam Medical Instrument Joint Stock Company (Restoration and repair works of railway No. 3A Ga Kep)	1,092,528,300	1,092,528,300
Committee of traffic infrastructure maintenance: Package 03	2,594,714,000	-
Thinh Liet crossroads		
Mrs. Nguyen Thi Nga	2,000,000,000	-
Others	246,741,625	448,116,710
Total	5,933,983,925	1,540,645,010

15. Tax and other payables to the State

15.1 Tax payable

	Opening balance	Payable in year	Paid in year	Closing balance
VAT on domestic goods	1,115,692,986	403,540,493	1,519,233,479	-
VAT on imported goods	-	535,088,869	535,088,869	-
Personal income tax	9,600,833	26,555,659	36,156,492	-
Land tax, land rental	-	779,870,153	779,870,153	-
Other taxes	-	9,848,443	9,848,443	-
Total	1,125,293,819	1,754,903,617	2,880,197,436	-

15.2 Tax receivable

	Opening balance	Payable in year	Paid in year	Closing balance
Corporate income tax	200,000,000	-	-	200,000,000
Total	200,000,000	-	-	200,000,000

Value added tax

The Company's value added tax is paid under deduction method. Value added tax rate is 10%.

Land rent

The Company has to pay land rent for the area of office at Group 36, Dong Anh Town, Dong Anh District, Hanoi.

Tax payables are in accordance with notice of the tax authority.

Other taxes

The Company declared and paid according to regulations.

16. Payables to employees

	Số cuối kỳ	Số đầu kỳ
Factory 602	425,354,981	446,603,482
Factory 605	601,361,969	1,838,378,015
Material and Construction Factory	252,201,897	520,045,278
Thap Cham Construction Material Factory	288,337,160	319,895,145
Head office	166,536,409	222,494,375
Total	1,733,792,416	3,347,416,295

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Accrued expenses

17.1 Current accrued expenses

	Closing balance	Opening balance
Interest expenses payable	275,983,365	124,854,289
Total	275,983,365	124,854,289

18. Unrealized revenues

18.1 Current unrealized revenues

	Closing balance	Opening balance
Current unrealized revenues	326,535,453	163,886,363
Total	326,535,453	163,886,363

19. Other payables

19.1 Current other payables

	Closing balance	Opening balance
Social insurance, health insurance and unemployment insurance	3,103,826,949	1,456,756,778
Union fund	161,383,514	52,436,997
Payable due to termination of labor contract	988,388,934	988,388,934
Vietnam Railways	-	39,439,242
Other payables	2,050,933,321	570,693,770
Total	6,304,532,718	3,107,715,721

20. Borrowings

20.1 Current borrowings

	Opening balance		During the year		Closing balance	
	Value	Amount able to pay	Increase	Decrease	Value	Amount able to pay
Bank loan	51,559,648,431	51,559,648,431	18,305,595,235	19,892,356,591	49,972,887,075	49,972,887,075
Joint Stock Commercial Bank for Investment and Development of Vietnam - Dong Anh branch (i)	51,559,648,431	51,559,648,431	18,305,595,235	19,892,356,591	49,972,887,075	49,972,887,075
Personal loan (ii)	6,230,000,000	6,230,000,000	1,500,000,000	1,950,000,000	5,780,000,000	5,780,000,000
- Dam Thi Kim Cuc	2,500,000,000	2,500,000,000	-	-	2,500,000,000	2,500,000,000
- Nguyen Van Phong	180,000,000	180,000,000	-	-	180,000,000	180,000,000
- Nguyen Thi Hanh	1,200,000,000	1,200,000,000	-	-	1,200,000,000	1,200,000,000
- Nguyen Thi Huong	500,000,000	500,000,000	550,000,000	-	1,050,000,000	1,050,000,000
- Doan Thi Kim Thanh	850,000,000	850,000,000	-	-	850,000,000	850,000,000
- Le Thi Ngoc	1,000,000,000	1,000,000,000	950,000,000	1,950,000,000	-	-
Total	57,789,648,431	57,789,648,431	19,805,595,235	21,842,356,591	55,752,887,075	55,752,887,075

(i): The Credit Agreement No.01/2017/153713/HDTD dated 08 August 2017 for the purpose of supplementing working capital, guarantee, open letter of credit. Loan term: 12 months. Interest rate: floating. This loan is secured by the mortgage of movable and immovable property under the Mortgage Agreement No.01/2017/153713/HDBD, Mortgage Agreement No.02/2017/153713/HDBD and amendments to this mortgage contract.

(ii): Loan from individual is for the purpose of supplementing working capital. Loan term included in each contracts but no more than 12 months. Interest rates: adjusted according to the interest rates of commercial bank, interest rates applied in the period from 01 January 2018 to 30 June 2018 is 10% per year. These loans are trust loans.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Payables provision

21.1 Provision of non - current payables

	Closing balance	Opening
Provision for warranty goods	314,675,927	314,675,927
Provision for warranty of construction works	343,863,073	343,863,073
Total	658,539,000	658,539,000

22. Owners' equity

22.1 Increase and decrease in owners' equity

	Contribution of owners	Treasury shares	Investment and development fund	Retained earnings	Total
Opening balance of the previous period	61,080,780,000	(23,190,000)	8,701,960,259	2,889,376,415	72,648,926,674
Increased in the previous period	-	-	-	-	-
Profit in the previous period	-	-	-	(15,015,599,571)	(15,015,599,571)
Funds appropriated	-	-	-	-	-
Dividends, profit distributed	-	-	(3,331,728,522)	(1,552,878,678)	(4,884,607,200)
Closing balance of the previous period	61,080,780,000	(23,190,000)	5,370,231,737	(13,679,101,834)	52,748,719,903
Opening balance of the current period	61,080,780,000	(23,190,000)	5,370,231,737	(13,679,101,834)	52,748,719,903
Increased in the current period	-	-	-	-	-
Profit in the current period	-	-	-	(4,491,358,232)	(4,491,358,232)
Funds appropriated	-	-	-	-	-
Closing balance of the current period	61,080,780,000	(23,190,000)	5,370,231,737	(18,170,460,066)	48,257,361,671

22.2 Details of owners' capital contribution

	Closing balance	Opening
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

	Current period	Previous period
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

Shares

	Closing balance	Opening balance
Number of shares registered for issuance		
Number of shares issued /sold to the public	6,108,078	6,108,078
- Common shares	6,108,078	6,108,078
- Preferred shares	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Closing balance	Opening balance
Number of bought back shares	2,319	2,319
- 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.

22.3 Other funds of equity

Purpose of funds

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

23. Off balance sheet items

Foreign currency

Details of each type of foreign currency held by the Company in the original currency are as follows:

Content	Closing balance	Opening balance
USD	949.14	1,097.49

VI. ADDITIONAL INFORMATION ABOUT ITEMS ON THE INCOME STATEMENT

1. Revenues from sale of goods and services

1.1 Revenues from sale of goods and services

	Current period	Previous period
Revenues from sale of goods, finished goods	23,843,098,404	24,321,189,739
Revenues from experimental services	36,702,000	163,011,000
Revenue from construction contract	-	5,795,034,782
Total	23,879,800,404	30,279,235,521

1.2 Revenue deductions

	Current period	Previous period
Deduction of construction contract revenue when approving the project settlement	-	463,994,595
Total	-	463,994,595

2. Cost of goods sold

	Current period	Previous period
Cost of goods sold and finished goods	22,093,301,066	22,946,606,758
Cost of services provided	33,052,572	126,212,515
Cost of construction activities	-	5,012,330,004
Total	22,126,353,638	28,085,149,277

NOTES TO THE FINANCIAL STATEMENTS (continued)**3. Financial incomes**

	Current period	Previous period
Interest on deposits and loans	452,173,233	271,205,727
Total	452,173,233	271,205,727

4. Financial expenses

	Current period	Previous period
Borrowing interests	2,870,905,603	2,504,444,510
Other financial expenses	125,501,567	15,954,298
Total	2,996,407,170	2,520,398,808

5. General and Administrative expenses

	Current period	Previous period
Administrative employee expenses	1,321,761,950	2,766,390,843
Fixed asset depreciation expenses	536,511,744	535,652,737
Taxes, fees and charges	662,228,461	737,556,073
Other expenses	1,180,068,906	1,024,309,587
Total	3,700,571,061	5,063,909,240

6. Production and Operating costs

	Current period	Previous period
Raw material cost	13,454,616,638	32,282,767,532
Labor cost	7,890,387,031	13,280,161,213
Fixed asset depreciation cost	1,781,361,582	2,240,344,414
Other cost	9,414,005,095	8,631,631,908
Total	32,540,370,346	56,434,905,067

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

As at 30 June 2018, 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. Events after the balance sheet date

The company is transferring the land use right in Ho Chi Minh City. Currently, the company and client are submitting to the competent authority to transfer the land lease from annual payment to a one-time payment for performing the transaction.

To transfer the project of Suoi Kiet quarry in Binh Thuan province. Management of the Company has set up Suoi Kiet Stone One member Co., Ltd (independently accounted with the charter capital of VND 10,000,000,000, in words: ten billion Vietnamese dong) to continue the project and applying for a license (replacement for former model of Suoi Kiet Stone Factory). However, in fact, the Company has not yet implemented but only completing legal documents. Expenses incurred in this project are being monitored and accounted in accounting books of the Head Office and Thap Cham Construction Material Factory.

NOTES TO THE FINANCIAL STATEMENTS (continued)**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, Supervisory Board and their intimate family members.

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

	<u>Current period</u>	<u>Previous period</u>
<i>Board of Directors, Management, Supervisory Board</i>		
Salary, bonus, allowance	785,634,314	1,002,253,031

3.2 Other related parties

List of other related parties of the Company includes:

<u>Related parties</u>	<u>Relationship</u>
Phu Ly Stone One member Co., Ltd.,	Subsidiary

Transactions with these related parties in the period are as follows:

	<u>Current period</u>	<u>Previous period</u>
<i>Phu Ly Stone One member Co., Ltd.,</i>		
Car, excavator rental	96,000,000	96,000,000
Purchase of goods, finished goods	326,002,000	350,250,000
Loan interest receivables	341,351,017	261,824,656
Lending in the period	519,048,817	8,332,122
Sale of fixed assets	350,000,000	-

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

	<u>Closing balance</u>	<u>Opening Balance</u>
<i>Receivables</i>		
<i>Phu Ly Stone One member Co., Ltd.,</i>		
Lending to the Company	6,591,466,325	6,072,417,508
Total	6,591,466,325	6,072,417,508

Price policy for transactions between the Company and other related parties

The price of goods and services provided to related parties is negotiated price. The receivables are unsecured receivables and will be paid in cash. No allowance for doubtful debt are set up for receivables from related parties.

NOTES TO THE FINANCIAL STATEMENTS (continued)**4. Comparative figures**

Comparative figures are the figures in the audited financial statements for the fiscal year ended 31 December 2017 and reviewed financial statement for the period from 01 January 2017 to 30 June 2017 then ended by BDO Audit Services Company Limited.

Issued on 15 August 2018

Preparer

Doan Thi Kim Thanh**Chief Accountant**

Phan Anh Tuan**General Director**

The red circular stamp contains the text: "M.S.D.N: 01001849...-C.T.C.P", "CÔNG TY CỔ PHẦN", "CÔNG TRÌNH 6", and "H. DÔNG ANH - T.P HÀ NỘI".

Pham Xuan Huy