

**CONSTRUCTION JOINT STOCK  
COMPANY NO.6**

Audited consolidated financial statements  
for the fiscal year ended  
31 December 2016

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## CONSTRUCTION JOINT STOCK COMPANY NO.6

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

### REPORT OF MANAGEMENT

Management of Construction Joint Stock Company No.6 ("the Company") is pleased to present its report and audited consolidated financial statements for the fiscal year ended 31 December 2016.

#### GENERAL INFORMATION

Construction Joint Stock Company No.6 is a joint stock company converted a state-owned enterprise in accordance with Decision No. 4446/QĐ - BGTVT dated 31/12/2002 of the Minister of Transport. The Company operates under Business Registration Certificate No. 00103002966 by Hanoi Department of Planning and Investment dated 29/09/2003. During the course of operation, changes in the Company's business activities, charter capital, subsidiaries information were approved by Hanoi Department of Planning and Investment under the Business Registration Certificate amended from the first to the ninth time dated 20/11/2013; 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 06 factories and 01 subsidiary, details are as follows:

#### Factories

- Factory 602
- Factory 604
- Factory 605
- Factory 610
- Material and Construction Factory
- Thap Cham Construction Material Factory

#### Address

- Group 36, Dong Anh Town, Hanoi
- Group 36, Dong Anh Town, Hanoi
- Group 36, Dong Anh Town, Hanoi
- Group 36, Dong Anh Town, 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

Principle activities of the Company include:

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

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

#### THE BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report include:

- |                     |           |
|---------------------|-----------|
| - Mr. Lai Van Quan  | Chairman  |
| - Mr. Pham Xuan Huy | Executive |
| - Mr. Tran Huu Hung | Executive |
| - Mr. Phan Anh Tuan | Executive |

#### MANAGEMENT

Members of Management managing the Company's activities during the year and at the date of this report include:

- |                     |                  |
|---------------------|------------------|
| - Mr. Lai Van Quan  | General Director |
| - Mr. Pham Xuan Huy | Deputy Director  |
| - Mr. Tran Huu Hung | Deputy Director  |

#### THE BOARD OF SUPERVISORS

Members of the Board of Supervisors during the year and at the date of this report include:

- |                       |           |
|-----------------------|-----------|
| - Mr. Pham Anh Tu     | President |
| - Mr. To Van Tuyen    | Member    |
| - Mr. Trinh Xuan Thuy | Member    |



## CONSTRUCTION JOINT STOCK COMPANY NO.6

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

### REPORT OF MANAGEMENT *(Continued)*

#### THE LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr. Lai Van Quan - General Director.

#### SUBSEQUENT EVENTS

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 2016.

#### MANAGEMENT' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible for preparing the Consolidated Financial Statements for the fiscal year ended 31 December 2016, which gives a true and fair view of the Company's position and of its business 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 errors.

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 consolidated 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 frauds and other irregularities.

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

According to Management opinion, the audited Consolidated Financial Statements (accompanying) give a true and fair view of the financial position of the Company as at 31 December 2016 and the results of its operations and cash flows for the fiscal year then ended.

Hanoi, 24 February 2017

On behalf of the Management,



General Director  
Lai Van Quan



No.: 27/2017/BCKT-BDO

Hanoi, 24 February 2017

## INDEPENDENT AUDITOR'S REPORT

*On Consolidated Financial Statements of Construction Joint Stock Company No.6  
for the fiscal year ended 31 December 2016*

**To: SHAREHOLDERS, THE 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 24 February 2017 that set out on pages from 05 to 29 including Consolidated Balance sheet as at 31 December 2016, Consolidated Income statement, Consolidated Cash flow statement for the fiscal year ended 31 December 2016, and Notes to the Consolidated Financial Statements.

### Responsibilities of Management

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 risks of material misstatement on the Consolidated Financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's 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 2016, 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: 0780-2013-038-1



**Pham Thi Tu - Auditor**

Certificate for Audit application registry 2581-2013-038-1



## CONSOLIDATED BALANCE SHEET

As at 31 December 2016

Currency: VND

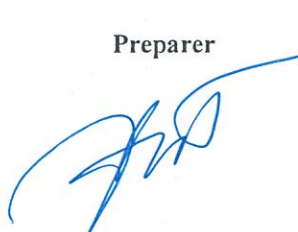
ASSETS	Code	Note	Closing balance	Opening balance
<b>A - CURRENT ASSETS</b>	<b>100</b>		<b>195,220,873,827</b>	<b>211,454,709,975</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>V.1</b>	<b>24,353,165,261</b>	<b>8,457,789,718</b>
1. Cash	111		24,353,165,261	8,457,789,718
2. Cash equivalents	112		-	-
<b>II. Current receivables</b>	<b>130</b>		<b>122,378,534,119</b>	<b>130,342,028,994</b>
1. Current trade receivables	131	V.2	115,438,517,926	123,100,965,342
2. Current advances to suppliers	132	V.3.1	3,256,450,462	7,056,090,344
3. Current intercompany receivables	133		-	-
4. Other current receivables	136	V4.1	6,099,798,731	3,146,587,308
5. Provision for doubtful debts	137	V.5	(2,416,233,000)	(2,961,614,000)
<b>III. Inventories</b>	<b>140</b>		<b>47,404,762,668</b>	<b>71,890,947,132</b>
1. Inventories	141	V.6	47,404,762,668	71,890,947,132
<b>IV. Other current assets</b>	<b>150</b>		<b>1,084,411,779</b>	<b>763,944,131</b>
1. Current prepaid expenses	151	V.7.1	1,042,781,279	732,206,410
2. Deductible value - added tax	152		-	31,737,721
3. Tax and other receivables from the State	153	V.13.2	41,630,500	-
<b>B - NON - CURRENT ASSETS</b>	<b>200</b>		<b>37,439,515,617</b>	<b>42,508,872,530</b>
<b>I. Non - current receivables</b>	<b>210</b>		<b>134,600,000</b>	<b>134,600,000</b>
1. Non - current trade receivables	216	V.4.2	134,600,000	134,600,000
<b>II. Fixed assets</b>	<b>220</b>		<b>26,594,704,424</b>	<b>36,074,419,216</b>
1. Tangible fixed assets	221	V8	25,122,044,478	31,841,329,266
<i>Historical cost</i>	222		105,874,608,428	108,244,431,946
<i>Accumulated depreciation</i>	223		(80,752,563,950)	(76,403,102,680)
2. Intangible fixed assets	227	V.9	1,472,659,946	4,233,089,950
<i>Historical cost</i>	228		2,235,294,981	4,953,644,981
<i>Accumulated amortization</i>	229		(762,635,035)	(720,555,031)
<b>III. Non - current work in progress</b>	<b>240</b>		<b>6,314,866,416</b>	<b>4,914,988,482</b>
1. Work in progress	241		-	-
2. Construction in progress	242	V.10	6,314,866,416	4,914,988,482
<b>IV. Non - current financial investments</b>	<b>250</b>		<b>-</b>	<b>-</b>
1. Investment in subsidiaries	251		-	-
<b>V. Other non - current assets</b>	<b>260</b>		<b>4,395,344,777</b>	<b>1,384,864,832</b>
1. Non - current prepaid expenses	261	V.7.2	4,393,994,353	1,384,206,229
2. Deferred tax assets	262	V.19	1,350,424	658,603
3. Goodwill	269		-	-
<b>TOTAL ASSETS</b>	<b>270</b>		<b>232,660,389,444</b>	<b>253,963,582,505</b>

## CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2016

RESOURCES	Code	Note	Closing balance	Opening balance
<b>C - LIABILITIES</b>	<b>300</b>		<b>161,347,960,507</b>	<b>179,682,582,602</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>160,255,352,507</b>	<b>176,837,485,602</b>
1. Current trade payables	311	V.11	44,057,670,538	60,207,927,673
2. Current advances from customers	312	V.12	5,956,144,590	8,904,332,010
3. Statutory obligations	313	V.13.1	3,625,691,671	9,849,720,950
4. Payables to employees	314	V.14	5,964,403,526	7,988,665,361
5. Current accrued expenses	315	V.15.1	169,087,018	110,833,656
6. Current intercompany payables	316		-	-
8. Current unrealized revenues	318	V.16	355,636,363	163,636,363
9. Other payables	319	V.17	11,392,549,316	10,978,994,945
10. Current borrowings	320	V.20.1	87,125,053,911	76,794,234,070
11. Bonus and welfare fund	322		1,609,115,574	1,839,140,574
<b>II. Non - current liabilities</b>	<b>330</b>		<b>1,092,608,000</b>	<b>2,845,097,000</b>
1. Non - current borrowings	338	V.20.2	-	800,000,000
2. Deferred tax liabilities	341		-	-
3. Provision of non - current payables	342	V.18	1,092,608,000	2,045,097,000
<b>D - OWNERS' EQUITY</b>	<b>400</b>		<b>71,312,428,937</b>	<b>74,280,999,903</b>
<b>I. Owners' equity</b>	<b>410</b>	<b>V.21</b>	<b>71,312,428,937</b>	<b>74,280,999,903</b>
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		(23,190,000)	738,841,200
3. Treasury shares	415		-	(23,190,000)
4. Investment and development fund	418		8,701,960,259	11,435,152,239
5. Retained earnings	421		1,552,878,678	1,049,416,464
- Accumulated retained earnings by the end of the previous year	421a		-	-
- Retained earnings of the current year	421b		1,552,878,678	1,049,416,464
6. Funds for construction investment	422		-	-
7. Interests of non - controlling shareholders	429		-	-
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>440</b>		<b>232,660,389,444</b>	<b>253,963,582,505</b>

Preparer



Doan Thi Kim Thanh

Chief Accountant



Phan Anh Tuan

Hanoi, 24 February 2017

General Director



Lai Van Quan



## CONSOLIDATED INCOME STATEMENT

Year 2016

Currency: VND

ITEMS	Code	Note	Current year	Previous year
1. Revenue from sale of goods and services	01	VI.1.1	191,376,776,714	254,120,173,613
2. Revenue deductions	02	VI.1.2	1,973,397,905	3,445,799,810
3. Net revenue from sale of goods and services	10		189,403,378,809	250,674,373,803
4. Cost of goods sold	11	VI.2	173,155,942,167	226,195,876,322
5. Gross profits from sale of goods and services	20		16,247,436,642	24,478,497,481
6. Financial income	21	VI.3	22,429,497	37,895,647
7. Financial expenses	22	VI.4	7,163,226,503	10,428,909,968
<i>In which: interest expenses</i>	23		7,034,570,539	10,346,861,760
8. Profit or loss from joint ventures, associates	24		-	-
9. Selling expenses	25	VI.5	1,003,893,823	800,670,562
10. General and administrative expenses	26	VI.6	14,431,728,154	12,059,012,593
11. Net profit from operating activities	30		(6,328,982,341)	1,227,800,005
12. Other income	31	VI.7	9,678,740,782	1,066,810,439
13. Other expenses	32	VI.8	423,405,484	740,752,543
14. Other profit	40		9,255,335,298	326,057,896
15. Profit before tax	50		2,926,352,957	1,553,857,901
16. Current corporate income tax	51	VI.9	1,374,166,100	504,878,887
17. Deferred corporate income tax	52	VI.10	(691,821)	(437,450)
18. Profit after corporate income tax	60		1,552,878,678	1,049,416,464
19. Profit after tax of the parent company	61		1,552,878,678	1,049,416,464
20. Profit after tax of non-controlling shareholders	62		-	-
21. Basic earnings per share	70	VI.11	254	172
22. Diluted earnings per share	71		-	-

Hanoi, 24 February 2017

Preparer

Chief Accountant

General Director

Doan Thi Kim Thanh

Phan Anh Tuan

Lai Van Quan



## CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

Year 2016

Currency: VND

ITEMS	Code	Note	Current year	Previous year
<b>I. Cash flows from operating activities</b>				
1. Profit before tax	01		2,926,352,957	1,553,857,901
2. Adjustments for:				
- Depreciation of fixed assets and investment properties	02		7,361,513,561	7,592,790,754
- Provisions	03		(1,497,870,000)	(529,127,522)
- Unrealized foreign exchange gains, losses from monetary assets and liabilities in foreign currencies	04		(272,206)	(1,203,638)
- Profits, losses from investing activities	05		(6,992,779,412)	(839,836,365)
- Interest expenses	06		7,034,570,539	10,346,861,760
3. Operating income before changes in working capital	08		8,831,515,439	18,123,342,890
- Increase, decrease in receivables	09		7,798,983,096	1,879,695,786
- Increase, decrease in inventories	10		24,486,184,464	54,214,291,709
- Increase, decrease in payables	11		(27,595,255,678)	(15,627,357,206)
- Increase, decrease in prepaid expenses	12		(577,362,047)	(1,093,815,332)
- Interest paid	14		(6,989,596,677)	(10,431,077,677)
- Corporate income tax paid	15		(1,814,881,329)	(2,327,525,524)
- Other proceeds from operating activities	16		1,191,422,856	34,675,000
- Other payments for operating activities	17		(230,025,000)	(789,750,000)
Net cash flows from operating activities	20		5,100,985,124	43,982,479,646
<b>II. Cash flows from investing activities</b>				
- Payment for purchases or construction of fixed assets and other non - current assets	21		(5,112,100,346)	(2,366,563,544)
- Proceeds from fixed assets and other non - current assets disposal	22		10,627,272,727	943,438,181
- Interests and dividends received	27		22,157,291	36,692,009
Net cash flows from investing activities	30		5,537,329,672	(1,386,433,354)
<b>III. Cash flows from financing activities</b>				
- Drawdown of borrowings	33		117,255,448,028	149,512,027,207
- Repayments of borrowings	34		(107,724,628,187)	(191,914,469,854)
- Dividends, profits paid to shareholders	36		(4,274,031,300)	(9,426,326,000)
Net cash flows from financing activities	40		5,256,788,541	(51,828,768,647)
Net increase/decrease in cash and cash equivalents during the year	50		15,895,103,337	(9,232,722,355)
Cash and cash equivalents at the beginning of the year	60	V.1	8,457,789,718	17,689,308,435
Effect of exchange rate changes	61		272,206	1,203,638
Cash and cash equivalents at the end of the year	70	V.1	24,353,165,261	8,457,789,718

Hanoi, 24 February 2017

Preparer

Chief Accountant

General Director

Doan Thi Kim Thanh

Phan Anh Tuan

Lai Van Quan



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year 2016

**I. CORPORATE INFORMATION****1. Structure of ownership**

Construction Joint Stock Company No.6 is a joint stock company converted a state-owned enterprise in accordance with Decision No. 4446/QĐ - BGT/VT dated 31/12/2002 of the Minister of Transport. The Company operates under Business Registration Certificate No. 00103002966 by Hanoi Department of Planning and Investment dated 29/09/2003. During the course of operation, changes in the Company's business activities, charter capital, subsidiaries information were approved by Hanoi Department of Planning and Investment under the Business Registration Certificate amended from the first to the ninth time dated 20/11/2013; 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 many business areas, including: Trade; Services; Construction; Exploitation and Processing Stone.

**3. Business activities**

*The Company's principal activities include:*

- Construction of railways and road projects; Construction of all kinds of houses;
- Investing in the construction of infrastructure of residential areas and urban areas;
- Constructing other civil engineering works;
- Installation of electrical systems; Preparation of surface; Construction of public utility works;
- Passenger carriage; Rail freight; Direct service activities for rail transport
- Exploiting and processing stone (except for stones banned by the State);
- Lease of warehouses and workshops for manufacture;
- 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 (Excludes bar, karaoke, discotheque);
- Cargo transportation by road; Repair of construction equipment, motorbikes,;
- Production of mechanical products; Trade of materials, means, transport equipments;
- Production of construction materials made with clays; Production of cement, lime and plaster; Production of prefabricated concrete components, asphalt concrete; Trade of construction materials, steel structure, prefabricated concrete components, asphalt concrete.
- Exploitation of stone, sand, gravel and clay; Processing stone.

**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 of units	Address	Ratio of voting rights	Capital contribution ratio	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 2016

*List of dependent accounting units:*

Name	Address
- Factory 602	Group 36, Dong Anh Town, Hanoi
- Factory 604	Group 36, Dong Anh Town, Hanoi
- Factory 605	Group 36, Dong Anh Town, Hanoi
- Factory 610	Group 36, Dong Anh Town, Hanoi
- Material and Construction Factory	Group 38, Dong Anh Town, Dong Anh District, Hanoi
- Thap Cham Constrction Material Factory	Do Vinh Ward, Phan Rang - Thap Cham City, Ninh Thuan Province

**6. Employee**

The number of Company's employees as at 31/12/2016 were 225 people ( 285 people as at 31/12/2015).

**7. Declaration on comparability of figures on Consolidated financial statements**

Comparative figures are presented in accordance with figures from the audited consolidated financial statement for the fiscal year 2015.

**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 Vietnamese Corporate Accounting System issued with Circular No. 200/2014/TT- BTC dated 22/12/2014 and Circular No. 202/2014/TT-BTC by the Ministry of Finance dated 22/12/2014 on guidelines for method on preparation và presentation consolidated financial statement.

The Financial Statements are using the historical cost principle and in accordance with Vietnames Accounting Standards. The accompaning 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 prepared and presented the Company's Financial Statements in accordance with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and other prevailing legal regulations regarding the preparation and presentation of financial statements.

**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 31/12/2016 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 2016**

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.

**IV. APPLICABLE ACCOUNTING STANDARDS****1. Applicable exchange rates**

The commercial bank selected by the Company to apply the exchange rate: Joint Stock Commercial 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 business costs, Advance to suppliers, Payables.

*Applicable rates at the end of the period*

For foreign currency deposits: The exchange rate is the bank's purchasing rate where the Company opens the foreign currency account.

**2. 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.

**3. 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 employee's advances for business purpose, collateral and deposits, etc)*

*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 balances are recorded as general and administrative expenses on the income statement.
- The provision of doubtful debts which has been overdue for over 12 months (overdue period is determined based on the investor approves the final settlement of the project) is made following principles below:



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Year 2016

<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%

**4. 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 are determined as the total expense 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 investor and all cost of construction in process at the end of the 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 (due to discounts, obsolete, poor quality, inferior, etc) of raw materials and finished products 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 good sold during the period.

According to Management of the Company, as at 31/12/2016, the Company did not have inventories which were devalued, obsolete, poor quality, etc. that required provisions.

**5. Recognition of fixed assets and depreciation***Recognition of 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 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
Tools & instruments for management	04-08 years
Other tangible assets	06-10 years



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****Year 2016**

(\*): For tangible asset is "Stone Crushing Line 250 tons/hour", the Company applied the depreciation method in accordance with productive-output method of depreciation 9,500 VND / m3 instead of the straight line method applied from FY 2012. In the fiscal year from 01/01/2016 to 31/12/2016, the application of depreciation method of productive-output makes the depreciation expense of the Company was increased VND 61,367,160 in comparison with straight line method. Therefore, accumulated depreciation expenses as at 31/12/2016 was decreased approximately VND 575,140,430.

***Intangible fixed assets***

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

***Land use rights***

Intangible fixed assets which are long-term land use rights are recognized as intangible fixed assets when the Company is granted the Certificate 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 was amortized on straight - line method due to useful life.

***Other regulations of management, use and depreciation of fixed assets***

Other regulations of management, use and depreciation of fixed assets are complied by entity according to Circular No.45/2013/TT-BTC dated 25/04/2013 by the Ministry of Finance and Circular No.147/2016/TT-BTC dated 13/10/2016 by the Ministry of Finance amending and supplementing some rules of Circular No.45/2013/TT-BTC.

**6. Tax accounting principles*****a) Current corporate income tax***

Current income tax expense is determined based on taxable income and corporate income tax rate of the current year (20%).

***b) 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.

**7. Recognition of prepaid expenses**

Prepaid expenses are expenses which have actually incurred yet are related to operational outputs 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>
Expenses of tools and instruments, rotational packaging, rental equipment	12-36 months
Expenses of repairing a fixed asset for once with great value	18 months
Costs of repairing equipment and concrete yard	15-36 months

Each prepaid expense incurred shall be recorded in details of maturity. As at the reporting 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.

**8. Recognition of payables**

The amount of payable shall be classified into trade payables and other payables following principles below:

- **Trade payables:** include commercial payables arisen from purchases of goods, services or assets.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Year 2016

- **Other payables:** include non - commercial payable amounts, or payable amounts that are not related to trading in goods or services (such as payables of properties borrow, payables of fines, compensation, payment of deposits, payables related to social insurance, health insurance, unemployment insurance, union funds, other payables, etc.)

**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.

**9. Recognition of record and capitalization 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 during the period as incurred (except capitalization cases according to regulations in Vietnam Accounting Standards No. 16 "Borrowing expenses")

**10. 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 recorded based on the reasonable estimation of amount payable for received goods and services is expenses of interest expenses, were recognized based on the principal outstanding, term and interest rate applied.

**11. Recognition of 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

**Recognition of provision of payables**

Provisions shall be reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

**Recognition of provision for payables****Expense of warranties products, good, construction**

Provision for warranties products were raised for each types of products, goods, construction which have warranty commitments accordance with committed allowance rate with client.

The provision of warranty expense is estimated at the rate of 1% of the final settlement value of the works, based on the commitment in the contract.

**12. 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 amortization: Unrealized revenues are amortized and charged to the income statement in the period, based on the term of advance receipt.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Year 2016

**13. Recognition of owners' equity*****a) Recognition of owners' equity, Share premium, Treasury shares***

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

*Share premium:* shall record the difference between the par value and issue price of shares, the difference between acquisition price of treasury shares and reissued price of 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 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***

Uses: Investment in expanding the scale of production, business or intensive investment of the company.

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 (profit, 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 and investors).

**14. 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 receivables or the possibility of goods returned.

***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.

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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Year 2016

***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 cost of good sold related to construction contracts are recognized corresponding to part of works finished at the end of the fiscal year.

**15. 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).

**16. Recognition of cost of goods sold**

Cost of goods sold is recognized on matching principle with revenue.

To ensure the precautionary 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 costs of goods sold are the value of the construction be reduced after the audit or the final settlement of capital construction .

**17. 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.

**18. 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 deductions in selling expense 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 deductions in general and administrative in the year.

**19. 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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Year 2016

**V. ADDITIONAL INFORMATION ABOUT ITEMS ON THE CONSOLIDATED BALANCE SHEET****1. Cash and cash equivalents**

	<b>Closing balance</b>	<b>Opening balance</b>
Cash on hand	222,082,878	226,814,825
Cash at bank	24,131,082,383	8,230,974,893
<b>Total</b>	<b>24,353,165,261</b>	<b>8,457,789,718</b>
<b>Total cash and cash equivalents</b>	<b>24,353,165,261</b>	<b>8,457,789,718</b>

**2. Trade receivables****2.1 Current trade receivables**

	<b>Closing balance</b>	<b>Opening balance</b>
- Construction package 11: Upgrading the railway section of Bieu Nghi - Ha Long (Km105 + 200 - Km124 + 483)	13,584,800,689	8,085,592,000
- Contract of supplying tie-bar Cat Linh - Ha Dong No. YNQG-PJHW-W008	11,275,664,636	-
- Package of railway construction Cat Linh - Ha Dong	14,613,398,487	-
- Construction package 07: Upgrading and renovating Vang Danh railway station	-	14,027,851,521
- Hanoi Construction Investment Joint Stock Company	1,510,720,675	326,733,550
- Others	74,453,933,439	100,660,788,271
<b>Total</b>	<b>115,438,517,926</b>	<b>123,100,965,342</b>

**3. Advances to suppliers****3.1 Current advances to suppliers**

	<b>Closing balance</b>	<b>Opening balance</b>
- Regional Railway Project Management Unit 1	1,267,813,000	1,612,649,000
- Others	1,988,637,462	5,443,441,344
<b>Total</b>	<b>3,256,450,462</b>	<b>7,056,090,344</b>

**4. Other receivables****4.1 Current other receivables**

	<b>Closing balance</b>		<b>Opening balance</b>	
	<b>Value</b>	<b>Provison</b>	<b>Value</b>	<b>Provison</b>
The advance payment for ground learence for the Border Guard Command of Lao Cai province	1,310,000,000	-	-	-
Advances	3,955,607,814	-	2,533,764,055	-
Others	834,190,917	-	612,823,253	-
<b>Total</b>	<b>6,099,798,731</b>	<b>-</b>	<b>3,146,587,308</b>	<b>-</b>

**4.2 Non-current other receivables**

	<b>Closing balance</b>		<b>Opening balance</b>	
	<b>Value</b>	<b>Provison</b>	<b>Value</b>	<b>Provison</b>
Deposits	134,600,000	-	134,600,000	-
<b>Total</b>	<b>134,600,000</b>	<b>-</b>	<b>134,600,000</b>	<b>-</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Year 2016

**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 Thai Son 2 residential area - Quan Trieu - Thai Nguyen	-	-	33,472,000	-
Construction of Thach My bridge	404,810,607	-	404,810,607	-
Maintenance and repair 715 Co., Ltd	299,368,000	-	299,368,000	-
Road company 230	503,033,000	185,553,000	503,033,000	185,553,000
Others	147,275,263	-	659,184,263	-
<b>Total</b>	<b>2,601,786,000</b>	<b>185,553,000</b>	<b>3,147,167,000</b>	<b>185,553,000</b>

**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.

**6. Inventories**

	Closing balance		Opening balance	
	Cost	Provision	Cost	Provision
Raw materials	10,642,962,525	-	13,530,565,953	-
Tools and supplies	109,935,081	-	265,374,305	-
Work - in - progress	23,913,999,589	-	43,069,221,163	-
Finished products	12,724,848,604	-	15,007,747,622	-
Goods	13,016,869	-	18,038,089	-
<b>Total</b>	<b>47,404,762,668</b>	<b>-</b>	<b>71,890,947,132</b>	<b>-</b>

**7. Prepaid expenses**

	Closing balance	Opening balance
<b>7.1 Current prepaid expenses</b>		
- Tools and instruments	791,493,231	728,293,910
- Others	251,288,048	3,912,500
<b>Total</b>	<b>1,042,781,279</b>	<b>732,206,410</b>
<b>7.2 Non - current prepaid expenses</b>		
- Tools and instruments	2,920,862,730	542,437,497
- Fixed assets repair and maintenance expenses	1,404,971,807	754,169,641
- Others	68,159,816	87,599,091
<b>Total</b>	<b>4,393,994,353</b>	<b>1,384,206,229</b>

## 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 &amp; transmit instrument</i>	<i>Tool and instrument for management</i>	<i>Other tangible assets</i>	<i>Total</i>
<b>Historical cost</b>						
As at 01/01/2016	20,180,235,209	65,700,677,661	18,549,019,711	557,130,654	3,257,368,711	108,244,431,946
- Purchase in the year	-	662,000,000	802,081,375	54,363,636	-	1,518,445,011
- New construction	-	-	-	-	-	-
- Transfer to Investment properties	-	-	-	-	-	-
Disposal, sale	(1,256,299,053)	(2,448,001,549)	-	(183,967,927)	-	(3,888,268,529)
<b>As at 31/12/2016</b>	<b>18,923,936,156</b>	<b>63,914,676,112</b>	<b>19,351,101,086</b>	<b>427,526,363</b>	<b>3,257,368,711</b>	<b>105,874,608,428</b>
<b>Accumulated depreciation</b>						
As at 01/01/2016	13,430,042,633	44,670,741,485	15,386,368,276	546,043,857	2,369,906,429	76,403,102,680
- Depreciation in the year	1,436,027,197	4,208,669,300	1,258,766,144	15,832,019	400,138,897	7,319,433,557
- Transfer to Investment properties	-	-	-	-	-	-
Disposal, sale	(1,072,752,283)	(1,713,252,077)	-	(183,967,927)	-	(2,969,972,287)
<b>As at 31/12/2016</b>	<b>13,793,317,547</b>	<b>47,166,158,708</b>	<b>16,645,134,420</b>	<b>377,907,949</b>	<b>2,770,045,326</b>	<b>80,752,563,950</b>
<b>Carrying value</b>						
As at 01/01/2016	6,750,192,576	21,029,936,176	3,162,651,435	11,086,797	887,462,282	31,841,329,266
<b>As at 31/12/2016</b>	<b>5,130,618,609</b>	<b>16,748,517,404</b>	<b>2,705,966,666</b>	<b>49,618,414</b>	<b>487,323,385</b>	<b>25,122,044,478</b>

## 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 5,733,574,371

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Year 2016

**9. Increase and decrease in intangible fixed assets**

	<i>Land use rights</i>	<i>Others</i>	<i>Total</i>
<b>Historical cost</b>			
As at 01/01/2016	4,953,644,981	-	4,953,644,981
Purchase in the year	-	-	-
Disposal	(2,718,350,000)	-	(2,718,350,000)
Other decreases	-	-	-
As at 31/12/2016	<u>2,235,294,981</u>	<u>-</u>	<u>2,235,294,981</u>
<b>Accumulated amortization</b>			
As at 01/01/2016	720,555,031	-	720,555,031
Amortization in the year	42,080,004	-	42,080,004
Other increase	-	-	-
Disposal	-	-	-
Other decreases	-	-	-
As at 31/12/2016	<u>762,635,035</u>	<u>-</u>	<u>762,635,035</u>
<b>Carrying value</b>			
As at 01/01/2016	4,233,089,950	-	4,233,089,950
As at 31/12/2016	<u>1,472,659,946</u>	<u>-</u>	<u>1,472,659,946</u>

**10. Construction in progress**

	<i>Closing balance</i>	<i>Opening balance</i>
Construction in progress		
+ Investment project to construct Suoi Kiet quarry	5,253,067,664	4,616,704,028
+ Project of office in Da Nang	-	13,636,364
+ Two-storey mechanical housing project	284,648,090	284,648,090
+ Construction works to expand the material dump	777,150,662	-
<b>Total</b>	<u>6,314,866,416</u>	<u>4,914,988,482</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	5,601,706,570	5,601,706,570	5,971,398,433	5,971,398,433
- Construction Investment 3 Joint Stock Company	2,753,675,443	2,753,675,443	5,679,529,399	5,679,529,399
- Construction Investment 2 Joint Stock Company	3,156,936,015	3,156,936,015	5,120,394,661	5,120,394,661
- Others	32,545,352,510	32,545,352,510	43,436,605,180	43,436,605,180
<b>Total</b>	<u>44,057,670,538</u>	<u>44,057,670,538</u>	<u>60,207,927,673</u>	<u>60,207,927,673</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year 2016

## 12. Advances from customers

## 12.1 Current advances from customers

	Closing balance	Opening balance
Restoration and repair works of railway No. 3A and the construction of dual stations	1,092,528,300	1,092,528,300
Project GT01: construction of river bank protection Lo river from CD16 pile to CDK8 pile Tuyen Quang	550,000,000	1,249,956,600
Project GT8: Extending 3 stations: Tien An, Thua Luu, Cau Hai; Add the 3rd line of Lac Son station	-	1,261,369,645
Construction: GT1 Construction of section Km0-Km4 under the project: Na Nhung-Moc 112 of Ban Lau commune	-	3,830,000,000
Construction of the project of Vo Lao 2 bridge and Phu Nhuan bridge on provincial road 151	1,894,674,600	-
Package 21: Construction of railway system: Investment in construction of coal transportation system from Khe Ngat warehouse	2,191,788,450	-
Others	227,153,240	1,470,477,465
<b>Total</b>	<b>5,956,144,590</b>	<b>8,904,332,010</b>

## 13 Statutory obligations

## 13.1 Tax payable

	Opening balance	Payable in year	Paid in year	Closing balance
VAT on domestic goods	9,541,155,913	4,727,583,601	10,929,690,167	3,339,049,347
VAT on imported goods	-	512,338,959	512,338,959	-
Corporate income tax	204,878,887	1,610,002,442	1,814,881,329	-
Personal income tax	472,650	256,295,049	256,767,699	-
Resource tax	20,535,200	793,037,600	813,572,800	-
Land tax, land rental	73,877,500	2,034,827,417	2,105,866,440	2,838,477
Charges, fees and other payables	8,800,800	1,251,239,136	976,236,089	283,803,847
<b>Total</b>	<b>9,849,720,950</b>	<b>11,185,324,204</b>	<b>17,409,353,483</b>	<b>3,625,691,671</b>

## 13.2 Tax receivable

	Opening balance	Payable in year	Paid in year	Closing balance
Excess payment of PIT	-	-	806,500	806,500
Resource tax	-	-	40,824,000	40,824,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>41,630,500</b>	<b>41,630,500</b>

## 14. Payables to employees

	Closing balance	Opening balance
Factory 602	799,352,292	3,078,081,669
Factory 604	587,086,968	825,185,277
Factory 605	1,208,022,410	1,485,308,568
Material and Construction Factory	705,055,063	505,662,508
Factory 610	382,781,127	635,044,228
Thap Cham construction material Factory	107,652,399	32,927,642
Head office	1,761,379,242	1,236,987,342
Phu Ly Stone One member Co., Ltd	413,074,025	189,468,127
<b>Total</b>	<b>5,964,403,526</b>	<b>7,988,665,361</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Year 2016

**15. Accrued expenses****15.1 Current accrued expenses**

	<b>Closing balance</b>	<b>Opening balance</b>
Interest expenses payable	155,807,518	110,833,656
Others	13,279,500	-
<b>Total</b>	<b>169,087,018</b>	<b>110,833,656</b>

**16. Unrealized revenues****16.1 Current unrealized revenues**

	<b>Closing balance</b>	<b>Opening balance</b>
- Petroleum retail business	163,636,363	163,636,363
- Phuc Hung Joint Stock Company	192,000,000	-
<b>Total</b>	<b>355,636,363</b>	<b>163,636,363</b>

**17. Other payables****17.1 Current unrealized revenues**

	<b>Closing balance</b>	<b>Opening balance</b>
Surplus of assets awaiting resolution	-	-
Social insurance	1,327,266,419	127,389,327
Health insurance	8,484,423	17,584,570
Unemployment insurance	4,923,553	8,032,459
Union fund	430,881,684	430,307,907
Receipt of current collaterals and mortgages	50,000,000	345,000,000
Tracking the stock collection of the poor	165,200,000	165,200,000
Others:	9,405,793,237	9,885,480,682
+ Receipt of disposal of assets payables	-	147,509,739
+ Vietnam Railway Corporation	9,195,925,048	9,315,250,048
+ Others	209,868,189	422,720,895
<b>Total</b>	<b>11,392,549,316</b>	<b>10,978,994,945</b>

**18. Non-current provision****18.1 Non-current provision**

	<b>Closing balance</b>	<b>Opening balance</b>
Provision for warranty goods	300,821,547	207,730,732
Provision for warranty of construction works	791,786,453	1,837,366,268
<b>Total</b>	<b>1,092,608,000</b>	<b>2,045,097,000</b>

**19. Deferred income tax assets and liabilities****a) Deferred income tax assets**

	<b>Current year</b>	<b>Previous year</b>
- The CIT rate used to determine the value of the deferred tax asset	20%	22%
- Deferred tax assets relating to deductible temporary differences	1,350,424	658,603
- Deferred income tax assets relating to unused tax losses	-	-
- Deferred income tax assets relating to unused tax incentives	-	-
<b>Deferred income tax assets</b>	<b>1,350,424</b>	<b>658,603</b>

## 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
<b>Current borrowings</b>							
Joint Stock Commercial Bank for Investment and Development of Vietnam	(i)	72,364,234,070	72,364,234,070	106,805,448,028	103,324,628,187	75,845,053,911	75,845,053,911
Loan of individuals	(ii)	4,430,000,000	4,430,000,000	10,450,000,000	3,600,000,000	11,280,000,000	11,280,000,000
- Dam Thi Cuc		-	-	6,000,000,000	-	6,000,000,000	6,000,000,000
- Nguyen Thi Huong		-	-	1,400,000,000	1,400,000,000	-	-
- Pham Thi Quynh Mai		1,950,000,000	1,950,000,000	2,250,000,000	1,500,000,000	2,700,000,000	2,700,000,000
- Nguyen Thi Hanh		1,600,000,000	1,600,000,000	-	400,000,000	1,200,000,000	1,200,000,000
- Nguyen Van Phong		180,000,000	180,000,000	-	-	180,000,000	180,000,000
- Truong Duy Ha		-	-	150,000,000	150,000,000	-	-
- Nguyen Nam Thang		-	-	500,000,000	-	500,000,000	500,000,000
- Nguyen Thi Ha		50,000,000	50,000,000	-	50,000,000	-	-
- Duong Thi Thu Phuong		100,000,000	100,000,000	-	100,000,000	-	-
- Doan Thi Kim Thanh		550,000,000	550,000,000	150,000,000	-	700,000,000	700,000,000
<b>Total</b>		<b>76,794,234,070</b>	<b>76,794,234,070</b>	<b>117,255,448,028</b>	<b>106,924,628,187</b>	<b>87,125,053,911</b>	<b>87,125,053,911</b>

*Details of current bank borrowings:*

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

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

## 20.2 Non - current borrowings

	Opening balance		During the year		Closing balance	
	Value	Amount able to pay off	Increase	Decrease	Value	Amount able to pay off
<b>Non - current borrowings</b>						
Lai Huy Hoang	800,000,000	800,000,000	-	800,000,000	-	-
<b>Total</b>	<b>800,000,000</b>	<b>800,000,000</b>	<b>-</b>	<b>800,000,000</b>	<b>-</b>	<b>-</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 21. Owners' equity

## 21.1 Increase and decrease in owners' equity

	Charter capital	Share premium	Treasury shares	Interests of non - controlling	Investment and development fund	Retained earnings	Total
Opening balance of the previous year	61,080,780,000	989,164,000	(23,190,000)	-	11,084,274,239	7,083,510,200	80,214,538,439
Profit in the previous year	-	-	-	-	-	1,049,416,464	1,049,416,464
Other increases	-	-	-	1,203,638	-	250,322,800	251,526,438
Appropriate the development investment fund	-	-	-	-	-	(701,756,000)	(701,756,000)
Remuneration of the Board of Directors	-	-	-	-	-	(175,440,000)	(175,440,000)
Dividends paid to shareholders	-	-	-	-	-	(6,105,759,000)	(6,105,759,000)
Funds appropriated	-	-	-	-	350,878,000	(350,878,000)	-
Other decreases	-	(250,322,800)	-	(1,203,638)	-	-	(251,526,438)
Balance of the end 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
Beginning of the current 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 year	-	-	-	-	-	1,552,878,678	1,552,878,678
Other increases	-	-	-	272,206	-	-	272,206
Funds appropriated	-	-	-	-	-	-	-
Distribute profits (*)	-	(738,841,200)	-	-	(2,485,773,636)	(1,049,416,464)	(4,274,031,300)
Other decreases	-	-	-	(272,206)	(247,418,344)	-	(247,690,550)
Closing balance at the end of the current year	61,080,780,000	-	(23,190,000)	-	8,701,960,259	1,552,878,678	71,312,428,937

(\*): Resolution of the Annual General Meeting of Shareholders of 2016 of Joint Stock Company No.06, No.01/NQ-ĐHĐCĐ dated 14/04/2016 approved the plan of distribution of profits, dividend payment plan for shareholders. During the period, the Company paid dividends to its shareholders (7% of the actual capital contribution) corresponding to the amount of VND 4,274,031,300 in which the share premium VND 738,841,200; VND 2,485,773,636 from investment and development fund and VND 1,049,416,464 from retained earnings.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Year 2016

**21.2 Details of owners' capital contribution**

	Current year	Previous year
Contributed by the State	9,704,330,000	17,714,330,000
Contributions of other shareholders	51,376,450,000	43,366,450,000
<b>Cộng</b>	<b>61,080,780,000</b>	<b>61,080,780,000</b>

**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	-	-
<b>+ Equity capital at the end of the year</b>	<b>61,080,780,000</b>	<b>61,080,780,000</b>
Dividends, profit distributed	4,274,031,300	6,105,759,000

**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	1,108.49	1,149.19



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Year 2016

**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**

	<b>Current year</b>	<b>Previous year</b>
Revenues from sale of goods, finished goods	53,564,853,608	32,468,585,546
Revenues from experimental services	153,659,821	260,615,450
Revenue from construction contract	137,658,263,285	221,390,972,617
<b>Total</b>	<b>191,376,776,714</b>	<b>254,120,173,613</b>

**1.2 Revenue deductions**

	<b>Current year</b>	<b>Previous year</b>
Deduction of construction contract revenue when approving the project settlement	1,973,397,905	3,445,799,810
<b>Total</b>	<b>1,973,397,905</b>	<b>3,445,799,810</b>

**2. Cost of goods sold**

	<b>Current year</b>	<b>Previous year</b>
Cost of goods sold and finished goods	45,595,142,382	30,714,838,887
Cost of services provided	89,743,730	281,279,916
Cost of construction activities	127,471,056,055	195,199,757,519
<b>Total</b>	<b>173,155,942,167</b>	<b>226,195,876,322</b>

**3. Financial incomes**

	<b>Current year</b>	<b>Previous year</b>
Interest on deposits and loans	22,157,291	36,692,009
Gains on foreign exchanges	272,206	1,203,638
<b>Total</b>	<b>22,429,497</b>	<b>37,895,647</b>

**4. Financial expenses**

	<b>Current year</b>	<b>Previous year</b>
Borrowing interests	7,034,570,539	10,346,861,760
Other	128,655,964	82,048,208
<b>Total</b>	<b>7,163,226,503</b>	<b>10,428,909,968</b>

**5. Selling expenses**

	<b>Current year</b>	<b>Previous year</b>
Selling staff expenses	400,402,733	192,195,476
Materials, packaging expenses	265,320,527	171,750,070
Fixed asset depreciation expenses	177,940,704	121,266,506
Outsourced services expenses	134,106,153	258,759,360
Other monetary expenses	26,123,706	56,699,150
<b>Total</b>	<b>1,003,893,823</b>	<b>800,670,562</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Year 2016

**6. General and Administrative expenses**

	<u>Current year</u>	<u>Previous year</u>
Administrative employee expenses	5,011,490,024	5,477,337,928
Management material expenses	58,428,133	64,774,737
Office supply expenses	52,374,968	6,435,000
Fixed asset depreciation expenses	1,080,997,472	1,090,647,548
Taxes, fees and charges	47,009,178	442,441,236
Outsourced service expenses	357,942,425	-
Other monetary expenses	7,823,485,954	4,977,376,144
<b>Total</b>	<b>14,431,728,154</b>	<b>12,059,012,593</b>

**Decreases in general and administrative expense**

	<u>Current year</u>	<u>Previous year</u>
Reversal provision for bad debts	-	308,400,022

**7. Other incomes**

	<u>Current year</u>	<u>Previous year</u>
Disposal, sales of fixed assets and tools	6,990,626,485	803,144,356
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	359,766,974	263,666,083
<b>Totals</b>	<b>9,678,740,782</b>	<b>1,066,810,439</b>

**8. Other expenses**

	<u>Current year</u>	<u>Previous year</u>
Fines according to the results of the tax inspection from 2012 to 2015	422,400,934	4,897,310
Tax arrears	-	691,576,452
Others	1,004,550	44,278,781
<b>Total</b>	<b>423,405,484</b>	<b>740,752,543</b>

**9. Current corporate income tax**

	<u>Current year</u>	<u>Previous year</u>
Corporate income tax calculated based on taxable income for the current year	1,374,166,100	504,878,887
<b>Total current corporate income tax</b>	<b>1,374,166,100</b>	<b>504,878,887</b>

**10. Deferred corporate income tax expense**

	<u>Current year</u>	<u>Previous year</u>
Deferred corporate income tax expenses arisen from taxable temporary differences	(1,350,424)	(658,603)
Deferred corporate income tax expenses arisen from the reversal of deferred income tax assets	658,603	221,153
	<b>(691,821)</b>	<b>(437,450)</b>

**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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****Year 2016**

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

	<b>Current year</b>	<b>Previous year</b>
Accounting profits after corporate income tax	1,552,878,678	1,049,416,464
Adjustment to increase, decrease accounting profits to identify profit distributed to common shareholders:		
Distributed profits to the Company's common shareholders	1,552,878,678	1,049,416,464
Average outstanding common shares during the year (*)	6,105,759	6,105,759
<b>Basic earnings per share</b>	<b>254</b>	<b>172</b>

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

	<b>Current year</b>	<b>Previous year</b>
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	-	-
<b>Average number of outstanding common shares during the year</b>	<b>6,105,759</b>	<b>6,105,759</b>

**12. Production and Operating costs**

	<b>Current year</b>	<b>Previous year</b>
Raw material cost	52,215,951,558	60,700,529,340
Labour cost	43,912,363,802	53,063,859,903
Fixed asset depreciation cost	7,552,454,842	7,592,790,754
Other monetary costs	61,475,822,043	35,088,958,417
<b>Total</b>	<b>165,156,592,245</b>	<b>156,446,138,414</b>

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

As at 31 December 2016, 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). 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.

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Year 2016

**3.1 Transactions with key management personnel and related individuals**

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

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

	<u>Current year</u>	<u>Previous year</u>
<b><i>Management and Board of Directors, the Board of Supervisors</i></b>		
Remuneration (due to distribution of profits for the year 2014 according to the resolution of the annual general meeting of shareholders in 2015)	-	175,440,000
Salary, bonus, allowance	2,172,866,800	2,478,264,953
<b>Total</b>	<b>2,172,866,800</b>	<b>2,653,704,953</b>

**3.2 Other related parties**

List of other related parties of the Company includes:

<u>Related parties</u>	<u>Relationship</u>
Vietnam Railways	Associate

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

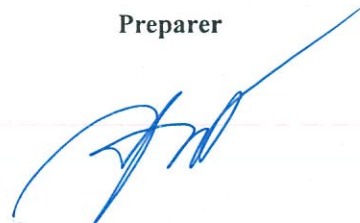
	<u>Closing balance</u>	<u>Opening balance</u>
<b><i>Trade payables</i></b>		
<b><i>Vietnam Railways</i></b>		
Other payables	9,195,925,048	9,315,250,048
<b>Total</b>	<b>9,195,925,048</b>	<b>9,315,250,048</b>

**4. Comparative figures**

Comparative figures are the figures in the consolidated financial statements for the fiscal year ended 31 December 2015 audited by BDO Audit Services Company Limited.

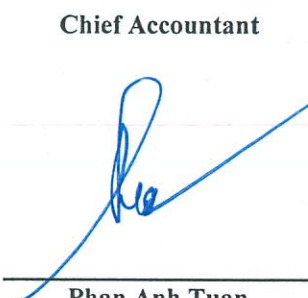
Hanoi, 24 February 2017

Preparer



Doan Thi Kim Thanh

Chief Accountant



Phan Anh Tuan

General Director




Lai Van Quan