

## CONSTRUCTION JOINT STOCK COMPANY NO.6

Reviewed separate financial statements  
for the period from 01 January 2019 to  
30 June 2019



## INDEX

	Page
REPORT OF MANAGEMENT	2 - 3
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	4
SEPARATE BALANCE SHEET	5 - 6
SEPARATE INCOME STATEMENT	7
SEPARATE CASH FLOW STATEMENT	8
NOTES TO THE SEPARATE FINANCIAL STATEMENT	9 - 29

## REPORT OF MANAGEMENT

Management of Construction Joint Stock Company No.6 (hereinafter “the Company”) is pleased to present its report and reviewed separate financial statements for the period from 01 January 2019 to 30 June 2019 then ended.

### GENERAL INFORMATION

Construction Joint Stock Company No.6 is a joint stock company converted from a 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 September 2003 issued by Hanoi Department of Planning and Investment. 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 eleventh time dated 03 July 2019, 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 businesses.

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	<i>Dismissed on 17 June, 2019</i>
- Mr. Trinh Van Thuy	Member	<i>Appointed on 17 June, 2019</i>
- Mr. Phan Anh Tuan	Member	

### MANAGEMENT

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

- Mr. Pham Xuan Huy	General Director
- Mr. Trinh Xuan Thuy	Deputy General Director
- Mr. Luong Ba Minh	Deputy General Director
- Mr. Phan 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 who were elected by the General Meeting of Shareholders for the term of 2017-2022, are:

- |                       |                   |
|-----------------------|-------------------|
| - 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 separate financial statements for the period from 01 January 2019 to 30 June 2019 then ended.

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

Management is responsible for preparing the Separate Financial Statements, which gives a true and fair view of the Company's separate financial position as at 30 June 2019 and of its separate performance and its separate cash flows for the period from 01 January 2019 to 30 June 2019 then ended and confirms that there are no contingent events that might affect the going concern of the Company.

In preparing those Separate 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 Separate Financial Statements;
- Prepare the Separate 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 Separate 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 separate financial position of the Company and ensuring that the accompanying separate 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 Separate Financial Statements.

According to Management's opinion, the reviewed Separate Financial Statements (accompanying) give a true and fair view of the separate financial position of the Company as at 30 June 2019 and the separate results of its operations and separate cash flows for the period from 01 January 2019 to 30 June 2019 then ended.

Hanoi, 29 August 2019

For and on behalf of Management,



General Director  
Pham Xuan Huy



No.: 344/2019/BCSX-BDO

*Hanoi, 29 August 2019*

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

*On Separate Financial Statements of Construction Joint Stock Company No.6  
for the period from 01 January 2019 to 30 June 2019*

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

We have reviewed the accompanying Interim Separate Financial Statements of Construction Joint Stock Company No.6 (hereinafter "the Company") issued on 29 August 2019 that set out on pages 05 to 29 including Separate Balance Sheet as at 30 June 2019, Separate Income Statement, Separate Cash Flow statement and Notes to the Separate Financial Statements for the period from 01 January 2019 to 30 June 2019 then ended.

## Responsibilities of Management

The Company's Management is responsible for the preparation and fair presentation of the Company's Interim Separate 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 Separate 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 Separate 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 separate financial statements do not give a true and fair view of the separate financial position of the entity as at 30 June 2019, and of its separate financial performance and its separate cash flows for the period from 01 January 2019 to 30 June 2019 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 Separate Financial Statements.

**BDO AUDIT SERVICES COMPANY LIMITED**



**Nguyen Tuan Anh - Vice Director**

Certificate for Audit application registry: 1906-2018-038-1

## SEPARATE BALANCE SHEET

As at 30 June 2019

Currency: VND

ASSETS	Code	Note	Closing balance	Opening balance
<b>A - CURRENT ASSETS</b>	<b>100</b>		<b>127,084,469,229</b>	<b>128,101,807,822</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>V.1</b>	<b>2,143,496,483</b>	<b>1,176,674,845</b>
1. Cash	111		2,143,496,483	1,176,674,845
<b>II. Current financial investments</b>	<b>120</b>		-	-
<b>III. Current receivables</b>	<b>130</b>		<b>57,721,063,634</b>	<b>77,671,322,132</b>
1. Current trade receivables	131	V.2	48,336,407,504	68,354,286,364
2. Current advances to suppliers	132	V.3	1,138,197,141	1,175,351,441
3. Current loan receivables	135	V.4	6,792,725,241	6,531,495,496
4. Other current receivables	136	V.5	4,626,225,748	4,782,680,831
5. Provision for doubtful debts	137	V.6	(3,172,492,000)	(3,172,492,000)
<b>IV. Inventories</b>	<b>140</b>		<b>66,263,494,854</b>	<b>48,762,554,845</b>
1. Inventories	141	V.7	66,263,494,854	48,762,554,845
<b>V. Other current assets</b>	<b>150</b>		<b>956,414,258</b>	<b>491,256,000</b>
1. Current prepaid expenses	151	V.8.1	304,542,000	291,256,000
2. Deductible value-added tax	152		451,872,258	-
3. Tax and other receivables from the State	153	V.15.2	200,000,000	200,000,000
<b>B - NON-CURRENT ASSETS</b>	<b>200</b>		<b>30,258,716,329</b>	<b>31,537,192,694</b>
<b>I. Non-current receivables</b>	<b>210</b>		-	-
<b>II. Fixed assets</b>	<b>220</b>		<b>8,168,684,808</b>	<b>9,475,741,756</b>
1. Tangible fixed assets	221	V.10	6,790,704,871	8,076,721,817
<i>Historical cost</i>	222		70,428,958,922	72,333,305,922
<i>Accumulated depreciation</i>	223		(63,638,254,051)	(64,256,584,105)
2. Finance lease fixed assets	224		-	-
3. Intangible fixed assets	227	V.9	1,377,979,937	1,399,019,939
<i>Historical cost</i>	228		2,235,294,981	2,235,294,981
<i>Accumulated amortization</i>	229		(857,315,044)	(836,275,042)
<b>III. Investment property</b>	<b>230</b>		-	-
<b>IV. Non-current work in progress</b>	<b>240</b>	<b>V.11</b>	<b>5,873,706,431</b>	<b>5,873,706,431</b>
1. Construction in progress	242		5,873,706,431	5,873,706,431
<b>V. Non-current financial investments</b>	<b>250</b>		<b>15,000,000,000</b>	<b>15,000,000,000</b>
1. Investment in subsidiaries	251	V.12	15,000,000,000	15,000,000,000
<b>VI. Other non-current assets</b>	<b>260</b>		<b>1,216,325,090</b>	<b>1,187,744,507</b>
1. Non-current prepaid expenses	261	V.8.2	1,216,325,090	1,187,744,507
<b>TOTAL ASSETS</b>	<b>270</b>		<b>157,343,185,558</b>	<b>159,639,000,516</b>

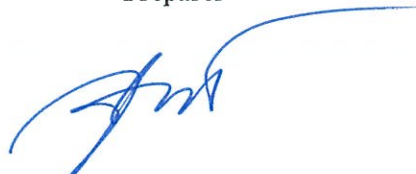


**SEPARATE BALANCE SHEET (continued)**

As at 30 June 2019

RESOURCES	Code	Note	Closing balance	Opening balance
<b>C - LIABILITIES</b>	<b>300</b>		<b>117,407,004,192</b>	<b>116,788,786,914</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>116,831,786,192</b>	<b>116,213,568,914</b>
1. Current trade payables	311	V.13	47,612,929,475	47,247,237,864
2. Current advances from customers	312	V.14	9,271,678,030	5,928,983,925
3. Tax and payables to the State	313	V.15.1	-	361,000,785
4. Payables to employees	314	V.16	2,077,496,370	2,155,760,022
5. Current accrued expenses	315	V.17	156,466,997	265,528,614
6. Current unrealized revenues	318	V.18	169,636,363	163,636,363
7. Other current payables	319	V.19	7,707,995,013	5,375,038,132
8. Current borrowings	320	V.21	49,365,847,044	53,754,439,309
9. Bonus and welfare fund	322		469,736,900	961,943,900
<b>II. Non-current liabilities</b>	<b>330</b>		<b>575,218,000</b>	<b>575,218,000</b>
1. Provision of non-current payables	342	V.20	575,218,000	575,218,000
<b>D - OWNERS' EQUITY</b>	<b>400</b>		<b>39,936,181,366</b>	<b>42,850,213,602</b>
<b>I. Owners' equity</b>	<b>410</b>	<b>V.22</b>	<b>39,936,181,366</b>	<b>42,850,213,602</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
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		(26,491,640,371)	(23,577,608,135)
- Accumulated retained earnings by the end of the previous period	421a		(23,577,608,135)	(13,679,101,834)
- Retained earnings of the current period	421b		(2,914,032,236)	(9,898,506,301)
<b>II. Funding and other funds</b>	<b>430</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>440</b>		<b>157,343,185,558</b>	<b>159,639,000,516</b>

Preparer



Doan Thi Kim Thanh

Chief Accountant



Phan Anh Tuan

Issued on 29 August 2019

General Director



Pham Xuan Huy



## SEPARATE INCOME STATEMENT

For the period from 01 January 2019 to 30 June 2019 then ended

Currency: VND

ITEMS	Code	Note	Current period	Previous period
1. Revenue from sale of goods and services	01	VI.1	19,234,872,849	23,879,800,404
2. Revenue deductions	02		-	-
<b>3. Net revenue from sale of goods and services</b>	<b>10</b>		<b>19,234,872,849</b>	<b>23,879,800,404</b>
4. Cost of goods sold	11	VI.2	15,608,731,264	22,126,353,638
<b>5. Gross profits from sale of goods and services</b>	<b>20</b>		<b>3,626,141,585</b>	<b>1,753,446,766</b>
6. Financial income	21	VI.3	328,356,333	452,173,233
7. Financial expenses	22	VI.4	2,638,268,644	2,996,407,170
<i>In which: interest expenses</i>	23		2,443,003,349	2,870,905,603
8. Selling expenses	25		-	-
9. General and administrative expenses	26	VI.5	4,674,201,761	3,700,571,061
<b>10. Net profit from operating activities</b>	<b>30</b>		<b>(3,357,972,487)</b>	<b>(4,491,358,232)</b>
11. Other income	31	VI.6	542,880,000	-
12. Other expenses	32	VI.7	98,939,749	-
<b>13. Other profits</b>	<b>40</b>		<b>443,940,251</b>	<b>-</b>
<b>14. Profit before tax</b>	<b>50</b>	VI.8	<b>(2,914,032,236)</b>	<b>(4,491,358,232)</b>
15. Current corporate income tax	51		-	-
16. Deferred corporate income tax	52		-	-
<b>17. Profit after corporate income tax</b>	<b>60</b>		<b>(2,914,032,236)</b>	<b>(4,491,358,232)</b>

Preparer



Doan Thi Kim Thanh

Chief Accountant



Phan Anh Tuan

Issued on 29 August 2019

General Director



Pham Xuan Huy

## CASH FLOW STATEMENT

(Indirect method)

For the period from 01 January 2019 to 30 June 2019 then ended

Currency: VND

ITEMS	Code	Note	Current period	Previous period
<b>I. Cash flows from operating activities</b>				
1. Profit before tax	01		(2,914,032,236)	(4,491,358,232)
2. Adjustments for:				
- Depreciation of fixed assets and investment properties	02		1,307,056,948	1,781,361,582
- Profit, losses from investing activities	05		(871,236,333)	(802,173,233)
- Interest expenses	06		2,443,003,349	2,870,905,603
3. Operating income before changes in working capital	08		(35,208,272)	(641,264,280)
- Increase, decrease in receivables	09		19,498,386,240	11,740,111,621
- Increase, decrease in inventories	10		(17,500,940,009)	(9,002,272,178)
- Increase, decrease in payables	11		5,519,550,379	225,288,097
- Increase, decrease in prepaid expenses	12		(41,866,583)	963,822,955
- Interest paid	14		(2,463,537,185)	(2,729,377,360)
- Other payments for operating activities	17		(492,207,000)	(71,300,000)
<b>Net cash flow from operating activities</b>	<b>20</b>		<b>4,484,177,570</b>	<b>485,008,855</b>
<b>II. Cash flows from investing activities</b>				
1. Proceeds from fixed assets and other non-current assets disposal	22		542,880,000	350,000,000
2. Interests and dividends received	27		328,356,333	452,173,233
<b>Net cash flow from investing activities</b>	<b>30</b>		<b>871,236,333</b>	<b>802,173,233</b>
<b>III. Cash flows from financing activities</b>				
1. Drawdown of borrowings	33		14,749,267,955	19,805,595,235
2. Repayments of borrowings	34		(19,137,860,220)	(21,842,356,591)
3. Dividends, profits paid to shareholders	36		-	(39,439,242)
<b>Net cash flow from financing activities</b>	<b>40</b>		<b>(4,388,592,265)</b>	<b>(2,076,200,598)</b>
<b>Net cash flow in the period</b>	<b>50</b>		<b>966,821,638</b>	<b>(789,018,510)</b>
Cash and Cash equivalents at beginning of period	60	V.1	1,176,674,845	1,310,522,899
Effect of exchange rate changes	61		-	-
<b>Cash and cash equivalents at the end of the period</b>	<b>70</b>	<b>V.1</b>	<b>2,143,496,483</b>	<b>521,504,389</b>

Issued on 29 August 2019

Preparer

Chief Accountant

General Director



Doan Thi Kim Thanh



Phan Anh Tuan



PHAM XUAN HUY



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

For the period from 01 January 2019 to 30 June 2019 then ended

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

Construction Joint Stock Company No.6 is a joint stock company converted from a 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 September 2003 issued by Hanoi Department of Planning and Investment. 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 eleventh time dated 03 July 2019, 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: sleeper production, construction, trading and 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 SEPARATE FINANCIAL STATEMENTS (continued)***List of the Company's factories*

<b>Name</b>	<b>Address</b>
- 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 2019 was 108 people (124 employees as at 31 December 2018).

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

Comparative figures are presented in accordance with figures from the audited separate financial statement for the fiscal year ended 31 December 2018 and reviewed separate financial statement for the period from 01 January 2018 to 30 June 2018 then ended.

**8. Additional information other**

According to the minutes of the General Meeting of Shareholders in 2019, due to the ineffective business of Phu Ly Stone One member Co., Ltd, the Board of Directors submitted to the General Meeting of Shareholders a resolution on the sale of Phu Ly Stone One member Co., Ltd for recovering investment capital and that resolution was approved by the General Meeting of Shareholders.

Meanwhile, the General Meeting of Shareholders approved the delisting shares of Construction Joint Stock Company No. 6 on the Hanoi Stock Exchange (HNX) and registering shares on the Upcom Stock Exchange.

The Company has been negotiating a contract to participate in the construction of a railway project in Myanmar. The Board of Management has established a branch in Myanmar with full legal entity status and registered charter capital of USD 50,000. Currently, the Company has registered the operation of its branch in Myanmar but has not signed a contract so it has not implemented the project.

**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 and and Circular 53/2016/TT-BTC dated 21 March 2016 amending and supplementing a number of articles of Circular 200/2014 / TT-BTC dated 22 December 2014 of the Ministry of Finance guiding the enterprise accounting system.

The Separate Financial Statements are using the historical cost principle and in accordance with Vietnamese Accounting Standards. The accompanying separate financial statements are not intended to present the separate financial position and separate results of operations and separate 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 separate 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 separate financial statements.



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

*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, demand deposit, 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: kitchen collective money, advance of ground clearance...).

*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.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)***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 in the income statement.
- The provision of doubtful debts which has been overdue for over 12 months (the overdue period is determined based on the initial contracts of buying and selling without the consideration of due date extension among 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%

**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 work related to construction, renovation, reinforcement and upgrading of railway and road work which have been performed but not yet approved by the clients and construction materials in progress 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 (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 2019, 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 assets.

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

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

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



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

<u>Assets</u>	<u>Useful life</u>
Building and architectural	06-50 years
Machinery and equipment	03-10 years
Means of transportation	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.

***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 and Hiep Binh Phuoc Ward, Thu Duc District, Ho Chi Minh are 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 the 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 amount 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 used tool and instruments	12-36 months
Cost of repairing machines equipments and concrete yard	15-36 months

Each incurred prepaid expense 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 the maturity of over 12 months or a business cycle since the date of prepayment are classified as non-current expenses.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****9. Recognition of payables**

The classification of trade payables and 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 that are 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, the payables that have remaining repayment terms of less than 12 months or a business cycle are classified as current payables, the payables that have remaining repayment terms of over 12 months or a business cycle are classified as non-current payables.

Recognized payables are not lower than payable obligations.

**10. Recognition of borrowings**

Borrowings shall be recorded specially to each object and 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 provision payable***

Provision payables is recorded (reversed) on the difference from provision for payables recorded in this period, from the unspent provision for payables established for the previous period in accounting books.

***Basis for recognition of provisions payable***

*Cost of products, goods and construction warranty*



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

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

Provision for warranty expenses of work is estimated at 1% of the final settlement value of the work and on the 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 allocation: Unrealized revenues are allocated and recorded in the income statement in the period based on the term of advance receipt.

**15. Recognition of owners' equity*****a) Recognition of owners' equity***

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

*Treasury shares:* are shares that are issued and repurchased by the Company which issued shares, these shares are not canceled and reissued under the laws on securities.

***b) Recognition of investment and development fund***

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

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

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 (profit) 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 and 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 recognized costs.

***Financial incomes***

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

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



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)***Revenues from construction contracts*

Revenue from construction contracts are recognized when they have minutes of acceptance, final settlements and payment accepted by their 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 consistently with revenue.

To ensure the prudence 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.

The Company did not incur any 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; land rental, licence tax; provision for doubtful debts; 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 period.

**20. Other accounting principles and methods****Construction in progress**

Cost of construction in progress includes: the construction costs of the 2-floor house, investment project of Suot Kiet stone quarry - Binh Thuan Province.

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

	<u>Closing balance</u>	<u>Opening balance</u>
Cash on hand	105,701,714	53,939,757
Cash at bank	2,037,794,769	1,122,735,088
Cash in transit	-	-
<b>Total</b>	<b><u>2,143,496,483</u></b>	<b><u>1,176,674,845</u></b>
Cash equivalents	-	-
<b>Total cash and cash equivalents</b>	<b><u>2,143,496,483</u></b>	<b><u>1,176,674,845</u></b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****2. Trade receivables****2.1 Current trade receivables**

	<b>Closing balance</b>	<b>Opening balance</b>
	13,584,800,689	13,584,800,689
Railway Project Management Board - Ministry of Transport (Construction package 11: Upgrading the railway section of Bieu Nghi - Ha Long (Km105 + 200 - Km124 + 483))		
Vietnam Railways (Package XL VNR-WB4-12: Rehabilitation of railway drainage system in Hue)	6,743,041,606	6,743,041,606
Lao Cai Traffic Project Management Board - (Package No.1: Project construction: Vo Lao 2 Bridge and Phu Nhuan Bridge on provincial road 151, Bao Thang District, Lao Cai Province)	6,595,525,550	6,595,525,550
Branch of Vietnam National Coal and Mineral Industries Holding Corporation Limited - Sliver Stone Logistics Company - Vinacomin (Construction package No. 21: Railway system construction)	-	5,267,426,200
Saigon Railway Joint Stock Company	-	4,925,905,648
Group 6 Railway of China Co., Ltd (Contract of supplying tie-bar Cat Linh - Ha Dong No. YNQG-PJHW-W008)	4,232,881,200	4,232,881,200
Investment and Engineering Construction 120 Joint Stock Company	3,579,130,833	3,579,130,833
Others	13,601,027,626	23,425,574,638
<b>Total</b>	<b>48,336,407,504</b>	<b>68,354,286,364</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	217,474,000	217,474,000
Branch of Traffic Investment & Construction Consultant Joint Stock Company - Traffic Infrastructure Engineering and Investment Consultant Enterprise	171,000,000	171,000,000
VINAP Trading and Production Joint Stock Company	78,750,000	78,750,000
Others	670,973,141	708,127,441
<b>Total</b>	<b>1,138,197,141</b>	<b>1,175,351,441</b>

**4. Current loan receivables****4.1 Current loan**

	<b>Closing balance</b>		<b>Opening balance</b>	
	<b>Cost</b>	<b>Fair value</b>	<b>Cost</b>	<b>Fair value</b>
Phu Ly Stone One member Co., Ltd., (*)	6,792,725,241	6,792,725,241	6,531,495,496	6,531,495,496
<b>Total</b>	<b>6,792,725,241</b>	<b>6,792,725,241</b>	<b>6,531,495,496</b>	<b>6,531,495,496</b>

(\*): This is a loan to Phu Ly Stone One Member Co., Ltd., with the interest rates adjusted according to the interest rates of the commercial bank where the company borrow, the interest rates applied in the period from 01 January 2019 to 30 June 2019 was 10% per year.



## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

## 5. Other receivables

## 5.1 Current other receivables

	Closing balance		Opening balance	
	Value	Provision	Value	Provision
Advances	936,303,598	-	1,056,361,195	-
Individuals compensation receivables for construction costs	335,495,789	-	335,495,789	-
Mr. Phan Anh Phuong	820,000,000	-	820,000,000	-
Mr. Truong Duy Ha	750,000,000	-	750,000,000	-
Individuals payment receivables for Kuwait project	841,044,902	-	841,044,902	-
Others	943,381,459	-	979,778,945	-
<b>Total</b>	<b>4,626,225,748</b>	<b>-</b>	<b>4,782,680,831</b>	<b>-</b>

## 6. Doubtful debts

## 6.1 Overdue debts

	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	-
Investment and Engineering	1,073,739,497	-	1,073,739,497	-
Construction 120 Joint Stock Company				
Others	147,274,766	-	147,274,766	-
<b>Total</b>	<b>3,172,492,000</b>	<b>-</b>	<b>3,172,492,000</b>	<b>-</b>

## 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 an 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	9,127,739,609	-	9,854,182,009	-
Tools and supplies	226,583,394	-	192,529,857	-
Work-in-progress	22,400,241,064	-	22,708,078,837	-
Finished goods	34,508,930,787	-	16,007,764,142	-
<b>Total</b>	<b>66,263,494,854</b>	<b>-</b>	<b>48,762,554,845</b>	<b>-</b>

(i) Inventories that are stagnant, inferior or degraded unable to be sold at the end of the period: VND 0.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****8. Prepaid expenses**

	<u>Closing balance</u>	<u>Opening balance</u>
<i>Current prepaid expenses</i>		
Used tools and instruments	304,542,000	291,256,000
<b>Total</b>	<b>304,542,000</b>	<b>291,256,000</b>
	<u>Closing balance</u>	<u>Opening balance</u>
<i>Non-current prepaid expenses</i>		
Used tools and instruments	1,029,780,190	1,046,852,851
Fixed assets repairment and maintenance expenses	186,544,900	140,891,656
<b>Total</b>	<b>1,216,325,090</b>	<b>1,187,744,507</b>

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

	<u>Land use rights</u>	<u>Computer softwares</u>	<u>Total</u>
<b>Historical cost</b>			
Opening balance	2,235,294,981	-	2,235,294,981
Purchase in the period	-	-	-
Disposal and sale	-	-	-
<b>Closing balance</b>	<b>2,235,294,981</b>	<b>-</b>	<b>2,235,294,981</b>
<b>Accumulated amortization</b>			
Opening balance	836,275,042	-	836,275,042
Amortization in the period	21,040,002	-	21,040,002
<b>Closing balance</b>	<b>857,315,044</b>	<b>-</b>	<b>857,315,044</b>
<b>Carrying value</b>			
Opening balance	1,399,019,939	-	1,399,019,939
<b>Closing balance</b>	<b>1,377,979,937</b>	<b>-</b>	<b>1,377,979,937</b>

In which:

Historical cost of fully amortized intangible fixed assets but still in use:	VND 131,294,981
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 architetonie</i>	<i>Machinery and equipment</i>	<i>Transportation &amp; transmit instrument</i>	<i>Tool and instrument for</i>	<i>Other tangible fixed assets</i>	<i>Total</i>
<b>Historical cost</b>						
Opening balance	18,759,699,804	37,342,909,803	12,498,360,008	427,526,363	3,304,809,944	72,333,305,922
Purchase in the period	-	-	-	-	-	-
Disposal and sale	-	(1,904,347,000)	-	-	-	(1,904,347,000)
Other decrease	-	-	-	-	-	-
<b>Closing balance</b>	<b>18,759,699,804</b>	<b>35,438,562,803</b>	<b>12,498,360,008</b>	<b>427,526,363</b>	<b>3,304,809,944</b>	<b>70,428,958,922</b>
<b>Accumulated depreciation</b>						
Opening balance	14,632,864,126	35,800,245,840	10,435,898,875	401,190,214	2,986,385,050	64,256,584,105
Depreciation in the period	505,123,161	421,321,099	315,018,036	5,436,366	39,118,284	1,286,016,946
Other increases	-	-	-	-	-	-
Switched to investment properties	-	-	-	-	-	-
Disposal and sale	-	(1,904,347,000)	-	-	-	(1,904,347,000)
Other decreases	-	-	-	-	-	-
<b>Closing balance</b>	<b>15,137,987,287</b>	<b>34,317,219,939</b>	<b>10,750,916,911</b>	<b>406,626,580</b>	<b>3,025,503,334</b>	<b>63,638,254,051</b>
<b>Carrying value</b>						
Opening balance	4,126,835,678	1,542,663,963	2,062,461,133	26,336,149	318,424,894	8,076,721,817
<b>Closing balance</b>	<b>3,621,712,517</b>	<b>1,121,342,864</b>	<b>1,747,443,097</b>	<b>20,899,783</b>	<b>279,306,610</b>	<b>6,790,704,871</b>

In which:

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

VND 48,194,822,216

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 6,490,498,478

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****11. Non-current work in progress****11.2 Construction in progress**

	<b>Closing balance</b>	<b>Opening balance</b>
Two-floor house project	284,648,090	284,648,090
Investment project to construction of Suoi Kiet quarry	5,589,058,341	5,589,058,341
<b>Total</b>	<b>5,873,706,431</b>	<b>5,873,706,431</b>

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

	<b>Closing balance</b>		<b>Opening balance</b>	
	<b>Cost</b>	<b>Fair value</b>	<b>Cost</b>	<b>Fair value</b>
Phu Ly Stone One Member Co., Ltd	15,000,000,000	15,000,000,000	15,000,000,000	15,000,000,000
<b>Total</b>	<b>15,000,000,000</b>	<b>15,000,000,000</b>	<b>15,000,000,000</b>	<b>15,000,000,000</b>

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

	<b>Closing balance</b>			<b>Opening balance</b>		
	<i>Owners' contributed capital</i>	<i>Percentage of holdings</i>	<i>Percentage of voting rights</i>	<i>Owners' contributed capital</i>	<i>Percentage of holdings</i>	<i>Percentage of voting rights</i>
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., was 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 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 billion. 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**

	<b>Closing balance</b>		<b>Opening balance</b>	
	<i>Value</i>	<i>Amount able to pay off</i>	<i>Value</i>	<i>Amount able to pay off</i>
Railway Corporation JSC	5,862,540,820	5,862,540,820	5,862,540,820	5,862,540,820
Construction Investment 3 JSC	18,035,812,302	18,035,812,302	17,732,210,014	17,732,210,014
Branch of Railway Equipment and Material Import - Export JSC - Dong Anh Mechanical Enterprise	492,704,972	492,704,972	492,704,972	492,704,972
Railway Equipment and Material Import - Export JSC	580,168,620	580,168,620	580,168,620	580,168,620
Thuan Hai Railway JSC	1,578,424,056	1,578,424,056	-	-
Others	21,063,278,705	21,063,278,705	22,579,613,438	22,579,613,438
<b>Total</b>	<b>47,612,929,475</b>	<b>47,612,929,475</b>	<b>47,247,237,864</b>	<b>47,247,237,864</b>



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****14. Advances from customers****14.1 Current advances from customers**

	<u>Closing balance</u>	<u>Opening balance</u>
Department of Maintenance Committee of Transport Infrastructure (Package No.3)	-	2,594,714,000
Mrs. Nguyen Thi Nga (*)	2,000,000,000	2,000,000,000
Dual Railway stations project	1,092,528,300	1,092,528,300
Lao Cai Department of Transport (Package No.7)	119,858,625	119,858,625
Thuan Hai Railway JSC	2,800,000,000	-
Saigon Railway JSC	1,000,000,000	-
Phu Khanh Railway JSC	1,500,000,000	-
Others	759,291,105	121,883,000
<b>Total</b>	<b>9,271,678,030</b>	<b>5,928,983,925</b>

(\*): The Company is in process of transferring land use rights in Ho Chi Minh city. Currently, the Company and its customer are submitting documents to the authorities in order to adjust from annual rental payment to one-time payment to complete the transaction.

**15. Tax and other payables to the State****15.1 Tax payable**

	<u>Opening balance</u>	<u>Payable in period</u>	<u>Paid in period</u>	<u>Closing balance</u>
VAT on domestic goods	361,000,785	307,698,215	668,699,000	-
VAT on imported goods	-	513,864,065	513,864,065	-
Personal income tax	-	14,937,699	14,937,699	-
Land tax, land rental	-	1,757,045,258	1,757,045,258	-
Other taxes	-	6,417,000	6,417,000	-
<b>Total</b>	<b>361,000,785</b>	<b>2,599,962,237</b>	<b>2,960,963,022</b>	<b>-</b>

**15.2 Tax receivable**

	<u>Opening balance</u>	<u>Payable in period</u>	<u>Paid in period</u>	<u>Closing balance</u>
Corporate income tax	200,000,000	-	-	200,000,000
<b>Total</b>	<b>200,000,000</b>	<b>-</b>	<b>-</b>	<b>200,000,000</b>

**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 rental for the office area at Group 36, Dong Anh Town, Dong Anh District, Hanoi and the area in Hiep Binh Phuoc Ward, Thu Duc District, Ho Chi Minh. Tax payables are in accordance with notice of tax authority.

**Other taxes**

The Company declared and paid according to regulations.

**16. Payables to employees**

	<u>Closing balance</u>	<u>Opening balance</u>
Factory 602	2,864,224	17,488,534
Factory 605	384,481,673	480,973,684
Material and Construction Factory	391,281,035	388,186,731
Thap Cham Construction Material Factory	727,107,340	530,040,475
Head office	571,762,098	739,070,598
<b>Total</b>	<b>2,077,496,370</b>	<b>2,155,760,022</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****17. Accrued expenses****17.1 Current accrued expenses**

	<b>Closing balance</b>	<b>Opening balance</b>
Interest payable to banks	80,824,170	88,527,781
Interest payable to personal loans	75,642,827	177,000,833
<b>Total</b>	<b>156,466,997</b>	<b>265,528,614</b>

**18. Unrealized revenues****18.1 Current unrealized revenues**

	<b>Closing balance</b>	<b>Opening balance</b>
Current unrealized revenues - Petroleum retail business	169,636,363	163,636,363
<b>Total</b>	<b>169,636,363</b>	<b>163,636,363</b>

**19. Other payables****19.1 Current other payables**

	<b>Closing balance</b>	<b>Opening balance</b>
Social insurance, health insurance and unemployment insurance	3,944,192,164	3,464,911,054
Union fund	84,132,556	91,966,948
Payables due to termination of labor contracts	1,305,100,594	1,090,544,394
Track rentals of fixed assets (Head office)	1,776,424,178	-
Other payables	598,145,521	727,615,736
<b>Total</b>	<b>7,707,995,013</b>	<b>5,375,038,132</b>

**20. Payables provision****21.1 Provision of non-current payables**

	<b>Closing balance</b>	<b>Opening balance</b>
Provision for warranty goods	459,098,016	459,098,016
Provision for warranty of construction works	116,119,984	116,119,984
<b>Total</b>	<b>575,218,000</b>	<b>575,218,000</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)****21. Borrowings****21. Current borrowings**

	Opening balance		During the period		Closing balance	
	Value	Amount able to pay off	Increase	Decrease	Value	Amount able to pay off
<b>Bank loan (i)</b>	<b>47,874,439,309</b>	<b>47,874,439,309</b>	<b>14,138,572,955</b>	<b>15,337,860,220</b>	<b>46,575,152,044</b>	<b>46,675,152,044</b>
Joint Stock Commercial Bank for Investment and Development of Vietnam - Dong Anh Branch	47,874,439,309	47,874,439,309	14,138,572,955	15,337,860,220	46,575,152,044	46,675,152,044
<b>Personal loan (ii)</b>	<b>5,880,000,000</b>	<b>5,880,000,000</b>	<b>610,695,000</b>	<b>3,800,000,000</b>	<b>2,590,695,000</b>	<b>2,690,695,000</b>
- Mrs. Dam Thi Kim Cuc	3,000,000,000	3,000,000,000	-	2,000,000,000	1,000,000,000	1,000,000,000
- Mr. Nguyen Van Phong	180,000,000	180,000,000	-	-	180,000,000	180,000,000
- Mrs. Nguyen Thi Hanh	1,200,000,000	1,200,000,000	-	300,000,000	900,000,000	900,000,000
- Mrs. Doan Thi Kim Thanh	800,000,000	800,000,000	-	800,000,000	-	-
- Mrs. Le Thi Ngoc	700,000,000	700,000,000	500,000,000	700,000,000	500,000,000	500,000,000
- Mr. Le Quang Phu	-	-	110,695,000	-	110,695,000	110,695,000
<b>Total</b>	<b>53,754,439,309</b>	<b>53,754,439,309</b>	<b>14,749,267,955</b>	<b>19,137,860,220</b>	<b>49,365,847,044</b>	<b>49,365,847,044</b>

(i): The Credit Agreement No.01/2018/153713/HDTD dated 29 August 2018 for the purpose of supplementing working capital. Loan term: 12 months. Interest rate: floating depending on the time of receiving each indebtedness certificate. This loan is secured by the mortgage of movable and immovable properties under the Mortgage Agreement No.01/2017/153713/HDBD, Mortgage Agreement No.01/2018/58877106/HDBD and amendments to this mortgage contract.

(ii): Loan from individual is for the purpose of supplementing working capital. Loan term more than 03 months. Interest rates: adjusted according to the interest rates of commercial bank, interest rates applied in the period from 01 January 2019 to 30 June 2019 is 10% per year. These loans are trust loans.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****22. Owners' equity****22.1 Increase and decrease in owners' equity**

	Contribution of owners	Investment and development fund	Treasury shares	Retained earnings	Total
Opening balance of the previous period	61,080,780,000	5,370,231,737	(23,190,000)	(13,679,101,834)	52,748,719,903
Increased in the previous period	-	-	-	-	-
Profit in the previous period	-	-	-	(9,898,506,301)	(9,898,506,301)
Funds appropriated	-	-	-	-	-
Dividends, profit distributed	-	-	-	-	-
<b>Closing balance of the previous period</b>	<b>61,080,780,000</b>	<b>5,370,231,737</b>	<b>(23,190,000)</b>	<b>(23,577,608,135)</b>	<b>42,850,213,602</b>
Opening balance of the current period	61,080,780,000	5,370,231,737	(23,190,000)	(23,577,608,135)	42,850,213,602
Increased in the current period	-	-	-	-	-
Profit in the current period	-	-	-	(2,914,032,236)	(2,914,032,236)
Funds appropriated	-	-	-	-	-
<b>Closing balance of the current period</b>	<b>61,080,780,000</b>	<b>5,370,231,737</b>	<b>(23,190,000)</b>	<b>(26,491,640,371)</b>	<b>39,936,181,366</b>

**22.2 Details of owners' capital contribution**

	Closing balance	Opening balance
Contributed by the State	9,704,330,000	9,704,330,000
Contributions of other shareholders	51,376,450,000	51,376,450,000
<b>Total</b>	<b>61,080,780,000</b>	<b>61,080,780,000</b>

**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 period	61,080,780,000	61,080,780,000
+ Equity capital increased during the period	-	-
+ Equity capital decreased during the period	-	-
+ Equity capital at the end of the period	<b>61,080,780,000</b>	<b>61,080,780,000</b>
Dividends, profit distributed	-	-

**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 SEPARATE 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: was 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	937.04	943.64

## VI. ADDITIONAL INFORMATION ABOUT ITEMS ON THE SEPARATE 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	7,500,078,797	23,843,098,404
Revenues from experimental services	41,590,000	36,702,000
Revenue from construction contracts	11,693,204,052	-
<b>Total</b>	<b>19,234,872,849</b>	<b>23,879,800,404</b>

## 2. Cost of goods sold

	Current period	Previous period
Cost of goods sold and finished goods	4,392,834,352	22,093,301,066
Cost of services provided	-	33,052,572
Cost of construction contracts	11,215,896,912	-
<b>Total</b>	<b>15,608,731,264</b>	<b>22,126,353,638</b>

## 3. Financial incomes

	Current period	Previous period
Interest on deposits and loans	328,356,333	452,173,233
<b>Total</b>	<b>328,356,333</b>	<b>452,173,233</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****4. Financial expenses**

	<u>Current period</u>	<u>Previous period</u>
Borrowing interests	2,443,003,349	2,870,905,603
Other financial expenses	195,265,295	125,501,567
<b>Total</b>	<b>2,638,268,644</b>	<b>2,996,407,170</b>

**5. General and Administrative expenses**

	<u>Current period</u>	<u>Previous period</u>
Administrative employee expenses	1,167,697,676	1,321,761,950
Fixed asset depreciation expenses	467,947,818	536,511,744
Taxes, fees and charges	1,645,820,566	662,228,461
Other expenses	1,392,735,701	1,180,068,906
<b>Total</b>	<b>4,674,201,761</b>	<b>3,700,571,061</b>

**6. Other incomes**

	<u>Current period</u>	<u>Previous period</u>
Income from liquidation of supplies	542,880,000	-
<b>Cộng</b>	<b>542,880,000</b>	<b>-</b>

**7. Other expenses**

	<u>Current period</u>	<u>Previous period</u>
Expenses from liquidation of supplies	98,939,749	-
<b>Cộng</b>	<b>98,939,749</b>	<b>-</b>

**8. Corporate income tax**

	<u>Current period</u>	<u>Previous period</u>
Corporate income tax calculated based on taxable income for the current year	-	-
Adjustment of corporate income tax expenses of previous years to current income tax expense this year	-	-
<b>Total current corporate income tax</b>	<b>-</b>	<b>-</b>

Current corporate income tax payables are determined based on taxable income of the current year. The taxable income of the Company is different from the income reported in the income statement because taxable income does not include taxable income or deductible expense for tax purposes for other years and items not subject to tax or deductible for tax purposes. The Company's current income tax payables are calculated at the tax rates enacted by the balance sheet date.

Details of corporate income tax are as follows:

	<u>Current period</u>	<u>Previous period</u>
<b>Profit/ (loss) before tax</b>	<b>(2,914,032,236)</b>	<b>(4,491,358,232)</b>
<b>Adjustments to increase/ (decrease) accounting profit/ (loss)</b>	<b>-</b>	<b>-</b>
Adjustments to increase	-	-
<b>Adjusted net profit before loss carried forward and tax</b>	<b>(2,914,032,236)</b>	<b>(4,491,358,232)</b>
Loss carried forward	-	-
Estimated current taxable income	-	-
Primary activities	-	-
Real Estate	-	-
Tax rate	20%	20%
<b>Estimated corporate income tax payable at the end of period</b>	<b>-</b>	<b>-</b>



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)****9. Production and Operating costs**

	<u>Current period</u>	<u>Previous period</u>
Raw material cost	20,882,259,756	13,454,616,638
Labor cost	8,312,004,100	7,890,387,031
Fixed asset depreciation cost	1,307,056,948	2,582,353,030
Other costs	11,053,923,471	8,613,013,647
<b>Total</b>	<b>41,555,244,275</b>	<b>32,540,370,346</b>

**VII. OTHER INFORMATION****1. 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.

**2. Transactions with related parties**

A party is considered as related if it can control the other parties or has a significant influence on the other parties 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 a significant influence on the Company, 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.

**2.1 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 close family members.

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

	<u>Current period</u>	<u>Previous period</u>
<b><i>Board of Directors and Management</i></b>		
Salary, bonus, allowance	455,265,389	785,634,314

**2.2 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
Vietnam Railway Corporation	Major Shareholder

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

	<u>Current period</u>	<u>Previous period</u>
<b><i>Phu Ly Stone One Member Co., Ltd.,</i></b>		
Car and excavator rentals	105,000,000	96,000,000
Purchase of goods, finished goods	-	326,002,000
Loan-interest receivables	326,581,745	341,351,017
Lendings in the period	-	519,048,817
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>
<b><i>Receivables</i></b>		
<b><i>Phu Ly Stone One Member Co., Ltd.,</i></b>		
Lendings to the Company with interests	6,792,725,241	6,531,495,496
<b>Total</b>	<b>6,792,725,241</b>	<b>6,531,495,496</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)***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 is set up for receivables from related parties.

**3. Comparative figures**

Comparative figures are the figures in the audited separate financial statements for the fiscal year ended 31 December 2018 and reviewed separate financial statement for the period from 01 January 2018 to 30 June 2018 then ended by BDO Audit Services Company Limited.

Issued on 29 August 2019

Preparer



Doan Thi Kim Thanh

Chief Accountant



Phan Anh Tuan

General Director



Pham Xuan Huy