

**SAOBACDAU TECHNOLOGIES
CORPORATION**

AUDITED SEPARATE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

SAOBACDAU TECHNOLOGIES CORPORATION

Address: Lot U12B – 16A, Street 22, Tan Thuan Export Processing
Zones, Tan Thuan Dong Ward, District 7, Ho Chi Minh City

CONTENTS

	Pages
THE MANAGEMENT'S REPORT	1 – 2
INDEPENDENT AUDITORS' REPORT	3 – 4
AUDITED FINANCIAL STATEMENTS	
Separate Statement of financial position	5 – 6
Separate Income statement	7
Separate Cash-flow statement	8
Separate Notes to the financial statements	9 – 32



SAOBACDAU TECHNOLOGIES CORPORATON

Address: Lot U12B – 16A, Street 22, Tan Thuan Export
Processing Zones, Tan Thuan Dong Ward,
District 7, Ho Chi Minh City

THE MANAGEMENT'S REPORT

For the financial year ended 31 December 2016

THE MANAGEMENT'S REPORT

The Management of SaoBacDau Technologies Corporation (hereinafter referred to as "the Company") hereby presents its report and the audited separate financial statements of the Company for the financial year ended 31 December 2016.

MEMBERS OF THE BOARD OF DIRECTORS, THE CONTROL COMMITTEE, AND THE MANAGEMENT

Members of the Board of Directors during the period and on the date of this report include:

<u>Full name</u>	<u>Position</u>
Mr. Nguyen Duc Quang	Chairman
Mr. Tran Tuyen Duc	Vice Chairman
Mr. Tran Anh Tuan	Member
Mr. Do Van Hao	Member
Mr. Le Hong Phong	Member
Mr. Hoang Hai Thinh	Member
Mr. Nguyen Viet Thang	Member (Appointed wef 03 January 2017)
Mr. Dang Nam Son	Member (Resigned wef 03 January 2017)

Members of the Control Committee during the period and on the date of this report include:

<u>Full name</u>	<u>Position</u>
Ms. Mai Thi Thuy Mai	Head
Ms. Nguyen Thi Minh Huan	Member
Ms. Nguyen Thi Thu Hien	Member (Appointed wef 22 April 2016)
Mr. Le Phuoc Lo	Member (Resigned wef 22 April 2016)

Members of the Management during the period and on the date of this report include:

<u>Full name</u>	<u>Position</u>
Mr. Tran Anh Tuan	Chief Executive Officer
Mr. Hoang Hai Thinh	Chief Business Office
Mr. Le Hong Phong	Senior Vice President of Sale
Mr. Le Quoc Khanh	Vice President of Sale
Mr. Nguyen Viet Thang	Vice President of Sale
Mr. Nguyen Xuan Truong	Vice President of Sale
Mr. Nguyen Xuan Quang	Vice President of Sale (Resigned wef 03 January 2017)
Mr. Ha The Thap	Vice President Operation (Resigned wef 01 April 2016)

RESPONSIBILITY OF THE MANAGEMENT

The Company's Management is responsible for preparing the separate financial statements of each period which give a true and fair view of the financial position of the Company and the results of its operations and its cash flows. In preparing these separate financial statements, the 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 principles have been followed, subject to any departures that need to be disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- Design and implement the internal control system effectively for a fair preparation and presentation of the separate financial statements so as to mitigate error or fraud.

SAOBACDAU TECHNOLOGIES CORPORATON

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THE MANAGEMENT'S REPORT

For the financial year ended 31 December 2016

THE MANAGEMENT'S REPORT (CONTINUED)

The 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 ensure that the financial statements comply with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and prevailing accounting regulations in Vietnam. The Management is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management confirm that the Company has complied with the above requirements in preparing these separate financial statements.

AUDITOR

The accompanying separate financial statements of the Company for the financial year ended 31 December 2016 were audited by RSM Vietnam Auditing & Consulting Company Limited, a member firm of RSM International.

STATEMENT BY THE MANAGEMENT

In the Management's opinion, the accompanying separate financial statements 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 its cash flows for the financial year then ended in accordance with the Vietnamese Corporate Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam.

For and on behalf of the Management



Trần Anh Tuan
Chief Executive Officer

Ho Chi Minh City, 28 March 2017

No: 17.303/BCKT-RSM HCM

INDEPENDENT AUDITOR'S REPORT

**To: Members of the Board of Directors
 Members of the Management
 SAOBACDAU TECHNOLOGIES CORPORATION**

Report on the separate financial statements

We have audited the accompanying separate financial statements of SaoBacDau Technologies Corporation (hereinafter referred to as "the Company") prepared on 28 March 2017 as set out from page 05 to page 32, which comprise the statement of financial position as at 31 December 2016, and the income statement, and cash-flow statement for the financial year then ended, and the notes to the financial statements.

Management's Responsibility

The Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Vietnamese Accounting Standards and Vietnamese Corporate Accounting System and relevant legislation as to the preparation and presentation of separate financial statements and for such internal control as management determines is necessary to enable the preparation and presentation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of SaoBacDau Technologies Corporation as at 31 December 2016, and of the results of its financial performance and its cash flows for the financial year then ended in accordance with Vietnamese Accounting Standards and Vietnamese Corporate Accounting System and relevant legislation as to the preparation and presentation of separate financial statements.

pp GENERAL DIRECTOR



Luc Thi Van

Vice General Director

Audit Practice Registration Certificate:
0172-2016-026-1

Huynh Thi Ngoc Trinh

Auditor

Audit Practice Registration Certificate:
2124-2016-026-1

RSM Vietnam Auditing & Consulting Company Limited

Ho Chi Minh City, 28 March 2017

SAOBACDAU TECHNOLOGIES CORPORATION

 Address: Lot U12B – 16A, Street 22, Tan Thuan Export
 Processing Zones, Tan Thuan Dong Ward,
 District 7, Ho Chi Minh City

SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2016

Form B 01 - DN
STATEMENT OF FINANCIAL POSITION

At 31 December 2016

Expressed in VND

ASSETS	Code	Notes	At as 31 Dec. 2016	At as 01 Jan. 2016
A. CURRENT ASSETS	100		527,167,179,298	434,052,985,554
I. Cash and cash equivalents	110	5.1	46,285,928,094	14,654,234,758
1. Cash	111		34,285,928,094	14,654,234,758
2. Cash equivalents	112		12,000,000,000	-
II. Current account receivables	130		322,986,574,927	325,367,355,006
1. Trade receivables	131	5.3	252,789,327,929	227,738,833,766
2. Advances to suppliers	132	5.4	10,543,474,110	62,757,708,123
3. Other current receivables	136	5.5	62,161,235,524	37,378,275,753
4. Provision for doubtful debts	137		(2,507,462,636)	(2,507,462,636)
III. Inventories	140	5.6	157,167,272,576	92,900,409,466
1. Inventories	141		161,099,850,035	94,774,687,090
2. Provision for decline in value of inventories	149		(3,932,577,459)	(1,874,277,624)
IV. Other current assets	150		727,403,701	1,130,986,324
1. Current prepayments	151		385,739,291	485,702,139
2. Value added tax deductible	152		341,664,410	645,284,185
B. NON-CURRENT ASSETS	200		70,245,242,767	68,293,333,954
I. Non-current account receivables	210		-	359,925,410
1. Other non-current receivables	216		-	359,925,410
II. Fixed assets	220		39,398,187,566	40,499,854,731
1. Tangible fixed assets	221	5.7	39,299,259,558	40,442,351,320
Cost	222		81,599,542,021	70,291,199,309
Accumulated depreciation	223		(42,300,282,463)	(29,848,847,989)
2. Intangible fixed assets	227	5.8	98,928,008	57,503,411
Cost	228		1,412,067,369	1,325,108,555
Accumulated amortisation	229		(1,313,139,361)	(1,267,605,144)
III. Non-current financial investments	250	5.2	19,743,127,408	16,620,867,533
1. Investments in subsidiaries	251		24,200,000,000	17,950,000,000
2. Provision for non-current investments	254		(4,456,872,592)	(1,329,132,467)
IV. Other non-current assets	260		11,103,927,793	10,812,686,280
1. Non-current prepayments	261	5.9	10,915,164,459	10,605,046,613
2. Deferred income tax assets	262		188,763,334	207,639,667
TOTAL ASSETS (270 = 100 + 200)	270		597,412,422,065	502,346,319,508

SAOBACDAU TECHNOLOGIES CORPORATION

 Address: Lot U12B – 16A, Street 22, Tan Thuan Export
 Processing Zones, Tan Thuan Dong Ward,
 District 7, Ho Chi Minh City

SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2016

Form B 01 - DN
STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2016

Expressed in VND

RESOURCES	Code	Notes	At as 31 Dec. 2016	At as 01 Jan. 2016
C. LIABILITIES	300		490,005,375,992	407,094,408,080
I. Current liabilities	310		490,005,375,992	401,449,409,080
1. Trade payables	311	5.10	249,033,866,225	183,333,316,956
2. Advances from customers	312	5.11	25,627,940,199	71,092,137,051
3. Taxes and amounts payable to the state budget	313	5.12	5,042,783,069	7,560,703,670
4. Payables to employees	314	5.13	3,745,638,822	3,971,493,085
5. Accrued expenses	315	5.14	5,889,019,525	10,837,459,555
6. Current unearned revenue	318	5.15	5,090,820,770	4,822,307,719
7. Other current payables	319	5.16	2,600,792,478	2,104,039,613
8. Current loans and obligations under finance leases	320	5.17	192,974,514,904	117,727,951,431
II. Non-Current liabilities	330		-	5,644,999,000
1. Non-current loans and obligations under finance leases	338	5.17	-	5,644,999,000
D. OWNER'S EQUITY	400		107,407,046,073	95,251,911,428
I. Equity	410	5.18.1	107,407,046,073	95,251,911,428
1. Owner's contributed capital	411	5.18.2	84,879,070,000	82,879,070,000
Ordinary shares carrying voting rights	411a		84,879,070,000	82,879,070,000
2. Investment and development fund	418		613,725,739	-
3. Retained earnings	421		21,914,250,334	12,372,841,428
Beginning accumulated retained earnings	421a		3,471,208,689	-
Ending accumulated retained earnings	421b		18,443,041,645	12,372,841,428
TOTAL RESOURCES (440 = 300 + 400)	440		597,412,422,065	502,346,319,508




Tran Anh Tuan
 Chief Executive Officer
 Ho Chi Minh City, 28 March 2017


Tran Phan Thuy An
 Chief accountant


Nguyen Thi Thu Hien
 Preparer

SAOBACDAU TECHNOLOGIES CORPORATION

Address: Lot U12B – 16A, Street 22, Tan Thuan Export
Processing Zones, Tan Thuan Dong Ward, District 7,
Ho Chi Minh City, Vietnam

SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2016

Form B 02 - DN

INCOME STATEMENT

For the year ended 31 December 2016

Expressed in VND

ITEMS	Code	Note	Year 2016	Year 2015
1. Revenue	01	6.1	797,385,862,948	668,010,650,792
2. Deductions	02		-	22,870,000
3. Net revenue	10		797,385,862,948	667,987,780,792
4. Cost of sales	11	6.2	686,472,158,612	564,843,285,766
5. Gross profit	20		110,913,704,336	103,144,495,026
6. Financial income	21	6.3	5,187,766,910	1,299,764,432
7. Financial expense	22	6.4	16,078,135,248	14,011,702,718
<i>Of which, interest expense</i>	23		11,106,995,820	10,346,681,352
8. Selling expense	24	6.5	31,230,345,905	31,367,607,660
9. General and administration expense	25	6.6	53,008,886,075	47,385,383,338
10. Operating profit/(loss)	30		15,784,104,018	11,679,565,742
11. Other income	31	6.7	7,768,045,314	4,684,259,630
12. Other expense	32		818,543,573	139,112,910
13. Net other income/(loss)	40		6,949,501,741	4,545,146,720
14. Accounting profit/(loss) before tax	50		22,733,605,759	16,224,712,462
15. Current corporate income tax expense	51	6.9	4,271,687,782	3,467,197,682
16. Deferred corporate income tax expense	52		18,876,332	-
17. Net profit/(loss) after tax	60		18,443,041,645	12,757,514,780



Tran Anh Tuan
Chief Executive Officer
Ho Chi Minh City, 28 March 2017

Tran Phan Thuy An
Chief accountant

Nguyen Thi Thu Hien
Preparer

SAOBACDAU TECHNOLOGIES CORPORATION

 Address: Lot U12B – 16A, Street 22, Tan Thuan Export
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 Ho Chi Minh City, Vietnam

SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2016

Form B 03 - DN

CASH FLOW STATEMENT

(Indirect method)

For the year ended 31 December 2016

Expressed in VND

ITEMS	Code	Note	Year 2016	Year 2015
I. CASH FLOWS FROM OPERATING ACTIVITIES				
1. Net profit /(loss) before taxes	01		22,733,605,759	16,224,712,462
2. Adjustment for:				
Depreciation and amortisation	02	6.8	13,452,925,576	14,896,117,611
Provisions	03		5,186,039,960	2,080,478,701
Unrealised foreign exchange gains/losses from revaluation of foreign currency monetary items	04	6.4	490,687,321	-
Gains/losses from investment	05		(6,170,271,558)	(348,039,668)
Interest expense	06	6.4	11,106,995,820	10,346,681,352
3. Operating profit /(loss) before adjustments to working capital	08		46,799,982,878	43,199,950,458
Increase or decrease in accounts receivable	09		4,424,325,264	(97,625,985,697)
Increase or decrease in inventories	10		(66,325,162,945)	(25,435,331,127)
Increase or decrease in accounts payable (excluding interest expense and CIT payable)	11		13,476,472,060	114,966,896,288
Increase or decrease prepaid expenses	12		(210,154,998)	(28,104,473,143)
Interest paid	14		(11,096,748,790)	(10,063,914,063)
Corporate income tax paid	15	5.13	(4,657,161,331)	(2,526,849,435)
Net cash from operating activities	20		(17,588,447,862)	(5,589,706,719)
II. CASH FLOWS FROM INVESTING ACTIVITIES				
1. Acquisition and construction of fixed assets and other long-term assets	21		(12,547,776,465)	(37,210,521,955)
2. Proceeds from disposals of fixed assets and other long-term assets	22		1,832,172,619	100,000,000
3. Loans to other entities and payments for purchase of debt instruments of other entities	23		(17,500,000,000)	-
4. Repayments from borrowers and proceeds from sales of debts instruments of other entities	24		17,500,000,000	-
5. Investments in other entities	25		(6,250,000,000)	(185,993,057)
6. Interest and dividends received	27		3,154,616,993	729,699,065
Net cash from investing activities	30		(13,810,986,853)	(36,566,815,947)
III. CASH FLOWS FROM FINANCING ACTIVITIES				
1. Proceeds from issuing stocks and capital contribution from owners	31		2,000,000,000	-
2. Proceeds from borrowings	33	7.1	496,823,906,673	431,801,891,937
3. Repayment of borrowings	34	7.2	(427,222,342,200)	(381,068,890,626)
4. Dividends paid	36		(8,632,597,249)	(7,743,164,050)
Net cash from financing activities	40		62,968,967,224	42,989,837,261
NET INCREASE/(DECREASE) IN CASH	50		31,569,532,509	833,314,595
Cash and cash equivalents at beginning of year	60		14,654,234,758	13,820,920,163
Impact of exchange rate fluctuation	61		62,160,827	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	70	5.1	46,285,928,094	14,654,234,758



Tran Anh Tuan
 Chief Executive Officer
 Ho Chi Minh City, 28 March 2017

Tran Phan Thuy An
 Chief accountant

Nguyen Thi Thu Hien
 Preparer

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1. Structure of ownership

SaoBacDau Technologies Corporation (hereinafter referred to as “the Company”), formerly known as Informatics Service Provider Limited Company. On 30 August 2007, the Company was converted into a joint stock company by the name of SaoBacDau Technologies Corporation under the Business Registration Certificate No. 4103002093 dated 11 February 2004 and other amended certificates thereafter with the latest one dated 25 July 2016 granted by Ho Chi Minh City’s Department of Planning and Investment.

The Company was registered as a public company with State Securities Commission on 11 December 2007.

The charter capital as stipulated in the Business Registration Certificate is VND 84,879,070,000, as follows:

Investors	As at 31 Dec. 2016		As at 01 Jan. 2016	
	Amount (VND)	Percent (%)	Amount (VND)	Percent (%)
Mr Nguyen Duc Quang	16,661,990,000	19.63	16,661,990,000	20.10
Other shareholders	68,217,080,000	80.37	66,217,080,000	79.90
Total	84,879,070,000	100.00	82,879,070,000	100.00

The Company’s registered head office is located at Lot U12B – 16A, Street 22, Tan Thuan Export Processing Zones, Tan Thuan Dong Ward, District 7, Ho Chi Minh City.

The number of employees as at 31 December 2016 was 201 (31 December 2015: 194).

1.2. Business field

Trading and services.

1.3. Operating industry and principal activities

According to the Business Registration Certificate, the Company’s principal activities include: Producing, assembling, repairing informatics and electronics products. Trading in household appliances, informatics and electronics products, office – equipment, cables, kinds of snap-in, electronic components. The consignment of goods agent, trading agency, office machine for rent, trading in telephones, fax, PABX switchboard (included 32 numbers). Trading, installing and maintaining informatics and electronics equipment, informatics network. Trading, producing, installing, maintaining telecommunications equipment. Trading, providing telecommunications service agent. Trading and producing informatics software, designed web. Scientific services: integrating systems, making over information technology. Providing information upload to internet, providing internet services agent (not including internet service providing agent in head office). Consultant, training informatics and telecommunications technology. Designing computer networking system. Office for rent. Trading, installing, repairing, maintaining electrical equipment, automatic control equipment (not including processing mechanic, producing electroplate, recycling waste at head office). Consulting technology transfer. Vocational training. Trading in software, machine, equipment in radio-broadcasting and television. Producing, trading and releasing films, films tabs and discs of being granted for circulations. Trading real estates. Construction of Industrial Civil Project. Plane tickets agent. Scientific Services: integrated system, technology transfer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.4. Normal operating cycle

The Company's normal operating cycle is carried out for a time period of 12 month.

1.5. The Company's structure

As at 31 December 2016, the Company's subsidiaries were as follows:

Name	Address	Voting rights	Per cent capital	Per cent interest
Subsidiaries:				
Sao Bac Dau Technology Service Joint Stock Company	Topaz Building, 92 Nguyen Huu Canh, Ward 22, Binh Thanh District, Ho Chi Minh City	69%	69%	76,67%
Sao Bac Dau Digital Technologies Joint Stock Company	8th Floor, Loyal Building, 151 Vo Thi Sau Street, Ward 6, District 3, Ho Chi Minh City	74%	74%	74%
Sao Bac Dau Telecom Joint Stock Company	1st Floor, Lilama 10 Tower, To Huu Street, Trung Van Ward, Nam Tu Lien District, Ha Noi City	60%	60%	60%

The Company's branches as at 31 December 2016 were as follows:

Name	Address
Ha Noi Branch	15th Floor, Lilama10 Tower, To Huu Street, Trung Van Ward, Nam Tu Lien District, Ha Noi City
Da Nang Branch	02 Quang Trung Street, Thach Thang Ward, Hai Chau District, Da Nang City

2. ACCOUNTING CONVENTION, FINANCIAL YEAR AND REPORTING CURRENCY

2.1. Accounting convention

The accompanying separate financial statements, expressed in VND, are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and prevailing accounting regulations in Vietnam.

2.2. Financial year

The Company's financial year is from 01 January to 31 December.

2.3. Reporting and functional currency

The Company maintains its accounting records in Vietnamese Dong (VND).

3. ACCOUNTING STANDARDS, ACCOUNTING SYSTEM

3.1. Accounting standards, accounting system

The Company has adopted Vietnamese Accounting Standards and Vietnamese Corporate Accounting System.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.2. Statement of compliance with Vietnamese Accounting Standards and Vietnamese Corporate Accounting System

The Company's financial statements for the year ended 31 December 2016 are prepared in accordance with Vietnamese Accounting Standards and Vietnamese Corporate Accounting System.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1. Applicable exchange rates

The exchange rates applicable in accounting are as follows:

- The exchange rates announced by Bank for Foreign Trade of Vietnam are applied in accounting;
- The exchange rate applicable to asset recognition and re-evaluation is the foreign currency-buying rate;
- The exchange rate applicable to liability recognition and re-evaluation is the foreign foreign currency-selling rate;
- Exchange rates applicable to the other transactions are the foreign currency-buying rate/ the foreign currency-selling rate.

Transactions in foreign currencies are recorded, on initial recognition, in the reporting currency, by applying to the foreign currency amount the spot exchange rate between the reporting currency and the foreign currency at the date of the transaction. The exchange differences arising on the settlement of monetary items are recognised in profit or loss in the year in which they arise. At the end of the reporting year, monetary items excluding advances to suppliers, prepaid expenses, and unearned revenues, which are denominated in foreign currency, are reported using the closing rate and resultant exchange differences resulting from the reporting after offset are recognised in profit or loss in the year in which they arise.

4.2. Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that impact the carrying value of certain assets and liabilities, contingent assets and liabilities reported in the notes as well as revenues and expenses in the financial statements for the ended 31 December 2016. Although these estimates are based on management's best knowledge of all relevant information available at the date when the financial statements are prepared, this does not prevent actual figures differing from estimates.

4.3. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank, cash in transit and current investments for a period not exceeding 3 months or highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are defined the same as those under Accounting Standard "Statement of cash flows".

4.4. Account receivables

Recognition method

Account receivables that comprise trade receivables, intra-company receivables and other receivables are recognised at the carrying amounts of trade receivables and other receivables less provisions for doubtful debts.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Provision for doubtful debts

Provisions for doubtful debts are recognised for past-due accounts and for accounts where circumstances indicate that they might not be recoverable. The provision for doubtful debts is recognised in accordance with Circular No. 228/2009/TT-BTC dated 07 December 2009 issued by Ministry of Finance.

The difference between the required balance and the existing balance of provision for doubtful debts is recorded as a general and administrative expense in the income statement.

4.5. Inventories

Inventory measurement

Inventories are measured at the lower of cost and net realisable value.

The costs of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory cost formulas

Inventories are measured using the first-in, first-out method.

Method of accounting for inventories

Inventories are recorded under the perpetual inventory method.

Provision for decline in value of inventories

Whereby the year-end, the net realisable value of inventories is lower than cost, a provision for decline in value of inventories is recognised.

The provision is an excess of the cost of inventories over their net realisable value. The provision is recognised for obsolete, slow-moving and defective inventory items in accordance with Circular No. 228/2009/TT-BTC dated 07 December 2009 issued by Ministry of Finance.

The difference between the required balance and the existing balance of the provision for a decline in value of inventories is included in cost of sales in the income statement.

4.6. Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation.

Tangible fixed asset recognition

Tangible fixed assets are initially recognised at their cost. The cost of purchased tangible fixed assets comprises the purchase price and any directly attributable costs of bringing the assets to their present location and working condition for their intended use. Accessories added to fixed assets when purchased are recognised separately at their fair value and deducted from the historical cost of the respective tangible fixed assets.

Depreciation and amortisation

The costs of fixed assets are depreciated on a straight-line method over their estimated useful lives.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The estimated useful lives are as follows:

	<u>Năm 2016</u>
▪ Buildings, structures	15 years
▪ Machinery and equipment	3 – 5 years
▪ Vehicles	6 years

4.7. Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation.

Intangible fixed asset recognition

Intangible fixed assets are initially recognised at their cost. The cost of an intangible fixed asset comprises the total amount of expense incurred by the Company to acquire an asset at the time the asset is put into operation for its intended use.

Accounting principles for intangible fixed assets

Computer software

Computer software is not an indispensable component of hardware and is recognised as an intangible asset and depreciated over its useful life.

4.8. Financial investments

Equity investments in other entities

Investments in subsidiaries

Investments are classified as investments in subsidiaries when the Company has the power of control over policies and operating activities, normally evidenced by the holding of more than 50% of the voting rights.

Investments in subsidiaries are accounted for under the cost method which comprise the purchase price plus (+) acquisition related costs (if any). In case of investments of non-monetary assets, the cost of the investments is measured at the fair values of the assets as incurred.

Dividends for the period after the acquisition date are recognised as financial incomes at their fair values when the shareholder's right to receive payment is established.

Recognition principles of provision for financial investment impairment loss

For non-current investments

Provision for diminution in value of non-current investments is recognised in accordance with Circular No.228/2009/TT-BTC dated 07 December 2009 (Circular 228) and Circular No. 89/2013/TT-BTC dated 28 June 2013 (modifying Circular 228) issued by Ministry of Finance which permit provision to be recognised for investments in economic institutions suffering losses (except for losses according to the business plan before the initial investment) at a maximum provision equal to the amount of the invested capital for each investment.

4.9. Leases

Operating leases

Assets subject to operating leases are recognised in the statement of financial position according to the Company's asset classification pattern.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Initial direct costs to generate income from operating leases are recognised as expenses in the year as incurred or amortised over the lease term. Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term regardless of payment methods.

Depreciation of assets subject to operating leases is consistent with the depreciation policy of the lessor for similar assets.

4.10. Prepayments

Prepayments are classified as current and non-current based on their original term. Prepayments mainly comprise costs of tools and supplies and land rentals etc. which are amortized over the period for which they are paid or the period in which economic benefits are generated in relation to these expenses.

The following expenses are recognised as prepayments and amortised to the income statement:

- Prepaid land, infrastructure and fixed asset rentals are amortized over the period of lease;
- Tools and supplies are amortised to the income statement over 01 to 03 years.

4.11. Liabilities

Liabilities are classified into trade payables, intra-company payables and other payables based on the following rules: Trade payables represent those arising from purchase and sale related transactions of goods, services or assets and the seller is independent of the buyer; intra-company payables represent those between the Company and its dependent accounting units having no legal status; the remaining payables are classified as other payables.

Liabilities are also classified according to the maturity date, the remaining term from the date of the financial statements, original currency, and each creditor.

Liabilities are recognised at no less than the payment obligation.

4.12. Accrued expenses

Accrued expenses represent expenses that will be paid in the future for goods or services received but not yet paid due to lack of invoices or accounting documents. These expenses are recognised as operating expenses of the reporting year.

4.13. Severance allowance to employees

Pursuant to the Law on Social Insurance, effective from 01 January 2009, the Company and its employees are required to contribute to the unemployment insurance fund managed by the Vietnam Social Insurance Agency. The contribution to be paid by each party is calculated at 1% of the lower of the employees' basic salary and 20 times the general minimum salary level as specified by the government from time to time. With the implementation of the unemployment scheme, the Company is no longer required to provide for severance allowance for the service period after 01 January 2009. In addition, according to Circular 180/2012/TT-BTC dated 24 October 2012 issued by Ministry of Finance, since the financial year 2012, the Company has not provided for severance allowance under Circular 82/2003/TT-BTC dated 14 August 2003 issued by Ministry of Finance and the severance allowance outstanding (if any) was reversed in 2012.

4.14. Unearned revenues

Unearned revenues include advance payments for one or more accounting periods.

Unearned revenues are periodically determined and transferred into revenues accordingly.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.15. Owner's equity

The owners' equity

The owners' equity is recognised when contributed.

Dividends

Dividends are recognised as a liability at the date of declaring dividends.

Reserves

Reserves are created at certain percentages of profit after tax as prescribed in the Company's charter.

Profits Distribution

Net profit after income tax can be distributed to shareholders after the distribution is approved the General annual meeting of shareholders and reserves are created in accordance with the Company's Charter and legal regulations in Vietnam.

4.16. Revenue, other income

Revenue from selling goods

Revenue from selling goods is measured at the fair value of the consideration received or receivable. In most cases, revenue is recognised when transferring the risks and rewards of ownership to the buyer.

Revenue involving the rendering of services

Revenue of a transaction involving the rendering of services is recognised when the outcome of this transaction can be estimated reliably. When a transaction involving the rendering of services is attributable to several periods, each period's revenue is recognised by reference to the stage of completion at the end of the reporting period.

4.17. Deductions

Deductions include trade discounts, allowances and sale returns.

Deductions arising in the reporting year from consumption of products, goods and services are recognised as decreases in revenue in that year; Deductions arising after the end of the reporting year but prior to issuing the financial statements for the reporting year are recognised as decreases in revenue of the reporting year; Deductions arising after the end of the reporting year and after issuing the financial statements for the reporting year are recognised as decreases in revenue of the next year.

4.18. Cost of sales

Cost of sales and services provided represents total costs of finished products, goods, services, investment properties or manufacturing costs of construction products (for construction entities) which are sold in the year in accordance with the matching principle. Abnormal amounts of production costs of inventories are recognised immediately in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.19. Financial expense

Financial expenses represent all expenses incurred in the reporting year which mainly include borrowing costs, cost of capital contribution to associates and joint ventures, losses from sale of short term securities, cost of selling securities, provision for impairment of trading securities, investment in other entities and losses from selling foreign currency and exchange rates.

4.20. Selling expense and general and administration expense

Selling expenses represent expenses incurred during the process of selling products, goods and rendering services, which include payroll costs for selling employees (salaries, wages, allowances, etc.); social insurance, health insurance, trade union fees and unemployment insurance; product warranty, service and other expense.

General and administration expenses represent common expenses, which include payroll costs for office employees (salaries, wages, allowances, etc.); social insurance, health insurance, trade union fees and unemployment insurance; stationery expenses, material expenses, depreciation expenses of fixed assets used for administration activities; land rental, license tax; provision for doubtful debts; utility services (electricity expenses, water expenses, phone, fax, warranty expenses, etc.); sundry expenses (entertainment, customer conference, etc.).

4.21. Taxation

Corporate income tax

Current corporate income tax expense

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

Deferred corporate income tax expense

Deferred corporate tax expense is determined on the basis of the deductible temporary differences, taxable temporary differences and the estimated CIT rate that will be applied for the years that assets and liabilities will be recovered. The tax rates used will be the tax rates (and tax laws) that are in effect at the financial year - end.

Value added tax

The goods sold and services rendered by the Company are subject to value added tax at the following rates:

- Computer software: 0%
- Goods: 10%
- Rental and other services: 10%

Other taxes

Other taxes are applicable in accordance with the prevailing tax laws in Vietnam.

The tax reports of the Company will be inspected by the Tax Department. Application of the laws and regulations on tax to different transactions can be interpreted by many ways; therefore, the tax amounts presented in the financial statements can be amended in accordance with the Tax Department's final assessment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. ADDITIONAL INFORMATION FOR ITEMS SHOWN IN THE STATEMENT OF FINANCIAL POSITION

5.1. Cash and cash equivalents

	As at 31 Dec. 2016 VND	As at 01 Jan. 2016 VND
Cash in hand	7,693,812,943	448,930,862
Cash at banks	26,592,115,151	14,205,303,896
Cash equivalent	12,000,000,000	-
Total	<u>46,285,928,094</u>	<u>14,654,234,758</u>

Cash equivalent represented term deposits at A Chau Bank with interest rate 5% per year for a period 1 month.

(See the next page)

SAOBACDAU TECHNOLOGIES CORPORATION

Address: Lot U12B – 16A, Street 22, Tan Thuan Export Processing Zones,
Tan Thuan Dong Ward, District 7, Ho Chi Minh City

SEPARATE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**5.2. Financial investments**

Investments in subsidiaries are analysed as follows:

	As at 31 Dec. 2016			As at 01 Jan. 2016		
	Carrying amounts	Fair value	Provision	Carrying amounts	Fair value	Provision
Sao Bac Dau Technology Service Joint Stock Company	13,800,000,000	-	-	13,800,000,000	-	-
Sao Bac Dau Digital Technologies Joint Stock Company	7,400,000,000	-	(4,079,179,718)	4,150,000,000	-	(1,329,132,467)
Sao Bac Dau Telecom Joint Stock Company	3,000,000,000	-	(377,692,874)	-	-	-
Total	24,200,000,000	-	(4,456,872,592)	17,950,000,000	-	1,329,132,467

At the reporting date, the Company has not determined the fair value of investments in subsidiaries which disclosed in financial statements, because there are no listed price in the market and Vietnamese Accounting Standards, Vietnamese Accounting System have not yet guidance on how to calculate fair value using valuation techniques.

(See the next page)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5.3. Current trade receivables

	As at 31 Dec. 2016 VND	As at 01 Jan. 2016 VND
Project management of Ministry of Foreign Affairs headquarters	38,580,821,706	47,571,328,706
Viettel Group	30,187,701,500	-
Dong Nai Power Company Limited	15,192,700,000	-
Quang Trung Software City Service JSC	12,379,318,070	-
Deo Ca Investment JSC	11,894,925,445	-
Department of Information Technology	10,387,242,775	21,813,890,700
Others	126,751,571,818	145,290,267,273
Trade receivables from related parties – Refer to Note 8	7,415,046,615	13,063,347,087
Total	<u>252,789,327,929</u>	<u>227,738,833,766</u>

5.4. Advances to suppliers

	As at 31 Dec. 2016 VND	As at 01 Jan. 2016 VND
Japan Radio Co., Ltd	4,406,036,484	-
Hai Thach Investment Construction JSC	1,627,534,977	-
Hung Phat Investment and Development JSC	1,498,170,984	-
Cuu Long Automation Technology Co., Ltd	-	32,814,376,320
Tri Nam Technology Development Investment JSC	-	20,447,224,654
F5 Networks Inc	-	182,160,000
Others	3,011,731,665	9,313,947,149
Total	<u>10,543,474,110</u>	<u>62,757,708,123</u>

5.5. Current other receivables

	As at 31 Dec. 2016 VND		As at 01 Jan. 2016 VND	
	Value	Provision	Value	Provision
Receivables from employees	2,684,534,514	-	2,034,814,971	-
Deposits	57,619,394,048	-	31,030,016,409	-
Other receivables	1,857,306,962	-	4,313,444,373	-
Total	<u>62,161,235,524</u>	<u>-</u>	<u>37,378,275,753</u>	<u>-</u>

(See the next page)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5.6. Inventories

	As at 31 Dec. 2016		As at 01 Jan. 2016	
	VND		VND	
	Cost	Provision	Cost	Provision
The Company's stock	15,091,606,564	(3,932,577,459)	49,326,425,898	(1,874,277,624)
Goods issued to implement	92,427,611,177	-	11,542,859,799	-
Leased warehouse	57,527,820	-	49,244,921	-
Stock at Ha Noi Branch	522,475,874	-	328,992,814	-
Work in process	53,000,628,600	-	33,527,163,658	-
Total	161,099,850,035	(3,932,577,459)	94,774,687,090	(1,874,277,624)

5.7. Tangible fixed assets

Items	Buildings, structures VND	Machinery and equipment VND	Motor vehicles VND	Total VND
Cost:				
As at 01 Jan. 2016	15,138,594,055	52,212,308,353	2,940,296,901	70,291,199,309
Purchase	-	11,728,680,442	732,137,209	12,460,817,651
Disposals	-	(407,774,939)	(744,700,000)	(1,152,474,939)
As at 31 Dec. 2016	15,138,594,055	63,533,213,856	2,927,734,110	81,599,542,021
Accumulated depreciation:				
As at 01 Jan. 2016	4,498,087,005	24,338,856,386	1,011,904,598	29,848,847,989
Depreciation	1,013,381,623	11,884,321,040	509,688,696	13,407,391,359
Disposals	-	(407,774,939)	(548,181,946)	(955,956,885)
As at 31 Dec. 2016	5,511,468,628	35,815,402,487	973,411,348	42,300,282,463
Net book value:				
As at 01 Jan. 2016	10,640,507,050	27,873,451,967	1,928,392,303	40,442,351,320
As at 31 Dec. 2016	9,627,125,427	27,717,811,369	1,954,322,762	39,299,259,558

The amount of year-end net book value of tangible fixed assets pledged, mortgaged as loan security totalled VND 9,627,125,427 – Refer to Note 5.17.

The historical cost of tangible fixed assets fully depreciated but still in use totalled VND 19,526,975,852.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5.8. Intangible fixed assets

	As at 01 Jan. 2016 VND	Increase VND	Decrease VND	As at 31 Dec. 2016 VND
Administration software				
Cost	1,325,108,555	86,958,814	-	1,412,067,369
Accumulated amortization	(1,267,605,144)	(45,534,217)	-	(1,313,139,361)
Net book value	<u>57,503,411</u>			<u>98,928,008</u>

The historical cost of tangible fixed assets fully depreciated but still in use totalled VND 1,253,725,011.

5.9. Non – current prepayments

	As at 31 Dec. 2016 VND	As at 01 Jan. 2016 VND
Land use rights	8,694,178,890	9,070,887,544
Tools and supplies	2,220,985,569	1,534,159,069
Total	<u>10,915,164,459</u>	<u>10,605,046,613</u>

Of which, land use rights at Lot U12B-16A, Street 22, Tan Thuan Export Processing Zones, Tan Thuan Dong Ward, District 7, Ho Chi Minh City that mortgaged as short-term loan security totalled VND 8,694,178,890 – Refer to Note 5.17.

5.10. Current trade payables

	As at 31 Dec. 2016 VND		As at 01 Jan. 2016 VND	
	Value	Payable value	Value	Payable value
Blue Sky Solutions Global Trading Co., Ltd	34,877,140,140	34,877,140,140	24,566,071,853	24,566,071,853
A1 Technology JSC	29,771,314,084	29,771,314,084	-	-
Azbil Vietnam Co., Ltd	28,614,169,464	28,614,169,464	40,375,898,862	40,375,898,862
AV United Pty Ltd	19,239,412,806	19,239,412,806	-	-
FPT Distribution Co., Ltd	15,565,739,734	15,565,739,734	-	-
Elite Technology., JSC	455,714,072	455,714,072	2,609,739,278	2,609,739,278
Others	120,077,705,925	120,077,705,925	115,760,341,610	115,760,341,610
Trade payables from related parties – Refer to Note 8	432,670,000	432,670,000	21,265,353	21,265,353
Total	<u>249,033,866,225</u>	<u>249,033,866,225</u>	<u>183,333,316,956</u>	<u>183,333,316,956</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5.11. Current advances from customers

	As at 31 Dec. 2016		As at 01 Jan. 2016	
	VND		VND	
	Value	Payable value	Value	Payable value
Hai Thach Investment Construction JSC	10,000,000,000	10,000,000,000	10,000,000,000	10,000,000,000
Nam A Commercial., JSC	9,542,618,000	9,542,618,000	9,542,618,000	9,542,618,000
Sun Ivy Joint Venture Co., Ltd	1,030,119,552	1,030,119,552	1,030,119,552	1,030,119,552
Nam Thang Co., Ltd	1,500,000,000	1,500,000,000	-	-
Deo Ca Investment., JSC	-	-	32,834,213,620	32,834,213,620
Vietnam Coast Guard	-	-	11,686,078,905	11,686,078,905
Other	3,555,202,647	3,555,202,647	5,999,106,974	5,999,106,974
Total	<u>25,627,940,199</u>	<u>25,627,940,199</u>	<u>71,092,137,051</u>	<u>71,092,137,051</u>

5.12. Tax and amounts payable to the state budget

	As at 01 Jan. 2016 VND	Payable VND	Paid VND	As at 31 Dec. 2016 VND
Value added tax	3,234,287,720	30,167,427,669	32,724,868,947	676,846,442
Export, import tax	61,561	51,153,034	51,214,595	-
Corporate income tax	3,460,027,602	4,271,687,782	4,657,161,331	3,074,554,053
Personal income tax	866,326,787	1,989,410,352	2,393,877,327	461,859,812
Other	-	1,615,855,936	786,333,176	829,522,762
Total	<u>7,560,703,670</u>	<u>38,095,534,773</u>	<u>40,613,455,376</u>	<u>5,042,783,069</u>

5.13. Payables to employees

Representing the 13th month salaries in year 2016 payable to employees.

(See the next page)

SAOBACDAU TECHNOLOGIES CORPORATION

Address: Lot U12B – 16A, Street 22, Tan Thuan Export
Processing Zones, Tan Thuan Dong Ward,
District 7, Ho Chi Minh City

SEPARATE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**5.14. Current accrued expenses**

Representing accruals for service rendered which had billed to the customer.

5.15. Unearned revenue

Of which, other payables related to unrealised revenue of providing Internet service to the customer under contract No.10 (DNG8b-DC) dated 25 August 2012 between the Company and Technology Development Project Management and Communication Board in Da Nang with the amount of VND 4,460,000,000.

5.16. Current other payables

	As at 31 Dec. 2016 VND	As at 01 Jan. 2016 VND
Trade union dues	871,973,916	900,052,036
Dividend or profit payables	543,835,550	266,531,850
Interest	-	46,540,388
Other payables	1,184,983,012	890,915,339
Total	<u>2,600,792,478</u>	<u>2,104,039,613</u>

(See the next page)

SAOBACDAU TECHNOLOGIES CORPORATION

Address: Lot U12B – 16A, Street 22, Tan Thuan Export Processing Zones,
Tan Thuan Dong Ward, District 7, Ho Chi Minh City

SEPARATE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5.17. Loans and finance lease liabilities**

Loans and finance lease liabilities are analysed as follows:

	As at 31 Dec. 2016		Movements in the year		As at 01 Jan. 2016	
	Value	Payable value VND	Increase VND	Decrease VND	Value	Payable value VND
Current:						
Bank loans	183,964,514,904	183,964,514,904	494,435,412,772	412,059,584,046	101,588,686,178	101,588,686,178
Other loans	4,000,000,000	4,000,000,000	2,388,493,901	7,973,054,528	9,584,560,627	9,584,560,627
Current portion of long - term liabilities	5,010,000,000	5,010,000,000	5,010,000,000	6,554,704,626	6,554,704,626	6,554,704,626
Total	192,974,514,904	192,974,514,904	501,833,906,673	426,587,343,200	117,727,951,431	117,727,951,431
Non - current:						
Bank loans	5,010,000,000	5,010,000,000	-	7,189,703,626	12,199,703,626	12,199,703,626
Current portion of long - term liabilities	(5,010,000,000)	(5,010,000,000)	(5,010,000,000)	(6,554,704,626)	(6,554,704,626)	(6,554,704,626)
Total	-	-	(5,010,000,000)	634,999,000	5,644,999,000	5,644,999,000
Subtotal	192,974,514,904	192,974,514,904	496,823,906,673	427,222,342,200	72,327,391,349	72,327,391,349

Current bank loans bear the interest rates from 6% per year to 7.5% per year for VND. Non-current bank loans with a term of 3 years bear the interest rates from 6.8% per year to 8.5% per year. These loans were guaranteed by:

- The office and land use rights at Lot U12B-16A, Street 22, Tan Thuan Export Processing Zones, Tan Thuan Dong Ward, District 7, Ho Chi Minh City with carrying amount of VND 9,627,125,427 and VND 8,694,178,890, respectively – Refer to Notes 5.7 and 5.9;
- Right of claiming arising from the contracts signed between SaoBacDau Technologies Corporation and some specific clients;
- Goods, account receivables, deposit contracts, saving accounts, deposit amounts, etc. created by these loan;
- Total of deposits, assets and receivables arising from the borrowing plan.

Other unsecured loans with 1 month term and interest rates 6.5% per year for VND from Sao Bac Dau Technology Service Joint Stock Company with the amount of VND 4 billion – Refer to Note 8.

SAOBACDAU TECHNOLOGIES CORPORATIONAddress: Lot U12B – 16A, Street 22, Tan Thuan Export Processing Zones,
Tan Thuan Dong Ward, District 7, Ho Chi Minh City**SEPARATE FINANCIAL STATEMENTS**
For the financial year ended 31 December 2016**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5.18. Owner's equity****5.18.1. Changes in owner's equity**

	Items of owner's equity					Total VND
	Owner's contributed capital VND	Capital surplus VND	Treasury shares VND	Investment & development fund VND	Retained earnings VND	
As at 01 Jan. 2015	80,000,000,000	1,123,900	(3,963,240,000)	1,710,667,069	13,109,803,679	90,858,354,648
Previous year's capital increase	2,879,070,000	(1,123,900)	-	(1,710,667,069)	(1,167,279,031)	-
Previous year's profits	-	-	-	-	12,757,514,780	12,757,514,780
Dividends declared	-	-	-	-	(8,363,958,000)	(8,363,958,000)
Other	-	-	3,963,240,000	-	(3,963,240,000)	-
As at 01 Jan. 2016	82,879,070,000	-	-	-	12,372,841,428	95,251,911,428
Current year's capital increase	2,000,000,000	-	-	-	-	2,000,000,000
Current year's profits	-	-	-	-	18,443,041,644	18,443,041,644
Dividends declared	-	-	-	-	(8,287,907,000)	(8,287,907,000)
Deduction funds	-	-	-	613,725,739	(613,725,739)	-
As at 31 Dec. 2016	84,879,070,000	-	-	613,725,739	21,914,250,334	107,407,046,073

SAOBACDAU TECHNOLOGIES CORPORATION

Address: Lot U12B – 16A, Street 22, Tan Thuan Export
Processing Zones, Tan Thuan Dong Ward,
District 7, Ho Chi Minh City

SEPARATE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**5.18.2. Details of owner's equity**

	As at 31 Dec. 2016 VND	As at 01 Jan. 2016 VND
Mr. Nguyen Duc Quang	16,661,990,000	16,661,990,000
Other shareholders	68,217,080,000	66,217,080,000
Total	<u>84,879,070,000</u>	<u>82,879,070,000</u>

5.18.3. Capital transactions with owners and dividend, profit distribution

	Year 2016 VND	Year 2015 VND
Owner's contributed capital:		
Beginning balance	82,879,070,000	80,000,000,000
Capital contribution in the year	2,000,000,000	2,879,070,000
Ending balance	84,879,070,000	82,879,070,000
Dividends, profits declared	8,287,907,000	8,363,958,000

5.18.4. Shares

	As at 31 Dec. 2016	As at 01 Jan. 2016
Number of ordinary shares registered for issue	8,487,907	8,287,907
Number of ordinary shares sold to public	8,487,907	8,287,907
Number of ordinary shares outstanding	8,487,907	8,287,907
Par value per outstanding share: VND 10,000 per share.		

5.19. Off statement of financial position items

	At as 31 Dec. 2016	As at 01 Jan. 2016
Foreign currencies:		
USD	50,604.61	8,787.69

6. ADDITIONAL INFORMATION FOR ITEMS SHOWN IN THE INCOME STATEMENT**6.1. Revenue from selling goods and rendering services**

	Year 2016 VND	Year 2015 VND
Sale of goods	713,414,111,315	583,888,211,799
Rendering of services	83,971,751,633	84,122,438,993
Total	<u>797,385,862,948</u>	<u>668,010,650,792</u>
Of which, revenue from related parties – Refer to Note 8	4,532,205,144	4,463,674,104

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.2. Cost of sales

	Year 2016 VND	Year 2015 VND
Cost of merchandise sold	613,386,088,526	471,126,719,268
Cost of services rendered	73,086,070,086	93,716,566,498
Total	686,472,158,612	564,843,285,766

6.3. Financial income

	Year 2016 VND	Year 2015 VND
Gains from exchange differences	653,149,917	570,065,367
Interest income	2,050,616,993	246,699,065
Dividends, profits received	2,484,000,000	483,000,000
Total	5,187,766,910	1,299,764,432

6.4. Financial expense

	Year 2016 VND	Year 2015 VND
Interest expense	11,106,995,820	10,346,681,352
Losses from realised exchange differences	1,321,523,022	2,335,888,899
Losses from un realised exchange differences	490,687,321	-
Provision for investment impairment loss	3,127,740,125	1,329,132,467
Other	31,188,960	-
Total	16,078,135,248	14,011,702,718

6.5. Selling expense

	Year 2016 VND	Year 2015 VND
Employee expense	15,363,043,180	10,300,460,017
Office stationery expense	382,915,780	380,540,853
Depreciation expense	10,838,312	4,686,261,950
Warranty expense	183,211,360	121,442,432
Pre-sales expense	1,837,720,177	1,616,424,331
Issuance and renewal of Letter of Guarantee fees	2,828,698,871	5,966,022,412
Service expense	1,213,131,501	611,519,984
Other expense	9,410,786,724	7,684,935,681
Total	31,230,345,905	31,367,607,660

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.6. General and administration expense

	Year 2016 VND	Year 2015 VND
Employee expense	32,130,006,439	30,862,658,475
Material, office stationery expense	1,560,838,817	1,064,562,021
Depreciation expense	2,306,457,678	3,463,004,064
Provision expense	-	845,264,674
Utility expense	2,499,492,260	2,978,482,067
Service expense	7,862,518,011	4,920,094,677
Other expense	6,649,572,870	3,251,317,360
Total	53,008,886,075	47,385,383,338

6.7. Other income

	Year 2016 VND	Year 2015 VND
Gains from disposal and sale of fixed assets	306,163,764	45,813,834
Proceeds from the contract penalty	1,676,883,764	-
Other income	5,784,997,786	4,638,445,796
Total	7,768,045,314	4,684,259,630

6.8. Production and business costs by elements

	Year 2016 VND	Year 2015 VND
Employee expense	47,493,049,619	41,163,118,492
Depreciation expense	13,452,925,576	14,896,117,611
Provision expense	-	845,264,674
Service expense	78,375,212,680	103,183,700,804
Other	18,004,114,191	12,381,355,915
Total	157,325,302,066	172,469,557,496

6.9. Current corporate income tax expense

CIT expense calculated on the taxable income of the current year is determined as follows:

	Year 2016 VND	Year 2015 VND
Accounting profit before tax for the year	22,733,605,759	16,224,712,462
Add: Adjustments according to CIT law	185,325,335	18,277,000
Less: Adjustments according to CIT law	(2,546,160,827)	(483,000,000)
Taxable income from ordinary business activities	20,372,770,267	15,759,989,462
Current CIT rate	20%	22%
Current CIT expense from ordinary business activities	4,074,554,053	3,467,197,682
Current CIT expense additional payable	197,133,729	-
Current CIT expense for the year	4,271,687,782	3,467,197,682

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The adjustments for the increases (decreases) in the taxable income are mainly non – tax – deductible items as regulated by CIT law, such as:

- Expenses without invoices and vouchers.
- Dividends received.

7. ADDITIONAL INFORMATION FOR ITEMS SHOWN IN THE CASH FLOW STATEMENT

7.1. Cash receipts from loans in the year

	<u>Year 2016</u> VND	<u>Year 2015</u> VND
Cash receipts from loans under normal contracts	496,823,906,673	431,801,891,937

7.2. Cash repayments of principal amounts borrowed

	<u>Year 2016</u> VND	<u>Year 2015</u> VND
Cash repayment of principal amounts under normal contracts	(427,222,342,200)	(381,068,890,626)

8. RELATED PARTIES

List of related parties

	<u>Relationship</u>
1. Sao Bac Dau Technology Service Joint Stock Company	Subsidiary
2. Sao Bac Dau Digital Technologies Joint Stock Company	Subsidiary
3. Sao Bac Dau Telecom Joint Stock Company	Subsidiary
4. Members of the Board of Directors and the Management	Key management members

At the end of the reporting year, the balances with related parties are as follows:

	<u>As at</u> <u>31 Dec. 2016</u> VND	<u>As at</u> <u>01 Jan. 2016</u> VND
Trade receivables:		
Sao Bac Dau Technology Service Joint Stock Company	945,817	-
Sao Bac Dau Telecom Joint Stock Company	144,965,581	-
Sao Bac Dau Digital Technologies Joint Stock Company	7,269,135,217	13,063,347,087
Total – Refer to Note 5.3	<u>7,415,046,615</u>	<u>13,063,347,087</u>

	<u>As at</u> <u>31 Dec. 2016</u> VND	<u>As at</u> <u>01 Jan. 2016</u> VND
Short-term loans - Refer to Note 5.17:		
Sao Bac Dau Technology Service Joint Stock Company	(4,000,000,000)	(4,000,000,000)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	As at 31 Dec. 2016 VND	As at 01 Jan. 2016 VND
Trade payables:		
Sao Bac Dau Technology Service Joint Stock Company	-	(21,265,353)
Sao Bac Dau Telecom Joint Stock Company	(400,000,000)	-
Sao Bac Dau Digital Technologies Joint Stock Company	(32,670,000)	-
Total – Refer to Note 5.10	<u>(432,670,000)</u>	<u>(21,265,353)</u>
Details of important inter-company transactions entered into during the year were as follows:		
	Year 2016 VND	Year 2015 VND
Sale of goods and rendering of services:		
Sao Bac Dau Technology Service Joint Stock Company	2,035,683,656	3,098,595,085
Sao Bac Dau Telecom Joint Stock Company	131,786,892	-
Sao Bac Dau Digital Technologies Joint Stock Company	2,364,734,596	1,365,079,019
Total – Refer to Note 6.1	<u>4,532,205,144</u>	<u>4,463,674,104</u>
	Year 2016 VND	Year 2015 VND
Sale of assets, tools:		
Sao Bac Dau Telecom Joint Stock Company	1,329,490,801	-
Sao Bac Dau Digital Technologies Joint Stock Company	-	15,058,494,251
Total	<u>1,329,490,801</u>	<u>15,058,494,251</u>
	Year 2016 VND	Year 2015 VND
Purchase of goods and services:		
Sao Bac Dau Technology Service Joint Stock Company	-	58,874,130
Sao Bac Dau Telecom Joint Stock Company	2,291,830,582	-
Sao Bac Dau Digital Technologies Joint Stock Company	1,069,151,646	976,306,148
Total	<u>3,360,982,228</u>	<u>1,035,180,278</u>
	Year 2016 VND	Year 2015 VND
Purchase of assets:		
Sao Bac Dau Digital Technologies Joint Stock Company	1,329,490,801	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Year 2016 VND</u>	<u>Year 2015 VND</u>
Current loans:		
Sao Bac Dau Technology Service Joint Stock Company	2,000,000,000	6,500,000,000

	<u>Year 2016 VND</u>	<u>Year 2015 VND</u>
Interest expense:		
Sao Bac Dau Technology Service Joint Stock Company	238,333,326	187,819,437

	<u>Year 2016 VND</u>	<u>Year 2015 VND</u>
Interest late payment:		
Sao Bac Dau Digital Technologies Joint Stock Company	653,070,507	-

The Company also provided and received money from related parties to supplement the working capital. Interest is deducted or paid based on the normal business interest rate. Borrowings from related parties had an interest rate of 6.5% per year for VND. These borrowings were unsecured and had specific repayment schedule.

The receivables from related parties are unsecured and will be paid cash. No provision for doubtful debts is required for receivables from related parties.

Prices of goods and services provided to related parties are negotiable. Purchases of goods and services from related parties are made at agreed prices.

Remunerations of the Board of Directors, the Management and key management personnel are as follows:

	<u>Year 2016 VND</u>	<u>Year 2015 VND</u>
Remunerations and benefits	5,451,797,526	6,209,105,024

9. REMUNERATION OF THE CONTROL COMMITTEE

	<u>Year 2016 VND</u>	<u>Year 2015 VND</u>
Salaries	226,578,400	209,578,400

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. COMPARATIVE FIGURES

The following comparative figures have been restated:

Statement of financial position (excerpted):

	As at 01 Jan. 2016 VND (Reclassified)	As at 01 Jan. 2016 VND (As previously reported)
Inventories	94,774,687,090	61,247,523,432
Current prepayments	485,702,139	34,012,865,797

The re-statement of the above comparative figures restated work in the process of projects which yet recognized revenue.

Income statement (excerpted):

	Year 2016 VND (Reclassified)	Year 2015 VND (As previously reported)
Cost of sales	564,843,285,766	557,324,808,172
Selling expense	31,367,607,660	38,886,085,254

The re-statement of the above comparative figures restated depreciation expense of the leased assets in cost of rendering services.

Cash-flow statement (excerpted):

In the year, the Company has changed the method of presenting the cash flow statement from direct method into indirect method.

11. EVENTS AFTER THE END OF THE REPORTING YEAR

There were no significant events arising after the end of the reporting year to the date of the financial statements.



Tran Anh Tuan
 Chief Executive Officer
 Ho Chi Minh City, 28 March 2017


Tran Phan Thuy An
 Chief accountant


Nguyen Thi Thu Hien
 Preparer