



**SAOBACDAU TECHNOLOGIES
CORPORATION**

AUDITED SEPARATE FINANCIAL STATEMENTS
For the financial year ended 31 December 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

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12/12/2017 10:00:00 AM

MANAGEMENT'S REPORT

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 2017.

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

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

<u>Full name</u>	<u>Position</u>
Mr Nguyen Duc Quang	Chairperson
Mr Tran Tuyen Duc	Vice Chairperson
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 year 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

Members of Management during the year 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 Hong Minh	Vice President of Sale (Appointed wef 26 February 2018)
Mr Nguyen Xuan Quang	Vice President of Sale (Resigned wef 03 January 2017)

RESPONSIBILITY OF 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, 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 separate financial statements;
- Prepare the separate 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.

MANAGEMENT'S REPORT (CONTINUED)

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 separate financial statements comply with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and prevailing accounting regulations in Vietnam. 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.

Management confirms 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 2017 were audited by RSM Vietnam Auditing & Consulting Company Limited, a member firm of RSM International.

STATEMENT BY MANAGEMENT

In 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 2017 and the results of its operations and its cash flows for the financial year then ended in accordance with the Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and prevailing accounting regulations in Vietnam.

For and on behalf of Management, 



Tran Anh Tuan
Chief Executive Officer
Ho Chi Minh City, 26 March 2018

No: 18.206/BCKT-RSM HCM

INDEPENDENT AUDITORS' REPORT

**To: Members of the Board of Directors
Members of 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 26 March 2018 as set out from page 05 to page 34, which comprise the statement of financial position as at 31 December 2017, and the income statement, and cash-flow statement for the financial year then ended, and the notes to the financial statements.

Management's Responsibility

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 separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate financial statements.

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

INDEPENDENT AUDITORS' 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 2017, 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:
0172-2018-026-1

Nguyen Thi Hai Yen
Auditor
Audit Practice Registration Certificate:
2843-2016-026-1

RSM Vietnam Auditing & Consulting Company Limited
Ho Chi Minh City, 26 March 2018

SAOBACDAU TECHNOLOGIES CORPORATION

 Address: Lot U 12B - 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 2017

Form B 01- DN
STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

Expressed in VND

ASSETS	Code	Notes	As at 31 Dec. 2017	As at 01 Jan. 2017
A. CURRENT ASSETS	100		587,044,373,678	527,167,179,298
I. Cash and cash equivalents	110	4.1	42,293,895,367	46,285,928,094
1. Cash	111		33,224,381,478	34,285,928,094
2. Cash equivalents	112		9,069,513,889	12,000,000,000
II. Current account receivables	130		498,494,195,260	322,986,574,927
1. Trade receivables	131	4.3	412,175,831,877	252,789,327,929
2. Advances to suppliers	132	4.4	9,091,109,508	10,543,474,110
3. Other current receivables	136	4.5	79,734,716,511	62,161,235,524
4. Provision for doubtful debts	137		(2,507,462,636)	(2,507,462,636)
III. Inventories	140		46,129,582,025	157,167,272,576
1. Inventories	141	4.6	46,137,019,823	161,099,850,035
2. Provision for decline in value of inventories	149		(7,437,798)	(3,932,577,459)
IV. Other current assets	150		126,701,026	727,403,701
1. Current prepayments	151		126,701,026	385,739,291
2. Value added tax deductible	152		-	341,664,410
B. NON-CURRENT ASSETS	200		71,917,395,751	70,245,242,767
I. Fixed assets	220		30,574,939,243	39,398,187,566
1. Tangible fixed assets	221	4.7	22,907,056,800	39,299,259,558
Cost	222		64,001,339,182	81,599,542,021
Accumulated depreciation	223		(41,094,282,382)	(42,300,282,463)
2. Finance lease assets	224	4.8	7,621,735,220	-
Cost	225		7,839,499,083	-
Accumulated depreciation	226		(217,763,863)	-
3. Intangible fixed assets	227	4.9	46,147,223	98,928,008
Cost	228		1,288,773,454	1,412,067,369
Accumulated amortisation	229		(1,242,626,231)	(1,313,139,361)
II. Non-current assets in progress	240		45,612,757	-
1. Construction in progress	242		45,612,757	-
III. Non-current financial investments	250	4.2	26,559,143,405	19,743,127,408
1. Investments in subsidiaries	251		33,200,000,000	24,200,000,000
2. Provision for non-current investments	254		(6,640,856,595)	(4,456,872,592)
IV. Other non-current assets	260		14,737,700,346	11,103,927,793
1. Non-current prepayments	261	4.10	14,548,937,012	10,915,164,459
2. Deferred income tax assets	262		188,763,334	188,763,334
TOTAL ASSETS	270		658,961,769,429	597,412,422,065

(See the next page)

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SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

As at 31 December 2017

Expressed in VND

RESOURCES	Code	Notes	As at 31 Dec. 2017	As at 01 Jan. 2017
C. LIABILITIES	300		534,844,446,923	490,005,375,992
I. Current liabilities	310		530,886,005,264	490,005,375,992
1. Trade payables	311	4.11	200,869,530,013	249,033,866,225
2. Advances from customers	312	4.12	17,658,777,124	25,627,940,199
3. Taxes and amounts payable to the state budget	313	4.13	23,163,371,793	5,042,783,069
4. Payables to employees	314	4.14	6,830,220,835	3,745,638,822
5. Accrued expenses	315	4.15	6,608,956,925	5,889,019,525
6. Current unearned revenue	318	4.16	4,460,000,000	5,090,820,770
7. Other current payables	319	4.17	7,314,254,664	2,600,792,478
8. Current loans and obligations under finance leases	320	4.18	263,980,893,910	192,974,514,904
II. Non-current liabilities	330		3,958,441,659	-
1. Non-current loans and obligations under finance leases	338	4.18	3,958,441,659	-
D. OWNER'S EQUITY	400		124,117,322,506	107,407,046,073
I. Equity	410	4.19.1	124,117,322,506	107,407,046,073
1. Owner's contributed capital	411	4.19.2	90,000,000,000	84,879,070,000
Ordinary shares carrying voting rights	411a		90,000,000,000	84,879,070,000
2. Investment and development fund	418		1,013,725,739	613,725,739
3. Retained earnings	421		33,103,596,767	21,914,250,334
Beginning accumulated retained earnings	421a		9,553,637,346	3,471,208,689
Ending accumulated retained earnings	421b		23,549,959,421	18,443,041,645
TOTAL RESOURCES	440		658,961,769,429	597,412,422,065


 Tran Anh Tuan
 Chief Executive Officer

Ho Chi Minh City, 26 March 2018

 Tran Phan Thuy An
 Chief Accountant

 Nguyen Thi Thu Hien
 Preparer

SAOBACDAU TECHNOLOGIES CORPORATION

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SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Form B 02 - DN

INCOME STATEMENT

For the year ended 31 December 2017

Expressed in VND

ITEMS	Code	Notes	Year 2017	Year 2016
1. Revenue	01	5.1	901,746,490,595	797,385,862,948
2. Net revenue	10		901,746,490,595	797,385,862,948
3. Cost of sales	11	5.2	781,389,672,804	686,472,158,612
4. Gross profit	20		120,356,817,791	110,913,704,336
5. Financial income	21	5.3	6,595,272,807	5,187,766,910
6. Financial expense	22	5.4	18,734,389,760	16,078,135,248
<i>Of which, interest expense</i>	23		16,078,673,471	11,106,995,820
7. Selling expense	25	5.5	32,786,467,148	31,230,345,905
8. General and administration expense	26	5.6	59,341,881,316	53,008,886,075
9. Operating profit/(loss)	30		16,089,352,374	15,784,104,018
10. Other income	31	5.7	10,900,254,639	7,768,045,314
11. Other expense	32		1,037,296,663	818,543,573
12. Net other income/(loss)	40		9,862,957,976	6,949,501,741
13. Accounting profit/(loss) before tax	50		25,952,310,350	22,733,605,759
14. Current corporate income tax expense	51	5.9	2,402,350,929	4,271,687,782
15. Deferred corporate income tax expense	52		-	18,876,332
16. Net profit/(loss) after tax	60		23,549,959,421	18,443,041,645



Tran Anh Tuan
Chief Executive Officer

Ho Chi Minh City, 26 March 2018

Tran Phan Thuy An
Chief Accountant

Nguyen Thi Thu Hien
Preparer

SAOBACDAU TECHNOLOGIES CORPORATION

 Address: Lot U 12B - 16A, Street 22, Tan Thuan Export,
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SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Form B 03 - DN

CASH FLOW STATEMENT
(Indirect method)
 For the year ended 31 December 2017

Expressed in VND

ITEMS	Code	Notes	Year 2017	Year 2016
I. CASH FLOWS FROM OPERATING ACTIVITIES				
1. Net profit /(loss) before taxes	01		25,952,310,350	22,733,605,759
2. Adjustment for:				
Depreciation and amortisation	02	5.8	10,963,949,997	13,452,925,576
Provisions	03		(1,741,155,658)	5,186,039,960
Foreign exchange gains/losses from revaluation of foreign currency monetary items	04		(109,160,664)	490,687,321
Gains/losses from investment	05		(1,752,575,037)	(6,170,271,558)
Interest expense	06	5.4	16,078,673,471	11,106,995,820
3. Operating profit /(loss) before adjustments to working capital	08		49,392,042,460	46,799,982,878
Increase or decrease in accounts receivable	09		(175,013,836,880)	4,424,325,264
Increase or decrease in inventories	10		126,966,901,309	(66,325,162,945)
Increase or decrease in accounts payable (excluding interest expense and CIT payable)	11		(28,874,212,374)	13,476,472,060
Increase or decrease prepaid expenses	12		(3,374,734,288)	(210,154,998)
Interest paid	14		(16,105,670,407)	(11,096,748,790)
Corporate income tax paid	15	4.13	(1,000,000,000)	(4,657,161,331)
Net cash from operating activities	20		(48,009,510,180)	(17,588,447,862)
II. CASH FLOWS FROM INVESTING ACTIVITIES				
1. Acquisition and construction of fixed assets and other long-term assets	21		(22,028,007,248)	(12,547,776,465)
2. Proceeds from disposals of fixed assets and other long-term assets	22		7,827,297,863	1,832,172,619
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		(9,000,000,000)	(6,250,000,000)
6. Interest and dividends received	27		1,656,392,607	3,154,616,993
Net cash from investing activities	30		(21,544,316,778)	(13,810,986,853)

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SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Form B 03 - DN

**CASH FLOW STATEMENT
(Indirect method)**

For the year ended 31 December 2017

Expressed in VND

ITEMS	Code	Notes	Year 2017	Year 2016
III. CASH FLOWS FROM FINANCING ACTIVITIES				
1. Proceeds from issuing stocks and capital contribution from owners	31	4.19.1	2,574,640,000	2,000,000,000
2. Proceeds from borrowings	33	6.1	622,923,019,777	496,823,906,673
3. Repayment of borrowings	34	6.2	(547,958,199,112)	(427,222,342,200)
4. Dividends paid	36		(12,035,507,275)	(8,632,597,249)
Net cash from financing activities	40		65,503,953,390	62,968,967,224
NET INCREASE/(DECREASE) IN CASH	50		(4,049,873,568)	31,569,532,509
Cash and cash equivalents at beginning of year	60		46,285,928,094	14,654,234,758
Impact of exchange rate fluctuation	61		57,840,841	62,160,827
CASH AND CASH EQUIVALENTS AT END OF YEAR	70	4.1	42,293,895,367	46,285,928,094



Tran Anh Tuan
Chief Executive Officer

Ho Chi Minh City, 26 March 2018

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 09 November 2017 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 Securities Registration Certificate No. 131/2016/GCNCP-VSD dated 31 October 2016 granted by the Vietnam Securities Depository to be certified its securities and granted stock code.

The charter capital as stipulated in the Business Registration Certificate is VND 90,000,000,000, as follows:

Investors	Nation	As at 31 Dec. 2017		As at 01 Jan. 2017	
		Amount (VND)	Percent (%)	Amount (VND)	Percent (%)
Mr Nguyen Duc Quang	Viet Nam	17,162,670,000	19.07	16,661,990,000	19.63
Other shareholders	Viet Nam	72,837,330,000	80.93	68,217,080,000	80.37
Total		90,000,000,000	100.00	84,879,070,000	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 2017 was 194 (31 December 2016: 201).

1.2. Business field

Integration of information technology systems.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

1.4. Normal operating cycle

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

1.5. The Company's structure

As at 31 December 2017, the Company's subsidiaries were as follows:

<u>Name</u>	<u>Address</u>	<u>Voting rights</u>	<u>Per cent capital</u>	<u>Per cent interest</u>
Sao Bac Dau Technology Service Joint Stock Company	Topaz Building, 92 Nguyen Huu Canh, Ward 22, Binh Thanh District, Ho Chi Minh City	76,67%	76,67%	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	73%	73%	73%
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%
South Sao Bac Dau Technology Joint Stock Company	Room 26, House 8, Road No. 3, Quang Trung Software Park, Tan Chanh Hiep Ward, Ho Chi Minh City	61%	61%	61%

The Company's branches as at 31 December 2017 were as follows:

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

2. BASIS OF PREPARATION**2.1. Accounting standards, accounting system**

The accompanying separate financial statements, expressed in Vietnamese Dong (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. Forms of accounting records

The form of accounting records applied in the Company is the General Journal.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2.3. Financial year

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

2.4. Reporting and functional currency

The Company maintains its accounting records in VND.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Foreign currencies

- 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.

3.2. Use of estimates

The preparation of the separate 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 separate financial statements for the financial year ended 31 December 2017. Although these estimates are based on management's best knowledge of all relevant information available at the date when the separate financial statements are prepared, this does not prevent actual figures differing from estimates.

3.3. 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".

3.4. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

3.5. 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.

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.

3.6. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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.

3.7. 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.

The estimated useful lives are as follows:

	<u>Year 2017</u>
▪ Buildings, structures	15 years
▪ Machinery and equipment	3 – 5 years
▪ Vehicles	6 years

3.8. 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.

3.9. 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 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.

3.10. 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.

3.11. 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.

3.12. 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.

3.13. Unearned revenues

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

Unearned revenues are periodically determined and transferred into revenues accordingly.

3.14. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

3.15. 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.

3.16. Cost of sales

Cost of sales and services provided represents total costs of finished products, goods, services 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.

3.17. Financial expense

Financial expenses represent all expenses incurred in the reporting year which mainly include borrowing costs, provision for impairment of investment in other entities and losses from exchange rates.

3.18. 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).

3.19. 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 as follow:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- Incentive business activities – liable for 10%;
- Non-incentive business activities – liable for 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.

Deferred tax liability is recognised for all taxable temporary differences, unless:

- The deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss);
- All taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures when the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless:

- The deferred tax asset arises from the initial recognition of an asset or liability in a transaction which at the time of transaction, affects neither accounting profit nor taxable profit (tax loss).
- The deferred tax assets for all deductible temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures are only recognised when it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of a deferred tax asset shall be reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction shall be reverted to the extent it becomes probable that sufficient taxable profit will be available.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity.

Deferred tax assets and deferred tax liabilities are only offset if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority and the Company intends to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Tax incentive, tax exemption and reduction

According to the Investment License No. 41221000097 dated 14 March 2008 issued by the Management of Export Processing Zones and Industry Ho Chi Minh City to implement the project "Center for system integration" in Tan Thuan Export Processing Zone.

According to the Government's Decree No. 71/2007/ND-CP dated 03 May 2007; Circular 78/2014/TT-BTC dated 18 June 2014; Circular No. 96/2015/TT-BTC dated 22 June 2015, the company has an

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

investment project to meet the conditions of tax incentives is operating in the field of production software, software services implemented in export processing zones. Accordingly, the Company chooses to enjoy the incentives:

- Exemption from corporate income tax for three years when taxable income arises (since 2011);
- A fifty per cent reduction of the amount of tax payable in seven subsequent years (since 2014).

In addition, according to the official letter No. 12630/CT-TTHT dated 23 December 2016 of the Tax Department of Ho Chi Minh City, the Company is enjoying tax incentives for the remaining period since the 2015 tax period.

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.

3.20. Related parties

Related parties are individuals or entities that have the ability, directly or indirectly through one or more intermediaries, to control the Company or are controlled by, or are subject to common control with the Company. Associates, individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, key management personnel, including directors and officers of the Company and close family members or associates of such individuals are also considered to be related parties.

4. ADDITIONAL INFORMATION FOR ITEMS SHOWN IN THE STATEMENT OF FINANCIAL POSITION**4.1. Cash and cash equivalents**

	As at 31 Dec. 2017 VND	As at 01 Jan. 2017 VND
Cash in hand	165,256,204	7,693,812,943
Cash at banks	33,059,125,274	26,592,115,151
Cash equivalent	9,069,513,889	12,000,000,000
Total	42,293,895,367	46,285,928,094

Cash equivalent represented term deposits at bank by VND with interest rate 5.5% per year for a period 1 month.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**4.2. Financial investments**

Investments in subsidiaries are analysed as follows:

	As at 31 Dec. 2017		As at 01 Jan. 2017	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Sao Bac Dau Technology Service Joint Stock Company	13,800,000,000	-	13,800,000,000	-
Sao Bac Dau Digital Technologies Joint Stock Company	7,300,000,000	-	7,400,000,000	(4,079,179,718)
Sao Bac Dau Telecom Joint Stock Company	6,000,000,000	-	3,000,000,000	(377,692,874)
South Sao Bac Dau Technology Joint Stock Company	6,100,000,000	-	-	-
Total	33,200,000,000		24,200,000,000	(4,456,872,592)

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 Corporate 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)

4.3. Current trade receivables

	As at 31 Dec. 2017 VND	As at 01 Jan. 2017 VND
Deo Ca Investment JSC	160,539,854,458	11,894,925,445
Project management of Ministry of Foreign Affairs headquarters	36,203,153,580	38,580,821,706
Viettel Group	32,455,399,350	30,187,701,500
Southern Power Corporation	15,081,846,000	-
Dong Nai Power Company Limited	-	15,192,700,000
Others	129,224,653,317	149,518,132,663
Trade receivables from related parties – Refer to Note 7	38,670,925,172	7,415,046,615
Total	412,175,831,877	252,789,327,929

4.4. Advances to suppliers

	As at 31 Dec. 2017 VND	As at 01 Jan. 2017 VND
Tri Nam Technology Development Investment JSC	2,065,566,640	-
Hai Thach Investment Construction JSC	1,627,534,977	1,627,534,977
Hung Phat Investment and Development JSC	1,498,170,984	1,498,170,984
Japan Radio Co., Ltd	-	4,406,036,484
Others	3,720,899,305	3,011,731,665
Advances to related parties – Refer to Note 7	178,937,602	-
Total	9,091,109,508	10,543,474,110

4.5. Current other receivables

	As at 31 Dec. 2017 VND		As at 01 Jan. 2017 VND	
	Value	Provision	Value	Provision
Receivables from employees	3,595,356,283	-	2,684,534,514	-
Deposits	67,854,442,352	-	57,619,394,048	-
Dividend and profit receivables – Refer to Note 7	4,426,667,000	-	-	-
Other receivables	3,858,250,876	-	1,857,306,962	-
Total	79,734,716,511	-	62,161,235,524	-

(See the next page)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.6. Inventories

	As at 31 Dec. 2017		As at 01 Jan. 2017	
	VND		VND	
	Cost	Provision	Cost	Provision
Goods in transit	7,301,124,984	-	-	-
The Company's stock	3,203,152,532	(7,437,798)	15,091,606,564	(3,932,577,459)
Goods issued to implement	22,735,345,978	-	92,427,611,177	-
Leased warehouse	54,393,175	-	57,527,820	-
Stock at Ha Noi Branch	632,211,057	-	522,475,874	-
Work in process	12,210,792,097	-	53,000,628,600	-
Total	46,137,019,823	(7,437,798)	161,099,850,035	(3,932,577,459)

4.7. Tangible fixed assets

Items	Buildings, structures VND	Machinery and equipment VND	Motor vehicles VND	Total VND
Cost:				
As at 01 Jan. 2017	15,138,594,055	63,533,213,856	2,927,734,110	81,599,542,021
Purchase	-	14,188,508,165	-	14,188,508,165
Transfer to goods	-	(23,055,501,799)	-	(23,055,501,799)
Disposals	-	(8,731,209,205)	-	(8,731,209,205)
As at 31 Dec. 2017	15,138,594,055	45,935,011,017	2,927,734,110	64,001,339,182
Accumulated depreciation:				
As at 01 Jan. 2017	5,511,468,628	35,815,402,487	973,411,348	42,300,282,463
Depreciation	1,013,381,623	9,192,068,042	487,955,684	10,693,405,349
Transfer to goods	-	(11,051,430,701)	-	(11,051,430,701)
Disposals	-	(847,974,729)	-	(847,974,729)
As at 31 Dec. 2017	6,524,850,251	33,108,065,099	1,461,367,032	41,094,282,382
Net book value:				
As at 01 Jan. 2017	9,627,125,427	27,717,811,369	1,954,322,762	39,299,259,558
As at 31 Dec. 2017	8,613,743,804	12,826,945,918	1,466,367,078	22,907,056,800

The amount of year-end net book value of tangible fixed assets pledged, mortgaged as loan security totalled VND 8,613,743,804 – Refer to Note 4.18.

The historical cost of tangible fixed assets fully depreciated but still in use totalled VND 17,150,153,041.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.8. Finance leased assets

	As at 01 Jan. 2017 VND	Increase VND	Decrease VND	As at 31 Dec. 2017 VND
Machinery and equipment				
Cost	-	7,839,499,083	-	7,839,499,083
Accumulated amortization	-	(217,763,863)	-	(217,763,863)
Net book value	-			7,621,735,220

4.9. Intangible fixed assets

	As at 01 Jan. 2017 VND	Increase VND	Decrease VND	As at 31 Dec. 2017 VND
Administration software				
Cost	1,412,067,369	-	123,293,915	1,288,773,454
Accumulated amortization	(1,313,139,361)	(52,780,785)	(123,293,915)	(1,242,626,231)
Net book value	98,928,008			46,147,223

The historical cost of tangible fixed assets fully depreciated but still in use totalled VND 1,130,431,096.

4.10. Non – current prepayments

	As at 31 Dec. 2017 VND	As at 01 Jan. 2017 VND
Land use rights	8,317,535,762	8,694,178,890
Tools and supplies	1,564,676,544	2,220,985,569
Others	4,666,724,706	-
Total	14,548,937,012	10,915,164,459

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 8,317,535,762 – Refer to Note 4.18.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**4.11. Current trade payables**

	As at 31 Dec. 2017		As at 01 Jan. 2017	
	VND		VND	
	Value	Payable value	Value	Payable value
Specialised Products (Western) Ltd	42,598,393,781	42,598,393,781	-	-
A1 Technology JSC	32,765,508,708	32,765,508,708	29,771,314,084	29,771,314,084
Azbil Vietnam Co., Ltd	15,347,232,962	15,347,232,962	28,614,169,464	28,614,169,464
Cuu Long Automation Co., Ltd	12,571,383,499	12,571,383,499	7,182,227,099	7,182,227,099
Blue Sky Solutions Global Trading Co., Ltd	12,565,697,702	12,565,697,702	34,877,140,140	34,877,140,140
Cisco International Limited	12,338,218,637	12,338,218,637	12,254,362,129	12,254,362,129
Other	72,348,431,755	72,348,431,755	135,901,983,309	135,901,983,309
Trade payables to related parties – Refer to Note 7	334,662,969	334,662,969	432,670,000	432,670,000
Total	<u>200,869,530,013</u>	<u>200,869,530,013</u>	<u>249,033,866,225</u>	<u>249,033,866,225</u>

4.12. Current advances from customers

	As at 31 Dec. 2017		As at 01 Jan. 2017	
	VND		VND	
	Value	Payable value	Value	Payable value
Nam A Commercial JSC	9,542,618,000	9,542,618,000	9,542,618,000	9,542,618,000
Vietnam Esports And Entertainment JSC	2,112,161,834	2,112,161,834	-	-
Sun Ivy Joint Venture Co., Ltd	1,030,119,552	1,030,119,552	1,030,119,552	1,030,119,552
Hai Thach Investment Construction JSC	-	-	10,000,000,000	10,000,000,000
Nam Thang Co., Ltd	-	-	1,500,000,000	1,500,000,000
Other	4,973,877,738	4,973,877,738	3,555,202,647	3,555,202,647
Total	<u>17,658,777,124</u>	<u>17,658,777,124</u>	<u>25,627,940,199</u>	<u>25,627,940,199</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.13. Tax and amounts payable to the state budget

	As at 01 Jan. 2017 VND	Movements in the year VND		As at 31 Dec. 2017 VND
	Payable	Payable	Paid/Deductible	Payable
Value added tax	676,846,442	225,369,183,113	208,702,928,864	17,343,100,691
Export, import tax	-	73,838,583	73,838,583	-
Corporate income tax	3,074,554,053	(915,186,583)	1,000,000,000	1,159,367,470
Personal income tax	461,859,812	3,502,294,180	2,831,111,653	1,133,042,339
Other taxes	829,522,762	7,137,930,047	4,439,591,516	3,527,861,293
Total	5,042,783,069	235,168,059,340	217,047,470,616	23,163,371,793

4.14. Payables to employees

Representing the 13th month salaries in year 2017 payable to employees.

4.15. Current accrued expenses

Representing accruals for service rendered which had been completed.

4.16. Unearned revenue

Representing unearned revenues from providing Internet services to the clients under Contract No.10 (DNG8b-DC) between the Company and Management of Technology Development and Community's Project in Da Nang.

4.17. Current other payables

	As at 31 Dec. 2017 VND	As at 01 Jan. 2017 VND
Trade union dues	974,713,234	871,973,916
Dividend or profit payables	1,240,188,775	543,835,550
Other payables	5,099,352,655	1,184,983,012
Total	7,314,254,664	2,600,792,478

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**4.18. Loans and finance lease liabilities**

Loans and finance lease liabilities are analysed as follows:

	As at 01 Jan. 2017		Movements in the year		As at 31 Dec. 2017	
	Value	Payable value	Increase	Decrease	Value	Payable value
Current:						
Bank loans	183,964,514,904	183,964,514,904	537,252,274,148	463,116,952,566	258,099,836,486	258,099,836,486
Other loans	4,000,000,000	4,000,000,000	-	2,000,000,000	2,000,000,000	2,000,000,000
Current portion of long - term liabilities	5,010,000,000	5,010,000,000	3,881,057,424	5,010,000,000	3,881,057,424	3,881,057,424
Total	192,974,514,904	192,974,514,904	541,133,331,572	470,126,952,566	263,980,893,910	263,980,893,910
Non - current:						
Bank loans	5,010,000,000	5,010,000,000	-	5,010,000,000	-	-
Finance leases	-	-	7,839,499,083	-	7,839,499,083	7,839,499,083
Current portion of long - term liabilities	(5,010,000,000)	(5,010,000,000)	(3,881,057,424)	(5,010,000,000)	(3,881,057,424)	(3,881,057,424)
Total	-	-	3,958,441,659	-	3,958,441,659	3,958,441,659
Subtotal	192,974,514,904	192,974,514,904	545,091,773,231	470,126,952,566	267,939,335,569	267,939,335,569

Current bank loans bear the interest rates from 5.8% per year to 8% per year for VND. 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 8,613,743,804 and VND 8,317,535,762, respectively – Refer to Notes 4.7 and 4.10;
- 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 term of 1 month and interest rates of 7.5% per year for VND from Sao Bac Dau Technology Service Joint Stock Company – Refer to Note 7.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.19. Owner's equity
4.19.1. Changes in owner's equity

	Items of owner's equity			Total VND
	Owner's contributed capital VND	Investment & development fund VND	Retained earnings VND	
As at 01 Jan. 2016	82,879,070,000	-	12,372,841,428	95,251,911,428
Previous year's capital increase	2,000,000,000	-	-	2,000,000,000
Previous 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 01 Jan. 2017	84,879,070,000	613,725,739	21,914,250,334	107,407,046,073
Current year's capital increase	5,120,930,000	-	-	5,120,930,000
Current year's profits	-	-	23,549,959,421	23,549,959,421
Dividends declared	-	-	(15,278,150,500)	(15,278,150,500)
Deduction funds	-	400,000,000	(400,000,000)	-
Reduction of CIT payable in 2015, 2016 (*)	-	-	3,317,537,512	3,317,537,512
As at 31 Dec. 2017	90,000,000,000	1,013,725,739	33,103,596,767	124,117,322,506

During the year, the Company issued additional shares in two forms:

- According to the Resolution of the Annual General Meeting of Shareholders No. 03/NQ-DHĐ-2017 and 07/NQ-DHĐ-2017 dated 21 April 2017 and Resolution of the Board of Directors No. 18/2017/QĐ-HĐQT and 19/2017/QĐ-HĐQT dated 30 May 2017, The Company has distributed the second dividend of the year 2016 in shares at the residual amount with rate of 3% which totalled VND 2,546,290,000 (equivalent to 254,629 shares). The issuance of this shares was approved by the State Securities Commission on has been approved 08 August 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- According to the Resolution of the Annual General Meeting of Shareholders No. 07/NQ-ĐHĐCĐ-2017 on 21 April 2017, the plan to issue individual shares to organizations and individuals in need in 2017 has been approved. The total number of additional shares was 257,464 shares with par value per outstanding share of VND 10,000, equivalent to the total issued amount of VND 2,574,640,000. The issuance of this shares was approved by the State Securities Commission on 28 September 2017. This additional capital is used to increase working capital of the Company.

(*) As presenting in Note 3.19, on 23 December 2016, The Company received the official letter No. 12630/CT-TTHT from the Tax Department of Ho Chi Minh City as to CIT incentives since year 2015. Accordingly, the Company shall be refunded the corresponding overpaid CIT for the fiscal year 2015 and 2016 which is in amount of VND 3,317,537,512.

4.19.2. Details of owner's equity

	As at 31 Dec. 2017 VND	As at 01 Jan. 2017 VND
Mr Nguyen Duc Quang	17,162,670,000	16,661,990,000
Other shareholders	72,837,330,000	68,217,080,000
Total	90,000,000,000	84,879,070,000

4.19.3. Capital transactions with owners and dividend, profit distribution

	As at 31 Dec. 2017 VND	As at 01 Jan. 2017 VND
Owner's contributed capital:		
Beginning balance	84,879,070,000	82,879,070,000
Capital contribution in the year	5,120,930,000	2,000,000,000
Ending balance	90,000,000,000	84,879,070,000
Dividends, profits declared	15,278,150,500	8,287,907,000

4.19.4. Shares

	As at 31 Dec. 2017	As at 01 Jan. 2017
Number of ordinary shares registered for issue	9,000,000	8,487,907
Number of ordinary shares sold to public	9,000,000	8,487,907
Number of ordinary shares outstanding	9,000,000	8,487,907

Par value per outstanding share: VND 10,000 per share.

4.20. Off statement of financial position items

	At as 31 Dec. 2017	As at 01 Jan. 2017
Foreign currencies:		
USD	41,353.41	50,604.61

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. ADDITIONAL INFORMATION FOR ITEMS SHOWN IN THE INCOME STATEMENT

5.1. Revenue from selling goods and rendering services

	Year 2017 VND	Year 2016 VND
Sale of Integration of information technology systems	774,563,033,533	713,414,111,315
Rendering of services	127,183,457,062	83,971,751,633
Total	901,746,490,595	797,385,862,948
Of which, revenue from related parties – Refer to Note 7	91,337,839,849	4,532,205,144

5.2. Cost of sales

	Year 2017 VND	Year 2016 VND
Cost of Integration of information technology systems	715,693,158,830	613,386,088,526
Cost of services rendered	65,696,513,974	73,086,070,086
Total	781,389,672,804	686,472,158,612

5.3. Financial income

	Year 2017 VND	Year 2016 VND
Gains from exchange differences	250,933,513	653,149,917
Gains from unrealised exchange differences	109,160,644	-
Interest income	1,808,511,650	2,050,616,993
Dividends, profits received	4,426,667,000	2,484,000,000
Total	6,595,272,807	5,187,766,910

5.4. Financial expense

	Year 2017 VND	Year 2016 VND
Interest expense	15,819,034,593	10,868,662,494
Interest expense from related parties – Refer to Note 7	259,638,878	238,333,326
Losses from exchange differences	471,732,286	1,812,210,343
Provision for investment impairment loss	2,183,984,003	3,127,740,125
Other	-	31,188,960
Total	18,734,389,760	16,078,135,248

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5.5. Selling expense

	Year 2017 VND	Year 2016 VND
Employee expense	12,568,202,241	15,363,043,180
Office stationery expense	202,560,055	382,915,780
Depreciation expense	6,355,784,950	10,838,312
Warranty expense	500,943,494	183,211,360
Pre-sales expense	1,829,094,697	1,837,720,177
Issuance and renewal of Letter of Guarantee fees	568,096,337	2,828,698,871
Service expense	2,098,094,728	1,213,131,501
Other expense	8,663,690,646	9,410,786,724
Total	32,786,467,148	31,230,345,905

5.6. General and administration expense

	Year 2017 VND	Year 2016 VND
Employee expense	39,190,485,532	32,130,006,439
Material, office stationery expense	1,953,137,757	1,560,838,817
Depreciation expense	2,436,134,659	2,306,457,678
Utility expense	2,673,322,716	2,499,492,260
Service expense	7,424,473,748	7,862,518,011
Other expense	5,664,326,904	6,649,572,870
Total	59,341,881,316	53,008,886,075

5.7. Other income

	Year 2017 VND	Year 2016 VND
Proceeds from the contract penalty	354,922,218	1,676,883,764
Gains from disposal and sale of fixed assets	-	306,163,764
Other income	10,545,332,421	5,784,997,786
Total	10,900,254,639	7,768,045,314

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5.8. Production and business costs by elements

	Year 2017 VND	Year 2016 VND
Employee expense	51,758,687,773	47,493,049,619
Depreciation expense	10,963,949,997	13,452,925,576
Service expense	80,790,539,695	78,375,212,680
Other expense	16,483,715,362	18,004,114,191
Total	<u>159,996,892,827</u>	<u>157,325,302,066</u>

5.9. Current corporate income tax expense

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

	Year 2017 VND	Year 2016 VND
Accounting profit before tax for the year	25,952,310,350	22,733,605,759
Add: Adjustments according to CIT law	1,026,328,857	185,325,335
Less: Adjustments according to CIT law	<u>(4,484,507,841)</u>	<u>(2,546,160,827)</u>
Taxable income from ordinary business activities	22,494,131,366	20,372,770,267
Taxable income from incentive business activities – liable for 10%	20,964,753,447	-
Taxable income from non-incentive business activities – liable for 20%	<u>1,529,377,919</u>	<u>20,372,770,267</u>
Current CIT expense incentive business activities – liable for 10%	2,096,475,345	-
Current CIT expense from non-incentive business activities – liable for 20%	305,875,584	4,074,554,053
Current CIT expense additional payable	-	197,133,729
Current CIT expense for the year	<u>2,402,350,929</u>	<u>4,271,687,782</u>

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;
- Gains from unrealised exchange differences of cash, account receivables dominated in foreign currencies.

(See the next page)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

6.1. Cash receipts from loans in the year

	<u>Year 2017</u> <u>VND</u>	<u>Year 2016</u> <u>VND</u>
Cash receipts from loans under normal contracts	622,923,019,777	496,823,906,673

6.2. Cash repayments of principal amounts borrowed

	<u>Year 2017</u> <u>VND</u>	<u>Year 2016</u> <u>VND</u>
Cash repayment of principal amounts under normal contracts	(547,958,199,112)	(427,222,342,200)

7. RELATED PARTIES

List of related parties

Relationship

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. South Sao Bac Dau Technology Joint Stock Company	Subsidiary
5. Members of the Board of Directors and Management	Key management personnel

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

	<u>As at</u> <u>31 Dec. 2017</u> <u>VND</u>	<u>As at</u> <u>01 Jan. 2017</u> <u>VND</u>
Trade receivables:		
Sao Bac Dau Technology Service Joint Stock Company	154,687,794	945,817
Sao Bac Dau Telecom Joint Stock Company	2,968,248,114	144,965,581
Sao Bac Dau Digital Technologies Joint Stock Company	7,601,740,076	7,269,135,217
South Sao Bac Dau Technology Joint Stock Company	27,946,249,188	-
Total – Refer to Note 4.3	<u>38,670,925,172</u>	<u>7,415,046,615</u>
	<u>As at</u> <u>31 Dec. 2017</u> <u>VND</u>	<u>As at</u> <u>01 Jan. 2017</u> <u>VND</u>

Advances to suppliers – Refer to Note 4.4:

South Sao Bac Dau Technology Joint Stock Company	178,937,602	-
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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 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	As at 31 Dec. 2017 VND	As at 01 Jan. 2017 VND
Other receivables:		
Sao Bac Dau Technology Service Joint Stock Company	766,667,000	-
South Sao Bac Dau Technology Joint Stock Company	3,660,000,000	-
Total – Refer to Note 4.5	4,426,667,000	-

	As at 31 Dec. 2017 VND	As at 01 Jan. 2017 VND
Trade payables:		
Sao Bac Dau Telecom Joint Stock Company	(326,896,063)	(400,000,000)
Sao Bac Dau Digital Technologies Joint Stock Company	(7,766,906)	(32,670,000)
Total – Refer to Note 4.11	(334,662,969)	(432,670,000)

	As at 31 Dec. 2017 VND	As at 01 Jan. 2017 VND
Current loans - Refer to Note 4.18:		
Sao Bac Dau Technology Service Joint Stock Company	(2,000,000,000)	(4,000,000,000)

Details of important inter-company transactions entered into during the year were as follows:

	Year 2017 VND	Year 2016 VND
Sale of goods and rendering of services:		
Sao Bac Dau Technology Service Joint Stock Company	1,226,564,558	2,035,683,656
Sao Bac Dau Telecom Joint Stock Company	2,987,683,807	131,786,892
Sao Bac Dau Digital Technologies Joint Stock Company	3,437,713,448	2,364,734,596
South Sao Bac Dau Technology Joint Stock Company	83,685,878,036	-
Total – Refer to Note 5.1	91,337,839,849	4,532,205,144

	Year 2017 VND	Year 2016 VND
Disposals of assets, tools:		
Sao Bac Dau Telecom Joint Stock Company	-	1,329,490,801

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SEPARATE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Year 2017 VND</u>	<u>Year 2016 VND</u>
Purchase of goods and services:		
South Sao Bac Dau Technology Joint Stock Company	8,163,766,965	-
Sao Bac Dau Technology Service Joint Stock Company	175,089,813	-
Sao Bac Dau Telecom Joint Stock Company	461,640,033	2,291,830,582
Sao Bac Dau Digital Technologies Joint Stock Company	-	1,069,151,646
Total	<u>8,800,496,811</u>	<u>3,360,982,228</u>

	<u>Year 2017 VND</u>	<u>Year 2016 VND</u>
Purchase of assets:		
Sao Bac Dau Digital Technologies Joint Stock Company	-	1,329,490,801
	<u>Year 2017 VND</u>	<u>Year 2016 VND</u>

Repayments of principal of loans:		
Sao Bac Dau Technology Service Joint Stock Company	2,000,000,000	-
	<u>Year 2017 VND</u>	<u>Year 2016 VND</u>

Interest expense – Refer to Note 5.4:

Sao Bac Dau Technology Service Joint Stock Company	259,638,878	238,333,326
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The Company also 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 7.5% 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 2017 VND</u>	<u>Year 2016 VND</u>
Remunerations and benefits	7,136,322,530	5,451,797,526

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)


8. REMUNERATION OF THE CONTROL COMMITTEE

	<u>Year 2017</u> VND	<u>Year 2016</u> VND
Salaries	243,473,000	226,578,400

9. 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, 26 March 2018


Tran Phan Thuy An
Chief accountant


Nguyen Thi Thu Hien
Preparer