TRUNG SON HYDRO POWER COMPANY LIMITED
TRUNG SON HYDRO POWER PROJECT

Loan Agreement No. 8041-VN

FINANCIAL STATEMENTS AND
MANAGEMENT LETTER
For the year ended 31 December 2016
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TRUNG SON HYDRO POWER COMPANY LIMITED
TRUNG SON HYDRO POWER PROJECT

Loan Agreement No. 8041-VN

Part 1

Financial Statements
for the year ended 31 December 2016
TRUNG SON HYDRO POWER COMPANY LIMITED
Trung Son Hydro Power Project
Loan Agreement No. 8041-VN
Statement of the Board of Directors

The Board of Directors of Trung Son Hydro Power Company Limited ("the Company") presents this statement and the accompanying financial statements of Trung Son Hydro Power Project – Loan Agreement No. 8041-VN – portion implemented by Trung Son Hydro Power Company Limited ("the Project") for the year ended 31 December 2016.

Board of Directors

The members of the Board of Directors of the Company operating the Project during the year and at the reporting date include:

- Mr. Vu Huu Phuc Director
- Mr. Dang Ngoc Trieu Deputy Director
- Mr. Tran Tuan Nam Deputy Director

Statement of the Board of Directors’ Responsibility

The Board of Directors of the Company is responsible for the preparation and fair presentation of the financial statements of the Project, which comprise the balance sheet as at 31 December 2016, statement of sources and uses of funds, statement of designated account and statement of withdrawals for the year then ended and notes to the financial statements, in accordance with the accounting policies described in Note 3 to the financial statements and the provisions of Loan Agreement No. 8041-VN. In preparing these financial statements, the Board of Directors of the Company is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether accounting policies have been followed, subject to any material departures disclosed and explained in the financial statements.

The Board of Directors of the Company is also responsible for ensuring that proper accounting records are maintained which disclose, with reasonable accuracy at any time, the financial position of the Project and ensuring that accounting records comply with the accounting policies described in Note 3 to the financial statements. The Board of Directors is responsible for the uses of funds in accordance with the purpose of the Project, and is responsible for compliance with the provisions of Loan Agreement No. 8041-VN as well as laws and regulations applicable to the Project. The Board of Directors of the Company is also responsible for safeguarding the assets of the Project and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of General Directors confirms that they have complied with the above requirements in preparing the financial statements.
Approval of the Financial Statements

We hereby approve the accompanying financial statements of the Project, which comprise the balance sheet as at 31 December 2016, statement of sources and uses of funds, statement of designated account and statement of withdrawals for the year then ended and notes to the financial statements, in accordance with the accounting policies described in Note 3 to the financial statements.

On behalf of the Board of Directors

Vu Huu Phuc
Director

Hanoi, 30 June 2017
INDEPENDENT AUDITORS’ REPORT

To the Board of General Directors of Vietnam Electricity

Opinion

We have audited the accompanying financial statements of Trung Son Hydro Power Project - Loan Agreement No. 8041-VN – portion implemented by Trung Son Hydro Power Company Limited ("the Project"), which comprise the balance sheet as at 31 December 2016, statement of sources and uses of funds, statement of designated account and statement of withdrawals for the year then ended and notes to the financial statements ("the financial statements") which were authorised for issue by the Board of Directors of Trung Son Hydro Power Company Limited ("the Company") on 30 June 2017, as set out on pages 6 to 16.

In our opinion, the accompanying financial statements are prepared in all material respects, in accordance with the accounting policies described in Note 3 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Project in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Vietnam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Responsibilities of Board of Directors and Those Charged with Governance for the Financial Statements

Board of Directors is responsible for the preparation of the financial statements in accordance with the accounting policies described in Note 3 to the financial statements, and for such internal control as Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Board of Directors is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Board of Directors either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Project's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Board of General Directors.
Conclude on the appropriateness of Board of General Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Project to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Limited
Hanoi, Vietnam

30 June 2017
TRUNG SON HYDRO POWER COMPANY LIMITED
Trung Son Hydro Power Project
Loan Agreement No. 8041-VN
Statement of sources and uses of funds for the year ended 31 December 2016

<table>
<thead>
<tr>
<th>Sources/Uses of Funds</th>
<th>2016 VND</th>
<th>Cumulative as at 31/12/2016 VND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan from the World Bank</td>
<td>1,539,047,830,660</td>
<td>4,719,779,164,201</td>
</tr>
<tr>
<td>Counterpart fund</td>
<td>115,019,801,528</td>
<td>807,536,494,398</td>
</tr>
</tbody>
</table>

Receipts                                                   | 1,654,067,632,188 | 5,527,315,658,599                |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>651,562,813,117</td>
<td>3,242,527,745,268</td>
</tr>
<tr>
<td>Goods</td>
<td>472,754,821,540</td>
<td>810,259,186,082</td>
</tr>
<tr>
<td>Consultancy fees</td>
<td>89,808,080,741</td>
<td>404,063,417,483</td>
</tr>
<tr>
<td>Other expenses</td>
<td>412,453,396,700</td>
<td>987,435,585,285</td>
</tr>
<tr>
<td>Realised foreign exchange difference</td>
<td>4,131,979,218</td>
<td>4,744,006,045</td>
</tr>
</tbody>
</table>

Disbursements                                              | 1,630,711,091,316 | 5,449,029,940,163            |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus of receipts over disbursements</td>
<td>23,356,540,872</td>
<td>78,285,718,436</td>
</tr>
<tr>
<td>Foreign exchange difference from revaluation of cash balance</td>
<td>1,201,425,273</td>
<td>3,655,557,847</td>
</tr>
<tr>
<td>Opening cash balance</td>
<td>57,383,310,138</td>
<td>-</td>
</tr>
<tr>
<td>Closing cash balance</td>
<td>81,941,276,283</td>
<td>81,941,276,283</td>
</tr>
</tbody>
</table>

30 June 2017

Prepared by: Cao Xuan Khuong  
Head of Finance and Accounting

Approved by: Vu Huy Phuc  
Director

The notes from page 12 to page 16 are an integral part of these financial statements
<table>
<thead>
<tr>
<th>Note</th>
<th>ASSETS</th>
<th>31/12/2016</th>
<th>1/1/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Long-term assets</td>
<td>5,586,659,093,148</td>
<td>3,546,127,722,315</td>
</tr>
<tr>
<td></td>
<td>Construction in progress</td>
<td>5,586,659,093,148</td>
<td>3,546,127,722,315</td>
</tr>
<tr>
<td></td>
<td>Current assets</td>
<td>363,794,815,277</td>
<td>562,549,498,988</td>
</tr>
<tr>
<td></td>
<td>Prepayments to suppliers</td>
<td>232,553,966,404</td>
<td>454,438,272,575</td>
</tr>
<tr>
<td></td>
<td>Other receivables</td>
<td>49,299,572,590</td>
<td>50,727,916,275</td>
</tr>
<tr>
<td></td>
<td>Cash</td>
<td>81,941,276,283</td>
<td>57,383,310,138</td>
</tr>
<tr>
<td></td>
<td>TOTAL ASSETS</td>
<td>5,950,453,908,425</td>
<td>4,108,677,221,303</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>RESOURCES AND LIABILITIES</th>
<th>31/12/2016</th>
<th>1/1/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RESOURCES</td>
<td>5,526,095,189,469</td>
<td>3,874,958,111,226</td>
</tr>
<tr>
<td></td>
<td>Borrowings from the World Bank</td>
<td>4,719,779,164,201</td>
<td>3,180,731,333,541</td>
</tr>
<tr>
<td></td>
<td>Other capital</td>
<td>807,536,494,398</td>
<td>692,516,692,870</td>
</tr>
<tr>
<td></td>
<td>Foreign exchange difference</td>
<td>(1,220,469,130)</td>
<td>1,710,084,815</td>
</tr>
<tr>
<td></td>
<td>LIABILITIES</td>
<td>424,358,718,956</td>
<td>233,719,110,077</td>
</tr>
<tr>
<td></td>
<td>Current liabilities</td>
<td>424,358,718,956</td>
<td>233,719,110,077</td>
</tr>
<tr>
<td></td>
<td>Accounts payable to suppliers</td>
<td>385,966,085,111</td>
<td>156,881,294,234</td>
</tr>
<tr>
<td></td>
<td>Accrued expenses</td>
<td>35,723,131,672</td>
<td>71,083,110,967</td>
</tr>
<tr>
<td></td>
<td>Other payables</td>
<td>2,669,502,173</td>
<td>5,754,704,876</td>
</tr>
<tr>
<td></td>
<td>TOTAL RESOURCES</td>
<td>5,950,453,908,425</td>
<td>4,108,677,221,303</td>
</tr>
</tbody>
</table>

30 June 2017

Prepared by: Cao Xuan Khuong  
Head of Finance and Accounting

Approved by: Vu Huu Phuc  
Director

The notes from page 12 to page 16 are an integral part of these financial statements
TRUNG SON HYDRO POWER COMPANY LIMITED
Trung Son Hydro Power Project
Loan Agreement No. 8041-VN
Statement of designated account for the year ended 31 December 2016

For the year: from 1/1/2016 to 31/12/2016
Account No.: 16010370004163
Depository Bank: Joint Stock Commercial Bank for Investment and Development of Vietnam
Transaction Center 3
Address: No. 20 Hang Tre, Ly Thai To, Hoan Kiem, Hanoi
Loan Agreement No.: 8041-VN
Currency unit: USD

PART A – ACCOUNT ACTIVITY
Opening balance (as at 1/1/2016) 1,157,928.46

Add:
Total amount deposited by the World Bank during the year 49,473,170.00

Deduct:
Total amount withdrawn 47,526,172.74

Closing balance (as at 31/12/2016) 3,104,925.72

PART B – ACCOUNT RECONCILIATION
1. Amount advanced by the Word Bank at the beginning of the year 15,709,391.54
2. Add: Total amount advanced by the World Bank to designated account during the year 49,473,170.00
3. Deduct: Total amount claimed

4. Total amount advanced to designated account as at 31/12/2016 65,182,561.54
5. Closing balance of designated account as at 31/12/2016 3,104,925.72
6. Plus: Amounts withdrawn but not yet claimed 62,077,635.82

7. Total amount advanced to designated account as at 31/12/2016 65,182,561.54

30 June 2017

Prepared by: Cao Xuan Khuong
Head of Finance and Accounting

Approved by: Vu Huy Phuc
Director

The notes from page 12 to page 16 are an integral part of these financial statements
## Statement of withdrawals for the year ended 31 December 2016

<table>
<thead>
<tr>
<th>Date</th>
<th>No.</th>
<th>Currency</th>
<th>Advance to Designated account</th>
<th>Amount claimed/requested for advance clearance</th>
<th>Amount disbursed/accepted for advance clearance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Direct clearance</td>
<td>Date</td>
<td>Disbursed amount</td>
</tr>
<tr>
<td>21/12/2016</td>
<td>67-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>2,853,068.00</td>
<td>23/12/2016</td>
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<tr>
<td>5/12/2016</td>
<td>66-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>4,140,434.00</td>
<td>8/12/2016</td>
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<tr>
<td>20/10/2016</td>
<td>65-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>3,735,582.00</td>
<td>25/10/2016</td>
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<tr>
<td>27/9/2016</td>
<td>64-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>4,355,798.00</td>
<td>27/9/2016</td>
</tr>
<tr>
<td>18/8/2016</td>
<td>63-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>4,415,168.00</td>
<td>22/8/2016</td>
</tr>
<tr>
<td>15/6/2016</td>
<td>62-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>6,826,610.00</td>
<td>23/6/2016</td>
</tr>
<tr>
<td>25/5/2016</td>
<td>61-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>4,289,703.00</td>
<td>1/6/2016</td>
</tr>
<tr>
<td>18/5/2016</td>
<td>60-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>7,121,362.00</td>
<td>10/3/2016</td>
</tr>
<tr>
<td>4/4/2016</td>
<td>59-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>1,052,396.00</td>
<td>16/2/2016</td>
</tr>
<tr>
<td>22/3/2016</td>
<td>58-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>2,474,564.00</td>
<td>23/3/2016</td>
</tr>
<tr>
<td>3/2/2016</td>
<td>56-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>895,025.00</td>
<td>18/10/2016</td>
</tr>
<tr>
<td>13/1/2016</td>
<td>55-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>4,615,865.00</td>
<td>21/1/2016</td>
</tr>
</tbody>
</table>

**Total:** 49,473,170.00

<table>
<thead>
<tr>
<th>Date</th>
<th>No.</th>
<th>Currency</th>
<th>Direct payment</th>
<th>Amount claimed/requested for advance clearance</th>
<th>Amount disbursed/accepted for advance clearance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Direct payment</td>
<td>Date</td>
<td>Disbursed amount</td>
</tr>
<tr>
<td>21/10/2016</td>
<td>26-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>120,561.70</td>
<td>12/12/2016</td>
</tr>
<tr>
<td>21/10/2016</td>
<td>26-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>385,565.81</td>
<td>28/10/2016</td>
</tr>
<tr>
<td>21/10/2016</td>
<td>26-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>1,019,345.60</td>
<td>28/10/2016</td>
</tr>
<tr>
<td>18/10/2016</td>
<td>26-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>449,348.90</td>
<td>17/10/2016</td>
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<tr>
<td>30/9/2016</td>
<td>26-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>1,660,326.50</td>
<td>6/10/2016</td>
</tr>
<tr>
<td>27/9/2016</td>
<td>26-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>2,334,908.10</td>
<td>3/10/2016</td>
</tr>
</tbody>
</table>

**Total:** 49,473,170.00

*The notes from page 12 to page 16 are an integral part of these financial statements*
## TRUNG SON HYDRO POWER COMPANY LIMITED

Trung Son Hydro Power Project  
Loan Agreement No. 8041-VN  
Statement of withdrawals for the year ended 31 December 2016 (continued)

<table>
<thead>
<tr>
<th>Date</th>
<th>No.</th>
<th>Currency</th>
<th>Advance clearance</th>
<th>Advance</th>
<th>Direct payment</th>
<th>Total</th>
<th>Date</th>
<th>Disbursed amount</th>
<th>Accepted for advance clearance</th>
<th>Direct payment</th>
<th>Total</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct payment (continued)</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/9/2016</td>
<td>26-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>-</td>
<td>272,335.00</td>
<td>272,335.00</td>
<td>16/9/2016</td>
<td>-</td>
<td>-</td>
<td>272,335.00</td>
<td>272,335.00</td>
<td>-</td>
</tr>
<tr>
<td>19/8/2016</td>
<td>26-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>-</td>
<td>875,336.70</td>
<td>875,336.70</td>
<td>26/8/2016</td>
<td>-</td>
<td>-</td>
<td>875,336.70</td>
<td>875,336.70</td>
<td>-</td>
</tr>
<tr>
<td>3/8/2016</td>
<td>26-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>-</td>
<td>70,000.00</td>
<td>70,000.00</td>
<td>8/8/2016</td>
<td>-</td>
<td>-</td>
<td>70,000.00</td>
<td>70,000.00</td>
<td>-</td>
</tr>
<tr>
<td>25/7/2016</td>
<td>26-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>-</td>
<td>968,409.40</td>
<td>968,409.40</td>
<td>28/7/2016</td>
<td>-</td>
<td>-</td>
<td>968,409.40</td>
<td>968,409.40</td>
<td>-</td>
</tr>
<tr>
<td>18/7/2016</td>
<td>26-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>-</td>
<td>2,353,427.86</td>
<td>2,353,427.86</td>
<td>21/7/2016</td>
<td>-</td>
<td>-</td>
<td>2,353,427.86</td>
<td>2,353,427.86</td>
<td>-</td>
</tr>
<tr>
<td>8/7/2016</td>
<td>26-TRUNGSON</td>
<td>USD</td>
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<td>-</td>
<td>483,117.60</td>
<td>483,117.60</td>
<td>11/7/2016</td>
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<td>-</td>
<td>483,117.60</td>
<td>483,117.60</td>
<td>-</td>
</tr>
<tr>
<td>2/6/2016</td>
<td>26-TRUNGSON</td>
<td>USD</td>
<td>-</td>
<td>-</td>
<td>390,294.80</td>
<td>390,294.80</td>
<td>9/6/2016</td>
<td>-</td>
<td>-</td>
<td>390,294.80</td>
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<tr>
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<td>237,125.00</td>
<td>237,125.00</td>
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<td>USD</td>
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<td>14/3/2016</td>
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<td>17/2/2016</td>
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<td>5/2/2016</td>
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<td>5/2/2016</td>
<td>-</td>
<td>-</td>
<td>282,269.36</td>
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</tr>
<tr>
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<td>17,074,182.48</td>
<td>17,074,182.48</td>
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<td>-</td>
<td>17,074,182.48</td>
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<td>-</td>
<td>49,473,170.00</td>
<td>66,547,352.48</td>
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<td>-</td>
<td>-</td>
<td>49,473,170.00</td>
<td>66,547,352.48</td>
<td>-</td>
</tr>
</tbody>
</table>

30 June 2017

Prepared by:  
Cao Xuan Khuong  
Head of Finance and Accounting

The notes from page 12 to page 16 are an integral part of these financial statements.
TRUNG SON HYDRO POWER COMPANY LIMITED
Trung Son Hydro Power Project
Loan Agreement No. 8041-VN
Notes to the financial statements for the year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Overview

Trung Son Hydro Power Project is implemented under Loan Agreement No. 8041-VN signed on 8 September 2011 and operates under Subsidiary Loan Agreement between Trung Son Hydro Power Company Limited ("the Company") and the Ministry of Finance and funded by the World Bank to finance the construction of the power plant. Total credit limit of the loan is USD305,990,125 (In word: Three hundred and five million nine hundred and ninety thousand one hundred and twenty five U.S Dollars) for implementation of Components 1, 3 and 4 of Trung Son Hydro Power Project.

Funds of Trung Son Hydro Power Project include funds under Subsidiary Loan Agreement and counterpart fund, and the total fund under Loan Agreement No. 8041-VN amounts to USD330,000,000 in which funds under the Subsidiary Loan Agreement for the portion implemented by Trung Son Hydro Power Company Limited (components 1, 3 and 4) is within USD305,990,125, the remaining portion (component 2) is implemented by the National Power Transmission Corporation.

The objective of Trung Son Hydro Power Project is to supply low-cost electricity in a manner of safety and environmentally and socially sustainable development. Trung Son Hydro Power Project is expected to be completed in 2017.

Trung Son Hydro Power Project comprises of the following components:

Component 1 – Dam and Ancillary Construction

(a) Dam and Appurtenant Structures

Construction and operation of the Trung Son Hydropower Plant on the Ma River near Co Me Village with an installed capacity of 260 megawatts and a dam of 84.5 of meters high and 535 meters long at the crest which is expected to create a reservoir 38.5 kilometers long in an area of approximately 13.13 square kilometers, including: (i) construction of the dam and related facilities including intake structure, forebay, penstocks, turbine and control buildings, discharge canal, electrical switchyard and emergency fuse-gate and spillway; (ii) acquisition and installation of hydraulic-mechanical and electro-mechanical equipment; and (iii) construction of site facilities and infrastructure, including material quarries, borrow pits, workers' camp, office and living facilities, hydrological and water quality measuring stations, water and sanitation facilities, and roads within the site, as well as environmental management and mitigation measures relating directly to construction activities.

(b) Access Road and Bridges

Construction of an access road and bridges including: (i) construction of an approximately 20.4 kilometers of access road between Co Luong Village and the dam site; and (ii) construction of bridges on the access road between Co Luong Village and the dam site, as well as environmental management and mitigation measures relating directly to construction activities.

(c) Power Supply Lines

Extension of an existing 35 kilovolt power line from its termination at Co Me Village to the dam construction site, and upgrading of the supply as load demand grows as well as construction of substations.
(d) Project Management

Provision of support for the implementation of the above activities, including the acquisition of services, and support for design, supervision and management, quality assurance, and environmental monitoring, including independent environmental and social monitoring.

Component 2 – Transmission Line

Construction of a double circuit 220 kilovolt power line to transmit the power generated from the Trung Son Hydropower Plant to the national power grid connection point in Tan Lac District, including construction of transmission lines; acquisition and installation of equipment, including towers, insulators, conductors, optical ground wire and accessories, as well as carrying of an independent environmental and social monitoring of these activities.

Component 3 – Social and Environmental Impact Management

(a) Resettlement, Livelihoods and Ethnic Minorities (RLDP)

Provision of support for the implementation of RLDP including resettlement, rehabilitation, compensation and livelihoods development measures that will improve, or at least maintain, the living standards and income earning capacity of people impacted by the Project, including ethnic minorities (excluding land acquisition and resettlement and rehabilitation payments to Affected Persons).

(b) Health Support

Provision of support for the implementation of the first phase of the Public Health Action Plan (PHAP), including upgrading and construction of public health infrastructure, as well as the provision of training, monitoring and surveillance.

(c) Environment Management

Provision of support for the management of biodiversity, protected areas and physical cultural resources; carrying out of studies on water quality maintaining a part of the Ma River intact, and cumulative environment impacts in the river basin; and provision of training and capacity building.

Component 4 – Capacity Development and Scale-Up

Provision of support to strengthen capacity to bring hydropower projects up to international standards, including carrying out of studies on planning and implementation for social development, environment and health management, basin management plans integrated with other water uses, studies of cumulative impacts of projects, consideration of alternatives and mitigation measures, hydrology and dam safety, project preparation and management and preparation of financial and economic documents.
2. Basis of preparation of the financial statements

(a) Basis of preparation of the financial statements

The accompanying financial statements are prepared in Vietnam Dong ("VND") using the historical cost concept, except for statement of withdrawals prepared in original currency. The financial statements are prepared in accordance with the accounting policies described in Note 3 to the financial statements.

(b) Annual accounting period

The annual accounting period of the Project is from 1 January to 31 December.

3. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Project in the preparation of these financial statements.

(a) Recognition of fund and costs

Fund and costs are recognised when incurred.

(b) Currency translation

Transactions in currencies other than VND during the year have been translated into VND at rates of exchange ruling at the transaction dates. Assets and liabilities items denominated in currencies other than VND are translated into VND at the exchange rate quoted by the commercial bank where the Project conducts transactions at the balance sheet date.

Foreign exchange differences are not income/expenditures. Foreign exchange differences due to currency translation are presented on a separate line on the balance sheet and the statement of sources and uses of funds for the purpose of reconciling the opening and closing balances of fund.

(c) Designated account

Designated account is a deposit account in USD opened at the Joint Stock Commercial Bank for Investment and Development of Vietnam - Transaction Center 3 - Hanoi for implementation of the activities of the Project. Payments from the designated account are made in accordance with relevant covenants of Loan Agreement No. 8041-VN and relevant regulations established by the World Bank.

(d) Capitalisation of interest expenses and commitment fees

The Company recognises interest expenses and commitment fees in construction in progress on the financial statements.
## 4. Construction in progress

<table>
<thead>
<tr>
<th></th>
<th>2016 VND</th>
<th>Cumulative to 31/12/2016 VND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>887,030,196,820</td>
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<tr>
<td>Equipment</td>
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<td>1,019,942,890,549</td>
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<td>Other expenses</td>
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<td>1,270,340,550,665</td>
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<td>2,040,531,370,833</td>
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## 5. Prepayments to suppliers

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<th>31/12/2016 VND</th>
<th>1/1/2016 VND</th>
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</thead>
<tbody>
<tr>
<td>Joint Stock Commercial Bank of Foreign Trade Vietnam – Thanh Hoa Province</td>
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<tr>
<td>Forest Protection and Development Fund of Thanh Hoa Province</td>
<td>32,099,542,000</td>
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</tr>
<tr>
<td>Joint Venture between Samsung C&amp;T Corporation and Construction Joint Stock Company 47</td>
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<tr>
<td>Joint Venture between Hydrochina Corporation and Toshiba Co., Ltd.</td>
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<td>Other suppliers</td>
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<td>232,553,966,404</td>
<td>454,438,272,575</td>
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## 6. Borrowings from the World Bank

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<tr>
<th>Original currency</th>
<th>2016 VND equivalent</th>
<th>Cumulative to 31/12/2016</th>
<th>VND equivalent</th>
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<td>1,539,047,830,660</td>
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7. Accounts payable to suppliers

<table>
<thead>
<tr>
<th>Description</th>
<th>31/12/2016 VND</th>
<th>1/1/2016 VND</th>
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</thead>
<tbody>
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<tr>
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<tr>
<td>Other suppliers</td>
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<td>51,215,363,929</td>
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<tr>
<td>Total</td>
<td>385,966,085,111</td>
<td>156,881,294,234</td>
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</tbody>
</table>

30 June 2017

Prepared by: Cao Xuan Khuong  
Head of Finance and Accounting

Approved by: Vu Huu Phuc  
Director
TRUNG SON HYDRO POWER COMPANY LIMITED
TRUNG SON HYDRO POWER PROJECT

Loan Agreement No. 8041-VN

Part 2
Independent reasonable assurance report
on internal control
for the year ended 31 December 2016
INDEPENDENT REASONABLE ASSURANCE REPORT ON INTERNAL CONTROL

To the Board of Directors of Trung Son Hydro Power Company Limited

We were engaged by the Board of Directors of Trung Son Hydro Power Company Limited to report on the internal control for the year ended 31 December 2016 of Trung Son Hydro Power Project ("the Project"), in the form of an independent reasonable assurance conclusion.

Management's Responsibilities for the internal control

The Board of Directors is responsible for preparing the description of effective internal controls over compliance with the regulations that could have a direct and material financial effect on the financial statements; effectively implementing the internal controls designed; and periodically organising the review, examination, evaluation of the completeness, effectiveness and efficiency of those internal controls.

Auditor’s Responsibilities

Our responsibility is to examine the internal controls and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (ISAE 3000) – Assurance Engagements Other Than Audits issued by the International Accounting and Auditing Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the internal controls are free of material misstatement.

Our reasonable assurance engagement involves performing procedures to obtain evidence about the internal control descriptions and the operating effectiveness of the controls over compliance with the regulations that could have a direct and material financial effect on the financial statements. The procedures selected depend on our judgment, including the assessment of the risks that the internal control descriptions are not fairly presented, and that controls are not operating effectively. Our procedures included making inquiries of the members of the Board of Directors, testing, on a sample basis, to obtain evidence about the implementation of the internal controls over compliance with the regulations that could have a direct and material financial effect on the financial statements and evidence about the assessment of the Project’s management on the operating effectiveness of those internal controls during the year.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.
Internal control limitations

Internal controls are, due to their inherent nature, subject to potential limitations and thus errors and unusual factors may arise without being identified. Besides, our conclusion given below is based on historical information and thus it is inappropriate to refer to the information or conclusion in this report for future periods.

Conclusion

Our conclusion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our conclusion are those described in the attached report. In our conclusion, in all material respects:

- The description fairly presents the internal control system as designed and implemented throughout the year ended 31 December 2016;

- The controls related to the control objectives stated in the description were suitably designed throughout the year ended 31 December 2016; and

- The controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the year ended 31 December 2016.

KPMG Limited
Vietnam
Assurance Report No.: 16-02-013-03/DATS-KSNB

Dom Xuan Lam
Practicing Auditor Registration
Certificate No.: 0861-2013-007-1
Deputy General Director

Pham Thi Thuy Linh
Practicing Auditor Registration
Certificate No.: 3065-2014-007-1

Hanoi, 30 June 2017
1. Control of counterpart funds

Objective

To ensure that the counterpart funds are controlled and used economically and efficiently, and that counterpart funds are only used for the purpose for which the financing was provided for the Project, and at the right rate of counterpart funds committed with the World Bank.

Design

The control of counterpart funds is implemented in accordance with the relevant regulations of the Electricity of Vietnam ("EVN"), Power Generation Corporation 2 - One Member Limited Liability Company ("GENCO 2") and other current regulations.

Counterpart funds are mostly used for site clearance (except the compensation funds to support self-constructed houses, water tanks, and some civil works for resettled households), design consulting and project management expenses and other contracts that are financed by counterpart funds. When there is a demand for disbursement of counterpart funds, the Project Management Unit sends a request document to Trung Son Hydro Power Company Limited ("the Company") for appraisal, and the Company then prepares an application document to GENCO 2 requesting for funds. This request includes the purpose of the disbursement, the details of the disbursement and the amount to be disbursed. This document must be approved by the Company’s Director. And after receiving and reviewing all the request documents from, GENCO 2 provides counterpart funds to the Project. With the funds provided, the Company disburses funds to the beneficiaries.
2. Control of external funds

Objective
To ensure that the external funds are controlled and used economically and efficiently, and that the expenses for civil works, goods and services are incurred in compliance with the provisions of the Loan Agreement and other current regulations.

Design
The payment of external funds is implemented in accordance with the guidelines of World Bank, the provisions of the Loan Agreement and other current regulations.

External funds are used for the activities of the Project such as disbursement for the work items of the Project that are financed by the World Bank. The World Bank granted a loan facility of USD305,990,125 (the portion for Trung Son Hydro Power Project to implement the Component 1, 3, 4 of the Loan Agreement) to the Project; and the loan funds are transferred directly from the World Bank and through an account designated by the Project. All expenses related to these funds must be approved by the Payment Control Agency on the basis of supporting documents.

All supporting documents shall be attached with the Interim Payment Certificate, Final Settlement Documents and sent back to the Company. Based on received documents, the Payment Accountant reviews, appraises and prepares a Request for Payment of investment funds accompanied by other relevant documents and submits them to the Company’s Chief Accountant and Director for their approval. The approved Request for Payment of investment funds and the accompanying relevant documents then are sent to the Payment Control Agency for review and approval; based on the approval from the Payment Control Agency, the Company prepares an order of payment to the beneficiary from the designated account. Upon receipt of the Debit Note from the bank, the accountant records the payment transaction. This transaction is shown in the monthly bank statement of the designated account.
3. Bank reconciliation

Objective
To control the balance of cash in banks and to reconcile with disbursements from the counterpart funds and the external funds from the World Bank. All payments must be paid through banks to prevent frauds and errors.

Design
The Project maintains one designated account in USD of Loan Agreement No. 8041-VN at Joint Stock Commercial Bank for Investment and Development of Vietnam - Transaction Office 3 and one interest income account for the designated account. The Project also maintains bank accounts at other domestic banks. All accounts are only used for the Project's activities.

All payments are made after Payment Orders or Receipt Notes are approved by the Company’s Director.

The Project receives borrowing funds directly from the World Bank and uses these borrowing funds for the Project’s activities (specifically for work items of the Project funded by the World Bank’s loan).

Payment process through the Project’s bank account:

For the counterpart funds:
- Suppliers/contractors send all valid supporting documents to the Project.
- Project Management Unit reviews, signs and submits the documents to the Company for review and approval.
- The Finance – Accounting Department prepares Payment Order, Transfer Request for payment of advance or payment for completed work volume to submit to the Company’s Director for review and approval.
- The Company sends the payment profile to the bank together with the transfer request.
- Based on the request from the Project, the bank transfers money to the suppliers/contractors.

For the external funds from the World Bank under Loan Agreement No. 8041-VN:
- Suppliers/contractors send all valid supporting documents to the Project.
- Project Management Unit reviews, signs and submits the documents to the Company for review and approval.
- The Company prepares Request for payment of investment capital to submit to Payment Control Agency.
- Payment Control Agency sends documents back to the Project after review and approval.
- The Finance – Accounting Department prepares Payment Order, Transfer Request for payment of advance or payment for completed work volume to submit to the Company’s Director for review and approval.
- Director reviews and prepares payment request to the Project through designated account.
- The Company sends the payment profile to the bank together with transfer request.
- Based on the request from the Project, the bank transfers money to the suppliers/contractors.
- The Project prepares statement of income and expenditure to send to Ministry of Finance and the World Bank to clear advance.
Monthly, the Chief Accountant/Payment Accountant performs cash reconciliation with Bank and Capital Management Agency (which is EVN Finance Joint Stock Company as authorised by Ministry of Finance) as follows:

For cash at bank in designated account:

- On a monthly basis, staff of Joint Stock Commercial Bank for Investment and Development of Vietnam – Transaction Office 3 ("BIDV - Transaction Office 3") sends bank statement of the designated account which has been approved by the Bank to the Company.
- The Payment Accountant reconciles bank balances between the cash book at the Company and bank statement of the designated account from BIDV - Transaction Office 3. After that, he/she reports to the Company's Chief Accountant and Director on results of reconciliation between the cash book and bank statement of the designated account. Any differences must be verified and resolved promptly.
- On a quarterly basis, the Company prepares statement of income and expenditure from the Project's designated account to submit to the Ministry of Finance and the World Bank, and prepares interim financial statements in accordance with International Accounting Standards as required by the World Bank (including statement of income and expenditure from the designated account such as opening balance, amount withdrawn during the period, amount disbursed during the period and closing balance of the designated account).
- The World Bank reviews, verifies and issues a non-objection letter regarding the expenditures reported.

For cash at bank in other accounts: Follow the current regulations and payment process of the Project.
4. **Annual budget**

**Objective**

Every year the Company prepares the budget for the whole project including expenditures for constructions, acquisition of equipment, ground clearance, general administration and other expenses to ensure that total expenses related to each category are in control.

**Design**

The main activities of the Project related to the counterpart funds and Loan Agreement No. 8041-VN are performed in relation to Trung Son Hydro Power Project in Thanh Hoa province. The Company has responsibility to prepare annual budget for project, including direct expenses for constructions, acquisition of equipment, ground clearance, general administration and other expenses to submit to GENCO 2. The Company gathers all estimated expenses to submit to GENCO 2 for control and authorisation.

Besides, for the external funds under Loan Agreement No. 8041-VN, the Company prepares a budget plan for each work item/bid package funded by the external funds from the Loan Agreement for periods of first six months and last six months of each year, then the Company submits such plans to the World Bank. Based on the detailed plans submitted by the Company, the World Bank issues a non-objection letter regarding the budget plans for the first six months and last six months. After that, the Company bases on these estimated budget to withdraw for each month during the year.

Based on the approved estimated budget, the Company controls spending under each budget line to ensure that payments for the Project's expenditures are made in the timely manner to meet the Project's progress.
5. Quarterly financial reporting

Objective

The Financial Statements are prepared on a quarterly basis for submission to GENCO 2 and the World Bank. This control is to ensure that the financial statements are prepared in the timely manner, in compliance with the regulations of EVN, GENCO 2, requirements of World Bank, and the prevailing regulations.

Design

The Company prepares quarterly the financial statements for the Project, including the statement of sources and uses of funds, statement of designated account, statement of expenditure and statement of withdrawals. Such financial statements must be reviewed by the Company’s Chief Accountant and approved by the Company’s Director and not objected by the World Bank.

30 June 2017

Prepared by:

Cao Xuan Khuong
Head of Finance and Accounting

Approved by:

Vu Huu Phuc
Director
TRUNG SON HYDRO POWER COMPANY LIMITED
TRUNG SON HYDRO POWER PROJECT

Loan Agreement No. 8041-VN

Part 3

Independent reasonable assurance report on compliance
for the year ended 31 December 2016
INDEPENDENT REASONABLE ASSURANCE REPORT ON COMPLIANCE

To the Board of Directors of Trung Son Hydro Power Company Limited

We were engaged by the Board of Directors to report on the compliance for the year ended 31 December 2016 of Trung Son Hydro Power Project ("the Project"), in the form of an independent reasonable assurance conclusion.

Management's Responsibility for compliance

The Board of Directors is responsible for complying with Loan Agreement No. 8041-VN, laws and regulations applicable to the Project.

Auditors' Responsibilities

Our responsibility is to examine the Project's compliance with the provisions of Loan Agreement No. 8041-VN, laws and regulations applicable to the Project and to report thereon in the form of an independent reasonable assurance conclusion based on our work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (ISAE 3000) – Assurance Engagements other than Audits issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the Project has complied with the provisions of Loan Agreement No. 8041-VN, laws and regulations applicable to the Project.

Our reasonable assurance engagement involves performing procedures to obtain evidence about the Project’s compliance with the provisions of Loan Agreement No. 8041-VN, laws and regulations applicable to the Project that could have a direct and material financial effect on the financial statements. The procedures selected depend on the auditors' judgment, including evaluating the effectiveness of the Project’s internal control related to compliance with the provisions of Loan Agreement No. 8041-VN, laws and regulations applicable to the Project. Our procedures included making inquiries of the members of the Board of Directors, testing, on a sample basis, to obtain evidence on about whether, in all material respects, the Project has complied with the provisions of Loan Agreement No. 8041-VN, laws and regulations applicable to the Project.

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

The conclusion set out below is based on historical information and the projection of any information or conclusions in this report to any future periods will be inappropriate.

Conclusion

Our conclusion has been formed on the basis of the matters outlined in this report. In our conclusion, the Project has complied, in all material respects, with Loan Agreement No. 8041-VN, laws and regulations that could have a direct and material financial effect on the financial statements of the Project for the financial year ended 31 December 2016.

KPMG Limited
Vietnam
Assurance Report No.: 16-02-013-03/DATS-TT

Dam Xuan Lam
Practicing Auditor Registration
Certificate No. 0861-2013-007-1
Deputy General Director

Hanoi, 30 June 2017