

Audited Project Financial Statements

Project Number: 46391
Loan/Grant Number: 3161 and 8286-VIE
Period covered: 1 January 2015 to 31 December 2015

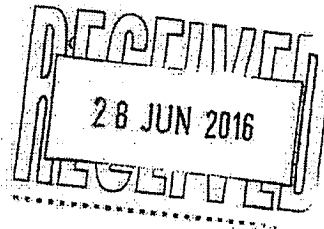
VIE: Ha Noi and Ho Chi Minh City Power Grid Development Sector Project

Prepared by Hanoi Power Corporation

For the Asian Development Bank
Date received by ADB: 30 June 2016

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy 2011 and as agreed between ADB and the Department of Energy.

Deloitte.



HANOI POWER CORPORATION
HANOI AND HO CHI MINH CITY POWER GRID
DEVELOPMENT SECTOR PROJECT
Loan Agreement No. 3161-VIE
Loan Agreement No. 8262-VIE (AIF)
8286

**AUDITED FINANCIAL STATEMENTS
AND MANAGEMENT LETTER**

For the period from 06 February 2015 to 31 December 2015

8250

TABLE OF CONTENTS

<u>CONTENTS</u>	<u>PAGE(S)</u>
PART I FINANCIAL STATEMENTS	
Statement of the Board of General Directors	2 - 3
Independent Auditors' Report	4 - 5
Balance Sheet	6
Statement of Sources and Uses of Funds	7
Statement of Withdrawals	8 - 9
Notes to the Financial Statements	10 - 13
PART II REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL	14
PART III INDEPENDENT ASSUARANCE REPORT ON COMPLIANCE	15
PART IV MANAGEMENT LETTER	16 - 19
ANNEX I PROJECT IMPLEMENTION PROGRESS AND WITHDRAWAL PROGRESS	20

Handwritten signature or mark on the right margin.

PART I
FINANCIAL STATEMENTS

STATEMENT OF THE BOARD OF GENERAL DIRECTORS

The Board of General Directors of Hanoi Power Corporation (the "Corporation") presents this report together with the financial statements of the Hanoi and Ho Chi Minh City Power Grid Development Sector Project - Loan Agreements No.3161-VIE and 8262-VIE(AIF) - Portion implemented by the Corporation (the "Project") for the period from 06 February 2015 (the effective date of the Loan Agreements) to 31 December 2015.

Board of General Directors

The members of the Board of General Directors of the Corporation who held office during the period and to the date of this report are as follows:

Mr. Nguyen Anh Tuan	General Director
Mr. Vu Quang Hung	Deputy General Director
Mr. Mai Chi Hung	Deputy General Director
Mr. Nguyen Quang Trung	Deputy General Director
Mr. Nguyen Danh Duyen	Deputy General Director

Board of General Directors' Statement of Responsibility

The Board of General Directors is responsible for preparing the financial statements of the Project which comprise the balance sheet as at 31 December 2015, the statement of sources and uses of funds, statement of withdrawals for the period from 06 February 2015 to 31 December 2015, and notes to the financial statements, which give a true and fair view of the financial position as at 31 December 2015, the receipts and disbursements as well as expenditures of the Project for the period from 06 February 2015 to 31 December 2015, in accordance with the accounting policies set out in Note 3 of the notes to the financial statements and the covenants contained in Loan Agreements No.3161-VIE and 8262-VIE(AIF). In preparing these financial statements, the Board of General Directors 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 material departures disclosed and explained in the financial statements; and
- design and maintain effective internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as over financial reporting for the purpose of properly preparing and presenting the financial statements so as to minimise errors and frauds; and take responsibility for its assertions as to the effectiveness of such internal control.

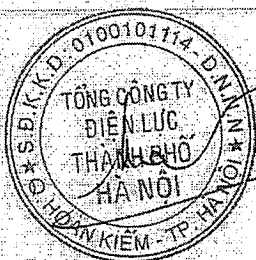
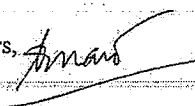
STATEMENT OF THE BOARD OF GENERAL DIRECTORS (Continued)

Board of General Directors' Statement of Responsibility (Continued)

The Board of General Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Project and that the financial statements comply with the accounting policies set out in Note 3 of the notes to the financial statements. The Board of General Directors is responsible for using the Project's funds as intended for the Project and for complying with the covenants of Loan Agreements No.3161-VIE and 8262-VIE(AIF) as well as laws and regulations applicable to the Project. The Board of General Directors is also responsible for safeguarding the assets of the Project and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

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

For and on behalf of the Board of General Directors,



**Nguyen Anh Tuan
General Director**

Hanoi, 23 June 2016

No.: 81 /VNIA-HN-BC

INDEPENDENT AUDITORS' REPORT

To: The Board of General Directors of Hanoi Power Corporation

We have audited the accompanying financial statements of the Hanoi and Ho Chi Minh City Power Grid Development Sector Project - Loan Agreements No. 3161-VIE and 8262-VIE(AIF) - Portion implemented by Hanoi Power Corporation (the "Project"), prepared on 23 June 2016, as set out from page 6 to page 13, which comprise the balance sheet as at 31 December 2015, the statement of sources and uses of funds and statement of withdrawals for the period from 06 February 2015 (the effective date of the Loan Agreements) to 31 December 2015, and notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies set out in Note 3 of the notes to the financial statements, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Project's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion:

- The financial statements give a true and fair view of the Project's financial position as at 31 December 2015, its receipts, disbursements and expenditures for the period from 06 February 2015 to 31 December 2015, in accordance with the accounting policies set out in Note 3 of the notes to the financial statements.

INDEPENDENT AUDITORS' REPORT (Continued)

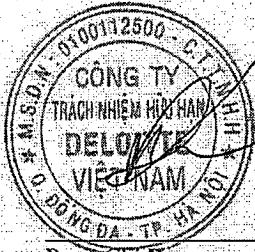
Opinion (Continued)

- The withdrawal applications were adequately reconciled to the statements of expenditures (SOEs) prepared by the Board of General Directors for the period from 06 February 2015 to 31 December 2015 and those SOEs were adequately supported.

Emphasis of Matters

As stated in Note 2 of the notes to the financial statements, the financial year of the Project begins on 01 January and ends on 31 December, the accompanying financial statements were prepared for the first operating period of the Project from 06 February 2015 (the effective date of the Loan Agreements) to 31 December 2015. The "Project implementing expenditures" item in the Balance sheet as at 31 December 2015 included expenses incurred before the effective date of the Loan Agreements with the total amount of VND 37,421,915,876.

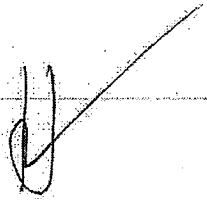
As stated in the Statement of sources and uses of funds, the financial year of the Project begins on 01 January and ends on 31 December, the accompanying financial statements were prepared for the first operating period of the Project from 06 February 2015 (the effective date of the Loan Agreements) to 31 December 2015. The "Disbursements" item included disbursements paid out of the counterpart fund before the effective date of the Loan Agreements with the total amount of VND 40,742,949,054. In the period, Hanoi Power Corporation has claimed an amount of VND 4,771,000,000 to ADB for reimbursement which was accepted by ADB in the period.



Dang Chi Dung
Deputy General Director
Audit Practising Registration Certificate
No. 0030-2013-001-1

For and on behalf of
DELOITTE VIETNAM COMPANY LIMITED

23 June 2016
Hanoi, S.R. Vietnam

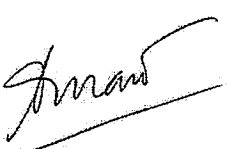

Nguyen Thanh Huong
Auditor
Audit Practising Registration Certificate
No. 1415-2013-001-1

BALANCE SHEET
As at 31 December 2015

	Notes	31/12/2015 VND
ASSETS		
Expenditures		339,279,213,487
Project implementing expenditures	5	339,279,213,487
Current assets		2,134,227,753
Prepayments to suppliers		311,786,400
Other receivables		1,198,691,758
Cash	6	623,749,595
TOTAL ASSETS		341,413,441,240
RESOURCES		
Funds		183,748,292,800
OCR fund	7	80,804,520,884
AIF fund	8	46,716,210,994
Counterpart fund		56,227,560,922
Current liabilities		157,665,148,440
Trade accounts payable	9	151,909,563,179
Other short-term payables	10	5,755,585,261
TOTAL RESOURCES		341,413,441,240


Hoang Duc Thieu
Preparer

23 June 2016


Nguyen Thi Tuyet Mai
Chief Accountant




Nguyen Anh Tuan
General Director

The notes set out on pages 10 to 13 are an integral part of these financial statements

STATEMENT OF WITHDRAWALS
(Loan Agreement No. 3161-VIE)

For the period from 06 February 2015 to 31 December 2015

Withdrawal applications			Amount claimed			Amount disbursed			
No.	Date	Currency	Goods	Works	Total	Date	Amount	Difference	Note
Direct payment			5,098,474,697	36,558,744,711	41,657,219,408		41,657,219,408	-	
HN001	15/07/2015	VND	5,098,474,697	-	5,098,474,697	04/09/2015	5,098,474,697	-	
HN007	21/07/2015	VND	-	1,347,840,000	1,347,840,000	31/08/2015	1,347,840,000	-	
HN009	21/07/2015	VND	-	829,209,600	829,209,600	04/09/2015	829,209,600	-	
HN017	30/07/2015	VND	-	14,857,728,656	14,857,728,656	01/09/2015	14,857,728,656	-	
HN021	20/10/2015	VND	-	8,965,886,455	8,965,886,455	09/12/2015	8,965,886,455	-	
HN029	12/2015	VND	-	10,558,080,000	10,558,080,000	22/12/2015	10,558,080,000	-	
Reimbursement			32,493,151,744	6,953,237,488	39,446,389,232		39,147,301,476	(299,087,756)	
HN003	15/07/2015	VND	637,309,337	-	637,309,337	08/09/2015	637,309,337	-	
HN011	21/07/2015	VND	1,047,291,300	-	1,047,291,300	20/10/2015	1,047,291,300	-	
HN013	21/07/2015	VND	1,102,559,788	-	1,102,559,788	10/09/2015	1,102,559,788	-	
HN015	21/07/2015	VND	-	6,953,237,488	6,953,237,488	17/12/2015	6,953,126,400	(111,088) (*)	
HN019	25/08/2015	VND	3,250,409,693	-	3,250,409,693	14/10/2015	3,250,409,693	-	
HN023	04/11/2015	VND	26,455,581,626	-	26,455,581,626	23/12/2015	26,156,604,958	(298,976,668) (**)	
Total			VND 37,591,626,441	43,511,982,199	81,103,608,640		80,804,520,884	(299,087,756)	

(*) The difference is due to the fact that the Asian Development Bank ("ADB") reimbursed based on ADB's calculation, while the amount claimed by the Corporation was the amount payable to contractors.

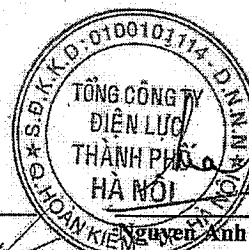
(**) The difference is due to the fact that the Asian Development Bank only agreed to reimburse the amount of progress payments equivalent to 80% of the value of Contract No. HD12EVN HANOI/2015/QLDT/ADB-HNPC-CTH-G01 plus 80% of value added tax incurred thereon, while the amount claimed by the Corporation was equivalent to 80% of this contract value plus 100% of value added tax incurred.

Hoang Duc Thien
Preparer

23 June 2016

Nguyen Thi Tuyet Mai
Chief Accountant

Nguyen Anh Tuan
General Director



The notes set out on pages 10 to 13 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

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

1. GENERAL INFORMATION

Hanoi and Ho Chi Minh City Power Grid Development Sector Project operates under Loan Agreements No. 3161-VIE and No. 8262-VIE(AIF) signed on 07 November 2014 between the Government of Socialist Republic of Vietnam and the Asian Development Bank ("ADB").

The objective of Hanoi and Ho Chi Minh City Power Grid Development Sector Project is to improve reliable power supply to domestic household, commercial, and industrial sectors in Hanoi and Ho Chi Minh city.

Funds of Hanoi and Ho Chi Minh City Power Grid Development Sector Project include ADB's Ordinary Capital Resources fund ("OCR"), ASEAN Infrastructure Fund ("AIF") fund with the respective amounts of USD 172,700,000, USD 100,000,000 and counterpart fund with the expected amount of USD 121,570,000.

Hanoi and Ho Chi Minh City Power Grid Development Sector - Loan Agreements No. 3161-VIE and No. 8262-VIE(AIF) - Portion implemented by Hanoi Power Corporation (the "Project") operates under the sub-loan/sub-grant agreement signed between Hanoi Power Corporation (the "Corporation") and the Ministry of Finance dated 30 March 2015. Accordingly, the Corporation is granted the OCR and AIF loans with respective amounts of USD 74,550,000 and USD 43,170,000 to implement the Project. The Project is expected to be completed by 30 June 2020.

The objectives of the Project are to strengthen the capacity and reliability of the power infrastructure in Hanoi through the rehabilitation and development of the 220 kilovolt (kV) and 110 kV transmission system and associated substations to supply their medium voltage distribution system. The Project will also strengthen the institutional capacities of Hanoi Power Corporation, which is the entity responsible for the power supply for Hanoi.

The Project's impact is that growth in national electricity demand is met in a sustainable manner, and the outcome is the improved reliability and efficiency of electricity supply in Hanoi City.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The accompanying financial statements, prepared under the historical cost convention, are expressed in Dong Vietnam (VND), except for the statements of withdrawals which are expressed in original currencies. These financial statements are prepared according to accounting policies stated in Note 3 of the Note to financial statements.

Financial year

The Project's financial year begins on 01 January and ends on 31 December. These financial statements are prepared for the first operating period of the Project from 06 February 2015 (the effective date of the Loan Agreements) to 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the management in the preparation of these financial statements, are as follows:

Recognition of funds and expenditures

Funds are recorded when received and expenditures are recorded when incurred.

Foreign currency translation

Transactions in foreign currencies are translated into Vietnam Dong (VND) at the exchange rate ruling at the transaction date. Closing balances of assets and liabilities denominated in foreign currencies are retranslated at the buying rate of Joint Stock Commercial Bank for Foreign Trade of Vietnam at the balance sheet date.

Foreign exchange differences are neither receipts nor disbursements. However, foreign exchange differences relating to cash are presented in a separate item on the statement of sources and uses of funds for the purpose of reconciliation with assets and liabilities balances on the Balance Sheet.

4. DESIGNATED ACCOUNTS

Designated account under Loan Agreements No. 3161-VIE and No. 8262-VIE(AIF) are deposit accounts opened at Joint Stock Commercial Bank for Foreign Trade of Vietnam - Thang Long branch for implementation of the Project's activities. Payments out of the designated account are for expenditures in accordance with the relevant covenants of the Loan Agreements No. 3161-VIE and No. 8262-VIE (AIF) and relevant regulations established by the Asean Development Bank. During the period from 06 February 2015 to 31 December 2015, OCR and AIF funds were disbursed directly to contractors or reimbursed directly to the Corporation; therefore, designated accounts for management and receipt of these funds have no transactions.

5. PROJECT IMPLEMENTING EXPENDITURES

	<u>From 06/02/2015</u> <u>to 31/12/2015</u> VND
Construction	183,652,267,836
Equipment	91,786,641,817
Consulting	20,218,187,127
Other expenses	43,622,116,707
	<u>339,279,213,487</u>

Project implementing expenditures include some consulting and other expenses amounting to VND 37,421,915,876 which were incurred before the effective date of the Loan Agreements and financed by the counterpart fund.

11/12/15

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

6. CASH

	<u>31/12/2015</u>
	VND
Cash in bank	611,911,560
Cash on hand	11,838,035
	<u>623,749,595</u>

7. OCR FUND

	<u>From 06/02/2015 to 31/12/2015</u>	
	<u>VND (Original)</u>	<u>USD equivalent</u>
Direct payment	41,657,219,408	1,903,025
Reimbursement	39,147,301,476	1,788,365
	<u>80,804,520,884</u>	<u>3,691,390</u>

8. AIF FUND

	<u>From 06/02/2015 to 31/12/2015</u>	
	<u>VND (Original)</u>	<u>USD equivalent</u>
Direct payment	24,083,229,995	1,100,193
Reimbursement	22,632,980,999	1,033,942
	<u>46,716,210,994</u>	<u>2,134,135</u>

9. TRADE ACCOUNT PAYABLES

	<u>31/12/2015</u>
	VND
Power Consultant Investment and Construction JSC No. 5	52,418,133,469
Machinery Erection JSC - Power Industry Construction	22,773,246,915
JSC Joint Venture (INCO - PICO)	
Sun Electric Construction Company Limited	17,773,233,447
Energy Technology Company Limited	16,989,216,200
ABB Company Limited	16,137,000,000
Viet Hoang Steel Trading Company Ltd (Tianji - Viet Hoang Joint Venture)	5,630,442,339
Power Construction Joint Stock Company No.1	5,611,011,599
Power Industry Construction Joint Stock Company	5,396,920,299
Engineering Construction Design Investigate Joint Stock Company	2,195,918,173
Power Joint Stock Company No.2	1,629,110,741
Hyundai Donganh Steel Tower Manufacturing Company Limited	1,309,411,816
Others	4,045,918,181
	<u>151,909,563,179</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

10. OTHER PAYABLES

	31/12/2015
	VND
Inter-company payables for temporary funds provided for the Project	2,838,561,016
Payables to employees	2,320,886,911
Materials collected after construction	298,986,663
Other payables	297,150,671
	5,755,585,261

11. CAPITAL COMMITMENTS

As at 31 December 2015, the outstanding amount of contracts signed with contractors was approximately VND 242 billion.

12. COMPARATIVE FIGURES

This is the first operating period of the Project; therefore, there are no comparative figures.

Hoang Duc Thieu
Preparer

23 June 2016

Nguyen Thi Tuyet Mai
Chief Accountant



Nguyen Anh Tuan
General Director