

**THE EQUITIZATION STEERING COMMITTEE OF EVNGENCO 3 RECOMMENDS THAT INVESTORS SHOULD CAREFULLY STUDY THIS PROSPECTUS AND THE AUCTION REGULATION BEFORE MAKING DECISION TO INVEST.**

# **PROSPECTUS**

## **INITIAL PUBLIC OFFERING**

### **POWER GENERATION CORPORATION 3**

#### **– THE PARENT COMPANY**

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#### **THE AUCTIONEER**



**HOSE**

#### **HO CHI MINH STOCK EXCHANGE**

Address: No. 16 Vo Van Kiet, Quan 1, TP. Ho Chi Minh, Viet Nam

Phone: (028) 3821 7713 Fax: (028) 3821 7452

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#### **THE ISSUER**



**EVNGENCO 3**

#### **POWER GENERATION CORPORATION 3 ONE MEMBER LIMITED LIABILITY COMPANY**

Address: Phu My 1 industrial zone, Phu My town, Tan Thanh district, Ba Ria - Vung Tau province, Vietnam.

Phone: (0254) 387 6927 Fax: (0254) 387 6930

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#### **THE IPO ADVISOR**



#### **VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

Address: 15<sup>th</sup> Floor, Bitexco Financial Tower, No. 2 Hai Trieu, Dist 1, Ho Chi Minh, Vietnam

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**EVNFINANCE**

#### **EVN FINANCE JOINT STOCK COMPANY**

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**January 2018**

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## **PART 1: FOREWORD**

This Prospectus which is for the purposes of information announcement for the public auction of the the initial public offering (IPO) is a part of the equitization process of Power Generation Corporation 3 – the Parent Company (EVNGENCO 3).

EVNGENCO 3 as the Information Disclosure and the Issuer, requests investors to only rely on the information provided in (i) this Prospectus, (ii) the Bidding Form and (iii) the Auction Regulation, issued by the Auctioneer to consider their investment. No organizations/individuals have been authorized to provide any information in this Prospectus to the investors. The investors should not rely on any information or statements which are not presented in the above documents. The investors should consult EVNGENCO 3 and independent advisors regarding any potential misinterpretation of information presented herein.

EVNGENCO 3 is wholly owned by EVN (EVN is a wholly state - owned enterprise) and is privatizing via issuing new shares for raising charter capital and keep State Capital unchange in EVNGENCO 3.

After the equitization, Power Generation Corporation 3 One Member Limited Liability Company will operate as a joint stock company – Power Generation Corporation 3 Joint Stock Company (EVNGENCO 3 JSC). Any existing legal rights, obligations, and benefits of EVNGENCO 3 would be carried forward to the newly incorporated entity as regulated in Vietnamese laws. Upon obtaining certificate of business registration, EVNGENCO 3 JSC will have legal status as defined under Vietnam legislative system, together with the corporate seal and account(s). EVNGENCO 3 JSC will operate under the Corporate Charter which is accordance with Vietnamese laws.

This share offering in the form of public aucion is a part of EVNGENCO 3's equitization process in order to transform the Corporation into a joint stock company. The investors holding EVNGENCO 3 JSC's shares will become EVNGENCO 3 JSC's shareholders and reserve all associated rights and obligations as stated under EVNGENCO 3 JSC's Corporate Charter and Vietnam legislative system.

## SUMMARY OF THE AUCTION FOR THE INITIAL PUBLIC OFFERING OF POWER GENERATION CORPORATION 3

### 1. The information of the Auction for the Initial Public Offering

Name of the issuer:	POWER GENERATION CORPORATION 3 ONE MEMBER LIMITED LIABILITY COMPANY
Head office:	Phu My 1 industrial zone, Phu My town, Tan Thanh district, Ba Ria – Vung Tau province, Vietnam
Number of shares offered in the IPO:	<b>267,051,900 shares</b>
Type of issuing shares:	Ordinary shares
Par value:	10.000 đồng
Starting price:	<b>24,600 VND/share</b>
Allocation method:	Public auction
Expected charter capital:	<b>20,809,000,000,000 VND</b>

*Source: the Equitization plan of EVNGENCO 3*

### 2. Expected shareholder structure:

No.	Shareholders	Number of shares (share)	Par value (VND)	% ownership
1	EVN	1,061,300,000	10,613,000,000,000	51.00
2	Employees	3,424,100	34,241,000,000	0.1645
2.1	Employees who purchase shares at preferential price	1,544,300	15,443,000,000	0.0742
2.2	Employees with long-term working commitment	1,879,800	18,798,000,000	0.0903
3	Public investors (IPO)	267,051,900	2,670,519,000,000	12.8355
4	Strategic investors	749,124,000	7,491,240,000,000	36.00
	<b>Total</b>	<b>2,080,900,000</b>	<b>20,809,000,000,000</b>	<b>100</b>

*Source: the Equitization plan of EVNGENCO 3*

- **Auction method:** Public auction at Hochiminh Stock Exchange.

- **Participants:** Domestic and international organizations and individuals who meet the conditions of the Auction Regulation for the initial public offering of EVNGENCO 3.
- **The Prospectus is provided by:** auction agents as stated in the Auction Regulation for the initial public offering of EVNGENCO 3. The Prospectus is also available on the following websites: [www.hsx.vn](http://www.hsx.vn), [www.vcsc.com.vn](http://www.vcsc.com.vn), [www.evnfc.vn](http://www.evnfc.vn), [www.evn.com.vn](http://www.evn.com.vn), [www.genco3.com](http://www.genco3.com) and the websites of the auction agents.
- **Registration locations:** at auction agents as stated in the Auction Regulation for the initial public offering of EVNGENCO 3.
- **Time for application form submission, deposit and receiving auction certificate:** as stipulated in the Auction Regulation for the initial public offering of EVNGENCO 3.
- **Deposit regulation:** as stipulated in the Auction Regulation for the initial public offering of EVNGENCO 3.
- **Time for auction agents to receive auction certificates:** as stipulated in the Auction Regulation for the initial public offering of EVNGENCO 3.
- **Auction location:**

#### **HOCHIMINH STOCK EXCHANGE**

Address: No. 16 Vo Van Kiet, district 1, Ho Chi Minh city, Vietnam

Phone: (028) 3821 7713

Fax: (028) 3821 7452

- **Payment method, time for payment if successfully acquiring shares and deposit repayment if not successfully acquiring shares:** as stipulated in the Auction Regulation for the initial public offering of EVNGENCO 3.

## **PART 2: GENERAL INFORMATION OF THE AUCTION**

### **1. LEGAL BASIS OF THE AUCTION**

#### **1.1. Legal basis for the equitization of state-owned enterprises**

- Decree No. 59/2011/ND-CP dated 18/07/2011 by the Government of Vietnam on transformation of enterprises with 100% state capital into joint-stock companies;
- Decree No. 189/2013/ND-CP dated 20/11/2013 by the Government of Vietnam on Amendments and supplements to some articles of Decree No 59/2011/ND-CP dated July 18, 2011 of the government on transformation of wholly state-owned enterprises into joint-stock companies;
- Decree No. 116/2015/ND-CP dated 11/11/2015 by the Government of Vietnam on Amendments and supplements to some articles of Decree No. 59/2011/ND-CP dated 18/7/2011 on transformation of wholly state-owned enterprises into joint-stock companies;
- Circular No. 127/2014/TT-BTC dated 05/09/2014 by the Ministry of Finance on Instructions on financial settlement and business valuation in transformation of wholly state-owned enterprises into joint-stock companies;
- Circular No. 196/2011/TT-BTC dated 26/12/2011 by the Ministry of Finance on Guiding the initial sale of shares and the management and use of proceeds from the equitization of enterprises with 100% state capital into joint-stock companies;
- Circular No. 115/2016/TT-BTC dated 30/06/2016 by Ministry of Finance on Amending and adding some articles of the circular No. 196/2011/TT-BTC dated 26/12/2011 of the Ministry of Finance guiding the initial sale of shares and management and use of proceeds from equitization of wholly state-owned enterprises;
- Circular No. 33/2012/TT-BLDTBXH dated 20/12/2012 by the Ministry of Labor - Invalids and Social Affairs on Guiding the implementation of policies for employees under Decree No. 59/2011/NĐ-CP dated July 18th 2011 by the Government of Vietnam on transformation of stated-owned enterprises into joint-stock companies;
- Decision No. 817/QĐ-BLDTBXH dated 28/5/2013 by Ministry of Labor - Invalids and Social Affairs on Corrections of Circular No. 33/2012/TT-BLDTBXH dated 20/12/2012 by the Ministry of Labor - Invalids and Social Affairs on Guiding the implementation of policies for employees under Decree No. 59/2011/NĐ-CP dated July 18th 2011 by the Government of Vietnam on transformation of stated-owned enterprises into joint-stock;
- Decision No. 58/2016/QĐ-TTg dated 28/12/2016 by Prime Minister on Criteria for classification of wholly state-owned enterprises, partially state-owned enterprises and list of state-owned enterprises undergoing restructuring in 2016 – 2020;
- Decision No. 51/2014/QĐ-TTg dated 15/9/2014 by Prime Minister on a number of contents on capital withdrawal, share sale, trading and listing registration on securities market of state-owned businesses;



## **1.2. Legal basis for the equitization of EVNGENCO 3**

- Decision No. 1782/QD-TTg dated 23/11/2012 of the Prime Minister on Approving the project on restructuring of EVN in the 2012-2015 period.
- Announcement No. 227/TB-VPCP dated 02/7/2013 of the Government Office on the conclusion of the Prime Minister on further sale of state capital in equitized enterprises, in which it states that “continuing to sell state capital in equitized state-owned enterprises which is not the major stake that State needs to hold. The ministries, the People's Committees of provinces and cities directly under the Central Government, state owned economic groups and corporations shall base on laws, the market and production and business situation to conduct plans to carry out the divestment of state capital in these enterprises effectively.
- Decision No. 852/QD-TTg dated 14/6/2017 of the Prime Minister on approving the master plan on reorganization and restructure of enterprises under EVN in the 2017 - 2020 period.
- Document No. 7738/VPCP-DMDN dated 03/10/2014 by the Government Office on the equitization of Electricity Generation Corporation under the EVN.
- Document No. 8974/VPCP-DMDN dated 02/11/2015 of the Government Office on the mechanism before equitization of Electricity Generation Corporations of EVN.
- Decision No. 9494/QD-BCT dated 22/10/2014 of the Ministry of Industry and Trade on the equitization of EVNGENCO 3 – the parent company.
- Regarding Steering Committee: Decision No. 822/QD-EVN dated 04/12/2014 of EVN on the establishment of the Steering Committee for equitization of EVNGENCO 3 - the Parent Company; Decision No. 88/QD-EVN dated 06/4/2015 on replacement of Head of Equitization Steering Committee, Decision No. 128/QD-EVN dated 20/7/2015 on replacement of Deputy Head of Equitization Steering Committee and other Decisions on replacing/adding members of Equitization Steering Committee: Decision No. 233/QD-HDTV dated 16/12/2015, Decision No 34/QD-EVN dated 10/3/2016, Decision No. 100/QD-EVN dated 19/5/2016, Decision No. 80/QD-EVN dated 02/6/2017, Decision No. 68/QD-EVN dated 16/5/2017.
- Regarding to the Assisting Team: Decision No. 823/QD-EVN dated 04/12/2014 by EVN on the establishment of the Assisting Team; Decisions on adding members of the Assisting Team includes: Decision No. 87/QD-EVN dated 06/4/2015, Decision No. 129/QD-EVN

dated 20/7/2015, Decision No. 18/QD-EVN dated 05/02/2016 and Decision 69/QD-EVN dated 16/5/2017.

- Document No. 1702/TTg-DMDN dated 28/9/2016 by the Prime Minister on requesting the State Audit to audit results of valuation and deal with financial issues prior to the publication of EVNGENCO 3's enterprise valuation.
- Document No. 341/KTNN-TH dated 15/8/2017 by the State Auditor on auditing the results of valuation and dealing with financial issues prior to the publication enterprise valuation.
- Decision No. 3396/QD-BCT dated 31/8/2017 of the Ministry of Industry and Trade on the valuation of EVNGENCO 3 – the Parent Company under EVN to be equitized.
- Decision No 2100/QD-TTg dated 27/12/2017 by Prime Minister on approving Equitization Plan of EVNGENCO 3 – the Parent Company (under EVN).
- Document No. 33 / BCT-TC dated 03/01/2018 by the Ministry of Industry and Trade on the implementation of the Prime Minister's Decision No. 2100 / QD-TTg dated 27/12/2017 on the equitization of EVNGENCO 3.

## **2. RELATED PARTIES OF THE AUCTION**

### **2.1. The Auctioneer**

#### **HOCHIMINH STOCK EXCHANGE**

Name : HOCHIMINH STOCK EXCHANGE

Head office : No. 16 Vo Van Kiet, district 1, Ho Chi Minh city, Vietnam

Tel : (028) 3821 7713

Fax : (028) 3821 7452

Website : [www.hsx.vn](http://www.hsx.vn)

### **2.2. The issuer**

#### **POWER GENERATION CORPORATION 3 ONE MEMBER LIMITED LIABILITY COMPANY**

English name : POWER GENERATION CORPORATION 3

Abbreviated name : EVNGENCO 3

Head office : Phu My 1 industrial zone, Phy My town, Tan Thanh district, Ba Ria – Vung Tau province, Vietnam

Tel : (0254) 387 6927  
Fax : (0254) 387 6930  
Website : www.genco3.com

### **2.3. The advisor**

#### **VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

Head office 15<sup>th</sup> Floor, Bitexco Financial Tower, No. 2 Hai Trieu St, Dist 1, HCMC

Tel (028) 3914 3588  
Fax (028) 3914 3209  
Website www.vcsc.com.vn

#### **Hanoi Branch**

Address 6<sup>th</sup> Floor, Capital Tower, No. 109 Tran Hung Dao St, Hoan Kiem Dist, Hanoi

Tel (024) 6262 6999  
Fax (024) 6278 2688

#### **EVN FINANCE JOINT STOCK COMPANY**

Address Address: level 14<sup>th</sup> 15<sup>th</sup> and 16<sup>th</sup> of Tower B of EVN Building, No. 11 Cua Bac, Truc Bach, Ba Dinh, Hanoi, Vietnam

Tel Phone: (024) 2222.9999  
Fax Fax: (024) 2222.1999  
Website www.evnfc.vn

### **3. ABBREVIATION AND GLOSSARY**

Abbreviation and glossary used in the prospectus are:

EVNGENCO 3	: Power Generation Corporation 3 One Member Limited Liability Company
The Corporation	: Power Generation Corporation 3 One Member Limited Liability Company
The Joint Stock Company	: Power Generation Joint Stock Corporation 3
EVN	Vietnam Electricity
PVN	: PetroVietnam Group
Ltd.,	: Limited company
JSC.	: Joint – stock company
ROA	: Return on total assets
ROE	: Return on equity
VND	: Vietnamese Dong

#### **4. FORWARD-LOOKING STATEMENTS**

This Prospectus contains a number of forward-looking statements regarding to plan, intention, belief, expectation and forecast of EVNGENCO 3's businesses, especially in the Part "Investment plans and development strategies of EVNGENCO 3 post equitization". Essentially, the forward-looking statements might not become actual in the future.

Forward-looking statements presented in this Prospectus include, but are not limited to:

- Post-equitization organizational structure;
- Capital structure;
- Post-equitization development plans and strategies.

In addition, the following statements are also forward-looking statements: the statements regarding to financial performance, targets, strategies, organization structure and operation post equitization; the cooperation and relationships between EVNGENCO 3 and strategic investors and the ability of the strategic investors to support EVNGENCO 3 to enhance business activities and to revolutionize in corporate governance; and EVNGENCO 3's plans and solutions. In some cases, EVNGENCO 3 uses the words "anticipate", "believe", "estimate", "expect", "intend", "may", "plan", "probability", "risk", "should" and similar expressions to identify forward-looking statements.

Though EVNGENCO 3 believes that the forward-looking statements are reasonable, these statements are not necessarily accurate indications of the future results.

Post equitization, except for the disclosures as requested by laws that are applied for joint-stock companies, public companies or listed companies, EVNGENCO 3 takes no obligation to update, disclose or revise any forward-looking statements in this Prospectus, even there are new information, future events or any other circumstances. The investors should pay attention to the above cautions when assessing the forward-looking statements presented in this Prospectus.

### **PART 3: OVERVIEW OF EVNGENCO 3 PRIOR TO THE EQUITIZATION**

#### **1. GENERAL INFORMATION OF THE EQUITIZED CORPORATION**

##### **1.1. General information**

Vietnamese name	: CONG TY TNHH MTV - TONG CONG TY PHAT DIEN 3
English name	: POWER GENERATION CORPORATION 3
Transaction name	: POWER GENERATION CORPORATION 3

Abbreviated name : EVNGENCO 3


Head office : Phu My 1 industrial zone, Phu My town, Tan Thanh district, Ba Ria – Vung Tau province, Vietnam

Tel : (0254) 387 6927

Fax : (0254) 387 6930

Email : genco3@evn.com.vn

Website : www.genco3.com

Logo :   
**EVNGENCO 3**

Certificate of business registration : 3502208399 first issued by the Department of Planning and Investment of Ba Ria – Vung Tau province on 26/11/2012, 3<sup>th</sup> amendment dated 27/02/2017

Charter capital according to Certificate of business registration No. 3502208399 first issued on 26/11/2012, 3<sup>rd</sup> amendment dated 27/02/2017 by Department of Planning and Investment of Ba Ria – Vung Tau province : **12.618.000.000.000 VND (in word: twelve thousand, six hundred and eighteen billion Vietnam Dong)**

Shareholder equity as in the audited financial statement 2016 (the Parent Company) : 10,561,944,694,725 VND (in word: ten thousand, five hundred and sixty one billion, nine hundred and forty four million, six hundred and ninety four thousand, seven hundred and twenty five Vietnam Dong)

## 1.2. Business activities

EVNGENCO 3's business activities are as follows:

No.	Industry
1	Power generation, transmission and distribution. Details: power generation; manufacturing and trading power machine.
2	Repair of electrical equipment. Details: repair, maintenance, overhaul, upgrade, renovation of electrical equipment, electricity construction.

3	Repair of machinery and equipment. Detail: Repair, maintenance mechanics.
4	Technical examination and analysis. Details: experiments, calibration, automation control of power production line, electrical experiments.
5	Architectural activities and related technical consultancy. Details: consultancy of production preparation for power plants; conducting construction investment plans; project management consultancy; investment management of construction works; supervise the construction of civil-industrial works; design of civil and industrial structure construction.
6	Other education are not classified. Details: training and development of human resources in operation management, maintenance and repair of power plant equipment (Enterprises are only allowed to operate when the Department of Labor, War Invalids and Social Affairs certificate eligible).
7	Other specialized sales are not classified. Details: trading fuel, raw materials, electrical materials and equipment.
8	Constructing other civil construction. Details: Construction and installation of constructions, including construction of civil engineering.
9	Construction of houses.
10	Other specialized construction activities.
11	Exploitation and collection of lignite.
12	Exploitation and collection of peat.
13	Exploitation and collection of hard coal.
14	Exploitation of natural gas.
15	Exploitation of crude oil.
16	Production of refined petroleum products. Details: processing crude oil.
17	Producing iron, steel, cast iron.
18	Trading in solid, liquid, gas fuel and related products.
19	Production of building materials from clay.

20	Production of cement, lime and plaster.
21	Manufacture of refractory products.
22	Wholesale fabrics, readymade garments, shoes. Detail: trading labor protection equipment.
23	Real estate, land use rights of owners, renting business. Detail: land and house renting.
24	Management and operation of electricity production lines, electricity constructions; exploiting and processing raw materials for electricity production; manufacture of glass-insulating materials; production of insulation and insulation materials.
25	Exploiting, processing and supplying water.

### **1.3. Main products and services**

Main product of EVNGENCO 3 is power generation.

### **1.4. Development history**

EVNGENCO 3 was established under Decision No. 3025/QĐ-BCT dated 01/06/2012 by Ministry of Industry and Trade and Certificate of business registration No. 3502208399 first issued by the Department of Planning and Investment of Ba Ria – Vung Tau province on 26/11/2012, 3<sup>rd</sup> amendment dated 27/02/2017, on the basis of the reorganization of Phu My Thermal Power One-member Limited Company, accounting dependent power generation units, power project management boards and the receipt of the right to represent state capital owners at a number of power generation companies under EVN which are operating under the Enterprise Law.

The milestones in the development history of EVNGENCO 3 are as follows:

- 2013: establish (1) Vinh Tan Thermal Power Company, (2) Project Management Committee of Thai Binh Thermal Power Project
- 2014: establish internal supervision board of EVNGENCO 3; hand over Hydropower 1 Project Management Committee and Huoi quang – Ban Chat Hydropower Company to EVN.
- 2015: establish Mong Duong Thermal Power Company (co Project Management Committee of Thermal 1); receive Thu Duc Thermal Power One Member Limited Liability Company from EVNGENCO 2; transfer the developer of Vinh Tan 4 Project to EVN from 1/2/2015.

- 2016: establish (1) Power Service Company, (2) Phu My Thermal Power Company, (3) Safety Division (spin off from Technical – Production Division).

- 2017: establish Thai Binh Thermal Power Company (co Project Management Committee of Thai Binh Project); change the name of Investment – Construction Department to Construction Investment Management Department ; change the name to Internal Supervision Department to Internal Audit and Finance Supervision Department; dissolve International Relation Department.

### **1.5. Management and organization structure**

EVNGENCO 3 - the Parent Company is a one member limited liability company, operates in the form of parent company - subsidiary, 100% owned by EVN, being established on the basis of the reorganization of Phu My Thermal Power One-member Limited Company, accounting dependent power generation units, power project management boards and the receipt of the right to represent state capital owners at a number of power generation companies under EVN.

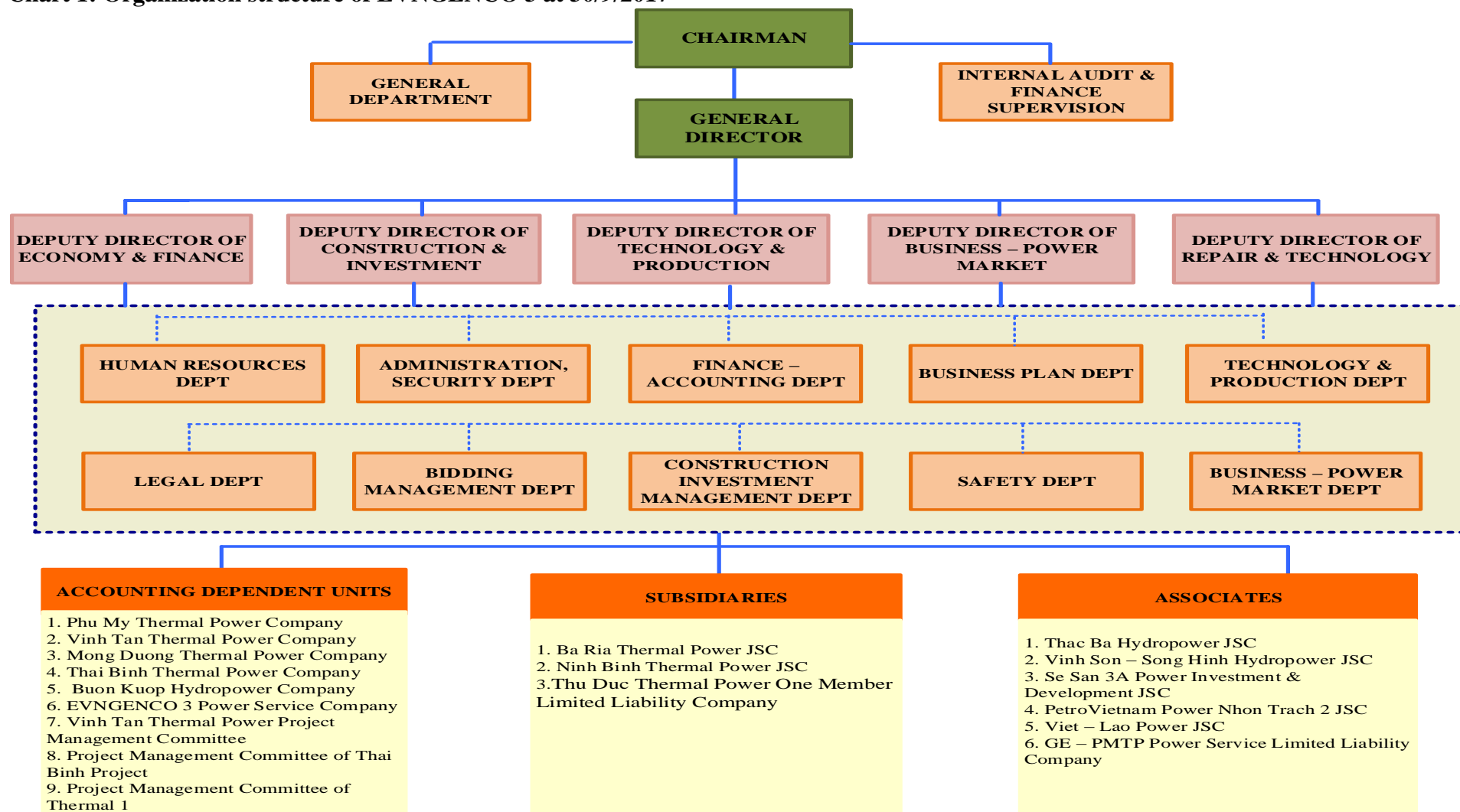
EVNGENCO 3 operates under the Law on Enterprises, has legal status, company seal, logo, organization and operation charter, branches and representative offices in accordance with the laws, is able to open account in State Treasury and banks; directly carries out business activities and invests capital in subsidiaries and associates.

Management structure of EVNGENCO 3 consists of: Chairman of EVNGENCO 3; CEO; Inspectorss; Deputy General Directors; Chief Accountant and Advisory Team, which are as follows:

- Management system consists of: Chairman; CEO; 05 Deputy General Director in charge of: Economics - Finance, Engineering - Manufacturing, Investment - Construction, Business - Power Market, Repair and Technology.
- Twelve functional departments, comprise of: Human Resources & Organization; Administration – Inspectorate and Security; Legal; Finance and accounting, Planning; Technical - Production; Bidding Management; Construction Investment Management; Trading – Power Market; Safety; General; Internal Audit and Financial Supervision Department.



**Chart 1: Organization structure of EVNGENCO 3 at 30/9/2017**



## 1.6. Dependent units, subsidiaries, affiliates and long-term financial investments

### 1.6.1. Dependent units

**Table 1: List of EVNGENCO 3's dependent units at 30/09/2017**

No.	Dependent unit	Capacity (MW)	Note
1	Phu My Thermal Power Company	2,540	Operation management of 4 gas thermal power plants: Phu My 1, Phu My 4, Phu My 2.1 and Phu My 2.1MR.
2	Buon Kuop Hydropower Company	586	Operation management of 3 power plants: Buon Kuop, Buon Tua Srah, Srepok 3.
3	Vinh Tan Thermal Power Company	1,244	Operation management of Vinh Tan 2 coal thermal power plant.
4	Mong Duong Thermal Power Company co Project Management Committee of Thermal 1	1,080	Operation management of Mong Duong 1 coal thermal power plant co Project Management Committee of Thermal 1 Project. Project Management Committee of Thermal 1 is expected to be dissolved after completion of the finalization of Mong Duong 1 Thermal Power Project if there is no new investment project.
5	Thai Binh Thermal Power Company co Project Management Committee of Thai Binh Project	-	Operate management of power plant co Project Management Committee of Thai Binh 1 coal thermal power plant. Project Management Committee of Thai Binh Project is expected to be dissolved after completion of the finalization of Thai Binh Thermal Power Project if there is no new investment project.
6	EVNGENCO 3 Power Service Company	-	Provides repair services for power plants.
7	Vinh Tan Thermal Power Project	-	Project management of Vinh Tan 2 thermal power plant; Vinh Tan Power Center and

	Management Committee		infrastructure; representative of the Project Management Consultant (EVNGENCO 3) to implement project management of Vinh Tan 4 and Extended Vinh Tan 4 thermal power project management for EVN.
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Source: EVNGENCO 3

### 1.6.2. Subsidiaries and affiliates

**Table 2: List of EVNGENCO 3's subsidiaries at 30/09/2017**

No.	Company	Capacity (MB)	Charter capital (Mil VND)	Capital of EVNGENCO 3 (Mil VND)	% ownership of EVNGENCO 3 (%)	Main businesses
1	Ba Ria Thermal Power JSC	390	604,856	481,236	79.56	Power generation
2	Ninh Binh Thermal Power JSC	100	128,655	70,454	54.76	Power generation
3	Thu Duc Thermal Power One Member Limited Liability Company	240	100,000	118,810 (*)	100	Power generation

Note: (\*) according to the financial statement of the second quarter of 2017 of Thu Duc Thermal Power One Member Limited Liability Company.

According to the Prime Minister's Decision No. 2100 / QĐ-TTg and Official Letter No. 33 / BCT-TC, Thu Duc Thermal Power Co., Ltd is transferred from EVNGENCO 3 to EVN at 0h on 01/01/2018.

Source: EVNGENCO 3

**Table 5: List of EVNGENCO 3's affiliates at 30/06/2017**

Company	Capacity (MB)	Charter capital (Mil VND)	Capital of EVNGENCO 3 (Mil VND)	% ownership of EVNGENCO 3 (%)	Main businesses
Thac Ba Hydropower JSC	120	635,000	190,500	30	Power generation
Vinh Son – Song Tinh Hydropower	136	2,062,412	517,058	30.55	Power generation

JSC					
Se San 3A Power Investment & Development JSC	108	280,000	84,000	30	Power generation
PetroVietnam Power Nhon Trach 2 JSC	750	2.878.760	64,000	2.5	Power generation
Viet – Lao Power JSC	651	3,250,000	19,600	0.60	Power generation
GE – PMTP Power Service Limited Liability Company	-	496,424	74,464	15	Power services

*Source: EVNGENCO 3*

## **1.7. Operating power plants of EVNGENCO 3**

### ***1.7.1. Gas – fired power plants***

- **Power plants of Phu My thermal power (2,540 MW):** The first tourbine came into operation in 1997. After investment and development period, total capacity of these plants is now 2,540MW. Phu My power plants operate stably and reliably and contribute an average annual electricity output of more than 16 billion kWh, accounting for more than 50% of the total electricity output of the Corporation.

### ***1.7.2. Coal – fired power plants***

- **Vinh Tan 2 thermal power plant (1,244 MW):** put into operation from the first quarter of 2015. This is the first large-scale coal-fired power plant operates in the South. Since the plant was put into operation, the plant has responded well to mobilization method, contributing significantly to the supply of electricity to the southern key area from dry season of 2015.
- **Mong Duong 1 thermal power plant (1,080 MW):** put into operation from the fourth quarter of 2015. This is a large-scale, stable and reliable operation coal-fired power plant and well responds to mobilization method of Dispatching of power system.

### ***1.7.3. Hydropower plants***

- **Power plants of Buon Kuop Hydropower Company (586 MW):** put into operation in 2010 and operating stably. In the recent years, besides operating with high economic efficiency, the plants also well participated in the water supply in downstream in the dry season and close coordinated to ensure safety in the rainy season.

#### **1.8. Total number of employees moved to the Joint Stock Company**

To enhance the efficiency of production, promote the capacity of laborers after moving to the Joint Stock Company; Based on the current situation and the need to use labor in accordance with the business plan of EVNGENCO 3 after being transformed into a joint stock company in accordance with the provisions of Labor Law, EVNGENCO 3 has the expected plan for using labor after equitization is as follows:

- Total number of employees at the time of announcing the enterprise value: 2,478.
- Employees that stop working at the time of announcing the enterprise value: 0.
- Number of employees moving to the Joint Stock Company: 2,478.

Details are as below:

**Table 4: Labor structure moved to the Joint Stock Company**

<b>Breakdown by</b>	<b>Number of employees</b>	<b>%</b>
<b>Education</b>	<b>2,478</b>	<b>100</b>
- Postgraduate	45	1.82
- Bachelor	1,200	48.43
- College	809	32.65
- Manual workers	190	7.66
- Technical workers	234	9.44
<b>Labor contract</b>	<b>2,478</b>	<b>100</b>
- Non-compulsory contracts	8	0.32
- Indefinite contracts	1,613	65.09
- 1-3 year contracts	791	31.93
- Seasonal contracts	66	2.66
<b>Gender</b>	<b>2,478</b>	<b>100</b>
- Male	2,072	83.62

<b>Breakdown by</b>	<b>Number of employees</b>	<b>%</b>
- Female	406	16.38

*Source: Equitization plan of EVNGENCO 3*

**Note:**

- *The labor includes the labor of the dependent units of EVNGENCO 3: Thai Binh thermal power company cum Project Management Committee of Thai Binh Project, employees of Vinh Tan 4 thermal power plant managed by EVNGENCO 3 for project management consulting of Thai Binh thermal power plant and Vinh Tan 4 thermal power plant which are funded by EVN.*
- *After equitization, pursuant to the Decision No. 852/QĐ-TTg dated 14/6/2017 of the Prime Minister and Decision No.138/QĐ-EVN dated 31/7/2017 of EVN, EVNGENCO 3 hands over the employees of these units to EVN according to EVN's direction in the coming time.*

### **1.9. Evaluation of the quality of human resources**

The human resources of EVNGENCO 3 has been improved both in quantity and quality through active and scientific training strategies that are suitable to each stage of EVNGENCO 3 development. EVNGENCO 3 is considered as a leading unit in EVN through meeting/exceeding targets of performance assigned annual goals, employees have bachelor degree are majority, young employees (under 40 years old) account for a large proportion (67%) of total employment - this is the gold age to perform the work of highest efficiency, capable of contributing significantly to the results of general production and business; is the core factor for sustainable development of the Corporation in accordance with the objectives set out.

Managers and professional staffs have been trained in practice together with the efforts and responsibilities of each individual in self-learning and have met the new requirements of work, confident, bravery, professional in solving problems, especially in complex situations, difficult, drastic, fast catching changes to adapt in time.

EVNGENCO 3 has built up and developed a team of highly skilled technicians who have a lot of experience and are well trained in advanced technologies. Currently, this team reaches expert level in operation and repair (gradually replaced the foreign experts in overhauls, reducing the cost of repairs and increasing the efficiency of EVNGENCO 3); the labor force is highly disciplined and professional working in cooperating with foreign customers and partners, take initiative in everything from simple to complex.

It can be confirmed that EVNGENCO 3 has built up a team of highly qualified, skilled employees who are willing to adapt quickly in all activities.

## **2. ENTERPRISE VALUE AND STATE CAPITAL VALUE**

### **2.1. The actual enterprise value and the actual state capital value in the enterprise**

According to:

- Decision No. 9494/QD-BCT dated 22/10/2014 of the Minister of Industry and Trade on the equitization of EVNGENCO 3 - the Parent Company, specifying: The time of enterprise valuation is at 0h00' on 1/1/2015, the Board of Members of EVN issued Decision No. 124/QD-EVN dated 30/06/2015 on the value of enterprises to equitize EVNGENCO 3 - the Parent Company (at 0h00' on 01/01/2015).
- Decision No. 1500/QD-BCT dated 19/04/2016 of the Ministry of Industry and Trade on approving the enterprises value of EVNGENCO 3 - the Parent Company.
- Audit Report No. 341/KTNN-TH dated 15/8/2017 of the State Audit;
- According to Decision No. 3396/QD-BCT dated 31/8/2017 of the Ministry of Industry and Trade on announcement of the valuation of EVNGENCO 3 - the Parent Company under EVN for equitization (replace Decision 1500/QD-BCT)
- Pursuant to Decision No. 2100/QD-TTg dated 27/12/2017 of the Prime Minister on approving the equitization plan of EVNGENCO 3 - the Parent Company (under EVN).

**The actual value of EVNGENCO 3 is VND 92,941,120,044,597 and the actual state capital value in the enterprise is VND 26,108,306,174,814 at 0h00' on 01/01/2015.**

EVNGENCO 3 - the Parent Company does not have to adjust the book value according to the enterprise valuation result when building the charter capital of the joint-stock company in the Equitization Plan and use the enterprise valuation result for setting starting price when conducting the IPO.

**Table 5: Enterprise Value approved in Decision No. 3396/QD-BCT dated 31/8/2017 of Ministry of Industry and Trade**

<b>No.</b>	<b>Item</b>	<b>Book value (*)</b>	<b>Valuation</b>	<b>Difference</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5 = 4-3</b>
<b>A</b>	<b>IN USE ASSETS (I+II+III+IV)</b>	<b>77,446,366,205,301</b>	<b>92,941,120,044,597</b>	<b>15,494,753,839,296</b>
<b>I</b>	<b>Long – term assets and investments</b>	<b>70,804,168,676,860</b>	<b>86,227,067,022,304</b>	<b>15,422,898,345,444</b>
<i>1</i>	<i>Fixed assets</i>	<i>69,256,616,652,590</i>	<i>83,521,987,570,011</i>	<i>14,265,370,917,421</i>
a.	Tangible fixed assets	13,139,920,573,530	27,405,291,490,951	14,265,370,917,421
b.	Intangible fixed assets (exclude land use rights)	2,183,408,990	2,183,408,990	-
c.	Construction in progress	56,114,512,670,070	56,114,512,670,070	-
<i>2</i>	<i>Long – term financial investments</i>	<i>1,501,311,982,438</i>	<i>2,650,884,023,031</i>	<i>1,149,572,040,593</i>
<i>3</i>	<i>Other long – term assets</i>	<i>46,240,041,832</i>	<i>54,195,429,262</i>	<i>7,955,387,430</i>
<b>II</b>	<b>Short – term assets</b>	<b>6,575,735,755,974</b>	<b>6,587,552,899,163</b>	<b>11,817,143,189</b>
<i>1</i>	<i>Cash</i>	<i>1,857,589,057,151</i>	<i>1,857,590,475,460</i>	<i>1,418,309</i>
a.	Cash in hand	823,664,349	824,140,600	476,251
b.	Cash in banks (including cash equivalent)	1,856,765,392,802	1,856,766,334,860	942,058
<i>2</i>	<i>Short – term financial investments</i>	<i>430,000,000,000</i>	<i>430,000,000,000</i>	<i>-</i>
<i>3</i>	<i>Receivables</i>	<i>2,333,674,808,183</i>	<i>2,333,674,808,183</i>	<i>-</i>
<i>4</i>	<i>Inventories</i>	<i>1,504,037,639,503</i>	<i>1,515,853,364,383</i>	<i>11,815,724,880</i>
<i>5</i>	<i>Other current assets</i>	<i>450,434,251,137</i>	<i>450,434,251,137</i>	<i>-</i>
<b>III</b>	<b>Goodwill</b>	-	<b>7,664,679,888</b>	<b>7,664,679,888</b>
<b>IV</b>	<b>Land use rights</b>	<b>66,461,772,467</b>	<b>118,835,443,242</b>	<b>52,373,670,775</b>



<b>B</b>	<b>ASSETS WAITING FOR LIQUIDATION</b>	-	-	-
<b>C</b>	<b>ASSETS FORMED BY BONUS AND WELFARE FUNDS</b>	1,570,222,979	1,570,222,979	-
	<b>TOTAL ASSET VALUE (A+B+C+D)</b>	<b>77,447,936,428,280</b>	<b>92,942,690,267,576</b>	<b>15,494,753,839,296</b>
	In which:			
	<b>TOTAL ACTUAL VALUE OF ENTERPRISE (A)</b>	<b>77,446,366,205,301</b>	<b>92,941,120,044,597</b>	<b>15,494,753,839,296</b>
<b>D</b>	<b>LIABILITIES</b>	<b>67,668,907,043,766</b>	<b>67,668,907,043,766</b>	
<b>D1</b>	<b>Actual liabilities</b>	<b>67,668,907,043,766</b>	<b>67,668,907,043,766</b>	-
<b>D2</b>	<b>Welfare fund forming assets</b>		-	
<b>E</b>	<b>LOSSES OF EXCHANGE RATE DIFFERENCE IN CAPITAL CONSTRUCTION PHASE</b>	(836,093,173,983)	(836,093,173,983)	-
	<b>TOTAL VALUE OF STATE CAPITAL AT THE ENTERPRISE (A-D- E)</b>	<b>10,613,552,335,518</b>	<b>26,108,306,174,814</b>	<b>15,494,753,839,296</b>

Source: Equitization plan of EVNGENCO 3

Note: (\*) book value after the financial adjustment of State Audit.

Changes in assets and capital from the time of enterprise valuation (0h on 01/01/2015) to the time of transfer to the joint stock company will be taken into account upon equitization settlement. Assets excluded from enterprise value

Assets excluded from enterprise value are:

- Assets from Bonus & welfare funds: VND 1,570,222,979.
- Assets waiting for transferring to EVN: The value of the Vinh Tan 4 Thermal Power Plant Project and the assets owned by the Hydropower Project 5 Management Committee, totaling VND3,459,822,158,334.
- Thu Duc thermal power plant one member limited liability company will be handed over to EVN in accordance with Official Letter No. 33 / BCT-TC dated 03/01/2018 of the Ministry of Industry and Trade from 0h on 01/01/2018.

## **2.2. Some issues that need to be noted in relation to enterprise value for equitization**

- For valuation of land use rights: By August 2017 (after the enterprise valuation date), the People's Committee of Ba Ria - Vung Tau Province, the People's Committee of Dak Lak and the People's Committee of Binh Thuan province have written approved land use plan, whereby the land area of management buildings of PM1, PM4, operation management buildings of Buon Kuop Hydropower Company transferred from land allocation to land lease with annual rent payment. Hence, the value of land use right of these lands is not included in the value of the enterprise. Accordingly, the actual enterprise value decreased compared with Decision No. 3396/QD-BCT dated 31/8/2017 by VND 51,930,083,095.
  - According to the land use plan approved by Principal People's Committees, EVNGENCO 3 will use the land in the form of annual land lease; 01 land area which is the head office of Vinh Tan Project Management Committee in Phan Thiet, Binh Thuan province is the allocate land with land use fee. For the land of EVNGENCO 3 that land use form is land allocation with the land use fee, the value of this land has been included in the value of EVNGENCO 3 for equitization according to regulations.
  - For lake bed land: the current laws do not stipulate the allocation/lease of land with water surface is hydropower reservoir (land of the hydropower reservoir) for the management and operation organization, thus, the Corporation does not include the use of the land of the hydropower reservoir in the land use plan when equitizing as the provinces' opinion. (According to Document No. 4007/BTNMT-TCQLDD dated 15/9/2016 of the Ministry of Natural Resources and Environment: land for reservoirs of hydropower is the land with specialized water surface, allocated by the Government to combine with the use of off-farm or off-farm purposes combined with aquaculture and capture fisheries.

- Taxes and payables to the Government (at 0h00' on 01/01/2015): Taxes and payables to the Government are as the reporting of EVNGENCO 3 as there is no tax settlement report. These amounts will be adjusted according to the tax settlement figures of the tax office at the time of official transformation into a joint stock company.
- Loss of foreign exchange difference in the period of capital construction with the amount of VND 836,093 million is not deducted from the state capital at EVNGENCO 3. The loss is presented in the balance sheet on 31/12/2014 of EVNGENCO 3 in the foreign exchange difference item under the Owner's equity.
- The credit contract signed between EVNGENCO 3 and EVN Finance JSC on financing for Ban Chat Hydropower project with credit line of USD 15,000,000. The outstanding loan balance as of 31/12/2016 is: 14,487,380.01 USD. The project's developer is changed from EVNGENCO 3 to, EVN is monitoring the contract and repaying the loan. The loan will be transfer the subject to EVN when the conditions are met as regulation.

### 3. EVNGENCO 3'S ASSETS PRIOR TO EQUITIZATION

#### 3.1. Fixed assets

**Table 6: Fixed assets of EVNGENCO 3 – the Parent Company at 31/12/2016**

*Unit: million VND*

No.	Assets	Cost	Accumulated depreciation and amortization	Net assets	Net assets/cost (%)
<b>I</b>	<b>Tangible fixed assets</b>	<b>105,250,375</b>	<b>43,934,303</b>	<b>61,316,072</b>	<b>58.3</b>
1	Buildings	18,718,332	5,184,029	13,534,303	72.3
2	Equipment	79,761,424	36,474,850	43,286,574	54.3
3	Transportation vehicle	6,687,080	2,236,218	4,450,862	66.6
4	Office tools	77,258	37,459	39,799	51.5
5	Other fixed assets	6,281	1,748	4,533	72.2
<b>II</b>	<b>Intangible fixed assets</b>	<b>79,377</b>	<b>11,915</b>	<b>67,462</b>	<b>85.0</b>
1	Land use rights	64,452	6,099	58,353	90.5
2	Computer software	11,154	2,314	8,839	79.2
3	Copyright of technology transfer	3,771	3,501	270	7.2

<b>Total</b>	<b>105,329,752</b>	<b>43,946,218</b>	<b>61,383,534</b>	<b>58.3</b>
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*Source: audited financial statement 2016 of EVNGENCO 3 – the Parent Company*

### **3.2. Lands that are managed and used by EVNGENCO 3**

Lands that are managed and used by EVNGENCO 3 consist of:

**Table 9: Current situation of lands that EVNGENCO 3 is utilizing**

<b>No.</b>	<b>Managed by</b>	<b>Area (m2)</b>	<b>Form of land using</b>	<b>Tenor</b>
1	EVNGENCO 3	1,057,520.5	Land lease, land allocation, land use rights transfer	50 years, long - term
1.1	Phu My thermal power plants; Cooling water drainage; Phu My 4 operation management (land use certificate AG 184695; AK 287464; BN 981051)	984,782	Land lease, land allocation, land use rights transfer	50 years
1.2	Phu My 1 operation management; Phu My 4 operation management (land use certificate AK 287443)	72,738.5	land allocation	Long-term
2	Buon Kuop Hydropower Company	64,576,057.4	Land lease, land allocation	50 years, 70 years
2.1	Buon Kuop, Buon Tua Srah and Srepok 3 hydropower plants- Dak Lak province	1,477,979	Land lease	70 years
2.2	Buon Kuop Hydropower Plant, Buon Tua Srah and Srepok 3 - Dak Nong province, Operation management area	875,677.9	Land lease Land allocation	50 years
2.3	The reservoir of Buon Kuop Hydropower Plant, Buon Tua Srah and Srepok 3 - Dak Lak province	35,500,427	Land allocation	70 years
2.4	The reservoir of Buon Kuop Hydropower Plant, Buon Tua	26,751,928,5	Land allocation	50 years

	Srah and Srepok 3 - Dak Nong, Lam Dong provinces			
3	Vinh Tan Thermal Power Project Management Committee/ Vinh Tan Thermal Power Company	3,712,845.4	Land lease, land allocation	50 years, 70 years
	Coal port; Vinh Tan 2 plant; Road to slag yards; Operation management area	3,675,823.1	Land lease	70 years
	Headquarter Infrastructure;	37,022.3	Land allocation Land lease	50 years
4	Project Management Committee of Thermal 1/ Mong Duong Thermal Power Company	4,044,500	Land lease with annual fee payment	25 years

#### **4. BUSINESS PERFORMANCE PRIOR TO EQUITIZATION**

##### **4.1. Business performance**

###### **4.1.1. Power generation**

In the period of 2014 - 2016, EVNGENCO 3's electricity output grew at an average annual rate of 14%. EVNGENCO 3's new power investment projects have been completed and put into operation, contributed to ensure sufficient electricity supply for the development of Socio-economics, especially contributed to ensure electricity supply for the South.

Total output of EVNGENCO 3 – the Parent Company in the period of 2014 - 2017 was 119,328 million kWh, the average electricity output in the 4 years is about 29,832 million kWh per year:

**Table 8: Total electricity output from 2014 - 2017***Unit: million kWh*

<b>Year</b>	<b>Total (2014- 2017)</b>	<b>Average/year (2014-2017)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Total output</b>	<b>119,328</b>	<b>29,832</b>	<b>24,014</b>	<b>28,516</b>	<b>33,654</b>	<b>33,144</b>
<b>The Parent Company</b>	<b>105,839</b>	<b>26,460</b>	<b>20,401</b>	<b>25,133</b>	<b>30,509</b>	<b>29,795</b>
Phu My	67,095	16,774	17,183	17,870	16,317	15,724
Buon Kuop	9,716	2,429	2,403	1,551	2,171	3,591
Vinh Tan	17,999	4,500	0	5,146(*)	7,106	5,747
Mong Duong	10,214	2,554	0	566(*)	4,915	4,733
Ban Chat	815	408	815	0	0	0
<b>Subsidiaries</b>	<b>7,443</b>	<b>1,861</b>	<b>2,056</b>	<b>2,023</b>	<b>1,811</b>	<b>1,554</b>
Ba Ria	5,898	1,475	1,507	1,696	1,470	1,225
Ninh Binh	1,503	376	536	327	312	328
Thu Duc	42	21	13	0,27	29	0,47
<b>Associates</b>	<b>6,046</b>	<b>1,512</b>	<b>1,557</b>	<b>1,360</b>	<b>1,335</b>	<b>1,796</b>
Thac Ba	1,528	382	391	342	304	491
Vinh Son - Song Hinh	2,899	725	681	674	679	865
Se San 3A	1,619	405	485	344	351	439

*Note: (\*) Power output from Vinh Tan and Mong Duong is accounted from the time of handing over commercial operation (Vinh Tan: Unit 1: 01/2015, Unit 2: 03/2015; Mong Duong: Unit 1: 10/2015; Unit 2: 12/2015).*

Capacity of EVNGENCO 3's plants: Total installed capacity of EVNGENCO 3 (excluding PV Power Nhon Trach 2 JSC and Viet - Lao Electricity JSC) is 6,543 MW (of which total capacity of its dependent units is 5,450 MW ~ 13% of the total installed capacity of the entire power system, the remaining is of subsidiaries and associates). By type of plants of EVNGENCO 3, hydropower accounts for about 2.26%, coal thermal power is about 5.77%, gas turbine accounts for about 6.97% of total capacity of the entire power system.

Of the total capacity of EVNGENCO 3, gas turbine accounts for 44.77%, coal thermal power is 37.04% and hydropower is 14.52%.

**Table 9: total installed capacity of EVNGENCO 3's power plants**

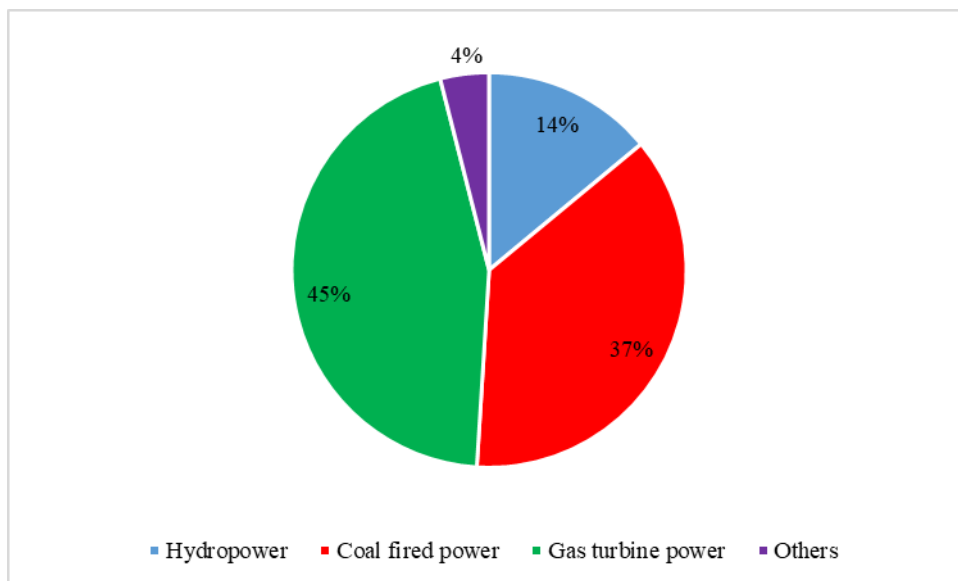
<b>EVNGENCO 3</b>	<b>Type</b>	<b>Relationship</b>	<b>% ownership of EVNGENCO 3</b>	<b>Installed capacity (MW)</b>	<b>Year of operation</b>
Phu My power plants	Gas turbine	Dependent	100%	2,540	1997-2005
Vinh Tan 2 thermal power plant	Coal fire	Dependent	100%	1,244	2015
Mong Duong 1 thermal power plant	Coal fire	Dependent	100%	1,080	2015
Buon Kuop hydropower plants	Hydropower	Dependent	100%	586	2009
Ba Ria thermal power plant	Gas turbine	Subsidiary	79.56%	389	1992-2002
Ninh Binh thermal power plant	Coal fire	Subsidiary	54.76%	100	1974-1976
Thu Duc thermal power plant	Oil fire	Subsidiary	100%	240	1966-1992
Thac Ba hydropower plant	Hydropower	Associate	30%	120	1971-1975
Vinh Son – Song Hinh hydropower plant	Hydropower	Associate	30.55%	136	1994
Se San 3A hydropower plant	Hydropower	Associate	30%	108	2006
<b>Total</b>				<b>6,543</b>	

**Table 10: Capacity breakdown by type of power plants**

<b>Type</b>	<b>Total industry</b>	<b>EVNGENCO 3</b>
Hydropower	43.3%	2.26%
Coal fire	33.0%	5.77%
Gas turbine, steam	20.5%	6.97%
Others	3.1%	0.57%
<b>Total</b>	<b>100%</b>	<b>15.57%</b>

*Source: EVNGENCO 3*

**Chart 2: Capacity breakdown by type of power plants of EVNGENCO 3**



*Source: EVNGENCO 3*

#### **4.1.2. Input fuel**

##### **Fuels for gas power plants:**

Phu My power plants use gas as the main fuel and DO oil as the back up fuel. Phu My Power Plant consumes gas from the sources of Nam Con Son gas and has supply contract to 2023, in addition, the plant also has gas supply contract with Cuu Long gas source.

According to the development plan for Vietnam's gas industry from now to 2025 and towards 2035, some new gas fields and LNG sources will be invested to offset the declined amount of gas in order to supply gas to Phu My power plants of EVNGENCO 3 in particular and the South East power plants in general.

According to the development plan of Vietnam's gas industry up to 2025, orientation to 2035 (according to Decision No.60 / QD-TTg dated 16/01/2017), new gas fields and LNG will be invested to offset the amount of declined gas used to to continue to supply to the Phu My power plants of EVNGENCO 3, then the price of gas fuel will increase and increase the cost of production. However, the Phu My Power Plants are managed optimally and is constantly invested to improve equipment, so they are still competitive and effective when bidding on the electricity market.

##### **Fuels for coal-fired power plants:**

The main fuel used in the production of coal-fired thermal power is domestic coal and FO/DO oils used for start-up and combustion at low loads.



In recent years, the demand for coal has increased dramatically, from 10 million tons in 2002 to more than 3.5 times at 35.5 million tons by 2014. In which the electricity sector is consuming most coal, accounting for about 50% of total coal consumption.

In the future, when the power plants take the initiative in importing coal as raw materials for production, apart from quantity risks, the coal price mechanism will be dramatically influenced by the market price (both domestic coal and imported coal).

**The supply of input fuel for EVNGENCO 3's operation is affected by the following factors:**

- The fluctuation of the global oil prices and coal prices
- The effect of natural disasters (storm, flood, drought, forest fire...)
- The fluctuation of foreign exchange rate

The factors listed above could directly affect the business operation, revenue and profit of EVNGENCO 3.

#### **4.1.3. Production costs**

Main costs and cost structure in price unit of EVNGENCO 3:

**Table 11: Main costs and cost structure in price unit**

*Unit: billion VND*

Costs	2014		2015		2016		9m2017	
	Value	%	Value	%	Value	%	Value	%
1. Fuels	16,396	71.40%	17,237	68.66%	21,343	65.00%	16,781	69.08%
2. Materials	82	0.36%	141	0.56%	267	0.81%	224	0.92%
3. Salary & Social insurance	252	1.10%	308	1.23%	454	1.38%	260	1.07%
4. Fixed asset depreciation & amortization	3,214	14.00%	4,186	16.67%	5,787	17.62%	3,746	15.42%
5. Outsourcing services	45	0.20%	248	0.99%	344	1.05%	185	0.76%
6. Major repair costs	1,422	6.19%	967	3.85%	1,672	5.09%	1,240	5.10%
7. Other costs in cash	405	1.76%	308	1.23%	458	1.39%	403	1.66%
8. Interest expenses	1,147	4.99%	1,710	6.81%	2,513	7.65%	1,453	5.98%

#### 4.1.4. Technology

##### Gas fired power plants

EVNGENCO 3 gas plants comprise of Phu My Power Plant with 13 turbines (9 gas turbines and 4 steam turbines), total designed capacity of 2,540 MW:

❖ GT21 - PM21 turbine (gas turbine):

Starting operation	: 3/1997
Designed capacity without upgrading	:
Designed capacity	: 144.1MW (Gas)/133.5 MW (DO)
Available capacity	: 142 MW (Gas)/130 MW (DO)
Designed capacity with upgrading	: +10.6 MW
Designed capacity	: 154.7MW (Gas)
Available capacity	: 148 MW (Gas)
Made in	: ABB (Switzerland)
The latest overhaul	: 01/2017

❖ GT22 - PM21 turbine (gas turbine):

Starting operation	: 3/1997
Designed capacity without upgrading	:
Designed capacity	: 144.1MW (Gas)/133.5 MW (DO)
Available capacity	: 142 MW (Gas)/130 MW (DO)
Designed capacity with upgrading	: +10.6 MW
Designed capacity	: 154.4MW (Gas)
Available capacity	: 154.4MW (Gas)
Made in	: ABB (Switzerland)
The latest overhaul	: 02/2014

❖ GT24 - PM21 turbine expansion (gas turbine):

Starting operation	: 2/1999
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Designed capacity	: 138.6 MW (Gas)/135 MW (DO)
Available capacity	: 135 MW (Gas)/133 MW (DO)
Made in	: Siemens (Germany)
The latest overhaul	: 09/2016

❖ GT25 - PM21 turbine expansion (gas turbine):

Starting operation	: 2/1999
Designed capacity	: 138.6 MW (Gas)/135 MW (DO)
Available capacity	: 135 MW (Gas)/133 MW (DO)
Made in	: Siemens (Germany)
The latest overhaul	: 08/2013

❖ GT11 - PM1 turbine (gas turbine): statistics of Performance Guarantees

Starting operation	: 7/2001
Designed capacity	: 211.68 MW (DO) / 239.16 MW (gas)
Available capacity	: 200 MW (DO)/ 232 MW (Gas)
Made in	: MHI (Japan).
The latest overhaul	: 04/2013

❖ GT12 - PM1 turbine (gas turbine): statistics of Performance Guarantees

Starting operation	: 10/2001
Designed capacity	: 211.68 MW (DO) / 239.16 MW (gas)
Available capacity	: 200 MW (DO)/ 232 MW (Gas)
Made in	: MHI (Japan).
The latest overhaul	: 08/2012

❖ GT13 - PM1 turbine (gas turbine): statistics of Performance Guarantees

Starting operation	: 11/2001
Designed capacity	: 211.68 MW (DO) / 239.16 MW (gas)
Available capacity	: 200 MW (DO)/ 232 MW (Gas)
Made in	: MHI (Japan).
The latest overhaul	: 01/2012

❖ GT41- PM4 turbine (gas turbine): statistics of Performance Guarantees

Starting operation	: 8/2014
Designed capacity	: 134.25MW (DO)/145.75MW (gas)
Available capacity	: 130 MW (DO)/ 142MW (Gas)
Made in	: ALSTOM (Switzerland)
The latest overhaul	: 08/2017

❖ GT42 - PM4 turbine (gas turbine): statistics of Performance Guarantees

Starting operation	: 8/2014
Designed capacity	: 134.25MW (DO)/145.75MW (gas)
Available capacity	: 130 MW (DO)/ 142MW (Gas)
Made in	: ALSTOM (Switzerland)
The latest overhaul	: 01/2016

❖ ST14 - PM1 turbine (gas tail):

Starting operation	: 4/2002
Designed capacity	: 391.17 MW
Available capacity	: 375 MW
Made in	: MHI (Japan)
The latest overhaul	: 10/2016

❖ ST23 - PM21 turbine (gas tail):

Starting operation	: 5/2003
Designed capacity	: 162.1 MW
Available capacity	: 160 MW
Made in	: ALSTOM (Switzerland)
The latest overhaul	: 1/2017

❖ ST26 - PM21 expansion (gas tail):

Starting operation	: 12/2005
Designed capacity	: 162.1 MW
Available capacity	: 160 MW
Made in	: ALSTOM (Switzerland)
The latest overhaul	: 2/2012

❖ ST43 - PM4 turbine (gas tail):

Starting operation	: 8/2004
Designed capacity	: 162.1 MW
Available capacity	: 160 MW
Made in	: ALSTOM (Switzerland)
The latest overhaul	: 8/2017

**Coal fired thermal power plants**

❖ Vinh Tan 2 thermal power plant:

Starting operation	: Turbine S1: 01/2015; Turbin S2: 3/2015
Designed capacity	: 2x622 MW
Available capacity	: 2x622MW
Made in	: SEC (China)
The latest overhaul	: Not yet

❖ Mong Duong 1 thermal power plant:

Starting operation	: Turbine S1: 10/2015; Turbin S2: 12/2015
Designed capacity	: 2x540 MW
Available capacity	: 2x540 MW
Made in	: Hyundai E&C (Korea)
The latest overhaul	: Not yet

### Hydropower plants

Hydropower plants under EVNGENCO 3 consist of Buon Kuop, Buon Tua Srah, Srepok 3 Hydropower Plant of Buon Kuop Hydropower Company:

❖ Buon Kuop hydropower:

Starting operation	: H1: 3/2009; H2: 9/2009
Designed capacity	: 2x140 MW
Available capacity	: 2x140 MW
Made in	: Generator: Mitsubishi; Turbine: LMZ
The latest overhaul	: H1: 3/2014, H2: 4/2015

❖ Buon Tua Srah hydropower:

Starting operation	: H1: 9/2009; H2: 12/2009
Designed capacity	: 2x43 MW
Available capacity	: 2x43 MW
Made in	: Dongfang (China)
The latest overhaul	: H1: 6/2016, H2: 4/2015

❖ Srepok 3 hydropower

Starting operation	: H1: 6/2010; H2: 9/2010
Designed capacity	: 2x110 MW

Available capacity	⋮	2x110 MW
Made in	⋮	Harbin (China)
The latest overhaul	⋮	H1: 10/2015, H2: 3/2016

#### **4.1.5. Product and service quality management**

##### **a) *Applied quality management system***

Currently, EVNGENCO 3 is applying the quality management system and service according to the current standards and regulations of the Government and EVN.

##### **b) *Quality management division***

The General Quality Management System of the Corporation is regularly updated to serve the management and control.

#### **4.1.6. Trademarks and patents**

Currently, EVN owns and exploits patents and trademarks registered with National Office of Intellectual Property of Vietnam and authorizes EVNGENCO 3 to exploit the trademarks including:

Logo of EVNGENCO 3: 2 parts:

- The symbol: is a symbol of three bright four-pointed stars in the blue circle. The innermost star is yellow, the star in the middle is red and the outer star is blue. This is also the symbol of the Electricity of Vietnam and its member companies and subsidiaries.
- The word: “EVNGENCO 3”.

#### **4.1.7. Key contracts**

The Power Purchase Agreements (PPAs) are as follows:

<b>No.</b>	<b>Name of PPA</b>	<b>Time</b>	<b>Product</b>	<b>Partner</b>
1	Phu My	From the PPA signing date to the end of 25 years after the commercial operation of the power plant	Electricity	Electricity Power Trading Company
2	Buon Kuop	From the PPA signing date to the end of 25 years after the commercial operation of the	Electricity	Electricity Power Trading Company

power plant			
3	Vinh Tan 2	From the PPA signing date to the end of 25 years after the commercial operation of the power plant	Electricity Power Trading Company
4	Mong Duong 1	From the PPA signing date to the end of 25 years after the commercial operation of the power plant	Electricity Power Trading Company

Contracts for input fuels purchasing:

- Nam Con Son gas purchase contract No. 01-NCS / PVN-EVN dated 15/10/2001 signed between PVN and EVN and the amended and supplemented Annexes.
- Cuu Long gas purchase contract between PVN and Phu My Thermal Power One Member Limited Liability Company (now is EVNGENCO 3) No. 52/2010/KTTT-PVGAS/TM-PMTP/B1 signed on 02/4/2010 and signed Annexes of extension and Appendix.
- Principle coal purchase contract for Mong Duong 1 Thermal Power Plant No. 364/HDNT/TKV-AND1 signed on 28/4/2014 between Vinacomin and EVNGENCO 3 - Representing: Thermal Power 1 Project Management Committee with the term of 25 years.

Long-term contracts provide new supplies, material restoration and services that provide expert and technical services with gas turbine manufacturers:

- Extension contract of long-term contract No. 08-03 / EVN-AP / PHUMY signed on 02/3/2011 between Phu My Thermal Power One-Member Limited Liability Company (now is EVNGENCO 3) with Alstom (Switzerland) (now is General Electric (SWITZERLAND) GmbH) and Alstom Vietnam Ltd (now GE Power Vietnam Ltd.) on providing new supplies, material recovery, specialists and technical services. This contract is expected to expire in April 2018 (after the overhaul of GT22 - Phu My 2.1 Plant), this is an opportunity for the Corporation to negotiate new contracts with more favorable conditions as well as promote the use of similar non-OEM supplies.
- Extension contract of long-term contract No. 12-05 / EVN-Siemens / PHUMY signed on June 18, 2015 between EVNGENCO 3 with Siemens AG and Siemens Vietnam for supplying new materials, material recovery, specialists and technical services.



- Extension contract of long term contract No. 11-05 / EVN-ITC & MHI / PHUMY signed on November 11, 2015 between EVNGENCO 3 and MHPS / ITC.

#### 4.2. Financial performance and business results of EVNGENCO 3 on a consolidated basis

**Table 12: Financial performance and business results of EVNGENCO 3 on a consolidated basis 2014 – 9m2017**

No.	Item	Unit	2014	2015	2016	30/9/2017
1	Total assets	Billion VND	83,168	84,655	85,590	85,192
2	Book value of state capital	Billion VND	10,686	10,865	10,933	10,949
3	Short-term debt	Billion VND	7,363	3,339	3,338	604
4	Long-term debt	Billion VND	55,188	64,973	65,842	66,341
5	Main products					
	<i>Manufacturing electricity</i>	<i>Million kWh</i>	22,387	27,156	32,319	24,326
	<i>Commercial electricity</i>	<i>Million kWh</i>	21,932	26,329	30,925	23,240
6	Total revenue	Billion VND	27,837	28,516	36,410	28,302
7	Total costs	Billion VND	27,233	28,269	36,105	28,014
8	Profit before tax	Billion VND	604	247	305	288
9	Profit after tax	Billion VND	519	204	265	226
10	Profit after tax/state capital	%	4.86	1.88	2.42	2.06
11	Current ratio	Time	0.65	1.32	1.77	3.03
12	Liabilities/equity	Time	6.74	8.75	8.81	6.50

#### 4.3. Financial performance and business results of EVNGENCO 3 – the Parent Company

**Table 13: Financial performance and business results 2014 – 9m2017**

STT	Item	Unit	2014	2015	2016	30/9/2017
1	Total assets	Billion VND	80,895	82,286	83,397	82,995
2	Book value of state capital	Billion VND	10,617	10,743	10,791	10,791
3	Short-term debt	Billion VND	7,284	3,291	3,289	553
4	Long-term debt	Billion VND	54,655	64,444	65,354	65,855
5	Total employees (on average)	Person	991	1,213	1,705	1,713
6	Total payroll (billion VND)	Billion VND	241.758	294.673	416.726	358.649
7	Average income (person/month)	‘000 VND	20,329	20,244	20,367	17,447
8	Main products					
	<i>Manufacturing electricity</i>	<i>Million kWh</i>	<i>20,344</i>	<i>25,133</i>	<i>30,509</i>	<i>23,419</i>
	<i>Commercial electricity</i>	<i>Million kWh</i>	<i>19,990</i>	<i>24,395</i>	<i>29,186</i>	<i>22,377</i>
9	Total revenue	Billion VND	24,463	25,749	33,812	27,028
10	Total costs	Billion VND	24,233	25,644	33,663	26,662
11	Profit before tax	Billion VND	230,3	104,8	149,1	366,3
12	Profit after tax	Billion VND	191.3	104.3	147.8	320.8

STT	Item	Unit	2014	2015	2016	30/9/2017
13	Profit after tax/state capital	%	1.8	0.97	1.37	2.97
14	Current ratio	Time	0.56	1.18	1.66	3.03
15	Debts/equity	Time	7.25	10.08	10.24	7.15

*Source: EVNGENCO 3*

▪ *Assets:*

- Total assets at 31/12/2015 were VND 82,286 billion, an increase of VND1,391 billion compared to December 31, 2014 due to the increase of short term assets of VND2,563 billion (of which: cash, other short-term assets, short-term receivables increased by VND 1,842 billion, inventory increased by VND 721 billion); Long-term assets decreased by VND1,173 billion mainly due to depreciation of assets.
- Total assets at 31/12/2016 were VND 83,397 billion, an increase of VND1,111 billion compared with December 31, 2015 due to short-term assets increased by VND5,118 billion (of which: cash and short-term receivables increase of VND 4.655 billion, inventories increased 520 billion dong); Long-term assets decreased by VND 4,071 billion mainly due to depreciation of assets.

▪ *Equity:* At the Decision No. 640 / QD-EVN dated 11/09/2013 of EVN on the allocation of charter capital to EVNGENCO 3, according to which the charter capital of EVNGENCO 3 at the time 01/01/2013 is VND 12,618 billion.

- According to the financial statement (parent company), the State capital of EVNGENCO 3 as of 31/12/2013 is VND 12,673 billion, increasing compared to the above Decision by allocating the Development and Investment Fund for distribution of profits in 2013;
- By December 31, 2014, the owner's capital was VND9,809 billion, of which the state capital at EVNGENCO 3 was VND10,617 billion; the State capital was reduced due to the transfer of Huoi Quang - Ban Chat Hydropower Company and Hydropower 1 project management Committee to EVN under the Decision No 9669 / QD-BCT dated October 28, 2014 by the Ministry of Industry and Trade with the total amount of capital depreciation and construction investment capital decreased VND 2,114 billion; The exchange rate difference is VND -811 billion.
- By 31/12/2015, equity is VND 7,427 billion, of which state capital at EVNGENCO 3 is VND 10,743 billion; The exchange rate difference is VND -3,316 billion.

- By 31/12/2016, equity is VND 7,417 billion, of which state capital at EVNGENCO 3 is VND 10,791 billion; The exchange rate difference is VND -3,374 billion.

- *Borrowings:* foreign borrowings that EVNGENCO 3 re-borrows from EVN, specifically as follows:

No.	Re-borrowing contracts	Unit	Balance at 30/09/2017		Project
			Original currency	VND	
1	03/HDCVL/ADB-EVN-G3 (2610 VIE)	USD	856,160,000.59	19,499,339,822,404	Mong Duong 1 thermal power plant
2	03/HDCVL/ADB-EVN-G3 (2353 VIE)	USD	20,071,330.57	457,425,623,690	
3	13/EVN-GENCO3/TCKT (KEXIM)	USD	427,922,221.33	9,752,347,424,111	
4	04/HDCVL/EXIMBANK-EVN-G3 (KV 01)	USD	299,989,796.67	6,836,767,466,109	Vinh Tan 2 thermal power plant, coal port
5	04/HDCVL/EXIMBANK-EVN-G3 (KV 02)	CNY	569,938,070.76	1,815,657,411,401	
6	04/HDCVL/EXIMBANK-EVN-G3 (KV 03)	USD	566,452,840.11	12,909,460,226,108	
7	06/HDCVL/JBIC-EVN-G3 (KV 23/2011)	JPY	474,266,223.00	93,060,518,277	Buon Kuop hydropower
8	06/HDCVL/JBIC-EVN-G3 (KV 02/2011)	JPY	350,790,221.00	68,832,057,165	
9	14/HDCVL/VAYNUOCNGOAI-EVN-G3/USD-(KV BLA06038)	USD	4,740,181.35	108,028,732,967	Buon Tua Srah hydropower
10	14/HDCVL/VAYNUOCNGOAI-EVN-G3/USD-(KV ANZ)	USD	11,753,474.67	267,861,687,729	Srepok 3 hydropower
11	01/EVN-Phu My/TCKT	JPY	23,602,512,827	4,631,285,066,914	Phu My 1 thermal power plant

- *Labor and wages:* In the above table, only consists of employees for power generation and repair services of EVNGENCO 3 – the Parent Company (excluding project management and production preparation which are accounted from the sources of project).
- *Business results:* In 2014 - 9m2017, the business results of EVNGENCO 3 are profitable.
  - By 31/12/2014, EVNGENCO 3 has allocated the remaining exchange rate losses of previous years;
  - By 31/12/2015, total loss amount of foreign exchange differences arising from the revaluation of monetary items denominated in foreign currencies is VND 3,316 billion, of which the amount for the production stage is VND 1,379 billion (the amount will be allocated to expenses over 5 years), and the amount for the completed constructions is

VND 1,937 billion (according to the current regulations, it is allowed to be allocated to expenses within 5 years from the date of operation);

- By 31/12/2016, total loss amount of foreign exchange differences arising from the revaluation of monetary items denominated in foreign currencies is VND 3,374 billion, of which the amount for the production stage is VND 1.865 billion and the amount for the completed constructions is VND 1,509 billion, and continues to be allocated to expenses as regulated.
- In 2017, the expected total loss amount of foreign exchange differences arising from the revaluation of monetary items denominated in foreign currencies is VND 181 billion, and the loss that is expected to be allocated to expenses in 2017 is VND 1,324 billion. The remaining FX loss is expected to be VND 2,231 billion by 31/12/2017.
- *Profitability:* The ratio of profit/average state capital for the period of 2014 - 2016 is about 1.38%/year.
- *The debts/equity ratio*
  - At the time that EVN transferred the capital and assets to EVNGENCO 3 (1/1/2013), the debts to equity ratio is 3.52 times. Because the projects under EVNGENCO 3 are mainly using loans; exchange rate fluctuations caused the exchange rate loss to be suspended as of 31/12/2016 is VND 3,374 billion leading to high debts to equity ratio.
  - Long-term debts of EVNGENCO 3 are concentrated in two thermal power plants: Mong Duong 1 and Vinh Tan 2 (accounting for 83.4% of long-term debt as of 31/12/2016). Most of them are foreign loans that EVNGENCO 3 took from EVN (loans from China Eximbank for the Vinh Tan 2 thermal power project account for 30.8%, loans from ADB and KEXIM for the Mong Duong Thermal Power Project account for 44% of total outstanding long-term loans).

#### **4.4. Factors affecting the production and business activities of EVNGENCO 3**

- Hydrological situation: In 2015 - 2016, the unfavorable hydrological situation negatively influenced the results of production and business activities of Buon Kuop Hydropower Company. By the year of 2017, the hydrological situation is favorable, resulting in a better performance of Buon Kuop Hydropower Company and the electricity output is 229% higher than the same period of 2016.

- Gas supply and load situation: With the available capacity, the shortage of gas to generate electricity for gas plants in the South East is about 1.5 million m<sup>3</sup> of gas per day. In addition, depending on the load demand of the power system and the general hydrological situation of the hydropower plants, the output of mobilized power of the thermal power plants in general also affect.
- Exchange rate difference: exchange rate fluctuations in 2015-2016, especially for US Dollar, lead to losses of exchange rate differences in production and investment.
- According to Circular No. 56/2014 / TT-BCT dated 19/12/2014 of the Ministry of Industry and Trade, the method of determining the electricity price, the order of inspection of electricity purchase contracts, the plan on repayment of foreign currency loans, data on actual loan repayment and exchange rates agreed upon by the two parties in the electricity price and exchange rates for the preceding year, the two parties calculate the exchange rate difference and propose a payment plan and submit it to the Electricity Regulatory Authority for examination and submit it to the Ministry of Industry and Trade for consideration and decision on the payment option.
- In 2015 - 2017, EVNGENCO 3 carried out procedures under the direction of EVN:
  - Establish Mong Duong thermal power company; receiving Thu Duc Thermal Power Limited Company; handing over the developer of Vinh Tan 4 power plant project to EVN; and
  - Establish EVNGENCO 3 Power Service Company, Phu My Thermal Power Company and Thai Binh Thermal Power Company.

#### **4.5. Market position of EVNGENCO 3**

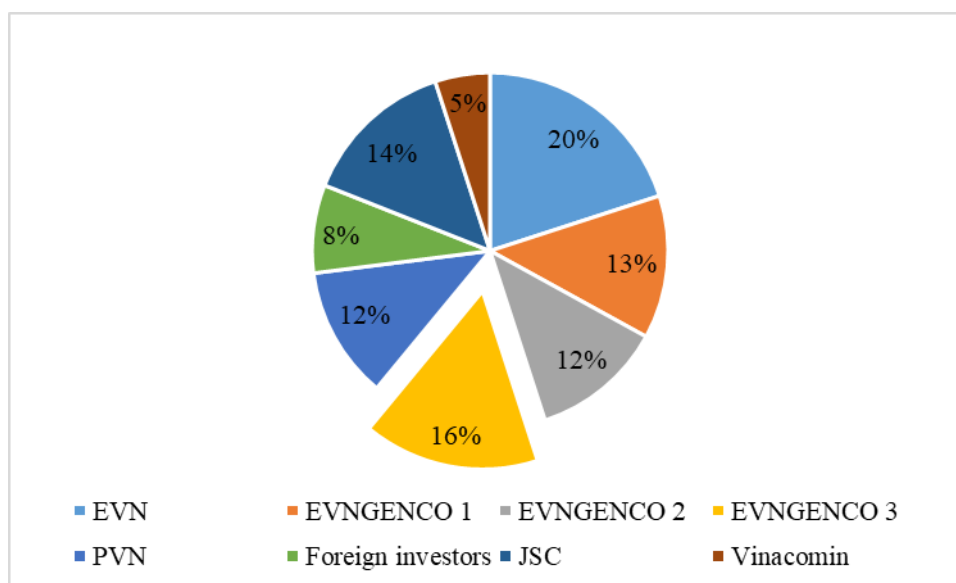
##### **4.5.1. Market position of EVNGENCO 3**

###### **Installed capacity:**

Total installed capacity of EVNGENCO 3's power plants (not including PV Power Nhon Trach 2 JSC and Viet - Laos Electricity JSC) is 6,543 MW, accounting for 16% of the total installed capacity of the whole power industry. Breakdown by type of plants of EVNGENCO 3, hydropower accounts for about 2.26%, coal thermal power is about 5.77% and gas turbine accounts for about 6.97% of total capacity of the entire power system. The power plants of EVNGENCO 3 have relatively modern technology and equipment.

Most of EVNGENCO 3's electricity supply is to the South - the area with high demand for electricity while local power is not available and limited transmission of the North – Central – South 500kV power system, EVNGENCO 3's power plants continue to play an important role in the future.

**Chart 3: Vietnam power industry breakdown by installation capacity**



Source: EVNGENCO 3

#### Output volume:

**Table 14: output volume of EVNGENCO 3 and the whole industry**

Unit: million kWh

	2014	2015	2016	2017
EVNGENCO 3	22,457	27,156	33,654	33,144
Industry	143,303	159,680	176,990	192,450

Source: EVNGENCO 3

Regarding to electricity output, in 2016, EVNGENCO 3 generated 33.654 billion kWh which accounts for 19.05% of the whole industry's output. In 2017, EVNGENCO 3 generated 33.144 billion kWh which accounts for 17.22% of the whole industry's output.

#### **4.5.2. Prospect of development of the electricity industry**

The electricity industry is one of the most important industries in Vietnam and also attract investors thanks to recent high national economic growth which leads to the strong increase in demand for electricity. Particularly, the amount of electricity consumed by the economy increased from 101.5 billion kWh in 2011 to around 159.68 billion kWh in 2015 at the growth rate of 11.6% per year. The installed capacity of the whole industry also rose from 24,744 MW in 2011 to 38,800 MW in 2015 at the growth rate of 11.9% per year.

According to the adjustment of National Power Development Plan VII (PDP 7 rev for short) approved by the Prime Minister, in order to meet the demand for electricity to achieve the socio development objectives with the average GDP growth rate of 7% per year over 2016 – 2030 periods. To achieve this GDP growth rate, the amount of electricity consumed by the economy will increase at the growth rate of 10.6% per year. The specific objective for developing the electricity consumed is as follows:

- Commercial electricity: 235 - 245 billion kWh in 2020; 352 - 379 billion kWh in 2025 and 506 - 559 billion kWh in 2030.
- Generated and imported electricity: 265 - 278 billion kWh in 2020; 400 - 431 billion kWh in 2025 and 572 - 632 billion kWh in 2030.

To implement the PDP 7 rev, the total investment value is estimated to be 858.66 trillion VND (equivalent to nearly 40 billion USD or 7.9 billion USD per year) for the 2016 - 2020 periods and 2,347.99 trillion VND (equivalent to 108 billion USD or 10.8 billion USD per year) for 2021 - 2030 periods, of which 74% will be used to for electricity generation development and the remainder for the electricity network development.

Briefly, in next years the electricity industry is very attractive due to the increase in demand for electricity to develop the national economy.

In order to restructure the electricity industry to develop gradually the competitive electricity market healthily and to ensure the national power security, cut down operating costs and enhance the effectiveness in the electricity generation and sale; give the signal on the electricity price publicly and transparently to attract investors and to develop the electricity sustainability, to eliminate the monopoly of EVN in electricity distribution and trade and attract investors in the private sector to participate in the competitive electricity market and to change the market structure, in 08/11/2013, Decision No. 63/2013/QĐ-TTg promulgated by the Prime Minister on the schedule, conditions and structure of the electricity industry to establish and develop the electricity market at all levels, with the aim of starting to operate the competitive retail electricity market in 2023.

Currently, the electricity market is specially interested by the government to make it operate under the market mechanism in order to enhance its transparency and competitiveness and to ensure its sustainable development to satisfy the demand of electricity for economic and social activities of the country.

The electricity industry is regarded as the cornerstone industry of the economy. The development of this industry is very essential to the industrialization and modernization of Vietnam in particular and the development of the economy in general.



***4.5.3. Assessment on the suitability of the development orientation of EVNGENCO 3 in the orientation of industry, government policies and global general trend.***

Following up with the adjustment of electricity planning, EVNGENCO 3 has step by step demonstrated the proper direction of development and operation in accordance with the direction of industry and the government's policies.

Organizations under EVNGENCO 3 are involved in direct price offering of electricity market, strictly follow regulations of operation of electricity market and active in operation, as follows:

- Research and develop effective bidding strategies to actively mobilize and exploit units efficiently.
- To take initiative in repairing methods, raising the reliability of equipment and systems, ensuring stable production.
- Invest in equipment and train human resource to be ready to participate in the wholesale electricity market according to the Government's roadmap.

## **PART 4: DEVELOPMENT STRATEGIES OF EVNGENCO 3 POST EQUITIZATION**

### **1. INTRODUCTION ABOUT THE CORPORATION POST EQUITIZATION**

#### **1.1. General information**

- Vietnamese name: TONG CONG TY PHAT DIEN 3 – CONG TY CO PHAN
- Trading name: TONG CONG TY PHAT DIEN 3
- English name: POWER GENERATION JOINT STOCK CORPORATION 3
- Abbreviated name: EVNGENCO 3
- Headquarter: Phu My 1 industrial zone, Phu My town, Tan Thanh district, Ba Ria – Vung Tau province.
- Phone: (0254) 387 6927
- Fax: (0254) 387 6930
- Website: <http://www.genco3.com>

▪ Logo:



#### **1.2. Business activities**

- Main business activities:
- Generation and trading electricity;
- Investment and management of capital investment in power projects; solar power project, renewable energy projects;
- Management, operation, repair, maintenance, overhaul, experiment, adjustment, renovation and upgrading of electrical equipment, mechanics, control and automation belonging to the power production line, power constructions; the electrical experiments; electric power;
- Project management consultancy, construction investment consultancy, bidding consultancy, financial estimation; Consulting and supervising the construction of power projects and synchronous power grid projects of power sources; consultancy on production preparation for power plants;
- Training and development of human resources in management, operation, maintenance and repair of power plant equipment;
- Businesses that directly support the main businesses;
- Construction and installation of electricity projects and construction works;
- Import and export of fuel, raw materials, equipments of the electricity industry;

- Exploitation, processing and trading of fuels, raw materials for electricity production;
- Production of building materials, insulating materials, insulation materials; labor protection devices;
- Project management consultancy, construction investment consultancy, bidding consultancy, cost estimation and supervision of telecommunication and information technology works, industrial and civil works;
- Exploiting, processing and supplying water;
- Other lines of business approved by the General Meeting of Shareholders in accordance with the laws of Vietnam.

### **1.3. Organizational structure post equitization**

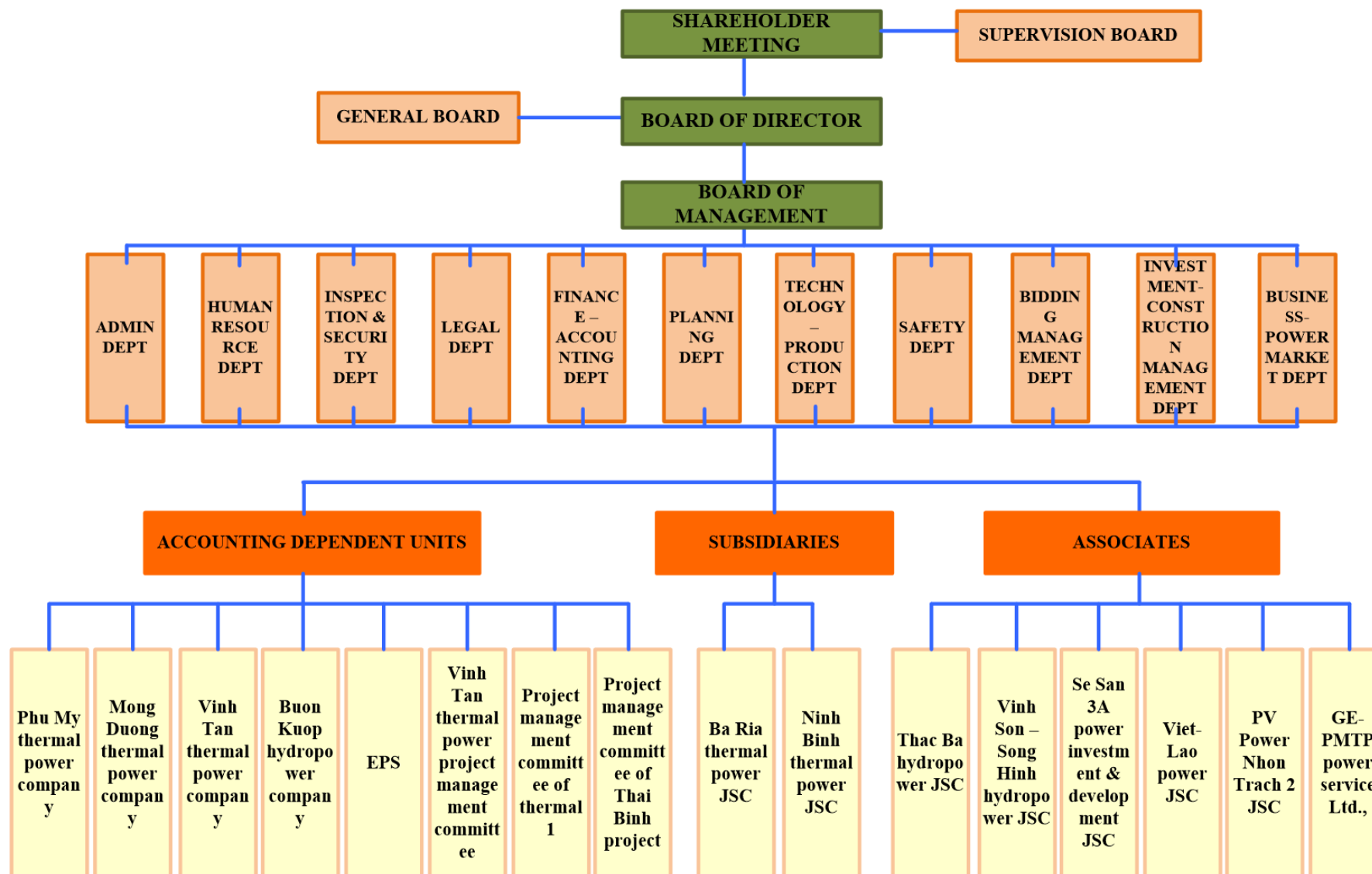
#### ***1.3.1. Organizational structure***

EVNGENCO 3's organizational structure in management post equitization consists of:

- General shareholders meeting;
- Board of Directors: 05 members or more as regulated by Law on Enterprise;
- Inspection committee : 03 - 05 members voted by General Shareholders;
- General Board: Assisting the Board of Directors to carry out the management of EVNGENCO 3 in accordance with the Charter of the Joint Stock Company;
- General Director (CEO);
- Deputy General Directors: assist the General Director in the management and operation of the Corporation in accordance with the assigned fields.
- Assisting system: administration, 10 specialized departments assistant Board of Management according to specific functions and tasks, consists of: Human resources, Inspection and security, legal, Finance and accounting, Planning, Technical and production, Safety, Bidding management, Investment – construction management, Power commercial - market

Organization and management model of EVNGENCO 3 after equitization:

**Chart 3: Organization structure of the Corporation at the time of transferring to the Joint Stock Company.**



### 1.3.2. Ownership structure

**Table 15: ownership structure of EVNGENCO 3 post equitization**

No.	Company	Charter capital (million VND)	Ownership (%)	Owned shares	Contributed capital (million VND)
<b>Subsidiaris</b>					
1	Ba Ria Thermal Power JSC	604,856	79.56	48,123,557	481,236
2	Ninh Binh Thermal Power JSC	128,655	54.76	7,045,440	70,454
<b>Associates</b>					
1	Thac Ba Hydropower JSC	635,000	30.00	19,050,000	190,500
2	Vinh Son Song Hinh Hydropower JSC	2,062,412	30.55	63,016,948	517,058
3	Se San 3A Power Investment & Development JSC	280,000	30.00	8,400,000	84,000
4	PetroVietnam Power Nhon Trach 2 JSC	2,878,760	2.50	7,121,920	64,000
5	Viet – Lao Power JSC	3,250,000	0.60	1,960,000	19,600
6	GE – PMTP Power Service Limited Liability Company	496,424	15.00	-	74,464

*Source: EVNGENCO 3*

In order to manage the capital that EVNGENCO 3 invests in joint-stock companies, EVNGENCO 3 appoints representatives to manage the capital portion of the companies, propose attending Board of Directors or the Inspection Committee ; vote on the issues related to the Board of Directors, the General meeting of shareholders of subsidiaries in the direction of EVNGENCO 3 on the basis of the voting shares held by EVNGENCO 3 and in accordance with the provisions of current laws.

Pursuant to the Decision No. 58/2016/QD-TTg and the restructuring plan of EVNGENCO 3 approved by EVN and Decision No. 138/QD-EVN dated 31/7/2017, *EVNGENCO 3* develops exist plans for companies with less than 10% of chartered capital after completion of equitization of EVNGENCO 3 to focus on new power source investment under EVNGENCO 3 restructuring plan, which are PetroVietnam Power Nhon Trach 2 Joint Stock Company (7,121,920 shares) and Viet - Laos Power Joint Stock Company (1,960,000 shares).

### 1.4. Land use plan post – equitization

EVNGENCO 3 reviewed and established the post-equitization land use plans to get the approval from the respective People's Committees according to the applicable law. The land use plans for all the lands of EVNGENCO 3 which located in Ba Ria – Vung Tau, Dak Lak, Dak

Nong, Binh Thuan, Quang Ninh provinces were approved by the respective People's Committees.

According to the approved land use plans, all the lands managed by EVNGENCO 3 will be used in the form of leasing with annual rent payment, except the land which is used as the working office of the Management Department of Vinh Tan thermal power plant project in Phan Thiet city, Binh Thuan province will be assigned by the State with the levy liability. Regarding the assigned levy liable land managed by EVNGENCO 3, the value of this land is included in the enterprise value of the Company in compliance with the applicable law.

In 23/08/2017, EVN sent the Dispatch No. 3899/EVN-KH to get the approval of the post-equitization land use plans from the Ministry of Finance and the plans were approved according to the Dispatch No. 1376/BTC-QLCS in 11/10/2017.

The post-equitization land use plans of EVNGENCO 3 are detailed as follows:

**Table 16: The post-equitization land use plans of EVNGENCO 3**

No.	Company	Area (m <sup>2</sup> )	The form of land use	Duration	Notes
1	EVNGENCO 3	1,040,722.5	Leased with annual rent payment	50 years	As of 08/2017 (after the date of defining the enterprise value of EVNGENCO 3), the Ba Ria – Vung Tau People's Committee approved the land use plan of the Company, thereby the form of land use of the two areas of this land which are the PM1 Operation – Repairment Site with the total area of 17,863.1 m <sup>2</sup> and the land value of 28,421,402,869 VND and the PM4 Operation – Repairment Site with the total area of 72,713.4 m <sup>2</sup> and the land value of 35,813,085,158 VND transformed from land assignment to land lease with annual rent payment. Therefore, according to the applicable law, the land value of this land is not included in the enterprise value of EVNGENCO 3. As of result, the enterprise value of EVNGENCO 3 decreased by 31,154,463,103 VND compared with the enterprise value approved at the Decision No. 3396/QĐ-BCT dated 31/08/2017 of the Ministry of Industry and Trade.  The land does not include the area of 16,798 m <sup>2</sup>

					which is the transportation road and the cultural infrastructure at the PM1 and PM4 Operation and Repairment Site because the Ba Ria – Vung Tau People’s Committee require the Company to handover this area which will be used for the suitable purpose in compliance with Dispatch No. 6158/UBND-VP dated 25/08/2015 of the Ba Ria – Vung Tau People’s Committee
2	Buon Kuop Hydro Power Plant	2,323,656.9	Leased with annual rent payment	50 years, 70 years	As of 08/2017 (after the date of defining the enterprise value of EVNGENCO 3), the Dak Lak People’s Committee approved the land use plan of the Company, thereby the form of land use of the area of this land which is the Mai Xuan Thuong operation site of the Buon Kop Hydro Power Plant Company with the total area of 20,184 m2 and the land value of 48,009,062,508 VND transformed from land assignment to land lease with annual rent payment. Therefore, according to the applicable law, the land value of this land is not included in the enterprise value of EVNGENCO 3. As of result, the enterprise value of EVNGENCO 3 decreased by 20,775,620,082 VND compared with the enterprise value approved at the Decision No. 3396/QĐ-BCT dated 31/08/2017 of the Ministry of Industry and Trade.  The land managed by the Buon Kop Hydro Power Plant Company does not include the reservoir because the law regarding land management does not stipulate terms on the lease or the assignment of the land with the reservoir to the hydro power plant operator, therefore EVN does not include the use of the reservoir into the post-equitization land use plan of EVNGENCO3.
2.1	Buon Kuop, Buon Tua Srah and Srepok 3 Hydro Power Plant	1,477,979	Leased with annual rent payment	70 years	
2.2	Buon Kuop, Buon Tua Srah and Srepok 3 Hydro Power Plant – Dak Nong Province  The operation site	875,677.9	Leased with annual rent payment	50 years	
3	The Management Department of Vinh Tan Thermal Power Plant/ Vinh Tan	3,712,845.4	Leased with annual rent payment, Assigned	50 years, 70 years	Among this land, there is the area which is the working office of The Management Department of Vinh Tan Thermal Power Plant with the total area of 1,900.5 m2 and the land value of 6,591,892,680 VND.

	Thermal Power Plant Company				
3.1	The coal import port; Vinh Tan 2 Power Plant; The road to bãi xỉ; The operation site	3,675,823.1	Leased with annual rent payment	70 years	
3.2	The working office; The infrastructure;	37,022.3	Assigned  Leased	50 years	
4	The Management Department of Thermal Power Plant 1/ Mong Duong Thermal Power Plant Company	4,044,500	Leased with annual rent payment	25 years	

Source: EVNGENCO 3

#### 1.4.1. EVNGENCO 3

- Location: Phu My town, Tan Thanh district, Ba Ria - Vung Tau province
- Total area: 1,057,520.5 m2, includes:
  - 955,751 m2 of the land is used for constructing the power plants and the auxiliary infrastructure.
  - 16,809.1 m2 of the land is used for the operation and repairment site of Phu My 1 thermal power plant.
  - 56,969.4 m2 of the land is used for the operation and repairment site of Phu My 4



thermal power plant. This area is required to change the land use purpose from agricultural to residential area in compliance with the approved land use plan.

- Form of land use: is determined in compliance with the terms stipulated at Clause 27, Article 2, Decree No. 01/2017/NĐ-CP dated 06/01/2017 of the government.
  - The area for construction of waste waterway to cool the power plant with 11,193 m<sup>2</sup> area which is located in the Phu My 1 Industrial Park is leased by the Company from the Dong Xuyen and Phu My 1 Industrial Park Infrastructure Investment and Exploitation Company under the contract No. 20/HĐ/TLĐ/IZICO dated 16/09/2016.
  - The area of 16,798 m<sup>2</sup> which is the transportation road and cultural infrastructure is not fit with the land planning, therefore the Company has to handover this area to the State for suitable purpose in compliance with the land planning of the local authority.
- Land use plan after transferring into a joint stock company is compliance with Dispatch No. 6158/UBND-VP of the Ba Ria – Vung Tau People's Committee dated 25/08/2015 on comments on the plan of using the land after the equitization of EVNGENCO 3.

#### ***1.4.2. Buon Kuop hydropower company***

##### **a. Buon Kuop hydropower plant**

###### **Dak Lak province**

- Total area: 534,241 m<sup>2</sup>, includes:
  - + Land area of power plant and auxiliary infrastructure: 203,309 m<sup>2</sup>.  
Location: Hoa Phu commune, Buon Ma Thuot city, Dak Lak province.
  - + Land area of the main dam, spillway: 202,530 m<sup>2</sup>.  
Location: Ea Na commune, Krong Ana district, Dak Lak province.
  - + Land area of the water intake: 128,402 m<sup>2</sup>  
Location: Dray Sap commune, Krong Ana district, Dak Lak province.
- Form of land use: The State leases land, the Company pays rental fee annually.
- Land use plan after being transformed into a joint stock company: EVNGENCO 3 continues to manage and use the land according to the Official Letter No. 6294/UBND-NN&MT of Dak Lak Province People's Committee dated 10/08/2017.

###### **Dak Nong province**

- Total area: 427,500 m<sup>2</sup>

Location: Nam Da commune, Krong No district, Dak Nong province.

- Form of land use: The State leases land, the Company pays rental fee annually.
- Land use plan after being transformed into a joint stock company: EVNGENCO 3 continues to manage and use the land according to the Official Letter No. 4313/UBND-NN of Dak Nong Province People's Committee dated 11/8/2017.

**b. Buon Tua Srah hydropower plant**

**Dak Lak province**

- Land area: 388,138 m<sup>2</sup>

Location: Nam Ka commune, Lăk district, Dak Lak province.

- Form of land use: The State leases land, the Company pays rental fee annually.
- Land use plan after being transformed into a joint stock company: EVNGENCO 3 continues to manage and use the land according to the Official Letter No. 6294/UBND-NN&MT of Dak Lak Province People's Committee dated 10/8/2017.

**Dak Nong province**

- Land area: 301,999 m<sup>2</sup>

Location: Quang Phu commune, Krong No district, Dak Nong province.

- Form of land use: The State leases land, the Company pays rental fee annually.
- Land use plan after being transformed into a joint stock company: EVNGENCO 3 continues to manage and use the land according to the Official Letter No. 4313/UBND-NN of Dak Nong Province People's Committee dated 11/8/2017.

**c. Srepok 3 hydropower plant**

**Dak Lak province**

- Land area: 525,600 m<sup>2</sup>, includes:
  - + Area of the Main Dam, spillway: 360,700 m<sup>2</sup>
  - + Area of the operation and repairment site: 37,900 m<sup>2</sup>.
  - + Area of the power plant and water intake: 127,000 m<sup>2</sup>

Location: Tan Hoa commune, Buon Don district, Dak Lak province.

- Form of land use: The State leases land, the Company pays rental fee annually.
- Land use plan after being transformed into a joint stock company: EVNGENCO 3 continues to manage and use the land according to the Official Letter No. 6294/UBND-NN&MT of Dak Lak Province People's Committee dated 10/8/2017.

### **Dak Nong province**

- Land area of the main and auxiliary infrastructure: 125,994.9 m<sup>2</sup>  
Location: Ea Po Commune, Cu Jut District, Dak Nong Province.
- Form of land use: The State leases land, the Company pays rental fee annually.
- Land use plan after being transformed into a joint stock company: EVNGENCO 3 continues to manage and use the land according to the Official Letter No. 4313/UBND-NN of Dak Nong Province People's Committee dated 11/8/2017.

#### **d. The operation and management area of hydropower plants on Srepok river**

- Land area: 20,184 m<sup>2</sup>
- Location: land No. 71, map No. 06 in Thanh Nhat ward, Buon Ma Thuot city.
- Current status: use the right purpose of the land assigned; stable use, no dispute.
- Form of land use: After equitization, the Corporation lease the land in compliance with the applicable law.
- Land use plan after being transformed into a joint stock company: EVNGENCO 3 continues to manage and use the land according to the Official Letter No. 4313/UBND-NN of Dak Nong Province People's Committee dated 11/8/2017.

### ***1.4.3. Vinh Tan Thermal Power Company***

#### **a. The land for construction of the coal port of Vinh Tan Electricity Center**

- + Location: Vinh Tan Commune, Tuy Phong District, Binh Thuan Province
- + Land area: 1,959,992 m<sup>2</sup>
- + Form of land use: The State leases land, the Company pays rental fee annually.
- + Land use duration: by 10/09/2080
- + Type of land: Land for transportation purpose.
- + Land use plan after being transformed into a joint stock company: Vinh Tan Thermal Power Company will continue to manage and use the land in accordance with Decision No. 2902 of the Binh Thuan People's Committee dated 29/10/2015 on approval of the land use plan of EVNGENCO 3.

#### **b. Land for construction of working office of the Management Department of Vinh Tan thermal power plant project**

- + Location: Quarter 5, Hung Vuong Boulevard, Phu Thuy Ward, Phan Thiet City, Binh Thuan Province

- + Land area: 1,900.5 m<sup>2</sup>
- + Form of land use: Land allocation with land use fee
- + Land use duration: by 14/12/2059
- + Type of land: Land for production and business activities
- + Land use plan after being transformed into a joint stock company: Vinh Tan Thermal Power Company will continue to manage and use the land in accordance with Decision No. 2902 of the Binh Thuan People's Committee dated 29/10/2015 on approval of the land use plan of EVNGENCO 3.

**c. Land for construction of infrastructure of Vinh Tan Electricity Center (construction water supply)**

- + Location: Vinh Hao Commune, Tuy Phong District, Binh Thuan Province.
- + Land area: 6,687 m<sup>2</sup>
- + Form of land use: The State leases land, the Company pays rental fee annually.
- + Land use duration: by 17/6/2059
- + Type of land: Land for energy construction
- + Land use plan after being transformed into a joint stock company: Vinh Tan Thermal Power Company will continue to manage and use the land in accordance with Decision No. 2902 of the Binh Thuan People's Committee dated 29/10/2015 on approval of the land use plan of EVNGENCO 3.

**d. Land for construction of infrastructure of Vinh Tan Electricity Center (water pipeline)**

- + Location: Vinh Hao Commune and Vinh Tan Commune, Tuy Phong District, Binh Thuan Province.
- + Land area: 28,434.8 m<sup>2</sup>
- + Form of land use: The State leases land, the Company pays rental fee annually.
- + Land use duration: by 17/6/2059
- + Type of land: Land for energy construction
- + Land use plan after being transformed into a joint stock company: Vinh Tan Thermal Power Company will continue to manage and use the land in accordance with Decision No. 2902 of the Binh Thuan People's Committee dated 29/10/2015 on approval of the land use plan of EVNGENCO 3.

**e. Land of Vinh Tan 2 thermal power plant**

- + Location: Vinh Tan Commune, Tuy Phong District, Binh Thuan Province.
- + Land area: 1,587,396.1 m<sup>2</sup>
- + Form of land use: The State leases land, the Company pays rental fee annually.
- + Land use duration: by 02/8/2081
- + Type of land: Land for energy construction
- + Land use plan after being transformed into a joint stock company: EVNGENCO 3 is allowed to lease this land under Decision No. 1217/QĐ-UBND dated 29/4/2016 of the Binh Thuan People's Committee.

**f. Land for the road to the slag**

- + Location: Vinh Tan Commune, Tuy Phong District, Binh Thuan Province.
- + Land area: **48,459.1 m<sup>2</sup>**
- + Form of land use: The State leases land, the Company pays rental fee annually.
- + Land use duration: by 02/8/2081
- + Type of land: Land for transportation
- + Land use plan after being transformed into a joint stock company: EVNGENCO 3 is allowed to lease this land under Decision No. 1982/QĐ-UBND dated 13/7/2017 of the Binh Thuan People's Committee.

**g. The operation site of Vinh Tan 2 and Vinh Tan 4 thermal power plant**

- + Location: Binh Thanh Commune, Tuy Phong District, Binh Thuan province.
- + Land area: **79,975.9 m<sup>2</sup>**
- + Form of land use: The State leases land, the Company pays rental fee annually.
- + Land use duration: by 28/11/2083
- + Type of land: Land for service and commercial activities
- + Land use plan after being transformed into a joint stock company: EVNGENCO 3 is allowed to lease this land under Decision No. 1583/QĐ-UBND dated 06/6/2016 of the Binh Thuan People's Committee.

***1.4.4. Mong Duong Thermal Power Company***

Pursuant to the Official Letter No. 5559/UBND-QLD2 of the Quang Ninh People's Committee dated 22/9/2015 on the land use plan of EVNGENCO 3, currently, EVNGENCO 3 is

completing investment procedure and land lease document for projects in Cam Pha city, Quang Ninh province, includes:

- + Mong Duong 1 thermal power plant and auxiliary constructions;
- + Slag waste dump;
- + Auxiliary constructions for Mong Duong thermal power plant;
- + Fresh water system.

In 15/6/2017, the Quang Ninh province People's Committee promulgated Decision No. 2282/QĐ-UBND to allow GENCO3 to lease the land for the first-period construction of Mong Duong 1 thermal power plant with the area of 2,000,844 m<sup>2</sup>. The Company currently is completing the procedure to lease the remainder of this land.

## **2. CHARTER CAPITAL AND CHARTER CAPITAL STRUCTURE**

### **2.4. Charter capital**

As of 0h00 on 01/01/2015, book value of the state capital in the Corporation which is approved at Decision No. 3396/QĐ-BCT dated 31/08/2017 is VND 26,108,306,174,814.

The charter capital of the Joint Stock Company is expected as follows:

- Charter capital: VND 20,809,000,000,000
- Par value per share: VND 10,000
- Number of shares: 2,080,900,000 shares

All shares of the Joint Stock Companies at the time of establishment are common shares. The purchase, sale, transfer and inheritance of the shares shall comply with the provisions of the Corporate Charter of the Joint Stock Companies and other relevant legal documents.

### **2.5. Charter capital structure**

The offer and charter capital structure post equitization of EVNGENCO 3 are as follows:

**Table 17: Charter capital structure of EVNGENCO 3 post equitization**

No.	Shareholders	Number of shares (share)	Value (VND)	%
1	EVN	1,061,300,000	10,613,000,000,000	51.00%
2	Employees	3,424,100	34,241,000,000	0.1645%
2.1	Employees who purchase shares at preferable price	1,544,300	15,443,000,000	0.0742%
2.2	Employees who purchase shares based on long-term working commitment and	1,879,800	18,798,000,000	0.0903%
3	Strategic investors	749,124,000	7,491,240,000,000	36.00%
4	Investors of the IPO	267,051,900	2,670,519,000,000	12.8355%
	<b>Total</b>	<b>2,080,900,000</b>	<b>20,809,000,000,000</b>	<b>100%</b>

*Source: equitization plan of EVNGENCO 3*

EVN holds 51% of the charter capital of EVNGENCO 3 – the Joint Stock Company until the end of 2019. From 2020, in the case that EVN and EVNGENCO 3 – the Joint Stock Company restructure debts and successfully negotiate with credit institutions, EVN will consider withdrawing its capital contribution in EVNGENCO 3 – the Joint Stock Company to below the controlling level.

### **3. DEVELOPMENT ORIENTATION POST EQUITIZATION**

#### **3.1. Advantages, disadvantages, opportunities and challenges**

##### **3.1.1. Advantages**

All of power plants of EVNGENCO 3 were put into operation. Most of them are located in the South where there is a lack of electricity generation, therefore electricity must be transmitted from power plants in the North via 500 kV grid stations. Hence, investing in EVNGENCO3 which has a portfolio of plants accounting for 14,05% of installed capacity of the entire industry enables potential investors to avoid the risks arising from the construction process of the plants. As well as this, investors have sufficient financial information and data to assess the operational efficiency and effectiveness of plants.

Another advantage of EVNGENCO 3 is that its large shareholder is EVN which has a long

history in managing the operation of the the national electricity grid and has the strong financial health to support its subsidiaries and associates. In the first several years of operation in the form of the joint stock company and especially at the time of, EVNGENCO 3 could receive the support of EVN in the management, opearation and financial aspects.

On top of that, the Company's staff have a high professional capabilities and are highly experienced in managing and operating power plants.

EVNGENCO 3 also has the reasonable credit policy and usually review the its financial position in order to determine whether the Company is exposed to credit risks.

### **3.1.2. Weaknesses**

The major source of energy for the operation of power plants of EVNGENCO 3 mainly comes from the fossil fuel (accounting for 89% of the amount of material consumed). While these fuels are sufficiently suited to existing plants and tend to decline, it must be oriented to import fuels in the future and highly dependent on the world markets.

The financial status of EVNGENCO 3 is not attractive enough.

Its business operation is heavily influenced by macroeconomic factors and the weather. One of the main factors is the fluctuation in exchange rate and interest rate. With the debt/equity ratio being high (most of debt are granted by foreign partners), paying foreign currency debt (mostly denominated in JPY, USD) affects strongly its business operation. Besides, the weather is also the critical factor affecting the efficiency of the operation of EVNGENCO 3.

The potential development of EVNGENCO 3 depend on the electricity selling price. New projects are under investigation for investmentThe existing power plants are totally exploited, and the cost cutting initiatives are implemented strictly in recent years, the development potential of EVNGENCO 3 depend heavily on the electricity selling price.

### **3.1.3. Opportunities**

The fact that the competitive electricity market is going to be under operation will be the good chance for EVNGENCO 3 to exploit the change in the mechanism of setting the electricity price after 2019.

The new project's opportunities. Currently, EVNGENCO 3 has studied the new projects to be invest in the periods of 2018-2022. If the projects will be constructed efficiently, EVNGENCO 3 will have a growth potential after 2025.

Currently, EVNGENCO 3 is coordinating with the interested parties to adjust the selling price for the electricity generated by Vinh Tan 2 Thermal Power Plant according to the total



investment value approved. After this adjustment, its business operation will improve.

#### **3.1.4. Challenges**

The operation of the fossil fuel – fired power plants are heavily affected by the fluctuation in the price of fossil fuel. Basically, The change in the price of the material is reflected in the electricity selling price of EVNGENCO 3, however, in the long term, depending on the source of the material and the introduction of the competitive electricity market, EVNGENCO 3 might face the material problem.

EVNGENCO 3 has to compete with other huge electricity generators . The introduction of the competitive electricity market and the competition from the huge electricity generators such as EVNGENCO 1, EVNGENCO 2, PVN together with the huge demand for electricity consumption in the South, EVNGENCO 3 have to compete with other players in terms of the electricity selling price.

The increasing change in the technology in the energy sector makes development strategy determination, risk control and the plan establishment very difficult and this may be out of the control of EVNGENCO 3, therefore support from the government policy to tackle with this problem is essential..

Its business operation is heavily affected by macroeconomic factors such as the economy growth, inflation, interest rates, exchange rates and government policies.

### **3.2. Business development strategies**

Vision: EVNGENCO 3 becomes the company which has the modern technology and management and high specialized production and operates efficiently and sustainably in order to play a key role in the national economic development and to guarantee the national energy security. The Company strives to become leading company in Viet Nam and Asean as well in applying the green energy technologies to protect the environment and achieve the sustainable development

#### **3.2.1. General orientation**

Equitize and innovate EVNGENCO 3 on the growth model, business structure, organizational structure and management mechanism, ensuring the stability on the basis of innovation with inherit the past achievements in order to increase all available production capacities in EVNGENCO 3, exploit the potentials and strengths of EVNGENCO 3, aim to fast grow, sustainable development, meet the need for national energy security.

### **3.2.2. *Development targets***

- Ensure the production and business of electricity is profitable, meet the requirement of investors and society; work effectively and sustainably;
- Ensure safe, continuous and stable management and operation of power plants, serving economic, political and social activities, contributing to ensuring national energy security;
- Participate in the competitive electricity market in accordance with the roadmap of the Government.
- Continue to implement power projects to ensure quality and construction progress;
- Invest in developing new source projects using clean technology, ensuring environmental sustainability;
- Financial indicators are guaranteed to mobilize capital for investment in new projects;
- Develop the supply of professional operation and repair services for power plants; design, fabrication, processing and technical services, high technology, environmental treatment for power plants;
- Play a central role to attract high-quality employees to repair power plants; enhance R&D activities and cooperate with international partners on thermal power plant repairment;
- Stabilize the operation and management of EVNGENCO 3 according to the new organization model, step by step raise the efficiency of production, business and labor productivity to be on par with some developed countries in the region and in the world;
- Exploit optimally all of the Company's resources with human resource development being central. Establish the high-specialized and skillful staff in order to fulfill the tasks professionally and efficiently;
- Create a image of a company that is responsible for community and society. Strive to become one of the leading enterprises in the ASEAN region in the field of electricity production and service of power plants.

### **3.2.3. *Specific tasks***

- a. Factories in operation: Ensure stable, safe and economical operation.

- b. Ongoing projects: Continuing to implement Vinh Tan 4, Thai Binh and expanded Vinh Tan 4 thermal power plants in accordance with the progress stipulated in the contracts and the plan of EVN.
- c. Investment research projects:
  - Research to invest in construction of Long Son Gas Power Center and Ba Ria II power plant.
  - Invest in projects using renewable energy (solar energy, wind energy ...)
  - Implement construction investment of Ba Ria II power plant.
- d. Costs of production and business: Implement solutions to save, optimize, reduce costs to improve production efficiency and business productivity.
- e. Power market operation: Make bidding process in the electricity market effectively, ensure profitable production and business, average dividend of 7%.
- f. Finance: ensure financial safety, healthy financial performance and growth of the Corporation.
- g. Corporate governance and human resources training:
  - Promote the application of science, technology and information technology to management; apply advanced management methods to the Joint Stock Company. Modernize management of the Corporation (apply information technology to management and operation),
  - Train and develop human resources to meet the demand of development and modernization of the Corporation, focus on training highly specialized employees to be experts in respective fields.
- h. For employees: ensure good working environment and life for employees, stabilize jobs and improve the lives of employees on the basis of increasing labor productivity and efficiency.

Power plant services: Ensure the repair of power plants to optimize repair costs, enhance its competitiveness in the electricity market; develop services for repairing and rental operating power plants, designing, manufacturing, restoration processing, training specialists ...

### **3.3. Development orientation for the period 2018 – 2027**

#### **3.3.1. Existing power generation**

Ensure sufficient power output and backup.

Optimize the cost of electricity production. Improve the efficiency of operation and labor productivity.

Participate in the competitive electricity market effectively according to the Government's roadmap.

Implement the centralized repair policy.

#### **3.3.2. Investment & Construction**

##### **a. Orientation**

- + Continue investing in new electricity projects, ensure the quality and the progress of construction in accordance with the electricity planning and the assignment of the Government.
- + Invest in new electricity generation projects using clean technologies, ensuring environmental compatibility with sustainable development.

**b. Regarding organization:** organize to establish the professional department of the project management to implement new projects owned by EVNGENCO 3 and to act as consultants on project management to other investors.

##### **c. Continue acting as consultants on project management for the following projects:**

<b>No.</b>	<b>Project</b>	<b>Capacity (MW)</b>	<b>Total investment value (bil VND)</b>	<b>Starting time of operation</b>
1	Vinh Tan 4 thermal power plant project	2x600	40,598	Turbine S2: 12/2017 Turbine S1: 06/2018
2	Expanded Vinh Tan 4 thermal power plant project	1x600	23,927	12/2019
3	Thai Binh 1 thermal power plant project	2x300	26,595	Turbine S1: 01/2018 Turbine S2: 04/2018

##### **d. Study and carry out investment procedures of new electricity generation projects:**

- + To carry out investment procedures for the construction of solar power plants in Binh Thuan, Ninh Thuan and Dak Lak provinces.
- + To implement the construction investment of Long Son Gas Power Center.
- + Implementing the construction investment of Ba Ria II power plant.

In addition, the Corporation considers implementing several new projects in the period 2018-2027 as follows:

**Table 18: Prioritized power project investment plan**

<b>No.</b>	<b>Project</b>	<b>Capacity (MW)</b>	<b>Total investment value (bil VND)</b>	<b>Time of investment</b>
1	Vinh Tan - Binh Thuan Solar Power project Current status: the Binh Thuan province People's Committee submitted the project to the Ministry of Industry and Trade (MIT) to review for the addition of the project to the Binh Thuan province's electricity development planning. MIT got comments from interested parties and made the final consideration	35	1,082	2018÷2020
2	Solar power plant on Srepok 3 hydropower reservoir project Current status: the Dak Lak province People's Committee submitted the project to the Ministry of Industry and Trade (MIT) to review for the addition of the project to the Dak Lak province's electricity development planning. MIT got comments from interested parties and is considering	50	1,840	2018÷2020
3	Ninh Phuoc 7 - Ninh Thuan solar power project (Period 1: invest to build the 50 MW plant) Current status: The Ninh Thuan's standing committee approved the guideline on location selection and is currently completing the procedures for addition of the project to the national electricity development planning	50	1,397	2018÷2020
4	LNG Long Son 1 power plant project	1,200	24,293	2020÷2025

	Current status: The Ba Ria – Vung Tau’s standing committee approved the guideline on location selection, determined the project border and studied the location of the prospective project and is currently completing the procedures for addition of the project to the national electricity development planning			
<b>Total</b>		<b>1,335</b>	<b>28,612</b>	

*Source: Equitization plan of EVNGENCO 3*

In addition, EVNGENCO 3 might consider investing in new solar power projects such as: solar power plants on Buon Kop, Buon Tua Srah reservoir, other plants located in Ninh Thuan and Binh Thuan province, 1,000 MW power plant at Tan Phuoc electricity center ...

### **3.3.3. Financial performance**

The business is profitable, ensuring average dividend for 10 years for shareholders.

The financial indicators are strong and healthy.

Arrange to get local and foreign loans for new investment projects.

### **3.3.4. Enhancing human resources**

Establish the professional, active, disciplined, ethical, highly specialized staff, especially the technical employees who will become experts in the field of O&M to keep up with the development of modernized industry and the 4.0 industrial revolution.

Strive to become the company which has high quality staff and labor productivity equivalent to the regional peers, keep up with the management, technical level of the modern countries in the global.

Enhancing the quality of the human resource and the labor productivity to enable EVNGENCO 3 to achieve the rapid, strong and sustainable development.

Create opportunities for the staff to learn and promote fairly.

Formulate and effectively implement the scheme on arrangement of laborers in EVNGENCO 3 in the 2016-2020 period towards the labor productivity exceeding the targets and the prior year’s figures.

### **3.3.5. Power market**

Conduct centralized biddings.

Join the competitive electricity wholesale market according to the roadmap.

Actively contribute to the construction of the electricity market at all levels approved by the Prime Minister.

### **3.3.6. *Repair and operation of power plants***

To promote and develop the model of repairing and leasing operation with the following development orientations:

Meet the demand for professional repairs for the plants in EVNGENCO 3 and for EVN when assigned tasks; providing high quality repair services and operating lease of power plants.

To be a training center, attracting specialists and high quality human resources; center for research, development and international cooperation in repair technology for power plants.

Develop consultancy, design and installation of equipment for power plants.

Build brand, develop repair market, thermal power, hydro power to foreign countries.

### **3.4. EVNGENCO 3's divestment plan 3 years post equitization**

Pursuant to the Decision No. 58/2016/QĐ-TTg and the restructuring plan of EVNGENCO 3 approved by EVN under Decision No. 138/QĐ-EVN dated 31/7/2017, the shareholdings of EVNGENCO 3 at subsidiaries and associates are as follows:

**Table 19: Subsidiaries, associates**

No.	Company	Charter capital (million VND)	Ownership (%)	Owned number of shares	Contribution value (million VND)
<b>Subsidiaries</b>					
1	Ba Ria Thermal Power JSC	604,856	79,56	48,123,557	481,236
2	Ninh Binh Thermal Power JSC	128,655	54.76	7,045,440	70,454
<b>Associates</b>					
1	Thac Ba Hydropower JSC	635,000	30.00	19,050,000	190,500
2	Vinh Son – Song Hinh Hydropower JSC	2,062,412	30.55	63,016,948	517,058

No.	Company	Charter capital (million Vnd)	Ownership (%)	Owned number of shares	Contribution value (million VND)
3	Se San 3A Power Investment & Development JSC	280,000	30.00	8,400,000	84,000
4	PetroVietnam Power Nhon Trach 2 JSC	2,878,760	2.50	7,121,920	64,000
5	Viet – Lao Power JSC	3,250,000	0.60	1,960,000	19,600
6	GE – PMTP Power Service Limited Liability Company	496,424	15.00	-	74,464

Develop the plan of divestment of the companies that the Corporation holds less than 10% of chartered capital after equitization in order to focus on investment in new power sources under EVNGENCO 3 restructuring plan which are PetroVietnam Power Nhon Trach 2 JSC (7,121,920 shares) and Viet – Lao Power JSC (1,960,000 shares).

*Source: Equitization plan of EVNGENCO 3*

### 3.5. Business plan, targets and solutions

#### 3.5.1. Business targets

**Table 20: Indicators of labor productivity, technical issues of the parent Company of EVNGENCO 3 in 2018-2020 periods**

No.	Indicators	Unit	2018	2019	2020
<b>I</b>	<b>Indicators of operation stability enhancement</b>				
1	Availability ratio				
1.1	Gas-fired thermal power plant	%	91.65	91.70	91.75
1.2	Coal-fired thermal power plant	%	89.28	86.94	89.92
1.3	Hydro power plant	%	95.53	95.54	95.55
2	Operation stoppage due to				



	breakdown ratio				
2.1	Gas-fired thermal power plant	%	1.35	1.30	1.25
2.2	Coal-fired thermal power plant	%	2.45	2.40	2.35
2.3	Hydro power plant	%	0.47	0.46	0.45
3	Operation stoppage for maintenance ratio				
3.1	Gas-fired thermal power plant	%	7.00	7.00	7.00
3.2	Coal-fired thermal power plant	%	8.32	10.76	7.93
3.3	Hydro power plant	%	4.00	4.00	4.00
<b>II</b>	<b>Indicators of operation efficiency enhancement</b>				
1	The ratio of internally used electricity				
1.1	Gas-fired thermal power plant	%	1.99	1.93	1.87
1.2	Coal-fired thermal power plant	%	8.14	8.14	8.14
1.3	Hydro power plant	%	0.99	0.98	0.97
2	Consumption rate				
2.1	Gas-fired thermal power plant	BTU/kWh	7,613	7,566	7,517
2.2	Coal-fired thermal power plant	kJ/kWh	10,873	10,875	10,850
3	O&M/MW cost	Million VND	818	928	961
<b>III</b>	<b>Indicators of labor productivity enhancement</b>				
1	Commercial electricity per employee	Million kWh/person	17.50	17.26	17.88

*Source: Decision No. 138/QĐ-EVN dated 31/7/2017 on the approval of the plan of reorganization and restructure of EVNGENCO 3 in 2017-2020 periods*

**Table 21: Business plan of EVNGENCO 3 –  
The Parent Company for the period of 2018-2020**

No.	Item	Unit	2018	2019	2020
1	Charter capital	Billion VND	20,809,000	20,809,000	20,809,000
2	Number of employees	Person	1,907	1,907	1,907
3	Total salary budget	Billion VND/year	562.693	619.774	683.061
4	Average income of employees	Million VND/ month	24.589	27.083	29.818
5	Total revenue	Billion VND	38,033,087	37,877,538	38,075,500
6	Total costs	Billion VND	37,035,361	36,450,043	36,571,296
7	Net profit	Billion VND	828,729	1,172,544	1,233,911
8	Dividend payout ratio (*)	%/year	3.6	5.3	5.5
9	Debt/equity	Time	<3	<3	<3

*Source: EVNGENCO 3*

*Debt-to-equity ratio of EVNGENCO3 will improve and meet the regulation (less than 3 times) since the equity will increase and the Company will make early principal repayment from the proceedings received from the equitization.*

*(\*) Regarding the selling price of electricity generated by Vinh Tan 2 thermal power plant:*

- *The selling price is determined in accordance with Circular No. 41/2010/TT-BCT to apply the initial approval of the total investment value of the plant to the electricity selling price calculation. Currently, the adjustment of the total investment value of Vinh Tan 2 thermal power plant project was approved to include necessary costs of the project.*
- *The adjustment of the selling price of electricity generated by Vinh Tan 2 thermal power plant according to the approved adjustment of the total investment value of the plant was included in the equitization plan submitted to get the approval of the government. Currently, the Company coordinated with interested parties to apply the latest approved total investment value of the plant to electricity price calculation to get the approval of the competent authority and the adjustment of the electricity price is estimated to be finished by Quarter I/2018.*

*After updating electricity price of Vinh Tan 2 power plant as the above estimation, the business performance of EVNGENCO 3 will improve.*

### **3.5.2. Solutions**

To achieve the planned objectives, the Corporation offers the following solutions:

#### **a) Solutions in power generation and supply**

- Safe and stable operation of power plants, ensuring the schedule of major repairs of power plants and power grids as planned;
- To ensure stable electricity production of Mong Duong 1 and Vinh Tan 2 thermal power plants to contribute electricity to the southern region.
- Strengthening technical management, labor safety, reducing incidents, step by step renovating, repairing and replacing equipment to improve the quality of equipment systems of Vinh Tan 2.
- Strategic bidding on the competitive electricity generation market to achieve the highest revenue.

#### **b) Construction investment solutions**

- Continue to improve the capacity of project management Department; exercise all rights and responsibilities in accordance with the Regulations on decentralization of investment decisions of the Group; manage and supervise closely the performance of contractors; promptly study and propose to competent authorities for solution of difficulties and problems so as to ensure the quality and progress according to the actual situation of each project.
- Promptly solve problems arising in the construction site in order to ensure the progress and quality of the works;
- Disbursement, timely payment of the qualified constructions.
- Research on the coal and liquefied gas markets in the world to ensure efficient fuel sources for new projects.
- Promote the research and development of projects using renewable energy (solar energy, wind energy, small and medium-size hydropowers).
- Seeking opportunities, selecting locations to invest in new power projects when financial capacity is secured.

#### **c) Solutions to improve business efficiency and improve labor productivity**

- Raise the capacity and recovering capacity of gas turbine units to increase efficiency, reduce fuel consuming and self-consumption rate.
- Implement projects to reduce coal consumption for coal-fired power plants.

- Improve and upgrade equipment and systems of power plants to improve safety, stability and reliability, especially in Vinh Tan 2 Thermal Power Plant.
- Promote the application of science and technology, information technology application in management and production management.
- Complete projects on environmental improvement, ensure that plants meet environmental standards and standards.
- Plan for major repairs of power plants to ensure the highest capacity in dry months; rationally exploit the reservoirs so as to make the fullest use of water sources for electricity production, avoiding spills.
- Practice thrift and combating wastefulness, optimizing costs in production, business and construction investment.
- Early repay of part of foreign loan that the Corporation took from EVN by using proceeds from equitization to improve financial situation. Strengthening management of cash flow in the whole Corporation and direct cash flow of member units to support the development of electricity.
- Carry out disposal of materials and equipment which are unqualified; implement synchronous solutions to reduce inventories in order to increase the efficiency of capital use.
- Apply performance appraisal system (KPIs) in businesses; recruit high quality human resources, hire experts in each business; conduct the mechanism of payment of wages and bonuses based on the contribution of employees, corresponding to the size and position of the Corporation in socio-economic development, especially for laborers with high professional and technical qualifications; motivate employees and create professional working environment which is discipline, unity and democracy.
- Cooperate with reputable domestic and foreign partners with specialized technical experiences. Train high-quality experts to organize the production and business activities of the Corporation with high efficiency, master advanced technology, and build a core team of experts in EVNGENCO 3. Offer policies for career development for the employees.

**d) Solutions for service development:**

- Strengthen the training and development of high quality human resources in the field of supervising, assessment, operation - repair, maintenance and processing;

- Collaborate, transfer and apply of science and technology in design, manufacture, processing, dynamic balance, testing, modification, reliability centered maintenance - RCM.
- Invest in advanced infrastructure and equipment for repair service; Establishment of specialized centers such as: training and applied research; Design, manufacture, processing; Dynamic balance; Electrical experiment.
- Develop the market, aiming to provide repair services and long-term operation for customers of coal, gas and hydro power plants of EVN and others.

## **PART 5: INFORMATION OF THE PUBLIC OFFERING**

### **1. RISK FACTORS**

Potential investors should consider carefully the following risk factors, as well as other information presented in this Prospectus before making an investment decision.

Any of the following risks, if actually occur, could materially and adversely affect EVNGENCO 3's businesses, results of operations and financial condition and could negatively impact on the share price. Other related issues and uncertainties which EVNGENCO 3 does not identify or are considered to be unimportant also negatively impact on the share price of EVNGENCO 3.

#### **1.1. Economics risks**

EVNGENCO 3's business activities are greatly influenced by macro-economic factors such as economic growth rate, inflation, interest rate, exchange rate, government's policies and development policies of the power sector.

EVNGENCO 3 has to face direct competition of generators in the power market. As competitive power market goes into operation with major power generators such as EVNGENCO 1, 2, PV POWER..., EVNGENCO 3 will have to compete with others in terms of price and related factors.

#### **1.2. Specific risks**

Power plants using fossil fuel are greatly affected by cost of input. According to statistics, the cost of fuel, including petroleum, oil, gas and coal that account for more than 60% of cost of electricity generation is major factor affecting electricity price.

##### ***1.2.1. Coal fuel***

Based on the Power Plan VII, coal demand for the power sector by 2020 is estimated at 67.3 million tons for 36,000 MW of coal thermal powers. This demand will increase to 171 million tons when the total capacity of coal thermal powers increases to 75,749 MW in 2030. Meanwhile, according to the coal industry's Plan, the volume of commercial coal produced in 2020 will reach only 60 - 65 million tons. Therefore the domestic coal will not be able to meet the power sector's demand and coal import is necessary. Coal import will put the Corporation into the risk of increase of imported coal price.

### **1.2.2. Gas fuel**

Currently, 80% of gas volume is provided to power plants. As planned by PV GAS, its target for 2016-2035 is reaching 297.6 billion m<sup>3</sup> of gas. Its target is also that from 2017 gas output will increase of about 0.2 - 1.5 billion m<sup>3</sup> per year according to results of exploration for gas sources. It is forecasted that PVN will have to import gas in the future to meet domestic demand.

Phu My power plants are ensured gas supply until 2023, after which, EVNGENCO 3 may have a risk of gas price and supply.

### **1.3. Exchange rate risk**

The current government's policy is regulating that exchange rate differences are not included in electricity prices for power plants, which is being considered to change by the Ministry of Industry and Trade. EVNGENCO 3 currently has a relatively high debt ratio. Their loans are mainly granted by foreign banks and local banks, and debt receiving and paying is in foreign currency (USD, Japanese Yen). Therefore, changes in exchange rate of Vietnam dong against these currencies will affect the Corporation's profit.

### **1.4. Legal risk**

The business activities of EVNGENCO 3 and its subsidiaries are governed by the laws and policies of the State of the Socialist Republic of Vietnam, including the Law on Enterprise, Law on Bidding, Electricity Law, tax regulations... After the public offering, if EVNGENCO 3 becomes a public company, EVNGENCO 3 is also subject to the Law on Securities and stock market. As the legal system of Vietnam is in the process of improvement, the policy changes may occur and create favorable conditions or have negative impact on EVNGENCO 3's businesses.

### **1.5. Risk of the IPO**

Since EVNGENCO 3's initial public offering is not underwritten, the total number of shares subscribed may be lower than the number of offered shares. In order to handle the shares that are not sold out, EVNGENCO 3 can seek the direction of the Equitization Steering Committee to sell the shares to strategic investors in accordance with the Equitization Plan. If these shares are still not sold out, they will continue to be handled according to the provisions of Article 40 of Decree No. 59/2011/ND-CP dated 18/7/2011 of the Government of Vietnam on

transformation of enterprises with 100% state capital into joint-stock companies and related documents.

The risk, if happens, will change the charter capital structure of EVNGENCO 3, at the same time, reduce the capital surplus, and partly affect the implementation of the business plans of EVNGENCO 3 post - equitization.

## **1.6. Other risks**

Other risks consist of natural disasters, earthquakes, floods, fires, wars, etc., which will seriously affect the business activities of enterprises. These risks are rare, but if present, will have serious impact on EVNGENCO 3's businesses.

*Investors should consider carefully the risk factors mentioned above, along with the information presented in this Prospectus. Operation of the Corporation could be influenced by any of the risks which are listed or not listed above. The list of risk factors mentioned above is not a complete list or explanation of all risks associated with the stock investing. Investors should carefully study and consider the information and other information from other reliable sources, and consult with professional advisers before making a decision to participate in the public auction.*

## **2. SHARE OFFERING AND PAYMENT METHOD**

The initial public offering for the equitization of EVNGENCO 3 – the Parent Company consist of: (i) Initial public offering (IPO) (ii) Share offering to employees and (iii) Share offering to strategic investors.

### **2.1. The Initial Public Offering**

#### **2.1.1. Eligible participants**

Eligible participants in the IPO are institutional and individual domestic and international investors (including employees of the enterprise undergoing equitization) as stipulated by law.

According to Article 4, Circular No. 196/2011/TT-BTC dated 26/12/2011, the following entities and individuals are not be allowed to participate in the IPO:

- Members of the Equitization Steering Committee, excluding representatives of the enterprise undergoing equitization;
- Intermediary financial institutions and their employees engaged in providing financial consultancy, valuation, auditing service and audit agencies engaged in enterprise valuation;



except for the underwriter(s) that purchase unsubscribed shares under its underwriting contract;

- The Auctioneer and its employees engaged in the auction;
- Subsidiaries and Associates of the enterprise undergoing equitization.

### ***2.1.2. Share offering and payment method for investors participating in the public auction***

Shares in the IPO would be sold via public auction, which is expected to be held at Ho Chi Minh Stock Exchange with the following details:

Name of offered shares	: Shares of Power Generation Corporation 3 – Joint Stock Company, established from the equitization of the EVNGENCO 3
Type of shares	: Ordinary share
Par value	: 10,000 VND per share
Starting price	: 24,600 VND/share
Total number of offered shares	: 267,051,900 shares (equivalent to 12.8355% of charter capital)
Participant	: Domestic and international institutions and individuals meeting conditions as required in the Auction Regulation for the IPO of EVNGENCO 3 are eligible to register and participate in the public auction
Auction method	: Shares will be offered in the form of public auction at Ho Chi Minh Stock Exchange according to Decision No. 895/QD-UBCK dated 29/10/2012 of the Head of the State Securities Commission on the standard form of the Auction Regulation in the Stock Exchange
Registration time and location	: According to the Auction Regulation for the IPO of

EVNGENCO 3 issued by Ho Chi Minh Stock Exchange

Auctioneer : Ho Chi Minh Stock Exchange

Payment method and deadline : According to the Auction Regulation for the IPO of EVNGENCO 3

Further details regarding the public auction will be set out in the Auction Regulation for the IPO of EVNGENCO 3 issued and announced by the Auctioneer (Ho Chi Minh Stock Exchange).

## **2.2. Share offering to employees**

The total number of shares offered to the employees of EVNGENCO 3 according to preferential policies in the enterprise undergoing equitization is 3,424,100 shares, equivalent to 0.1645% of charter capital. The details are as follows:

### ***2.2.1. Share offering to employees at preferential price based on number of years working for state owned enterprises***

#### ***a) Criteria and selling price of shares***

According to Clause 1, Article 48, Decree No. 59/2011/ND-CP dated 18/7/2011 of the Government of Vietnam on Transformation of enterprises with 100% state capital into joint-stock companies, the share price offered to employees is: *“Laborers named on the list of regular employees of an equitized enterprise at the time of disclosure of its value may purchase at most 100 shares per year of actually working in the state sector at the price equal to 60% of the lowest successful bid (in case of prior public auction) or 60% of the lowest successful sale price of shares sold to strategic investors (in case of prior sale to strategic investors).”*

#### ***b) Number of offering shares***

The total number of employees of EVNGENCO 3 at the time of announcing the enterprise value is 2,478, of which:

- Number of employees who are not qualified to buy preferential shares due to having less than one year working in the state sector: 207 people.
- The number of employees of EVNGENCO 3 who are qualified to buy preferred shares according to the number of working years in the state sector are 2,271 people with the total

number of working years is 15,443, equivalent to 1,544,300 shares, representing 0.0742% of charter capital, including:

- The number of employees of EVNGENCO 3 who are qualified to buy preferred shares according to the number of working years in the state sector are 2,271 with a total of 1,544,300 shares of employees, accounting for 0.0742% of charter capital.
- The number of employees of EVNGENCO 3 eligible to buy preferred shares but not registered to buy: 0 persons.

### ***2.2.2. Share offering to employees based on working commitment and to employees who are experts***

Shares for employees in the form of registration for long-term working commitment in the joint stock company in accordance with Clause 2, Article 48 of Decree No. 59/2011/ND-CP dated 18/07/2011 of the Government.

Pursuant to the Minutes No. 5609/BB-GENCO3 dated 12/10/2015 and the Minutes No. 2790A/BB-GENCO3 dated 18/8/2017 on the Labor Congress of EVNGENCO 3 approved the criterion for determining experts, high skilled employees, total number of employees of EVNGENCO 3 at the time of announcing the enterprise's value (31/8/2017) is 2,478 people, the number of employees of EVNGENCO 3 who is eligible to buy additional preferred shares as regulated is 2,454 people, of which:

- The number of employees registered to buy more under the long-term working commitment in the joint stock company is 691 people with the total number of shares: 1,879,800 shares, representing 0.0903% of total shares, including:
  - Employees who are experts with high professional qualifications: 222 people, registered to buy more: 1,008,500 shares, representing 0.0484% of the shares.
  - Other employees: 469 people, registered shares to buy more: 871,300 shares, representing 0.0419% of the shares.
- The number of employees who are qualified but do not register to buy preferential shares is 1,763 with 3,528,600 shares.

### ***2.2.3. Payment method and payment deadline***

Employees make the payment for the shares by cash or bank transfer as EVNGENCO 3's announcement.

#### 2.2.4. Summary of the share offering to employees

**Table 22: Summary of share offering to employees**

No.	Item	Number of shares (share)	Par value (VND)	% of charter capital
1	Shares offered to employees based on number of years of working for	1,544,300	15,443,000,000	0.0742%
2	Shares offered to employees based on commitment of working for the Joint-stock Company	1,879,800	18,798,000,000	0.0903%
	<b>Total</b>	<b>3,424,100</b>	<b>34,241,000,000</b>	<b>0.1645%</b>

*Source: Equitization plan of EVNGENCO 3*

#### 2.2.5. Expected timeline

After the successful public auction, EVNGENCO 3 sells the shares to and collects the proceeds from the registered employees.

Expected timeline is as follows:

**Table 23: Expected timeline for selling the shares to employees**

Process	Expected timeline (date)
The date of the public auction result	T
To announce the purchase price of shares (according to the auction result) to the employees	T + 5
Employees register, commit to buy and transfer money to buy shares into the blockade account	T + 20
Inform the sales results to competent authorities	T + 30

*Source: EVNGENCO 3*

### 2.3. Share offering to strategic investors

#### 2.3.1. Criteria for selection of strategic investors

##### Criteria for selection of strategic investors

Pursuant to the Official Letter No. 33/BCT-TC dated 03/01/2018 by Ministry of Industry and Trade on implement of Decision No.2100/QDD-TTg by Prime Minister on equitization of EVNGENCO 3; criteria for choosing strategic investors is as follows:

- Having full legal status as regulated by law;

- Having strong financial capability and having business results for the last 3 years up to the time of registering to buy shares with profit and no accumulated loss;
- Priority Investors are organizations or joint ventures experienced in the field of energy or technology related to power generation (management, operation of power plants, coal supply, LNG supply, maintenance, EPC, OEM, etc.) or investors with strong financial capacity and are able to support EVNGENCO 3 in arranging investment capital for power projects in in future.
- Priority is given to investors who have a plan to support the Corporation post equitization in the transfer of new technology; human resource training; improving financial capacity; corporate governance and material supply.
- Having written commitments when registering to become strategic investors of the equitized enterprises on the following contents:
  - + To continue maintaining and developing power production and brand names of the equitized enterprise for at least 3 (three) years from the time of becoming strategic shareholders.
  - + To commit not to transfer purchased shares for a minimum period of 05 (five) years from the date the Joint-stock Company is granted the first business registration certificate operating under the Enterprise Law.
  - + Strategic investors have obligation to indemnify when violating signed commitments with the indemnity level determined according to the actual damage.
  - + The Government will have the right for the use of the entire shares purchased by strategic investors when the investors violate the signed commitments.

### ***2.3.2. Plan for share offering to strategic investors***

#### ***a) Target investors:***

Target investors are investors who meet criteria for selection of strategic investors approved by competent authorities.

#### ***b) Share offering method and selling price:***

##### **+ Share offering method**

The sale of the share for the strategic investors is conducted via the direct negotiation or the auction.

***The sale will be conducted via the direct negotiation in the following case:***

In case there are no more than 03 strategic investors who register to subscribe the sale and the total number of shares subscribed by them is no more than the number of shares allowed to sell for the strategic investors.

***The sale of the share for the strategic investors will be conducted via the auction in the following cases:***

In case there are no more than 03 strategic investors who register to subscribe the sale and the total number of shares subscribed by them is larger than the number of shares allowed to sell for the strategic investors or in case there are more than 03 strategic investors who register to subscribe the sale.

In this case, the auction will be conducted at the Hochiminh Stock Exchange.

**+ Selling price**

The selling price of the shares sold for the strategic investor is determined according to Decree No. 126/2017/ND-CP dated 16/11/2017 by the Government. If selling via auctioning among strategic investors, the auction will be conducted in Ho Chi Minh Stock Exchange.

***c) Number of offered shares***

The number of shares offered to strategic investors is 749,124,000 shares, total par value is 7,491,240,000,000 VND, equivalent to 36% of charter capital.

***d) Payment method and payment deadline***

Strategic investors make the payment for the purchased shares according to provisions of share purchase agreements between the parties.

***e) Process for choosing strategic investors***

The Strategic Investor Selection Process is as below:

**Table 25: The Strategic Investor Selection Process**

T	27-12-17	Approval of Equitization Plan	
T+8	04-01-18	Announcement of selecting strategic investors on the media. Send letters to the strategic investors in the list.	
T+13	09-01-18	Meeting with strategic investors who are interested in the opportunity, sign NDA	
T+14	10-01-18	Set up data room, Q&A with investors	
T+19	15-01-18	The deadline for receipt of registration dossiers. Select the selling method.	
		NEGOTIATION In case of selling via direct negotiation: notice to investors for deposit (the deposit is decided by the Steering Committee).	AUCTION In case of selling via auction: report to the Ministry of Industry and Trade the list of investors who register for share purchasing
T+20	16-01-18	Deadline for submission of the deposit, report to the Ministry of Industry and Trade the list of investors who are qualified to participate in the share selling.	
T+43	08-02-18	Deadline for providing information and Q&A to investors	
T+44	09-02-18	Inform the average successful bidding price to investors	Inform the average successful bidding price together with the notice of deposit to investors
T+48	13-02-18	Sign Share Subscription Agreements (SSAs)	Deadline for deposit, select selling method: - In case of not satisfying conditions of the auction: Report to the Ministry of Industry and Trade to switch to sell via direct negotiation. - In case of satisfying conditions of the auction: Continue to follow T + 61 step
T+61	26-02-18	Investors make payment	Conduct the auction
T+68	05-03-18	Report the result of selling via direct negotiation	Sign SSAs
T+72	09-03-18		Investors make payment
T+75	12-03-18		Report the result of the auction

The above timeline may vary with the actual time necessary for strategic investor selection and the approvals of relevant authorities.

(\*) EVN selects Strategic Investor(s) for EVNGENCO 3 through direct negotiation and/or auction process. The selection of Strategic Investor(s) is conducted after the completion of the IPO (expected to be on 09/02/2018). The offering mechanism is in accordance with Circular 196/2011/TT-BTC dated 26/12/2011 and the approved Equitization Plan.

### 3. PLAN TO UTILIZE THE PROCEEDS FROM THE EQUITIZATION

**Table 26: Plan to utilize the proceeds from the equitization**

*Unit: VND*

No.	Items	Value	Note
I	Book value of State capital in EVNGENCO 3 at the time of Enterprise Valuation	10,613,552,335,518	According to Enterprise Valuation
II	Charter capital of the Joint-stock Company	20,809,000,000,000	
III	EVN's capital in the Joint-stock Company (51% of charter capital)	10,613,000,000,000	II*51%
IV	<b>Collection plan</b>	<b>25,066,964,088,000</b>	
4,1	- Sell to employees	69,036,948,000	
i	- <i>Based on years of working in state sector</i>	22,793,868,000	According to Decree 59/2011 / ND-CP, Article 48, Clause 1 (initial estimate with 60% of starting price)
ii	- <i>Based on long-term working commitment</i>	46,243,080,000	According to Decree 59/2011 / ND-CP, Article 48, Clause 1 (initial estimate with starting price)
4.2	- Sell to strategic investors	18,428,450,400,000	Decree No. 126/2017 / ND-CP, Article 6, Clause 3, Point d (initial estimate with starting price)
4.3	- Sell via IPO	6,569,476,740,000	Initial estimate with starting price
4.4	The excess due to the rounding of the State capital/ charter capital in the enterprise	552,335,518	



<b>V</b>	<b>Total value of issued shares based on starting price</b>	<b>25,082,160,000,000</b>	
<b>VI</b>	<b>Using the proceeds from selling shares</b>	<b>25,066,964,088,000</b>	
6.1	Remain the value of the shares corresponding to the number of shares issued by the par value at the enterprise	10,196,000,000,000	
6.2	Capital surplus after the equitization cost and redundant labor settlement costs	0	Decree 126, Article 39
6.2.1	<i>Capital surplus (the difference between the proceeds from equitization and total value of additional shares based on starting price) (6.2 = VI - V)</i>	-15,195,912,000	
6.2.2	<i>Costs of equitization</i>	12,064,818,990	
6.2.3	<i>Expenses for redundant labor settlement</i>	0	
6.3	Capital surplus after deduction of equitization and redundant labor settlement expenses that is remained in the enterprise (6.3 = 6.2*49% if 6.2 >0)	0	
<b>6.4</b>	<b>Capital that is remained in the enterprise (6.4 =(6.1+6.3 )</b>	<b>10,196,000,000,000</b>	Decree 126, Article 39
<b>6.8</b>	<b>Capital that is transferred to Arrangement Support and Developing Enterprise Fund (6.5 = VI-6.4-6.2.2-6.2.3+4.4 )</b>	<b>14,859,451,604,528</b>	Decree 126, Article 39

#### **4. SCHEDULE FOR LISTING, REGISTRATION FOR TRADING POST EQUITIZATION**

When registering for the initial public offering of shares through Ho Chi Minh Stock Exchange, the Corporation will simultaneously register the depository and register trading on UPCOM as stipulated in Circular No. 115/2016/TT-BTC dated 30/06/2016 by Ministry of Finance on Amending and adding some articles of the circular No. 196/2011/TT-BTC dated 26/12/2011 of the Ministry of Finance guiding the initial sale of shares and management and use of proceeds from equitization of wholly state-owned enterprises.

In the case that the Corporation meets the conditions for listing shares on stock exchange, the Corporation shall carry out the listing procedures right after the the listing conditions are satisfied.

## **5. PARTIES RESPONSIBLE FOR THE INFORMATION PRESENTED IN THE PROSPECTUS**

### **5.1. Representative of Equitization Steering Committee of EVNGENCO 3**

***Mr. Duong Quang Thanh: Chairman of EVN – Head of Equitization Steering Committee of EVNGENCO 3***

This Prospectus was prepared by EVNGENCO 3 and the Advisors and was approved by Equitization Steering Committee of EVNGENCO 3.

### **5.2. Representative of the issuer**

***Mr. Dinh Quoc Lam: General Director of EVNGENCO 3***

We commit that all the information, data and figures related to EVNGENCO 3 as presented in this Prospectus is true, accurate and comprehensive in accordance with the current status of EVNGENCO 3 and with the applicable laws on equitization.

### **5.3. Representative of the advisors**

#### ***5.3.1. Representative of the auction advisor***

**Viet Capital Securities Joint Stock Company**

***Mr. Nguyen Quang Bao: Deputy General Director cum Director of Viet Capital Securities JSC - Hanoi Branch***

*(under authorized document No. 07/2015/QĐ.VCSC dated 01/07/2015 on authorizing Deputy General Director to sign on behalf of the General Director)*

#### ***5.3.2. Representative of the equitization plan advisor***

**EVN Finance Joint Stock Company**

***Mr. Hoang Manh Hai: Deputy General Director of EVN Finance Joint Stock Company***

*(under authorized document No. 33/UQ-TCDL ngày 17/8/2015 of General Director of EVN Finance Joint Stock Company)*

This Prospectus is a part of the application document for registration of the public auction and prepared by the advisors based on Advisory Agreement with EVNGENCO 3. We ensure that the analysis, assessment and wording in this Prospectus are conducted in a reasonable and prudent manner based on the information and data provided by EVNGENCO 3.

## **PART 6: CONCLUSION**

This Propestus is provide to prospective investors with the aim of assisting them in the evaluation of assets, capital, financial position, results of operations and business prospect of EVNGENCO 3 before applying for the offering.

This Prospectus is elaborated on the basis of the equitization plan of EVNGENCO 3 approved by the Prime Minister and information and data provided by EVNGENCO 3 as regulated to ensure the publicity and the transparency, and to protect the legitimate interests of investors. The assessment and selection of information and wording in this Prospectus has been presented on a reasonable and prudent basis.

We do not carry out any analysis and assessment to guarantee the value of shares. The investors should make their own investment decision and take responsibility for these decisions. Therefore, investors should refer to additional information of the issuer before deciding to participate in the auction, as well as guarantee that the share subscription and purchase will be paid by legal source of money in accordance with legislation and applicable regulations.

This Prospectus is prepared in Vietnamese and English. In case of any questions or disputes, the Vietnamese version will be prevailed.

*Hanoi, 05 January 2018*

**REPRESENTATIVE OF EQUITIZATION STEERING COMMITTEE  
HEAD OF COMMITTEE  
CHAIRMAN OF VIETNAM ELECTRICITY**



**Dương Quang Thanh**

**REPRESENTATIVE OF EQUITIZED ENTERPRISE  
POWER GENERATION CORPORATION 3-  
ONE MEMBER LIABILITY LIMITED COMPANY**

**GENERAL DIRECTOR**



**Dinh Quoc Lam**

**REPRESENTATIVE OF AUCTION ADVISOR  
VIET CAPITAL SECURITIES JOINT STOCK COMPANY  
DEPUTY GENERAL DIRECTOR CUM DIRECTOR OF HANOI BRANCH**



**Nguyen Quang Bao**

**REPRESENTATIVE OF EQUITIZATION PLAN ADVISOR  
EVN FINANCE JOINT STOCK COMPANY  
DEPUTY GENERAL DIRECTOR**



**Hoang Manh Hai**