



**DANANG AIRPORT SERVICE
JOINT STOCK COMPANY**

Financial statements

For the year ended 31 December 2018

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REPORT OF MANAGEMENT

The Management of Danang Airport Service Joint Stock Company hereby presents this report together with the audited financial statements for the year ended 31 December 2018.

Overview

Danang Airport Service Joint Stock Company – Masco (“the Company”) was incorporated on the basis of equitizing the State-owned enterprise (Danang Airport Service Company) under Decision No. 3547/QĐ-BGTVT dated 23 September 2005 by the Ministry of Transport. The Company is an independent accounting entity, operating in observance of the Business Registration Certificate No. 3203000950 dated 5 April 2006 by Danang City’s Department of Planning and Investment, Enterprise Law, its Charter and other relevant regulations. So far, the Company’s Business Registration Certificate (which is now the Enterprise Registration Certificate No. 0400102045) has been amended 14 times and the most recent amendment was made on 20 April 2017.

The Company registered to list its common shares on the Hanoi Stock Exchange with code MAS under Decision No. 350/QĐ-SGDHN dated 30 June 2014 issued by Hanoi Stock Exchange. The official trading date was 15 July 2014.

Charter capital: VND42,676,830,000

Paid-in capital as at 31/12/2018: VND42,676,830,000

The Company has 9 dependent entities, including:

- Phu Bai Branch;
- Nha Trang Branch;
- Masco - Danang Driver Training Center;
- Masco – Thua Thien Hue Driver Training Center;
- Passenger Transportation Enterprise;
- Danang Catering Enterprise;
- Airport Service Enterprise;
- Trading and Service Enterprise;
- Car Maintenance Service Center.

Head office

- Address: Danang International Airport, Hoa Thuan Tay Ward, Hai Chau District, Danang City, Vietnam
- Tel: (84) 236 3830340
- Fax: (84) 236 3826133
- Email: masco@masco.com.vn
- Website: www.masco.com.vn

REPORT OF MANAGEMENT (Cont'd)

Principal activities

- Service activities incidental to air transportation. Details: Air transport technical commercial exploitation;
- Manufacture of prepared meals and dishes. Details: Manufacture and serve of catering on flights, industrial catering, packed and instant food, candies, purified bottled water;
- Real estate activities with own or leased property;
- Human resources provision and management of human resources functions. Details: Internal human resources provision; Services for sending workers for overseas employment;
- Activities of employment placement agencies. Details: Job introduction and consultancy services;
- Travel agency activities. Details: Travel services; Tour guides and shuttle services;
- Other educational activities n.e.c. Details: Training of driving cars, motorcycles;
- Land transport of passengers by urban or suburban transport systems (except via bus). Details: Transport of passengers by provincial and intercity car, taxi;
- Sale of motor vehicles on a fee or contract basis;
- Maintenance and repair of motor vehicles;
- Freight transport by road; Details: Freight transport by car;
- Sale of motorcycles. Details: Sale of motorcycles on a fee or contract basis;
- Restaurants and mobile food service activities. Details: Restaurants for food and beverage; Trading of locally-produced wine, beer, cigarette;
- Short-term accommodation activities. Details: Tourism accommodation activities;
- Other support activities related to transportation. Details: Booking office; Office of freight transport by air, boat, train;
- Advertising. Details: Advertising services;
- Other retail sale of new goods in specialized stores. Details: Retail sale of duty-free goods, artworks, general goods, office supplies;
- Wholesale of construction materials and installation supplies. Details: Wholesale of interior and exterior decoration products, construction materials (except for brick, sand, soil and cement);
- Wholesale of other machinery and other equipment. Details: Wholesale electricity, telecommunication, marine equipment and specialized equipment for transportation and urban environment;
- Wholesale of food. Details: Wholesale of waterfood, seafood;
- Marine aquaculture. Details: Water and marine aquaculture;
- Wholesale of textiles, clothing, footwear. Details: Wholesale of wearing apparel;
- Manufacture textile articles (except apparel). Details: Outsourcing of wearing apparel;
- Sale of motor vehicle part and accessories.

REPORT OF MANAGEMENT (Cont'd)**Employees**

As at 31 December 2018, the Company had 627 employees, including 22 managing officers.

Members of the Board of Directors, Board of Supervisors, Management and Chief Accountant during the year and up to this reporting date are as follows:

Board of Directors

• Mr. Ho Quang Tuan	Chairman	Appointed on 22/04/2016
• Mr. Nguyen Thanh Dong	Member	Appointed on 22/04/2016
• Mr. Tran Thanh Hai	Member	Appointed on 14/03/2017
• Ms. Vu Thi Thu Bon	Member	Appointed on 22/04/2016
• Ms. Le Thi Thuy Linh	Member	Appointed on 22/04/2016

Board of Supervisors

• Mr. Nguyen Dung	Chief Supervisor	Reappointed on 22/04/2016
• Mr. Pham Ngoc Tuan	Supervisor	Reappointed on 22/04/2016
• Ms. Duong Thuy Van	Supervisor	Reappointed on 22/04/2016

Management and Chief Accountant

• Mr. Nguyen Thanh Dong	General Director	Reappointed on 22/04/2016
• Mr. Pham Van Ha	Vice General Director	Reappointed on 01/07/2016
• Mr. Tran Thanh Hai	Vice General Director	Reappointed on 01/07/2016
• Ms. Nguyen Thi Minh Huyen	Chief Accountant	Appointed on 15/05/2018
• Mr. Phan Huu Tam	Chief Accountant	Reappointed on 01/07/2016 Resigned on 15/05/2018

Independent Auditor

These financial statements have been audited by AAC Auditing and Accounting Co., Ltd. (Head office: Lot 78-80, 30th April Street, Hai Chau District, Danang City; Telephone: (84) 236.3655886; Fax: (84) 0236.3655887; Website: www.aac.com.vn; Email: aac@dng.vnn.vn).

Responsibility of the Management in preparation and presentation of the financial statements

The Company's Management is responsible for true and fair preparation and presentation of these financial statements on the basis of:

- Complying with the Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and other relevant regulations;
- Selecting suitable accounting policies and then applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Preparing the financial statements on the going concern basis;

REPORT OF MANAGEMENT (Cont'd)

- Responsibility for such internal control as the Management determines is necessary to enable the preparation and presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Members of the Company's Management hereby confirm that the accompanying financial statements including the balance sheet, the income statement, the statement of cash flows and notes to the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and the result of its operations and its cash flows for the year then ended in accordance with the Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and the statutory requirements relevant to preparation and presentation of the financial statements.

On behalf of the Management

Nguyen Thanh Dong

General Director

Danang, 21 February 2019



AAC AUDITING AND ACCOUNTING CO., LTD

AN INDEPENDENT MEMBER OF PRIMEGLOBAL
AUDITING ACCOUNTING AND FINANCE SPECIALITY

Head Office: Lot 78 - 80, April 30th Street, Hai Chau District, Da Nang City

Tel: +84 (236) 3 655 886; Fax: +84 (236) 3 655 887; Email: aac@dng.vn.vn; Website: <http://www.aac.com.vn>

No.: 090/2019/BCKT-AAC

INDEPENDENT AUDITORS' REPORT

To: The Shareholders, Board of Directors and Management
Danang Airport Service Joint Stock Company

We have audited the accompanying financial statements of Danang Airport Service Joint Stock Company ("the Company") as prepared on 11 February 2019 and set out on pages 5 to 37, which comprise the balance sheet as at 31 December 2018, the income statement, statement of cash flows, and notes to the financial statements for the year then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and the statutory requirements relevant to preparation and presentation of financial statements.

Other Matter

The Company's financial statements for the year 2017 were audited by other auditing firm. In the Auditors' Report No. 11/2017/BCKT/2018-RSMMT dated 12/02/2018, the predecessor auditors expressed the unqualified audit opinion.

AAC Auditing and Accounting Co., Ltd.

Tran Thi Phuong Lan – Deputy General Director
Audit Practising Registration Certificate
No. 0396-2018-010-1
Danang City, 21 February 2019

Duong Thi Van Thanh – Auditor
Audit Practising Registration Certificate
No. 3671-2016-010-1

BALANCE SHEET

As at 31 December 2018

Form B 01 - DN

Issued under Circular No. 200/2014/TT - BTC
dated 22/12/2014 by the Ministry of Finance

ASSETS	Code	Note	31/12/2018 VND	01/01/2018 VND
A. CURRENT ASSETS	100		29,649,050,872	45,057,859,518
I. Cash and cash equivalents	110		5,047,257,845	17,247,807,536
1. Cash	111	5	5,047,257,845	16,247,807,536
2. Cash equivalents	112		-	1,000,000,000
II. Short-term financial investments	120		-	-
III. Short-term receivables	130		13,771,075,948	15,599,284,010
1. Short-term trade receivables	131	6	12,424,802,879	15,366,834,815
2. Short-term prepayments to suppliers	132	7	2,077,038,028	849,264,481
3. Other short-term receivables	136	8	750,360,040	864,309,713
4. Provision for doubtful debts	137	9	(1,481,124,999)	(1,481,124,999)
IV. Inventories	140	10	7,627,469,428	8,795,767,006
1. Inventories	141		7,627,469,428	8,795,767,006
2. Provision for decline in value of inventories	149		-	-
V. Other current assets	150		3,203,247,651	3,415,000,966
1. Short-term prepaid expenses	151	11.a	3,203,247,651	2,604,505,371
2. Deductible VAT	152		-	602,530,232
3. Taxes and amounts receivable from the State	153	16	-	207,965,363
B. NON-CURRENT ASSETS	200		98,666,017,865	109,182,034,003
I. Long-term receivables	210		-	-
II. Fixed assets	220		94,296,327,515	91,987,215,265
1. Tangible fixed assets	221	12	93,694,167,078	91,424,988,165
- Cost	222		200,942,226,207	186,530,034,130
- Accumulated depreciation	223		(107,248,059,129)	(95,105,045,965)
2. Intangible fixed assets	227	13	602,160,437	562,227,100
- Cost	228		887,433,100	825,433,100
- Accumulated amortization	229		(285,272,663)	(263,206,000)
III. Investment property	230		-	-
IV. Non-current assets in progress	240		1,771,012,910	16,489,767,328
1. Long-term work in progress	241		-	-
2. Construction in progress	242	14	1,771,012,910	16,489,767,328
V. Long-term financial investments	250		-	-
VI. Other non-current assets	260		2,598,677,440	705,051,410
1. Long-term prepaid expenses	261	11.b	2,598,677,440	705,051,410
2. Other non-current assets	268		-	-
TOTAL ASSETS	270		128,315,068,737	154,239,893,521

BALANCE SHEET (cont'd)

As at 31 December 2018

RESOURCES	Code	Note	31/12/2018 VND	01/01/2018 VND
C. LIABILITIES	300		71,475,617,121	89,380,552,983
I. Short-term liabilities	310		49,617,082,307	68,656,642,577
1. Short-term trade payables	311	15	11,440,439,498	19,062,249,299
2. Short-term advances from customers	312		4,839,837,882	4,219,283,620
3. Taxes and amounts payable to the State budget	313	16	2,070,775,340	333,378,806
4. Payables to employees	314		4,330,489,484	8,020,082,728
5. Short-term accrued expenses	315	17	195,830,328	174,925,294
6. Short-term unearned revenue	318	18	2,924,600,107	1,855,793,292
7. Other short-term payables	319	19.a	4,010,376,450	11,121,071,771
8. Short-term loans and finance lease liabilities	320	20.a	16,981,015,590	19,360,406,004
9. Reward and welfare fund	322		2,823,717,628	4,509,451,763
II. Long-term liabilities	330		21,858,534,814	20,723,910,406
1. Other long-term payables	337	19.b	3,640,000,000	3,640,000,000
2. Long-term loans and finance lease liabilities	338	20.b	18,218,534,814	17,083,910,406
D. EQUITY	400		56,839,451,616	64,859,340,538
I. Owners' equity	410		56,839,451,616	64,859,340,538
1. Share capital	411	21	42,676,830,000	42,676,830,000
- Common shares with voting rights	411a		42,676,830,000	42,676,830,000
- Preferred shares	411b		-	-
2. Development investment fund	418	21	803,208,113	803,208,113
3. Undistributed profit	421	21	13,359,413,503	21,379,302,425
- Undistributed profit up to the end of prior year	421a		30,965,175	91,261,088
- Undistributed profit of current year	421b		13,328,448,328	21,288,041,337
II. Other resources and funds	430		-	-
TOTAL RESOURCES	440		128,315,068,737	154,239,893,521

Nguyen Thanh Dong
General Director

Danang City, 11 February 2019

Nguyen Thi Minh Huyen
Chief Accountant

Pham Thi Thuong
Preparer

INCOME STATEMENT
For the year ended 31 December 2018

Form B 02 - DN
Issued under Circular No. 200/2014/TT - BTC
dated 22/12/2014 by the Ministry of Finance

ITEMS	Code	Note	Year 2018 VND	Year 2017 VND
1. Revenue from sales and service provision	01	23	240,796,317,341	297,390,468,169
2. Deductions	02	24	5,366,467,435	4,398,019,758
3. Net revenue from sales and service provision	10		235,429,849,906	292,992,448,411
4. Cost of goods sold	11	25	191,736,187,547	216,727,397,913
5. Gross profit from sales and service provision	20		<u>43,693,662,359</u>	<u>76,265,050,498</u>
6. Financial income	21	26	121,935,458	377,851,632
7. Financial expenses	22	27	3,505,008,688	2,151,263,286
Including: Interest expense	23		3,422,141,516	2,015,675,851
8. Selling expenses	25	28.a	7,236,252,633	7,692,720,661
9. Administrative expenses	26	28.b	16,569,536,886	20,337,855,451
10. Operating profit	30		<u>16,504,799,610</u>	<u>46,461,062,732</u>
11. Other income	31	29	2,385,478,024	3,495,145,793
12. Other expenses	32	30	658,552,080	489,972,584
13. Other profit	40		<u>1,726,925,944</u>	<u>3,005,173,209</u>
14. Accounting profit before tax	50		<u>18,231,725,554</u>	<u>49,466,235,941</u>
15. Current corporate income tax expense	51	31	3,377,443,227	9,815,950,594
16. Deferred corporate income tax expense	52		-	-
17. Profit after tax	60		<u>14,854,282,327</u>	<u>39,650,285,347</u>
18. Basic earnings per share	70	32	3,123	8,707
19. Diluted earnings per share	71	32	3,123	8,707

Nguyen Thanh Dong
General Director

Nguyen Thi Minh Huyen
Chief Accountant

Pham Thi Thuong
Preparer

Danang City, 11 February 2019

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

Form B 03 - DN

Issued under Circular No. 200/2014/TT - BTC
dated 22/12/2014 by the Ministry of Finance

ITEMS	Code	Note	Year 2018 VND	Year 2017 VND
I. Cash flows from operating activities				
1. Profit before tax	01		18,231,725,554	49,466,235,941
2. Adjustments for				
- Depreciation and amortization	02	12;13	17,899,622,835	17,176,671,384
- Exchange gain/loss upon revaluation of monetary items denominated in foreign currency	04		89,399,612	104,819,148
- Profit/loss from investing activities	05	26;28	(1,837,086,586)	(2,600,519,133)
- Interest expenses	06	27	3,422,141,516	2,015,675,851
- Other adjustments	07		131,116,490	-
3. Operating profit before changes in working capital	08		37,936,919,421	66,162,883,191
- Increase/decrease in receivables	09		4,456,117,722	2,538,048,911
- Increase/decrease in inventories	10		1,168,297,578	824,199,023
- Increase/decrease in payables (exclusive of interest payable, income tax payable)	11		(2,997,824,800)	(8,483,092,477)
- Increase/decrease in prepaid expenses	12		(2,517,518,821)	(1,173,405,967)
- Interest paid	14	17;27	(3,401,236,482)	(1,908,910,283)
- Corporate income tax paid	15	16	(2,702,396,289)	(12,097,075,579)
- Other cash receipts from operating activities	16		-	2,420,000
- Other payments for operating activities	17		(7,360,460,135)	(2,496,916,075)
Net cash provided by operating activities	20		24,581,898,194	43,368,150,744
II. Cash flows from investing activities				
1. Purchases of fixed assets and other long-term assets	21		(16,475,027,819)	(46,513,876,472)
2. Proceeds from disposals of fixed assets and other long-term assets	22		3,216,102,231	2,470,000,000
3. Dividends, profit and interest received	27	8;26	40,215,082	127,312,466
Net cash used in investing activities	30		(13,218,710,506)	(43,916,564,006)
III. Cash flows from financing activities				
1. Proceeds from stock issuance, capital contribution	31		-	12,588,670,000
2. Proceeds from borrowings	33	20	33,487,572,836	51,498,109,293
3. Repayment of borrowings	34	20	(34,886,757,692)	(31,933,339,308)
4. Dividends, profit paid to owners	36	19;21	(22,163,214,000)	(38,197,691,740)
Net cash used in financing activities	40		(23,562,398,856)	(6,044,251,755)
Net cash flows for the year	50	5	(12,199,211,168)	(6,592,665,017)
Cash and cash equivalents at the beginning of the year	60		17,247,807,536	23,823,012,137
Impacts of exchange rate fluctuations	61		(1,338,523)	17,460,416
Cash and cash equivalents at the end of the year	70	5	5,047,257,845	17,247,807,536

Nguyen Thanh Dong
General Director

Danang City, 11 February 2019

Nguyen Thi Minh Huyen
Chief Accountant

Pham Thi Thuong
Preparer

NOTES TO THE FINANCIAL STATEMENTS

(These notes form part of and should be read in conjunction with the accompanying financial statements)

Form B 09 - DN

Issued under Circular No. 200/2014/TT - BTC

dated 22/12/2014 by the Ministry of Finance

1. Nature of operations**1.1. Overview**

Danang Airport Service Joint Stock Company – Masco (“the Company”) was incorporated on the basis of equitizing the State-owned enterprise (Danang Airport Service Company) under Decision No. 3547/QĐ-BGTVT dated 23 September 2005 by the Ministry of Transport. The Company is an independent accounting entity, operating in observance of the Business Registration Certificate No. 3203000950 dated 5 April 2006 by Danang City’s Department of Planning and Investment, Enterprise Law, its Charter and other relevant regulations. So far, the Company’s Business Registration Certificate (which is now the Enterprise Registration Certificate No. 0400102045) has been amended 14 times and the most recent amendment was made on 20 April 2017.

1.2. Principal scope of business: Manufacture of catering on flights, trading and services; Training of driving cars and motorcycles.

1.3. Operating activities

- Service activities incidental to air transportation. Details: Air transport technical commercial exploitation;
- Manufacture of prepared meals and dishes. Details: Manufacture and serve of catering on flights, industrial catering, packed and instant food, candies, purified bottled water;
- Real estate activities with own or leased property;
- Human resources provision and management of human resources functions. Details: Internal human resources provision; Services for sending workers for overseas employment;
- Activities of employment placement agencies. Details: Job introduction and consultancy services;
- Travel agency activities. Details: Travel services; Tour guides and shuttle services;
- Other educational activities n.e.c. Details: Training of driving cars, motorcycles;
- Land transport of passengers by urban or suburban transport systems (except via bus). Details: Transport of passengers by provincial and intercity car, taxi;
- Sale of motor vehicles on a fee or contract basis;
- Maintenance and repair of motor vehicles;
- Freight transport by road; Details: Freight transport by car;
- Sale of motorcycles. Details: Sale of motorcycles on a fee or contract basis;
- Restaurants and mobile food service activities. Details: Restaurants for food and beverage; Trading of locally-produced wine, beer, cigarette;
- Short-term accommodation activities. Details: Tourism accommodation activities;
- Other support activities related to transportation. Details: Booking office; Office of freight transport by air, boat, train;
- Advertising. Details: Advertising services;

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

- Other retail sale of new goods in specialized stores. Details: Retail sale of duty-free goods, artworks, general goods, office supplies;
- Wholesale of construction materials and installation supplies. Details: Wholesale of interior and exterior decoration products, construction materials (except for brick, sand, soil and cement);
- Wholesale of other machinery and other equipment. Details: Wholesale electricity, telecommunication, marine equipment and specialized equipment for transportation and urban environment;
- Wholesale of food. Details: Wholesale of waterfood, seafood;
- Marine aquaculture. Details: Water and marine aquaculture;
- Wholesale of textiles, clothing, footwear. Details: Wholesale of wearing apparel;
- Manufacture textile articles (except apparel). Details: Outsourcing of wearing apparel;
- Sale of motor vehicle part and accessories.

1.4. Business structure

As at 31 December 2018, the Company has 9 dependent entities:

- Phu Bai Branch;
- Nha Trang Branch;
- Masco - Danang Driver Training Center;
- Masco – Thua Thien Hue Driver Training Center;
- Passenger Transportation Enterprise;
- Danang Catering Enterprise;
- Airport Service Enterprise;
- Trading and Service Enterprise;
- Car Maintenance Service Center.

2. Accounting period, currency used in accounting

The Company's annual accounting period starts on 1 January and ends on 31 December.

Financial statements and accounting transactions are expressed in Vietnamese Dong (VND).

3. Applied accounting standards and system

The Company adopts the Vietnamese Corporate Accounting System, which was guided under Circular No. 200/2014/TT-BTC dated 22/12/2014 and Vietnamese Accounting Standards promulgated by the Ministry of Finance.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

4. Summary of significant accounting policies

4.1 Exchange rate differences applied in accounting

Transactions denominated in foreign currencies are translated to VND using the actual exchange rate announced by the commercial bank where the Company anticipates conducting transactions on the date of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies which are classified as assets are revaluated using the purchasing exchange rate and monetary items denominated in foreign currencies which are classified as liabilities are revaluated using the selling exchange rate of the commercial bank where the Company regularly conducts transactions at the time of the financial statements. For foreign currencies deposited in bank, the exchange rate upon revaluation is the purchase exchange rate of the bank where the Company opens foreign currency accounts.

Exchange rate differences are treated in accordance with the provisions of Vietnamese Accounting Standards No. 10 "Effects of changes in foreign exchange rates". Accordingly, foreign exchange differences arising during the year and exchange rate differences resulting from revaluing the closing balances of monetary items denominated in foreign currencies are recorded as financial incomes or financial expenses in the fiscal year.

4.2 Cash and cash equivalents

Cash includes cash on hand and demand deposits.

All short-term investments which are collectible or mature of 3 months or less as from purchasing date, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value at reporting date shall be recognized as cash equivalents.

4.3 Receivables

Receivables include trade receivables and other receivables:

- Trade receivables include commercial receivables generating from purchase-sale related transactions between the Company and buyers;
- Other receivables include non-commercial receivables, receivables not related to purchase-sale and intra-company transactions.

Receivables are recorded at cost less provision for doubtful debts. Provision for doubtful debts represents the amounts of outstanding receivables at the balance sheet date, which have been overdue for 6 months or which have not been overdue but the debtor is in the state of insolvency, winding up, missing or running away, etc. Provision is made as guided by Circular No. 228/2009/TT-BTC dated 7/12/2009 of the Ministry of Finance.

4.4 Inventories

Inventories are stated at the lower of cost and net realizable value.

Cost is calculated using the weighted average method and accounted for using the perpetual method with value determined as follows:

- Materials, goods: Cost comprises costs of purchase, costs of conversion and any directly attributable costs of bringing the inventories to their present location and condition;

NOTES TO THE FINANCIAL STATEMENTS (cont'd)*(These notes form part of and should be read in conjunction with the accompanying financial statements)*

- Finished products: Cost comprises cost of direct materials and labour plus attributable overhead based on the normal level of activities.

Net realizable value is the estimated selling price less the estimated costs of completing the products and the estimated costs needed for their consumption.

Provision for decline in value of inventories is made when the net realizable value of inventories is less than cost. The provision is made in accordance with Circular No. 228/2009/TT-BTC dated 7/12/2009 by the Ministry of Finance.

4.5 Tangible fixed assets*Cost*

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of tangible assets comprises their purchase price and all the costs incurred by the Company to acquire those assets as of the time of putting such assets into the ready-for-use state. The costs incurred after the initial recognition of tangible fixed asset shall be recorded as increase in their historical cost if these costs are certain to augment future economic benefits obtained from the use of those assets. Those incurred costs which fail to meet this requirement must be recognized as production and business expenses in the period.

Depreciation

Depreciation of fixed assets is calculated in accordance with the straight-line method over their estimated useful lives. Depreciation period is in conformity with Circular No. 45/2013/TT-BTC dated 25/4/2013 by the Ministry of Finance.

<u>Kind of assets</u>	<u>Depreciation period (years)</u>
Buildings, architectures	6 - 25
Machinery, equipment	3 - 10
Motor vehicles	3 - 10
Office equipment	4 - 10

4.6 Intangible fixed assets*Cost*

Intangible fixed assets are stated at cost less accumulated amortization.

The cost of intangible assets comprises all the costs incurred by the Company to acquire those assets as of the time of putting such assets into the ready-for-use state.

Land use rights

Intangible fixed assets being land use rights include:

- The land use right allocated by the State with land use fee or receiving the transfer of legal land use right (including term and non-term land use right);

NOTES TO THE FINANCIAL STATEMENTS (cont'd)*(These notes form part of and should be read in conjunction with the accompanying financial statements)*

- The prepaid land rent (has been paid for the leasing time or paid in advance for many years but the remaining land lease term paid is at least five years) for the land rent contract before the effective date of the Land Act 2003 and being granted with certificate of land use right by the competent authority.

Cost of intangible fixed assets being land use rights include all costs directly attributable to putting such assets into the ready-for-use state.

Amortization

Intangible fixed assets being land use rights with indefinite term are not amortized. For land use rights with definite term, the amortization period is the period in which the Company is allowed to use the land.

Other intangible fixed assets are amortized in accordance with the straight-line method. Amortization rate is based on their cost and estimated useful lives. Amortization period is in conformity with Circular No. 45/2013/TT-BTC dated 25/4/2013 by the Ministry of Finance.

<u>Kinds of assets</u>	<u>Amortization period (years)</u>
Computer software	4 - 6

4.7 Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses. These are expenditures that have been incurred but related to the operations of many accounting periods. The Company's primary prepayments are as follows:

- Cost of tools and instruments being put into use are amortized in accordance with the straight-line method over a period ranging from 12 to 36 months;
- Other prepaid expenses: the Company selects appropriate method and criteria of allocation over the period in which economic benefits are expected to be received based on the nature and extent of the prepaid expenses.

4.8 Payables

Payables include trade payables and other payables:

- Trade payables are trade-related amounts, arising from trading activities between the Company and its suppliers;
- Other payables are non-trade amounts, which are not related to trading activities, intra-company transactions.

Payables are recognized at cost and reported as short-term and long-term payables based on their remaining terms at the balance sheet date.

Payables are monitored according to their creditors, principal terms, remaining terms and currencies.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

4.9 Loans and finance lease liabilities

Loans and finance lease liabilities are reflected at cost and classified into short-term liabilities and long-term liabilities based on their remaining terms at the balance sheet date.

The Company monitors loans and finance lease liabilities according to their creditors, loan agreements, principal terms, remaining terms and currencies.

Borrowing costs

Borrowing costs comprise interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they qualify the conditions to be capitalized in accordance with Accounting Standard "Borrowing costs".

Borrowing costs associated with a particular borrowing for the purpose of obtaining a qualifying asset shall be capitalized as part of the cost of that asset. For general borrowing funds, the borrowing costs eligible for capitalization in the period shall be determined according to the capitalization rate, which is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period.

Capitalisation of borrowing costs shall be suspended during extended periods in which it suspends active development of a qualifying asset, except to the extent that the suspension is necessary. Capitalization shall be ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

4.10 Accrued expenses

Accruals are recognized for amount to be paid in the future for goods and services received, whether or not billed to the Company.

4.11 Owners' equity

Share capital represents the amount of capital actually contributed by shareholders.

Distribution of profit

Profit after tax is appropriated to funds and to shareholders as provided for in the resolution of the Company's Annual Shareholder Meeting.

The dividend or profit amount to be paid to the shareholders shall not exceed the undistributed profit after tax and with consideration of non-monetary items in undistributed post-tax profits that may affect cash flow and ability to pay dividends.

4.12 Revenue and other income recognition

- Revenue from sales and service provision is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:
 - ✓ Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer and there are no significant uncertainties regarding recovery of the consideration due or the likely return of goods;

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

- ✓ Revenue from service provision is recognized when the services have been rendered. In case that the services are to be provided in many accounting periods, the determination of revenue in each period is done on the basis of the service completion rate as of the balance sheet date.
- Revenue from financing activities is recognized when revenue is determined with relative certainty and it is possible to obtain economic benefits from the transactions.
 - ✓ Interests are recognized on the basis of the actual term and interest rates;
 - ✓ Dividends and profits shared are recognized when the Company has the rights to receive dividends or profit from the capital contribution.
- Other income is the income derived out of Company's scope of business and recognized when it can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

4.13 Cost of goods sold

Cost of products, goods sold and services rendered and corresponding revenue are recognized in the correct period and in accordance with the matching principle and conservatism principle.

Costs which are incurred in excess of the ordinary level of goods sold and services rendered shall be charged out to cost of goods sold in the period, not to the production cost.

4.14 Financial expenses

Financial expenses reflect expenses or losses related to financial investment activities: interest expense, loss from sale of foreign currency, foreign exchange loss and expenses of other investing activities.

4.15 Selling expenses, administrative expenses

Selling expenses recognized in the period are expenses actually incurred in process of selling products, goods and rendering services.

Administrative expenses recognized are expenses actually incurred related to the overall administration of enterprises.

4.16 Current corporate income tax expense, deferred corporate income tax expense

Corporate income tax expenses during the period include current income tax and deferred income tax.

Current income tax is the tax amount computed based on the taxable income during the period at the tax rates applied as of the balance sheet date. Taxable income is different from accounting profit due to the adjustments of temporary differences between tax and accounting figures as well as those of non-taxable or non-deductible income and expenses.

Deferred income tax is determined for temporary differences at the balance sheet date between the tax base of assets and liability and their carrying amount for financial reporting purpose.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

4.17 Financial instruments

Initial recognition

Financial assets

A financial asset is recognized initially at cost plus transaction costs directly attributable to the acquisition of the asset. The Company's financial assets include cash on hand, short-term deposits, trade receivables, other receivables and financial investments.

Financial liabilities

A financial liability is recognized initially at cost plus transaction costs directly attributable to the issuance of such liability. The Company's financial liabilities include loans, trade payables, accrued expenses and other payables.

Subsequent measurement

Currently, there has been no requirement for subsequent measurement of financial instruments.

4.18 Tax rates and other statutory obligations to the State Treasury

- Value added tax (VAT):
 - ✓ Tax rate of 10% is applied for the activities including catering transport, attendants, taxi crews, catering and drinking serving, serving fee and providing other products for flights.
 - ✓ Other activities apply the tax rate in accordance with prevailing regulations.
- Corporate income tax (CIT):
 - ✓ Applicable tax rate is 20%;
 - ✓ Tax rate of 10% is applied for training activities at Driver Training Centers over the operating time.
- Other taxes, fees and charges are paid in accordance with relevant regulations.

4.19 Related parties

Parties are considered to be related if one party has the ability to (directly or indirectly) control the other party or exercise significant influence over the other party in making financial or operational decisions.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

Unit: VND

5. Cash

	Foreign currency	31/12/2018 VND	Foreign currency	01/01/2018 VND
- Cash on hand		1,206,679,502		1,233,820,965
+ VND		1,039,131,939		1,012,570,630
+ USD	7,245.30 #	167,547,563	9,774.70 #	221,250,335
- Cash in bank		3,840,578,343		15,013,986,571
+ VND		3,783,717,436		14,574,675,626
+ USD	2,458.85 #	56,860,907	19,408.48 #	439,310,945
- Cash equivalents		-		1,000,000,000
Total		5,047,257,845		17,247,807,536

6. Short-term trade receivables

	31/12/2018	01/01/2018
Indochina Airlines Joint Stock Company	1,481,124,999	1,481,124,999
VietJet Aviation Joint Stock Company	3,477,667,208	8,634,143,694
Vietnam Airlines Corporation	338,753,974	1,304,966,299
Jetstar Pacific Airlines Joint Stock Aviation Company	522,112,711	245,345,861
Air Ticket Booking Office - Air China Limited	1,137,010,000	-
Others	5,468,133,987	3,701,253,962
Total	12,424,802,879	15,366,834,815

Of which, related party balance

	31/12/2018	01/01/2018
Vietnam Airlines Corporation	338,753,974	1,304,966,299
Jetstar Pacific Airlines Joint Stock Aviation Company	522,112,711	245,345,861
Total	860,866,685	1,550,312,160

7. Short-term prepayments to suppliers

	31/12/2018	01/01/2018
Kien Minh Viet Co., Ltd	-	296,450,000
An Thanh Hung Service One Member Co., Ltd	-	214,164,500
Danang International Airport- Branch of Airports Corporation of Vietnam	208,772,760	-
Others	1,868,265,268	338,649,981
Total	2,077,038,028	849,264,481

NOTES TO THE FINANCIAL STATEMENTS (cont'd)*(These notes form part of and should be read in conjunction with the accompanying financial statements)***8. Other short-term receivables**

	31/12/2018		01/01/2018	
	Amount	Provision	Amount	Provision
Advances	526,583,071	-	735,421,036	-
Accrued interest	-	-	3,206,667	-
Other receivables	223,776,969	-	125,682,010	-
Total	750,360,040	-	864,309,713	-

9. Provision for short-term doubtful debts

	31/12/2018	01/01/2018
Provision for debts overdue - From 3 years and more	1,481,124,999	1,481,124,999
Total	1,481,124,999	1,481,124,999

10. Inventories

	31/12/2018		01/01/2018	
	Cost	Provision	Cost	Provision
Raw materials	3,724,152,868	-	2,940,151,962	-
Tools, instruments	3,656,104	-	4,287,223	-
Finished goods	-	-	1,609,113,426	-
Merchandise	3,899,660,456	-	4,242,214,395	-
Total	7,627,469,428	-	8,795,767,006	-

- There are no inventories which are pledged as securities for debts as at 31/12/2018.
- There are no inventories which are stagnant, in poor quality or slow-moving as at 31/12/2018.

11. Prepaid expenses**a. Short-term**

	31/12/2018	01/01/2018
Vehicle insurance fee	458,032,174	471,333,952
Car, land, office rental fee	2,298,928,620	1,750,296,846
Tools and instruments pending allocation	272,143,804	180,013,715
Repair expenses, training fee, others	174,143,053	202,860,858
Total	3,203,247,651	2,604,505,371

NOTES TO THE FINANCIAL STATEMENTS (cont'd)*(These notes form part of and should be read in conjunction with the accompanying financial statements)***b. Long-term**

	31/12/2018	01/01/2018
Tools and instruments pending allocation	692,213,483	200,635,524
Training expenses for catering certificate	389,301,252	-
Road fee	-	47,912,572
Office rental	135,000,000	290,073,267
Repair expenses	1,382,162,705	166,430,047
Total	2,598,677,440	705,051,410

12. Tangible fixed assets

	Buildings, architectures VND	Machinery equipment VND	Motor vehicles VND	Office equipment VND	Total VND
Cost					
Opening balance	30,824,663,587	28,209,166,321	126,440,668,341	1,055,535,881	186,530,034,130
Newly-purchased	-	513,455,364	1,226,937,942	90,840,000	1,831,233,306
Self-constructed	19,837,491,818	-	-	-	19,837,491,818
Sold, disposed	-	-	7,046,746,684	-	7,046,746,684
Other decrease	209,786,363	-	-	-	209,786,363
Closing balance	50,452,369,042	28,722,621,685	120,620,859,599	1,146,375,881	200,942,226,207
Depreciation					
Opening balance	15,205,772,849	7,026,030,615	71,847,888,364	1,025,354,137	95,105,045,965
Charge for the year	2,917,450,482	3,683,986,597	11,241,395,349	34,723,744	17,877,556,172
Sold, disposed	-	-	5,655,873,135	-	5,655,873,135
Other decrease	78,669,873	-	-	-	78,669,873
Closing balance	18,044,553,458	10,710,017,212	77,433,410,578	1,060,077,881	107,248,059,129
Net book value					
Opening balance	15,618,890,738	21,183,135,706	54,592,779,977	30,181,744	91,424,988,165
Closing balance	32,407,815,584	18,012,604,473	43,187,449,021	86,298,000	93,694,167,078

- Book value of fixed assets which are mortgaged for loans as at 31/12/2018 is VND46,195,797,324.
- Cost of fixed assets fully depreciated but still in active use as at 31/12/2018 is VND48,897,954,219.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)*(These notes form part of and should be read in conjunction with the accompanying financial statements)***13. Intangible fixed assets**

	Land use rights (*) VND	Software VND	Total VND
Cost			
Opening balance	473,227,100	352,206,000	825,433,100
Increase	-	62,000,000	62,000,000
Decrease	-	-	-
Closing balance	473,227,100	414,206,000	887,433,100
Amortization			
Opening balance	-	263,206,000	263,206,000
Charge for the year	-	22,066,663	22,066,663
Decrease	-	-	-
Closing balance	-	285,272,663	285,272,663
Net book value			
Opening balance	473,227,100	89,000,000	562,227,100
Closing balance	473,227,100	128,933,337	602,160,437

(*) This related to the indefinite land use right at Danang International Airport, Danang City which is used for building the Company's office and Danang Catering Factory. This land use right was pledged as loan security at Vietnam Joint Stock Commercial Bank for Industry and Trade - Danang Branch.

Cost of intangible fixed assets fully depreciated but still in active use as at 31/12/2018 is VND263,206,000.

14. Construction in progress

	31/12/2018	01/01/2018
Cam Ranh Air Catering Factory	-	16,489,767,328
Internal road of Cam Ranh Air Catering Factory	886,480,227	-
Expenses for repairing Danang Air Catering Factory	293,987,228	-
Air catering facility	590,545,455	-
Total	1,771,012,910	16,489,767,328

15. Short-term trade payables

	31/12/2018	01/01/2018
Global Food Distributor Co., Ltd	212,918,232	2,189,101,316
Le Ngoc Thinh	1,505,679,140	1,341,666,461
Nguyen Ngoc Anh	1,256,677,150	1,257,204,800
Le Tien Minh	540,730,000	781,670,000
Dac Vinh Co., Ltd	374,733,500	277,115,000
Others	7,549,701,476	13,215,491,722
Total	11,440,439,498	19,062,249,299

NOTES TO THE FINANCIAL STATEMENTS (cont'd)*(These notes form part of and should be read in conjunction with the accompanying financial statements)***16. Taxes and amounts payable to the State budget**

	Opening balance		Amount to be paid	Amount actually paid	Closing balance	
	Receivable	Payable			Receivable	Payable
Value-added tax	207,965,363	-	12,161,188,415	10,913,645,928	-	1,039,577,124
Corporate income tax	-	104,974,008	3,377,443,227	2,702,396,289	-	780,020,946
Personal income tax	-	228,404,798	841,315,037	818,542,565	-	251,177,270
Import duties	-	-	233,583,397	233,583,397	-	-
Land and housing tax	-	-	81,166,765	81,166,765	-	-
Other taxes	-	-	10,000,000	10,000,000	-	-
Total	207,965,363	333,378,806	16,704,696,841	14,759,334,944	-	2,070,775,340

The Company's tax returns are subject to inspection of tax authority. The tax amounts presented in the financial statements may be changed under decision of tax authorities.

17. Short-term accrued expenses

	31/12/2018	01/01/2018
Accrued interest payable	195,830,328	174,925,294
Total	195,830,328	174,925,294

18. Short-term unearned revenue

	31/12/2018	01/01/2018
Driver training at Danang Center	2,550,368,041	1,204,405,248
Driver training at Thua Thien Hue Center	176,232,066	29,788,044
Advertising revenue	198,000,000	621,600,000
Total	2,924,600,107	1,855,793,292

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

19. Other payables

a. Short-term

	31/12/2018	01/01/2018
Trade union fees	586,687,817	33,479,511
Social insurance, health insurance, unemployment insurance	-	786,402,926
Short-term deposit, collateral received	232,450,000	227,350,000
Profit, dividends payable	171,457,658	6,330,860,408
Other payables	3,019,780,975	3,742,978,926
- Responsibility fee for taxi driver	1,501,196,169	1,980,196,169
- Responsibility fee for driver trainers at Danang Center	75,000,000	100,000,000
- Ticket fee	150,863,191	337,558,202
- Dividends payable to investors	1,195,633,999	1,157,512,010
- Other payables	97,087,616	167,712,545
Total	4,010,376,450	11,121,071,771

b. Long-term

	31/12/2018	01/01/2018
Capital contributed under business cooperation agreements at:		
- Masco - Danang Driver Training Center	1,640,000,000	1,640,000,000
- Masco - Thua Thien Hue Driver Training Center	2,000,000,000	2,000,000,000
Total	3,640,000,000	3,640,000,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

20. Loans and finance lease liabilities

a. Short-term

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Short-term loans	10,757,659,172	21,322,572,836	25,080,090,535	7,000,141,473
- Vietinbank - Danang Branch	4,757,659,172	12,322,572,836	17,080,090,535	141,473
- Le Thi Bich Hong (individual)	6,000,000,000	9,000,000,000	8,000,000,000	7,000,000,000
Current portion of long-term loans	8,602,746,832	9,999,060,573	8,620,933,288	9,980,874,117
- Vietcombank - Danang Branch	3,276,113,500	1,721,882,241	3,294,299,956	1,703,695,785
- Vietinbank - Danang Branch	4,526,633,332	7,477,178,332	4,526,633,332	7,477,178,332
- BIDV - Hai Van Branch	800,000,000	800,000,000	800,000,000	800,000,000
Cộng	19,360,406,004	31,321,633,409	33,701,023,823	16,981,015,590

b. Long-term

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Long-term loans	17,083,910,406	12,309,578,525	11,174,954,117	18,218,534,814
- Vietcombank - Danang Branch	5,681,385,560	144,578,525	1,703,695,785	4,122,268,300
- Vietinbank - Danang Branch	10,102,632,846	12,165,000,000	8,671,258,332	13,596,374,514
- BIDV - Hai Van Branch	1,299,892,000	-	800,000,000	499,892,000
Total	17,083,910,406	12,309,578,525	11,174,954,117	18,218,534,814

NOTES TO THE FINANCIAL STATEMENTS (cont'd)*(These notes form part of and should be read in conjunction with the accompanying financial statements)*

- The Company obtained the loan from the Bank for Investment and Development of Vietnam (BIDV) - Hai Van Branch under Credit Agreement No. 01/2016/8573287/HDTD dated 13/06/2016: Loan amount is VND4,000,000,000, the loan term is 60 months from the first drawdown date, the loan interest rate is specified in the indebtedness agreements signed between the Company and the Bank for Investment and Development of Vietnam - Hai Van Branch. Loan purpose: Investing the construction of Catering Manufacturer Zone at Phu Bai International Airport. The credit agreement is secured by assets acquired from the loan.
- The Company obtained the loans from the Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) - Danang Branch under following credit agreements:
 - Credit Agreement No. 248/2013/VCB-KHDN dated 16/09/2013: The loan amount is USD175,824, the loan term is 60 months from the date of debt acknowledgment, the first interest rate is 6% per annum and is adjusted every quarter. Loan purpose: Buying the catering transport car. The credit agreement is secured by assets acquired from loan.
 - Credit Agreement No. 104/2017/VCB-KHDN dated 10/10/2017: The loan amount is USD306,358.5, the loan term is 60 months from the date of debt acknowledgment, the lending interest rate comprises base rate plus a margin in which the base rate is subject to change every quarter and margin rate as at contract date is 4.2%. Loan purpose: Buying 3 catering transport cars at the airports. The credit agreement is secured by assets acquired from loan.
- The Company obtained the loans from the Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank) - Danang Branch under following credit agreements:
 - Credit Agreement No. 01/2016-HDTD/NHCT480-MASCO dated 20/09/2016: The loan amount is VND4,876,500,000. The loan term is 50 months from the first drawdown date. Interest rate is specified in each drawdown note at the drawdown date. Loan purpose: re-financing the amount borrowed for buying 25 five-seat cars Huyndai Grand i10 sedan 1,2MT – Base used for taxi. The credit agreement is secured by assets acquired from the loan.
 - Credit Agreement No. 02/2016-HDTDA/NHCT480-MASCO dated 22/08/2016: The loan amount is VND1,294,500,000. The loan term is 36 months from the first drawdown date. Interest rate is specified in each drawdown note at the drawdown date. Loan purpose: covering proper expenses to implement Project: purchase of quick cooling machine Olis- Italy. The credit agreement is secured by assets acquired from the loan.
 - Credit Agreement No. 01/2017-HDCVTL/NHCT480-MASCO dated 12/04/2017: The loan amount is VND1,472,000,000. The loan term is 60 months from the first drawdown date. Interest rate is specified in each drawdown note at the drawdown date. Loan purpose: financing the legal capital for Project: purchase of 5 cars Nissan Sunny. The credit agreement is secured by assets acquired from the loan.
 - Credit Agreement No. 02/2017-HDCVTL/NHCT480-MASCO dated 15/05/2017: The loan amount is VND1,909,000,000. The loan term is 60 months from the first drawdown date. Interest rate is specified in each drawdown note at the drawdown date. Loan purpose: financing the legal capital for Project: purchase of 2 cars Ford Ranger. The credit agreement is secured by assets acquired from the loan.
 - Credit Agreement No. 01/2018-HDCVTL/NHCT480-MASCO dated 01/02/2018: The loan amount is VND990,000,000. The loan term is 36 months from the first drawdown date. Interest rate is 8.5% per annum and adjusted every quarter. Loan purpose: covering proper expenses for investment in installation of machinery and equipment in cold storage and freezing warehouse. The credit agreement is secured by assets acquired from the loan.
 - Credit Agreement No. 02/2018-HDCVTL/NHCT480-MASCO dated 09/02/2018: The loan amount is VND675,000,000. The loan term is 36 months from the first drawdown date. Interest rate is 8.5% per annum and adjusted every quarter. Loan purpose: covering legal capital for investment project of industrial

NOTES TO THE FINANCIAL STATEMENTS (cont'd)*(These notes form part of and should be read in conjunction with the accompanying financial statements)*

dishwashing machine for operating activities. The credit agreement is secured by assets acquired from the loan.

- Credit Agreement No. 03/2018-HDCVT/NHCT480-MASCO dated 16/07/2018: The loan amount is VND10,500,000,000. The loan term is 48 months from the first drawdown date. Interest rate is 9% per annum and adjusted every quarter. Loan purpose: covering legal capital for investment project of Cam Ranh Catering Factory.

21. Owners' equity**a. Statement of changes in owners' equity**

	Share capital	Development investment fund	Undistributed profit	Total
As at 01/01/2017	30,088,160,000	803,208,113	31,883,383,888	62,774,752,001
Increase	12,588,670,000	-	39,650,285,347	52,238,955,347
Decrease	-	-	50,154,366,810	50,154,366,810
As at 31/12/2017	<u>42,676,830,000</u>	<u>803,208,113</u>	<u>21,379,302,425</u>	<u>64,859,340,538</u>
As at 01/01/2018	42,676,830,000	803,208,113	21,379,302,425	64,859,340,538
Increase	-	-	14,854,282,327	14,854,282,327
Decrease	-	-	22,874,171,249	22,874,171,249
As at 31/12/2018	<u>42,676,830,000</u>	<u>803,208,113</u>	<u>13,359,413,503</u>	<u>56,839,451,616</u>

b. Breakdown of share capital

	31/12/2018	01/01/2018
Capital contributed by Vietnam Airlines Corporation	15,412,650,000	15,412,650,000
Capital contributed by other shareholders	27,264,180,000	27,264,180,000
Total	<u>42,676,830,000</u>	<u>42,676,830,000</u>

c. Shares

	31/12/2018 Shares	01/01/2018 Shares
Number of shares authorized to be issued	4,267,683	4,267,683
Numbers of shares sold to public	4,267,683	4,267,683
- Common shares	4,267,683	4,267,683
- Preferred shares	-	-
Number of outstanding shares	4,267,683	4,267,683
- Common shares	4,267,683	4,267,683
- Preferred shares	-	-
Par value of outstanding shares: VND10,000 each		

NOTES TO THE FINANCIAL STATEMENTS (cont'd)*(These notes form part of and should be read in conjunction with the accompanying financial statements)***d. Undistributed profit**

	Year 2018	Năm 2017
Profit brought forward	21,379,302,425	31,883,383,888
Profit after corporate income tax of current period	14,854,282,327	39,650,285,347
Profit distribution	22,874,171,249	50,154,366,810
- Distribution of prior-year profit (*)	21,348,337,250	31,792,122,800
+ Remuneration for the Board of Directors and Board of Supervisors	193,200,000	193,200,000
+ Appropriated for reward and welfare fund	4,851,326,000	3,900,000,000
+ Appropriated for bonus fund for the management	300,000,000	300,000,000
+ Dividends paid	16,003,811,250	27,398,922,800
- Temporary distribution of current-period profit	1,525,833,999	18,362,244,010
+ Dividends paid	-	17,070,732,000
+ Appropriated for reward and welfare fund from profit of cooperation-investment agreements	137,000,000	134,000,000
+ Profit distributed to partners under cooperation-investment agreements	1,195,633,999	1,157,512,010
+ Remuneration for the Board of Directors and Board of Supervisors	193,200,000	-
Undistributed profit	13,359,413,503	21,379,302,425

(*) The 2017 profit after tax is distributed in accordance with the Resolution of General Shareholders' Meeting No. 03/NQ-DHDCD-DVDN dated 24/04/2018.

e. Dividends

The 2018 Resolution No. 03/NQ-DHDCD of the Annual General Shareholders' Meeting dated 24/04/2018 approved to pay 2017 dividends in cash at the rate of 77.5% of charter capital. Accordingly, the dividend payment was made in two installments:

- Installment 1: Advance payment of dividends at the rate of 40% of charter capital, the last registration date is 05/09/2017, the payment is made from 20/09/2017.
- Installment 2: Payment of the remaining dividends at the rate of 37.5% of charter capital, the last registration date is 14/05/2018, the payment is made from 25/05/2018.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

22. Off balance sheet items

ITEMS	31/12/2018	01/01/2018
Foreign currencies (USD)	9,704.15	29,183.18

23. Revenue from sales and service provision

	Year 2018	Year 2017
Revenue from sales of merchandise	14,572,136,858	17,962,383,583
Revenue from sales of finished goods	1,470,114,050	307,006,000
Revenue from rendering services	224,754,066,433	279,121,078,586
Total	240,796,317,341	297,390,468,169

24. Revenue deductions

	Year 2018	Year 2017
Trade discounts	4,590,695,435	3,506,128,304
Sales rebates	-	34,545,455
Sales returns	775,772,000	857,345,999
Total	5,366,467,435	4,398,019,758

25. Cost of sales

	Year 2018	Year 2017
Cost of merchandise sold	7,779,849,678	9,704,424,144
Cost of finished goods sold	1,493,471,991	314,886,638
Cost of services rendered	182,462,865,878	206,708,087,131
Total	191,736,187,547	216,727,397,913

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

26. Financial income

	Year 2018	Year 2017
Deposit and loan interest	37,008,415	130,519,133
Foreign exchange gains	84,927,043	247,332,499
Total	121,935,458	377,851,632

27. Financial expenses

	Year 2018	Year 2017
Interest expenses	3,422,141,516	2,015,675,851
Foreign exchange losses	82,867,172	135,587,435
Total	3,505,008,688	2,151,263,286

28. Selling expenses and administrative expenses

a. Selling expenses arising in the period

	Year 2018	Year 2017
Material and tool expenses	203,087,090	163,777,089
Salary expenses	3,131,003,527	3,511,725,099
Depreciation and amortisation	45,952,920	35,763,026
Outsourced services	3,335,390,582	3,515,043,830
Others	520,818,514	466,411,617
Total	7,236,252,633	7,692,720,661

b. Administrative expenses arising in the period

	Year 2018	Year 2017
Tool expenses	424,518,994	472,686,634
Salary expenses	10,862,169,548	10,780,440,824
Outsourced services	4,161,193,060	7,224,741,266
Others	1,121,655,284	1,859,986,727
Total	16,569,536,886	20,337,855,451

NOTES TO THE FINANCIAL STATEMENTS (cont'd)*(These notes form part of and should be read in conjunction with the accompanying financial statements)***29. Other income**

	Year 2018	Year 2017
Proceeds from disposal of fixed assets	1,800,078,171	2,470,000,000
Re-used goods	149,078,655	196,466,258
Purchase support	333,971,908	703,900,000
Others	102,349,290	124,779,535
Total	2,385,478,024	3,495,145,793

30. Other expenses

	Year 2018	Year 2017
Bonus for re-used goods	40,618,791	66,305,000
Destroyed goods expenses	22,005,312	19,327,323
Others	595,927,977	404,340,261
Total	658,552,080	489,972,584

31. Current corporate income tax expenses

	Year 2018	Year 2017
Accounting profit before tax	18,231,725,554	49,466,235,941
Adjustments to arrive to taxable income	290,468,522	404,338,733
- Increasing adjustments (Improper expenses)	358,037,760	404,338,733
- Decreasing adjustments (Year-end foreign exchange gains of cash and receivables)	67,569,238	-
Total taxable income	18,522,194,076	49,870,574,674
- Activities eligible for tax incentives	3,269,955,899	2,928,496,110
- Activities ineligible for tax incentives	15,252,238,177	46,942,078,564
Corporate income tax	3,377,443,227	9,815,950,594
- Activities eligible for tax incentives (10%)	326,995,590	292,849,611
- Activities ineligible for tax incentives	3,050,447,637	9,388,415,714
- Adjustment to current CIT expense of previous period to current CIT expense of current period	-	134,685,269
Current corporate income tax expense	3,377,443,227	9,815,950,594
<i>Of which</i>		
- Current corporate income tax expense arising in current period	3,377,443,227	9,681,265,325
+ Activities eligible for tax incentives	326,995,590	292,849,611
+ Activities ineligible for tax incentives	3,050,447,637	9,388,415,714
- Adjustment to current CIT expense of previous period to current CIT expense of current period	-	134,685,269

NOTES TO THE FINANCIAL STATEMENTS (cont'd)*(These notes form part of and should be read in conjunction with the accompanying financial statements)***32. Basic earnings per share, diluted earnings per share**

	Year 2018	Year 2017
Profit after corporate income tax	14,854,282,327	39,650,285,347
Adjustments increasing or decreasing profit after tax	(1,525,833,999)	(6,636,038,010)
- Increasing	-	-
- Decreasing	1,525,833,999	6,636,038,010
+ Reward and welfare fund, remuneration of the Board of Directors, Board of Supervisors	330,200,000	5,478,526,000
+ Profit distributed under BCC agreements	1,195,633,999	1,157,512,010
Profit or loss attributable to common shareholders	13,328,448,328	33,014,247,337
Weighted average number of outstanding shares	4,267,683	3,791,728
Basic/diluted earnings per share	3,123	8,707

- Basic earnings per share, diluted earnings per share for the year 2018 are calculated before deducting the reward and welfare fund and other amounts in accordance with the Company's Charter and the Annual Shareholders Meeting does not stipulate the appropriation of these funds. Accordingly, this item may change depending on the decision of the Annual Shareholders Meeting.
- Item "Basic Earnings per share" in 2017 is recalculated based on the profit distribution data approved in accordance with the Resolution of the 2018 Annual Shareholders Meeting No. 03 / NQ-DHDCD dated 24/04/2018. Accordingly, the Annual Shareholders Meeting approved the official appropriation amount for the Reward and welfare fund, bonus for the management and remuneration of the Board of Directors and the Board of Supervisors, which is VND5,478,526,000.

33. Operating expenses by elements

	Year 2018	Year 2017
Materials expenses	84,292,990,062	102,750,519,411
Labor costs	64,888,758,526	72,745,890,264
Depreciation expenses	17,899,622,835	17,176,671,384
Outside service expenses	24,887,559,685	25,262,722,870
Other cash expenses	14,306,568,157	18,264,840,273
Total	206,275,499,265	236,200,644,202

34. Segment reporting

According to Vietnamese Accounting Standard No. 28 and the relevant guidelines, the Company is required to have segment reporting. Accordingly, a business segment is a distinguishable component of the Company that is engaged in providing related products or service (business segment) or providing goods or services in a specific economic environment (segment by geographical area) and that is subject to risks and returns that are different from those of other business segment. The Management of the Company assesses that the Company operates in the main business of providing services related to aviation (catering, transportation, taxi crews ...) and in three main geographical areas which are: Thien Hue Province, Khanh Hoa Province and Danang City. Accordingly, the Company presents its geographical segments as follows:

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

Items	Danang City		Khanh Hoa Province		Thua Thien Hue Province		Total	
	Year 2018	Year 2017	Year 2018	Year 2017	Year 2018	Year 2017	Year 2018	Year 2017
Revenue from sales and service provision	151,960,843,406	142,753,398,260	71,759,149,425	137,895,108,740	17,076,324,510	16,741,961,169	240,796,317,341	297,390,468,169
Revenue deductions	2,557,502,671	2,322,994,832	2,598,702,530	1,781,047,861	210,262,234	293,977,065	5,366,467,435	4,398,019,758
Net revenue from sales and service provision	149,403,340,735	140,430,403,428	69,160,446,895	136,114,060,879	16,866,062,276	16,447,984,104	235,429,849,906	292,992,448,411
Cost of sales	118,458,521,975	111,047,015,620	60,452,313,697	93,290,655,103	12,825,351,875	12,389,727,190	191,736,187,547	216,727,397,913
Gross profit from sales and service provision	30,944,818,760	29,383,387,808	8,708,133,198	42,823,405,776	4,040,710,401	4,058,256,914	43,693,662,359	76,265,050,498
Depreciation and amortization	11,027,178,180	10,142,300,626	5,696,450,652	5,618,063,851	1,175,994,003	1,416,306,907	17,899,622,835	17,176,671,384

Items	Danang City		Khanh Hoa Province		Thua Thien Hue Province		Total	
	31/12/2018	01/01/2018	31/12/2018	01/01/2018	31/12/2018	01/01/2018	31/12/2018	01/01/2018
Fixed assets	40,138,567,906	53,083,654,119	46,515,607,236	30,891,054,953	7,642,152,373	8,012,506,193	94,296,327,515	91,987,215,265
- Cost	106,617,709,651	113,958,671,428	71,939,241,655	50,715,887,801	23,272,708,001	22,680,908,001	201,829,659,307	187,355,467,230
- Accumulated depreciation	(66,479,141,745)	(60,875,017,309)	(25,423,634,419)	(19,824,832,848)	(15,630,555,628)	(14,668,401,808)	(107,533,331,792)	(95,368,251,965)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)*(These notes form part of and should be read in conjunction with the accompanying financial statements)***35. Financial instruments****a. Capital risk management**

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

b. Financial risk management

Financial risks include market risk (including interest rate risk, exchange rate risk, commodity price risk), credit risk and liquidity risk.

Market risk management: The Company's activities expose it primarily to the financial risks of changes in exchange rates, interest rates and prices.

Exchange rate risk management

Since the Company undertakes transactions for borrowing loans in foreign currencies and providing catering services to international airlines, consequently it is exposed to risk of exchange rate fluctuations. The Company has hedged risks related to exchange rate fluctuations by optimizing the time for settlement of debts, selecting the appropriate time to purchase and make payment in foreign currencies, projecting future exchange rates and optimizing the utilization of existing funds to balance the exchange rate risk and liquidity risk.

Book value of financial instruments in foreign currency at the year end is as follows:

	31/12/2018	01/01/2018
Financial assets		
Cash (USD)	9,704.15	29,183.18
Trade receivables (USD)	103,595.76	31,006.00
Financial liabilities		
Borrowings and debts (USD)	250,633.00	393,996.00
Other payables (USD)	10,000.00	10,000.00

Interest rate risk management

The Company's interest rate risks mainly derive from interest bearing loans which are arranged. To minimize these risks, the Company has estimated the impact of borrowing costs to its periodic business results as well as making analysis and projection to select appropriate time to repay the loans. The Management assesses that uncontrollable risks arising from fluctuations of interest rates are insignificant.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(These notes form part of and should be read in conjunction with the accompanying financial statements)

Price risk management

The Company purchases goods, materials from local suppliers for its business production activities; it is therefore exposed to risks of changes in prices of input materials. To minimize this risk, the Company applies the policy of quarterly order, for consumables in large quantity and value (i.e. supplying drinking services on flights), the Company signs a contract with the supplier who commits to sell at a fixed price within 1 year, or signs a contract of purchase with terms of payment after the goods have been consumed. Furthermore, the Company applies the policy of diversification of supply sources and making frequently purchase of goods in bulk from 1 supplier to enjoy preferential policies, etc. The Company also actively monitors the market to capture fluctuations, in order to make decisions to avoid the impact of fluctuations in price of input materials.

Credit risk management

The Company's major customers are Airlines firms. In order to manage credit risk, the Company maintains the escrow policy to execute the contract and requests payment of the debt within 30 days from the date of the debt incurred. As a result, the Management assesses the credit risk of the Company's customers is at a low level.

Liquidity risk management

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds that the Company believes can generate within that period. The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that the Company maintains sufficient reserves of cash, borrowings to meet its liquidity requirements in the short and longer term.

The Company's aggregate financial liabilities are categorized in accordance with their maturity as follows:

31/12/2018	Within 1 year	Over 1 year	Total
Trade payables	11,440,439,498	-	11,440,439,498
Accrued expenses	195,830,328	-	195,830,328
Loans and finance lease obligations	16,981,015,590	18,218,534,814	35,199,550,404
Other payables	3,423,688,633	3,640,000,000	7,063,688,633
Total	32,040,974,049	21,858,534,814	53,899,508,863
01/01/2018	Within 1 year	Over 1 year	Total
Trade payables	19,062,249,299	-	19,062,249,299
Accrued expenses	174,925,294	-	174,925,294
Loans and finance lease obligations	19,360,406,004	17,083,910,406	36,444,316,410
Other payables	10,301,189,334	3,640,000,000	13,941,189,334
Total	48,898,769,931	20,723,910,406	69,622,680,337

The Management assesses the Company's exposed to liquidity risk is in a high level, however the

NOTES TO THE FINANCIAL STATEMENTS (cont'd)*(These notes form part of and should be read in conjunction with the accompanying financial statements)*

Management believes that the Company can generate sufficient resources to meet its financial obligations as they fall due.

The Company's available financial assets are drawn up on a net asset basis as follows:

31/12/2018			Đơn vị tính: VND
	Within 1 year	Over 1 year	Total
Cash and cash equivalents	5,047,257,845	-	5,047,257,845
Trade receivables	10,943,677,880	-	10,943,677,880
Other receivables	223,776,969	-	223,776,969
Total	16,214,712,694	-	16,214,712,694
01/01/2018			
	Within 1 year	Over 1 year	Total
Cash and cash equivalents	17,247,807,536	-	17,247,807,536
Trade receivables	13,885,709,816	-	13,885,709,816
Other receivables	128,888,677	-	128,888,677
Total	31,262,406,029	-	31,262,406,029

36. Related party information**a. Related party**

Related parties	Relationship
Vietnam Airlines Corporation	Investor
Jetstar Pacific Airlines Joint Stock Aviation Company	Having the same investor
Aviation High Grade Plastics Joint Stock Company	Having the same investor

b. Significant transactions with related party arising in the period

	Particulars	Year 2018	Year 2017
Vietnam Airlines Corporation	Selling	119,668,149,807	97,566,164,617
	Paying dividends	11,944,803,750	9,890,174,000
Jetstar Pacific Airlines Joint Stock Aviation Company	Selling	3,636,404,600	2,608,568,927
Aviation High Grade Plastics Joint Stock Company	Purchasing	99,000,000	1,183,017,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)*(These notes form part of and should be read in conjunction with the accompanying financial statements)***c. Remuneration of the Board of Directors and Management**

	Year 2018	Year 2017
Remuneration of the Board of Directors, Board of Supervisors	193,200,000	193,200,000
Remuneration of the Management	2,655,405,000	3,254,778,544
Total	2,848,605,000	3,447,978,544

37. Events after the balance sheet date

There have been no significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the interim financial statements.

38. Corresponding figures

Corresponding figures in the balance sheet were taken from the financial statements for the year ended 31/12/2017. These financial statements were audited by other auditing firm.

Nguyen Thanh Dong
General Director

Danang City, 11 February 2019

Nguyen Thi Minh Huyen
Chief Accountant

Pham Thi Thuong
Preparer