



**DANANG AIRPORT SERVICE
JOINT STOCK COMPANY**

**AUDITED FINANCIAL STATEMENTS
OF HEAD OFFICE**

For the financial year ended 31 December 2017

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MANAGEMENT'S REPORT

The Management of Danang Airport Service Joint Stock Company (hereinafter referred to as "the Company") hereby presents its report and the audited financial statements of the Company's Head Office for the financial year ended 31 December 2017.

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

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

<u>Full name</u>	<u>Position</u>
Mr. Ho Quang Tuan	Chairman
Mr. Nguyen Thanh Dong	Member
Mr. Tran Thanh Hai	Member
Ms. Vu Thi Thu Bon	Member
Ms. Le Thi Thuy Linh	Member

Members of the Control Committee during the period and on the date of this report include:

<u>Full name</u>	<u>Position</u>
Mr. Nguyen Dung	Head
Mr. Pham Ngoc Tuan	Member
Ms. Duong Thuy Van	Member

Members of the Management during the period and on the date of this report include:

<u>Full name</u>	<u>Position</u>
Mr. Nguyen Thanh Dong	General Director
Mr. Pham Van Ha	Vice General Director
Mr. Tran Thanh Hai	Vice General Director

RESPONSIBILITY OF THE MANAGEMENT

The Company's management is responsible for preparing the financial statements of each period which give a true and fair view of the financial position of the Company and the results of its operations and its cash flows. In preparing these financial statements, management is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any departures that need to be disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- Design and implement the internal control system effectively for a fair preparation and presentation of the financial statements so as to mitigate error or fraud.

Management is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Company and ensure that the financial statements comply with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and prevailing accounting regulations in Vietnam. Management is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management confirm that the Company has complied with the above requirements in preparing these financial statements.

MANAGEMENT'S REPORT (CONTINUED)

AUDITOR

The accompanying financial statements of the Company for the financial year ended 31 December 2017 were audited by RSM Vietnam Auditing & Consulting Company Limited – Central Branch, a member firm of RSM International.

STATEMENT BY MANAGEMENT

In management's opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and the results of its operations and its cash flows for the financial year then ended in accordance with the Vietnamese Corporate Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam.

For and on behalf of management



Nguyen Thanh Dong
General Director

Danang City, 12 February 2018



RSM Vietnam

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No.: 10/BCKT/2018-RSMMT

INDEPENDENT AUDITOR'S REPORT

**To: Members of the Board of Directors
 Members of Management
 DANANG AIRPORT SERVICE JOINT STOCK COMPANY**

Report on the financial statements

We have audited the accompanying financial statements of Danang Airport Service Joint Stock Company – Head Office (hereinafter referred to as “the Company”) prepared on 25 January 2018 as set out from page 5 to page 38, which comprise the statement of financial position as at 31 December 2017, and the income statement, and cash-flow statement for the financial year then ended, and the notes to the financial statements.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards and Vietnamese Corporate Accounting System and relevant legislation as to the preparation and presentation of financial statements and for such internal control as 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.

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 auditor's 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 auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Danang Airport Service Joint Stock Company as at 31 December 2017, and of the results of its financial performance and its cash flows for the financial year then ended in accordance with Vietnamese Accounting Standards and Vietnamese Corporate Accounting System and relevant legislation as to the preparation and presentation of financial statements.



Tran Duong Nghia
Director

Audit Practice Registration Certificate:
1309-2018-026-1

RSM Vietnam Auditing & Consulting Company Limited
Central Branch
Danang City, 12 February 2018

Nguyen Ha Trung
Auditor

Audit Practice Registration Certificate:
2444-2018-026-1

As disclosed in Note 2.1 to the financial statements, the accompanying financial statements are not intended to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

STATEMENT OF FINANCIAL POSITION

At 31 December 2017

ASSETS	Code	Note	As at 31/12/2017	As at 01/01/2017
A. CURRENT ASSETS	100		30,434,500,246	31,509,281,283
I. Cash and cash equivalents	110	4.1	13,072,968,355	16,694,210,289
1. Cash	111		13,072,968,355	16,694,210,289
2. Cash equivalents	112		-	-
II. Current financial investments	120		-	-
III. Current account receivables	130		9,139,122,001	7,943,946,075
1. Trade receivables	131	4.2	4,898,568,753	4,580,342,683
2. Advances to suppliers	132		226,448,901	20,108,003
3. Intra-company receivables	133		4,958,842,565	4,270,807,045
4. Other current receivables	136	4.3	536,386,781	553,813,343
5. Provision for doubtful debts	137	4.4	(1,481,124,999)	(1,481,124,999)
IV. Inventories	140		6,911,504,047	6,073,452,349
1. Inventories	141	4.5	6,911,504,047	6,073,452,349
2. Provision for decline in value of inventories	149		-	-
V. Other current assets	150		1,310,905,843	797,672,570
1. Current prepayments	151	4.9	500,410,248	500,206,537
2. Value added tax deductible	152		602,530,232	297,466,033
3. Tax and other receivables from the state budget	153	4.12	207,965,363	-
B. NON-CURRENT ASSETS	200		108,819,773,317	73,095,082,308
I. Non-current account receivables	210		-	-
II. Fixed assets	220		91,987,215,265	72,633,002,255
1. Tangible fixed assets	221	4.7	91,424,988,165	72,126,320,032
Cost	222		186,530,034,130	155,405,773,708
Accumulated depreciation	223		(95,105,045,965)	(83,279,453,676)
2. Intangible fixed assets	227	4.8	562,227,100	506,682,223
Cost	228		825,433,100	736,433,100
Accumulated amortisation	229		(263,206,000)	(229,750,877)
III. Investment property	230		-	-
IV. Non-current assets in progress	240		16,489,767,328	125,915,418
1. Non-current work in progress	241		-	-
2. Construction in progress	242	4.6	16,489,767,328	125,915,418
V. Non-current financial investments	250		-	-
VI. Other non-current assets	260		342,790,724	336,164,635
1. Non-current prepayments	261	4.9	342,790,724	336,164,635
2. Other non-current assets	268		-	-
TOTAL ASSETS (270 = 100 + 200)	270		139,254,273,563	104,604,363,591

DANANG AIRPORT SERVICE JOINT STOCK COMPANY – HEAD OFFICE

Danang International Airport, Hoa Thuan Tay Ward,
Hai Chau District, Danang City, Vietnam

FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

Form B 01a-DN

STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2017

RESOURCES	Code	Note	As at 31/12/2017	As at 01/01/2017
C. LIABILITIES	300		74,394,933,025	41,829,611,590
I. Current liabilities	310		53,671,022,619	25,531,566,230
1. Trade payables	311	4.11	13,239,519,986	6,729,737,241
2. Advances from customers	312		11,633,620	7,840,550
Taxes and amounts payable to the state				
3. budget	313	4.12	306,574,856	2,447,575,467
4. Payables to employees	314		5,881,833,880	5,668,077,841
5. Accrued expenses	315	4.13	174,925,294	435,639,726
6. Current unearned revenue	318	4.14	621,600,000	648,300,000
7. Other current payables	319	4.15	9,699,077,216	4,194,898,777
Current loans and obligations under finance				
8. leases	320	4.10	19,360,406,004	4,204,260,800
9. Bonus and welfare fund	322		4,375,451,763	1,195,235,828
II. Non-current liabilities	330		20,723,910,406	16,298,045,360
1. Other non-current payables	337	4.15	3,640,000,000	3,640,000,000
Non-current loans and obligations under				
2. finance leases	338	4.10	17,083,910,406	12,658,045,360
D. OWNER'S EQUITY	400		64,859,340,538	62,774,752,001
I. Equity	410	4.16	64,859,340,538	62,774,752,001
1. Owner's contributed capital	411		42,676,830,000	30,088,160,000
Ordinary shares carrying voting rights	411a		42,676,830,000	30,088,160,000
Preference shares	411b		-	-
2. Investment and development fund	418		803,208,113	803,208,113
3. Retained earnings	421		21,379,302,425	31,883,383,888
Beginning accumulated retained earnings	421a		91,261,088	464,468,618
Ending accumulated retained earnings	421b		21,288,041,337	31,418,915,270
II. Other capital and funds	430		-	-
TOTAL RESOURCES (440 = 300 + 400)	440		139,254,273,563	104,604,363,591



Nguyen Thanh Dong
General Director
Danang City, 25 January 2018

Phan Huu Tam
Chief Accountant

Nguyen Thi Minh Huyen
Preparer

DANANG AIRPORT SERVICE JOINT STOCK COMPANY – HEAD OFFICE

Danang International Airport, Hoa Thuan Tay Ward,
Hai Chau District, Danang City, Vietnam

FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

Form B 02a - DN

INCOME STATEMENT

For the financial year ended 31 December 2017

Unit: VND

	ITEMS	Code	Note	Year 2017	Year 2016
1.	Revenue	01	5.1	125,517,299,073	131,789,591,872
2.	Deductions	02	5.2	1,622,724,833	1,728,850,077
3.	Net revenue	10		123,894,574,240	130,060,741,795
4.	Cost of sales	11	5.3	97,924,122,285	104,684,256,743
5.	Gross profit	20		25,970,451,955	25,376,485,052
6.	Finance income	21	5.4	280,974,255	424,816,200
7.	Finance expense	22	5.5	691,890,311	878,312,050
	<i>Of which, interest expense</i>	23		671,996,253	798,108,289
8.	Selling expense	25	5.6	5,941,415,231	6,066,242,616
9.	General and administration expense	26	5.7	9,054,122,736	5,673,669,307
10.	Operating profit/(loss)	30		10,563,997,932	13,183,077,279
11.	Other income	31	5.8	3,298,679,028	2,983,182,459
12.	Other expense	32	5.9	385,151,827	517,369,164
13.	Net other income/(loss)	40		2,913,527,201	2,465,813,295
14.	Accounting profit/(loss) before tax	50		13,477,525,133	15,648,890,574
15.	Current corporate income tax expense	51	5.10	2,818,926,547	3,177,795,902
16.	Deferred corporate income tax expense	52		-	-
17.	Net profit/(loss) after tax	60		10,658,598,586	12,471,094,672



Nguyen Thanh Dong
 General Director
 Danang City, 25 January 2018

Phan Huu Tam
 Chief Accountant

Nguyen Thi Minh Huyen
 Preparer

DANANG AIRPORT SERVICE JOINT STOCK COMPANY – HEAD OFFICE

Danang International Airport, Hoa Thuan Tay Ward,
Hai Chau District, Danang City, Vietnam

FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

Form B 03a - DN

CASH FLOW STATEMENT

(Indirect method)

For the financial year ended 31 December 2017

Unit: VND

ITEMS	Code	Note	Year 2017	Year 2016
I. CASH FLOWS FROM OPERATING ACTIVITIES				
1. Net profit /(loss) before taxes	01		13,477,525,133	15,648,890,574
2. Adjustment for:				
Depreciation and amortisation	02		9,891,015,933	12,577,045,108
Provisions	03			
Foreign exchange gains/losses from revaluation of foreign currency monetary items	04		978,758	(48,079,457)
Gains/losses from investment	05		(2,506,221,339)	(2,756,166,355)
Interest expense	06		671,996,253	798,108,289
Other adjustments	07			-
3. Operating profit /(loss) before adjustments to working capital	08		21,535,294,738	26,219,798,159
Increase or decrease in accounts receivable	09		(1,708,205,488)	(1,057,870,896)
Increase or decrease in inventories	10		(838,051,698)	(1,347,965,987)
Increase or decrease in accounts payable (excluding	11		41,113,136,024	48,033,450,377
Increase or decrease prepaid expenses	12		(6,829,800)	353,648,041
Interest paid	14		(565,230,685)	(729,948,563)
Corporate income tax paid	15		(12,097,075,579)	(11,479,884,780)
Other cash inflows from operating activities	16		2,420,000	-
Other cash outflows from operating activities	17		(1,022,204,065)	(709,970,601)
Net cash from operating activities	20		46,413,253,447	59,281,255,750
II. CASH FLOWS FROM INVESTING ACTIVITIES				
1. Acquisition and construction of fixed assets and other long-term assets	21		(46,513,876,472)	(24,114,000,764)
2. Proceeds from disposals of fixed assets and other long-term assets	22		2,470,000,000	2,555,000,000
3. Interest and dividends received	27		36,221,339	44,603,896
Net cash from investing activities	30		(44,007,655,133)	(21,514,396,868)
III. CASH FLOWS FROM FINANCING ACTIVITIES				
1. Proceeds from issuing stocks and capital contribution from owners	31		12,588,670,000	-
2. Proceeds from borrowings	33	6.1	51,498,109,293	20,100,595,191
3. Repayment of borrowings	34	6.2	(31,933,339,308)	(17,336,039,577)
4. Dividends paid	36		(38,197,691,740)	(35,561,118,075)
Net cash from financing activities	40		(6,044,251,755)	(32,796,562,461)
NET INCREASE/(DECREASE) IN CASH	50		(3,638,653,441)	4,970,296,421
Cash and cash equivalents at beginning of year	60		16,694,210,289	11,597,869,491
Impact of exchange rate fluctuation	61		17,411,507	126,044,377
CASH AND CASH EQUIVALENTS AT END OF YEAR	70		13,072,968,355	16,694,210,289



Nguyễn Thanh Dong
General Director
Danang City, 25 January 2018

Phan Huu Tam
Chief Accountant

Nguyễn Thị Minh Huyền
Preparer

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1. Structure of ownership

Danang Airport Service Joint Stock Company – Masco (hereinafter referred to as "the Company") was incorporated on the basis of equitizing the State-owned enterprise (Danang Airport Service Company) under the Decision No. 3547/QD-BGTVT dated 23/09/2005 by the Ministry of Transport. The Company is an independent accounting entity which is operating in observance of the Business Registration Certificate No. 3203000950 dated 05/04/2006 by Danang City's Department of Planning and Investment, Enterprise Law, its Charter and other relevant regulations. So far, the Company's Certificate has been amended 14 times and the most recent amendment was made on 20 April 2017 with the registration number 0400102045.

On 30 June 2014, the Company was formally licensed to trade securities on Hanoi Securities Trading Centre under Decision No. 350/QD-SGDHN dated 30 June 2014 by Hanoi Stock Exchange. On 15 July 2014, the Company was formally listed to trade securities on Hanoi City Securities Trading Centre.

The charter capital as stipulated in the Business Registration Certificate is VND 42,676,830,000 as follows:

Investors	As at 31 Dec. 2017		As at 01 Jan. 2017	
	Amount (VND)	Percent (%)	Amount (VND)	Percent (%)
Vietnam Airlines Corporation	15,412,650,000	36.11	10,854,050,000	36.07
Other investors	27,264,180,000	63.89	19,234,110,000	63.93
Total	42,676,830,000	100	30,088,160,000	100

The Company's registered head office is at Danang International Airport, Hoa Thuan Tay Ward, Hai Chau District, Danang City.

The number of employees as at 31 December 2017 was 636 (31 December 2016: 740)

1.2. Business field

The Company operates in many fields such as: Industrial manufacturing, trading, services, construction, etc.

1.3. Operating industry and principal activities

According to the Business Registration Certificate, the Company's principal activities include:

- 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 flight, industrial catering, packed and instant food, candies, purified bottled water;
- Real estate activities with own or leased property;
- Other educational activities n.e.c. Details: Training of driving car, motor;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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;
- 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, installation supplies. Details: Wholesale of interior exterior decoration products, construction materials (except for brick, sand, soil and cement);
- Wholesale of other machinery and equipment. Details: Wholesale of 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 of textile articles (except apparel). Details: Outsourcing of wearing apparel;
- Sale of motor vehicle part and accessories.

1.4. Normal operating cycle

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

1.5. The Company's structure

As at 31 December 2017, the Company's jointly controlled entities were as follows:

No.	Name	Address	Tax Code
1.	Phu Bai Branch	Group 18, Phu Bai Ward, Huong Thuy Town, Thua Thien Hue Province	0400102045 - 004
2.	Nha Trang Branch	Cam Ranh Airport, Cam Nghia Ward, Cam Ranh City, Khanh Hoa Province	0400102045 - 005
3.	Masco Danang Driver training Centre	21 Nui Thanh St., Hai Chau Dist., Danang City	0400102045 - 010
4.	Masco Thua Thien Hue Driver	34-36 Nguyen Luong Bang St., Hue City, Thua Thien Hue Province	0400102045 - 006

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	training Centre		
5.	Passenger Transportation Enterprise	Danang International Airport, Hoa Thuan Tay Ward, Hai Chau District, Danang City	0400102045
6.	Danang Catering Enterprise	Danang International Airport, Hoa Thuan Tay Ward, Hai Chau District, Danang City	0400102045
7.	Airport service Enterprise	Danang International Airport, Hoa Thuan Tay Ward, Hai Chau District, Danang City	0400102045
8.	Trading and Service Enterprise	Danang International Airport, Hoa Thuan Tay Ward, Hai Chau District, Danang City	0400102045
9.	Car maintenance service Centre	Danang International Airport, Hoa Thuan Tay Ward, Hai Chau District, Danang City	0400102045

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

The accompanying financial statements, expressed in Vietnamese Dong (VND), are prepared in accordance with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and prevailing accounting regulations in Vietnam.

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

2.2. Forms of accounting records

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

2.3. Financial year

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

2.4. Reporting and functional currency

The Company maintains its accounting records in VND.

3. SIGNIFICANT ACCOUNTING POLICIES**3.1. Foreign currencies**

- The exchange rates announced by Vietcombank are applied in accounting;
- The exchange rate applicable to asset recognition and re-evaluation is the foreign currency-buying rate;
- The exchange rate applicable to liability recognition and re-evaluation is the foreign currency-selling rate;

Transactions in foreign currencies are recorded, on initial recognition, in the reporting currency, by applying to the foreign currency amount the spot exchange rate between the reporting currency and the foreign currency at the date of the transaction. The exchange differences arising on the settlement of monetary items are recognised in profit or loss in the year in which they arise. At the end of the reporting year, monetary items excluding advances to suppliers, prepaid expenses, and unearned revenues, which are denominated in foreign currency, are reported using the closing rate and resultant exchange differences resulting from the reporting after offset are recognised in profit or loss in the year in which they arise.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3.2. Use of estimates**

The preparation of the financial statements requires management to make estimates and assumptions that impact the carrying value of certain assets and liabilities, contingent assets and liabilities reported in the notes as well as revenues and expenses in the financial statements for the financial year ended 31 December 2017. Although these estimates are based on management's best knowledge of all relevant information available at the date when the financial statements are prepared, this does not prevent actual figures differing from estimates.

3.3. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank, cash in transit and current investments for a period not exceeding 3 months or highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are defined the same as those under Accounting Standard "Statement of cash flows".

3.4. Account receivables***Recognition method***

Account receivables that comprise trade receivables, intra-company receivables and other receivables are recognised at the carrying amounts of trade receivables and other receivables less provisions for doubtful debts.

Provision for doubtful debts

Provisions for doubtful debts are recognised for past-due accounts and for accounts where circumstances indicate that they might not be recoverable. The provision for doubtful debts is recognised in accordance with Circular No. 228/2009/TT-BTC dated 07 December 2009 issued by Ministry of Finance.

The difference between the required balance and the existing balance of provision for doubtful debts is recorded as a general and administrative expense in the income statement.

3.5. Inventories***Inventory measurement***

Inventories are measured at the lower of cost and net realisable value.

The costs of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing inventories to their present location and condition. The cost of work in progress and finished goods includes materials, direct labour and attributable production overheads based on normal levels of activity.

The costs of purchase of inventories comprise the purchase price, non-reimbursable taxes and duties, and transport, handling and other costs directly attributable to the acquisition of inventories. Trade discounts and sales rebates on substandard and obsolete goods purchased are deducted from the costs of purchase.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory cost formulas

Inventories are measured using the weighted average method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Method of accounting for inventories

Inventories are recorded under the perpetual inventory method.

Provision for decline in value of inventories

The provision is recognised for obsolete, slow-moving and defective inventory items and an excess of the cost of inventories over their net realisable value in accordance with Circular No. 228/2009/TT-BTC dated 07 December 2009 issued by Ministry of Finance]/[the Group's accounting policy.

The difference between the required balance and the existing balance of the provision for a decline in value of inventories is included in cost of sales in the income statement.

Inventories are written down to net realizable value item by item.

3.6. Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation.

Tangible fixed asset recognition

Tangible fixed assets are initially recognised at their cost. The cost of purchased tangible fixed assets comprises the purchase price and any directly attributable costs of bringing the assets to their present location and working condition for their intended use. Accessories added to fixed assets when purchased are recognised separately at their fair values and deducted from the historical cost of the respective tangible fixed assets.

Depreciation and amortisation

The costs of fixed assets are depreciated on a straight-line method over their estimated useful lives.

The estimated useful lives are as follows:

	<u>Year 2017</u>
▪ Buildings, structures	5 - 25 years
▪ Machinery and equipment	5 - 10 years
▪ Motor vehicles	3 - 10 years
▪ Management equipment	4 - 10 years

3.7. Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation.

Intangible fixed asset recognition

The cost of an intangible fixed asset comprises the total amount of expense incurred by the Company to acquire an asset at the time the asset is put into operation for its intended use.

Accounting principles for intangible fixed assets

Land use rights

Land use right which is stated at its cost is the Company's land use right pertains to land located at Danang International Airport, Danang City which the Company uses for building the Company's office. Indefinite land use rights are not amortized.

Computer software

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Computer software is not an indispensable component of hardware and is recognised as an intangible asset and depreciated over its useful life.

3.8. Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost. Cost includes professional fees, and for qualifying assets, borrowing costs dealt with in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. These expenses are temporarily measured as the original cost when the assets are put into use if the cost has yet to be approved.

3.9. Prepayments

Prepayments are classified as current and non-current based on their original term. Prepayments mainly comprise costs of tools and supplies; insurances; repair and training expenses, etc., which are amortised over the period for which they are paid or the period in which economic benefits are generated in relation to these expenses.

The following expenses are recognised as prepayments and amortised to the income statement:

- Tools and supplies are amortised to the income statement under straight-line method for no more than 36 months;
- Insurance fees, prepaid land, infrastructure and fixed asset rentals are amortised over the period of lease;
- Other prepaid expenses: Based on the nature and volume of each expense, the Company applies the proper amortization method over the period in which economic benefits are generated in relation to that expense.

3.10. Liabilities

Liabilities are classified into trade payables, intra-company payables and other payables based on the following rules: Trade payables represent those arising from purchase and sale related transactions of goods, services or assets and the seller is independent of the buyer; intra-company payables represent those between the entity and its dependent accounting units having no legal status; the remaining payables are classified as other payables.

Liabilities are also classified according to the maturity date, the remaining term from the date of the financial statements, original currency, and each creditor.

Liabilities are recognised at no less than the payment obligation.

3.11. Borrowing costs***Capitalisation of borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets until the assets are put into use or sale.

All other borrowing costs are recognised as an expense in the income statement when incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3.12. Accrued expenses**

Accrued expenses represent expenses that will be paid in the future for goods or services received but not yet paid due to lack of invoices or accounting documents. These expenses are recognised as operating expenses of the reporting year.

Accrued interest expenses: is calculated over the remaining balance of borrowings for the days that not yet accrued and the interest rate.

3.13. Owners' equity***The owners' equity***

The owners' equity is recognised when contributed.

Dividends

Dividends are recognised as a liability at the date of declaring dividends.

Retained earnings

Net profit after income tax can be distributed to shareholders after the distribution is approved the General annual meeting of shareholders and reserves are created in accordance with the Company's Charter and legal regulations in Vietnam.

3.14. Revenue and other income***Revenue from selling goods***

Revenue from selling goods is measured at the fair value of the consideration received or receivable. In most cases, revenue is recognised when transferring the risks and rewards of ownership to the buyer.

Revenue involving the rendering of services

Revenue of a transaction involving the rendering of services is recognised when the outcome of this transaction can be estimated reliably. When a transaction involving the rendering of services is attributable to several periods, each period's revenue is recognised by reference to the stage of completion at the end of the reporting period.

Interest income

Interest income is recognised on an accrual basis by reference to the principal outstanding and at the interest rate applicable.

Other income

Other income including income, revenue not from operating activity of business, is recognized when revenue is determined with relative certainty and it is possible to obtain economic benefits from the transactions.

3.15. Deductions

Các khoản giảm trừ doanh thu gồm: Chiết khấu thương mại, giảm giá hàng bán và hàng bán bị trả lại.

Deductions include trade discounts, allowances and sale returns.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Deductions arising in the reporting year from consumption of products, goods and services are recognised as decreases in revenue in that year; Deductions arising after the end of the reporting year but prior to issuing the financial statements for the reporting year are recognised as decreases in revenue of the reporting year; Deductions arising after the end of the reporting year and after issuing the financial statements for the reporting year are recognised as decreases in revenue of the next year.

3.16. Cost of sales

Cost of sales and services provided represents total costs of finished products, goods, services, which are sold in the year in accordance with the matching principle. Abnormal amounts of production costs of inventories are recognised immediately in cost of sales.

3.17. Finance expense

Finance expenses represent all expenses incurred in the reporting year which mainly include borrowing costs.

3.18. Selling expense and general and administrative expense

Selling expenses represent expenses incurred during the process of selling products, goods and rendering services, which include expenses relating to product exhibition, advertisement, sales commissions, storage, packaging and shipping etc.

General and administrative expenses represent common expenses, which include payroll costs for office employees (salaries, wages, allowances, etc.); social insurance, health insurance, trade union fees and unemployment insurance; stationery expenses, material expenses, depreciation expenses of fixed assets used for administration activities; land rental, license tax; provision for doubtful debts; utility services (electricity expenses, water expenses, phone, fax, warranty expenses, etc.); sundry expenses (entertainment, customer conference, etc.).

3.19. Taxation***Corporate income tax******Current corporate income tax expense***

Current corporate tax expense is determined on the basis of taxable income and the rate of corporate income tax (CIT) of the current year at 20%.

Tax incentive, tax exemption and reduction

For Masco – Danang Driver Training Centre and Masco – Hue Driver Training Centre, the Company applies the CIT rate of 10% over the operating time, which is in accordance with the point 3 article II part H and point 2 article III part H Circular 130/2008/TT-BTC dated 26 December 2008 by the Ministry of Finance detailing the implementation of Law on Enterprise Income Tax.

Value added tax

The tax rate of 10% is applied for the activities including catering transport, attendant, taxi crew, catering and drink serving, serving fee, providing other products for flights. Other activities apply the tax rate in accordance with prevailing regulation.

Other taxes

Other taxes are applicable in accordance with the prevailing tax laws in Vietnam.

The tax reports of the Company will be inspected by the Tax Department. Application of the laws and regulations on tax to different transactions can be interpreted by many ways; therefore, the tax

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

amounts presented in the financial statements can be amended in accordance with the Tax Department's final assessment.

3.20. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shareholders (after adjusted for bonus and welfare funds), by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares bought back by the Company and held as treasury shares.

3.21. Diluted earnings per share

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary shareholders (after adjusted for bonus and welfare funds), by the weighted average number of ordinary shares outstanding during the year and total ordinary shares that would be issued on the conversion, excluding ordinary shares bought back by the Company and held as treasury shares.

3.22. Segment reporting

A segment is a distinguishable component of the Company that is engaged either in producing or providing related products or services (business segment), or in producing or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3.23. Related parties

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

3.24. Financial instruments***Initial recognition******Financial assets***

At the date of initial recognition, financial assets are recognised at cost plus transaction costs that are directly attributable to the acquisition of the financial assets.

Financial assets of the Company comprise cash and current deposits, trade and other receivables;

Financial liabilities

At the date of initial recognition, financial liabilities are recognised at cost net of transaction costs that are directly attributable to the issue of the financial liabilities.

Financial liabilities of the Company comprise trade payables and other payables, debts and borrowings.

Re-measurement after initial recognition

Currently, there are no requirements for the re-measurement of the financial instruments after initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. ADDITIONAL INFORMATION FOR ITEMS SHOWN IN THE STATEMENT OF FINANCIAL POSITION

4.1. Cash and cash equivalents

	Foreign currency	As at 31/12/2017 VND	Foreign currency	As at 01/01/2017 VND
Cash in hand		787,159,833		1,295,712,260
VND		565,909,498		1,092,075,820
USD	9,774.70 #	221,250,335	8,976.70 #	203,636,440
Cash at banks		12,285,808,522		15,398,498,029
VND		11,911,830,562		7,571,543,293
USD	16,522.11 #	373,977,960	347,898.39 #	7,826,954,736
Cash equivalents				
Total		13,072,968,355		16,694,210,289

4.2. Current trade receivables

	As at 31/12/2017 VND	As at 01/01/2017 VND
Trade receivables	4,665,458,536	2,973,390,594
Indochina Airlines Joint Stock Company	1,481,124,999	1,481,124,999
Vietjet Aviation Joint Stock Company	1,640,660,062	634,751,500
Others	1,543,673,475	857,514,095
Trade Receivables from related parties - Refer to note 7	233,110,217	1,606,952,089
Total	4,898,568,753	4,580,342,683

4.3. Other current receivables

	As at 31/12/2017 VND		As at 01/01/2017 VND	
	Value	Provision	Value	Provision
Receivables from other individuals and	85,682,010	-	104,201,897	-
Advances	450,704,771	-	449,183,643	-
Deposits	-	-	427,803	-
Total	536,386,781	-	553,813,343	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.4. Doubtful debts

	As at 31/12/2017 VND		As at 01/01/2017 VND	
	Cost	Recoverable amount	Cost	Recoverable amount
Overdue trade receivables but uncollectible	1,481,124,999	-	1,481,124,999	-
Total	1,481,124,999	-	1,481,124,999	-

Management assessed the ability to recover the overdue receivables as low because Indochina Airlines Joint Stock Company stopped operating for a long time and the Civil Aviation Authority of Vietnam has officially retrieved this company's flight authorization.

Overdue trade receivables and overdue amounts loaned are analysed by debtor as follows:

	As at 31/12/2017 VND			As at 01/01/2017 VND		
	Cost	Recoverable amount	Overdue days	Cost	Recoverable amount	Overdue days
Trade receivables						
Indochina Airlines Joint Stock Company	1,481,124,999	-	Over 3 years	1,481,124,999	-	Over 3 years
Total	1,481,124,999	-		1,481,124,999	-	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.5. Inventories

	As at 31/12/2017		As at 01/01/2017	
	VND		VND	
	Cost	Provision	Cost	Provision
Raw materials	1,691,922,282	-	1,764,203,876	-
Tools and supplies	4,287,223	-	6,058,708	-
Finished goods	1,609,113,426	-	462,019,105	-
Merchandise	3,606,181,116	-	3,841,170,660	-
Total	6,911,504,047	-	6,073,452,349	-

Slow moving and obsolescent inventories at the year-end were nil.

Inventories pledged as security for liabilities at the year-end were nil.

4.6. Work in progress

	As at 31/12/2017	As at 01/01/2017
	VND	VND
Purchasing Fixed assets	-	68,000,000
Cost of construction of catering factory in Cam Ranh	16,489,767,328	57,915,418
Total	16,489,767,328	125,915,418

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**4.7. Tangible fixed assets**

	Buildings, structures	Machinery and equipment	Motor Vehicles	Equipment, management tools	Total
Cost:					
As at 01/01/2017	30,659,709,042	19,003,312,359	104,687,216,426	1,055,535,881	155,405,773,708
Purchase	-	9,205,853,962	27,071,075,887	-	36,276,929,849
Self-construction	164,954,545	-	-	-	164,954,545
Disposals	-	-	(5,317,623,972)	-	(5,317,623,972)
As at 31/12/2017	30,824,663,587	28,209,166,321	126,440,668,341	1,055,535,881	186,530,034,130
Accumulated depreciation:					
As at 01/01/2017	11,533,577,958	4,222,423,362	66,589,944,212	933,508,144	83,279,453,676
Depreciation	3,672,194,891	2,803,607,253	10,575,568,124	91,845,993	17,143,216,261
Disposals	-	-	(5,317,623,972)	-	(5,317,623,972)
As at 31/12/2017	15,205,772,849	7,026,030,615	71,847,888,364	1,025,354,137	95,105,045,965
Net book value:					
As at 01/01/2017	19,126,131,084	14,780,888,997	38,097,272,214	122,027,737	72,126,320,032
As at 31/12/2017	15,618,890,738	21,183,135,706	54,592,779,977	30,181,744	91,424,988,165

The amount of year-end net book value of tangible fixed assets pledged/mortgaged as loan security totalled VND 48,202,472,513.

The historical cost of tangible fixed assets fully depreciated but still in use totalled VND 41,607,802,268.

The amount of year-end cost of tangible fixed assets held for disposal was nil.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**4.8. Intangible fixed assets**

Items	Land use rights (*) VND	Computer Software VND	Total VND
Cost			
As at 01/01/2017	473,227,100	263,206,000	736,433,100
Purchase	-	89,000,000	89,000,000
Decrease	-	-	-
As at 31/12/2017	473,227,100	352,206,000	825,433,100
Accumulated depreciation:			
As at 01/01/2017	-	229,750,877	229,750,877
Amortisation	-	33,455,123	33,455,123
Decrease	-	-	-
As at 31/12/2017	-	263,206,000	263,206,000
Net book value:			
As at 01/01/2017	473,227,100	33,455,123	506,682,223
As at 31/12/2017	473,227,100	89,000,000	562,227,100

(*) This relates 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.

The amount of year-end net book value of tangible fixed assets pledged/mortgaged as loan security was nil.

4.9. Prepayments

	As at 31/12/2017 VND	As at 01/01/2017 VND
Current:		
Vehicle insurance fee, road fee	314,593,402	282,969,825
Land, office rental fee	46,400,003	217,236,712
Tools and equipment waiting allocation	135,677,840	-
Repair expenses, training fee, others	3,739,003	-
Total	500,410,248	500,206,537
Non-current:		
Tools and equipment waiting allocation	190,899,379	-
Road fee	-	228,401,347
Office rental, others	151,891,345	107,763,288
Total	342,790,724	336,164,635

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.10. Loans and obligations under finance leases

	As at 31/12/2017		Movements in the year		As at 01/01/2017	
	VND		VND		VND	
	Value	Payable value	Increase	Decrease	Value	Payable value
Current:						
Loans						
- Vietcombank - Danang Branch	10,757,659,172	10,757,659,172	34,896,106,293	26,538,624,584	2,400,177,463	2,400,177,463
- Vietinbank - Danang Branch	4,757,659,172	4,757,659,172	28,896,106,293	26,538,624,584	-	-
- Le Bich Hong (Individual)	6,000,000,000	6,000,000,000	6,000,000,000	-	2,400,177,463	2,400,177,463
Current portion of current loans						
- Vietcombank - Danang Branch	8,602,746,832	8,602,746,832	8,602,746,832	1,804,083,337	1,804,083,337	1,804,083,337
- Vietinbank - Danang Branch	3,276,113,500	3,276,113,500	3,276,113,500	1,804,083,337	1,804,083,337	1,804,083,337
- BIDV - Hai Van Branch	4,526,633,332	4,526,633,332	4,526,633,332	-	-	-
	800,000,000	800,000,000	800,000,000	-	-	-
Total	19,360,406,004	19,360,406,004	43,498,853,125	28,342,707,921	4,204,260,800	4,204,260,800
Non-current:						
- Vietcombank - Danang Branch	17,083,910,406	17,083,910,406	16,624,975,500	12,199,110,454	12,658,045,360	12,658,045,360
- Vietinbank - Danang Branch	5,681,385,560	5,681,385,560	6,986,703,000	3,303,470,800	1,998,153,360	1,998,153,360
- BIDV - Hai Van Branch	10,102,632,846	10,102,632,846	9,638,272,500	7,295,639,654	7,760,000,000	7,760,000,000
	1,299,892,000	1,299,892,000	-	1,600,000,000	2,899,892,000	2,899,892,000
Total	17,083,910,406	17,083,910,406	16,624,975,500	12,199,110,454	12,658,045,360	12,658,045,360

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Company obtained the borrowings from the Joint Stock Commercial Bank for Foreign Trade of Vietnam - Danang Branch under following credit agreements:

- Credit agreement No. 248/2013/VCB-KHDN dated 16/09/2013:
 - Borrowing amount: 175,824 USD
 - Purpose: Buying the catering transport car.
 - Credit term: 60 months from the first drawdown date.
 - Interest rate: 6% per annum and is subject to modify every quarter.
 - Collateral is assets acquired from the loan.
- Credit agreement No. 202/2014/VCB-KHDN dated 06/06/2014:
 - Borrowing amount: 177,392 USD
 - Purpose: Buying the catering transport car.
 - Credit term: 48 months from the first drawdown date.
 - Interest rate: 5% per annum and is subject to modify every quarter.
 - Collateral is assets acquired from the loan.
- Credit agreement under investment and development project No. 326/2015/VCB-KHDN dated 23/10/2015:
 - Borrowing amount: VND 5,800,000,000
 - Purpose: Buying 25 five-seat cars Hyundai i10 Sedan 1,2MT – Base for taxi activities.
 - Credit term: 60 months from the first drawdown date (in which the grace period is 2 months)
 - Interest rate: 7.23% per annum fixed within 01 year from the first drawdown date.
 - Collateral is assets acquired from the loan.
- Credit agreement under investment project No. 104/2017/VCB-KHDN dated 10/10/2017:
 - Borrowing amount: USD 306,358.5;
 - Purpose: Buying the 3 catering transport cars.
 - Credit term: 60 months from the first drawdown date;
 - Interest rate: 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%;
 - Collateral is assets acquired from the loan.

The Company obtained the borrowings from the Bank for Investment and Development of Vietnam - Hai Van Branch under following credit agreement:

- Credit agreement under investment and development project No. 01/2016/8573287/HDTD dated 13/06/2016:
 - Borrowing amount: VND 4,000,000,000
 - Purpose: Investing the construction of Catering Manufacture Zone at Phu Bai International Airport.
 - Credit term: 60 months from the first drawdown date.
 - Interest rate: 10% per annum applied for the amount drawdown from the agreement date until the end of year 2016. From 2017 and on, the interest rate will be adjusted.
 - Collateral is assets acquired from the loan.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Company obtained the borrowings from the Vietnam Joint Stock Commercial Bank for Industry and Trade - Danang Branch under following credit agreement:

- Credit agreement No. 01/2016-HDTDDA/NHCT480-MASCO dated 20/09/2016:
 - Borrowing amount: VND 4,876,500,000
 - Purpose: financing the capital used for Project: Re-finance the borrowing from Joint Stock Commercial Bank for Foreign Trade of Vietnam - Danang Branch for purchase of 25 five-seat car Hyundai Grand i10 Sedan 1.2MT – Base used for taxi activities.
 - Credit term: 50 months from the first drawdown date, but do not exceed 26th October 2016.
 - Interest rate: specified in each drawdown note.
 - Collateral is assets acquired from the loan.
- Credit agreement No. 01/2017-HDCVTL/NHCT480-MASCO dated 12/04/2017:
 - Borrowing amount: VND 1,472,000,000;
 - Purpose: financing the legal capital used for Project: purchase of 05 car Nissan Sunny;
 - Credit term: 60 months from the first drawdown date;
 - Interest rate: specified in each drawdown note.
 - Collateral is assets acquired from the loan.
- Credit agreement No. 02/2017-HDCVTL/NHCT480-MASCO dated 15/05/2017:
 - Borrowing amount: VND 1,909,000,000;
 - Purpose: financing the legal capital used for Project: purchase of 05 car Ford Ranger;
 - Credit term: 60 months from the first drawdown date;
 - Interest rate: specified in each drawdown note.
 - Collateral is assets acquired from the loan.

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

	As at 31/12/2017 VND		As at 01/01/2017 VND	
	Value	Payable value	Value	Payable value
Trade payables				
Le Tien Minh	13,239,519,986	13,239,519,986	6,729,737,241	6,729,737,241
Phuoc Thinh Household Business	781,670,000	781,670,000	427,770,000	427,770,000
Le Ngoc Thinh	2,866,000	2,866,000	360,106,500	360,106,500
Other suppliers	896,422,312	896,422,312	820,379,972	820,379,972
	11,558,561,674	11,558,561,674	5,121,480,769	5,121,480,769
Total	13,239,519,986	13,239,519,986	6,729,737,241	6,729,737,241

4.12. Tax and amounts payable to the state budget

	As at 01/01/2017 VND		Movements in the year VND		As at 31/12/2017 VND	
	Payable		Payable	Paid/Deducted	Receivable	Payable
Value added tax	-		19,588,485,346	19,796,450,709	207,965,363	-
Corporate income tax	2,343,708,683		9,960,477,674	12,199,212,349	-	104,974,008
Head Office			2,818,926,547			
Jointly Controlled entities			7,141,551,127			
Personal income tax	103,866,784		1,437,907,506	1,340,173,442	-	201,600,848
License tax	-		8,000,000	8,000,000	-	-
Total	2,447,575,467		40,955,348,200	33,343,836,500	207,965,363	306,574,856

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**4.13. Current accrued expenses**

	As at 31/12/2017 VND	As at 01/01/2017 VND
Current:		
Accrued interest	174,925,294	68,159,726
Other expenses	-	367,480,000
Total	174,925,294	435,639,726

4.14. Current Unearned revenue

	As at 31/12/2017 VND	As at 01/01/2017 VND
Advertising revenue	621,600,000	648,300,000
Total	621,600,000	648,300,000

4.15. Other payables

	As at 31/12/2017 VND	As at 01/01/2017 VND
Current:		
Trade union dues	33,479,511	133,129,650
Social insurance, Health Insurance, Unemployment insurance	786,402,926	717,310,292
Current deposits	227,350,000	227,850,000
Other payables	2,486,784,779	3,116,608,835
Responsibility fee for taxi driver	1,980,196,169	2,562,546,169
Tickets fee	337,558,202	119,039,201
Divident payables	165,800,408	34,897,348
Other payables	3,230,000	400,126,117
Divident payables to related parties - Refer to Note 7	6,165,060,000	-
Total	9,699,077,216	4,194,898,777
Non-current:		
At Danang Driver Training Centre	1,640,000,000	1,640,000,000
At Thua Thien Hue Driver Training Centre	2,000,000,000	2,000,000,000
Total	3,640,000,000	3,640,000,000

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**4.16. Owners' Equity****4.16.1.Changes in owners' equity**

	Items of owners' equity			Total VND
	Owner's contributed capital VND	Investment and Development fund VND	Retained earnings VND	
As at 01/01/2016	30,088,160,000	803,208,113	25,378,996,618	56,270,364,731
Previous year's profits	-	-	44,664,210,089	44,664,210,089
Head Office	-	-	12,471,094,672	12,471,094,672
Jointly Controlled Entities	-	-	32,193,115,417	32,193,115,417
Distribution of previous year's profits	-	-	(38,159,822,819)	(38,159,822,819)
As at 01/01/2017	30,088,160,000	803,208,113	31,883,383,888	62,774,752,001
Current year's capital increase	12,588,670,000	-	-	12,588,670,000
Current year's profits	-	-	39,650,285,347	39,650,285,347
Head Office	-	-	10,658,598,586	10,658,598,586
Jointly Controlled Entities	-	-	28,991,686,761	28,991,686,761
Distribution of current year's profits	-	-	(50,154,366,810)	(50,154,366,810)
As at 31/12/2017	42,676,830,000	803,208,113	21,379,302,425	64,859,340,538

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.16.2.Details of owners' equity

	As at 31/12/2017 VND	As at 01/01/2017 VND
Capital contributed by Vietnam Airlines Corporation	15,412,650,000	10,854,050,000
Capital contributed by others	27,264,180,000	19,234,110,000
Total	42,676,830,000	30,088,160,000

(*) According to the Resolution of the 2016 extraordinary General Assembly of shareholders No. 12/NQ-DHDCDBT-DVDN dated 21/10/2016, extraordinary general Assembly of Shareholders has approved the decision on increasing Charter Capital in year 2016 from VND 30,088,160,000 to VND 42,725,180,000 to supplement the capital to proceed the Company's investment projects. On 11 January 2017, State Security Commission of Vietnam granted the Certificate No. 01/GCN-UBCK to the Company to sell shares to public. Then, on 13 January 2017 the Company submitted the Announcement No. 18/TB-DVDN to Vietnam Securities Depository (VSD) announcing the last date for buying shares is 8 February 2017, the intended time for registering from 16 February 2017 to 10 March 2017. On 19 May 2017, Hanoi Securities Trading Centre issued the Announcement No. 656/TB-SGDHN of the first trading date of additional listed shares of Danang Airport Service Joint Stock Company (Stock Code: MAS). Accordingly, total number of shares successfully distributed is 1,258,867, the total number of shares of the Company after addition is 42,676,830,000 and the official first trading date of MAS stock is 29 May 2017.

4.16.3.Capital transactions with owners

	Year 2017 VND	Year 2016 VND
Owner's contributed capital		
Beginning balance	30,088,160,000	30,088,160,000
Capital contribution in the year	12,588,670,000	-
Capital redemption in the year	-	-
Ending balance	42,676,830,000	30,088,160,000
Dividends, profits declared	38,197,691,740	35,561,118,075

DANANG AIRPORT SERVICE JOINT STOCK COMPANY – HEAD OFFICE

Danang International Airport, Hoa Thuan Tay Ward,
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**4.16.4. Shares**

	As at 31/12/2017 VND	As at 01/01/2017 VND
Number of shares registered for issue	4,267,683	3,008,816
Number of shares sold to public	4,267,683	3,008,816
<i>Including: Ordinary shares</i>	4,267,683	3,008,816
<i>Preference shares (Classified as owner's equity)</i>	-	-
Number of shares repurchased (Treasury shares)	-	-
<i>Including: Ordinary shares</i>	-	-
<i>Preference shares (Classified as owner's equity)</i>	-	-
Number of shares outstanding	4,267,683	3,008,816
<i>Including: Ordinary shares</i>	4,267,683	3,008,816
<i>Preference shares (Classified as owner's equity)</i>	-	-

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

4.16.5. Retained earnings

	Year 2017 VND	Year 2016 VND
Profit brought forward	31,883,383,888	25,378,996,618
Profit after corporate income tax of current year (Head office)	10,658,598,586	12,471,094,672
Increases to profit after corporate income tax (Jointly Controlled Entities)	28,991,686,761	32,193,115,417
Profit distribution	50,154,366,810	38,159,822,819
Distribution of the previous-year profit	31,792,122,800	24,914,528,000
<i>Remuneration for the Board of Directors, Control Committee</i>	193,200,000	144,000,000
<i>Bonus and welfare fund, bonus to management</i>	4,200,000,000	700,000,000
<i>Dividends paid</i>	27,398,922,800	24,070,528,000
Temporary distribution of the current-year profit	18,362,244,010	13,245,294,819
<i>Dividends paid</i>	17,070,732,000	12,035,264,000
<i>Bonus and welfare fund</i>	134,000,000	-
<i>Profit distributed to partners under cooperation-investment agreements.</i>	1,157,512,010	1,210,030,819
Retained earnings	21,379,302,425	31,883,383,888

The Company made distribution of last year's profit in accordance with the Resolution of 2017 Annual Shareholders Meeting No. 07/NQ-DHDCD-DVDN dated 21 April 2017. In addition, the Company made temporary distribution of current year's profit in accordance with the Minute of Board of Directors No. 09/ND-HDQT dated 15 August 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.17. Off statement of financial position items

	31/12/2017 USD	01/01/2017 USD
Foreign currencies		
+ USD	26,296.81	356,875.09

5. ADDITIONAL INFORMATION FOR ITEMS SHOWN IN THE INCOME STATEMENT

5.1. Revenue from selling goods and rendering services

	Year 2017 VND	Year 2016 VND
Revenue:		
Sale of merchandise	15,577,759,956	16,895,029,044
Sale of finished goods	307,006,000	7,042,342,000
Rendering of services	109,632,533,117	107,852,220,828
Total	125,517,299,073	131,789,591,872
Revenue to related parties - Refer to Note 7	46,048,117,437	58,009,438,601

5.2. Deductions

	Year 2017 VND	Year 2016 VND
Trade discounts	1,588,179,378	1,728,850,077
Total	1,622,724,833	1,728,850,077

5.3. Cost of sales

	Year 2017 VND	Year 2016 VND
Cost of merchandise sold	8,591,844,648	9,312,969,899
Cost of finished goods sold	314,886,638	7,095,950,233
Cost of services rendered	89,017,390,999	88,275,336,611
Total	97,924,122,285	104,684,256,743

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5.4. Financial income

	Year 2017 VND	Year 2016 VND
Deposit and loan interest	36,221,339	44,603,896
Realized gains from exchange differences	244,752,916	301,981,645
Unrealized gains from exchange differences	-	48,079,457
Purchase discounts	-	30,151,202
Total	280,974,255	424,816,200

5.5. Financial expense

	Year 2017 VND	Year 2016 VND
Interest expense	671,996,253	798,108,289
Realized losses from exchange differences	18,915,300	80,203,761
Unrealized losses from exchange differences	978,758	-
Total	691,890,311	878,312,050

5.6. Selling expense

	Year 2017 VND	Year 2016 VND
Salaries	2,661,984,594	2,666,847,566
Other outsourced services expenses	2,706,729,789	2,633,726,734
Other selling expenses	572,700,848	765,668,316
Total	5,941,415,231	6,066,242,616

5.7. General and administration expense

	Year 2017 VND	Year 2016 VND
Salaries	8,936,285,240	7,860,944,076
Out-sourced services	1,290,724,118	1,647,552,703
Other expenses	6,006,779,277	5,466,813,617
Expenses allocated to jointly controlled entities	(7,179,665,899)	(9,301,641,089)
Total	9,054,122,736	5,673,669,307

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5.8. Other income

	Year 2017 VND	Year 2016 VND
Purchase support	703,900,000	271,620,000
Other income	124,779,028	-
Proceeds from disposal of assets	2,470,000,000	2,711,562,459
Total	3,298,679,028	2,983,182,459

5.9. Other expense

	Year 2017 VND	Year 2016 VND
Bonus for re-used goods	-	-
Destroyed goods expenses	8,442,479	8,835,621
Other expenses	376,709,348	508,533,543
Total	385,151,827	517,369,164

5.10. Current corporate income tax expense

	Year 2017 VND	Year 2016 VND
Accounting profit before tax	13,477,525,133	15,648,890,574
Adjustments to arrive to taxable income	171,900,262	240,088,935
Total taxable income	13,649,425,395	15,888,979,509
Corporate income tax rate	20%	20%
Corporate income tax	2,729,885,079	3,177,795,902
Current corporate income tax expense	2,818,926,547	3,177,795,902

In which:

Corporate income tax expense for the current year	2,729,885,079	-
Adjustments of corporate income tax expense of previous years	89,041,468	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5.11. Production and business costs by elements

	Year 2017 VND	Year 2016 VND
Material expense	39,900,646,839	35,634,804,792
Employee expense	40,163,841,499	31,722,689,890
Depreciation expense	9,891,015,933	12,577,045,108
Out-sourced service expense	11,250,004,270	7,901,794,140
Other cash expense	4,269,401,384	5,259,993,970
Total	105,474,909,925	93,096,327,900

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

6.1. Cash receipts from loans in the year

	Year 2017 VND	Year 2016 VND
Cash receipts from loans under normal contracts	51,498,109,293	20,100,595,191
Total	51,498,109,293	20,100,595,191

6.2. Cash repayments of principal amounts borrowed

	Year 2017 VND	Year 2016 VND
Cash repayment of principal amounts under normal contracts	31,933,339,308	17,336,039,577
Total	31,933,339,308	17,336,039,577

7. RELATED PARTIES

During the reporting year, the Company has had material transactions with following individuals and entities who are determined as related parties according to Vietnamese Accounting Standard 26.

List of related parties

Vietnam Airlines Corporation
Board of Directors and Management

Relationship

Investor
Key management personnel

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	<u>As at 31/12/2017</u> VND	<u>As at 01/01/2017</u> VND
Trade receivables:		
Vietnam Airlines Corporation	233,110,217	1,606,952,089
Total - Refer to Note 4.2	<u>233,110,217</u>	<u>1,606,952,089</u>

	<u>As at 31/12/2017</u> VND	<u>As at 01/01/2017</u> VND
Dividend payables		
Vietnam Airlines Corporation	6,165,060,000	-
Total - Refer to Note 4.15	<u>6,165,060,000</u>	<u>-</u>

During the reporting year, the Company has had related party transactions as follows:

	<u>Year 2017</u> VND	<u>Year 2016</u> VND
Rendering services:		
Vietnam Airlines Corporation	46,048,117,437	58,009,438,601
Total - Refer to Note 5.1	<u>46,048,117,437</u>	<u>58,009,438,601</u>

	<u>Year 2017</u> VND	<u>Year 2016</u> VND
Dividends paid		
Vietnam Airlines Corporation	9,890,174,000	13,024,860,000
Total	<u>9,890,174,000</u>	<u>13,024,860,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Remunerations of the Board of Directors, the Management and key management personnel are as follows:

	Year 2017 VND	Year 2016 VND
Remuneration of Board of Directors	138,000,000	138,000,000
Remuneration of the Management	3,254,778,544	2,053,032,409
Total	3,392,778,544	2,191,032,409

8. REMUNERATION OF THE CONTROL COMMITTEE

	Year 2017 VND	Year 2016 VND
Remuneration of the Control Committee	54,300,000	54,300,000

9. FINANCIAL INSTRUMENTS

In performing its operating, investing and financing activities, the Company is exposed to the following financial risks:

- Credit risk: the possibility that a debtor will not repay all or a portion of a loan or will not repay in a timely manner and therefore will cause a loss to the Company.
- Liquidity risk: the risk that the Company may not have, or may not be able to raise, cash funds when needed and therefore encounter difficulty in meeting obligations associated with financial liabilities.
- Market risk: the risk that the value of a financial instrument will fluctuate in terms of fair value or future cash flows as a result of a fluctuation in market prices. Basically, the Company is exposed to interest rate risk only.

In order to effectively manage those risks, the Board of Directors has approved specific strategies for the management of financial risks, which are in line with corporate objectives. These strategies set up guidelines for the short and long term objectives and actions to be taken in order to manage the financial risks that the Company faces. The major guidelines are the following:

- Minimise interest rate, currency and price risks for all kinds of transactions;
- All financial risk management activities are carried out and monitored at central level;
- All financial risk management activities are carried out on a prudent and consistent basis and following the best market practices;

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The following table summarises the carrying amount of financial assets and financial liabilities recorded by category:

	As at 31/12/2017 VND	As at 01/01/2017 VND
Financial assets:		
Cash and cash equivalents	13,072,968,355	16,694,210,289
Trade receivables	3,417,443,754	3,099,217,684
Other receivables	85,682,010	104,201,897
Current intra-company receivables	4,958,842,565	4,270,807,045
Total	21,534,936,684	24,168,436,915
Financial liabilities:		
Borrowings	36,444,316,410	16,862,306,160
Trade & Other payables	25,758,714,765	13,714,196,076
Accruals	174,925,294	435,639,726
Total	62,377,956,469	31,012,141,962

Liquidity risk

The Company manages liquidity risk on the basis of expected maturity dates.

The following tables analyse financial liabilities by remaining contractual maturity:

	Borrowings VND	Trade & Other payables VND	Total VND
Less than 1 year	19,360,406,004	22,293,640,059	41,654,046,063
From 1 - 3 years	17,083,910,406	3,640,000,000	20,723,910,406
As at 31/12/2017	36,444,316,410	25,933,640,059	62,377,956,469
	Borrowings VND	Trade & Other payables VND	Total VND
Less than 1 year	4,204,260,800	10,509,835,802	14,714,096,602
From 1 - 3 years	12,658,045,360	3,640,000,000	16,298,045,360
As at 01/01/2017	16,862,306,160	14,149,835,802	31,012,141,962

At present, the Company expects to pay all liabilities at their contractual maturity. In order to meet such cash commitments, the Company expects the operating activity to generate sufficient cash inflows. In addition, the Company holds financial assets for which there is a liquid market and that are readily available to meet liquidity needs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**Interest rate risk**

The Company's exposure to interest rate risk mainly concerns financial liabilities which are floating rate. The following table analyses the breakdown of liabilities by type of interest rate:

	Year 2017 VND	Year 2016 VND
Financial liabilities:		
Floating rate	30,444,316,410	14,462,128,697
Fixed rate	6,000,000,000	2,400,177,463

In order to manage the interest rate risk, the Company maintain an appropriate mix between fixed and floating rate borrowings.

10. EVENTS AFTER THE END OF THE REPORTING YEAR

There were no significant events arising after the end of the reporting year to the date of the financial statements.



Nguyen Thanh Dong
General Director
Danang City, 25 January 2018

Phan Huu Tam
Chief Accountant

Nguyen Thi Minh Huyen
Preparer