DANANG AIRPORT SERVICES JOINT STOCK COMPANY

Address: Da Nang International Airport, Hai Chau District, Da Nang City

Tel: 0511.3830340 **Fax**: 0511.3826133

DANANG AIRPORT SERVICES JOINT STOCK COMPANY

ANNUAL REPORT 2016

MESSAGE OF THE BOARD OF DIRECTOR

With more than 20 years of operation, MASCO has nine member units at three airports: Da Nang, Cam Ranh, Phu Bai operating professionally and effectively in four main areas: catering services, passenger transportation by Taxi, commercial business at the airport terminals, driver training and other activities. In particular, the Company has determined that the supply of catering services at 03 airports will be the foundation for all business activities, taxi business, trade – creating financial stability, investment for accumulation and creating momentum in the future. According to the development strategy plan for the period of 2016 – 2020, MASCO will continue to grow steadily and sustainably in its core business activities. Through this, the company will take advantage of the opportunity to expand investment cooperation, give priority to exploit the available strengths and core competencies. With that mission, the Company has been putting forward its mission, vision and development strategies as follows:

Mission

Always developing and providing the services according to the highest requirements of the customers, basing on the core values of the company, we are committed to the quality of goods and services, effectiveness of operating costs, solidarity of staff and employees in all circumstances and dedication to customers.

While maintaining a leading position in the field of catering services for domestic and foreign airlines in the Central Region, we are also committed to a strategy of diversifying our industry to grasp new opportunities, reduce reliance on a single source of income and add value to shareholders and employees;

Vision

Continually becoming a catering unit on mainstream aircraft at airports in the Central region, we are constantly implementing continuous improvement, innovation, and timely response to requests of the customers with the best interests of the Company. Accordingly, the Company should maintain and be committed to:

(1) Customer orientation: Providing customers with goods and services in line with customer expectations and in line with the Company's core competencies and values.

(2) The spirit of solidarity of employees in the whole company

(3) Enhancing transparency in production and business, customer relations, shareholders.

(4) Sustainable development based on the core competencies and values of the Company.

(5) Continuously improving, innovating and committing to the quality of products and services provided by the Company.

Strategy

The company is committed to conducting and meeting internationally recognized standards and local requirements for its field of supply.

The company ensures the safety culture integrated within the organization of the Company.

The Company is committed to ensuring the harmonious interests of the stakeholders: employees, customers, the state and shareholders.

The company is committed to providing the best goods and services, the best prices that exceed expectations of our customers.

The company always enhances and maintains its competitiveness in every circumstance and time.

The Company supports and develops the human resources of the Company to meet the requirements of production and the regulations of the law.

The company is the preferred partner of suppliers of goods and services which have been evaluated and certified.

On behalf of the Board of Directors, I sincerely thank the trust of shareholders, customers, the consensus of the members of the Board of Directors, the devotion of the Board of Management, and especially, it is indispensable enthusiasm, unremitting efforts of MASCO's employees.

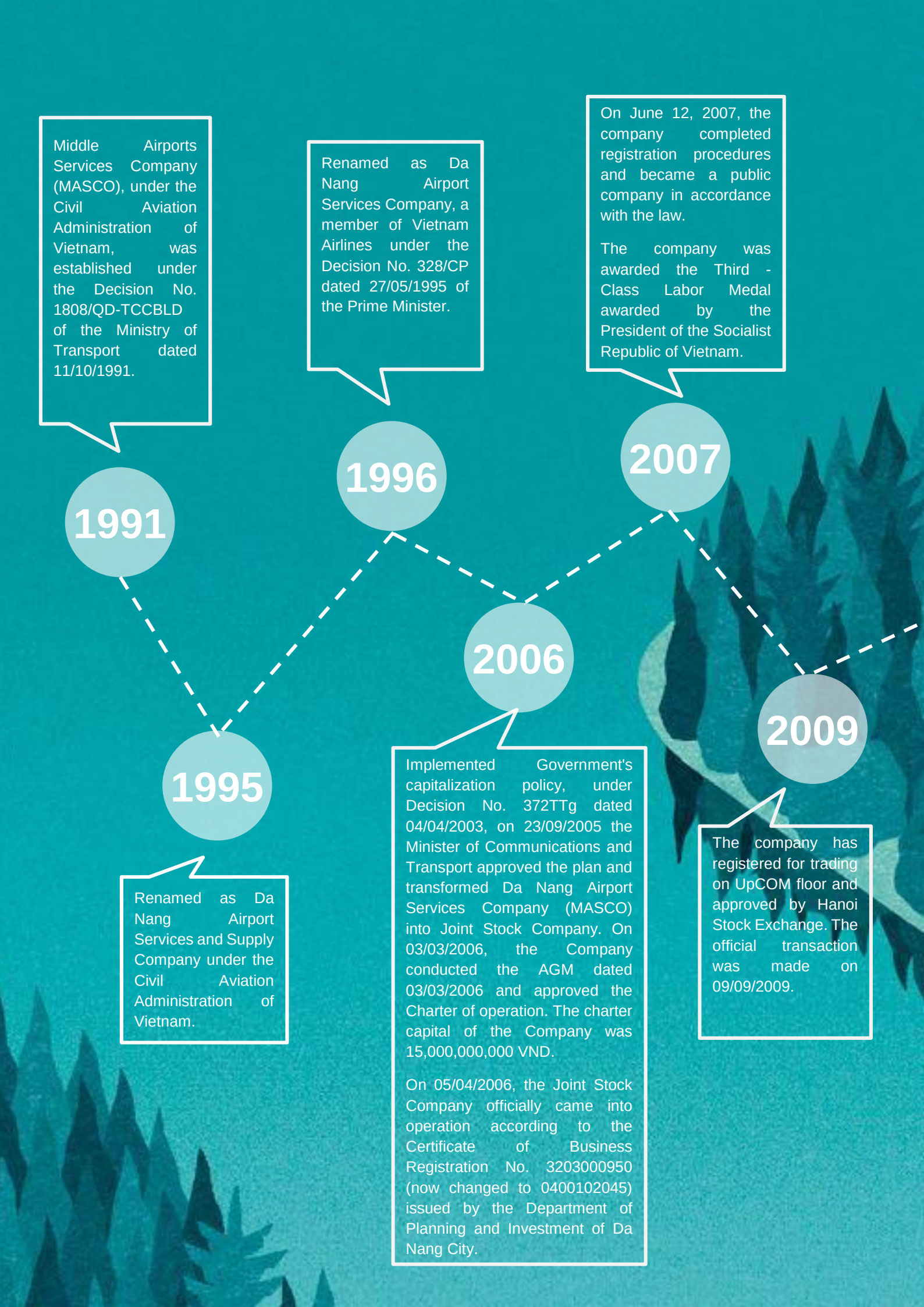
Sincerely yours

Chairman of Board of Directors

GENERAL INFORMATION

DANANG AIRPORT SERVICES JOINT STOCK COMPANY

Trade nam	:	DANANG AIRPORT SERVICES JOINT STOCK COMPANY
Abbreviated name	:	MASCO
Certificate of Business Registration	:	0400102045 first issue by the Department of Planning and Investment of Da Nang City dated 05/04/2006, 13th amendment registration dated 19/05/2016.
Charter capital	:	30.088.160.000 VND
Owners' equity	:	30.088.160.000 VND
Address	:	Da Nang International Airport, Hai Chau District, Da Nang City
Tel	:	0511.3830340
Fax	:	0511.3826133
Website	:	www.masco.com.vn
Stock code	:	MAS


1991
Middle Airports Services Company (MASCO), under the Civil Aviation Administration of Vietnam, was established under the Decision No. 1808/QD-TCCBLD of the Ministry of Transport dated 11/10/1991.
1995
Renamed as Da Nang Airport Services and Supply Company under the Civil Aviation Administration of Vietnam.
1996
Renamed as Da Nang Airport Services Company, a member of Vietnam Airlines under the Decision No. 328/CP dated 27/05/1995 of the Prime Minister.
2006
Implemented Government's capitalization policy, under Decision No. 372TTg dated 04/04/2003, on 23/09/2005 the Minister of Communications and Transport approved the plan and transformed Da Nang Airport Services Company (MASCO) into Joint Stock Company. On 03/03/2006, the Company conducted the AGM dated 03/03/2006 and approved the Charter of operation. The charter capital of the Company was 15,000,000,000 VND.
On 05/04/2006, the Joint Stock Company officially came into operation according to the Certificate of Business Registration No. 3203000950 (now changed to 0400102045) issued by the Department of Planning and Investment of Da Nang City.
2007
On June 12, 2007, the company completed registration procedures and became a public company in accordance with the law.
The company was awarded the Third - Class Labor Medal awarded by the President of the Socialist Republic of Vietnam.
2009
The company has registered for trading on UpCOM floor and approved by Hanoi Stock Exchange. The official transaction was made on 09/09/2009.

Incorporation and development prcess

2014

The company has registered for trading in common shares on the Hanoi Stock Exchange in accordance with Decision 350/QD-SGDHN of Hanoi Stock Exchange on June 30, 2014 with the stock code is MAS.

2016

Up to now, over 25 years (1991-2017) since the establishment, together with the general development of the economy in general and the aviation industry in particular, MASCO has been growing and playing an important role in service business in the airports of Central Vietnam with the affiliates.

Outstanding achievements, awards in 2016

Top 30 most transparent enterprises on the HNX in 2016. In particular, MAS ranked 11th in the list of 30 enterprises to be honored.

Being honored by the People's Committee of Da Nang City as one of the 20 “typical Danang enterprises” in more than 18,000 enterprises operating in the city.

The General Director of Taxation awarded the Certificate of Merit for having good achievements in tax policies in 2015.

Lines and locations of the business

Lines of Business

- Providing catering services, supplies and equipment onboard; Transporting passengers, crew, attendants at airports;
- Trading in transportation of passengers, goods by vehicle, provincial and inter-provincial taxi;
- Trading duty-free goods, handicrafts, souvenirs;
- Trading in garment;
- Trading in hotels and tourism; Guiding and tourist transferring;
- Business advertising services;
- Exploiting commercial aviation technology;
- Air ticket agent;
- Goods transportation agent by airlines, railway;
- Trading in restaurants, refreshments, beer and wines and cigarettes produced domestically;
- Vocational driver training for cars, motorcycles of all kinds

Location of the business

Currently, the company operates at three major airports in the central region: Da Nang, Phu Bai, Cam Ranh and is divided into two groups based on frequency of flight and passenger flows.

- Group 1: is the group with the highest flight frequency, market capacity. This group has only one airport, Da Nang airport.
- Group 2: is an airport with medium frequency flight, market capacity. This group has 2 airports: Phu Bai Airport and Cam Ranh Airport.

Information about governance model, business organization and managerial apparatus

Governance model

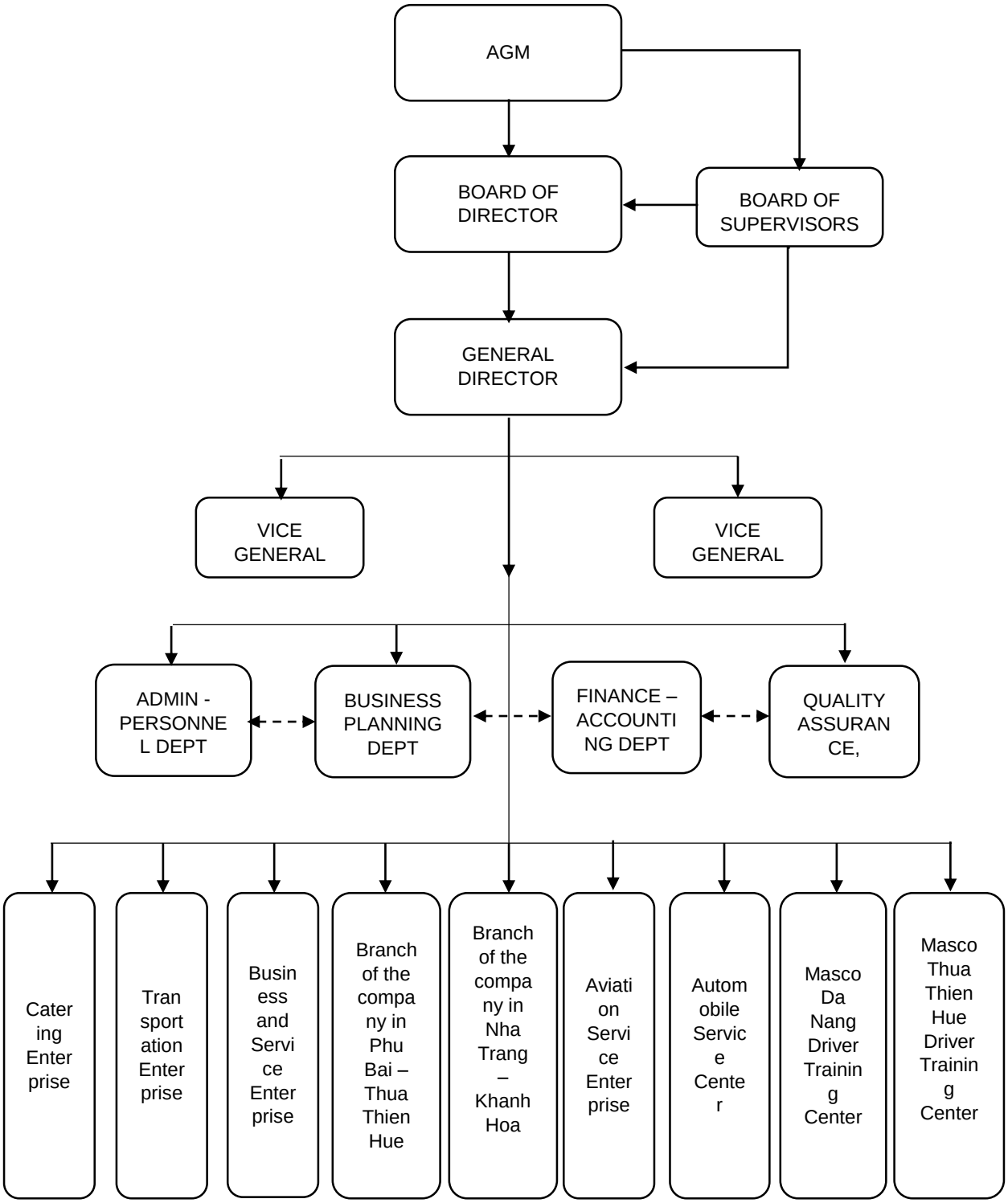
- The company operates in the form of a joint stock company in accordance with the Law on Enterprises and the relevant laws.
- ***AGM***: Including all shareholders with voting rights, the highest decision-making body of the Company.
- ***Board of Directors***: As the management body of the Company, has the full rights on behalf of the Company to decide on all issues related to purposes and interests of the Company except for issues under the authority of the AGM.
- ***Board of Management***: being the body that runs the day-to-day operations of the Company and responsible to the Board of Directors for the implementation of the assigned rights and duties.
- ***Board of Supervisors***: Performing duties on behalf of shareholders to control all business operations, management and operation of the company.

Branches, Affiliates

Name of unit	**:**	**Phu Bai Branch of Danang Airport Services Joint Stock Company**
Address	*:*	Group 18, Phu Bai Ward, Huong Thuy Town, Thua Thien Hue Province, Vietnam
Name of unit	**:**	**Nha Trang Branch of Danang Airport Services Joint Stock Company**
Address	*:*	Cam Ranh Air-port, Cam Nghia Ward, Cam Ranh City, Khanh Hoa Province, Vietnam
Name of unit	**:**	**Masco Da Nang Driver Training Center**
Address	*:*	21 Nui Thanh, Hai Chau District, Da Nang City
Name of unit	**:**	**Masco Thua Thien Hue Driver Center**
Address	*:*	34-36 Nguyen Luong Bang, Hue City, Thua Thien Hue Province
Name of unit	**:**	**Transportation Enterprise**
Address	*:*	Da Nang International Airport, Hoa Thuan Tay Ward, Hai Chau District, Da Nang City
Name of unit	**:**	**Catering Enterprise**
Address	*:*	Da Nang International Airport, Hoa Thuan Tay Ward, Hai Chau District, Da Nang City
Name of unit	**:**	**Aviation Service Enterprise**
Address	*:*	Da Nang International Airport, Hoa Thuan Tay Ward, Hai Chau District, Da Nang City
Name of unit	**:**	**Business and Service Enterprise**
Address	*:*	Da Nang International Airport, Hoa Thuan Tay Ward, Hai Chau District, Da Nang City
Name of unit	**:**	**Automobile Service Center**
Address	*:*	Da Nang International Airport, Hoa Thuan Tay Ward, Hai Chau District, Da Nang City

Subsidiaries, associated: No.

Structure managerial apparatus



Development orientations

Main objectives of the company:

Developing strongly and harmoniously towards the year 2020 to become a large and strong company in the aviation service business, gradually expanding into new business lines: Trading in utility services in the Central Region (banks, travel agents, car rental, hotel, movie services, healthcare, other entertainments, etc…); Travel transportation business, hotel business.

It is expected that the scale of MASCO will be from 01 to 03 member companies, with the capital structure being mainly strategic investors with close relationships, the human resources of 700 to 1,000 people, over 200 taxis in total, business area of 20,000m2.

Market share

The Company is expected to expand existing markets in Khanh Hoa, Thua Thien Hue. About Da Nang Airport, MASCO will have a stable market share of 50 - 60% of the market volume of aviation services business.

Operational functions

MASCO will fully participate in the aviation services business, with modern standards at the airports of the Central region.

Quality policy

- ✓ Implementing, maintaining and continuously improving the quality management system in accordance with ISO 9001:2008 and proceeding to apply the food safety management systems ISO 22000 - 2005.
- ✓ Always focusing on all resources to satisfy reasonable requirements of customers, the society for the present and the future.
- ✓ Often perfecting and innovating to improve quality and services.
- ✓ The existence and development of the business is associated with the maintenance and improvement of quality management systems, because the ultimate goal is to serve customers better and better.

Finance

- ✓ Maintaining healthy and stable financial situation in the movement and development trend.
- ✓ Strengthening capital for investment, ensuring safety and effective operation.

Human resources

- ✓ Over 20 years of development and growth, MASCO is proud to have built a professional working environment, harmonious combination of good corporate tradition being built and fostered through the periods and scientific management process under ISO 9001: 2008.
- ✓ Always considering human resources as an invaluable asset, a key factor which has been bringing a great success for the company in recent years.
- ✓ MASCO is committed and ensure to provide the necessary conditions, reward staff to maximize their capacity

Development strategies in medium and long term

1. Maintaining core competencies in aviation commercial services, catering services, taxi services, advertisement services at airports and on taxis…

2. Strengthening investment and expanding passenger transport services by taxi, maintaining and promoting MASCO's competitive advantage against competitors. Particularly, attention should be paid to investment and expansion of business lines at Cam Ranh Branch and Phu Bai Branch in order to match the local development and customer demands.

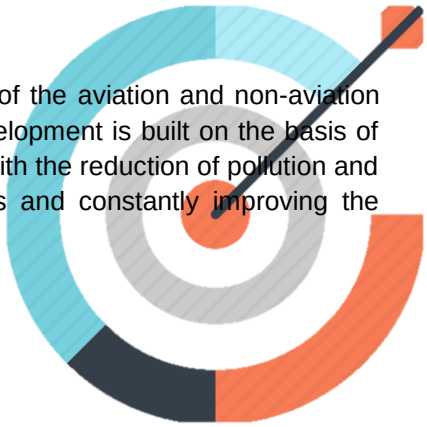
3. Promoting transport business operations taxi.

4. Actively preparing and developing new projects, expanding joint ventures and associations, facilitating development of both breadth and depth, and prioritizing the industry and business lines which can take advantage of the core competencies of the Company: Catering services; Taxi at Phu Bai Branch, Travel, Restaurant, Hotel and non-aeronautical utility services at airports in the central region.

5. Expanding the production and processing of current garments through the investment of human resources and modern facilities in order to improve production capacity in line with the requirements of airlines, domestic travel carriers (woolen blankets, goggles) and commodities for the commercial sector of the Company; Especially, the garment products which are fashionable, have national character for tastes of domestic and foreign customers.

6. Strengthening, enhancing the quality of personnel, improving professionalism in combination with the development of corporate culture.

Objectives of sustainable development



With a long-term vision, MASCO identifies the core business areas of the aviation and non-aviation services business. Our motto is that the Company's sustainable development is built on the basis of effective growth through the reasonable use of resources combined with the reduction of pollution and environmental impact, bringing benefits to customers, shareholders and constantly improving the interests of employees and corporate responsibility to society.

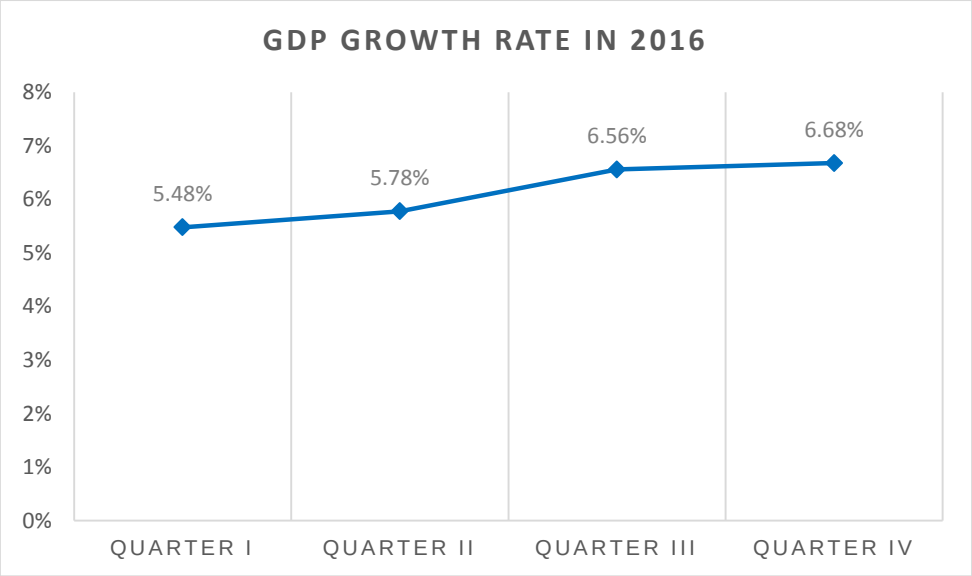
Risks

Economic risk

Economic growth

The world economy - finance in 2016 had many complicated developments. According to a report by the National Financial Supervisory Commission, global economic growth was estimated at 3.1% in 2016 (lower than 3.2% in 2015). The cause was that the world commodity prices decreased to affect the growth of emerging and developing economies. While, the global financial crisis, together with the aging of the population has been influenced long-term to the productivity of developed economies.

For the Vietnamese economy, in 2016 macroeconomic indicators continued to grow, but the growth rate hasn't been not solid, with GDP reached 6.21% much lower than the increase of 6, 68% in 2015 but higher than the increase in 2012-2014 shows that Vietnam's economy still maintained the growth momentum.



Inflation continued to remain low rate; CPI in 2016 increased by 2.66% as compared to last year; Total export value grew by 8.6%; The currency market was relatively stable; The stock market has developed positively (As of 31/12/2016, VNIndex closed at 664.87 points, increased by 14.82% as compared to the end of 2015, HNXIndex closed at 80.12 points, increased by 0,2 as compared to the end of 2015. Upcom Index closed at 53.82 points, increased by 4.97% as compared to the end of 2015). However, the economy still revealed remarkable shortcomings: the public debt and budget deficit ratio was high (according to data from the General Statistics Office, the budget deficit in 2016 reached 192,000 billion VND); The handling of bad debt has not been thorough yet while the transition of the growth model in depth was still slow and these shortcomings may have potential risks in long-term.

These economic risks, if any, will directly affect the operating activities of Vietnamese enterprises in general, and the shares of Da Nang Airport Services Joint Stock Company are not outside above impact.

Exchange rate

In general, most of the activities of Da Nang Airport Services Joint Stock Company are paid in Vietnam dong, so that the operating results of the company are not directly affected by exchange rate risks.

However, the Company's revenue sources depend on traffic of the aviation industry, while the business sector is highly affected by exchange rate fluctuations. Especially during the financial crisis, the exchange rate differences between the countries with airlines flying-in and flying-out to fluctuate from one moment to another when transferring money from selling from home currency to the dollar, the consequence was that the airlines suffered losses and stopped flying in the long run. In the same field of aviation, the operation of the Company can not avoid this influence.

Interest rate

The Company's interest rate risk arises mainly from signed loans. In order to mitigate this risk, the Company has estimated the effect of interest expenses on operating results each period as well as analyzed and forecasted to select appropriate repayment periods. The Board of Management believes that the risk of unexpected rate fluctuation of the Company is low.

Corporate governance risk

- The risk that comes from weak corporate governance is a potential risk, but can greatly affect the long-term and sustainable development of a business, damaging shareholders. Some corporate governance risks should be paid attention by the company, including:
- Internal fraud, external fraud: Loss due to fraudulent events, swindle, appropriation of property, falsification of documentation, embezzlement of bank assets, sabotage of company's property theft, and extortion ... committed by company employees or joining hands with external criminals.
- Labor policy and working environment: the possibility of losses due to the Company fails to handle right with regulations, inadequate salary, and personnel policies, not ensuring the interests of employees - one of the groups of relevant benefits mentioned above in corporate governance.
- Customers, products, services and reality of business environment: the possibility of losses arises from unintentional errors or omissions or negligence in satisfying professional liability to the customers; or fails to comply with realities, standards of practice of the business environment. This is a major goal of corporate governance.
- Fixed assets, tools are lost or damaged by natural calamities or other external events such as terrorism, war, explosion, interrupt operation or system failure of information technology system.
- The shareholder structure is not effective, the ownership ratio is too dispersed or there are many large shareholder groups but it does not agree to make it difficult to agree on opinions and plans in business activities of the Company.

- Shareholder relations: Good shareholder relation is not just about creating channels of information for shareholders, but also about how the business responds to bad situations in order to maintain belief by shareholders.

Therefore, in any business line, the election of right governance structure and risk management structure is essential for the risk management strategy of the business. In order to be most effective, the risk management framework of the business should be designed in accordance with the company's culture and strategy. Evaluating the true role of corporate governance and corporate governance attention from the most fundamental issues is an effective way to prevent risk.

Specific risks

Competitive risk

Currently at Da Nang and Cam Ranh airports have business units of aviation businesses with the managing unit is the Airports Corporation of Vietnam (ACV), Da Nang International Airport Investment and Exploitation Joint Stock Company and other non-aviation units participating in the same type of business activities of the Company in the field of commercial business such as: catering services, business of groceries, souvenirs, refreshment services, cars for rent in the station area.

Currently, at Da Nang and Cam Ranh International Terminals, apart from Vietnam Airlines Corporation - Da Nang International Airport Branch operates the above services, there are new units to joint in the industry and they will be strong competitors to the Company in the coming time.

In the field of taxi: In the taxi business, because of the relatively stable price level of the taxi association, the companies compete with each other mainly on quality: transport means, value added services and professionalism.

Specific risk

As a business unit in the field of aviation services and closely relating to the domestic and international tourism industry, the Company has specific risks of the industry such as the risk of macroeconomic situation (as mentioned above), environmental risks of disease and food hygiene and safety.

About the status of epidemic diseases: Vietnam in tropical monsoon, hot and humid climate, high pollution environment often generates diseases, although the State has many preventive measures, but foreign tourists also limit to travel Vietnam when listening to information on disease in Vietnam.

Risk of food safety: The goods of the company to produce and process to serve customers are mainly fresh goods, diversified and seasonal suppliers ... but the quality assurance of goods must strictly adhere to strict food safety and hygiene and quarantine procedures of the State ... This is a potential risk which has a great influence on the business operation of the Company.

Legal risk

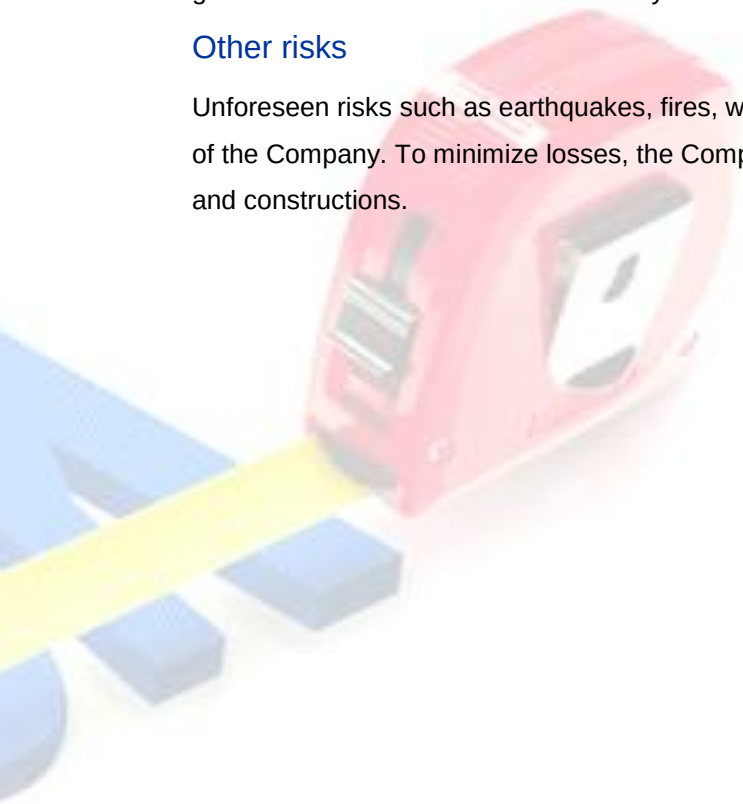
Legal risks are changes in the legal system that directly or indirectly govern the Company's operations.

In order to strengthen management effectiveness as well as create legal corridors for growth and development of enterprises, the State has issued a series of legal documents regulating production activities of enterprises. Da Nang Airport Services Joint Stock Company operates under the model of a joint stock company and all activities of the Company are governed by the system of legal documents including: the law on enterprises, the law on securities, legal documents and related circulars. In addition, the Company's production is subject to strict management of food hygiene and safety and aviation safety and security of levels of state management.

Vietnam is in the process of developing and integrating into the world economy, all changes in management policies as well as changes in legal documents regulating the operation of enterprises in general and the business of the industry can always occur, affecting the operation of the Company.

Other risks

Unforeseen risks such as earthquakes, fires, wars, and epidemics ... all affect the business activities of the Company. To minimize losses, the Company has entered into insurance policies for its assets and constructions.



DANANG AIRPORT SERVICES JOI
CAMRANH AIR CATERI
ISO 9001 : 2008
Tel: 058.3989912 * Fax: 058.3989912 * We

Situation of production and business operations

Situation of production and business operations in 2016

By the end of 2016, the operating results of MASCO are as follows:

No.	Target	Unit	2015	2016	% Increase/ Decrease
1	Net revenue	Million dong	228,234.01	296,112.02	29.74%
2	Cost of goods sold	Million dong	159,017.75	216,740.34	36.30%
3	Revenue from financial activities	Million dong	735.55	549.73	-25.26%
4	Financial expenses, selling expenses and administration expenses	Million dong	22,706.70	26,835.37	18.18%
5	Earnings from sales	Million dong	47,245.10	53,086.04	12.36%
6	Other earnings	Million dong	825.15	2,537.74	207.55%
7	EBT	Million dong	48,070.25	55,623.78	15.71%
8	EAT	Million dong	37,693.79	44,664.21	18.49%
9	EPS	Million dong	12,039	14,442	19.96%

In 2016, the target of net revenue was very good, at 29.74% as compared to 2015. The revenue increased mainly in international catering services, items for sales at airports and taxi services. The main reason was that the number of tourists visiting and arriving in Da Nang, Nha Trang grew more strongly than the company's forecast rate.

The financial expenses, selling expenses and administration expenses increased by 18.18% as compared to 2015 due to the growth of production and business activities. However, due to the Company's inspection in the past year which checked the unsuitable material consumption standards in production and applied thorough adjustment, carried out the company savings movement, it contributed to reduce costs of materials, costs of goods sold. In addition, the growth rate of revenue was higher, contributing to the increase of EBT and EAT to be 15.71% and 18.49% respectively.

Implementation of planned targets:

Target	Unit	P 2016	A 2016	A/P
Average owners' equity	Million dong	36,783	59,522	161.82%
Net revenue		274,300	296,112	107.95%
EBT		53,337	55,623	104.29%
Total investment		51,604	22,072	42.77%

Generally, the targets set out in AGM's resolutions and adjustments at the extraordinary shareholders' meeting were basically completed. Net revenue and EBT exceeded the plan of 7.95% and 4.29%, respectively.

Organization and human resource

List of the Board of the Directors

Member	Position	Number of holding shares	Ownership proportion/ Charter capital
Nguyen Thanh Dong	General Director	131,724	4.38%
Pham Van Ha	Vice General Director	3,800	0.13%
Tran Thanh Hai	Vice General Director	11,500	0.38%
Phan Huu Tam	Chief Accountant	-	-

Mr. Nguyen Thanh Dong

General Director and member of BOD

Marjor Bachelor of Economics

Employment background

- 07/1993 - 10/1994: Officer of Central Airport Corporation
- 11/1994 - 10/1998: Director of Catering Supply Enterprise - Da Nang Airport Services Company.
- 11/1998 – 03/2006: Party Committee Secretary; Director of Da Nang Airport Services Joint Stock Company
- April 2006 - 2015: Party Committee Secretary; Chairman of the Board of Directors; General Director of Da Nang Airport Services Joint Stock Company.
- 04/2016 - Now: General Director; Member of the Board of Directors of Da Nang Airport Services Joint Stock Company.

Mr. Pham Van Ha

Vice General Director

Major Bachelor of Economics

Employment background

- 01/1993 – 11/2004: Party member; Cell Secretary; Director of Commercial Service Enterprise - Da Nang Airport Services Company.
- 12/2004 – 03/2006: Deputy Secretary of the Party Committee; Deputy Director of Da Nang Airport Services Company.
- 04/2006 - Now: Party member; Deputy General Director of Da Nang Airport Services Joint Stock Company.

Mr. Tran Thanh Hai

Vice General Director

Major	Master of Business Administration
Employment background	• 11/1991 - 10/1993: General Accountant - Da Nang Services and Forest Materials Company • 11/1993 - 10/1999: General Accountant - Da Nang Airport Services Company • 11/1999 – 03/2006: Party member, Cell Secretary; Party Commissioner; Chief Accountant - Da Nang Airport Services Company • 04/2006 - 2011: Party of Commissioners; Chief Accountant of Da Nang Airport Services Joint Stock Company • 06/2011 - Now: Deputy Secretary of the Party Committee; Chairman of Inspection Party Committee; Deputy General Director of Da Nang Airport Services Joint Stock Company

Mr. Phan Hu Tam

Chief accountant

Major	Bachelor of Economics
Employment background	• 08/2004 - 09/2006: General Accountant of Da Nang Steel Company • 10/2006 – 09/2010: Auditor of AAC Auditing and Accounting Company Limited • 10/2010 – 11/2011: Deputy Chief of Accounting – Finance Department - Danang Steel Joint Stock Company • 11/2011 - Now: Chief Accountant of Danang Airport Services Joint Stock Company

Changes in the Board of Director

In the year 2016, Danang Airport Services Joint Stock Company has re-appointed Mr. Pham Van Ha and Mr. Tran Thanh Hai as Deputy General Director, Mr. Phan Huu Tam to the position of Chief Accountant.

At the same time, the company terminated the labor contract from 15/06/2016 for Doan Trong Tien, Deputy General Director of the company, according to his personal expectation.

Number of employees. Summary and changes of the employee policies

As of 31/12/2016 the company's total workforce is 740 employees, including 511 male employees and 229 female employees. The Company's structure of labor is as follows:

No.	Classification of labor	As of 31/12/2016	
		Quantity	Tỷ lệ (%)
I	**Education level**		
1	University and post-university	112	15.14%
2	College	41	5.54%
3	Technical secondary school	70	9.46%
4	Others	517	69.86%
II	**Type of labor contract**		
1	Definite term labor contract less than 1 year	161	21.75%
2	Definite term labor contract from 1 to 3 years	294	39.73%
3	Indefinite term labor contract	285	38.52%

Work regime

The Company organizes to work 8 hours/day, weekly from Monday to Friday, and lunch break for 2 hours. Upon request, the employee may register for overtime work but not exceeding 4 hours per day or 200 hours per year in accordance with the Labor Law and the Collective Labor Agreement. The Company is committed to creating jobs for its employees through the orientation of company development, expanding the market share of the Company, organizing the human resources in the most optimal way, and committing to always create conditions for Employees develop and promote in careers.

Work conditions

The company office is airy and the company provides uniforms for employees (staff), invests modern equipment, equips fully with labor safety equipment. The company is committed to building professional, friendly working environment for all employees to promote their ability and creativity.

Annual leave, public holidays, new year

Employees are entitled to public holidays and New Year for 9 days in accordance with the Labor Law with full pay. Employees who work 12 months or more are entitled to annual leave.

Policies related to employees

Policies related to employees of the Company are applied in accordance with the Labor Law. The contents expressed in the collective labor agreement of the company have shown preferential policies for employees, including regimes of salary, bonuses, social insurance, health insurance, and labor protection, etc… were taken interest in and implemented well.

Ensuring the employment for employees

In order to ensure the employment of more than 700 employees, the Board of Management always seeks to diversify the industry, looks for potential customers, new domestic and foreign partners, expands the business market.

Salay regime

The Company carries out to pay salary for the employees basing on the employee's level of employment, capacity, position, salary scale, and business conditions. The company implements the salary increase for staffs every year and has regular interest in income and living standards of employees.

Insurance and welfare

The company participates fully in social insurance and health insurance for all employees.

Bonus regime

In order to encourage employees in the company to increase the efficiency of contribution, the Company has a policy of practical reward and ensuring full welfare. The policy of rewarding quarterly and unscheduled reward for individuals and collectives with excellent achievements, commend and reward them in a timely manner to encourage and promote the spirit of innovating and raising efficiency in work, reducing costs, increasing competitiveness and giving special bonuses to talented employees who have many innovative initiatives in the company.

Labor union, youth union

The labor union and youth union of the company is quite effective to create conditions for employees of the company to improve the spiritual life and health. Regularly organizing tours, activities, learning, etc... on the public holidays in the year, rewarding employees in the company who have good academic achievements. The youth union is the leading organization in the emulation movement, where young people's development creates a legacy management force who is well-trained and sustainable in the future.

Da Nang Airport Services Joint Stock Company is committed to the policies of employees in the Company to be consistent and always towards the employees to create a team of comprehensive, professional human resources and have and long-term commitment for the common goal of the Company.

Human resource development policy

Recruitment

The recruitment target of the company is to attract talents to work in the company, meets the needs to expand business. Depending on the specific position, the Company sets its own specific standards. But all positions must meet the basic requirements such as: professional qualifications, graduation in the right field, dynamism, enthusiasm, eager to learn, and creative sense. For important positions, recruitment requirements are quite strict, with the standards of work experience, ability of analysis, management and foreign language, informatics, etc... In addition to available resources at the unit, the Company also attaches importance to the addition of high quality human resources to develop human resources meeting the requirements of the process of competition and development.nh và phát triển.

Training

The company always attaches great importance to human resources as a valuable asset of the Company. In order to bring into play the effectiveness of this source of capital, the company closely combines the training and development of staff, always creates favorable conditions for employees to participate in internal and external training courses to improve their professional knowledge and learn new skills needed for employees to develop their ability to meet current and future job requirements. The company sponsors 100% of study expenses as well as the salary regime during the training period, the employees who have good academic achievements will be rewarded.

Investment activities, project implementation

Total investment budget approved in 2016 was 51,604 billion VND.

Total realized value in 2016 was 22,072 billion VND, reached 42.77% of the plan.

Transition project from 2015 to 2016: 9,656 billion VND, of which:

- ✓ Equipment investment :5,574 billion VND
- ✓ Phu Bai catering processing workshop: 4,082 billion VND

New investment project of 2016:

- ✓ Machinery and equipment: 10.431 billion VND
- ✓ Equipment for machinery: 0.460 billion VND
- ✓ HUI Catering Processing Quarter: 1.525 billion VND
- ✓ Total realized value in 2016: 22,072 billion VND

Items which didn't make an investment in 2016, including:

- ✓ Investment of 20 taxis because it hasn't been given permission to increase number of cars for business activities.
- ✓ The project of expansion of Cam Ranh Catering Processing Quarter with approved investment capital of 16.0 billion VND. The project has been implemented since October 2016 and is expected to be put into operation in early May/2017, but in 2016, the Company has not checked and taken over and disbursed any works, so the total investment value of the project will be transferred to 2017 is 16.0 billion VND.
- About the project of building Da Nang Catering Processing Facility: The extraordinary shareholders' meeting of 2016 has approved the policy and assigned the BOD of MASCO to lease land of Air Defence – Air Force to build SA Da Nang Processing Plant. The company directly worked with the Division Commander of Division 372 to cooperate to lease the area of the Division located in the Da Nang Airport to build Da Nang catering processing facility and agreed in writing for the opinions of the commander of Air Defence – Air Force. Up to this time the company is still waiting for the opinion of commander of Air Defence – Air Force on the lease of land belonging to Division 372.

Financial situation

Fiancial situation

Target	Unit	2015	2016	% of increase, decrease
Total asset	Million dong	110,091.50	127,386.56	15.71%
Net revenue		228,234.01	296,112.02	29.74%
Profit from operating activities		47,245.10	53,086.04	12.36%
Other profits		825.15	2,537.74	207.55%
EBT		48,070.25	55,623.78	15.71%
EAT		37,693.79	44,664.21	18.49%

Major financial benchmarks

Target	Unit	2015	2016
Solvency ratio			
Current ratio	Time	0.97	1.12
Quick ratio	Time	0.80	0.92
Capital structure ratio			
Debt/Total asset ratio	%	48.89%	50.72%
Debt/Owners' equity ratio	%	95.65%	102.93%
Operation capability Ratio			
Inventory turnover	Round	19,02	26.21
Asset turnover	Round	2,16	2.9
Target on profitability			
EAT/Net revenue	%	16.52%	15.08%
EAT/Owners' equity	%	67.73%	75.04%
EAT/Total asset	%	35.69%	37.62%
Operating profit/Net revenue	%	20.70%	17.93%

Shareholders structure, change in the owners' equity

Shares

Currently, Da Nang Airport Services Joint Stock Company has issued 3,008,816 shares, of which:

- Number of common shares: 3,008,816 shares
- Number of preferred shares: 0 shares
- Outstanding shares: 3,008,816 shares
- Number of treasury shares: 0 shares
- Number of freely transferable shares: 3,008,816 shares
- Restricted shares: 0 shares
- Par value of shares: 10,000 VND.

Shareholders structure

Shareholders structure under tupe of ownership

No.	Shareholder structure	Quantity of shareholder	Number of holding shares	Percentage on charter capital (%)
1	**Domestic shareholder**	**394**	**2,536,342**	**84.30%**
-	Individual	378	1,029,122	34.20%
-	Institutional	16	1,507,220	50.09%
2	**Foreign shareholder**	**69**	**472,474**	**15.70%**
-	Individual	50	123,064	4.09%
-	Institutional	19	349,410	11.61%
	Tổng cộng	**Total**	**3,008,816**	**100.00%**

List of shareholders closed on 08/02/2017

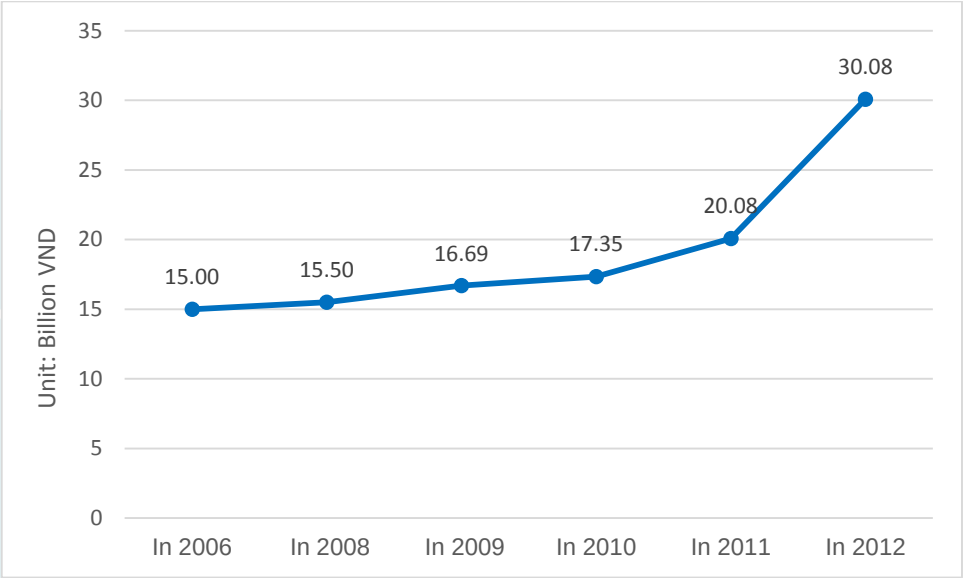
List of large shareholders

Name of organization/ individual	Address	Quantity of share	Rate/Charter capital
Vietnam Airlines	200 Nguyen Son, Long Bien District, Hanoi	1,085,405	36.07 %
Le Thi Thuy Linh	K33/25 Nui Thanh, Da Nang	152,338	5.06 %

List of shareholders closed on 08/02/2017

Change in the owner's equity

Since its operation in the form of a joint stock company, the company has undergone equity increases as follows:



In 2016, the company didn't change its equity capital.

Transaction of treasury stocks

No.

Other securities

No.

Report related impact of the Company on the environment and society

With a long-term vision, MASCO identifies the core business areas of the aviation and non-aviation services business. Our motto is that the Company's sustainable development is built on the basis of effective growth through the reasonable use of resources combined with the reduction of pollution and environmental impact, bringing benefits to customers, shareholders and constantly improving the interests of employees and corporate responsibility to society.

Management of raw materials

Total amount of raw materials used to manufacture and pack the company's main products and services:

At present, the company's main products are catering services and woolen blankets on the aircraft, so that the raw materials used to produce the main ration are raw food and vegetables, and with the output of nearly 2 million meals produced in the year, so the amount of raw materials processed were about 500 tons; And with the production of nearly 140,000 products of woolen blankets, the amount of fabric used to produce about 70 tons.

Percentage of recycled materials used to produce the organization's main products and services*:* The company does not use recycled materials.

Energy consumption

Energy consumption - directly and indirectly

- Direct electricity consumption in 2016 was nearly 700,000 kwh, while indirect energy was not consumed by the company.
- Gasoline consumption of the Company in 2016 is about 600,000 liters.

Energy saved through energy efficiency initiatives: No

Reports of energy efficiency initiatives (providing energy-saving products or services or using renewable energy); Report the results of these initiatives: No

Water consumption

Water supply and water consumption: To ensure food safety and hygiene, the company uses water from the city's water system with a capacity of more than 15,000 m3 in 2016.

Percentage and total water recycled and reused: No

Compliance with the law on environmental protection

The company has conducted a number of specific activities aimed at educating and engaging direct involvement of staff in environmental activities. With the slogan “Small actions for big changes,” the Company has launched and implemented programs such as participating in Earth Hour; Energy saving program and limitation of energy use; On Green Sunday, participated in environmental sanitation organized by Da Nang Youth Union, etc...

Implemented the 5S program to improve labor productivity, reduce environmental impact:

Environmental awareness should come from building a clean, airy space at work. Therefore, MASCO has developed a system of documents, materials that has been “Screening - Arranging - Cleaning - Caring – and Ready”, scientifically stored to minimize searching time, contributing to improve work efficiency while avoiding unnecessary waste of papers, office consumables and negative impacts on the environment.

Positively propagated energy efficient use: In order to raise the awareness of staff on the proper use of natural resources, MASCO has promoted communication in the whole system through information channels: posters, e-newsletters, internal newsletters.

Responding to the Earth Hour 2015 campaign in Vietnam with the subject “Saving Energy in response to climate change”, the company leaders and trade union, youth union grassroots propagandized, analyzed the meaning and effectiveness of energy production by changing the worker's perceptions and habits of using energy sources in an effective and reasonable way.

Based on the environmental impact assessment, MASCO has developed an Environmental Protection Plan and was approved by the Department of Natural Resources and Environment. This project included contents related to measures to minimize pollution of wastewater sources through the application of micro-biological technologies in wastewater treatment and cleaning of water drainage systems to ensure clean ventilation; Regularly checked wastewater collection and treatment systems to meet current standards. In addition, the company also invested more than VND 250 million to build and renovate the wastewater treatment system in accordance with the environmental regulations in order to improve capacity and process more effectively.

Policies related to employees

During the implementation of the Company's development strategy in the period from 2015 to 2020, as the business unit in the aviation industry, human factor is the top, so that MASCO always give priority to the target of Human resources development - the decisive factor for the success of the business.

With the staff of 592 by the end of the year, MASCO's human resources policy was designed with the aim to bring human resources into a competitive advantage of the company, which was reflected synchronously from the policy of recruitment, training – development, wages, bonuses, benefits, remuneration, working environment and corporate culture to keep the good employees, to attract talents, to create conditions for all employees to have the best work, develop careers and have long-term commitment to the Company.

Recruitment policies:

Recruitment must satisfy the objectives and requirements of the company's short-term and long-term business development strategies, which is implemented on a case-by-case and annual basis. Employees are recruited not only to meet current job requirements but also to develop in the future. Recruiting is informed publicly throughout the system, on the Company's website, from local human resource service organizations and on the mass media.

Recruiting is informed publicly throughout the system, on the Company's website, from local human resource service organizations and on the mass media.

Each position and job title belonging to recruiting business lines in conformity with the business sector of the company has its own recruitment criteria and is implemented in accordance with the recruitment process of the company.

Labor policies:

The Company is committed to providing appropriate work, ensuring proper performance of the target “right person, right job”, providing equal, objective and reasonable work opportunities for all employees depending on their qualifications, actual capacity of each person in all aspects: recruitment, training - development, promotion, salary - bonus - welfare, and other remuneration.

Policies on training and human resource development:

It is considered as a form of strategic investment, in order to improve management knowledge, capacity, professional skills, support professional skills and other skills for staff to achieve the target of professionalization, meet the development requirements of the Company:

The training activities both help the staff who trained effectively in the work they are doing and help them identify their development goals in line with the company's development objectives.

Every year, the Company develops a training plan and allocates sufficient resources for staff training and development policies and develops the legacy team. (For many years, the Company has set up the separate training and development fund, in 2016, the cost of training at the company was 470 million, the number of trained employees was 354):

- Each position and job title of the business lines which have the demand for training and development have their own training standards and strictly comply with the training process of the Company.
- Employees after signing definite term labor contracts with the Company, can attend short-term and medium-term training courses according to the annual training plan or unexpected training according to their urgent needs. In addition, the company also considers training fee support for employees who try to train themselves in accordance with the professional competence.

In the coming years, the Company will work in conjunction with the development of a fair and objective assessment system to maximize the work efficiency and personal development. It is also a way for all staff of the Company to have the opportunity to advance equally in the Company

Policies on wages, bonuses, welfares and treatment

The Company advocates the development of a system of competitive compensation, in line with the salary and wage relationship in the market, ensuring the incentive to increase labor productivity to be gradually higher; Keeping good employee and attracting talents.

At the company, employees are entitled to the regimes of income, bonus according to clear regulations. In 2016, the average income of employees at the company reached 7.627 million/person/month.

Income is paid based on the labor market, qualifications, capacity, roles, responsibilities, actual workload at the unit, work performance of the employee.

In addition to maintaining the emulation movement throughout the unit, the Company also developed and organized the implementation of reward regulations of the Company in a timely and effective manner. Individuals and individuals who had periodic or unexpected excellent achievements were recognized and rewarded in a fair and equitable manner.

The company strictly observes provisions of the labor law on compulsory insurance regimes such as social insurance, health insurance, unemployment insurance and periodical medical examinations. At the same time, regularly improving the welfare policy for employees under the annual collective labor agreement with the level of performance by or higher to the regulations of the law. Particularly, most of the benefits and treatments such as: encouraging workers in turn to have annual leave with full pay, the number of private leave days with full pay, unscheduled means-tested benefits, expenditure for marriages, sickness, hospitalization, maternity leave, vacation, periodical medical examinations, incentives for retired staff ... are all higher than regulations of the law.

Working environment

With the concept of success of the company also depends on creativity and satisfaction, interest in the work of staff. The Board of Directors has shown an interest in the working conditions of the employees: the office layout is comfortable, airy, clean; Providing adequate machinery, equipment and working facilities; Equipping uniforms for employees, etc...

In addition, the company is always interested in building a dynamic, professional and friendly working environment, always creates conditions for each staff to have the opportunity to self-affirm and promote all their professional skills in the friendly working relationship, there is always the support and coordination in the spirit of emulation to fulfill the task for the development of themselves and also for the sustainable development of the Company.

Report on responsibility for loval community

- ✓ The company is actively involved in practical activities aimed at corporate social responsibility. There is still much work to do, but we are determined to make a strong move on the road to corporate responsibility for society. Charity social activities are always actively responded to and contributed to the community by the Board of Management and staff of MASCO. The total amount of money the company sponsored for the local community in 2016 was nearly 500 million VND, including the following activities:
- ✓ Visited elderly, orphans and disabled children charity centers on the holidays, New Year, Christmas, Mid-Autumn Festival, and International Children Day.
- ✓ Donating to help people who affected by natural disasters.

Report of the Board of Management

REPORT OF THE BOARD OF MANAGEMENT

Assessment of operating results

Business environment in 2016

Over 60 years of construction and development, Vietnam Airlines has developed rapidly in all three areas: airport system, air traffic management and air transportation system. Vietnam is ranked seventh in the world and third in the Asia – Pacific region in terms of aviation growth.

About the airport system, as compared to about 15 years ago the airport of Vietnam has a "changing for the better" strongly. Specifically, in 2000, the design capacity of Vietnam's airports is only about 6 million passengers, by 2015, this number has increased to approximately 68 million passengers. According to the plan, in 2016, the reception capacity of the airport system will continue to increase after a number of new construction and upgrading items are completed.

After the global economic crisis of 2008-2010, the international aviation market in general and the aviation market of Vietnam have recovered rapidly, creating significant growth, especially in the international aviation market flying-in and flying-out of Vietnam. In 2016, the aviation market is expected to reach 52.2 million passengers, an increase of over 29% as compared to 2015, and a notable increase in the number of aircraft of Vietnamese airlines increasing strongly in 2016, the fleet of Vietnamese companies was 147 aircrafts, an increase of 14 aircrafts as compared to 2015. This is a very impressive number.

Positive international assessments of the stability of the tourist business environment, political and social environment show that Vietnam is a safe destination for international visitors, an attractive place for business investment activities. Especially, for foreign airlines. While international airlines maintain a stable operating base, there are a number of new airlines operating in Vietnam such as Hainan Airlines (China), TransAsia Airway (Taiwan), K Mile Airlines (Thailand), Indonesia Air Asia, Cambodia Angkor Air. In addition, VAC also opened some new international routes from Hanoi to Osaka and Fukuoka of Japan.

With the development prospects of the air transportation industry as above, companies operating in aviation and non-aviation services such as MASCO will have many opportunities for development and expansion.

Implementation of planned target in 2016 and operating result in 2016

Implementation situation

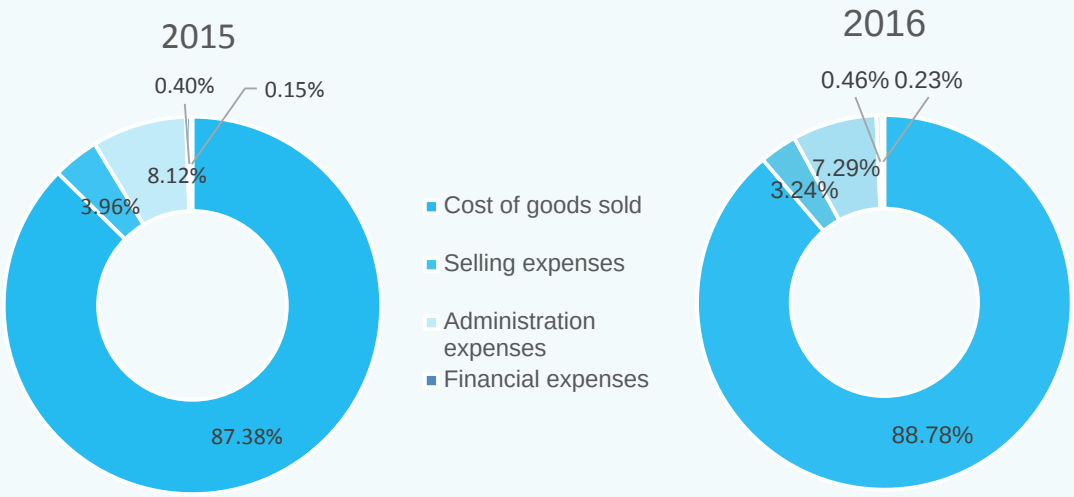
Target	Unit	P 2016	A 2016	A/P
Average owners' equity	Million dong	36.783	59.522	161,82%
Net revenue		274.300	296.112	107,95%
EBT		53.337	55.623	104,29%
Total investment		51.604	22.072	44,77%

Structure of revenue

Targer	2015		2016	
	Value (Million VND)	Proportion	Value (Million VND)	Proportion
Sales revenue	19.230	8,24%	19.173	6,39%
Revenue from finished products sold	11.204	4,80%	7.042	2,35%
Revenue from services	202.916	86,96%	274.004	91,27%
Total	233.351	100,00%	300.220	100,00%

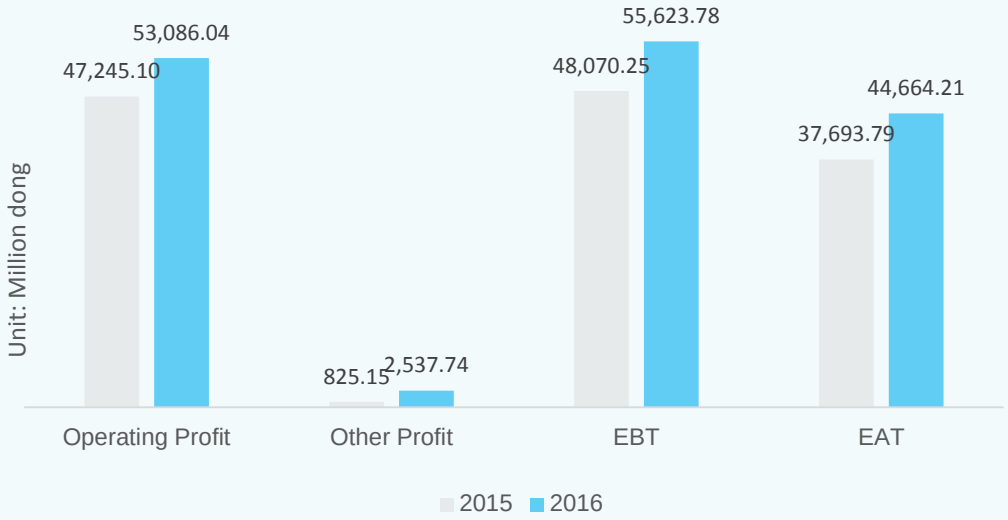
Total revenue as of 31/12/2016 reached over 300 billion VND, increased by nearly 30% over the same period. Revenue growth was driven by a strong increase in the supply of services including international catering services and taxi services in Da Nang City (an increase of 35% over the same period last year). The reason was that by 2016, the number of tourists going in and going out to grow strongly has helped MASCO's business sector achieve good results.

Structure of operating expenses



In the structure of operating expenses of the company, the cost of goods sold was still the highest proportion of 87-88% over the years. Corresponding to revenue growth, the cost of goods sold in 2016 increased by 36.30% over the same period last year with the total value of VND 216.74 billion VND. The bright point in the cost management of the Company was thanks to the thorough inspection, review and adjustment of material consumption standards in production as well as the implementation of the savings movement throughout the company, so that it helped to contribute to reduction of material costs, costs of goods sold.

Profit targets:



In the context of the growth of the aviation industry in 2016, in particular, the number of tourists incoming in and going out Nha Trang, Da Nang has increased sharply in comparison with the forecast together with the high cost effectiveness of management of profits and achieved extremely positive growth in 2016. The net profit from business activities increased by 12.36%, while EBT AND EAT increased by 15.71% and 18.49%, respectively.

The company's achievements

- ✓ The Board of Directors has ensured the long-term and short-term goals for MASCO, the management process was always close to the target, and the Board of Directors has high commitment and responsibility with the common goal.
- ✓ There were quick and flexible decisions on corporate governance, investment and development of production and business and in conformity with the development situation of each period.
- ✓ The assignment and promotion of capacity of each member of the Board of Directors was concerned and appointed reasonably, though always faced with many new challenges, but still stable, was the fulcrum for employees in the business environment being always fluctuating today.
- ✓ In the year, the Company issued a number of regulations on managing, monitoring and repairing transport means and material consumption standards in line with the organizational model and accounting form of the Company and its subsidiaries which had natural persons to contribute capital. Step by step managed the costs incurred in a timely and effective manner.
- ✓ The entire Danang Airport Services Joint Stock Company has developed in the right direction according to the set objectives; completed the targets, especially the quality targets. Overall, MASCO has completed the targets for revenue, output and profitability set for 2016.

Financial situation

Asset situation

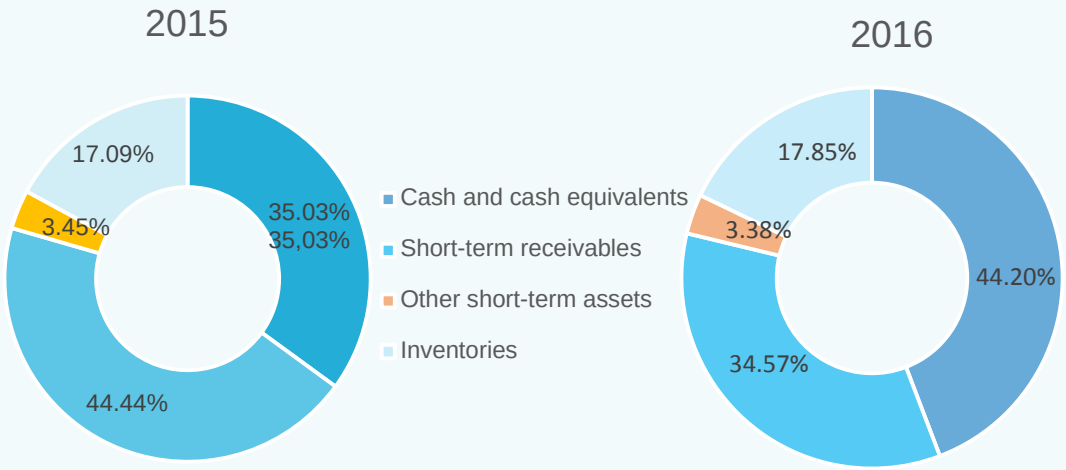
Criteria	Unit	2015	2016	% Increase/ Decrease	Percentage 2015	Percentage 2016
Short-term asset	Million dong	40.485,52	53.893,74	33,12%	36,77%	42,31%
Long-term asset		69.605,99	73.492,82	5,58%	63,23%	57,69%
Total asset		110.091,50	127.386,56	15,71%	100,00%	100,00%

As of 31/12/2016, total asset value was 127,38 billion VND, 15.71% higher than in 2015. In which, short term asset value increased by 33% due to deposit value increased more than 9 billion VND, corresponding to the increase of 68% as compared to 2015; Long-term asset increased by 5.58% due to the increase in fixed assets.

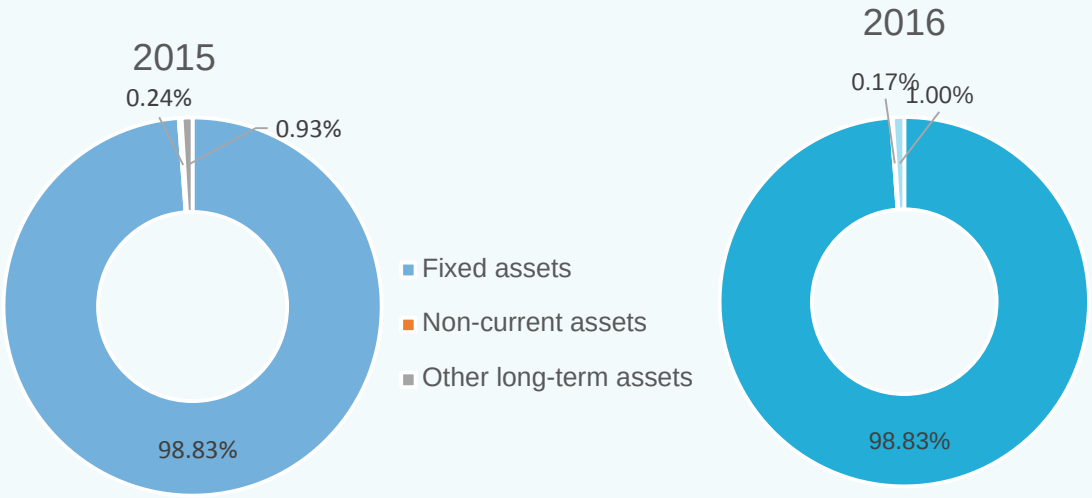
In the structure of short-term assets, cash and cash equivalents had the largest proportion, accounted for 44.20%, followed by short-term receivables, inventories and other short-term assets, accounting for 34.57%, 17.85% and 3.38% respectively.

For long-term assets, fixed assets accounted for the highest proportion, accounting for 98.83%. In addition, non-current assets and other long-term assets accounted for a negligible proportion.

Structure of short-term assets



Structure of long-term assets

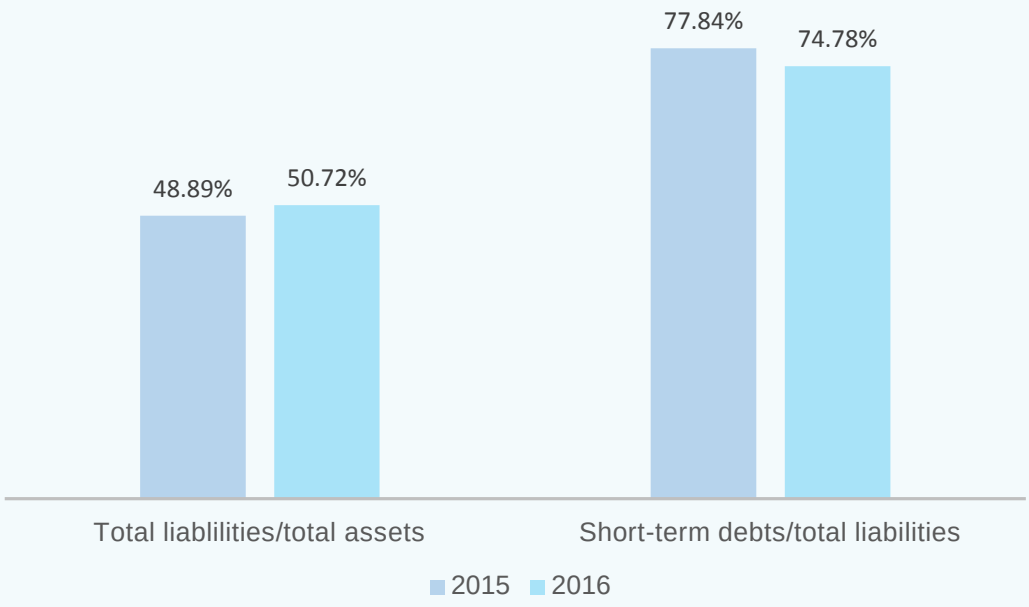


Liabilities

Target	Unit	2015	2016	% Increase/ Decrease
Short-term asset	Million dong	41,893.48	48,313.76	15.33%
Long-term asset		11,927.66	16,298.05	36.64%
Total liabilities		53,821.14	64,611.81	20.05%
Owners' equity		56,270.36	62,774.75	11.56%
Total capital resources		110,091.50	127,386.56	15.71%

As of 31/12/2016, Masco's liabilities were 64.61 billion VND, accounted for 50.72% of its capital structure. As compared to 2015, the total value of liabilities increased by 20.05% as the company proactively borrowed more long-term loans to invest in the construction of the catering processing quarter at Phu Bai International Airport Terminal.

Structure of liabilities and capital



Explanation of financial tools

Target	Unit	Less than 1 year by debt age			From 1 – 3 year by debt age		
		2015	2016	+/-	2015	2016	+/-
Loans and financial lease liabilities	Million dong	5,753	4,204	-26.93%	8,287	12,658	52.75%
Liabilities		20,371	26,306	29.13%	3,640	3,640	0.00%
Total		26,125	30,511	16.79%	11,927	16,298	36.65%

In fact, the company always attached importance to risk management in general and especially to solvency risk in particular. The Board of Directors always supervised risk management activities by regularly monitoring current and expected payment requirements in the future to maintain an adequate amount of money as well as loans, supervised actual cash flows as compared to expectation to mitigate the effect of fluctuations in cash flow of the Company.

Impact of cost borrowing

Target	Unit	2015	2016
Short-term loan	Million dong	5,753.72	4,204.26
Long-term loan	Million dong	8,287.66	12,658.05
Interest expense	Million dong	419.14	1,030.63
Interest expense/ Net revenue	%	0.18%	0.35%

In 2016, the interest payable by the Company was 1,030.63 billion VND, slightly higher than the interest rate in 2015. The ratio of interest expense on net revenue was 0.35%. This is a low level, negligible and shows that the company is not subject to many risks of interest rate fluctuations.

Improvements in organizational structure, policies, management

Management and administration: Applying information technology to business management and administration (managing the supply of catering services onboard, taxi operation, work, contract management, etc…), timely met the scale of development, improved the effectiveness of management and operating efficiency.

Quality management : upgraded and expanded the scope of application of quality management system ISO 9001; Gradually improved the quality of product services in the field of processing and catering services onboard by applying the food safety management system according to HACCP standards. Currently, the company is developing and striving to apply and achieve ISO 22000 certification - Quality management system for food safety and hygiene - for the field of supplying catering services onboard at Da Nang Catering Enterprise, Branches of Cam Ranh Airport and Phu Bai Airport in Quarter 2/2017.

Development plans in the future

Economic situation in 2017

According to the International Air Transport Association (IATA), in 2017 global airlines will earn $ 29.8 billion in profit and $ 736 billion in revenue. This will also be the third consecutive year the global airlines have a Return on Invested Capital (ROI) of 7.9%, exceeding return on invested capital, reaching 6.9%.

High oil prices are expected to affect growth prospects in 2017. In 2016, average oil prices reached $ 44.6/barrel (Brent oil) and forecasts for 2017 will rise to $ 55.0/barrel. Fuel costs will account for about 18.7% of total global airfreight expenditure in 2017, but still much lower than 33.2% in 2012-2013.

The increase of oil prices in 2017 induces stimulation of growth of transportation demand due to a drop in oil prices that will weaken in 2017 with transportation demand is forecasted to increase 5.1% (decreasing as compared to the increase rate of 5.9% in 2016). The rate of increase in supply seats will still exceed the rate of increase in transportation demand, so the global passenger carriage index will reach 79.8% (decreasing as compared to 80.2% % achieved in 2016).

With Vietnam, the period 2015-2035 is considered to be among the top 5 markets with the highest airfares in the world (after China, the US, India and Indonesia), with relatively steady growth, about 8.2% (the highest level in the top 10 markets). According to the project “master plan for development of Vietnam's tourism to 2020, vision to 2030” by 2020, Vietnam will attract 10.5 million foreign visitors, serving 47.5 million domestic passengers. In 2030 attracts 18 million international visitors and 41 million domestic tourists. According to the project, the tourism industry is expected to achieve an average growth rate of more than 30% in revenue and about 20% in terms of number of visitors, thereby increasing tourism demand is still the main factor promoting the development of tourism. The aviation industry, on the basis of the speed and convenience of air transportation, is becoming increasingly accessible to other types of transportation by road and rail. The development of the tourism industry is an important source of revenue and will be one of the driving forces for the development of Vietnam's air transport industry.

Targers – operational orientations of operating ativities of MASCO 2017

Maintaining stable business types identified as the Company's strategy, giving priority to business lines related to air transport, taxi business and commercial business in the Central airports.

Developing and implementing a competitive strategy for catering services in accordance with the standards required by the airlines. Focusing on the development and application of low-cost strategies, specially focusing on three main factors: price, menu structure and product quality.

Ensuring the financial situation to be safe, healthy, strictly managing debts. Strengthening the relationship of support, cooperation and product supply internally to improve production and business efficiency.

Giving priority to capital sources for investment in machinery and equipment, building infrastructures of projects servicing the services of the air transport chain in order to raise the quality of products and services, meet the production demands and ensure sustainable development of the Company.

Focusing on the recruitment, training, retraining and development of human resources to ensure the human resources to well implement business plan in 2017.

Targets and plans in 2017

No.	Content	Unit	A 2016	P 2017	Rate %
1	Total revenue	Thousand VND	299.765.469	269.017.578	89,74%
2	Total expense	Thousand VND	244.141.685	228.950.080	93,78%
3	EBT	Thousand VND	55.623.784	40.067.498	72,03%
4	Net profit	Thousand VND	44.664.210	32.317.453	72,36%
a	Corporate profit (shareholder)	Thousand VND	43.522.411	31.153.499	71,58%
b	Expenditure for contracts of business cooperation	Thousand VND	1.141.799	1.163.955	101,94%
5	Average labor	Person	666	745	111,86%
6	Average income	VND/month	7.902.778	7.380.144	93,39%
7	Average owners' equity	Thousand dong	30.891.000	42.725.180	138,31%
8	EAT/ Owners' equity ratio (ROE)	%	144,59%	75,64%	52,31%

Explanation of the Board of Directors for auditor's opinions

No.

Assessments of the Board of Management on the Company's operation

Domestic situation

Business activities of the aviation industry in general and of the Company in particular took place in the context of international economic integration, development of science and information technology and complete legal system opened many business opportunities, at once it also developed new pressure of competition. Of which, the field of air transport was affected most quickly and directly.

Specifically, in 2016, the aviation passenger market had strong growth which was estimated at 52.2 million passengers, an increase of over 29% as compared to 2015. Airlines in Vietnam stepped up domestic market exploitation with the expansion of airline network and increase of frequency of domestic flights, exploited 50 domestic airlines connecting Hanoi, Da Nang and Ho Chi Minh City with 17 local airports, reaching 28 million visitors, increased by 30% as compared to 2015.

In 2016 also witnessed an increase in the number of aircrafts of Vietnamese airlines. Up to now, the fleet of Vietnamese aircrafts is 147, an increase of 14 as compared to 2015.

In recent years, the Airports Corporation of Vietnam (ACV) has also put many airport infrastructure projects into operation and use, contributing to improving the capacity of the aviation terminal system, airports, improving the quality of services as at Tan Son Nhat airport to add 4 parking positions for aircraft, expanding the improvement of taxi may; Noi Bai Airport has continued to implement the T1 passenger terminal renovation project, adding 11 parking positions, bringing the total number of parking positions to 70 licensed locations, which could be exploited 56 positions at the same time...

After 1 year of task performance, the company's activities had the following highlights:

Consolidated operating results in 2016:

Target	Unit	A 2016	P 2016	P/A
Average owners' capital	Million dong	59,522	36,783	161.82%
Net revenue		296,112	274,300	107.95%
EBT		55,623	53,337	104.29%

Majpr financial benchmarks

No.	Target	2015	2016
1	Short-term asset/Total asset	36.77%	42.31%
2	Long-term asset/Total asset	62.23%	57.69%
3	Liabilities/Total capital resources	48.89%	50.72%
4	Owners' equity in total capital resources	51.11%	49.28%
5	Solvency of short-term debt	0.97 time	1.12 time
6	Quick ratio	0.80 time	0.92 time
7	EBT/net revenue ratio	21.06%	18.78%
8	EAT/net revenue ratio	16.52%	15.08%
9	EBT/total asset ratio	45.52%	46.85%
10	EAT/total asset ratio	36.69%	37.62%
11	EAT/owners' equity ratio	67.73%	75.04%

Assessment of Board of Directors on Board of Management's performance

Pursuant to the Charter of the company and regulations on corporate governance, the Board of Directors has supervised and monitored the activities of the Board of Management in the implementation of resolutions of AGM and the Board of Directors in the year, specifically:

- Through quarterly Board of Directors' meetings, and under unexpected demands, the Board of Directors discussed and questioned the activities of the General Director in implementing the approved strategies, plans and targets of AGM, approved resolutions/decisions of the Board of Directors;
- The Board of Directors and the Board of Management discussed contents of work in a spirit of frankness, built for the common interests of the Company and shareholders, mutually discussed and reached solutions to solve difficulties aiming at completion of targets assigned by AGM;
- On the basis of the contents passed in the resolutions and decisions of the Board of Directors, the Chairman presided monthly meetings and extraordinary meetings to promptly deploy tasks to Board of Directors and functional departments of the unit.
- The Board of Directors has thoroughly grasped the Company's operations. Orientated to the operation of the company to meet the strategic objectives and tasks approved by AGM.
- The Chairman of the Board of Directors proactively had meetings with the large shareholders in the Company in order to take advantage of the Company's support in the process of operations and business administration.
- In 2016, BOD issued many resolutions in directing the performance of operating activities in accordance with the Charter of the Company and regularly supervised and speeded up the implementation of such resolutions. Especially, the extraordinary shareholders' meeting in 2016 has timely supplemented the tasks and adjusted some targets and plans in 2016.

Plans, orientations of the Board of Directors

In 2017, the company's production and business activities will continue to face many difficulties due to the existence and potential of unfavorable factors which will affect the general results of the company; The general socio-economic situation of the country remains difficult, slow recovery; Vietnam Airlines continues to implement internal saving policy and the drastic competition in business at the airports will cause difficulties for the company in the development of operating activities of trade and service, Taxi, advertising, etc…; Especially, trading in catering services has appeared more and more new competitors in some airports; The current competitors have grown up and will greatly influence the company's market share and this is to predict that the level of competition of the company will be very critical and fierce.

In order to limit disadvantages and meet development requirements in the new period, in 2017, the Board of Directors will focus on the following key political tasks:

Production and business plans

The Board of Directors directs the Board of Management to have active and effective measures. Following hard on market requirements, well preparing resources and business conditions to ensure the completion of the plans which have been developed and submitting to AGM of 2017 for approval.

Maintaining and improving the quality of the existing types of service business and at the same time developing and expanding new types of services when feasible, focusing on related services in the aviation transport chain in which the Company has many advantages.

Focusing on guiding the timely and proper implementation of investment projects.

In the context of market development and high competitiveness, it is necessary to constantly improve, raise the efficiency of management system, quality of service; Regularly inspecting, managing and applying ISO 9001: 2008 quality management system at all units of the Company. Absolutely maintaining security and safety throughout the Company. Ensuring the living and employment of employees, maintaining good policies related to the interests of employees, especially income for employees, encouraging and attracting talents.

Facing that situation, the strategic orientations of the Company are:

- ✓ Maintaining steady growth, continuously diversifying business types which have been defined as the Company's strategy, those are business related to air transport, taxi business, vocational training and commercial business in the Central Airports.
- ✓ Striving for all business units of the company to have a revenue and profit growth rate of at least 5% as compared to 2016. Ensuring the financial status to be safe, healthy and managing strictly debts.
- ✓ Strengthening the relationship of support, cooperation and internal product supply to improve production and business efficiency. Developing services associated with the same industry or in the aviation transport sector of VNA.
- ✓ Giving priority to the capital source for investment in machinery and equipment, building the infrastructure of projects serving the services of the aviation transport chain to improve the quality of products and services, meeting the production needs and ensuring sustainable development of the Company.

Corporate Governance

Board of Directors

Members and structure of the Board of Directors

No.	Full name	Position	Number of holding share	Percentage/ Charter capital
1	Ho Quang Tuan	Chairman of BOD	542,702	18.04%
	Of which: *Individual*		-	-
	Representative		542,702	18.04%
2	Nguyen Thanh Dong	Member of BOD	674,427	22.42%
	Of which: *Individual*		131,724	4.38%
	Representative		542,703	18.04%
3	Phan Thi Hong Lien	Member of BOD	11,572	0.38%
4	Vu Thi Thu Bon	Member of BOD	1,558	0.05%
5	Le Thi Thuy Linh	Member of BOD	152,338	5.06%

According to the List of shareholders closed on 08/02/2017

Committees of the Board of Directors

The Board of Directors doesn't establish any committees.

Activitives of the Board of Directors

Periodically, the General Director reports on the Company's performance and forthcoming plans for the Board of Directors to monitor and supervise the Company's management and control. Supervisory work of the Board of Directors for the General Director in compliance with the resolutions and decisions of the AGM and the Board of Directors is carried out strictly to ensure the performance of duties according to the authority stipulated in the Charter of the company and relevant laws. In 2016, the Board of Directors convened meetings directly and issued 6 resolutions/decisions.

In 2016, the Board of Directors held four meetings. Specifically:

Member of BOD	Position	Number of meetings with the attendance of BOD	Rate of attendance
Ho Quang Tuan	Chairman	4	100%
Nguyen Thanh Dong	Member	4	100%
Phan Thi Hong Lien	Member	4	100%
Vu Thi Thu Bon	Member	4	100%
Le Thi Thuy Linh	Member	4	100%

And issued 6 resolutions/decisions as follows:

RESOLUTION	DATE	CONTENT
07/NQ-HĐQT-DVĐN	28/04/2016	Electing the Chairman of BOD and General Director of the third office term (2016 - 2021)
08/NQ-HĐQT-DVĐN	14/06/2016	Passing the "Completion of Personnel affairs of the office term 2016 – 2021" and selecting the auditor for Financial Report 2016.
09/NQ-HĐQT-DVĐN	05/09/2016	Passing operating performance, financial report for 6 months/2016 and managing operating activities in quarter III/2016
10/NQ-HĐQT-DVĐN	05/09/2016	Passing the plan to increase charter capital in 2016
11/NQ-HĐQT-DVĐN	05/09/2016	Convening the extraordinary general meeting in 2016
12/NQ-HĐQT-DVĐN	21/10/2016	Resolutions of the extraordinary general meeting 2016

Corporate governance training: No.

Board of Supervisors

No.	Full name	Position	Number of holding share	Percentage/Charter capital
1	Nguyen Dung	Head of Board of Supervisors	-	-
2	Pham Ngoc Tuan	Member of Board of Supervisors	-	-
3	Duong Thuy Van	Member of Board of Supervisors	-	-

Activities of the Board of Supervisors in year

During the year, the members of the Board of Supervisors held two meetings.

During the year, the Board of Supervisors has performed well its control tasks, specifically:

- ✓ Attended all meetings of the Board of Directors to monitor and supervise the activities of the Board of Directors. Accordingly, in general, in 2016, the Board of Supervisors assessed that the Board of Directors has implemented right with the Resolution of the AGM in 2016, set forth at the beginning of the year.
- ✓ The Head of the Board of Supervisors instructed the members to monitor the operation of the unit and quarterly to inspect the units to assist the units in carrying out the accounting work in accordance with the regulations at once strictly implemented right with the policy with employees.
- ✓ Checked the quarterly and annual financial statements of the Finance and Accounting Department of the Company before submitting to the Board of Directors and at the same time coordinated with the independent auditors to audit the financial statements of the Company.

Transactions, remunerations and interests of the Board of Directors, Board of Management and Board of Supervisors

Salary, rewards, remuneration and benefits

Ho.	Full name	In 2016 (VND/year)
I	**Board of Directors**	**138,000,000**
1	Ho Quang Tuan	42,000,000
2	Nguyen Thanh Dong	24,000,000
3	Phan Thi Hong Lien	24,000,000
4	Vu Thi Thu Bon	24,000,000
5	Le Thi Thuy Linh	24,000,000
II	**Board of Supervisors**	**55,200,000**
1	Nguyen Dung	21,600,000
2	Pham Ngoc Tuan	16,800,000
3	Duong Thuy Van	16,800,000
	Total	**193,200,000**

Transactions of internal shareholders

Transacted by	Relationship to internal shareholder	Number of holding share at the beginning period		Number of holding share at the end of the period		Reason of increase, decrease
		Quantity	Rate	Quantity	Rate	
Nguyen Minh Anh	Husband of Member of BOD, Blood younger brother of General Director	197,300	6.56%	80,300	2.67%	Sold
Tran Thanh Hai	Vice General Director	21.500	0.71%	11.500	0.38%	Sold
Pham Van Ha	Vice General Director	14,072	0.47%	3,800	0.13%	Sold

Contracts or transactions with internal shareholders: No

Implementation of regulations on corporate governance

Joining the stock market in 2009, the Company has always kept up to date the regulations promulgated by the State Securities Commission and seriously applied it to the internal management of the company.

Financial Statement

DANANG AIRPORT SERVICE JOINT STOCK COMPANY

AUDITED FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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THE 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 for the financial year ended 31 December 2016.

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

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

Full name	Position
Mr. Ho Quang Tuan	Chairman
Mr. Nguyen Thanh Dong	Member
Ms. Phan Thi Hong Lien	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:

Full name	Position
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:

Full name	Position
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, the 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.

The 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. The 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.

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

THE MANAGEMENT'S REPORT (CONTINUED)

AUDITOR

The accompanying financial statements of the Company for the financial year ended 31 December 2016 were audited by RSM Vietnam Auditing & Consulting Company Limited, a member firm of RSM International.

STATEMENT BY THE MANAGEMENT

In the Management's opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016 and the results of its operations and its cash flows for the financial year then ended in accordance with the Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam.

For and on behalf of the Management

S.Đ.K.K.D: 0400102045 - C.T.C.P
CÔNG TY CỔ PHẦN DỊCH VỤ HÀNG KHÔNG SÂN BAY ĐÀ NẴNG
Q. HẢI CHÂU - TP. ĐÀ NẴNG

Nguyen Thanh Dong
General Director
Danang City, 23 February 2017

RSM

RSM Vietnam

Văn phòng Miền Trung
197 Lê Đình Lý, Phường Hoà Thuận Tây
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www.rsm.com.vn

No.: 10/BCKT-RSMMT

INDEPENDENT AUDITOR'S REPORT

To: **Members of the Board of Directors**
Members of the 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 (hereinafter referred to as "the Company") prepared on 24/01/2017 as set out from page 5 to page 38, which comprise the statement of financial position as at 31 December 2016, and the income statement, and cash-flow statement for the financial year then ended, and summary of significant accounting policies and other explanatory information. 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.

Management's Responsibility

The 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 interim 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.

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 2016, 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.

Other matter

The financial statements of Danang Airport Service Joint Stock Company for the financial year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements in their Auditors' Report No. 2047/16/BCKT/AUD-VVALUES dated 25 February 2016.

CÔNG TY TNHH KIỂM TOÁN & TƯ VẤN RSM VIỆT NAM - CHI NHÁNH MIỀN TRUNG

Tran Duong Nghia
Director
Audit Practice Registration Certificate No.:
1309-2016-026-1

Nguyen Ha Trung
Auditor
Audit Practice Registration Certificate No.:
2444-2016-026-1

RSM Vietnam Auditing & Consulting Company Limited
Central Branch
Danang City, 23 February 2017

STATEMENT OF FINANCIAL POSITION
At 31 December 2016

Unit: VND

ASSETS	Code	Notes	At 31/12/2016	At 01/01/2016
A. CURRENT ASSETS	**100**		**53.893.736.788**	**40.485.516.708**
I. Cash and cash equivalents	**110**		**23.823.012.137**	**14.181.285.143**
1. Cash	111	5.1	22.423.012.137	12.831.285.143
2. Cash equivalents	112		1.400.000.000	1.350.000.000
II. Current financial investments	**120**		-	-
III. Current account receivables	**130**		**18.628.561.718**	**17.989.868.304**
1. Trade receivables	131	5.2	17.883.833.411	17.909.017.984
2. Advances to suppliers	132		1.322.074.082	662.171.412
3. Other current receivables	136	5.3	903.779.224	899.803.907
4. Provision for doubtful debts	137	5.4	(1.481.124.999)	(1.481.124.999)
IV. Inventories	**140**		**9.619.966.029**	**6.918.201.884**
1. Inventories	141	5.5	9.619.966.029	6.918.201.884
2. Provision for decline in value of inventories	149		-	-
V. Other current assets	**150**		**1.822.196.904**	**1.396.161.377**
1. Current prepayments	151	5.9	1.402.247.474	1.210.902.116
2. Value added tax deductible	152		419.949.430	185.259.261
B. NON-CURRENT ASSETS	**200**		**73.492.821.013**	**69.605.985.454**
I. Non-current account receivables	**210**		-	-
II. Fixed assets	**220**		**72.633.002.255**	**68.788.225.078**
1. Tangible fixed assets	221	5.7	72.126.320.032	68.233.813.339
Cost	222		155.405.773.708	139.525.808.919
Accumulated depreciation	223		(83.279.453.676)	(71.292.075.580)
2. Intangible fixed assets	227	5.8	506.682.223	554.411.739
Cost	228		736.433.100	736.433.100
Accumulated amortisation	229		(229.750.877)	(182.021.361)
III. Investment property	**230**		-	-
IV. Non-current assets in progess	**240**		**125.915.418**	**168.729.453**
1. Non-current work in process	241		-	-
2. Construction in progress	242	5.6	125.915.418	168.729.453
V. Non-current financial investments	**250**		-	-
VI. Other non-current assets	**260**		**733.903.340**	**649.030.923**
1. Non-current prepayments	261	5.9	733.903.340	649.030.923
2. Other non-current assets	268		-	-
TOTAL ASSETS (270 = 100 + 200)	**270**		**127.386.557.801**	**110.091.502.162**

STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2016

RESOURCES	Code	Notes	At 31/12/2016	At 01/01/2016
C. LIABILITIES	**300**		**64.611.805.800**	**53.821.137.431**
I. Current liabilities	**310**		**48.313.760.440**	**41.893.476.751**
1. Trade payables	311	5.11	15.060.563.680	10.231.902.908
2. Advances from customers	312		2.442.466.549	702.134.968
3. Taxes and amounts payable to the state budget	313	5.12	2.469.669.514	3.759.344.037
4. Payables to employees	314		7.918.882.345	6.507.578.017
5. Accrued expenses	315	5.13	435.639.726	12.000.400
6. Current unearned revenue	318	5.14	2.801.811.969	2.827.920.591
7. Other current payables	319	5.15	11.661.230.029	10.828.848.422
8. Current loans and obligations under finance lea	320	5.10	4.204.260.800	5.753.715.079
9. Bonus and welfare fund	322		1.319.235.828	1.270.032.329
II. Current liabilities	**330**		**16.298.045.360**	**11.927.660.680**
1. Other non-current payables	337		3.640.000.000	3.640.000.000
2. Non-current loans and obligations under finance	338	5.10	12.658.045.360	8.287.660.680
D. OWNER'S EQUITY	**400**		**62.774.752.001**	**56.270.364.731**
I. Equity	**410**		**62.774.752.001**	**56.270.364.731**
1. Owner's contributed capital	411	5.16	30.088.160.000	30.088.160.000
Ordinary shares carrying voting rights	411a		30.088.160.000	30.088.160.000
Preference shares	411b		-	-
2. Investment and development fund	418	5.16	803.208.113	803.208.113
3. Retained earnings	421	5.16	31.883.383.888	25.378.996.618
Beginning accumulated retained earnings	421a		464.468.618	591.868.076
Ending accumulated retained earnings	421b		31.418.915.270	24.787.128.542
II. Other capital and funds	**430**		-	-
TOTAL RESOURCES (440 = 300 + 400)	**440**		**127.386.557.801**	**110.091.502.162**

CÔNG TY CỔ PHẦN DỊCH VỤ HÀNG KHÔNG SÂN BAY ĐÀ NẴNG

Nguyen Thanh Dong	Phan Huu Tam	Nguyen Thi Minh Huyen
General Director	**Chief Accountant**	**Preparer**

Danang City, 24 January 2017

INCOME STATEMENT
For the financial year ended 31 December 2016

Unit: VND

	ITEMS	Code	Note	Year 2016	Year 2015
1.	Revenue	01	5.18	300.220.050.402	233.351.734.024
2.	Deductions	02	5.19	4.108.032.435	5.117.728.218
3.	Net revenue	10		296.112.017.967	228.234.005.806
4.	Cost of sales	11	5.20	216.740.344.096	159.017.746.309
5.	Gross profit	20		79.371.673.871	69.216.259.497
6.	Financial income	21	5.21	549.733.321	735.545.624
7.	Financial expense	22	5.22	1.110.975.919	728.427.079
	Of which, interest expense	23		*1.030.634.458*	*419.143.552*
8.	Selling expense	25	5.23	7.915.148.655	7.203.877.435
9.	General and administration expense	26	5.24	17.809.241.788	14.774.399.737
10.	Operating profit/(loss)	30		53.086.040.830	47.245.100.870
11.	Other income	31	5.25	3.103.718.701	1.092.766.048
12.	Other expense	32	5.26	565.975.492	267.613.616
13.	Net other income/(loss)	40		2.537.743.209	825.152.432
14.	Accounting profit/(loss) before tax	50		55.623.784.039	48.070.253.302
15.	Current corporate income tax expense	51	5.27	10.959.573.950	10.376.465.959
16.	Deferred corporate income tax expense	52		-	-
17.	Net profit/(loss) after tax	60		44.664.210.089	37.693.787.343
18.	Basic earnings per share	70	5.29	14.442	12.039
19.	Diluted earnings per share	71	5.30	10.171	12.039

S.Đ.K.K.D: 0400102045 CÔNG TY CỔ PHẦN DỊCH VỤ HÀNG KHÔNG SÂN BAY ĐÀ NẴNG C.T.C.P HẢI CHÂU - TP. ĐÀ NẴNG

Nguyen Thanh Dong	**Phan Huu Tam**	**Nguyen Thi Minh Huyen**
General Director	**Chief Accountant**	**Preparer**

Danang City, 24 January 2017

CASH FLOW STATEMENT
(Indirect method)
For the financial year ended 31 December 2016

Unit: VND

ITEMS	Code	Note	Year 2016	Year 2015
I. CASH FLOWS FROM OPERATING ACTIVITIES				
1. Net profit /(loss) before taxes	01		**55.623.784.039**	**48.070.253.302**
2. Adjustment for:				
Depreciation and amortisation			18.227.643.285	11.621.127.199
Provisions				-
Unrealised foreign exchange gains/losses from revaluation of foreign currency monetary items	04	5.21	(53.378.912)	86.607.232
Gains/losses from investment			(2.857.818.606)	(141.818.182)
Interest expense			1.030.634.458	419.143.552
3. Operating profit /(loss) before adjustments to working capital	**08**		**71.970.864.264**	**60.055.313.103**
Increase or decrease in accounts receivable	09		(873.383.583)	(2.790.511.881)
Increase or decrease in inventories	10		(2.701.764.145)	2.886.336.591
Increase or decrease in accounts payable (excluding interest expense and CIT payable)	11		8.507.555.795	(2.296.155.150)
Increase or decrease prepaid expenses	12		(276.217.775)	215.312.924
Interest paid	14		(962.474.732)	(419.143.552)
Corporate income tax paid	15		(11.479.884.780)	(10.620.000.000)
Other cash inflows from operating activities	16		271.620.000	1.709.742.999
Other cash outflows from operating activities	17		(789.107.101)	(643.976.367)
Net cash from operating activities	**20**		**63.667.207.943**	**48.096.918.667**
II. CASH FLOWS FROM INVESTING ACTIVITIES				
1. Acquisition and construction of fixed assets and other long-term assets	21		(24.114.000.764)	(28.373.065.819)
2. Proceeds from disposals of fixed assets and other long-term assets	22		2.555.000.000	156.000.000
3. Interest and dividends received	27	5.21	146.256.147	143.660.564
Net cash from investing activities	**30**		**(21.412.744.617)**	**(28.073.405.255)**
III. CASH FLOWS FROM FINANCING ACTIVITIES				
1. Proceeds from borrowings	33	5.10	20.196.521.175	9.791.519.863
2. Repayment of borrowings	34	5.10	(17.375.590.774)	(2.073.189.193)
3. Dividends paid	36		(35.561.118.075)	(34.548.740.359)
Net cash from financing activities	**40**		**(32.740.187.674)**	**(26.830.409.689)**
NET INCREASE/(DECREASE) IN CASH	**50**		**9.514.275.652**	**(6.806.896.277)**
Cash and cash equivalents at beginning of year	**60**	5.1	14.181.285.143	20.923.846.733
Impact of exchange rate fluctuation	61		127.451.342	64.334.687
CASH AND CASH EQUIVALENTS AT END OF YEAR	**70**		**23.823.012.137**	**14.181.285.143**

Nguyen Thanh Dong	**Phan Huu Tam**	**Nguyen Thi Minh Huyen**
General Director	**Ke toan truong**	**Preparer**

Danang City, 24 January 2017

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' Certificate has been amended 13 times and the most recent amendment was made on 19 May 2016 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 30,088,160,000 as follows:

Investors	As at 31 Dec. 2016		As at 01 Jan. 2016	
	Amount (VND)	Percent (%)	Amount (VND)	Percent (%)
Vietnam Airlines Corporation	10.854.050.000	36,07	10.854.050.000	36,07
Other investors	19.234.110.000	63,93	19.234.110.000	63,93
Total	**30.088.160.000**	**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 2016 was 740 (31 December 2015: 589)

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 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, telecomunication, 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: Oursourcing 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 2016, the Company's jointly controlled entities were as follows:

Name	Address	Tax Code
Phu Bai Branch	Group 18, Phu Bai Ward, Huong Thuy Town, Thua Thien Hue Province	0400102045 - 004
Nha Trang Branch	Cam Ranh airport, Cam Nghia Ward, Cam Ranh City, Khanh Hoa Province	0400102045 - 005
Masco Danang Driver training Centre	21 Nui Thanh St., Hai Chau Dist., Danang City	0400102045 - 010
Masco Thua Thien Hue Driver training	34-36 Nguyen Luong Bang St., Hue City, Thua Thien	0400102045 - 006

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Centre	Hue Province	
Passenger Transportation Enterprise	Danang International Airport, Hoa Thuan Tay Ward, Hai Chau District, Danang City	0400102045
Danang Catering Enterprise	Danang International Airport, Hoa Thuan Tay Ward, Hai Chau District, Danang City	0400102045
Airport service Enterprise	Danang International Airport, Hoa Thuan Tay Ward, Hai Chau District, Danang City	0400102045
Trading and service Enterprise	Danang International Airport, Hoa Thuan Tay Ward, Hai Chau District, Danang City	0400102045
Car maintenance service Centre	Danang International Airport, Hoa Thuan Tay Ward, Hai Chau District, Danang City	0400102045

2. ACCOUNTING CONVENTION, FINANCIAL YEAR AND REPORTING CURRENCY

2.1. Accounting convention

The accompanying financial statements, expressed in VND, are prepared under the historical cost convention and 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. Financial year

The Company's financial year is from [01 January to 31 December]; particularly, the first financial year was from the Business Registration Certificate date to [dd] [mm] [yyyy].

2.3. Reporting and functional currency

The Company maintains its accounting records in Vietnamese Dong.

3. ACCOUNTING STANDARDS, ACCOUNTING SYSTEM

3.1. Accounting standards, accounting system

The Company has adopted Vietnamese Accounting Standards and Vietnamese Corporate Accounting System.

3.2. Statement of compliance with Vietnamese Accounting Standards and Vietnamese Corporate Accounting System

The Company's financial statements for the year ended 31 December 2016 are prepared in accordance with Vietnamese Accounting Standards and Vietnamese Corporate Accounting System.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1. Applicable exchange rates

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

and resultant exchange differences resulting from the reporting after offset are recognised in profit or loss in the year in which they arise.

4.2. 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 ended 31 December 2016. 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.

4.3. 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".

4.4. 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.

4.5. 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.

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.

Method of accounting for inventories

Inventories are recorded under the perpetual inventory method.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4.6. 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 value and deducted from the historical cost of the respective tangible fixed assets.

Depreciation

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

The estimated useful lives are as follows:

	Year 2016
▪ Buildings, structures	5 – 25 years
▪ Machinery and equipment	5 – 10 years
▪ Motor vehicles	3 – 10 years
▪ Management equipment	4 – 10 years

4.7. Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation.

Intangible fixed asset recognition

Intangible fixed assets are initially recognised at their cost. 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

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

4.8. Prepayments

Prepayments are classified as current and non-current based on their original term. Prepayments mainly comprise costs of tools and supplies; insurance fee; repair expenses, training fee... which are amortized 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;

- 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.

4.9. 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 Company 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.

4.10. 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.

4.11. 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.

4.12. Owner's 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.

4.13. Revenue, 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

4.14. Cost of sales

Cost of sales and services provided represents total costs of finished products, goods 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.

4.15. Financial expense

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

4.16. Selling expense and general and administration 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, product warranty (except for construction activities), storage, packaging and shipping etc.

General and administration 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.).

4.17. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

4.18. 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.

4.19. 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.

4.20. 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, borrowings and accrued expenses.

Re-measurement after initial recognition

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

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

5.1. Cash and cash equivalents

	Foreign Currency	As at 31/12/2016 VND	Foreign Currency	As at 01/01/2016 VND
Cash in hand		1,848,003,610		1,119,721,650
VND		*1,644,367,170*		*914,292,009*
USD	*8,976.70 #*	*203,636,440*	*9,158.70 #*	*205,429,641*
Cash at banks		20,575,008,527		11,711,563,493
VND		*12,682,933,549*		*7,758,173,039*
USD	*347,898.39 #*	*7,892,074,978*	*176,254.59 #*	*3,953,390,454*
Cash equivalent		1,400,000,000		1,350,000,000
Total		**23,823,012,137**		**14,181,285,143**

5.2. Trade receivables

	As at 31/12/2016 VND	As at 01/01/2016 VND
Trade Receivables	14,513,221,152	10,222,346,981
Indochina Airlines Joint Stock Company	1,481,124,999	1,481,124,999
Nordwind Airlines	811,260,970	2,394,424,930
Ikar airlines	791,683,815	819,659,490
Vietjet Aviation Joint Stock Company	2,304,035,273	822,535,650
DHT Trading Joint Stock Company	6,114,265,365	1,291,743,700
Others	3,010,850,730	3,412,858,212
Trade Receivables from related parties - refer to note 7	3,370,612,259	7,686,671,003
Total	**17,883,833,411**	**17,909,017,984**

5.3. Other receivables

	As at 31/12/2016 VND		As at 01/01/2016 VND	
	Value	Provision	Value	Provision
Receivables from other individuals and organizations	109,867,306	-	172,117,233	-
Advances	793,484,115	-	578,156,933	-
Deposits	427,803	-	149,529,741	-
Total	**903,779,224**	**-**	**899,803,907**	**-**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.4. Doubtful debts

	As at 31/12/2016 VND		As at 01/01/2016 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 31/12/2016 VND			As at 01/01/2016 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**	-	

5.5. Inventories

	As at 31/12/2016 VND		As at 01/01/2016 VND	
	Cost	Provision	Cost	Provision
Raw materials	4,590,701,476	-	2,789,866,380	-
Tools and supplies	6,058,708	-	3,855,478	-
Finished goods	462,019,105	-	145,550,933	-
Merchandise	4,561,186,740	-	3,978,929,093	-
Total	**9,619,966,029**	-	**6,918,201,884**	-

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.6. Non – current work in progress

	As at 31/12/2016 VND	As at 01/01/2016 VND
Purchasing Fixed assets	68,000,000	-
Cost of construction of catering factory in Phu Bai	-	168,729,453
Cost of construction of catering factory in Cam Ranh	57,915,418	-
Total	**125,915,418**	**168,729,453**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.7. Tangible fixed assets

	Buildings, structures	Machinery and equipment	Motor Vehicles	Equipment, management tools	Total
Cost:					
As at 01/01/2016	25,438,322,624	8,452,491,361	104,579,539,053	1,055,535,881	139,525,888,919
Purchase	5,221,386,418	10,550,820,998	6,300,213,046	-	22,072,420,462
Disposals	-	-	6,192,535,673	-	6,192,535,673
As at 31/12/2016	**30,659,709,042**	**19,003,312,359**	**104,687,216,426**	**1,055,535,881**	**155,405,773,708**
Accumulated depreciation:					
As at 01/01/2016	8,088,363,644	2,538,702,748	59,918,906,568	746,102,620	71,292,075,580
Depreciation	3,445,214,314	1,683,720,614	12,863,573,317	187,405,524	18,179,913,769
Disposals	-	-	6,192,535,673	-	6,192,535,673
As at 31/12/2016	**11,533,577,958**	**4,222,423,362**	**66,589,944,212**	**933,508,144**	**83,279,453,676**
Net book value:					
As at 01/01/2016	17,349,958,980	5,913,788,613	44,660,632,485	309,433,261	68,233,813,339
As at 31/12/2016	**19,126,131,084**	**14,780,888,997**	**38,097,272,214**	**122,027,737**	**72,126,320,032**

The amount of year-end net book value of tangible fixed assets pledged/mortgaged as loan security totalled VND 15,908,202,198.

The historical cost of tangible fixed assets fully depreciated but still in use totalled VND 45,917,337,455.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.8. Intangible fixed assets

Items	Land use rights (*) VND	Computer Software VND	Total VND
Cost			
As at 01/01/2016	473,227,100	263,206,000	736,433,100
Purchase	-	-	-
Decrease	-	-	-
As at 31/12/2016	**473,227,100**	**263,206,000**	**736,433,100**
Accumulated amortisation			
As at 01/01/2016	-	182,021,361	182,021,361
Amotisation	-	47,729,516	47,729,516
Decrease	-	-	-
As at 31/12/2016	**-**	**229,750,877**	**229,750,877**
Net book value			
As at 01/01/2016	473,227,100	81,184,639	554,411,739
As at 31/12/2016	**473,227,100**	**33,455,123**	**506,682,223**

(*) This relates to the indefinite land use right at Danang International Airport, Danang City which is used for building the Company's office.

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

5.9. Prepayments

	As at 31/12/2016 VND	As at 01/01/2016 VND
Current:		
Vehicle insurance fee, road fee	702,908,612	502,257,706
Land, office rental fee	617,232,361	615,060,761
Tools and equipment waiting allocation	18,413,125	93,583,649
Repair expenses, training fee, others	63,693,376	-
Total	**1,402,247,474**	**1,210,902,116**

	As at 31/12/2016 VND	As at 01/01/2016 VND
Non-current:		
Tools and equipment waiting allocation	114,170,385	348,061,946
Road fee	514,732,955	270,968,977
Office rental, others	105,000,000	30,000,000
Total	**733,903,340**	**649,030,923**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.10. Loans and finance lease liabilities

	As at 31/12/2016 VND		Movements in the year VND		As at 01/01/2016 VND	
	Value	Payable value	Increase	Decrease	Value	Payable value
Current:						
Loans	2,400,177,463	2,400,177,463	13,203,930,618	13,852,153,634	3,048,400,479	3,048,400,479
- Vietcombank - Danang Branch	-	-	-	*3,048,400,479*	*3,048,400,479*	*3,048,400,479*
- Vietinbank - Danang Branch	*2,400,177,463*	*2,400,177,463*	*13,203,930,618*	*10,803,753,155*	-	-
Current portion of current loans	1,804,083,337	1,804,083,337	1,804,083,337	2,705,314,600	2,705,314,600	2,705,314,600
- Vietcombank - Danang Branch	*1,804,083,337*	*1,804,083,337*	*1,804,083,337*	*2,705,314,600*	*2,705,314,600*	*2,705,314,600*
Total	**4,204,260,800**	**4,204,260,800**	**15,008,013,955**	**16,557,468,234**	**5,753,715,079**	**5,753,715,079**
Non-current:	12,658,045,360	12,658,045,360	11,221,747,320	6,851,362,640	8,287,660,680	8,287,660,680
- Vietcombank - Danang Branch	*1,998,153,360*	*1,998,153,360*	*56,855,320*	*6,346,362,640*	*8,287,660,680*	*8,287,660,680*
- BIDV - Hai Van Branch	*2,899,892,000*	*2,899,892,000*	*3,299,892,000*	*400,000,000*	-	-
- Vietinbank - Danang Branch	*7,760,000,000*	*7,760,000,000*	*7,865,000,000*	*105,000,000*	-	-
Total	**12,658,045,360**	**12,658,045,360**	**11,221,747,320**	**6,851,362,640**	**8,287,660,680**	**8,287,660,680**

NOTES TO 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 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 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 Sendan 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.

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.11. Trade payables

	As at 31/12/2016 VND		As at 01/01/2016 VND	
	Value	Payable value	Value	Payable value
Trade payables	15,060,563,680	15,060,563,680	10,231,902,908	10,231,902,908
Global Food Distributer Co., Ltd.	2,591,988,309	2,591,988,309	1,155,499,671	1,155,499,671
Le Ngoc Thinh	1,248,232,166	1,248,232,166	690,976,948	690,976,948
Other suppliers	11,220,343,205	11,220,343,205	8,385,426,289	8,385,426,289
Total	**15,060,563,680**	**15,060,563,680**	**10,231,902,908**	**10,231,902,908**

5.12. Tax and amounts payable to the state budget

	As at 01/01/2016 VND	Movements in the year VND		As at 31/12/2016 VND
	Payable	Payable	Paid	Payable
Value added tax	412,628,036	8,251,415,507	8,664,043,543	-
Corporate income tax	2,864,019,513	10,959,573,950	11,479,884,780	2,343,708,683
Personal income tax	482,696,488	1,185,338,672	1,542,074,329	125,960,831
Other taxes	-	10,000,000	10,000,000	-
Total	**3,759,344,037**	**20,406,328,129**	**21,696,002,652**	**2,469,669,514**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.13. Accrued expenses

	As at 31/12/2016 VND	As at 01/01/2016 VND
Current		
Interest expense	68,159,726	-
Other accrued expense	367,480,000	12,000,400
Accrued rental fee		
Total	**435,639,726**	**12,000,400**

5.14. Unearned revenue

	As at 31/12/2016 VND	As at 01/01/2016 VND
Driver training at Danang Centre	1,312,861,619	1,467,167,911
Driver training at Thua Thien Hue Centre	840,650,350	672,840,680
Advertising revenue	648,300,000	687,912,000
Total	**2,801,811,969**	**2,827,920,591**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.15. Other payables

	As at 31/12/2016 VND	As at 01/01/2016 VND
Current:		
Trade union dues	133,129,650	-
Social insurance, Health Insurance, Unemployment insurance	717,310,292	700,855,388
Current deposits	6,038,025,000	6,056,100,000
Other payables	4,772,765,087	4,071,893,034
Responsibility fee for taxi driver	2,562,546,169	2,356,946,169
Responsibility fee for driver trainers at Danang Centre	120,000,000	160,000,000
Tickets fee	119,039,201	-
Divident payables	34,897,348	75,097,223
Other payables	1,936,282,369	1,479,849,642
Total	**11,661,230,029**	**10,828,848,422**
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**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.16. Owner's equity

5.16.1. Changes in owner's equity

	Items of owner's equity			
	Owner's contributed capital VND	Investment and Development fund VND	Retained earnings VND	Total VND
As at 01/01/2015	30,088,160,000	803,208,113	24,151,988,076	55,043,356,189
Previous year's profits	-	-	37,693,787,343	37,693,787,343
Distribution of previous year's profits	-	-	36,466,778,801	36,466,778,801
As at 01/01/2016	30,088,160,000	803,208,113	25,378,996,618	56,270,364,731
Current year's profits	-	-	44,664,210,089	44,664,210,089
Distribution of current year's profits	-	-	38,159,822,819	38,159,822,819
As at 31/12/2016	**30,088,160,000**	**803,208,113**	**31,883,383,888**	**62,774,752,001**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.16.2. Details of owner's equity

	As at 31/12/2016 VND	As at 01/01/2016 VND
Capital contributed by Vietnam Airlines Corporation	10,854,050,000	10,854,050,000
Capital contributed by others	19,234,110,000	19,234,110,000
Total	**30,088,160,000**	**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 42,724,930,000 to supplement the capital to proceed the Company's investment projects (including Danang Catering Factory Construction Project).

5.16.3. Capital transactions with owners

	Year 2016 VND	Year 2015 VND
Owner's contributed capital		
Beginning balance	30,088,160,000	30,088,160,000
Capital contribution in the year	-	-
Capital redemption in the year	-	-
Ending balance	30,088,160,000	30,088,160,000
Dividends, profits declared	**35,561,118,075**	**34,548,740,359**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.16.4.Shares

	As at 31/12/2016 VND	As at 01/01/2016 VND
Number of shares registered for issue	3,008,816	3,008,816
Number of shares sold to public	3,008,816	3,008,816
Including: Ordinary shares	*3,008,816*	*3,008,816*
Preference shares (Classified as owner's equity)	-	-
Number of shares repurchased (Treasury shares)	-	-
Including: Ordinary shares	-	-
Preference shares (Classified as owner's equity)	-	-
Number of shares outstanding	3,008,816	3,008,816
Including: Ordinary shares	*3,008,816*	*3,008,816*
Preference shares (Classified as owner's equity)	-	-

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

5.16.5.Retained earnings

	Year 2016 VND	Year 2015 VND
Profit brought forward	25,378,996,618	24,151,988,076
Profit after corporate income tax of current year	44,664,210,089	37,693,787,343
Profit distribution	38,159,822,819	36,466,778,801
Distribution of the previous-year profit	24,914,528,000	23,560,120,000
Remuneration for the Board of Directors, Board of Supervisors	*144,000,000*	*144,000,000*
Profit distributed to partners under cooperation-investment agreements.	-	-
Bonus and welfare fund	*700,000,000*	*850,000,000*
Dividends paid	*24,070,528,000*	*22,566,120,000*
Temporary distribution of the current-year profit	13,245,294,819	12,906,658,801
Dividends paid	*12,035,264,000*	*12,035,264,000*
Profit distributed to partners under cooperation-investment agreements.	*1,210,030,819*	*871,394,801*
Retained earnings	**31,883,383,888**	**25,378,996,618**

The Company made distribution of last year's profit in accordance with the Resolution of 2016 Annual Shareholders Meeting No. 06/NQ-DHDCD-DVDN dated 22 Aprill 2016. In addition, the Company made temporary distribution of current year's profit in accordance with the Minute of Board of Directors No. 10/ND-HDQT dated 05 September 2016.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.17. Off statement of financial position items

	As at 31/12/2016 VND	As at 01/01/2016 VND
+ USD	356,875.09	185,413.29

5.18. Revenue from selling goods and rendering services

	Year 2016 VND	Year 2015 VND
Revenue:		
Sale of merchandise	19,173,075,414	19,230,407,762
Sale of finished goods	7,042,342,000	11,204,457,100
Rendering of services	274,004,632,988	202,916,869,162
Total	**300,220,050,402**	**233,351,734,024**

5.19. Deductions

	Year 2016 VND	Year 2015 VND
Trade discounts	3,231,119,435	4,513,308,818
Allowances	7,000,000	1,200,000
Sales returns	869,913,000	603,219,400
Total	**4,108,032,435**	**5,117,728,218**

5.20. Cost of sales

	Year 2016 VND	Year 2015 VND
Cost of merchandise sold	10,394,837,977	10,640,640,078
Cost of finished goods sold	7,095,950,233	10,433,438,588
Cost of services rendered	199,249,555,886	137,943,667,643
Total	**216,740,344,096**	**159,017,746,309**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.21. Financial income

	Year 2016 VND	Year 2015 VND
Deposit and loan interest	146,256,147	143,660,564
Realized gains from exchange differences	319,947,060	552,287,038
Unrealized gains from exchange differences	53,378,912	-
Purchase discounts	30,151,202	39,598,022
Total	**549,733,321**	**735,545,624**

5.22. Financial expense

	Year 2016 VND	Year 2015 VND
Interest expense	1,030,634,458	419,143,552
Realized losses from exchange differences	80,341,461	81,246,027
Unrealized losses from exchange differences	-	228,037,500
Total	**1,110,975,919**	**728,427,079**

5.23. Selling expense

	Year 2016 VND	Year 2015 VND
Salaries	3,515,824,090	2,953,860,333
Other outsourced services expenses	3,431,205,248	1,279,825,630
Other selling expenses	968,119,317	2,970,191,472
Total	**7,915,148,655**	**7,203,877,435**

5.24. General and administration expense

	Year 2016 VND	Year 2015 VND
Salaries	9,449,398,780	7,332,539,498
Out-sourced services	1,083,704,006	1,192,879,347
Other expenses	7,276,139,002	6,248,980,892
Total	**17,809,241,788**	**14,774,399,737**

5.25. Other income

	Year 2016 VND	Year 2015 VND
Re-used goods	98,410,434	147,397,557
Purchase support	271,620,000	791,320,000
Other income	22,125,808	12,230,309
Proceeds from disposal of assets	2,711,562,459	141,818,182
Total	**3,103,718,701**	**1,092,766,048**

5.26. Other expense

	Year 2016 VND	Year 2015 VND
Bonus for re-used goods	43,102,598	45,976,726
Destroyed goods expenses	11,951,560	41,990,518
Other expenses	510,921,334	179,646,372
Total	**565,975,492**	**267,613,616**

5.27. Current corporate income tax expense

	Year 2016 VND	Year 2015 VND
Accounting profit before tax	55,623,784,039	48,070,253,302
Adjustments to arrive to taxable income	513,698,001	211,785,267
Increase adjustments (improper expenses)	513,698,001	211,785,267
Decrease adjustments	-	-
Total taxable income	56,137,482,040	48,282,038,569
Taxable income of driver training centres	2,813,681,453	2,164,685,020
Taxable income from activities eligible for tax incentives	2,679,224,552	2,046,521,055
Taxable income from other activities	134,456,901	118,163,965
Taxable income of the Company	53,323,800,587	46,117,353,549
Corporate income tax rate		
Activities egilible for tax incentives	10%	10%
Activities inegilible for tax incentives	20%	22%
Corporate income tax	11,227,496,405	10,622,048,486
Activities egilible for tax incentives	535,844,910	450,234,633
Activities inegilible for tax incentives	10,691,651,495	10,171,813,853
Tax exemption, reductions	267,922,455	245,582,527
Current corporate income tax expense	**10,959,573,950**	**10,376,465,959**

5.28. Production and business costs by elements

	Year 2016 VND	Year 2015 VND
Raw materials	113,266,470,838	79,014,760,537
Labor	68,857,519,936	47,996,455,360
Depreciation and amortization	18,227,643,285	11,621,127,199
Out-sourced services	22,991,254,194	17,170,065,661
Other cash expenses	19,145,158,789	14,522,460,741
Total	**242,488,047,042**	**170,324,869,498**

5.29. Basic earnings per share

	Year 2016 VND	Year 2015 VND
Accounting profit after corporate income tax	44,664,210,089	37,693,787,343
Bonus and welfare fund	-	600,000,000
Profits distributed under BCC agreements	1,210,030,819	871,394,801
Weighted average number of outstanding shares	3,008,816	3,008,816
Earnings per share	**14,442**	**12,039**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.30. Diluted earnings per share

	Year 2016 VND	Year 2015 VND
Accounting profit after corporate income tax	44,664,210,089	37,693,787,343
Welfare fund	-	600,000,000
Profit (loss) attributable to the common shareholders	1,210,030,819	871,394,801
Weighted average number of outstanding shares	3,008,816	3,008,816
Number of common shares intended to issue (*)	1,263,677	-
Diluted earnings per share	**10,171**	**12,039**

(*) 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 (including Danang Catering Factory Construction Project).

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

6.1. Cash receipts from loans in the year

	Year 2016 VND	Year 2015 VND
Cash receipts from loans under nomal contracts	20,100,595,191	9,791,519,863
Total	**20,100,595,191**	**9,791,519,863**

6.2. Cash repayments of principal amounts borrowed

	Year 2016 VND	Year 2015 VND
Cash repayments of principal amounts under normal contracts	17,336,039,577	2,073,189,193
Total	**17,336,039,577**	**2,073,189,193**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. SEGMENT REPORTING

According to Vietnamese Accounting Standard No. 28 and the Circular guiding this standard, the Company is required to prepare segment report. Segment is a distinguishable component of the Company that is engaged in providing related products or services (a business segment) or providing products or services within a particular economic environment (a geographical segment) and that is subject to risks and returns that are different from those of other segments. The Chairman of the Board of Directors and the Management of the Company assess that the main business of the Company is rendering the services related to air transport (flight catering, flight crew transport...) and three main geographical segments are Danang City, Khanh Hoa Province and Thua Thien Hue Province. Therefore, the Company disclose the segment report by geographical segments in which the Company operates.

Details of operation by geographical segments are as follow:

	Danang City		Khanh Hoa Province		Thua Thien Hue Province		Total	
	Year 2016	Year 2015	Year 2016	Year 2015	Year 2016	Year 2015	Year 2016	Year 2015
Revenue	146,931,102,143	133,352,903,153	137,792,484,151	86,421,378,625	15,496,464,108	13,577,452,246	300,220,050,402	233,351,734,024
Deductions	2,445,999,077	3,512,429,408	1,389,877,170	1,294,118,182	272,156,188	311,180,628	4,108,032,435	5,117,728,218
Cost of sales	115,831,176,682	100,364,830,090	89,426,468,234	48,576,314,203	11,482,699,180	10,076,602,016	216,740,344,096	159,017,746,309
Gross profit	28,653,926,384	29,475,643,655	46,976,138,747	36,550,946,240	3,741,608,740	3,189,669,602	79,371,673,871	69,216,259,497
Fixed assets	42,479,698,290	47,982,062,465	22,481,891,112	18,153,085,404	7,671,412,853	2,653,077,209	72,633,002,255	68,788,225,078
- Cost	*101,071,876,962*	*107,112,229,531*	*36,582,220,699*	*27,859,105,154*	*18,488,109,147*	*5,290,987,334*	*156,142,206,808*	*140,262,322,019*
- Accumulated depreciation	*(58,592,178,672)*	*(59,130,167,066)*	*(14,100,329,587)*	*(9,706,019,750)*	*(10,816,696,294)*	*(2,637,910,125)*	*(83,509,204,553)*	*(71,474,096,941)*

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. RELATED PARTIES

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

List of related parties	Relationship
Vietnam Airlines Corporation	Investor
Board of Directors and Management	Key management personnel

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

	As at 31/12/2016 VND	As at 01/01/2016 VND
Trade Receivables:		
Vietnam Airlines Corporation	3,370,612,259	7,686,671,003
Total	**3,370,612,259**	**7,686,671,003**

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

	Year 2016 VND	Year 2015 VND
Rendering services:		
Vietnam Airlines Corporation	100,122,070,201	51,414,082,753
Total	**100,122,070,201**	**51,414,082,753**

	Year 2016 VND	Year 2015 VND
Dividends paid		
Vietnam Airlines Corporation	13,024,860,000	12,482,157,500
Total	**13,024,860,000**	**12,482,157,500**

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

	Year 2016 VND	Year 2015 VND
Remuneration of Board of Directors, Control Committee	144,000,000	102,000,000
Remuneration of the Management	2,053,032,409	2,187,313,189
Total	**2,197,032,409**	**2,289,313,189**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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;

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

	As at 31/12/2016 VND	As at 01/01/2016 VND
Financial assets:		
Cash and cash equivalents	23,823,012,137	14,181,285,143
Trade receivables	16,402,708,412	16,427,892,985
Other receivables	110,295,109	321,646,974
Total	**40,336,015,658**	**30,930,825,102**
Financial liablities:		
Loans	16,862,306,160	14,041,375,759
Trade and other payables	29,511,353,767	23,999,895,942
Accrued expenses	435,639,726	12,000,400
Total	**46,809,299,653**	**38,053,272,101**

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	Payables VND	Total VND
Less than 1 year	4,204,260,800	26,306,993,493	30,511,254,293
From 1 to 3 years	12,658,045,360	3,640,000,000	16,298,045,360
As at 31 Dec. 2016	**16,862,306,160**	**29,946,993,493**	**46,809,299,653**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	Borrowings VND	Payables VND	Total VND
Less than 1 year	5,753,715,079	20,371,896,342	26,125,611,421
From 1 to 3 years	8,287,660,680	3,640,000,000	11,927,660,680
As at 01 Jan. 2016	**14,041,375,759**	**24,011,896,342**	**38,053,272,101**

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.

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 2016 VND	Year 2015 VND
Financial liabilities		
Under floating interest rate	14,462,128,697	10,992,975,280
Under fixed interest rate	2,400,177,463	3,048,400,479
Total	**16,862,306,160**	**14,041,375,759**

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, 24 January 2017

Phan Huu Tam
Ke toan truong

Nguyen Thi Minh Huyen
Preparer

DANANG AIRPORT SERVICE JOINT STOCK COMPANY

GENERAL DIRECTOR

NGUYEN THANH DONG